

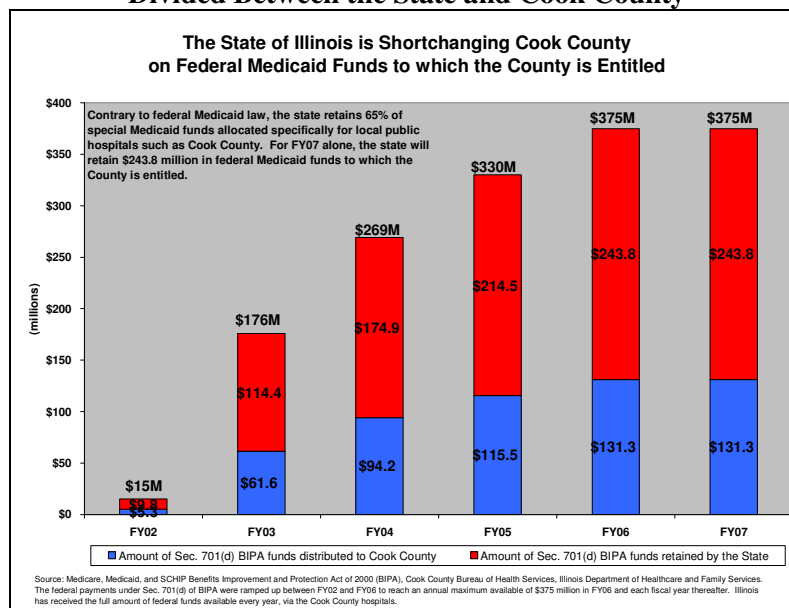
CENTER FOR TAX AND BUDGET ACCOUNTABILITY

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The State of Illinois Shortchanges Cook County on Federal Medicaid Funds

- Cook County should maximize all federal Medicaid funds to which it is entitled to support its health care safety-net.
- Federal Medicaid dollars fund nearly two-thirds of the County's health care budget. A significant amount of the County's federal Medicaid revenue comes from a provision in federal law, often referred to as "BIPA."¹ The BIPA provision provides for federal supplemental Medicaid payments to be made to certain public hospitals serving a disproportionate number of Medicaid and low-income patients.
- The total amount of § 701(d) BIPA payments the federal government can distribute for FY07 is \$375 million. Because the Cook County hospitals are the only public hospitals in the country that qualify for the payments, each year the full amount is distributed to Illinois because the State administers Illinois' Medicaid program. However, rather than distributing all the BIPA funds to the County, the State retains 65%, or \$243.8 million. The remaining 35%, \$131.3 million, is distributed to Cook County.

How the Federal BIPA Funds are Divided Between the State and Cook County



- While states have discretion with respect to how they divide traditional supplemental Medicaid payments, § 701(d) of BIPA addresses payments that are to be allocated specifically to certain public hospitals, and mandates states to distribute all such amounts. The statute does not provide for discretion in the distribution of the funds, or the option of keeping a portion for state health care programs. Rather, Congress intended the funds would be passed onto public hospitals bearing a substantial financial burden in caring for low-income patients.
- Further bolstering this interpretation are proposed federal regulations issued in January of this year which prohibit states from keeping any federal Medicaid funds Congress intended specifically for local safety-net providers.² Accordingly, by retaining a portion of the BIPA funds for itself, the State of Illinois is acting contrary to federal Medicaid law.

For more detailed information, contact Heather O'Donnell at (312) 332-1348 or hodonnell@cibaonline.org. February 2007

¹ § 701(d) Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000.

² 72 Fed. Reg. 2236 (January 19, 2007).