



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

SB4012

Introduced 2/6/2026, by Sen. Adriane Johnson

#### 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 October 1, 2026, for rate year 2027 and thereafter, the Medicaid inpatient utilization rate, as defined and used in the determination of eligibility for specified inpatient adjustment payments to hospitals, shall be modified to exclude, from both the numerator and denominator, all days reimbursed by the Department of Human Services for mental health services provided under a specified provision of the Code of Criminal Procedure of 1963 as contracted by the Department of Healthcare and Family Services. Effective immediately.

LRB104 18660 KTG 32103 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 October 1, 2026, for rate year 2027 and  
15 thereafter, the Medicaid inpatient utilization rate, as  
16 defined in paragraph (1) of subsection (h) and used in the  
17 determination of eligibility for payments under paragraph (c),  
18 shall be modified to exclude, from both the numerator and  
19 denominator, all days reimbursed by the Department of Human  
20 Services for services provided under Section 104-17 of the  
21 Code of Criminal Procedure of 1963 as contracted by the  
22 Department.

23 (d) Supplemental adjustment payments. In addition to the  
24 adjustment payments described in paragraph (c), hospitals as  
25 defined in clauses (1) through (6) of paragraph (b), excluding  
26 county hospitals (as defined in subsection (c) of Section 15-1

1 of this Code) and a hospital organized under the University of  
2 Illinois Hospital Act, shall be paid supplemental inpatient  
3 adjustment payments of \$60 per day. For purposes of Title XIX  
4 of the federal Social Security Act, these supplemental  
5 adjustment payments shall not be classified as adjustment  
6 payments to disproportionate share hospitals.

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

26 (f) Children's hospital inpatient adjustment payments. For

1 children's hospitals, as defined in clause (5) of paragraph  
2 (b), the adjustment payments required pursuant to paragraphs  
3 (c) and (d) shall be multiplied by 2.0.

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

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

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

17 (2) "Mean Medicaid inpatient utilization rate" means  
18 the total number of Medicaid inpatient days provided by  
19 all Illinois Medicaid-participating hospitals divided by  
20 the total number of inpatient days provided by those same  
21 hospitals.

22 (3) "Medicaid obstetrical inpatient utilization rate"  
23 means the ratio of Medicaid obstetrical inpatient days to  
24 total Medicaid inpatient days for all Illinois hospitals  
25 receiving Medicaid payments from the Illinois Department.

26 (i) Inpatient adjustment payment limit. In order to meet

1 the limits of Public Law 102-234 and Public Law 103-66, the  
2 Illinois Department shall by rule adjust disproportionate  
3 share adjustment payments.

4 (j) University of Illinois Hospital inpatient adjustment  
5 payments. For hospitals organized under the University of  
6 Illinois Hospital Act, there shall be an adjustment payment as  
7 determined by rules adopted by the Illinois Department.

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

11 (l) On and after July 1, 2012, the Department shall reduce  
12 any rate of reimbursement for services or other payments or  
13 alter any methodologies authorized by this Code to reduce any  
14 rate of reimbursement for services or other payments in  
15 accordance with Section 5-5e.

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

20 (1) As used in this subsection, "hospitals" means the  
21 University of Illinois Hospital as defined in the  
22 University of Illinois Hospital Act and a county hospital  
23 in a county of over 3,000,000 inhabitants.

24 (2) An amendment to the Illinois Title XIX State Plan  
25 defining GME shall maximize reimbursement, shall not be  
26 limited to the education programs or special patient care

1 payments allowed under Medicare, and shall include:

2 (A) inpatient days;

3 (B) outpatient days;

4 (C) direct costs;

5 (D) indirect costs;

6 (E) managed care days;

7 (F) all stages of medical training and education  
8 including students, interns, residents, and fellows  
9 with no caps on the number of persons who may qualify;  
10 and

11 (G) patient care payments related to the  
12 complexities of treating Medicaid enrollees including  
13 clinical and social determinants of health.

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

17 (4) The Department shall promptly take all actions  
18 necessary for reimbursement to be effective for dates of  
19 service on and after July 1, 2018 including publishing all  
20 appropriate public notices, amendments to the Illinois  
21 Title XIX State Plan, and adoption of administrative rules  
22 if necessary.

23 (5) As used in this subsection, "managed care days"  
24 means costs associated with services rendered to enrollees  
25 of Medicaid managed care entities. "Medicaid managed care  
26 entities" means any entity which contracts with the

1 Department to provide services paid for on a capitated  
2 basis. "Medicaid managed care entities" includes a managed  
3 care organization and a managed care community network.

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

7 (7) The Department may adopt rules necessary to  
8 implement Public Act 100-581 through the use of emergency  
9 rulemaking in accordance with subsection (aa) of Section  
10 5-45 of the Illinois Administrative Procedure Act. For  
11 purposes of that Act, the General Assembly finds that the  
12 adoption of rules to implement Public Act 100-581 is  
13 deemed an emergency and necessary for the public interest,  
14 safety, and welfare.

15 (Source: P.A. 101-81, eff. 7-12-19; 102-682, eff. 12-10-21;  
16 102-886, eff. 5-17-22.)

17 Section 99. Effective date. This Act takes effect upon  
18 becoming law.