TESTIMONY OF
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TO THE FINANCE, REVENUE AND BONDING COMMITTEE
Monday, February 9, 2009

RE: HB 6350, An Act Eliminating Exemptions From The Sales And Use Tax And Lowering The Rate of Such Tax

My name is Peter J. Karl. I am the President and CEO of Eastern Connecticut Health Network, a not-for-profit health system that includes Manchester Memorial and Rockville General Hospitals, the Woodlake at Tolland Long-Term Care and Short-Term Rehabilitation Facility and various other wellness centers and physician practices. I am pleased for the opportunity to submit testimony in opposition to **HB 6350, An Act Eliminating Exemptions From The Sales And Use Tax And Lowering The Rate of Such Tax.**

This bill eliminates most exemptions to the sales tax, including the exemption for patient care services and for purchases made by non-profit health care systems.

This bill would add an incredible burden on the already challenged health care consumers in the state. A full array of vital health care services, including emergency treatment and care, surgical procedures, cancer treatments, diagnostic procedures of all kinds, behavioral health visits, and basic primary care such as pediatric, gynecological and family medicine would all be taxed. This would exacerbate a public health emergency we are already seeing growing in this state, as evidenced by the number of people who are postponing or neglecting their personal health because they have either lost insurance due to the worsening recession or who can no longer afford the higher copays and deductibles that have been built into their plans. This new tax will only add another reason for people to not to seek out care when symptoms first appear. As a result, as their conditions worsen and reach a point where they can no longer ignore the pain and seriousness of the situation, they will show up in the state's Emergency Departments with more complex, difficult to treat conditions, having not only jeopardized their own health and welfare, but also imposed a costlier burden on the health care system and, if a Medicaid patient, upon the state's reimbursement system. For the health of our citizens and for the fiscal viability of the state, this tax on medical care and procedures must not be enacted.

As manufacturers, insurance companies, service industries and other employers have either closed, downsized or moved out of state, health care has remained one of the economic stimulators for the state. With the recession now impacting patients' decisions regarding seeking care, health care is now beginning to see the impact of the economic downturn. With this new tax, the state would effectively be damaging one of the last industries that is typically better able to weather a recession than other industries—so much so that there would be a real possibility that hospitals will need to tighten their belts

and downsize more than many are already planning to do so. This could result in service cutbacks or eliminations and the closure of hospitals—further eroding the quality and accessibility of care in the state and potentially adding hundreds, if not thousands more to the unemployment rolls.

To add this tax to hospital purchases would have a significant impact upon ECHN. We currently purchase over $80 million worth of goods, services and supplies, a major portion from within our local area and the state of Connecticut. Implementation of this tax would result in an additional $4 million of expenses. As we face increasing pension obligations due to the collapse of the investment market, as well as increasing bad debt and demands for charity care, ECHN would not be able to keep up with its obligations, which would impact local vendors, employees and ultimately patients.

Because we would need to implement the sales tax across the board, ECHN would also be obliged to remit sales tax to the state even on procedures that we discount to self-pay patients (because of their inability to pay) or to insurance or managed care companies. We would also be forced to pay sales tax on charity care (last year, we provided close to $3 million in charity care between our two hospitals) and over $9 million in bad debt (all those bills we have been unable to collect). This would further destabilize our fiscal viability as we would be forced to remit over $550,000 in taxes to the state that were not paid by our patients or clients. Our recent historical experience has shown that bad debt has grown by 50% in the past three years and charity care has increased by at least one-third. Should this continue, our tax obligation without the funds to cover the amount would increase even further.

On behalf of the Board of Trustees and Administration of ECHN, I am urging the members of the Finance, Revenue and Bonding Committee to take the time to understand the implications of such legislation and to vote against HB 6350. Thank you for taking the time to listen to our position and for this opportunity to submit testimony.