



October 2, 2009

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The Honorable Pat Quinn
Governor of the State of Illinois
207 Statehouse
Springfield, IL 62706

Dear Governor Quinn,

On behalf of our 200 member hospitals and health systems across Illinois, we respectfully urge you and your Administration to work for passage of federal legislation that would permanently increase the state's Federal Medical Assistance Percentage (FMAP) or Medicaid matching rate. Increasing the FMAP rate would direct substantial additional federal funding to the Illinois Medicaid program, protect the state's health care delivery system and provide key support to the state budget. We ask you to make a permanent FMAP rate increase a top priority with the Illinois Congressional Delegation. The Illinois Hospital Association and the hospital community are strongly committed to work with you on a coordinated effort including helping facilitate the involvement of other social service providers and assisting in any way on suggestions your administration might have.

We greatly appreciate the recent opportunities to personally discuss critical health care issues of mutual concern at the hospital executives' breakfast in Chicago in July and at IHA's Leadership Summit in late September. As we noted at the July breakfast and as you pointed out in your address at the Summit, the state has had an excellent experience with the enhanced FMAP rate under the federal stimulus law. But that temporary increase is scheduled to end at the close of 2010, halfway through the state's fiscal year. In light of current health care reform discussions calling for expansions of the Medicaid program, it is even more critical for Illinois that the underlying federal funding mechanism, its FMAP rate, be increased beyond 2010.

Increasing the FMAP rate will have a substantial positive impact on the state budget. **Each 1% increase means an additional \$130 million a year in federal Medicaid funds for Illinois** at current spending levels (and a corresponding \$130 million decrease in the state's funding liability). A permanent FMAP increase to 60% for Illinois would result in an additional \$1.3 billion in federal Medicaid funds annually. Under such a scenario, the state's funding share of its current \$13 billion Medicaid program would decrease from \$6.5 billion a year to \$5.2 billion.

We recognize that during the current economic downturn and the historic state budget crisis that you inherited, revenues are declining significantly and the demand for Medicaid and other social services is rising as people lose their jobs. A permanent increase in the FMAP rate for Illinois will help address these challenges and also provide an immediate fiscal stimulus to boost the state's economy.

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We firmly believe that a permanent increase in Illinois' FMAP rate is justified. The state's situation with its FMAP rate is unique in several ways:

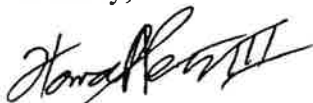
- Without the enhanced match under the stimulus law, Illinois receives a federal match of only 50% - the lowest FMAP rate;
- Illinois' FMAP rate is lower than all our neighboring states (ranging from 59% to 70%);
- Although Illinois serves 4.1% of the nation's Medicaid population, it receives only 3.3% of federal Medicaid funds – **that gap costs the state more than \$1 billion a year**; and
- For every dollar that Illinois sends to Washington in taxes, it receives only 75 cents back, with Illinois ranking 45th among states in the return of federal dollars.

IHA and the hospital community have welcomed the opportunity to be a strong partner with the state to develop and implement strategies to secure critically needed funding sources to support the Medicaid program and the state budget. For example, the three Hospital Assessment Programs that the state and hospitals have collaborated on since 2004 will have generated a total of \$3.5 billion in non-state funding (including assessment program funds) for Medicaid services outside of hospitals, such as long-term care and developmental disability services.

Illinois hospitals are also vital partners with the state in job creation and retention as major economic engines in our local communities. They are among the top three employers in nearly half of the state's counties, employing nearly a quarter of a million people across the state. Hospitals provide more than \$13 billion annually in wages and benefits to their employees and have a total economic impact on the state of nearly \$72 billion a year. Helping hospitals maintain their fiscal health and viability through an increased FMAP rate is good for the local and state economies.

While the success of raising the Illinois FMAP rate depends in part on timing and the current political environment, the state's continuing budget challenges demand that we work together to make every effort to find additional funding sources. We stand ready to work with you and support your efforts to push for a permanent FMAP increase in Congress to strengthen the state's health care delivery system and to provide vital support to the state's budget and economy in these difficult times.

Sincerely,



Howard A. Peters III
Senior Vice President