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EXPLANATION OF MEDICAID PROGRAM BUDGET INCORPORATING HOUSE BUDGET CUTS

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The House budget reduces the Medicaid Program by \$537 million. This is in addition to the \$659 million of cuts in the Governor's introduced budget (including \$552 million for 6% provider rate cuts and \$107 million for elimination of Illinois Cares Rx).

However, if the General Assembly makes these budget reductions but does not authorize actual rate or program cuts by legislation or rule, the payment cycle will expand to about 100 days for many providers, and the ending FY12 bills on hand would be \$1.9 billion. This approach would not be an actual budget reduction, just a continued pattern of deferring payment of bills. The budgeted deferral of such a large amount of unpaid bills into the future means that the FY13 GRF appropriation for Medicaid would increase by almost \$2.6 billion just to maintain the payment cycle.

Note: This analysis also assumes some type of borrowing (markets or inter-fund) to buy-down bills in FY11 in order to maximize ARRA match (\$1.6 billion gross). If those resources do not materialize, the problem of unpaid bills becomes even worse moving forward.

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