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Advocate Health Care

July 10, 2006

The Honorable Don Sundquist
Chairman
Medicaid Commission
Hubert H. Humphrey Building
200 Independence Avenue, S.W
Suite 450G
Washington, D.C. 20201

Dear Chairman Sundquist:

On behalf of Advocate Health Care (Advocate), a non-profit, faith-based organization of physicians and health care professionals dedicated to serving the health needs of individuals, families and communities in northern Illinois, I respectfully submit these comments for consideration by you, Vice Chairman King, and your fellow commissioners We very much appreciate the opportunity to provide testimony before the Medicaid Commission on the need to reform the statutory formula that determines the Federal Medical Assistance Percentages (FMAP).

Advocate is the largest integrated health care system in Illinois and is recognized as one of the top ten health care systems in the country Based in Oakbrook, Illinois, Advocate maintains eight (8) adult hospitals and two (2) children's hospitals with 3,500 beds in addition to having the state's largest privately held full-service home health care company among more than 200 sites of care. More than 24,500 people work at Advocate, making it one of Chicagoland's ten largest employers, and the fourth largest in the private sector. In 2004, Advocate hospitals, taken together, had nearly 150,000 discharges and provided more than 700,000 days of care to patients. In addition, in 2004, Advocate provided more than 1.5 million outpatient visits, supplied Level I trauma services to one in four Chicago-area trauma patients, and served millions of people throughout the Chicago-area.

Advocate's core values of compassion, equality, excellence, partnership, and stewardship guide its actions in the provision of health care to the communities it serves. As part of its mission, Advocate supports – and seeks to advance – policies and programs that ensure access to quality health care for all individuals. Advocate works with policymakers at the local, state, and national level to promote and protect the health and well-being of the individuals, families, and communities of northern Illinois. Given Advocate's size and scope, we play a unique and critical role in the provision of care to Illinois residents, particularly those who rely on the presence of a strong health care safety net, such as individuals served by the Medicaid program.

To that end, Advocate is acutely concerned about Illinois' FMAP and the adverse impact that the underlying formula for it has on Illinois' and Advocate's ability to provide quality services to Medicaid-eligible individuals within a feasible financial framework. Presently, Illinois' FMAP is the statutory minimum of 50 percent despite the fact that the state covers a comparatively large share of the national Medicaid population. Consequently, Illinois is left to close a gaping financial hole. When, in order to balance its budget in the face of ballooning Medicaid costs, Illinois is forced to cut services or reduce

payments, providers like Advocate must bear the brunt of the financial shortfall in order to continue to provide care to Medicaid-eligible individuals.

A relatively simple fix to this dilemma, such as permanently increasing Illinois' FMAP to 55 percent certainly would help to ameliorate the state's Medicaid-related financial challenges. To that end, Advocate has very much appreciated recent efforts by both state and federal policymakers to help ensure that Illinois receives additional Medicaid support through temporary increases in the FMAP. However, a superficial solution such as an arbitrary increase in the FMAP ignores the more compelling underlying flaw within the FMAP formula that relegates Illinois to a federal percentage that is less than its actual share of Medicaid expenditures.

The FMAP currently is calculated using a statutory formula that takes into consideration the *average per capita* income for each state compared to that for the nation as a whole. While the intent of this formula is to direct greater federal resources towards those states that are comparatively less wealthy, Advocate respectfully suggests that average per capita income bares no direct correlation to a state's actual comparative Medicaid population and the corresponding financial burden associated with covering and providing care to those individuals.

Currently, states with greater economic stratification and large pockets of very wealthy citizens (such as Illinois) are negatively impacted under the formula due to the effect of outliers on their average per capita income. The average per capita income of Illinois is not reflective of the actual impact of Medicaid expenditures upon the state and its providers. The result for Illinois is that it is classified as "wealthy" state and receives the minimum 50 percent FMAP despite having a comparatively large Medicaid population that requires significant resources to cover and serve. Consequently, the state and its providers struggle unnecessarily to provide required coverage and services to the state's most impoverished and vulnerable individuals.

Advocate maintains that it would be more accurate and equitable to develop a FMAP formula that takes into consideration each state's percentage of Medicaid-eligible individuals compared to the national average. This would ensure that each state is receiving federal funding under FMAP that corresponds directly to its share of the national Medicaid-eligible population and the associated expenditures for providing coverage and care. Modifying the FMAP formula in this way would help ensure that Medicaid-eligible individuals receive the care and coverage that they need and deserve regardless of the relative wealth of fellow state residents. To that end, Advocate respectfully requests that the Commission consider developing a new, more accurate FMAP formula. Factors that could be taken into consideration for a new FMAP formula include:

(1) each state's percentage of its population compared to the national average that is:
   (a) below 100 percent of the federal poverty level (all ages);
   (b) below 100 percent of the federal poverty level (children);
   (c) below 200 percent of the federal poverty level (children);
   (d) over age 65;
   (e) over age 85; and/or
   (f) living with a disability; and

(2) each state's birthrate per 1,000 women compared to the national average.

A formula that encompasses each of these factors or some amalgamation thereof would significantly improve the FMAP, particularly for states such as Illinois, and better reflect the federal-state partnership

for sharing Medicaid costs that the program envisions. Furthermore, it would more accurately compensate those states that are shouldering the heaviest financial burden under the Medicaid program.

Thank you again for the opportunity to provide testimony We appreciate your consideration of our suggestion to modify the fashion in which the FMAP is calculated for the Medicaid program Should you have any questions about these or other Medicaid issues, please do not hesitate to contact me or our Washington representatives: Ilisa Halpern Paul (202/230-5145, ipaul@gcd.com) Spencer Perlman (202/230-5187, sperlman@gcd com), or Paul Seltman (202/230-5171, pseltman@gcd.com).

Sincerely,

Tony Mitchell
Vice President
Communications and Government Relations