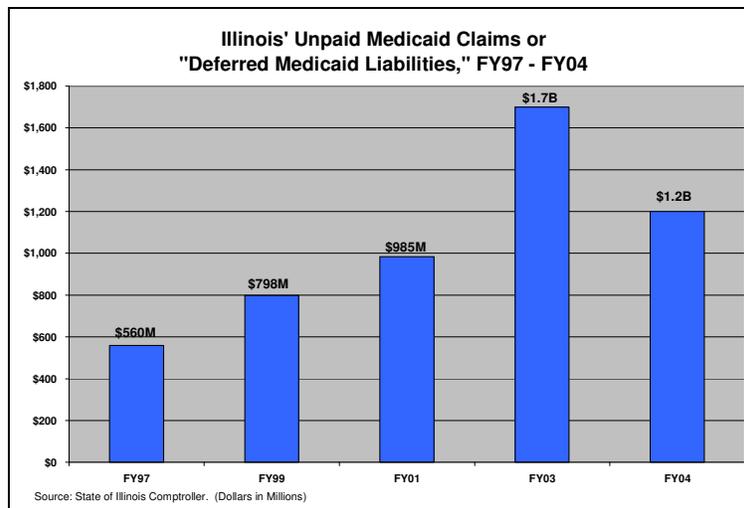


The Impact of State Budget Shortfalls on Payments to Medicaid Health Care Providers

Due to Illinois' chronic fiscal problems, the state cannot afford to pay Medicaid providers for services performed. Illinois is constitutionally required to balance its budget annually.¹ This requirement creates problems when the state's fiscal system fails to generate sufficient revenue within a fiscal year to pay for expenditures incurred that year. Because the state's fiscal system historically underperforms inflation, the Illinois General Assembly has created a budgetary maneuver which allows the state to defer certain expenditures, including Medicaid liabilities, from one fiscal year to the next. Those unpaid Medicaid claims are referred to as "Section 25 deferred liabilities."² Deferring Medicaid liabilities is one method the state has consistently used to make its budget appear balanced, when in fact its revenues are insufficient to support the current level of public services provided.

Deferring payment of Medicaid bills for months puts an enormous financial strain on health care providers. Delaying payments for several months to doctors, hospitals, pharmacists, nursing homes and other health care service providers puts a tremendous, and unfair, financial burden on health care professionals who depend on payment for services rendered to keep their doors open.

Deferred Medicaid liabilities increased by 204% between 1997 and 2003. While unpaid Medicaid claims decreased by \$850 million in 2004, this reduction was accomplished through short-term borrowing. The state simply did not have enough revenue to make this reduction in unpaid claims.



In November 2005, \$1.25 billion in Medicaid claims were awaiting payment. Again, the state was forced to borrow \$1 billion to reduce the backlog of unpaid Medicaid bills because the state's fiscal system simply cannot keep up with the growing costs of Medicaid and other state services.

Comprehensive fiscal reform is required to allow the state to fund Medicaid, reduce the backlog of unpaid Medicaid claims, and provide other essential health care and human services.

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¹ Constitution of the State of Illinois, Art. VIII, Sec. 2.

² 30 I.L.C.S. Sec 25(b).