

SENATE COMMITTEE ON DEFICIT REDUCTION
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Testimony of John Bouman

President, Sargent Shriver National Center on Poverty Law (“Shriver Center”)

Good morning, Chairmen Trotter and Murphy and members of the committee. Thank you for this opportunity to testify regarding the state’s health coverage programs and the budget deficit. I am President of the Shriver Center, a non-profit law office that uses policy development, communications and diverse advocacy strategies to promote opportunity for low income people and communities. We work on a wide range of issues. On healthcare, we were leaders in the creation of the FamilyCare and All Kids programs, and we are active on many other healthcare issues regarding coverage, access and quality. I personally have practiced law on behalf of clients interacting with the state’s healthcare programs since 1975.

This testimony is organized to answer the six questions that committee staff asked witnesses to address:

1. What areas of the state budget are you interested in protecting and why are those areas important?

All Health Coverage Programs.

We strongly urge the Senate to support full retention, without any cuts in eligibility or provider rates, of all of the state’s public health coverages, including Medicaid, FamilyCare, All Kids and other programs such as the Breast and Cervical Cancer screening and treatment program. In fact, we urge the Senate to support modest enhancements of the All Kids program by improving the rates of pay for specialized health care. This is provided for in SB 1515. As we explain below, this is possible without expanding the expenditure of state funds from the current budget.

These programs are critically important. All of them (with the exception of the FamilyCare expansion for families with income between 185% and 400% of the poverty level, which was the subject of the controversy with former Governor Blagojevich) have been thoughtfully considered, voted upon and funded by the General Assembly. Thus there has been a strong consensus that these programs, at their current levels, are a priority for Illinois.

Seniors and disabled.

To get any truly significant budget relief from cuts to Medicaid, the state would have to look at cutting the program for seniors and the disabled, simply because this is where the significant money is. Roughly 80% of Medicaid spending is for this population, which is roughly 20% of the covered people. But, for seniors and the disabled, health coverage has everything to do with quality of life, maximum productivity and opportunity, and a humane and dignified life. Our position is that, other than the economies to be gained from disease management programs and community based care, cutting health care for seniors and the disabled is unwise public policy and against this state’s core values.

Children and families

To get any significant budget savings in the programs for children and families, the state would have to cut a gigantic swath through the programs, not tinker around the edges. The expense comes predominantly from the large numbers of enrolled people, because the per person per month cost is not very high. These are inexpensive populations to cover, but the coverage is smart and produces a large return. For children and their parents or other caretakers, health coverage translates into the chance to connect with a primary care doctor (a “medical home”) and to fully commit to primary care, prevention, and early diagnosis and treatment. In big picture health care policy, prevention and early diagnosis and treatment are essential strategies to help resolve the health care crisis for EVERYONE by reigning in costs such as unnecessary emergency room usage, acute care episodes and inpatient hospital stays that could have been avoided, and lifelong medical problems that could have been averted during childhood.

Consistent with this big picture health system reform strategy, Illinois is correctly focusing in All Kids on smooth enrollment and immediate connection to a primary care physician who coordinates care for the child. It makes no sense whatsoever in that context to restrict enrollment with unnecessary and costly bureaucratic rules like requiring two pay stubs or imposing an asset limit. Research has shown that ideas like these do not prevent fraud more than current measures and only serve to increase administrative costs and keep ELIGIBLE people off the program by increasing “hassle”. All of these people will then only come to the program when they are sick or hurt enough to require emergency room treatment, thus feeding the cost explosion in the healthcare system, which affects ALL of us, not just those eligible for these programs.

Preventive and maintenance care for children is also smart because it maximizes their learning ability and long term earning potential. Preventive and maintenance care for parents maximizes their employability and productivity. The state’s health coverages are an important part of helping the family bottom line and reducing debt and stress.

Federal funds

A condition for accessing the maximum enhanced federal matching funds under the American Recovery and Reinvestment Act of 2009 (ARRA) is that Illinois maintain Medicaid eligibility and procedural access to the program at the same levels as in July 2008. Cutting the eligibility levels for the program or making the program procedurally less accessible would cost Illinois almost \$3 billion in federal funds.

2. What revenue enhancements would you recommend be implemented to support those areas?

Maximize federal funds

Illinois should do all in its power to maximize federal funds, especially from the stimulus package, but also otherwise. One major strategy for this is to issue bonds to pay down the payment cycle. Illinois will access the enhanced federal match for those expenses, which will in turn help pay the debt on the bonds. Sen. Schoenberg has a bill that would do this, SB 324.

Illinois should also be sure to maximize the federal matching funds newly available to the All Kids program through the reauthorization of the State Children's Health Insurance Program (which was H.R.2, passed in January). Illinois will now receive 65% match for children it had been covering with state funds – children in families at 200-300% of the federal poverty level, and legal permanent resident children who have been in the country less than five years. These new federal funds thus “free up” state funds. It is unclear right now just how much money this is, but the Congressional Research Service estimated that Illinois would get as much as \$145 million in additional federal SCHIP funds. Not all of this will “free up” state funds, but a significant portion of it will. That is what makes it possible for Illinois to address specialty care rates and still have an overall decrease in the spending of state funds on the program.

Increase the General Revenue Fund

The Shriver Center strongly supports the long overdue reform of the Illinois revenue system so that it fairly and adequately funds the state's needs and policy priorities, including its current healthcare programs and reasonable additional expansions needed to partner with the federal government on comprehensive reform. Specifically, we support increasing the income tax (and earned income and other tax credits that insulate lower middle income people from any increase); expanding the sales tax base to apply to more services; and other revenues needed to resolve the structural deficit and make ends meet.

3. What reforms would you recommend in state-provided healthcare services to save taxpayers' money and improve access to services?

The state is on the right track with Primary Care Case Management for most children and families and Disease Management for people with chronic conditions. Both strategies have produced savings and have the potential to save more. Disease Management has greater short term potential. PCCM's impact will be more long term, because its core strategy involves primary care that reduces emergency room use and acute care episodes while fostering healthier people over time.

Additional community based care for some people with disabilities would avoid the costs of institutionalization.

Illinois should not cut drug treatment programs as it did last year. This causes other cost increases throughout the healthcare system, in addition to other systems in state and local government.

The Shriver Center fully supports the written testimony of Health and Disability Advocates filed in this committee today that opposes the idea put forward by the Chicago Civic Committee recently claiming that there are significant savings available in Medicaid by switching the program to mandatory managed care. Mandatory managed care in Illinois has an unsuccessful track record. Moreover, the providers of managed care currently serving Medicaid patients have never been able to document the level of care they actually provide – they have not been accountable. This is crucial. As described above, the policy as to children and their parents is and should be to emphasize preventive and primary care, and early diagnosis and treatment. It

makes no sense to transfer the program out of the very promising PCCM model and into an unproven HMO-style environment in which the providers have never been accountable for whether they actually provide precisely that kind of primary and well-child care.

4. How can the state improve service delivery while reducing expenses?

In addition to the programs in item 3, the state should take full advantage of the federal funds and policy initiatives on health information technology and comparative effectiveness programming. These initiatives will help to control costs and improve health outcomes. They are also building blocks for the full reform of the health care system.

5. How can Illinois reduce healthcare fraud to save taxpayer dollars?

The state should increase electronic verification of eligibility and of health care service provision. However, it should be careful not to legislate expensive anti-fraud provisions based on anecdote and not evidence.

6. What deficit reduction measures do you support?

We fully support reasonable economies and the prevention of fraud, but all of this combined cannot provide more than a fraction of the relief needed to balance the budget. As noted above, the only way to obtain sufficient funds and create a long-lasting solution is to maximize federal funds and reform the Illinois revenue system.

John Bouman, Shriver Center, Chicago IL, (312) 368-2671, johnbouman@povertylaw.org