



**ILLINOIS HOSPITAL ASSOCIATION
STATEMENT TO DISTINGUISHED MEMBERS
OF THE ADEQUATE HEALTH CARE TASK FORCE**

October 5, 2005

On behalf of our 200 member hospitals and health systems, the Illinois Hospital Association respectfully submits this written testimony on a matter that is of deep concern to all of us: access to quality health care to ensure the health and well being of all Illinoisans. We commend the members of the Adequate Health Care Task Force for taking on such an important responsibility – to work to find potential solutions to this critical societal issue.

The subject of health care evokes strong feelings – after all, it can be a matter of life and death. However, we need to transcend the highly charged and adversarial atmosphere that has come to surround this issue, explore the facts objectively, and seek workable solutions that reflect our common concerns.

There are two critical points we should all be able to agree on: the immediate problem of the uninsured and the underlying national social problem.

Our current health care system covers too few people and excludes too many. As a model democracy, this nation affirms the worth and dignity of every person, yet our health care system seems to unfairly penalize some segments of society. Being uninsured takes a significant toll on the individual's mental, physical, and financial health. The uninsured often postpone treatment until their condition becomes more serious – and more expensive to treat. They live with chronic illness. Being uninsured affects their entire lives, and may even shorten their lives.

The underlying problem is the growing number of uninsured, and solving that problem is the responsibility of our society as a whole, not one segment or one industry. Lack of dignified access to health care for millions of people in the richest nation in the world is simply not acceptable. It is imperative that we work toward a system that guarantees basic health care services to all. That is why the Illinois Hospital Association has been advocating for universal coverage for health care for more than a decade and supported the legislation, the Health Care Justice Act, which established the Adequate Health Care Task Force.

The data illustrate the seriousness of the problem:

- One in seven Americans lacks health insurance. Tens of millions more are underinsured and unable to afford needed services, particularly medications.
- In Illinois, 1.8 million residents have no health insurance. Some 3.5 million Illinoisans were without health insurance at some point during 2002 or 2003.

- More than 80 percent of uninsured children and adults are from working families. Many work for employers that do not provide health insurance. Others work for employers that do offer coverage, but they can't afford to pay the premiums for coverage for themselves and their families or they can't afford to pay ever increasing co-pays and deductibles.

Illinois Hospitals: The Cornerstone of Community Health Care

Illinois hospitals are committed to serving the health care needs of people in their communities, regardless of their ability to pay, their insurance status, or their citizenship status. As part of their commitment to their communities, hospitals treat patients from every segment of society, 24 hours a day, 7 days a week, 365 days a year. People depend on this – they turn to their hospital in times of crisis, and they need it to be there for them.

- Illinois' community hospitals provide \$1.2 billion in uncompensated care, including charity care – care for which they do not get paid – every year.
- Every day Illinois hospitals assist uninsured patients who cannot pay in applying for government-sponsored health care programs for which they may be eligible, such as Medicare, Medicaid, KidCare, and FamilyCare.
- Illinois hospitals have long supported efforts to expand the number of persons covered by the State's health care programs, such as Medicaid, KidCare, and FamilyCare.
- Twice in the past two years, Illinois hospitals have partnered with the State to seek increased federal funds to help support the Illinois Medicaid program through the Hospital Assessment Program. In 2004, that program brought the state an additional \$430 million in federal Medicaid funds; in the recent spring session of the General Assembly, the hospital community worked with the General Assembly and the Governor to develop a new three-year assessment program that will bring the state an additional \$1.8 billion in federal Medicaid funds if approved by the federal government.

Hospitals are committed, to the best of their ability, to assist patients who cannot pay for part or all of the medically necessary care they receive. And they are committed to providing compassionate care for all patients, from the bedside to the billing office.

As part of that commitment, Illinois hospitals have adopted voluntary guidelines on charity care and collection practices for the uninsured. Under those guidelines, hospitals provide free care to patients whose incomes are at or below the federal poverty level and discounts to those with incomes up to two times the poverty level. In addition, under these guidelines:

- Hospitals communicate the availability of charity care through such means as posting signs, placing brochures in appropriate areas, or including information along with the

hospital bill. Information is communicated in languages that are appropriate for the hospital's service area.

- Hospitals work with patients receiving discounts to develop a reasonable payment plan.
- It is the patient's responsibility to cooperate by providing the information and documentation necessary to apply for charity care, discounts, or government-supported programs such as Medicaid.
- Hospitals do not take legal action against charity care patients who have demonstrated that they do not have sufficient income or assets to meet their financial obligations.
- Hospitals refrain from placing a lien on a charity care patient's primary residence if it is the patient's sole real asset, unless the value of the property clearly indicates an ability to assume significant financial obligations.
- Hospitals do not require charity care patients to be brought to court.

The Challenge for Hospitals: Serve and Survive

Even though health care for the uninsured is society's problem, society is not meeting this need. Too often the health care needs of the uninsured and the underinsured are left solely to hospitals to address. Yet hospitals cannot take on the whole responsibility for solving the problem of providing health care for the uninsured, any more than supermarkets can solve the problem of hunger by giving away free food to those who don't get enough to eat. No other industry provides goods or services without payment.

Somebody has to pay for the medical equipment, the life-saving drugs, the lab tests and X-rays, and the nurses' salaries needed to care for patients, both insured and uninsured. Illinois hospitals are committed to absorbing some of this cost. But chronic and growing underfunding threatens needed services, and eventually jeopardizes access to care for everyone. The people who work in our hospitals are doing extraordinary work in the communities of Illinois, but their ability to continue to perform this vital role is threatened. They are caught between soaring costs, shrinking revenues, and demographic and societal forces.

In the absence of adequate insurance coverage for all, hospitals must find a way to both serve and survive. Hospitals face major obstacles as they strive to fulfill their mission of serving their entire communities.

- Two out of every three Illinois hospitals are losing money on the core service they provide – patient care – and more than a third of Illinois hospitals are projected to have negative operating margins this year.
- Hospitals provide a wide range of needed and essential community services at a financial loss, such as emergency and trauma care, neonatal intensive care, burn care,

health education, AIDS care, poison control, outpatient clinics and research. They also train our state's future physicians and other health care professionals.

- In addition, hospitals provide services that meet the specific needs of their communities, such as home health, CPR classes, teen pregnancy services, drug rehabilitation and more.
- As we have seen in the unfortunate and tragic disasters that struck the Gulf Coast and Texas in the wake of Hurricanes Katrina and Rita, hospitals need to be prepared as front-line responders to mass casualty events with staff, equipment and training.
- Illinois hospitals also are being squeezed by rising costs that are beyond their control, including higher labor costs due to workforce shortages, medical liability insurance and payouts, and prescription drug costs, which went up 28 percent in Illinois from 1997 to 2001 and are still rising.
- At the same time, our health care system faces an increasing burden of dealing with chronic disease in our population as the Baby Boomer generation ages – with increasing demands for care, staff and facilities – that means treating diabetes, heart disease, cancer and other chronic diseases will require new approaches to managing health care delivery.
- There are new and exciting approaches on the horizon, including the promise of information technology to improve quality and patient safety, as well as advances in medicine that offer new possibilities. However, the costs for those advances are in the billions of dollars.
- Yet as society looks to hospitals to meet all of these challenges, our system for financing health care is in shambles. More than half of our patient care is paid for by either Medicare or Medicaid, and both pay hospitals, on average, less than the cost of treating those patients.
- Even with the new Hospital Assessment Program, Illinois hospitals are projected to receive only 87 cents on the dollar for care provided to Medicaid patients (73 cents on the dollar without the program).

All of these financial pressures make it difficult for hospitals to make critical investments and to keep up with the cost of providing patient care.

Principles for Universal Health Coverage

The Illinois Hospital Association and its 200 member hospitals and health systems support the goal of universal and continuous access to health insurance coverage that incorporates the strengths of a pluralistic private and public system for all individuals, without eroding coverage for those currently insured. All individuals should have access to affordable health insurance benefits, whether employed or not.

Any framework to achieve the goal of universal health insurance coverage should adhere to the following principles:

- Expansion of health insurance coverage through:
 - Government reforms including employers either covering their employees or paying into a system where employees can obtain coverage, e.g., creation of purchasing pools or alliances;
 - Tax credits for select populations such as self-employed individuals;
 - Development of programs to help the millions of Illinoisans who lose coverage during some part of the year;
 - Intensified efforts to enroll and cover adults and children who are eligible for but not enrolled in Medicaid and SCHIP.
- Any insurance product must include basic major medical coverage and have reasonable out-of-pocket expenses so as not to exacerbate the underinsured population. Basic medical coverage means emergency care, inpatient hospital and physician care, outpatient services, mental health and substance abuse services.
- Maximize federal funding for state health care programs to improve access for uninsured populations, to ensure payments to providers that are sufficient to cover rising costs and to strengthen the health care system.
- In the short term, adequate reimbursement under Medicaid should continue to be a budget priority, with the state aggressively pursuing opportunities to maximize available federal funding for state health care programs.
- Provide access to care in rural and underserved areas so that it is available in every community without extensive travel.
- Reform of insurance company practices regarding continuity of health care services, unfair payment and marketing practices.

Call to Action: Let's Work Together on the Real Problem

All of us – hospitals, health care professionals, patients, consumers, unions, businesses and government – have the same goal: to address the flaws in the health care system that make it difficult for uninsured and underinsured Illinoisans to access the health care services they need.

Universal health care coverage is a goal we all embrace, though it is unrealistic to think that it will be achieved easily or quickly. But we are all in this together. If we really care about

the plight of the uninsured and underinsured, then we must work with one another, not against one another.

We urge the public and policymakers to carefully and thoughtfully consider potential solutions and avoid steps with unintended consequences that will only worsen the problem. We urge the members of the Adequate Health Care Task Force to make sure the task force's recommendations do not undermine hospitals and the health care system that our patients and communities depend on. Placing a greater burden on hospitals will NOT solve the uninsured crisis, and it may put some hospitals out of business, further tearing the existing health care safety net for the uninsured.

In conclusion, Illinois hospitals are dedicated to meeting the health care needs of their patients and communities every day – because caring for patients and communities is not just what they do – it is who they are. We welcome the opportunity to work with the Adequate Health Care Task Force on this critical societal issue, to find workable solutions to provide access to quality health care at affordable costs.