CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
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CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
APPROPRIATIONS COMMITTEE
Thursday, March 11, 2010

Governor M. Jodi Rell's March 1, 2009 Deficit Mitigation Plan

My name is Stephen Frayne. I am the Senior Vice President, Health Policy, of the Connecticut Hospital Association (CHA). I am testifying today in opposition to **Governor M. Jodi Rell's March 1, 2010 Deficit Mitigation Plan**.

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.

The proposed deficit mitigation plan makes cuts that are deep and devastating to hospitals and the healthcare safety net. CHA's analysis indicates that the following proposed reductions would have an overall impact on hospitals totaling approximately $219 million:

- a cut to hospital SAGA funding, totaling $108.3 million;
- a loss of Medicare DSH funding as a consequence of failing to move SAGA into Medicaid, totaling $40.8 million;
- a 5 percent reduction in Medicaid rates for hospitals, totaling approximately $46 million;
- the imposition of a hospital user tax, negatively impacting more than half the hospitals in the state;

- a 10 percent reduction to the Urban DSH Pool and DSH funding for Connecticut Children's Medical Center, totaling approximately $8.5 million;
- the elimination of Non-Emergency Dental Services for Adults under Medicaid and SAGA, totaling approximately $8.2 million;
- a change to the definition of medical necessity costing $2.2 million; and
- the imposition of co-payments under Medicaid, totaling approximately $4.5 million.

CHA strongly opposes the Hospital User Tax.

History instructs us on the disruptive nature of a Hospital User Tax. During the decade when this tax was in force, we learned the following: 1) not all tax dollars will be returned to hospitals; from 1994 to 1999, in addition to retaining the entire increased federal match, the state kept another $106 million of the tax funds that were supposed to be returned to hospitals; 2) the redistribution of the tax is very volatile – winners and losers change every year; and 3) state budget goals trump the needs of hospitals and patients.

During the 1990's, prior to its repeal, the Hospital User Tax was constantly changed. The driving force for each change was getting or keeping federal dollars. Initially, the tax was intended as an off-budget pool and assessment, which then morphed into two separate taxes in response to a federal lawsuit. At first, the redistribution formula included all government and uninsured shortfalls; it later excluded Medicare and Medicaid inpatient shortfalls. And while hospitals originally were required to tell every patient the tax amount, a further change prohibited hospitals from telling anyone the tax existed at all.

Not much has changed since the last time this onerous tax was imposed. A Hospital User Tax must still be redistributive – in other words, some hospitals will get more than they put in while other will get less. Our analysis indicates that more than half of the hospitals in the state will get less under the new proposal.

Hospital finances are fragile enough – and should not be further stressed to balance the state budget.

CHA strongly opposes hospital rate cuts.

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.

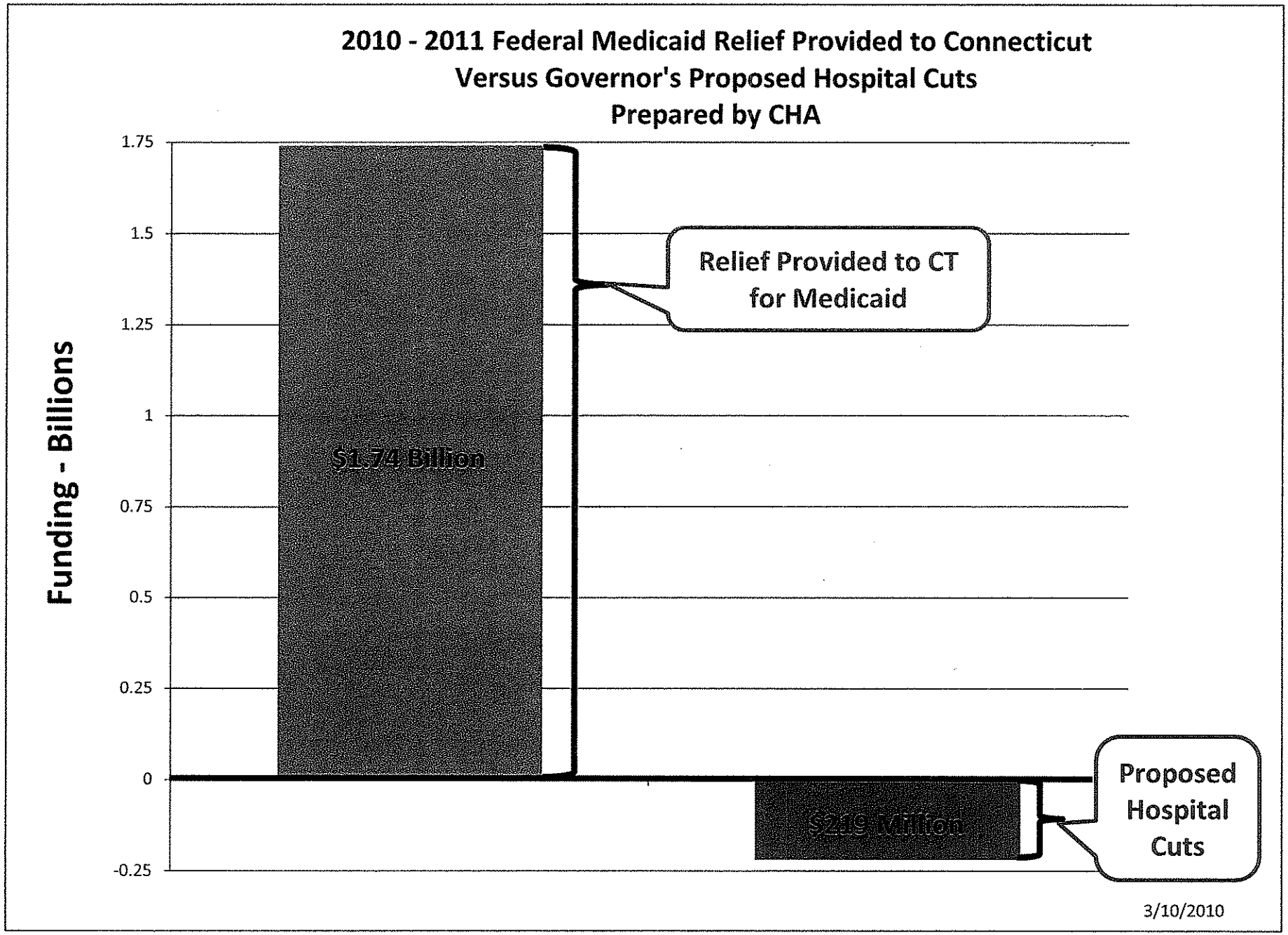
The $1.74 billion in additional federal Medicaid funding is enough to cover 100 percent of the cost of the increase in Medicaid and SAGA enrollment that has or will occur in state fiscal years 2009, 2010, and 2011, and also provide a nearly $300 million contribution to the General Fund. Sadly, not one 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.

Medicaid cuts hurt hospitals, patients, Connecticut businesses, and the overall Connecticut economy. If implemented, these Medicaid cuts to hospitals will result in the loss of $289 million in local business activity, 2,327 Connecticut jobs, and $104 million in Connecticut salary and wages.

Unfortunately, Connecticut hospitals find themselves with their backs up against the wall – needing your help more than ever.

Instead of cuts and a Hospital User Tax, let's work together and use the enhanced federal Medicaid match for the purpose it was intended: to maintain eligibility and 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 and support those providing the help, while at the same time contributing significantly to balancing the state budget.

Thank you for your consideration of our position.


2010 - 2011 Federal Medicaid Relief Provided to Connecticut
Versus Governor's Proposed Hospital Cuts
Prepared by CHA
Funding - Billions
1.75
1.5
1.25
1
0.75
0.5
0.25
0
-0.25
$1.74 Billion
$219 Million
Relief Provided to CT for Medicaid
Proposed Hospital Cuts
3/10/2010

2010 - 2011 Governor's Proposed Hospital Cuts by Category
Prepared by CHA

	SAGA	Medicare DSH	Medicaid Rates Reduced 5%	Urban AND CCMC DSH Reduced 10%	Co-Pays	Medical Necessity	Non Emergency Dental	Total Hospital Cuts
WILLIAM W. BACKUS HOSPITAL	(2,552,902)	(1,280,926)	(975,303)	0	(95,253)	(47,626)	0	(4,952,010)
BRIDGEPORT HOSPITAL	(6,019,437)	(2,039,867)	(3,458,726)	(654,640)	(337,796)	(168,898)	0	(12,679,364)
BRISTOL HOSPITAL	(1,536,805)	0	(698,958)	0	(68,264)	(34,132)	0	(2,338,159)
HOSPITAL OF CENTRAL CT	(4,023,534)	(1,711,170)	(2,408,291)	(466,950)	(235,205)	(117,603)	0	(8,962,754)
CT CHILDREN'S MEDICAL CTR	0	0	(3,613,322)	(2,200,000)	(352,895)	(176,447)	0	(6,342,664)
DANBURY HOSPITAL	(4,326,606)	0	(1,523,052)	0	(148,749)	(74,374)	(967,411)	(7,040,193)
DAY KIMBALL HOSPITAL	(917,578)	(488,200)	(549,237)	0	(53,641)	(26,821)	0	(2,035,476)
JOHN DEMPSEY HOSPITAL	(2,480,051)	(1,373,007)	(1,782,677)	0	(174,105)	(87,052)	(4,892,857)	(10,789,749)
GREENWICH HOSPITAL	(55,006)	0	(217,642)	0	(21,256)	(10,628)	(165,329)	(469,861)
GRIFFIN HOSPITAL	(906,058)	0	(526,048)	0	(51,376)	(25,688)	0	(1,509,171)
HARTFORD HOSPITAL	(21,978,380)	(6,043,745)	(4,461,558)	(961,502)	(435,737)	(217,869)	(495,103)	(34,593,894)
CHARLOTTE HUNGERFORD HOSPITAL	(1,346,061)	0	(528,990)	0	(51,664)	(25,832)	0	(1,952,546)
JOHNSON MEMORIAL HOSPITAL	(612,020)	0	(303,215)	0	(29,613)	(14,807)	0	(959,656)
LAWRENCE & MEMORIAL HOSPITAL	(2,464,260)	(1,657,016)	(1,375,138)	0	(134,303)	(67,151)	0	(5,697,869)
MANCHESTER HOSPITAL (ECHN)	(1,701,333)	(739,555)	(743,636)	0	(72,627)	(36,314)	0	(3,293,466)
MIDDLESEX HOSPITAL	(959,219)	0	(1,152,662)	0	(112,575)	(56,287)	0	(2,280,743)
MIDSTATE MEDICAL CENTER	(1,741,223)	(1,303,551)	(858,456)	0	(83,841)	(41,920)	0	(4,028,991)
MILFORD HOSPITAL	0	0	(233,061)	0	(22,762)	(11,381)	0	(267,204)
NEW MILFORD HOSPITAL	(167,767)	0	(184,614)	0	(18,030)	(9,015)	0	(379,426)
NORWALK HOSPITAL	(5,011,278)	(1,142,189)	(1,100,457)	0	(107,476)	(53,738)	(159,893)	(7,575,032)
ROCKVILLE HOSPITAL (ECHN)	(239,180)	(409,900)	(312,522)	0	(30,522)	(15,261)	0	(1,007,385)
ST. FRANCIS HOSPITAL	(9,036,488)	(6,567,344)	(3,379,319)	(676,721)	(330,041)	(165,020)	(793,928)	(20,948,862)
ST. MARY'S HOSPITAL	(3,486,956)	(1,960,312)	(1,388,385)	(346,154)	(135,596)	(67,798)	0	(7,385,201)
HOSPITAL OF ST. RAPHAEL	(5,062,591)	(3,041,222)	(1,980,513)	(469,548)	(193,427)	(96,713)	(189,252)	(11,033,266)
ST. VINCENT'S MEDICAL CENTER	(1,601,332)	(1,105,847)	(1,236,317)	(479,939)	(120,745)	(60,372)	0	(4,604,553)
STAMFORD HOSPITAL	(4,128,162)	(923,974)	(1,002,536)	(438,375)	(97,913)	(48,956)	0	(6,639,916)
WATERBURY HOSPITAL	(2,922,637)	(1,657,661)	(1,295,316)	(311,733)	(126,507)	(63,253)	0	(6,377,107)
WINDHAM HOSPITAL	(1,645,597)	(595,266)	(628,238)	0	(61,357)	(30,678)	0	(2,961,136)
YALE-NEW HAVEN HOSPITAL	(21,292,833)	(6,802,088)	(8,088,327)	(1,504,438)	(789,945)	(394,973)	(540,783)	(39,413,386)
ESSENT-SHARON HOSPITAL	(114,705)	0	(69,416)	0	(6,779)	(3,390)	0	(194,290)
TOTAL	(108,330,000)	(40,842,840)	(46,075,932)	(8,510,000)	(4,500,000)	(2,250,000)	(8,204,557)	(218,713,329)