CHA CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
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CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
HUMAN SERVICES COMMITTEE
Tuesday, March 4, 2008

SB 560, An Act Concerning Fair And Adequate Hospital Reimbursement
SB 562, An Act Concerning Increased Access To The Medicaid Program For The Medically Needy Elderly And Disabled
SB 564, An Act Concerning Services For Persons With Mental Health Needs

My name is Stephen Frayne and I am Senior Vice President, Health Policy of the Connecticut Hospital Association (CHA). I appreciate the opportunity to testify on behalf of CHA and its members in support of **SB 560, An Act Concerning Fair And Adequate Hospital Reimbursement; SB 562, An Act Concerning Increased Access To The Medicaid Program For The Medically Needy Elderly And Disabled;** and **SB 564, An Act Concerning Services For Persons With Mental Health Needs.**

The best independent works available outlining why hospital rate setting in the Medicaid and SAGA programs need an overhaul can be found in: the Legislative Program Review and Investigations Committee December 18, 2006 report *Concerning the Funding of Hospital Care* and the Governor's January 8, 2008 *Hospital System Strategic Task Force Report.*

The Program Review report documented the mix of revenue sources hospitals rely on to fund services, the adequacy and equity of Medicaid and SAGA rate setting processes, and how those programs negatively impact the financial viability of Connecticut hospitals. The independence of that report lends both credibility and urgency to the need for rate relief for Connecticut hospitals.

The Governor's Task Force Report covers a broad range of topics, including utilization and planning, workforce, and financial structure. One of the topics extensively discussed by the Task Force was "cost shifting" of losses from underfunded government programs to employer-sponsored insurance. The report concludes "cost shifting" is one of the leading drivers of the financial instability of Connecticut hospitals, is unsustainable, and is eroding the employer-sponsored insurance system hospitals rely on to make ends meet. The Governor's Task Force recommended: increasing reimbursement to reflect reasonable costs to provide care to patients in the Medicaid fee-for-service, HUSKY, and SAGA programs to ensure continued access to healthcare services; and requiring CHEFA to establish a program to provide the proceeds from revenue bonds backed by contract assistance of the state that would assist hospitals in making needed investments.

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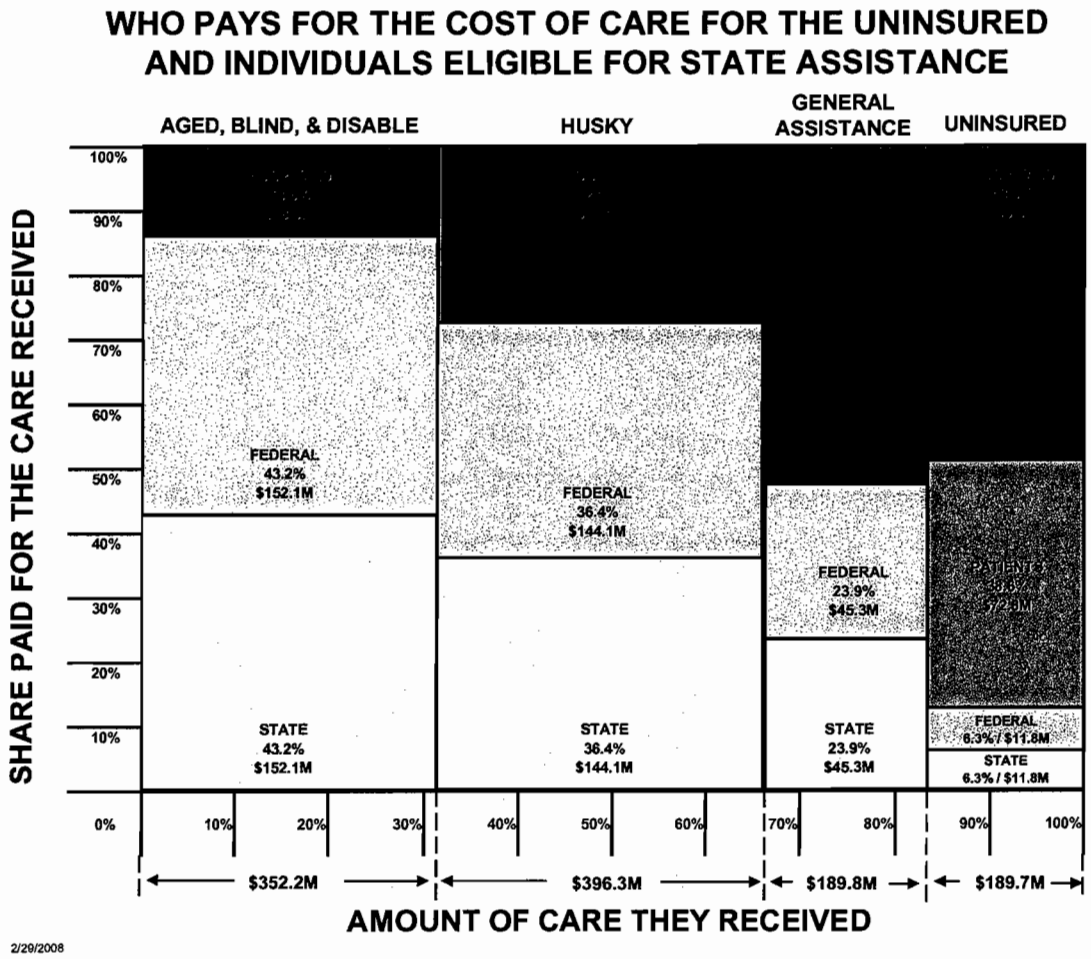
Providing patients and communities with the finest quality healthcare services is the highest priority for Connecticut's not-for-profit hospitals. Hospitals fulfill a vital role, caring for Connecticut residents 24 hours a day, seven days a week, and they make enormous contributions to the health and quality of life for millions of Connecticut residents. Last year, Connecticut hospitals provided 2.1 million days of inpatient care. In addition, hospitals provide a significant amount of outpatient care. Last year, Connecticut hospitals provided more than 4 million outpatient visits, including: 1.5 million ED visits; 183,000 ambulatory surgery visits; 30,000 cardiac procedures; 99,000 cardiac rehab visits; 144,000 gastroenterology procedures; 43,000 chemotherapy visits; 204,000 radiation therapy visits; 844,000 outpatient rehabilitation visits; 344,000 psychiatric care visits; and 624,000 primary care visits. Every moment of every day, hospitals touch the lives of Connecticut residents by providing high quality healthcare services.

As the chart below clearly indicates, every year before a hospital plans a new program, hires another nurse, and invests in a quality initiative, it must first figure out how to cover the annual $255 million deficit caused by state underfunding of its existing insurance programs. Under current law, this is a never-ending and ever-growing deficit for which we have to annually implore you for help because current law always presumes rates will never increase. The rate relief in the biennium budget, while it won't eliminate the problem, will make a real dent in it.



While your efforts are making a real difference, there is still much to be done. The most important things you can do to help hospitals and other providers are to: support SB 560 and 562 and continue to fight for increases in funding in the state budget so that hospitals receive the full cost of providing care to patients covered by government-funded programs, such as Medicaid and SAGA; and support SB 564 and expand access to Medicaid for our most vulnerable citizens.

Strong hospitals, like good schools and safe roads, are an essential part of what makes Connecticut a great state.

Thank you for your consideration. I am happy to answer any questions.