

From the Illinois Senate

State Senator Jeff Schoenberg

For Immediate Release
October 29, 2009

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LAWMAKERS SEEK \$1 BILLION HEALTH CARE ECONOMIC STIMULUS PLAN *Through Increased Federal ARRA Medicaid Funding*

Springfield – Legislation that would quickly pump nearly \$1.1 billion in new federal Medicaid funds into the Illinois economy and provide critical support to the state’s health care delivery system was introduced today in the Illinois Senate.

Under House Bills 542 and 84, the state would create the Health Care Provider Relief Fund to pay claims for various medical assistance programs (including Medicaid, AllKids and FamilyCare). Through accelerated Hospital Assessment Program and quarterly Medicaid payments to hospitals and the paying down of the state’s backlog of medical assistance bills, the state would be able to obtain additional federal Medicaid matching funds under the economic stimulus law.

According to the proposal’s sponsor, Senator Jeff Schoenberg (D-Evanston), Assistant Majority Leader and vice chair of the Senate Appropriations I and Appropriations II committees, the proposal will not require any new state funding or borrowing. As part of the plan to maximize federal funding, the state is also seeking final federal approval of a state plan to receive matching funds for previous FamilyCare claims.

Schoenberg stressed that the legislation will be a major boost to the state’s economy. “Hospitals and other health care providers are key economic engines in communities all over the state, with hospitals employing nearly a quarter of a million Illinoisans and supporting many other businesses, including suppliers and vendors,” said Schoenberg. “At a time when unemployment continues to climb, this legislation will create an immediate economic stimulus to preserve jobs and provide the residents of our state continued access to quality health care.”

Statewide, hospitals are among the top three largest employers in 48 out of 102 counties. Collectively, hospitals have an annual impact of nearly \$72 billion on the state’s economy.

The legislation has the strong support of the Illinois Hospital Association and the hospital community. “When hospitals and other health care providers receive Medicaid payments from the State, those funds promote new rounds of spending – including supporting wages for employees and the purchases of pharmaceuticals, goods and services from other businesses,” said IHA President Maryjane Wurth. “That spending, in turn, generates further rounds of spending throughout the economy and tax revenues for the state.”

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Schoenberg added that the proposed legislation has broad support. “I have been working with the Quinn Administration and legislative leaders of both parties over the past 10 days to craft the proposal,” said Schoenberg. “I am confident that it will receive legislative approval and be signed into law by the Governor.”

According to one study, Medicaid has a tremendous multiplier effect on the state’s economy because it pulls a large infusion of new dollars – federal dollars – into the economy from outside the state. Each additional \$1 of Medicaid spending generates \$3 of economic activity in Illinois. (*Families USA, April 2008; www.familiesusa.org/issues/medicaid/other/medicaid-calculator/medicaid-calculator.html?state=Illinois*).

Under the federal economic stimulus law, which provides the State with an enhanced federal Medicaid matching rate of nearly 62 percent (a temporary increase of about 12 percent), for every \$1 Illinois spends on Medicaid, the federal government is providing more than \$1.60 to the state. The state’s enhanced Medicaid matching rate expires on Dec. 31, 2010.

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