CONNECTICUT
HOSPITAL
ASSOCIATION

TESTIMONY OF
STEVEN GODFREY
VICE PRESIDENT, PAYER RELATIONS/GOVERNMENT AFFAIRS
THE HOSPITAL OF CENTRAL CONNECTICUT
BEFORE THE
APPROPRIATIONS COMMITTEE
Thursday, February 11, 2010

HB 5018, AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES AND REVENUES FOR THE STATE FISCAL YEAR ENDING JUNE 30, 2011

My name is Steven Godfrey. I am the Vice President, Payer Relations/Government Affairs at The Hospital of Central Connecticut (HCC). I am testifying today in opposition to **HB 5018, An Act Making Adjustments To State Expenditures And Revenues For The State Fiscal Year Ending June 30, 2011.**

The Hospital of Central Connecticut is the focal point for access to care in our region. We provide comprehensive health care services, including inpatient acute, emergency, and outpatient services, to the people living in the central Connecticut area and we do this 24 hours a day and without regard to the ability of our patients to pay. The quality and service commitment of the hospital and its 2200 employees have been well documented over the course of the hospital's 100 plus year history. The Hospital of Central Connecticut is also the primary economic engine in the greater New Britain area. We are by far the largest employer in our area and the economic health of our region is inextricably linked to the overall health of the region. Unfortunately, the chronic underfunding by the State of Connecticut and the federal government in addition to the current economic crisis poses a serious threat to our ability to continue to meet the needs of our community.

My comments today will be limited to one change in the proposed budget adjustments: cutting the dollars appropriated to raise hospital payments in the SAGA program up to Medicaid payment levels. **We strongly oppose that reduction and urge you to pay Connecticut's hospitals the Medicaid rate for services under the SAGA program as provided for in the budget.**

As you may know, the SAGA program has been the focus of much legislative attention for several years. The SAGA program was significantly modified in 2004 and subjected hospitals, pharmacies, and Community Health Centers to a cap based on available appropriations. Over time, DSS removed the cap from all providers except hospitals. Today, SAGA non-hospital providers are paid one hundred percent of the Medicaid rate while hospitals are paid about 43 percent of the Medicaid rate.

As of today, DSS has not taken the administrative steps needed to implement an 1115 waiver for the SAGA program as directed by the legislature and does not plan to do so until July 1, 2011 – a full seven and a half years after first directed by the legislature to do so. In a letter dated January 20, 2010, DSS stated that the further delay is due to the uncertainty created by federal healthcare reform.

The biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. This new budget makes it clear that DSS will not be implementing existing law in the time frame required. **This failure to implement Medicaid rates for the SAGA population will cost our hospital over $4 million dollars for the 18 month period from January, 2010 through June 2011. The funds necesssary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver.** So, let's just start paying hospitals in accordance with the biennium budget at the Medicaid rate for SAGA and finally put hospitals on par with all other providers to the SAGA program. This change can be accomplished by modifying section 17b-192(f) to read:

> (f) The Commissioner of Social Services shall [,within available appropriations,] make payments to hospitals for inpatient <u>and outpatient</u> services <u>at the Medicaid rate.</u>[based on their pro rata share of the costs of services provided or the number of clients served, or both.] The Commissioner of Social Services shall, within available appropriations, make payments for any <u>non-hospital</u> ancillary or specialty services provided to state-administered general assistance recipients under this section based on a methodology determined by the commissioner.

Our hospital is facing significant financial losses for the current (FY10) fiscal year. The economic environment is increasing the ranks of the uninsured and appears to be impacting people's decision to seek care. Our inpatient volumes, along with many other Connecticut hospitals are down significantly over last year. On the other hand, our Medicaid/SAGA volumes (which had already increased over 60% between 2001-2007) continue to skyrocket. Medicaid volume for the first four months of FY10 rose 8% over the same period last year. Over 40% of our ED patient volumes are related to Medicaid. And yet, after adjusting for expense increases, Medicaid pays us less than 70% of our costs while SAGA (as noted above) pays less than half that rate.

We believe that this financial situation is untenable. Our operating margins continue to fall far short of what is necessary to adequately fund our capital requirements. The impact of this goes way beyond balance sheets and operating statements. It has a very tangible and negative impact on our ability to meet the needs of patients. It has already contributed to our needing to postpone any number of critical upgrades to our aging facilities and to important clinical and patient safety improvements. Projects such as renovating our ambulatory surgery suites, upgrading our pharmacy distribution systems, and replacing our IV pumps with the most up to date technology simply can't wait. It is imperative that the State begin paying Connecticut hospitals our full Medicaid rate for patients enrolled in the SAGA program.

Thank you for your consideration of our position.