



Campaign for Better Health Care and Families USA

April 25, 2012



*The Voice of Illinois Consumers*

### **About the Campaign for Better Health Care**

We believe that accessible, affordable, quality health care is a basic human right for ALL people.

The Campaign for Better Health Care is the state's largest coalition representing over 300 diverse organizations, working to help create and advocate for an accessible, quality health care system for all. For more information, visit

[www.cbhconline.org](http://www.cbhconline.org).



### **About Families USA**

As a national, nonprofit, nonpartisan organization and a leading voice for health care consumers, Families USA has been fighting for health care justice for more than 25 years. We seek high-quality, affordable health care for all Americans and engage in research and public education to promote improvements in the health care system. For more information, visit

[www.familiesusa.org](http://www.familiesusa.org).



**G**overnor Quinn has proposed Medicaid cuts that his own senior health advisor calls “overwhelming.”<sup>1</sup> The Governor wants to cut Medicaid by \$2.7 billion in one year—about an 18 percent reduction in Medicaid spending.<sup>2</sup> He says these deep cuts are needed to balance Illinois’ budget.

But what Medicaid cuts at that level would really do is hurt Illinois’ economy, its health care providers, and the Illinoisans who depend on Medicaid for health care.

Medicaid pays for health care for low-income Illinoisans. That is vital. But Medicaid does even more than that. It brings new federal money into the state, money that helps grow the state’s economy; helps keep the doors of Illinois’ hospitals and nursing homes open; serves as a safety net for seniors and people with disabilities and their families; helps Illinois children get a healthy start in life, which is an investment in our future; and helps those who have lost their jobs and their job-based insurance receive the health care they and their families need during down economic times.

The cuts Governor Quinn is proposing would put these economic and health benefits at risk. We do need to manage Medicaid spending to make sure the program works efficiently, but cutting nearly 18 percent of the program in one year is not the way to do it. There are sound alternatives to blunt cuts—thoughtful solutions for Illinois Medicaid that do not jeopardize the state’s economic growth, including the following:

- increasing use of provider-based care coordination that targets high-cost patients;
- building on the successful Primary Care Case Management program that has already saved the Medicaid program more than \$400 million since 2007;<sup>3</sup>
- facilitating new coordinated care entities; and
- participating in the Medicare/Medicaid Alignment Initiative for dual eligibles.

A thoughtful approach to Medicaid solutions will serve the people of Illinois as well as the state’s economy. Attempted quick fixes can have a long-term negative impact on both.



## Medicaid Contributes to Illinois' Economy

Medicaid is a partnership funded by both states and the federal government. For every dollar Illinois spends on Medicaid, the state receives a little more than one dollar in federal matching funds to help finance the program.<sup>4</sup> That federal match brings new money into the state—money that the state would not otherwise have.

That new money helps create jobs and stimulate economic growth. Each dollar creates successive rounds of spending. For example, hospitals use Medicaid money to pay nurses' salaries, and nurses use part of their salaries to buy goods from local businesses. That helps local businesses prosper. Each Medicaid dollar generates more than a dollar in economic activity because of these successive rounds of spending.

The converse is also true. Just as state Medicaid spending brings new federal money into the state, state cuts in Medicaid cause the state to lose federal dollars. Every dollar Illinois cuts from its Medicaid program means a little more than a dollar in federal funding that is lost from Illinois' economy. Because of the federal match, more than half of Governor Quinn's proposed \$2.7 billion cut—more than \$1.35 billion—is lost federal funding.<sup>5</sup> That has a strong negative ripple effect throughout the state's economy.

### ■ Medicaid cuts mean lost jobs, lost business activity

Table 1 shows how Illinois' economy would be affected at different levels of cuts in state Medicaid spending.

A 5 percent reduction in state Medicaid spending would place more than 7,000 jobs at risk and cost the state an estimated \$923 million in business activity.<sup>6</sup> A 10 percent reduction would put more than 14,400 jobs at risk and cost the state an estimated \$1.85 billion in lost business activity.<sup>7</sup>

Governor Quinn has proposed a cut of nearly 18 percent to Medicaid. If he succeeds, more than 25,600 Illinois jobs will be put at risk and business activity will be reduced by an estimated \$3.3 billion.<sup>8</sup> The losses in jobs and business activity would be felt throughout Illinois' health care system, and throughout Illinois' economy.

Table 1.

Estimated Impact on Jobs and Business Activity from Cuts in State Medicaid Spending

| Spending Reduction     | Jobs at Risk | Lost Business Activity (in millions) |
|------------------------|--------------|--------------------------------------|
| 5%                     | 7,208        | \$923.2                              |
| 10%                    | 14,416       | \$1,846.5                            |
| 18% (Quinn's proposal) | 25,615       | \$3,280.8                            |

Source: Families USA Medicaid Calculator, estimating impact of cuts in Illinois state Medicaid budget, available online at <http://www.familiesusa.org/issues/medicaid/calculator/>.



## Medicaid Is Critical to Illinois' Health Care Providers

### ■ Hospitals depend on Medicaid

In Illinois, Medicaid pays for more than one in every five hospital discharges.<sup>9</sup> Hospitals depend on the program to help them keep their doors open, to stay properly staffed, and to have up-to-date equipment so that they can provide quality care to all Illinoisans.

Keeping hospitals strong is good for the health of Illinoisans, and the health of Illinois' economy. The state's hospitals employ more than 240,000 people and have a combined annual payroll exceeding \$11.3 billion.<sup>10</sup> In addition to the jobs they generate for their own employees, Illinois' hospitals create jobs throughout the economy. They turn to local businesses for the services they need—from construction to information systems support, financial management, security, and food services. With revenues exceeding \$30 billion, they are a major economic force in the state.<sup>11</sup>

Traditionally, Illinois hospitals have found creative ways to partner with the state to ensure access to care and to maximize resources to support the Medicaid program. For example, through the provider assessment program, hospitals essentially self-finance a large proportion of their payment rates and draw down the federal match to double the impact of each state dollar.

Large cuts to Medicaid would not only hurt patient access to care but also reduce hospital services and the economic activity hospitals generate.

### ■ Nursing homes depend on Medicaid

The state's 784 nursing facilities also depend on Medicaid.<sup>12</sup> More than 60 percent of all Illinois nursing home residents—that's more than 47,000 seniors or people with disabilities—have Medicaid as the primary payer for their care.<sup>13</sup> Nursing facilities depend on Medicaid to stay in operation and ensure adequate staff to provide safe and proper care to residents.

Cuts in Medicaid could put the care of nursing facility residents at risk. Cuts could mean jobs lost for facilities' employees, such as aides, nurses, pharmacists, and facility maintenance and management staff. Inadequate staffing lessens the quality of care that facilities are able to provide.

### ■ Health care workers depend on Medicaid

In the last three years, the health care sector added 39,400 jobs in this state, despite the harsh economic times. Illinois' health care workers depend on Medicaid to keep the system they work in strong. That includes more than 120,000 registered nurses, 34,000 physicians, and more than 130,000 direct-care workers providing long-term care in nursing facilities and in people's homes.<sup>14</sup> These workers are on the front line in care delivery. They are also the ones whose jobs would be most directly at risk with Medicaid cuts.



## Medicaid Helps Illinois Seniors, Illinoisans with Disabilities, and Their Families

### ■ Illinois seniors and people with disabilities who need long-term care depend on Medicaid

More than 23 percent of Illinois seniors and people with disabilities rely on Medicaid to help pay for their care.<sup>15</sup> That's more than half a million Illinoisans.<sup>16</sup> A large number of them depend on Medicaid to pay for long-term care—both nursing home care and community-based services that help them stay out of nursing homes. For more than 173,000 Illinoisans, Medicaid provides home- and community-based services that make it possible for them to avoid a nursing home.<sup>17</sup> Many of them depend on Medicaid because they have exhausted their savings, and have no other source of payment.

Medicaid cuts could mean that many would lose the home care support that makes it possible for them to remain living in the community. They might need to turn to more costly nursing homes for their care. For those who reside in nursing homes, steep Medicaid cuts could put their care at risk. Nursing homes might have to reduce services or even close, forcing residents to relocate. That's hard on residents and their families.

### ■ Caregivers depend on Medicaid

Medicaid not only improves the lives of Illinois seniors and people with disabilities who need long-term services, but it helps their families as well. An estimated 2.4 million Illinoisans are informal caregivers.<sup>18</sup> They help take care of a spouse, a parent, a child, other relatives, or friends who need long-term care. Many of them are caring for someone who relies on Medicaid.

The services Medicaid provides allow caregivers to maintain their jobs, take care of their families, or simply rest when they need to, thus helping to reduce the significant strain that comes with caregiving. Caregiving responsibilities are associated with increased hospitalization, depression, overall poor health, and higher mortality.<sup>19</sup> Caregiving also has an economic impact on caregivers. About one-third of caregivers reduce their work hours, one-third cut back on household spending, and a quarter postpone their own medical care because of caregiving responsibilities.<sup>20</sup>

Illinois Medicaid provides adult day services, training, and other services to support informal caregivers so that they can better look after those they care for and themselves. Deep cuts in state Medicaid spending puts those supports at risk and threatens to increase the burden on caregivers.



## Medicaid Helps Build a Better Long-Term Care Infrastructure for Everyone in Illinois

Illinois is facing a shortage of direct-care workers—personal aides, home care workers, and nursing aides—who provide services that allow people who need long-term care to keep living in their homes. The state will need to increase the direct-care workforce by 31 percent over 2008 levels to meet demand by 2018.<sup>21</sup>

Medicaid is, by far, Illinois' largest payer for long-term care. Cuts to the program affect the entire long-term care workforce. Cuts could mean reduced payment to nursing homes and home-health providers. Payment reductions could seriously hamper efforts to build up the long-term care workforce. That could affect the quality and availability of care for everyone needing long-term services, whether in nursing homes or in the community, and whether paid for by Medicaid or not.

## Medicaid Helps Illinois Children

### ■ Illinois children deserve a healthy start in life

For nearly 1.38 million Illinois children, Medicaid helps ensure a healthy start in life.<sup>22</sup> Because of Medicaid, families can afford to take their children to the doctor for the care they need. That makes a difference in how well they will do in the future.

Children with health insurance are generally healthier throughout their childhood and into their teens.<sup>23</sup> Better health correlates with better school performance and greater success later in life.<sup>24</sup> For children without health insurance, health problems may interfere with school attendance and performance, which, in turn, may result in fewer employment opportunities in their future.

The families who rely on Medicaid to pay for their children's health care generally do not have other options for affordable care. Without Medicaid, their children would go without health coverage. Cutting Medicaid puts children's health at risk, and that can reduce their opportunities in the long-term. Investing in Medicaid is investing in Illinois' future.

## Medicaid Helps Illinoisans in Tough Economic Times

### ■ Medicaid helps people get back on their feet

During a recession, Medicaid helps ensure that people have access to the health care they need if they lose their jobs, have their hours reduced, or lose their health care benefits. That makes a difference in their ability to stay healthy and get back on their feet.

When people have no health insurance (private or public), they are more likely to incur medical debt.<sup>25</sup> Medical debt is a leading cause of bankruptcies and home foreclosures.<sup>26</sup> Medical debt can force individuals to make nearly impossible decisions



about basic necessities: delaying rent or mortgage payments, incurring credit card debt, or being unable to pay for food so that they can afford their medical care. These choices can hurt individuals' credit, which can make it harder for them to eventually get a job. They can also affect communities. Communities suffer when residents accumulate debt, miss payments, experience foreclosure and homelessness, and forgo spending outside of health care.

## Cutting Medicaid Shifts Costs to the Health System and Illinois Consumers

Cutting Medicaid can generate some short-term savings, but there is a cost. There is a cost in terms of unmet medical need and increased sickness for those who lose coverage. There is a cost to children who, lacking medical care, fall behind in school. There is an economic cost in terms of lost jobs and reduced business activity.

There is also a cost to the health care system. Medical costs don't go away when Medicaid is cut. The people who lose coverage still get sick and eventually go to the emergency room, and by that time, they are often sicker and more costly to treat. Manageable health problems may deteriorate and ultimately lead to hospitalizations and emergency room visits that could have been prevented.<sup>27</sup> Often, a portion of those costs go unpaid.

The cost of that uncompensated care is passed on to consumers, employers, and businesses in the form of higher insurance premiums. It is estimated that, in 2008, family coverage cost \$1,017 more because of higher premium charges that resulted from insurers passing along the costs of uncompensated care.<sup>28</sup>

## There Are Better Ways to Manage Medicaid Costs

Short-sighted cuts can have long-term negative effects on Illinois' economy. It is important that Illinois Medicaid provide the most cost-effective care possible. That's good for patients and for the program's long-term fiscal sustainability. But there's a right way and a wrong way to approach Medicaid cost saving. Done right, with adequate safeguards to make sure that people can get the care they need, cost-saving measures can make sense for the state and for the Illinoisans who use Medicaid.

Those include the following:

- Expand coordinated care in Medicaid to improve access and quality, while controlling costs. The state should build on provider-based care coordination models, including Primary Care Case Management, which hold the greatest promise for long-term success. An HMO-dominated model is not a "silver bullet" and may divert scarce resources from the state's health care system (and the state's economy) to HMO shareholders and overhead, including HMOs located outside of Illinois.





- Take advantage of opportunities to get enhanced federal matching money for expanding home- and community-based services. For example, Community First Choice Option is a state Medicaid plan option in the Affordable Care Act that gives states enhanced federal payments for expanding home- and community-based care in Medicaid. Expanding those services reduces Medicaid costs over time.
- Pursue new care coordination initiatives, such as those developing under the State's Care Coordination Innovations Project and the joint federal-state integration contracts available under the Affordable Care Act, to promote financial and care integration between Medicaid and Medicare for individuals who are eligible for both. Dual eligibles make up only a small percentage of the Medicaid population, but use a large percentage of Medicaid resources. Care coordination programs that target high-cost patients have the potential to provide the greatest savings to the systems while improving patient care.

These are thoughtful reforms. They don't simply slash the Medicaid budget by 18 percent in one year. Blunt cuts will hurt people in Medicaid; pass costs onto Illinois health care consumers, employers, and businesses; affect health care quality for all Illinoisans; and put jobs at risk. Thoughtful reform would look to improve the Medicaid system. That would produce sustainable savings and improve care. That's better for Illinois and Illinoisans.

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## Endnotes

<sup>1</sup> Carla K. Johnson, "Quinn's Health Adviser Say[s] Medicaid Cuts 'Overwhelming,'" *JournalStar*, February 23, 2012, available online at <http://www.pjstar.com/free/x219671435/Quinns-senior-health-adviser-says-getting-to-2-7-billion-will-require-everything-to-be-considered-by-lawmakers>.

<sup>2</sup> Governor's Office of Management and Budget, *Fiscal Year 2011 Budget: Healthcare and Family Services* (Springfield: August 2010), available online at <http://www2.illinois.gov/budget/Documents/Budget%20Book/FY%202011/FY2011%20Budget%20By%20Agency%20080210.pdf>; Illinois Department of Healthcare and Family Services, *Menu of Possible Options for Medicaid Liability and Spending Reductions* (Springfield: February 22, 2012), available online at [http://www2.illinois.gov/hfs/agency/Documents/022212\\_presentation.pdf](http://www2.illinois.gov/hfs/agency/Documents/022212_presentation.pdf), accessed March 6, 2012. The Department notes that proposed cuts are in gross dollars, covering both state spending and the federal matching funds.

<sup>3</sup> Illinois Department of Healthcare and Family Services, *Annual Report, Medical Assistance Program, Fiscal Years 2009, 2010, and 2011*, page 40 (March 30, 2012), available online at <http://www2.illinois.gov/hfs/agency/documents/2011annualreport.pdf>, accessed April 18, 2012. Estimate based on an evaluation of the Illinois Medicaid Patient-Centered Medical Home Program 2006-2010 by the Robert Graham Center for Policy Studies in Family Medicine and Primary Care (Washington, DC), available upon request from Families USA.

<sup>4</sup> Illinois' basic federal Medicaid match for 2011 was 50.2 percent.

<sup>5</sup> Families USA's calculation is based on \$2.7 billion in Medicaid cuts at a federal matching rate of 50.2 percent.

<sup>6</sup> Based on 2010 Illinois Medicaid spending and the current 50.2 percent federal match rate, a 5 percent cut in state Medicaid spending would be a reduction of \$378.4 million. Estimates for jobs at risk and lost business activity are from Families USA's Medicaid Calculator using state spending cuts at that level. The calculator is available online at <http://www.familiesusa.org/issues/medicaid/calculator/state-calculator.html?state=Illinois>. The calculator was updated in June 2011.

<sup>7</sup> Based on 2010 Illinois Medicaid spending and the current 50.2 percent federal match rate, a 10 percent cut would be a reduction in state Medicaid spending of \$756.8 million. Estimates for jobs at risk and lost business activity are from Families USA's Medicaid Calculator using state spending cuts at that level. The calculator is available online at <http://www.familiesusa.org/issues/medicaid/calculator/state-calculator.html?state=Illinois>. The calculator was updated in June 2011.



<sup>8</sup> A \$2.7 billion cut in total Medicaid spending (state and federal) at a federal matching rate of 50.2 percent would be a state spending reduction of \$1,344,600,000. Jobs at risk and lost business activity are based on that level of state cuts using Families USA's Medicaid Calculator, available online at <http://www.familiesusa.org/issues/medicaid/calculator/state-calculator.html?state=Illinois>. The calculator was updated in June 2011.

<sup>9</sup> State statistics are from HCUP State Inpatient Databases 2010, Agency for Healthcare Research and Quality (AHRQ), based on data for hospital discharges by payer, collected by the Illinois Department of Public Health and provided to AHRQ.

<sup>10</sup> U.S. Census Bureau's 2007 Economic Census, released on August 31, 2010, Sector 62: Health Care and Social Assistance: Geographic Area Series Summary Statistics: 2007.

<sup>11</sup> Ibid.

<sup>12</sup> Statehealthfacts.org, *Total Number of Certified Nursing Facilities, 2010* (Kaiser Family Foundation State Health Facts, 2010), available online at <http://statehealthfacts.org/comparemappable.jsp?ind=411&cat=8>, accessed March 2, 2012.

<sup>13</sup> 63 percent of Illinois' 74,721 nursing facility residents, or 47,074 individuals, have Medicaid as their primary payer. Sources: Statehealthfacts.org, *Distribution of Certified Nursing Facility Residents by Primary Payer Source, 2010* (Kaiser Family Foundation State Health Facts, 2010), available online at <http://statehealthfacts.org/comparebar.jsp?ind=410&cat=8;statehealthfacts.org>, accessed March 3, 2012; *Total Number of Residents in Certified Nursing Facilities, 2010* (Kaiser Family Foundation State Health Facts, 2010), available online at <http://statehealthfacts.org/comparemappable.jsp?ind=408&cat=8>, accessed March 3, 2012. Calculations by Families USA.

<sup>14</sup> Statehealthfacts.org, *Total Employed Registered Nurses, 2010* (Kaiser Family Foundation State Health Facts, 2010), available online at <http://statehealthfacts.org/comparemappable.jsp?ind=438&cat=8>, accessed March 5, 2012; PHI Data Center, "Illinois: Size of the Direct Care Workforce, 2009," *PHI National*, 2009, available online at <http://phinational.org/policy/states/illinois/>, accessed March 5, 2012; Statehealthfacts.org, *Total Professionally Active Physicians, February 2012* (Kaiser Family Foundation State Health Facts, 2012), available online at <http://statehealthfacts.org/comparemappable.jsp?ind=934&cat=8>, accessed March 5, 2012. Direct care workers include home health aides, nursing aides, and personal care workers who provide long-term care.

<sup>15</sup> Dee Mahan and Kim Bailey, *Cutting Medicaid: Harming Seniors and People with Disabilities Who Need Long-Term Care* (Washington: Families USA, May 2011).

<sup>16</sup> Ibid.

<sup>17</sup> Kaiser Commission on Medicaid and the Uninsured, *Medicaid Home- and Community-Based Services Programs: Data Update* (Washington: Kaiser Family Foundation, February 2011).

<sup>18</sup> AARP Public Policy Institute, *Valuing the Invaluable: 2011 Update, The Economic Value of Family Caregiving in 2009* (Washington: AARP, June 2011), available online at <http://assets.aarp.org/rgcenter/ppi/ltc/fs229-ltc.pdf>. Estimated number of Illinoisans who are caregivers at some point of time during a year.

<sup>19</sup> Dee Mahan and Kim Bailey, op cit.

<sup>20</sup> Evercare and National Alliance for Caregiving, *Family Caregivers: What They Spend, What They Sacrifice* (Minnetonka, MN: Evercare, November 2007).

<sup>21</sup> PHI, "State-By-State Projected Demand for New Direct-Care Workers, 2008-2018," *PHI National*, available online at <http://www.directcareclearinghouse.org/download/statebystate-DCWdemand-20082018.pdf>.

<sup>22</sup> Statehealthfacts.org, *Distribution of Medicaid Enrollees by Enrollment Group, FY 2008* (Kaiser Family Foundation State Health Facts, 2008), available online at <http://statehealthfacts.org/comparemappable.jsp?typ=1&ind=200&cat=4&sub=52>, accessed March 6, 2012. Figure does not include the 329,000 children enrolled in Illinois' CHIP (Children's Health Insurance Program).

<sup>23</sup> Centers for Medicare and Medicaid Services, [insurekidsnow.gov](http://www.insurekidsnow.gov/qa/index.html), available online at <http://www.insurekidsnow.gov/qa/index.html>, accessed on July 21, 2011.

<sup>24</sup> Anne Case and Christina Paxson, "Children's Health and Social Mobility," *The Future of Children* 16, no. 2 (2006): 151-173.

<sup>25</sup> Amy Finkelstein et al., *The Oregon Health Insurance Experiment: Evidence from the First Year* (Cambridge, MA: National Bureau of Economic Research, July 7, 2011), available online at <http://econ-www.mit.edu/files/6796>.

<sup>26</sup> David Himmelstein et al., "Medical Bankruptcy in the United States, 2007: Results of a National Study," *The American Journal of Medicine* 122, no. 8 (June 2009): 741-746; Christopher Tarver et al., "Get Sick, Get Out: The Medical Causes of Home Mortgage Foreclosures," *Health Matrix* 23, no.1 (Winter 2008): 65-105.

<sup>27</sup> A. Bindman et al., "Interruptions in Medicaid Coverage and Risk for Hospitalization for Ambulatory Care-Sensitive Conditions," *Annals of Internal Medicine* 149, no. 12 (2008): 854-860.

<sup>28</sup> Kathleen Stoll and Kim Bailey, *Hidden Health Tax: Americans Paying a Premium* (Washington: Families USA, 2009).



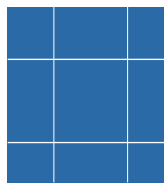
## Medicaid Cuts Will Hurt Illinois' Economy

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