



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3797

Introduced 2/5/2026, by Sen. Paul Faraci

SYNOPSIS AS INTRODUCED:

305 ILCS 5/5-5.02

from Ch. 23, par. 5-5.02

Amends the Medical Assistance Article of the Illinois Public Aid Code. Provides that, beginning on and after October 1, 2026, for rate year 2027 and thereafter, the Medicaid inpatient utilization rate used in the determination of eligibility for inpatient adjustment payments provided under the Code shall be modified to exclude from both the numerator and denominator all days of care funded by the U.S. Department of Veterans Affairs at a hospital approved to conduct its operations from more than one location within contiguous counties under a single license, if at the time of its licensing application the hospital was located in a county with fewer than 125,000 inhabitants and the hospital's second facility is located in a contiguous county with fewer than 235,000 inhabitants. Provides that, for purposes of the amendatory Act, days of care funded by the U.S. Department of Veterans Affairs include authorized VA community care provided at non-VA hospitals. Effective immediately.

LRB104 20706 KTG 34206 b

1 AN ACT concerning public aid.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Public Aid Code is amended by
5 changing Section 5-5.02 as follows:

6 (305 ILCS 5/5-5.02) (from Ch. 23, par. 5-5.02)

7 Sec. 5-5.02. Hospital reimbursements.

8 (a) Reimbursement to hospitals; July 1, 1992 through
9 September 30, 1992. Notwithstanding any other provisions of
10 this Code or the Illinois Department's Rules promulgated under
11 the Illinois Administrative Procedure Act, reimbursement to
12 hospitals for services provided during the period July 1, 1992
13 through September 30, 1992, shall be as follows:

14 (1) For inpatient hospital services rendered, or if
15 applicable, for inpatient hospital discharges occurring,
16 on or after July 1, 1992 and on or before September 30,
17 1992, the Illinois Department shall reimburse hospitals
18 for inpatient services under the reimbursement
19 methodologies in effect for each hospital, and at the
20 inpatient payment rate calculated for each hospital, as of
21 June 30, 1992. For purposes of this paragraph,
22 "reimbursement methodologies" means all reimbursement
23 methodologies that pertain to the provision of inpatient

1 hospital services, including, but not limited to, any
2 adjustments for disproportionate share, targeted access,
3 critical care access and uncompensated care, as defined by
4 the Illinois Department on June 30, 1992.

5 (2) For the purpose of calculating the inpatient
6 payment rate for each hospital eligible to receive
7 quarterly adjustment payments for targeted access and
8 critical care, as defined by the Illinois Department on
9 June 30, 1992, the adjustment payment for the period July
10 1, 1992 through September 30, 1992, shall be 25% of the
11 annual adjustment payments calculated for each eligible
12 hospital, as of June 30, 1992. The Illinois Department
13 shall determine by rule the adjustment payments for
14 targeted access and critical care beginning October 1,
15 1992.

16 (3) For the purpose of calculating the inpatient
17 payment rate for each hospital eligible to receive
18 quarterly adjustment payments for uncompensated care, as
19 defined by the Illinois Department on June 30, 1992, the
20 adjustment payment for the period August 1, 1992 through
21 September 30, 1992, shall be one-sixth of the total
22 uncompensated care adjustment payments calculated for each
23 eligible hospital for the uncompensated care rate year, as
24 defined by the Illinois Department, ending on July 31,
25 1992. The Illinois Department shall determine by rule the
26 adjustment payments for uncompensated care beginning

1 October 1, 1992.

2 (b) Inpatient payments. For inpatient services provided on
3 or after October 1, 1993, in addition to rates paid for
4 hospital inpatient services pursuant to the Illinois Health
5 Finance Reform Act, as now or hereafter amended, or the
6 Illinois Department's prospective reimbursement methodology,
7 or any other methodology used by the Illinois Department for
8 inpatient services, the Illinois Department shall make
9 adjustment payments, in an amount calculated pursuant to the
10 methodology described in paragraph (c) of this Section, to
11 hospitals that the Illinois Department determines satisfy any
12 one of the following requirements:

13 (1) Hospitals that are described in Section 1923 of
14 the federal Social Security Act, as now or hereafter
15 amended, except that for rate year 2015 and after a
16 hospital described in Section 1923(b)(1)(B) of the federal
17 Social Security Act and qualified for the payments
18 described in subsection (c) of this Section for rate year
19 2014 provided the hospital continues to meet the
20 description in Section 1923(b)(1)(B) in the current
21 determination year; or

22 (2) Illinois hospitals that have a Medicaid inpatient
23 utilization rate which is at least one-half a standard
24 deviation above the mean Medicaid inpatient utilization
25 rate for all hospitals in Illinois receiving Medicaid
26 payments from the Illinois Department; or

1 (3) Illinois hospitals that on July 1, 1991 had a
2 Medicaid inpatient utilization rate, as defined in
3 paragraph (h) of this Section, that was at least the mean
4 Medicaid inpatient utilization rate for all hospitals in
5 Illinois receiving Medicaid payments from the Illinois
6 Department and which were located in a planning area with
7 one-third or fewer excess beds as determined by the Health
8 Facilities and Services Review Board, and that, as of June
9 30, 1992, were located in a federally designated Health
10 Manpower Shortage Area; or

11 (4) Illinois hospitals that:

12 (A) have a Medicaid inpatient utilization rate
13 that is at least equal to the mean Medicaid inpatient
14 utilization rate for all hospitals in Illinois
15 receiving Medicaid payments from the Department; and

16 (B) also have a Medicaid obstetrical inpatient
17 utilization rate that is at least one standard
18 deviation above the mean Medicaid obstetrical
19 inpatient utilization rate for all hospitals in
20 Illinois receiving Medicaid payments from the
21 Department for obstetrical services; or

22 (5) Any children's hospital, which means a hospital
23 devoted exclusively to caring for children. A hospital
24 which includes a facility devoted exclusively to caring
25 for children shall be considered a children's hospital to
26 the degree that the hospital's Medicaid care is provided

1 to children if either (i) the facility devoted exclusively
2 to caring for children is separately licensed as a
3 hospital by a municipality prior to February 28, 2013;
4 (ii) the hospital has been designated by the State as a
5 Level III perinatal care facility, has a Medicaid
6 Inpatient Utilization rate greater than 55% for the rate
7 year 2003 disproportionate share determination, and has
8 more than 10,000 qualified children days as defined by the
9 Department in rulemaking; (iii) the hospital has been
10 designated as a Perinatal Level III center by the State as
11 of December 1, 2017, is a Pediatric Critical Care Center
12 designated by the State as of December 1, 2017 and has a
13 2017 Medicaid inpatient utilization rate equal to or
14 greater than 45%; or (iv) the hospital has been designated
15 as a Perinatal Level II center by the State as of December
16 1, 2017, has a 2017 Medicaid Inpatient Utilization Rate
17 greater than 70%, and has at least 10 pediatric beds as
18 listed on the IDPH 2015 calendar year hospital profile; or

19 (6) A hospital that reopens a previously closed
20 hospital facility within 4 calendar years of the hospital
21 facility's closure, if the previously closed hospital
22 facility qualified for payments under paragraph (c) at the
23 time of closure, until utilization data for the new
24 facility is available for the Medicaid inpatient
25 utilization rate calculation. For purposes of this clause,
26 a "closed hospital facility" shall include hospitals that

1 have been terminated from participation in the medical
2 assistance program in accordance with Section 12-4.25 of
3 this Code.

4 (c) Inpatient adjustment payments. The adjustment payments
5 required by paragraph (b) shall be calculated based upon the
6 hospital's Medicaid inpatient utilization rate as follows:

7 (1) hospitals with a Medicaid inpatient utilization
8 rate below the mean shall receive a per day adjustment
9 payment equal to \$25;

10 (2) hospitals with a Medicaid inpatient utilization
11 rate that is equal to or greater than the mean Medicaid
12 inpatient utilization rate but less than one standard
13 deviation above the mean Medicaid inpatient utilization
14 rate shall receive a per day adjustment payment equal to
15 the sum of \$25 plus \$1 for each one percent that the
16 hospital's Medicaid inpatient utilization rate exceeds the
17 mean Medicaid inpatient utilization rate;

18 (3) hospitals with a Medicaid inpatient utilization
19 rate that is equal to or greater than one standard
20 deviation above the mean Medicaid inpatient utilization
21 rate but less than 1.5 standard deviations above the mean
22 Medicaid inpatient utilization rate shall receive a per
23 day adjustment payment equal to the sum of \$40 plus \$7 for
24 each one percent that the hospital's Medicaid inpatient
25 utilization rate exceeds one standard deviation above the
26 mean Medicaid inpatient utilization rate;

1 (4) hospitals with a Medicaid inpatient utilization
2 rate that is equal to or greater than 1.5 standard
3 deviations above the mean Medicaid inpatient utilization
4 rate shall receive a per day adjustment payment equal to
5 the sum of \$90 plus \$2 for each one percent that the
6 hospital's Medicaid inpatient utilization rate exceeds 1.5
7 standard deviations above the mean Medicaid inpatient
8 utilization rate; and

9 (5) hospitals qualifying under clause (6) of paragraph
10 (b) shall have the rate assigned to the previously closed
11 hospital facility at the date of closure, until
12 utilization data for the new facility is available for the
13 Medicaid inpatient utilization rate calculation.

14 (c-1) Beginning on and after October 1, 2026, for rate
15 year 2027 and thereafter, the Medicaid inpatient utilization
16 rate used in the determination of eligibility for payments
17 under paragraph (c) shall be modified to exclude from both the
18 numerator and denominator all days of care funded by the U.S.
19 Department of Veterans Affairs at a hospital approved to
20 conduct its operations from more than one location within
21 contiguous counties under a single license, if at the time of
22 its licensing application the hospital was located in a county
23 with fewer than 125,000 inhabitants and the hospital's second
24 facility is located in a contiguous county with fewer than
25 235,000 inhabitants. For purposes of this subsection, days of
26 care funded by the U.S. Department of Veterans Affairs include

1 authorized VA community care provided at non-VA hospitals.

2 (d) Supplemental adjustment payments. In addition to the
3 adjustment payments described in paragraph (c), hospitals as
4 defined in clauses (1) through (6) of paragraph (b), excluding
5 county hospitals (as defined in subsection (c) of Section 15-1
6 of this Code) and a hospital organized under the University of
7 Illinois Hospital Act, shall be paid supplemental inpatient
8 adjustment payments of \$60 per day. For purposes of Title XIX
9 of the federal Social Security Act, these supplemental
10 adjustment payments shall not be classified as adjustment
11 payments to disproportionate share hospitals.

12 (e) The inpatient adjustment payments described in
13 paragraphs (c) and (d) shall be increased on October 1, 1993
14 and annually thereafter by a percentage equal to the lesser of
15 (i) the increase in the DRI hospital cost index for the most
16 recent 12 month period for which data are available, or (ii)
17 the percentage increase in the statewide average hospital
18 payment rate over the previous year's statewide average
19 hospital payment rate. The sum of the inpatient adjustment
20 payments under paragraphs (c) and (d) to a hospital, other
21 than a county hospital (as defined in subsection (c) of
22 Section 15-1 of this Code) or a hospital organized under the
23 University of Illinois Hospital Act, however, shall not exceed
24 \$275 per day; that limit shall be increased on October 1, 1993
25 and annually thereafter by a percentage equal to the lesser of
26 (i) the increase in the DRI hospital cost index for the most

1 recent 12-month period for which data are available or (ii)
2 the percentage increase in the statewide average hospital
3 payment rate over the previous year's statewide average
4 hospital payment rate.

5 (f) Children's hospital inpatient adjustment payments. For
6 children's hospitals, as defined in clause (5) of paragraph
7 (b), the adjustment payments required pursuant to paragraphs
8 (c) and (d) shall be multiplied by 2.0.

9 (g) County hospital inpatient adjustment payments. For
10 county hospitals, as defined in subsection (c) of Section 15-1
11 of this Code, there shall be an adjustment payment as
12 determined by rules issued by the Illinois Department.

13 (h) For the purposes of this Section the following terms
14 shall be defined as follows:

15 (1) "Medicaid inpatient utilization rate" means a
16 fraction, the numerator of which is the number of a
17 hospital's inpatient days provided in a given 12-month
18 period to patients who, for such days, were eligible for
19 Medicaid under Title XIX of the federal Social Security
20 Act, and the denominator of which is the total number of
21 the hospital's inpatient days in that same period.

22 (2) "Mean Medicaid inpatient utilization rate" means
23 the total number of Medicaid inpatient days provided by
24 all Illinois Medicaid-participating hospitals divided by
25 the total number of inpatient days provided by those same
26 hospitals.

1 (3) "Medicaid obstetrical inpatient utilization rate"
2 means the ratio of Medicaid obstetrical inpatient days to
3 total Medicaid inpatient days for all Illinois hospitals
4 receiving Medicaid payments from the Illinois Department.

5 (i) Inpatient adjustment payment limit. In order to meet
6 the limits of Public Law 102-234 and Public Law 103-66, the
7 Illinois Department shall by rule adjust disproportionate
8 share adjustment payments.

9 (j) University of Illinois Hospital inpatient adjustment
10 payments. For hospitals organized under the University of
11 Illinois Hospital Act, there shall be an adjustment payment as
12 determined by rules adopted by the Illinois Department.

13 (k) The Illinois Department may by rule establish criteria
14 for and develop methodologies for adjustment payments to
15 hospitals participating under this Article.

16 (l) On and after July 1, 2012, the Department shall reduce
17 any rate of reimbursement for services or other payments or
18 alter any methodologies authorized by this Code to reduce any
19 rate of reimbursement for services or other payments in
20 accordance with Section 5-5e.

21 (m) The Department shall establish a cost-based
22 reimbursement methodology for determining payments to
23 hospitals for approved graduate medical education (GME)
24 programs for dates of service on and after July 1, 2018.

25 (1) As used in this subsection, "hospitals" means the
26 University of Illinois Hospital as defined in the

1 University of Illinois Hospital Act and a county hospital
2 in a county of over 3,000,000 inhabitants.

3 (2) An amendment to the Illinois Title XIX State Plan
4 defining GME shall maximize reimbursement, shall not be
5 limited to the education programs or special patient care
6 payments allowed under Medicare, and shall include:

7 (A) inpatient days;

8 (B) outpatient days;

9 (C) direct costs;

10 (D) indirect costs;

11 (E) managed care days;

12 (F) all stages of medical training and education
13 including students, interns, residents, and fellows
14 with no caps on the number of persons who may qualify;
15 and

16 (G) patient care payments related to the
17 complexities of treating Medicaid enrollees including
18 clinical and social determinants of health.

19 (3) The Department shall make all GME payments
20 directly to hospitals including such costs in support of
21 clients enrolled in Medicaid managed care entities.

22 (4) The Department shall promptly take all actions
23 necessary for reimbursement to be effective for dates of
24 service on and after July 1, 2018 including publishing all
25 appropriate public notices, amendments to the Illinois
26 Title XIX State Plan, and adoption of administrative rules

1 if necessary.

2 (5) As used in this subsection, "managed care days"
3 means costs associated with services rendered to enrollees
4 of Medicaid managed care entities. "Medicaid managed care
5 entities" means any entity which contracts with the
6 Department to provide services paid for on a capitated
7 basis. "Medicaid managed care entities" includes a managed
8 care organization and a managed care community network.

9 (6) All payments under this Section are contingent
10 upon federal approval of changes to the Illinois Title XIX
11 State Plan, if that approval is required.

12 (7) The Department may adopt rules necessary to
13 implement Public Act 100-581 through the use of emergency
14 rulemaking in accordance with subsection (aa) of Section
15 5-45 of the Illinois Administrative Procedure Act. For
16 purposes of that Act, the General Assembly finds that the
17 adoption of rules to implement Public Act 100-581 is
18 deemed an emergency and necessary for the public interest,
19 safety, and welfare.

20 (Source: P.A. 101-81, eff. 7-12-19; 102-682, eff. 12-10-21;
21 102-886, eff. 5-17-22.)

22 Section 99. Effective date. This Act takes effect upon
23 becoming law.