



**TESTIMONY OF
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SUBMITTED TO
FINANCE REVENUE AND BONDING COMMITTEE
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SB 484, An Act Concerning The Governor's Revenue Plan

Saint Francis Hospital and Medical Center appreciates being given an opportunity to provide its opinion concerning SB 484 An Act Concerning The Governor's Revenue Plan. **Saint Francis opposes Section 10 of this bill which imposes a 3 ¼ percent tax on hospital gross earnings.**

Connecticut's hospitals are among the finest in the nation, focused on providing the highest quality and safest possible care. 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 a day, seven days a 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 continues to ravage the health of our hospitals.

2008 was an extraordinarily difficult year for all, including hospitals. In that year alone, Connecticut hospitals lost more than \$300 million due to under-reimbursement for Medicaid and SAGA patients. 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 in 2008. Instead of investments supporting operations, hospitals posted losses on those investments of over \$200 million. In addition, since the start of the recession, about 76,000 Connecticut residents have lost jobs and employer-paid health insurance coverage, and the Medicaid and SAGA populations have increased by 75,000; combined enrollment in those programs now stands at about 500,000 – a little more than 14 percent of the state population.

A Hospital User Tax was placed on Connecticut hospitals from 1994 to 1999 and did not serve to improve the health of the citizens of the State of Connecticut, nor did it improve the financial stability of the health care institutions that the tax was imposed upon. Why was this tax ineffective? First, the tax revenue did not flow back to the health care sector but was often redistributed to meet other state priorities. Second, the tax structure changed, often creating unpredictability in tax revenues which in turn made hospital annual budgeting problematic. Third, such a tax historically has ignored the true problem of payment shortfalls created by Medicaid and SAGA underpayments, the real underlying cause of hospital financial vulnerability. As this vulnerability is not likely to be reduced by a Hospital User Tax higher employer premium costs due to the impact of cost shift of this state payment shortfall will not be lessened.

What is the Answer?

Rather than a Hospital User Tax the Connecticut Legislature should take advantage of the federal assistance presently available to shore up the Connecticut health care safety net.

Congress, as part of the American Recovery and Reinvestment Act, provided Medicaid relief to the states in the form of an increase in the federal match rate. The expressed purpose of the relief was to prevent cuts to Medicaid. Connecticut's relief will total \$1.74 billion over the course of 27 months, resulting from an increase in the match rate from 50 percent to 61.59 percent.

The \$1.74 billion in additional federal Medicaid funding is enough to cover 100 percent of the cost of the increase in Medicaid and SAGA enrollment that has or will occur in state fiscal years 2009, 2010, and 2011, and also provide a nearly \$300 million contribution to the General Fund. Sadly, not one cent of that extra \$1.74 billion is being used to help hospitals cover the increased burden they are experiencing because of the combined 18 percent increase in Medicaid and SAGA enrollment.

Let's work together to help those most in need by maximizing the amount of enhanced federal Medicaid matching dollars that come back to Connecticut.

A Hospital User Tax is not going to accomplish this goal.

Thank you for considering these remarks.