House Appropriations Health & Human Services Committee

Department of Healthcare & Family Services
Elizabeth M. Whitehorn, Director

APRIL 16, 2026

HFS
Illinois Department of
Healthcare and Family Services

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OUR VISION FOR THE FUTURE

We improve lives.

- We address social and structural determinants of health.
- We empower customers to maximize their health and well being.
- We provide consistent, responsive service to our colleagues and customers.
- We make equity the foundation of everything we do.

This is possible because:

We value our staff as our greatest asset.

We do this by:

Fully staffing a diverse workforce whose skills and experiences strengthen HFS.

Ensuring all staff and systems work together.

Maintaining a positive workplace where strong teams contribute, grow and stay.

Providing exceptional training programs that develop and support all employees.

We are always improving.

We do this by:

Having specific and measurable goals and using analytics to improve outcomes.

Using technology and interagency collaboration to maximize efficiency and impact.

Learning from successes and failures.

We inspire public confidence.

We do this by:

Using research and analytics to drive policy and shape legislative initiatives.

Clearly communicating the impacts of our work.

Being responsible stewards of public resources.

Staying focused on our goals.

What We Do

Nearly **1 in 3 Illinoisans** are served by HFS through health care and child support programs.

HFS provides healthcare to more Illinoisans than any other insurer.

Medicaid

- 3.1 million individuals enrolled
- 98% of total budget

Child Support

- Serves 330,000 families and nearly 500,000 children
- ~1% of total budget

Who Are Our Medical Customers?

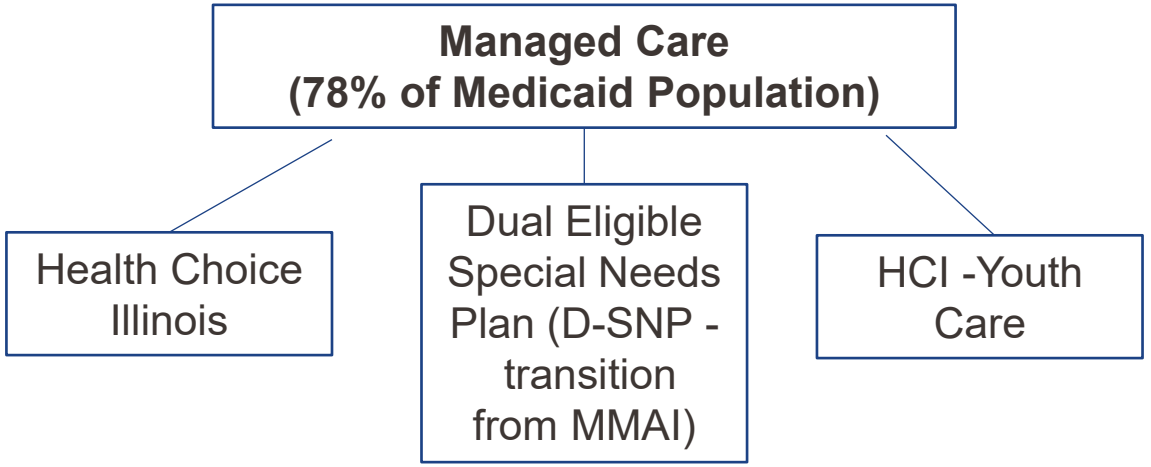
Medical Assistance Enrollment							
	Seniors	Disabled Adults	Children	Non-Disabled Adults	ACA	Total	% Change
FY25 Actuals	283,175	227,054	1,466,451	544,073	750,532	3,271,285	-10.8%
FY26 Estimated	281,437	221,507	1,435,261	490,300	710,951	3,139,456	-4.0%
FY27 Projected	287,098	211,304	1,451,193	444,710	697,205	3,091,510	-1.5%

*This chart shows HFS' year-over-year Medical Programs enrollment, broken out by population.

Managed Care in Illinois

Medicaid Managed Care:

- Customers choose their health plan among MCOs
- Provides care coordination for customers
- Incentivizes quality of care



HealthChoice Illinois

aetna®

meridian

MOLINA HEALTHCARE

CountyCare
A MEDICAID HEALTH PLAN

BlueCross BlueShield of Illinois

Fee for Service
(22% of Medicaid Population)

FY26 Accomplishments

- **Rural Health Transformation (RHT) Program:** Awarded $193.4 million for CY2026
- **Medical Debt Relief:** Alleviated more than $1.1 billion in medical debt for more than 500,000 beneficiaries
- **Cell and Gene Therapy (CGT) Access Model:** Accepted into the federal CGT Access Model
- **State Based Marketplace Launch:** Allows for more integration between Medicaid and the marketplace
- **Maternal Health:** Continued expansion of new provider types, integrating social and behavioral health services, promoting quality and alternative payment models, federal Transforming Maternal Health Model
- **HealthChoice Illinois (HCI) procurement:** Re-procuring MCOs with the goal of driving transformative growth and expanded access. New contract term begins in Plan Year 2027
- **Fully Integrated Dual Eligible Special Needs Plan (FIDE-SNP):** Began January 1, 2026
- **Certified Community Behavioral Health Clinic (CCBHCs):** Continued implementation to expand access to integrated mental health and substance use treatment services
- **Hospital Assessment Program:** Allows for an additional $2 billion in state-directed payments
- **Child Support:** Achieved highs for parentage establishment and current support collections, while increasing cases with orders or past-due collections. Cut past-due child support case review times by over 92%

HFS Workforce

- **Onboard Headcount: 1,742** as of 3/31/26, down from 1,792 on 6/30/25
- Allocated headcount for FY26: 2,106
- **Budgeted FY27 headcount: 2,144** - 38 additional allocated for new consent decree responsibilities, HR1 implementation, Rural Health Transformation Program, and federal compliance.
- HFS has filled 220 positions since 6/1/2025.
- An additional 109 positions are in process to be filled in the next 30-45 days.
- 801 staff are aged 50+ (~46%); roughly 261 staff are aged 60+ (~15%).
- DEIA steering committee helping to drive equitable outcomes in hiring.

Workforce Demographics

- Female: **1,168** (67%)
- Male: **574** (33%)
- Caucasian: **1,233** (71%)
- African American: **296** (17%)
- Hispanic: **139** (8%)
- Asian: **69** (4%)
- Native American: 5 (<1%)
- **208** employees (~11%) identify as having a disability
- **103** employees receive (~5%) additional compensation for the use of their bilingual skills to perform their duties

HFS FY27 All Funds Budget

ALL FUNDS* ($ MILLIONS)				
TOTAL BY PROGRAM	FY 2026 APPROPRIATION W/SUPPLEMENTAL	FY 2027 REQUEST	$ CHANGE	% Change
Medical Assistance	$45,738.8	$46,603.5	$864.7	1.9%
Child Support Services	$318.8	$316.7	-$2.1	-0.6%
Administration	$411.7	$457.1	$45.4	11.0%
Cost Recoveries	$32.9	$33.4	$0.5	1.6%
Inspector General	$36.5	$37.8	$1.3	3.6%
TOTAL	**$46,538.7**	**$47,448.5**	**$909.9**	**2.0%**

HFS FY27 General Fund Budget

GENERAL FUNDS* ($ MILLIONS)				
TOTAL BY PROGRAM	FY 2026 APPROPRIATION W/SUPPLEMENTAL	FY 2027 REQUEST	$ CHANGE	% Change
Medical Assistance	$9,132.6	$8,626.4	-$506.2	-5.5%
Child Support Services	$71.8	$61.8	-$10.0	-13.9%
Administration	$88.9	$85.9	-$3.0	-3.4%
Inspector General	$7.2	$7.2	0.0	0.0%
Total	**$9,300.6**	**$8,781.4**	**-$519.2**	**-5.6%**

Major Budget Drivers

Upward Pressures:

- **$1.4 billion** for base rate/utilization cost changes
  - **$1.3 billion** of this total is attributable to Managed Care base rate/utilization cost increases based on actuarial estimates
    - **$123.6 million** of which is attributed to FIDE-SNP (mainly due to timing differences, since FIDE-SNP rates are projected one-year beyond the MMAI baseline)
- **$351.5 million** for increased Managed Care Assessment Capitations (MAC)
  - These payments are made to Medicaid MCOs to achieve actuarially sound rates due to those plans paying the MCO assessment.
- **$69.9 million** for Medicare Part D clawback payments to the federal government
- **$50.0 million** for Applied Behavioral Analysis utilization

Downward Pressure:

- FY27 liability is decreased in part by the following:
  - **$581.3 million** due to projected enrollment decreases
    - Driven in part by implementation of HR1 policies impacting enrollment (work requirements, 6-month redeterminations for the ACA population, and change in qualified alien definition)

FY27 Budget Highlights

Program Investments

- **HR1 Infrastructure and Investments** - $36.8 million (IT and consumer outreach); $2 million (headcount); and $193.4 million (rural healthcare transformation).
- **Certified Community Behavioral Health Clinics (CCBHCs)** - $110.7 million. Funding including maintenance of 19 CCBHC providers and adding another 9 CCBHC providers by Jan. 1, 2027.
- **Tailored Care Management Program (TCMP)** - $39 million. Effective January 1, 2027, TCMP will replace the DHS Comprehensive Class Member Transition Program and the Community Transition Initiative operated by HFS MCOs.
- **Health Related Social Needs (HRSN) component of the 1115 waiver** - $14.5 million. HFS will implement infrastructure investments and some housing services for Medicaid members.
- **Community Health Workers (CHWs)** - $6.5 million. Includes the implementation of CHWs as Medicaid covered providers.
- **Gold Card** – $6.1 million. Effective January 1, 2027, implementation of a gold card certification for hospital inpatient and outpatient providers exempting them from submitting prior authorization for certain procedures to streamline access to care.

Delayed Program Investments Due to Budget Pressures

Budget Pressures examples

- HR1 implementation
- Higher acuity customers post Public Health Emergency (PHE)
- Increased utilization of Applied Behavior Analysis (ABA) therapy
- Implementation of the Fully Integrated Dually Eligible Special Needs Program (FIDE-SNP)

Proposed Delays

- 72-hour Rule to begin July 1, 2027
- Coverage of Music Therapy to begin July 1, 2027
- Implementation of 1115 Reentry waiver to begin in FY28
- In-state Psychiatric Residential Treatment Facilities (PRTFs) to begin January 1, 2028

FY26 Supplemental Requests

- **Hospital Provider Fund - $600 million**

Due to delayed CMS approval of the new hospital assessment program and increased available resources for hospital claims.

- **County Provider Trust Fund - $600 million**

Increased revenue streams into this fund that garner federal match, facilitated by a higher effective federal match rate, which together enable the Fund to cover additional County Care expenditures.

- **Rural Healthcare Transformation Fund - $100 million**

The supplemental request enables FY26 draw down of federal Rural Health Transformation Program funding awarded under HR1.

Medicaid Program Integrity

- **HFS protects Medicaid integrity** by preventing, detecting, and investigating fraud, overpayments, and billing errors.
- HFS OIG oversees all program integrity functions and requires MCOs to report suspected **fraud, waste & abuse**.
- **Fraud prevention tools** include audits, data analytics, provider screening, exclusion checks, and collaboration with MCO SIUs and Milliman.
- Milliman's award-winning **AI anomaly detection** is applied to Illinois Medicaid claims to identify emerging fraud risks.
- FY2025 results: **over 19,000 audits, $178M in cost avoidance,** and multiple sanctions, suspensions, and criminal referrals.

Safety Net Health System Landscape

Current State

- **32 hospitals** paid via safety net designation
- Individualized response strategy: diverse array of Medicaid **payments specialized for safety net hospitals**
  - Claims payments, state directed payments, and other add on payments that have been passed by the legislature.
  - HFS reimburses SNs average 116% of their costs.
- **Challenging Factors**
  - Declines in inpatient volume
  - Higher patient acuity
  - Declining infrastructure
  - Difficult & complex payor mix
  - Dramatic federal funding decreases

Planning for the Future

- Without coordinated action **Illinois risks losing access to care, jobs, and damaging equity**
- **Safety Net Hospitals are private entities** and oversee their operational and strategic direction
- **State's Role**:
  - Promote strategic creative approach to challenges.
  - Coordination across all stakeholders
  - State has limited tools
  - The state has limited funding especially in light of coming HR1 related fiscal pressures
  - Community listening sessions and fostering critical stakeholder input

We must work together to protect Medicaid, assess the needs of our Medicaid customers, stabilize the financial and organizational structures of our safety net system, and look for innovative solutions.

HR 1: Federal Medicaid Changes Coming in FY27 and Beyond

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HFS' Guiding Principles in Enacting Federal Changes

- Ensure eligible Illinoisans receive and maintain the coverage and benefits for which they qualify.
- Ensure the Illinois Medicaid program maintains the ability to cover as many health care services as possible.
- Mitigate harm as much as possible.

HR 1 Medicaid eligibility changes

New Federal Requirements for some enrollees

- **Mandatory Work Requirements** (Effective January 1, 2027)
  - Medicaid customers aged 19 to 64 without dependents under age 14 must prove they meet certain work, education, and/or community service requirements or claim an exemption in order to be eligible for coverage.
- **More Frequent Redeterminations** (Effective January 1, 2027)
  - Currently, states are required to verify Medicaid eligibility annually. HR 1 requires states to verify eligibility for customers in the Affordable Care Act (ACA) expansion population every six months.
- **Retroactive Coverage Limits** (Effective January 1, 2027)
  - Reduces medical coverage pre-enrollment from three months to one month for ACA adults and two months for other groups.
- **Narrowing Non-Citizen Eligibility** (Effective October 1, 2026)
  - Removes federal matching funds for previously eligible immigrant categories.

HR 1 impact on Medicaid

. Internal estimates show that between **165,000 and 300,000 Illinoisans** will lose Medicaid coverage due to the new federal work requirements

- States that have imposed work requirements, such as AR and GA, saw tens of thousands of eligible enrollees lose coverage.

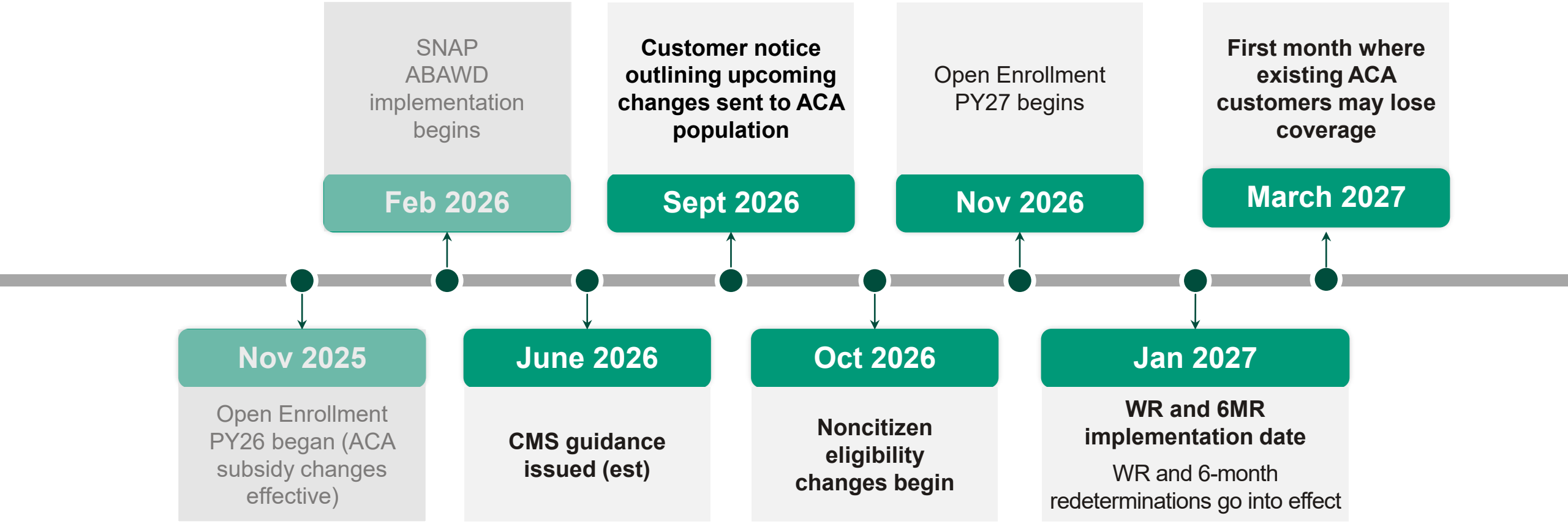
More frequent redeterminations for ACA adults will mean an increased administrative burden for caseworkers and customers, and **an increased risk that eligible enrollees will lose coverage.**

The **narrowing of non-citizen eligibility is expected to result in coverage loss for approximately 10,000 full-benefit adult individuals** on 10/1/2026 due to the new definition of Qualified Aliens.

Shortened **retroactive eligibility** period for all populations is expected to bring reduced reimbursement for providers and increased medical debt or forgone care for customers.

Coverage loss due to HR 1 changes will put financial pressure on individuals, providers and the healthcare system broadly. Manatt projects the state will face a roughly $51 billion reduction in Medicaid expenditures in the next decade.

Implementation Timeline for HR1 Eligibility Changes



Data & IT | HR 1 implementation: major IES updates

2027 Readiness for HR 1 changes

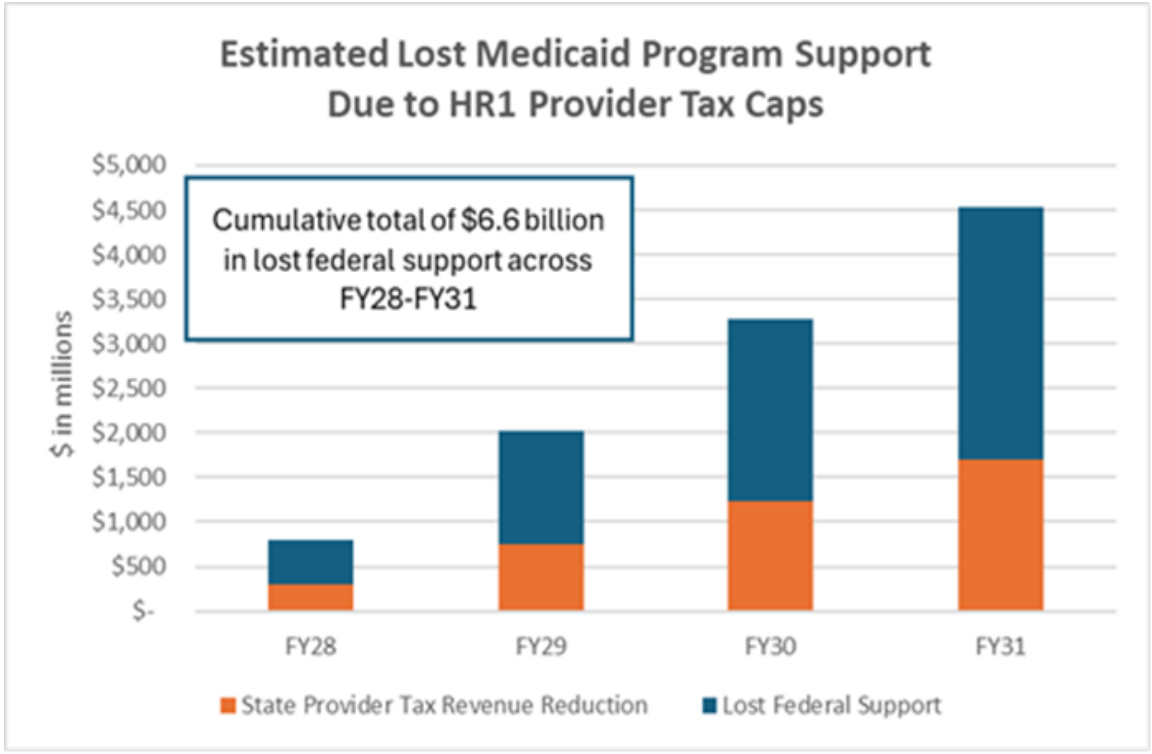
	WR MVP changes	Other HR1 changes	Data integration	'MVP+' IES changes
Overview	Work requirement-related system changes to ensure **smooth implementation** & **minimize disruption**	Other system changes for **timely HR 1 compliance** & **limited audit risk**	Population data integration for automated work requirement verification, **reducing manual burden**	Broader IT initiatives to **improve member experience** & **ease frontline workload**
Example components	*Key IES changes, e.g.,:* • Eligibility determination logic • Caseworker & client portal updates • Application updates • Notices & forms	*Key IES changes, e.g.,:* • Noncitizen eligibility changes • Death Master File (DMF) integration • 6-month REDE implementation	*New data sources, e.g.,:* • Claims data (MMIS) • Consent-based income verification (1099 via CMS EMMY) • Education enrollment status (NSC)	*Example initiatives:* • No-touch REDEs • Mobile-friendly ABE • IVR improvements • Policy manual/WAG upgrades

Activating Help from Stakeholders

- HFS is planning comprehensive stakeholder engagement and a public awareness & outreach campaign to raise awareness about the HR1 changes
- The Phase One **Stakeholder Toolkit** includes messages & materials to share with Medicaid customers about HR 1 eligibility changes, with more rolling out throughout CY 2026

HR 1 changes beyond FY27: Financing

- **MCO tax**
  - July 1, 2027
- **Nursing facility tax**
  - July 1, 2028
- **Hospital and MCO taxes**
  - October 1, 2027 through 2032
- **State Directed Payments**
  - Beginning January 1, 2028



If the state is unable to increase its funding share, after full implementation of the cuts, Medicaid support in Illinois will drop by $4.5 billion annually by 2031, according to GOMB.

HFS FY27 Goals

- Implement new federal Medicaid requirements contained in **HR 1**
- Ongoing rollout of the **Rural Healthcare Transformation program** aimed at improving access to quality care in underserved communities
- Re-procure the **HealthChoice Illinois** MCO contracts serving approximately 2.5 million customers to drive program growth and expand Medicaid access
- Work with GO & IDPH on a future-looking **safety net healthcare strategy**, to monitor hospital health and provide financial assistance to those in crisis
- Build on success of the **Medical Debt Relief Program**
- Continuing to advance innovative care programs:
  - Certified Community Behavioral Health Clinics (**CCBHCs**) program
  - **Expanding maternal health provider types**
  - **1115 waiver** programs, including Health-Related Social Needs (HRSN) component, limited housing services

Q&A

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