

February 23, 2024

**ILLINOIS HEALTH AND HOSPITAL ASSOCIATION
M E M O R A N D U M**

TO: Chief Executive Officers, Member Hospitals and Health Systems
Chief Financial Officers
Government Relations Leaders

FROM: A.J. Wilhelmi, President & CEO
Elizabeth Nelson, Director, Healthcare Finance Policy
Joe Holler, Vice President, Finance

SUBJECT: Governor's FY2025 Budget Proposal

EXECUTIVE SUMMARY

The Governor's Fiscal Year (FY) 2025 introduced budget proposal includes \$52.695 billion in General Revenue Fund (GRF) spending supported by a \$52.993 billion revenue estimate, resulting in an estimated surplus of \$298 million. The Governor's plan proposes to use \$170 million of this surplus to be deposited into the Budget Stabilization Fund, also known as the "rainy day" fund, based on current statutory requirements, bringing the rainy day fund's balance to \$2.3 billion.

REVENUE UPDATE

The Governor's FY2025 introduced budget reports a projected revenue of \$52.993 billion GRF, an increase of \$777 million from the estimated FY2024 level. To achieve this projected revenue level, it is important to note that a number of budgetary adjustments must be realized in the final FY2025 budget. If these assumed adjustments are not realized, corresponding spending reductions will need to be considered.

GOVERNOR'S BUDGET ADDRESS

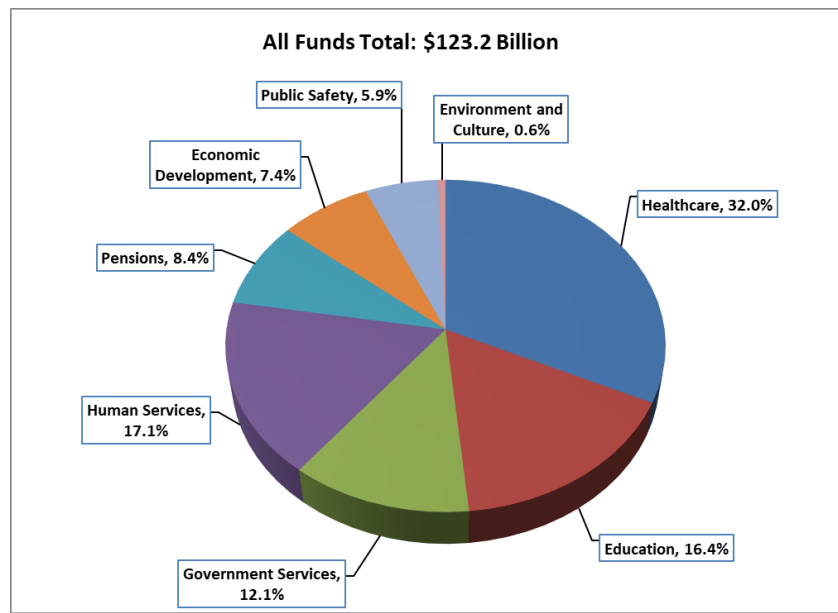
On Feb. 21, 2024, Gov. JB Pritzker presented his FY2025 budget proposal for the fiscal year beginning July 1, 2024. During his remarks, which also served as the State of State address, the Governor announced several initiatives related to healthcare and human services, including plans to eliminate \$1 billion in Illinoisans' medical debt through a \$10 million investment, reduce maternal mortality and increase birth equity, and provide additional funding for support services for asylum seekers.

Gov. Pritzker also announced that he would be introducing legislation this session, referred to as the Healthcare Consumer Access and Protection Act, to tackle the predatory practices of the insurance industry. This legislation would ban step therapy, ban prior authorization for inpatient adult and children's mental health care, prohibit Short Term Limited Duration insurance plans, require insurers to update their in-network directories, and prevent insurance companies from unfairly increasing consumer rates.

"Almost everyone has a horror story about prior authorization and step therapy...Doctors and their patients should be making decisions about patient care....Now I know how hard the insurance industry will fight me on this. But let me be perfectly clear: I am willing to spend serious political capital and put my shoulder to the wheel to get this done." – Gov. Pritzker

The Governor's budget once again focused on the fiscally responsible progress the state has made during his tenure and noted that difficult decisions were made on what initiatives to prioritize, given the revenues available.

STATE FY2025 BUDGET AT-A-GLANCE



PROPOSED FY2025 HEALTHCARE-RELATED INITIATIVES

- \$182 million, plus \$70 million from Cook County, to continue funding services for asylum-seeking individuals;
- \$17.8 million to the Dept. of Insurance (DOI) and \$6 million to the Dept. of Healthcare and Family Services (HFS) for costs associated with the establishment of the state-based marketplace;
- \$6 million to DOI's Get Covered Illinois for outreach to individuals seeking coverage on the Affordable Care Act (ACA) Health Insurance Marketplace;
- \$4 million to the Dept. of Public Health (DPH) to assess the State's maternal mortality rate and create an action plan with a focus on community-based providers as well as birth equity resource grants, including costs to open and operate birth centers;
- \$3 million to DPH to continue the Equity and Representation in Health Care Workforce Repayment Program;
- \$8.6 million to DPH to hire additional staff in the Office of Health Care Regulation for licensing, inspecting and certifying that healthcare facilities are compliant with state and federal regulations; and

- \$16.25 million to the Dept. of Financial and Professional Regulation to implement and administer the new licensing system.

HEALTHCARE AND FAMILY SERVICES BUDGET

The Governor's recommended appropriation level of \$39.478 billion for HFS for FY2025 is an increase of \$1.124 billion, or 3% compared to the current FY2024 budget. Although the proposed budget decreases the GRF Medicaid line by \$670 million, the GRF deposit into the Healthcare Provider Relief Fund (HPRF) is increased by \$833 million compared to the FY2024 enacted budget. The HPRF appropriation authority is increased in FY2025 by \$76.8 million, a fund that historically has a higher appropriations authority than what is expended.

Medicaid Bottom Line: The proposed FY2025 budget does not contain reductions to program eligibility, service or rates. The Governor is seeking \$430 million in GRF and \$60 million in other state funds as supplemental funding for FY2024. The \$430 million GRF supplemental is a deposit into the HPRF.

Medical Assistance FY2025 Budget Highlights

- **Maintains HFS current commitments** and building for the future;
- **NO program cuts, or eligibility or rate reductions;**
- Fully funds the 10% hospital Medicaid-base rate increase and additional hospital funding initiatives;
- Maintains the annual \$150 million for Healthcare Transformation Collaboratives;
- Includes \$629 million to fund Health Benefits for Immigrant Adults and Seniors (HIBA/S); and
- Includes \$10 million to purchase private medical debt at a discount to forgive those debts, which could fund up to \$1 billion in medical debt relief.
- Includes \$50 million to increase the current \$210 Safety Net Hospital (SNH) per diem add-on payment to a tiered rate per diem add-on, based on each SNH's Medicaid Inpatient Utilization Rate (MIUR).

HUMAN SERVICES BUDGET

The FY2025 proposed DHS budget is \$14.248 billion and represents an increase of 3.6% over the FY2024 estimated spending.

DHS FY2025 Budget Highlights

- Provides a \$182 million commitment through allocations of funding at Welcoming Centers (\$115 million) and Home Illinois (\$67 million) to support asylum seekers in Illinois;
- Includes a nearly \$116 million increase from the GRF for services for people with developmental disabilities, including calendar year (CY) 2024 rate increases for direct service providers and new placements;
- Includes a \$19 million increase for inpatient and outpatient mental health services provided to justice-involved individuals, operational support of the 988 suicide and crisis

IHA Summary of Governor's FY2025 Budget Proposal

lifeline, services that divert individuals from residential facilities, and Social Security Disability benefit application assistance for people at risk of homelessness; and

- Provides an additional \$50 million for Home Illinois to continue initiatives launched in FY24 in support of eviction mitigation, shelter diversion, scattered site housing and court-based rental assistance.

CAPITAL BUDGET

The FY2025 recommended capital budget continues to include \$200 million to the Capital Development Board (CDB) for the Hospital and Healthcare Transformation Capital Investment Program. CDB will work in coordination with HFS to issue grants to hospitals and healthcare providers to renovate, rehabilitate and construct facilities to meet the needs of the demographics they serve. This program will help low-income communities with high numbers of Medicaid patients to ensure Illinoisans have access to the medical care they need.

HFS and CDB jointly adopted rules, effective July 13, 2022, to implement this Capital Program. [Click here](#) to view the adopted rules in the Administrative Code.

RELATED RESOURCES

- [Budget in Brief FY2025](#)
- [Governor's Proposed FY2025 Operating Budget Document](#)
- [Governor's Proposed FY2025 Capital Budget Document](#)

NEXT STEPS

The budget now goes before the Illinois House and Senate where it will be reviewed and modified by various Appropriations Committees. IHA staff will be reviewing the numerous budget initiatives and appropriations bills that have been introduced in both chambers of the General Assembly and will provide members with additional information as the spring session continues. There will be opportunities for our members and other interested parties to express their concerns, viewpoints and facts regarding the proposed budget.

This is only the beginning of what will be a challenging session, especially given this year's budget constraints, to protect healthcare initiatives in the budget and maintain hospital rate increases that were effective January 1, 2024. Working with you and the entire hospital community, IHA will continue to emphasize to the Governor and the General Assembly the essential role of hospitals and health systems and advocate to reduce administrative burden on the healthcare workforce in the Medicaid program and the healthcare delivery system in Illinois.

Member Advocacy Opportunities

IHA will update you on these and other legislative developments throughout the spring. **IHA strongly encourages all members to invite your legislators to your hospital for an in-person visit during the legislature's Easter break. Those dates are March 23 – April 8 for Senators and March 23 – April 1 for House members.**

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To assist you in planning a visit, IHA has developed the "[Legislative Relationships: The Cornerstone of Effective Advocacy](#)" toolkit. The toolkit includes: a sample agenda; tips for a successful visit; sample invitation and follow-up letters; sample news article or news release; and a post-visit feedback form. It is a full-service guide to help you organize, plan and execute an in-hospital meeting with your elected officials.

To help you prepare to speak to Illinois legislators about the hospital community's top legislative priorities for 2024, IHA has drafted legislation-specific fact sheets with talking points. **Please encourage your legislators to support and co-sponsor IHA's 2024 legislative agenda**, including:

- [SB 3727 \(Sen. Ann Gillespie\)](#): Illinois Patient Access to 340B Pharmacy Protection Act, to ensure access to life-saving drugs for 340B entities.
- [HB 4980 \(Rep. Robyn Gabel\)](#): Standardization of the state prior authorization process.
- [HB 4977 \(Rep. Robyn Gabel\)/SB 3372 \(Sen. Ann Gillespie\)](#): Authorization of a 72-hour stay window for inpatient stabilization that cannot be dependent on a Medicaid Managed Care Organization (MCO) service authorization.
- [HB 4978 \(Rep. Robyn Gabel\)/SB 3374 \(Sen. Ann Gillespie\)](#): Incentivize coordinated care through increased reimbursement for Stays Beyond Medical Necessity.
- [HB 4979 \(Rep. Robyn Gabel\)/SB 3373 \(Sen. Ann Gillespie\)](#): Elimination of unnecessary delays for "Gold Card" physicians.
- [SB 1863 \(Sen. John Curran\)](#): Protect hospital workers, include violence against a healthcare worker as an aggravating factor that can be considered during sentencing.

For additional support, or to let us know about an upcoming or recent visit, please contact Nichole Magalis, Vice President, Member Advocacy, at nmagalis@team-ih.org or (217) 541-1162.

If you have any questions regarding the budget, contact Joe Holler at (217) 541-1189 or jholler@team-ih.org; or Elizabeth Nelson at (217) 541-1183 or enelson@team-ih.org.

If you have questions about our advocacy efforts, contact Dave Gross at (217) 541-1161 or dgross@team-ih.org; or Nichole Magalis at (217) 541-1162 or nmagalis@team-ih.org.