

**TESTIMONY OF
R. Christopher Hartley
Senior Vice President
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BEFORE THE
FINANCE REVENUE AND BONDING COMMITTEE
Monday, February 9, 2009**

HB 6350, An Act Eliminating Exemptions From the Sales and Use Tax and Lowering The Rate of Such Tax

My name is Christopher Hartley. I am Senior Vice President for Planning and Facilities Development for Saint Francis Hospital and Medical Center. I am testifying today in opposition to **HB6350, An Act Eliminating Exemption From Sales and Use Tax and Lowering the Rate of Such Tax.**

HB 6350 would eliminate most exemptions to the sales tax and lower the rate of the tax to five percent. The elimination of the exemption for hospital purchases, as well as the inclusion of patient care services in the tax would badly hurt Connecticut hospitals and their ability to provide quality care. In addition, for those urban hospitals, such as Saint Francis, who serve as a major part of the healthcare safety net for Connecticut's poorest citizens, this tax would divert much needed dollars from highly vulnerable health care institutions when the demand for services from the uninsured and underinsurance are on the rise due to our severe economic climate.

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 tremendous amount of outpatient care. In fiscal year 2008, Saint Francis provided more than 164,576 days of inpatient care, 97,560 outpatient visits, including: 66,208 emergency department visits; 10,369 ambulatory surgery visits; 5,312 cardiac procedures; 6,740 cardiac rehab visits; 16,336 gastroenterology procedures; 34,953 hematology/oncology visits; 16,611 radiation therapy visits; 10,684 outpatient rehabilitation visits; 29,197 psychiatric care visits; and 64,408 primary care visits. This bill would impose a sales tax on every one of those services.

Hospitals also make vital contributions to the state's economy. Connecticut's hospitals are both the economic bedrock and engine in their communities. They are major employers, offering jobs at all skill and salary levels in a growing employment sector. Connecticut hospitals won't move out of Connecticut in search of a more favorable business crimate – Connecticut hospitals are here to stay. Hospital purchases provide important secondary income and job benefits to the local economy. Hospitals serve as a magnet for other healthcare business and serve as a stimulus for economic development,

attracting other businesses into the community such as retail shops, bank, grocery stores, and family restaurants.

In FY2008, Saint Francis generated \$666,754,805 in operating revenue and employed over 5,000 individuals. Saint Francis delivered over \$13,900,000 in charity care and experienced Medicaid and Bad Debt losses in excess of \$55,973,870.

Taxes such as the one suggested in this bill will only serve to weaken Saint Francis Hospital and Medical Center's ability to generate jobs, purchase services and meet the needs of the poor and underinsured in this state.

Governor Rell, in 2007, established the *Hospital System Strategic Task Force*, chaired by Secretary of the Office of Policy and Management Robert Genuario and Commissioner of the Office of Health Care Access Cristine Vogel. Its members included state legislators, state agencies, professional nurse and physician associations, representatives of Connecticut hospitals and other healthcare experts, as well as business leaders. The report is final and has been submitted to the Governor. Please review the report's findings and recommendations. One of the topics extensively discussed by the task force was "cost shifting" of losses from under funded 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. CHA believes that one of the most important ways to stabilize Connecticut hospitals, recognized in the task force report, is to increase Medicaid funding in the state budget so that hospitals receive the full cost of providing care to patients who are covered by government-funded programs, such as Medicaid and SAGA.

The competing pressures of government funding cuts, the need to attract and maintain a superior workforce, rising input costs, and the continuous effort to improve the care given have put Connecticut's hospitals in a financially tenuous position. In 2008, 23 of the state's 27 not-for-profit acute care hospitals ended the year unable to collect enough patient revenue to cover the cost of care delivered to those patients. In fact, Saint Francis itself experienced an \$8.5 million operating loss in the 2008 fiscal year.

Imposing a five percent sales tax would cost hospitals approximately \$493 million a year, including approximately \$363 million from taxing the delivery of patient care services and another \$130 million from taxing hospital purchases. We estimate it would cost Saint Francis well over \$20 million a year that could be better spent providing healthcare services to our community. This massive diversion of hospital funds from patient care to the General Fund will do nothing to help hospitals meet the healthcare needs of the communities they serve and will significantly increase the cost of healthcare. Therefore, we ask you to vote against **HB 6350, An Act Eliminating Exemptions From The Sales And Use Tax And Lowering The Rate Of Such Tax.**

Thank you for your consideration of my comments.