



# Department of Healthcare and Family Services

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Presents

## Illinois: Achievements and Innovations In Healthcare Coverage



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# The Civic Federation

The background of the slide features a large, semi-transparent seal of the State of Illinois. The seal is circular with a yellow rope-like border. At the top, it reads "THE STATE OF ILLINOIS" in a semi-circle. In the center, an eagle with wings spread holds a shield on its chest. A banner draped across the eagle's chest contains the word "SOVEREIGNTY". Below the eagle, a smaller banner reads "1888". At the bottom of the seal, it says "AUG. 26TH 1818".

# Healthcare and Family Services

Achievements in Expanding Healthcare  
for  
Working Illinoisans

# Record of Expanding Healthcare



- Under Gov. Blagojevich's leadership, **more than 560,000 Illinoisans** – parents, children, seniors, persons with disabilities – have healthcare now who did not have it before.
- The Kaiser Foundation has found that Illinois, for the third year in a row, **ranks #1 in the nation** for providing healthcare to working parents, and it has recognized Illinois for sparking a national movement to provide healthcare to all children.
- In 2006 Illinois, under Governor Blagojevich's leadership, became the **first state in the nation** to guarantee all uninsured children access to comprehensive, affordable health insurance through the new All Kids Program.
- Since Governor Blagojevich first took office, **more than 332,000 additional children** have gained access to healthcare coverage.

# Sound Fiscal Management

- **Reduced Bills-On-Hand:** After inheriting \$2.2 billion in Medicaid backlog, the program is now projected to end FY 2007 with \$1.1 billion in bills-on-hand, with most bills at 30 days old or less.
- With the proposed FY 2008 budget, bills-on-hand will be reduced further, to **under \$800 million** by the end of 2008.
- **Reduced Payment Cycle:** After inheriting an effective 125 day payment cycle, the payment cycle is now projected to be 50 days at the end of FY 2007. With the proposed FY 2008 budget, payment cycle would further be reduced to nearly 30 days.
- **Guaranteed Payment Cycle for Physicians:** In FY 2007, for the first time in state history, HFS set a defined payment cycle for doctors who treat Medicaid patients. Doctors receive payment for their services in no more than 60 days from the time that clean bills are received by the state, and doctors who treat children in the All Kids program are paid in 30 days.
- **Cost Savings initiatives:** HFS instituted significant and tangible reforms that have provided more than \$450 million in on-going cost savings for the state's Medicaid program.
- **Low Growth:** Illinois' Medicaid program grew by only 1.4% in FY 2006 – the 6<sup>th</sup> lowest nationwide, and the lowest rate of growth for Illinois since 1996. Growth is estimated to be 4.7% for FY 2007, less than the estimated average growth rate across the country.

# Managing Care

- In FY 2007, HFS began its **care management programs** to deliver better health outcomes while also reducing costs.
- When fully implemented, these programs will provide managed care for **nearly two-thirds** of the beneficiaries of the All Kids, Family Care and Medicaid programs.
- The **Primary Care Case Management** (PCCM) program, **Illinois Health Connect**, will ensure that beneficiaries have a medical home and a primary care provider to coordinate their care and provide preventive care in the most appropriate setting. Beneficiaries will have a primary care doctor who will make sure they are getting regular check-ups and preventive care.
- In addition to the PCCM program, HFS has also implemented a **Disease Management** program, known as **Your Healthcare Plus**, to provide more focused case management to enrollees with chronic conditions such as diabetes and asthma.
- Care management is projected to save **\$56 million** in state funds for FY 2007.
- Who is a Medicaid beneficiary?

# Hospital Assessment



- In November of 2006, federal approval was granted for the Illinois Hospital Assessment program, bringing in a total of \$1.8 billion over three years for Illinois' hospitals and other Medicaid providers.
- This is the second Assessment achieved by this administration; the first, approved in December of 2004, was the first Hospital Assessment achieved for Illinois in more than ten years.
- This program delivers greatly needed assistance to hospitals throughout Illinois providing Medicaid services in critical care areas, including high-Medicaid, obstetrical care, trauma care and services in rural areas of the state, through fiscal year 2008.

The seal of the State of Illinois is a circular emblem with a yellow rope-like border. It features an eagle with wings spread, perched on a shield with red and white stripes. The eagle holds a banner in its beak that says 'STATE SOVEREIGN, NATIONAL UNION'. To the right of the eagle is a sun rising over a body of water. The date 'AUG. 26TH 1818' is inscribed at the bottom. The words 'SEAL OF THE STATE OF ILLINOIS' are written around the inner edge of the border.

# Illinois Covered

Affordable Healthcare for All

# Healthcare Crisis

## Rising Healthcare Costs

- Health insurance premiums for employers increased nearly 87% between 2000 and 2006.
- Today, a family looking to buy insurance on their own in the private market pays, on average, \$15,000 / year. Through an employer, that same family coverage still costs approximately \$10,000 / year.
- 9.7 million insured face unpredictable costs and the prospect of losing their coverage.
- Over 1.4 million adults in Illinois are uninsured. Almost 800,000 are middle class.



# Illinois Covered

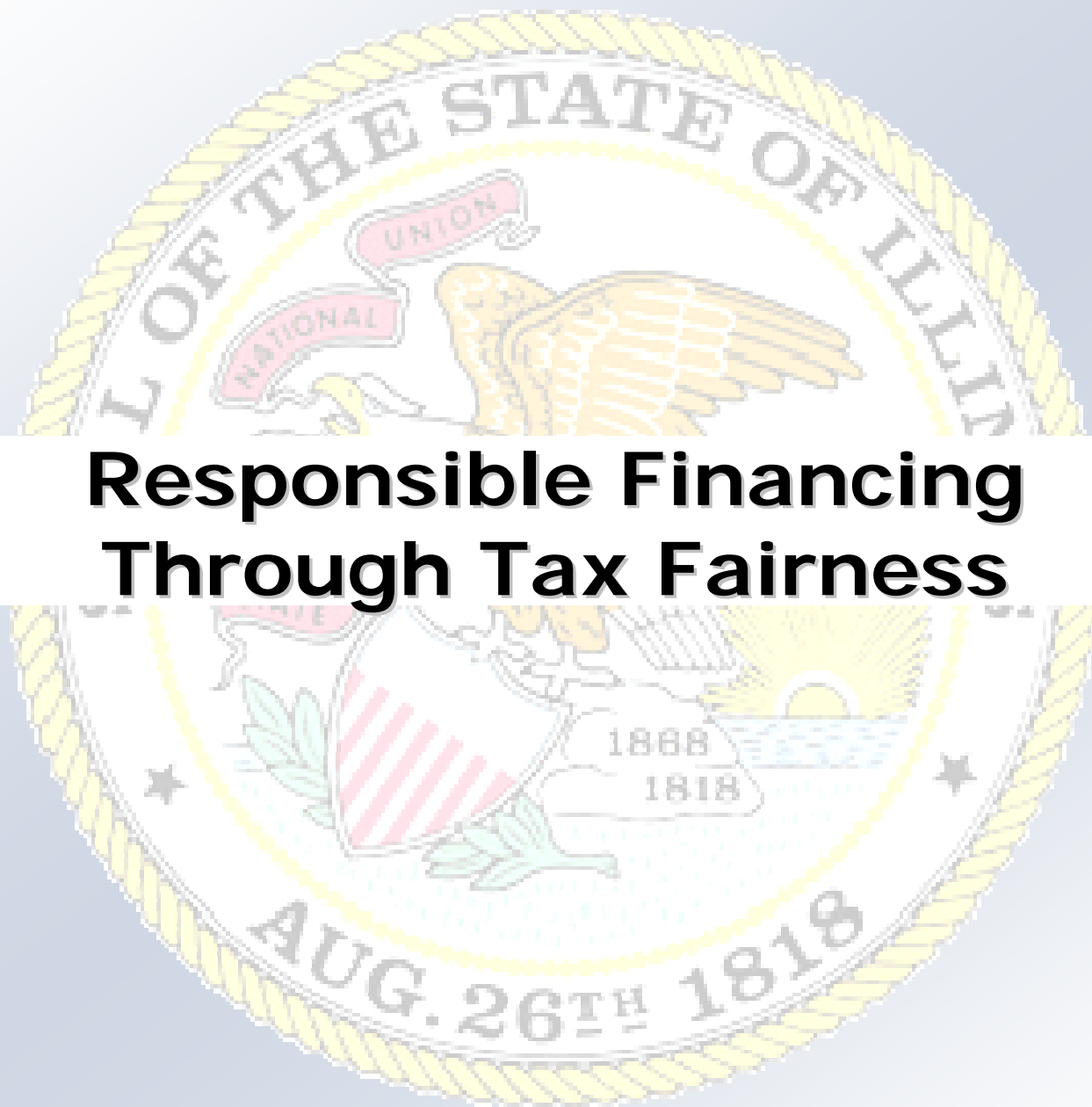
## Affordable Healthcare for All

- 1. Illinois Covered Choice** – Small businesses and individuals will be able to buy into guaranteed, affordable private plans.
- 2. Illinois Covered Rebate** – Middle class families with employer-provided insurance will be able to get help paying their premiums.
- 3. Illinois Covered Assist & expansion of existing programs** – Middle class families and low-income adults will be able to get coverage through healthcare program expansions and a new program to cover adults under poverty without children.
- 4. Reform the Health System** – Strengthen family coverage, better manage chronic diseases, and make the system transparent.



# Illinois Covered – Everyone Will Benefit

- **Everyone in the state will benefit.** We will provide relief to all Illinois residents by reforming the healthcare system, providing stronger family coverage, creating new consumer protections and system improvements, and charting a roadmap to health for wellness and management of chronic diseases.
- **Over 1 million people and small businesses** will be able to purchase Illinois Covered *Choice*, a new guaranteed, affordable insurance product offered by the state.
- **Millions of people** will be eligible for help paying their health insurance premiums through Illinois Covered *Rebate*.
- **500,000 middle class and low-income families** will be eligible for coverage from Illinois Covered *Assist* or the *FamilyCare* expansion.
- **Illinois Covered Assessment-** A payroll tax on businesses of 10 or more employees that choose not to pay or pay very little health care costs for their employees.



# Responsible Financing Through Tax Fairness

# Tax Fairness – The Current System

## The Tax Burden On Individuals Is Growing

- In 1977, corporations paid 21% of state income taxes, while individuals paid 79%. Now, corporations pay only 12%, while individuals shoulder 88% of the burden.

## Many large businesses avoid taxes because of loopholes and apportionment

- The average individual taxpayer pays \$1,500 in state income taxes, while the 12,500 largest companies doing business in Illinois pay only one-tenth of that - \$151.
- 37 Fortune 100 companies doing business in Illinois paid no income taxes in 2004, despite an average of \$1.2 billion in sales in Illinois
- On average from 1997 - 2004, nearly half of all corporations with at least \$50 million in annual Illinois sales did not pay any state income taxes.
- 96% of the corporate income tax burden falls on 20% of Illinois businesses.

## Illinois' tax system is out of date, and relies too heavily on "old economy" biz

- The Corporate Income Tax (CIT) is designed for taxing "old economy" businesses that produce goods and, therefore, doesn't adequately capture tax revenue from services businesses that make up the majority of today's economy:
  - Goods-based businesses make up only 35% of Illinois' economy, but pay 53% of CIT
  - Services-based businesses make up 65% of Illinois' economy, but pay only 47% of CIT



## Tax Fairness

### **Over \$6 billion per year in new revenue**

- Gross receipts tax will be applied beginning January 1, 2008.
- Companies over \$1 million will pay a .5% rate for sales, manufacturing, construction and related activities and a 1.8% rate for services provided.
- Companies will receive a 100 percent tax credit based on corporate income taxes paid, so that companies will not pay more than once.
- Net of CIT credits, IDOR estimates over \$6 billion in new revenue generated per year when fully implemented.
- Provides a stable and growing revenue source to reduce structural pressures on the state budget.

# Tax Fairness

## Who will not be impacted?

- **Small Business.** Businesses that have total revenues of under \$1 million per year will not be subject to the Gross Receipts Tax. This represents more than **75%** of all businesses in Illinois.
- **Exporters.** All goods and services exported from Illinois to other states and globally are exempted. Imports will be taxed.
- **Essential Products.** Retail sales of foods and drugs will not be subject to the Gross Receipts Tax, and payments that hospitals, doctors, and dentists receive from the state for Medicaid services will also be exempt.
- **Industries with Alternative Taxation.** Gaming and Insurance companies, which pay alternative taxes, will not be subject to GRT tax for those products.
- **Corporate Income Taxpayers.** All businesses who pay corporate income taxes will receive a 100% tax credit, and the corporate income tax will be ultimately eliminated.

**These are some of the steps in this plan that will help mitigate  
“pyramiding” opportunities**