

Suggested Talking Points on Potential Repeal of ACA Medicaid Expansion, Capping Medicaid Funding

In their [Obamacare Repeal and Replace Policy Brief](#), U.S. House leaders are calling for repealing of the Affordable Care Act's Medicaid expansion and capping federal Medicaid payments to states. Below are suggested talking points for hospital leaders to use with their elected officials.

OVERALL MESSAGES

- The Illinois Health and Hospital Association and the Illinois hospital community strongly support ensuring access to healthcare coverage.
- 650,000 Illinoisans have obtained coverage under the ACA's Medicaid expansion.
- Repealing Medicaid expansion and going to a capped funding system would do great harm to ALL patients, hospitals and the healthcare delivery system, the state budget, and the state's economy.
- Illinois is now getting shortchanged in federal Medicaid funding – going to a capped funding system would lock the state into its current LOW level and put it at a competitive disadvantage for years to come.
- We know that the intent of the capped funding proposal is to lower federal spending on the Medicaid program.
- Congress should SLOW DOWN – First, do no harm. Drastic changes to Medicaid will end up costing more (to the healthcare system and state budgets) and causing great damage to the healthcare delivery system and to patients.

IMPACT ON ALL PATIENTS

Impact of Medicaid expansion repeal:

- Many of the 650,000 Illinoisans may not have had coverage before Medicaid expansion or may not have had it for many years.
- If they lose their coverage, they could again be in the difficult situation of delaying getting care when they are sick or injured, or not seeking care at all.
- As their last and only resort, they will go to the emergency room when they are sicker, with the care being more costly than if they had sought treatment earlier – whether in a physician's office or in an outpatient clinic, etc.

- Or they may not try to get treatment at all because they are concerned that they can't pay for their treatment.
- It's important that patients have coverage so they can get the care they need it, when they need it, in the most appropriate setting.

Impact of Medicaid capped funding – per capita caps or block grants:

- House proposals want to cut federal funding of Medicaid by \$1 Trillion over 10 years – through per capita caps or block grants – shifting substantial costs to the states.
- ALL patients would be hurt:
 - Medicaid patients: States would be forced to reduce eligibility (covering fewer people – so more uninsured), reduce covered services (e.g., mental health, dental, vision, drugs, etc.) and cut rates/payments to providers.
 - Non-Medicaid patients: with more people being uninsured, the costs for caring for them will drive up healthcare costs and health insurance premiums for everyone else.
- Because of reduced reimbursements, hospitals could be forced to eliminate services, not hire physicians and nurses, and delay facility/technology improvements – that affects ALL patients.

IMPACT ON THE STATE BUDGET

- If the Medicaid expansion is repealed, that would mean the loss of at least \$3.2 billion a year in federal funding.
- Under Illinois' Medicaid expansion legislation passed in 2013 (Senate Bill 26/PA98-104), there is a provision that if the federal matching rate drops below 90%, the coverage for the expansion population – 650,000 Illinoisans – ceases in 90 days.
- That means to continue coverage for the expansion population at Illinois' regular 50% federal matching rate, Illinois would have to provide at least \$1.6 billion in state funds. Illinois cannot absorb such a huge financial hit and maintain coverage for the 650,000 Illinoisans covered under Medicaid expansion.
- Illinois now ranks 50th in the country in federal funding support per Medicaid beneficiary and has one of the lowest federal matching rates.
- Example of the federal funding inequity – even though Illinois is a larger state with more Medicaid beneficiaries than Ohio, it received \$4.6 billion less than Ohio in federal

Medicaid funding in Federal Fiscal Year 2015 (the most recent year available for this data).

- Per capita caps or block grants would lock Illinois into low and insufficient federal funding levels – putting Illinois at a greater disadvantage compared to other states.
- Reduced federal funding would put great pressure on the state budget – Illinois is not well positioned or able to absorb new costs that would be shifted to the state.
- If federal Medicaid funding is reduced, through repeal of the expansion and a capped funding system, Illinois would face the difficult decision to reduce state spending on other priorities, such as education, OR reduce Medicaid eligibility, benefits/services, and reimbursements to providers, OR increase state taxes.
- There is little flexibility under a capped funding system – federal funding to the state would NOT adjust for future developments such as new/higher costs for drugs and technology (per capita allotment) – or for higher enrollment due to an economic downturn/recession (block grant). The state would have to either cover those new costs in its budget OR reduce eligibility, services, and reimbursements to providers.

IMPACT ON THE STATE'S ECONOMY

- If Medicaid expansion is repealed and Illinois loses \$3.2 billion in federal funding, our estimates are that the state would sustain \$7.6 billion to \$8.4 billion in reduced annual economic activity, resulting in 55,250 to 60,750 lost jobs.
- Illinois hospitals are among the TOP THREE employers in many counties across the state, generating an annual economic impact of nearly \$89 Billion annually, and generating nearly half a million direct and indirect jobs.
- Healthcare is a critical sector of the state's economy – 1 in 10 jobs in Illinois is in healthcare.
- Over the past 15 years, while total employment in Illinois has declined by 1.5 percent, healthcare employment in the state grew by 26 percent.

IMPACT ON HOSPITALS

- Many hospitals across Illinois are struggling financially. More than 40 percent are losing money (in the red) or have extremely thin operating margins.
- If Medicaid expansion is repealed and/or federal Medicaid funding support for Illinois is reduced (and locked in at its current low level) through a capped system, many of our

hospitals will be in dire straits financially and face very difficult decisions concerning laying off staff, not hiring physicians and nurses, reducing services, and delaying needed facility and technology improvements.

- Since the Medicaid expansion went into effect, our hospitals and the state have worked to transform and strengthen the Medicaid program.
- Illinois has moved two-thirds of its Medicaid population (more than 2 million people) into managed care, in an effort to better coordinate care for better outcomes and lower costs.
- Financially, Medicaid expansion has resulted in lower uncompensated costs for hospitals to treat uninsured patients – they are now receiving payments for services that were previously uncompensated (e.g., bad debt or charity care).
- As a result, hospitals have been able to implement new innovative models of healthcare delivery and quality improvement/patient safety initiatives – to deliver high-quality healthcare at lower costs.
- A capped federal funding system would undermine investments already made by hospitals and stifle future innovation – as more care is uncompensated.

IHA AND HOSPITALS READY/WILLING TO WORK WITH EVERYONE – WHAT’S NEEDED

- It is critical that everyone is aware of the state’s long-standing federal funding inequity and how capping federal Medicaid funding will hurt ALL Illinoisans – including patients, businesses and taxpayers.
- Maintaining a strong federal-state partnership is needed to keep the Medicaid program viable and help continue the transformation of healthcare delivery in Illinois.
- It is critical that Illinois receive its fair share of federal funding – including the current funding for the Medicaid expansion population.
- Congress needs to proceed carefully and cautiously before making major changes to Medicaid – slow down, don’t rush into decisions that could have long-lasting negative consequences.