

**TESTIMONY OF  
CONNECTICUT HOSPITAL ASSOCIATION  
SUBMITTED TO THE  
HUMAN SERVICES COMMITTEE  
Tuesday, March 3, 2009**

**SB 843, An Act Implementing The Governor's Budget Recommendations  
Concerning Social Services**

The Connecticut Hospital Association (CHA) appreciates the opportunity to submit testimony on **SB 843, An Act Implementing The Governor's Budget Recommendations Concerning Social Services**.

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 between 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, SB 843 includes many Medicaid cuts. The cuts are:

- 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.

In addition, the budget includes other cuts. Those cuts are:

- Eliminating funding for the LifeStar helicopter, for an annual savings of \$1.4 million.
- 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.

Total cuts are \$81.6 million in 2010 and \$89.7 million in 2011. 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.

In addition to these cuts, Section 14 amends the current law requirement that DSS apply for a SAGA waiver and replaces filing for the waiver with a study. Applying for the SAGA waiver is critically important to the state and providers' economic well being. 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). Obtaining the waiver would permit Connecticut to match all SAGA expenditures.

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.

Five years have passed and the waiver request has not been filed. Failure to file the application during those five years has caused the following: Connecticut passed up \$140 million in Federal funding; hospitals missed out on \$175 million in SAGA funding and \$150 million in Medicare funding; Community Health Centers and other SAGA providers missed out on \$50 million in SAGA funding.

Cuts and delay on the SAGA waiver are really not necessary. Thankfully, Congress is delivering unprecedented Medicaid relief to Connecticut, totaling over \$1.32 billion through December 2010. This relief will come in the form of an increased federal match to the Medicaid program, with Connecticut's match rate increasing from the current 50 percent to about 60 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, provide \$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

## 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*

At this moment, the federal government is delivering unprecedented relief to help states meet their Medicaid obligations. Connecticut will receive approximately \$1.32 billion over 27 months, beginning in October 2008 and ending December 2010. This relief will be 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 approximately 60 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 \$352 million per year (enhanced match estimated to be 60 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 \$2.50. 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		\$2,472,600,000
State share	\$2,000,000,000		\$1,648,400,000
<i>Net savings to state per year</i>			<i>\$351,600,000</i>
<i>Benefit to providers (hospitals and others)</i>			<i>\$121,000,000</i>
<i>Increase in general economy</i>			<i>\$255,310,000</i>
<i>Increase in CT jobs</i>			<i>2,059</i>
<i>Increase in CT salaries and wages</i>			<i>\$91,960,000</i>

## **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.

March 2, 2009



**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.**

<b>SAGA</b>	<b>Current</b>	<b>Amount to make SAGA equal to Medicaid</b>	<b>New</b>
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
<i>Net savings to state per year</i>			<b>\$27,500,000</b>
<i>Benefit to providers (hospitals and others)</i>			<b>\$45,000,000</b>
<i>Increase in general economy</i>			<b>\$94,950,000</b>
<i>Increase in CT jobs</i>			<b>766</b>
<i>Increase in CT salaries and wages</i>			<b>\$34,200,000</b>

March 2, 2009

**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 60 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 \$13 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.**

<b>SAGA</b>	<b>Current</b>	<b>Amount to make SAGA equal to Medicaid</b>	<b>New with enhanced match</b>
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		\$87,000,000
State share	\$155,000,000		\$168,000,000
<i>Net cost to state per year</i>			<b>\$13,000,000</b>
<i>Benefit to providers (hospitals and others)</i>			<b>\$45,000,000</b>
<i>Increase in general economy</i>			<b>\$94,950,000</b>
<i>Increase in CT jobs</i>			<b>766</b>
<i>Increase in CT salaries and wages</i>			<b>\$34,200,000</b>