



Date: January 13, 2011

To: IMCHC members and other interested parties

From: Kathy Chan, Associate Director

Re: Summary of state Medicaid reform legislation, HB5420, Senate Amendments 1 and 2

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With Illinois' immense budget crisis in mind, the Illinois House and Senate formed Special Committees on Medicaid Reform in their respective chambers in November 2010. Hearings took place in Chicago and Springfield where General Assembly members heard from the Governor's office, the Illinois Department of Healthcare and Family Services (HFS), advocates, providers and other interested stakeholders with suggestions on ways to improve and save money in the Medicaid program and delivery systems.

The 100+ page bipartisan legislation is intended to implement program and system reforms to Medicaid. The Governor's office, HFS and co-chairs of the House and Senate committees worked together to draft this amendment. The reforms are expected to save Illinois an estimated \$774 million over the next five years. A summary and page citations follow:

- Global/unified budgeting for long term care (LTC) services – this section is intended to result in the biggest cost-savings to Medicaid; note that 80% of costs come from 20% of Medicaid enrollees who are sickest and need the most complex care. Each fiscal year, a unified budget report across agencies that offer LTC services will be created and will include breakdown of services, estimated and actual enrollment, funding sources and comparison of service and expenditure date. Allows for up to 4% of the General Revenue Funds used for LTC to be transferred from institutional services to the administration of community-based long-term programs. (7)
- Phase out of Section 25 of the revenue act that is used to delay provider payments. (23-34)
- Requires the Illinois Department of Revenue and Secretary of State to share information with HFS and DHS to help with eligibility verification requirements. (29-30, 98)
- In an effort to ensure that Medicaid is the payer of last resort, requires the Illinois Department of Insurance to collect and share information at minimum on a quarterly basis about potential forms of coverage those also enrolled in state coverage programs may have. (34-36)
- Changes to Medicaid verifications including:
  - Requiring one month of pay stubs from clients to prove income (currently, families have to provide the most recent pay stub, with those who are self-employed having to provide a 30 day income/expense ledger); July 1, 2011 for new applicants, October 1, 2011 for renewing applicants. This could include “data obtained electronically by the Department of its designees”. (36-38, 42-45, 77-78)
  - Verifying Illinois residency starting July 1, 2011. Authorizes HFS to establish agreements with the Social Security Administration, Illinois Secretary of State, Illinois Department of Insurance, Human Services, Employment Security and other entities to verify this information electronically.(38, 44, 78)
  - Requiring all Medicaid enrollees to recertify their coverage on an annual basis (currently, children with family incomes less than 200% are subject to “passive” renewal); HFS and the Governor's office mentioned that this might include having a pre-printed form with information about the family's income and other eligibility information that they would have to send back or respond to in order to stay enrolled. This does not apply to pregnant women. (48-49)
  - HFS will send notification of changes in eligibility verifications to current recipients within 90 days of effective date. (38, 45, 79)
- Disallows presumptive eligibility for adults, with the exception of pregnant women. (39) [Note that this not affect children under 200% FPL who can still be found presumptively eligible.]

- Specifies that by 2015, at least 50% of all Medicaid and All Kids enrollees will be in a risk-based or capitated care coordinated system of care. Specifically notes that the current Primary Care Case Management program is not considered meeting these requirements. (39-42, 50-53, 71-73)
- HFS will report to the General Assembly from April 2012-April 2016 on the progress and implementation of the coordinated care program initiatives. (41)
- In April 2011, HFS will include a full analysis of federal law regarding upper payment limitations, and necessary revisions or adjustments in payments to providers in order for successful implementation. (41)
- Institutes a 2-year moratorium on program expansions beyond anything in place on January 1, 2011, with the exception of anything that would jeopardize federal Medicaid match if it wasn't implemented. (42, 54)
- Changes to All Kids limiting eligibility for children in All Kids with family incomes up to 300% FPL (about \$64,000/year for a family of four) starting July 1, 2011. Children above 300% FPL and who continue to meet other eligibility requirements without a break in coverage will be grandfathered into the program for up to 12 months or until July 1, 2012. (47, 49)
- Extends the sunset date of the All Kids expansion act (that authorized coverage for undocumented children and those above 200% FPL) by five years to July 1, 2016. (53)
- Prescription drug reforms:
  - Reduces prompt pay interest rate for pharmacists from 2% to 1% a month. (25-27)
  - Authorizes HFS to charge co-pays up to the maximum amount allowed by federal law. (55)
  - The Department seeks approval of a State plan amendment that allows pharmacists to refuse to dispense drugs when the recipient cannot pay the required co-payment. (56)
    - If this is rejected, co-payments may not exceed \$3, and there is no payment for generic drugs. (56)
  - Utilization of narcotic medications will be reviewed, and the Department will impose utilization controls to protect against abuse. (57)
  - When cost-effective, allows for 90-day prescriptions for maintenance generic drugs. (58)
- Medicaid managed care programs shall meet all federal requirements for an external quality review organization. (64)
- In preparation for Affordable Care Act provisions effective in 2014, an IT plan for Eligibility, Verification, and Enrollment (EVE) or electronic data-sharing systems that work across departments to simplify and increase efficiencies in and across medical assistance programs is outlined. (67-70)
  - HFS will develop a plan by July 1, 2011. (67)
  - Installation of EVE by 2014 to comply with the Affordable Care Act. (68)
  - Creation of a new Medicaid Management Information System and upgrade of current data warehouse that will have enhanced capabilities of data and statistical analyses. (70)
  - HFS to report annually through April 2015 on the progress and implementation of plan. (70)
- HFS is required to conduct an analysis of programs' determination of child eligibility for medical assistance to determine income limits and parental cost sharing responsibility, as well as potential revisions to the Nurse Practice Act and Acts regulating other relevant professions. Reports are due in 2011 and 2012. (71-72)
- Enhances the tools available to the HFS Inspector General's office. (74-76)
  - Institute civil enforcement remedy to combat Medicaid fraud (note that it is a federal offense for providers who commit Medicaid fraud). Up to \$2,000 can be imposed for each fraudulent claim for benefits or payments. (75)
  - The State can be repaid 5% interest per annum on the value of benefits erroneously received (74).
  - Report due to General Assembly 12 months after effective date on the number of fraud cases identified and pursued and fines assessed and collected. (76)

- Enrollees who abuse medical care will be required to designate a primary provider type who will help them access necessary care. (80-83)

HB5420, as amended, passed the Senate on January 5, 2011 by a vote of 58-0-1 and passed by concurrence vote in the House on January 6, 2011 by a vote of 111-4-2. Governor Quinn is expected to sign the bill. The full language of the bill can be viewed at [www.ilga.gov](http://www.ilga.gov). Click on “Previous General Assemblies” then choose “96”. Click on “Search” in Legislation and Laws and enter “HB5420” in the bill search field.

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