CHA CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
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CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
APPROPRIATIONS COMMITTEE
Wednesday, February 18, 2009

HB 6365, An Act Concerning The State Budget For The Biennium Ending June 30, 2011, And Making Appropriations Therefor.

My name is Stephen Frayne. I am the Senior Vice President, Health Policy, of the Connecticut Hospital Association (CHA). I am testifying today on **HB 6365, An Act Concerning The State Budget For The Biennium Ending June 30, 2011, And Making Appropriations Therefor.**

Connecticut's hospitals are among the finest in the nation. Access to the most skilled professionals and latest technology is expected by patients in our state, and Connecticut hospitals deliver. Providing care to all who need it, regardless of ability to pay, twenty-four hours per day, seven days per week year-round, hospitals are integral to the quality of life and health in our communities. Hospitals are among the largest employers in the state, supporting over 97,000 jobs and generating nearly $13 billion in annual economic activity. In more ways than one, the health of our communities is inextricably linked to the health of the local hospital. Unfortunately, the economic crisis is ravaging the health of our hospitals.

In 2007, Connecticut hospitals lost more than $300 million due to under- reimbursement for Medicaid and SAGA – up from $255 million the year before. In 2008, one of the traditional means hospitals use to make ends meet, non-operating (investment) income, more than disappeared, going negative for the first time ever. Instead of investments supporting operations, hospitals posted a non-operating revenue loss of over $200 million. In comparison to the year before, this represented a year-over-year nose dive in non-operating revenue of $416 million. In addition, as the economy worsens, the number of uninsured and those enrolling in Medicaid and SAGA grows daily.

Connecticut hospitals know all too well how difficult it is to operate in this economic crisis and make hard choices amongst competing priorities. We sincerely thank Governor Rell for submitting a budget proposal that maintains the Medicaid provider rate increases enacted in 2007 as well as preserves the Uncompensated Care and Urban DSH Pools.

However, HB 6365 also proposes Medicaid cuts totaling $81.6 million in 2010 and $89.7 million in 2011. Those cuts are:

- Eliminating funding for the LifeStar helicopter, for an annual savings of $1.4 million.
- Imposing co-payments in the Medicaid Program, for a savings of $8.8 million in FY 2010 and $10.5 million in FY 2011.
- Establishing premiums for HUSKY A Adults, for a savings of $8.8 million in FY 2010 and $9.3 million in FY 2011.
- Eliminating self-declaration at application and redetermination, for a savings of $2 million in FY 2010 and $2 million in FY 2011.

- Modifying the definition of medical necessity and appropriateness under Medicaid, for a savings of $4.5 million in FY 2010 and $9 million in FY 2011.
- Eliminating State-Funded Non-Emergency Medical Assistance to Non-Citizens, for a savings of $23.6 million in FY 2010 and $24.5 million in FY 2011.
- Limiting the dental services benefit for adults to emergencies, for an annual savings of $22.7 million.
- Increasing premium payment requirements under HUSKY B, for a savings of $1.5 million in FY 2010 and $1.5 million in FY 2011.
- Eliminating supplemental payments to FQHCs and hospitals for prenatal care when the mother is undocumented, for an annual savings of $2 million.
- Eliminating medical interpreters under Medicaid, for a savings of $5.5 million in FY 2010 and $6 million in FY 2011.
- Closing Cedarcrest Hospital in Newington and moving patients to Connecticut Valley Hospital and to other inpatient and community settings, for an annual savings of $3.6 million.
- Combining payments for mobile crisis, crisis respite, and acute psychiatric support programs by redirecting individuals to a less restrictive level of care, for an annual savings of $600,000.

CHA opposes these proposed cuts. Each of these reductions will have a negative impact upon Connecticut hospitals, and make it more difficult for people to find care in the appropriate setting and enroll and remain in Medicaid. In these difficult economic times, it is more important than ever that the state is steadfast in its commitment to help those who cannot help themselves.

Thankfully, we are not alone in trying to make ends meet; Congress is poised to deliver unprecedented Medicaid relief to Connecticut. Congressional Medicaid relief will total over $1.32 billion over the next 27 months. The relief begins with the first calendar quarter of 2009 and will come in the form of an increased federal match to the Medicaid program. Connecticut's match rate will increase from the current 50 percent to about 63 percent.

Given the size of this lifeline, it makes no sense to cut Medicaid. Instead, this lifeline should be used to maintain eligibility, coverage, and make another down payment on bringing provider rates closer to covering the cost of care. In other words, let's help those who need it most, support those providing the help, while at the same time contributing significantly to balancing the state budget.

In the attached, we have provided supporting detail on how to leverage federal stimulus dollars to achieve these three goals. We have also attached supporting material on the value of moving forward on the SAGA waiver. In sum, these proposals make good economic sense. If pursued, these proposals over the biennium would create over 2,800 Connecticut jobs, contribute nearly $1.1 billion to the general fund, increase economic activity in the Connecticut general economy by about $350 million per year, and increase Connecticut salaries and wages by over $125 million per year.

Unfortunately, Connecticut hospitals find themselves with their backs up against the wall – needing your help more than ever. Fortunately, we have before us an unprecedented opportunity – we cannot afford to squander it. Please reject these proposed cuts, pursue the SAGA waiver, and provide some desperately needed rate relief to providers.

Thank you for your consideration of our position.

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Attachments

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The Federal Stimulus Package and Connecticut

Leveraging Federal Relief to Help Balance the State Budget, Stimulate the Economy, Create Jobs, Provide Healthcare to Those Most in Need, and Support Those Providing the Care

The federal government has finalized federal stimulus legislation that will deliver unprecedented relief to help states. The legislation is expected to provide Connecticut approximately $1.32 billion over 27 months, paid in the form of an increased federal match to the Medicaid program. It is anticipated that Connecticut's match rate will increase from the current 50 percent to about 63 percent. This much needed relief offers Connecticut a unique opportunity to leverage federal funds to help balance the state budget, stimulate the economy, create jobs, help those most in need, and support those providing the help.

The chart below assumes the state makes another step in the long-term goal of establishing reasonable provider rates. Under this scenario, the state saves $475 million per year (enhanced match estimated to be 63 percent versus the current match of 50 percent) and providers get an additional $121 million. In addition, Connecticut benefits enormously from the "ripple effect" of funds invested in Medicaid: the Connecticut general economy would be boosted by $225 million and more than 2,000 jobs would be added. This tremendous boost to the state economy is the reason why an increased investment makes better fiscal sense than the state maintaining funding at current levels and keeping the enhanced match funds for other purposes. Every $1 million the state invests in Medicaid returns $2.1 million in economic activity to the state, creates 17 new jobs, and generates $760,000 in salaries and wages. On the other hand, with the new enhanced match, for the state to save a dollar, it has to cut Medicaid by $2.70. Strengthening the state's healthcare safety net with additional federal funds is particularly critical at this time when Medicaid enrollment and the number of uninsured are increasing significantly as a result of the economic crisis.

Medicaid	**Current**	**Increase in Provider Rates Equivalent to FY 2008 Increase**	**New with enhanced match**
Total spent	$4,000,000,000	$121,000,000	$4,121,000,000
Federal share	$2,000,000,000		$2,596,230,000
State share	$2,000,000,000		$1,524,770,000
Net savings to state per year			***$475,230,000***
Benefit to providers (hospitals and others)			***$121,000,000***
Increase in general economy			***$255,310,000***
Increase in Connecticut jobs			***2,059***
Increase in CT salaries and wages			***$91,960,000***

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Connecticut's Pursuit of a Section 1115 Waiver for SAGA Makes Good Economic Sense

While the federal government pays for half the expenses of the state's Medicaid program, the state pays the majority of the cost of SAGA (State Administered General Assistance). With the goal of maximizing available federal funds, the General Assembly has twice recognized the importance of seeking an 1115 waiver for the SAGA program. Section 17b-192(g) of the Connecticut General Statutes – passed in 2003 and reaffirmed in 2007 – requires that the Commissioner of the Department of Social Services submit an application to the federal government for such a waiver by March 1, 2004 and January 1, 2008, respectively.

Converting SAGA to Medicaid requires removing the cap on SAGA funding and increasing SAGA payments to providers to the Medicaid rate. Despite an estimated 30 percent increase in hospital payments and a 5 percent increase in non-hospital payments that would be required by the state under the waiver, the increase in federal funding would more than offset the increase in cost; the state would save approximately $28 million per year over current expenditures, while hospitals and other providers would get the benefit of $45 million in increased SAGA funding.

Presented on the attached pages are two scenarios: (1) considering the impact of a SAGA waiver irrespective of a federal enhanced match (currently being included as part of the federal stimulus package); and (2) increasing provider rates while the waiver application is in process to leverage the enhanced match. Both scenarios yield considerable benefits to providers and the state.

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Connecticut's Pursuit of a Section 1115 Waiver for SAGA Makes Good Economic Sense *(Continued)*

Scenario 1: Considering the impact of a SAGA waiver irrespective of a federal enhanced match (currently being included as part of the federal stimulus package). *The state saves $27.5 million and providers get an additional $45 million. In addition, Connecticut benefits from the "ripple effect" of funds invested in Medicaid: the Connecticut general economy would be boosted by $95 million, 766 jobs would be added, and more than $34 million would be generated in Connecticut salaries and wages.*

SAGA	Current	Amount to make SAGA equal to Medicaid	New
Matched	$110,000,000	$35,000,000	$255,000,000
Not matched	$100,000,000	$10,000,000	
Total spent	$210,000,000	$45,000,000	$255,000,000
Federal share	$55,000,000		$127,500,000
State share	$155,000,000		$127,500,000
Net savings to state per year			***$27,500,000***
Benefit to providers (hospitals and others)			***$45,000,000***
Increase in general economy			***$94,950,000***
Increase in Connecticut jobs			***766***
Increase in CT salaries and wages			***$34,200,000***

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Connecticut's Pursuit of a Section 1115 Waiver for SAGA Makes Good Economic Sense *(Continued)*

Scenario 2: Increasing provider rates while the waiver application is in process to leverage the enhanced match (currently being included as part of the federal stimulus package); estimated here to be 63 percent versus the current match of 50 percent. *This scenario recognizes that it will take time to get a waiver, but while the application is in process, the state can still increase provider rates and leverage the enhanced match. An additional $8 million cost to the state produces the following benefits: an increase to providers of $45 million, a boost to the Connecticut economy of $95 million, an increase of 766 Connecticut jobs, and an increase in over $34 million in Connecticut salaries and wages; the final three results are due to the "ripple effect" of funds invested in Medicaid in Connecticut.*

SAGA	Current	Amount to make SAGA equal to Medicaid	New with enhanced match
Matched	$110,000,000	$35,000,000	$145,000,000
Not matched	$100,000,000	$10,000,000	$110,000,000
Total spent	$210,000,000	$45,000,000	$255,000,000
Federal share	$55,000,000		$91,350,000
State share	$155,000,000		$163,650,000
Net cost to state per year			***($8,650,000***
Benefit to providers (hospitals and others)			***$45,000,000***
Increase in general economy			***$94,950,000***
Increase in Connecticut jobs			***766***
Increase in CT salaries and wages			***$34,200,000***

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