

June 14, 2012

To the Honorable Members  
of the 97<sup>th</sup> General Assembly,

Today, I sign Senate Bill 2194. Since I laid out this mission to save Medicaid from collapse in my budget address and convened a legislative working group to reduce the Medicaid liability by \$2.7 billion, we have made significant progress as a state. This package marks the first step in a bi-partisan effort to save Medicaid and preserve the system for those who need it most. It includes program changes, liability reductions, and new revenue streams, and allows us to access federal matching dollars to achieve that goal.

This bill consists of three main parts: an increase in the price of cigarettes, an enhanced hospital assessment, and a clarification of requirements for hospital tax exemptions.

Raising the price of cigarettes is not only good fiscal policy, but good health policy. This legislation will help an estimated 60,000 people quit smoking, reduce Medicaid costs from smoking-related conditions and raise \$700 million in revenue for Medicaid programs, half of which comes as dollar-for-dollar matching funds from the federal government. The enhanced hospital assessment will raise \$480 million to support the health care system in Illinois, plus \$100 million to help pay Medicaid bills. The assessment program expires on December 31, 2014 and it is my strong expectation that all parties will work together in the next year to begin implementing hospital rate reforms with all deliberate speed and develop a plan to transition from static payments prior to that date.

Senate Bill 2194 also sets standards on how non-profit hospitals may qualify for continued property tax exemptions, and how investor-owned hospitals may qualify for an income-tax credit, based on the provision of charitable care. Hospitals have sought clarity on this issue, following the Illinois Supreme Court's ruling in the *Provena Covenant Medical Center v. Dept. of Revenue* case. I encouraged a legislative solution that would uphold the Illinois Constitution, preserve the integrity of our state's tax code and continue to incent hospitals to provide charity care to those in need.

The Illinois Constitution is clear that property tax exemptions may be granted only to property that is "used exclusively for charitable purposes." Senate Bill 2194 provides a standard for charity care and allows hospitals to count a variety of activities and expenses toward this threshold beyond direct provision of care. The real test will be in how these provisions, in combination with SB 3162, are implemented in Illinois hospitals and what Illinois hospitals do, going forward, to help the people most in need. It is my hope that together, SB 2194 and SB 3162, result in more charity care being provided to the uninsured in our state.

Sincerely,

PAT QUINN  
Governor