

**TESTIMONY OF
Yale New Haven Health System
BEFORE THE
FINANCE COMMITTEE
Monday, March 22, 2010**

SB 484, AN ACT CONCERNING THE GOVERNOR'S REVENUE PLAN

On behalf of Yale New Haven Health System, thank you for providing an opportunity to submit testimony **in opposition to section 10 of SB 484, AAC the Governor's Revenue Plan**, which seeks to impose a 3.25% tax on hospital gross revenues.

Yale New Haven Health System, through its Bridgeport, Greenwich and Yale-New Haven Hospital affiliates, provides comprehensive, cost effective, advanced patient care characterized by safety and high quality care to thousands of Connecticut residents each year. The YNHHS has more than 12,000 employees, 4700 medical staff and 1543 licensed beds; and includes the State's largest Hospital Medicaid providers. We are among our communities' largest employers, and serve as economic engines in both Fairfield and New Haven counties.

While we continue to seek adequate Medicaid reimbursement to cover the cost of the services we provide, we fully recognize that these are difficult economic times. We are particularly concerned, however, over the Governor's proposal to tax hospitals. Outside of healthcare, no entity that provides services to the state is expected to provide them at payment levels substantially below cost. Now the Governor is proposing to tax hospitals and cut funding by an estimated \$219 million (including the delayed SAGA waiver implementation) for the balance of the biennium – a cut that will impact every patient and community in the state.

The Plan includes cuts to Medicaid rates and urban disproportionate share hospital (DSH) funds; elimination of non-emergency dental services; restrictions in the definition of medical necessity; and the imposition of co-payments under Medicaid. Taken together, it is estimated that these 5 proposals would result in an overall cost of \$70 million to Connecticut's hospitals for sFY 2010-2011, with nearly 25% of that coming from Yale New Haven Health System affiliates, as follows:

Bridgeport:	\$ 4,620,060
Greenwich:	\$ 414,855
YNHH:	\$11,318,466
TOTAL:	\$16,353,381

SB 484 seeks to impose a tax on hospital revenues, totaling approximately \$130 million. Taxing hospitals, while the President and Congress continue their efforts to enact federal healthcare reform and reduce the cost of care, is counterproductive. A hospital tax will increase Connecticut's healthcare costs and worsen the already burdensome cost shift to businesses.

For YNHHS affiliates, the proposed \$16.3 million reduction will create a budget shortfall that will be extremely difficult to fill. In the face of the recession, record numbers of people have found themselves uninsured or on Medicaid, and we continue to provide care to all - 24 hours a day, 7 days a week, regardless of our patients' ability to pay. Facility improvement projects, like the emergency department expansion at Yale-New Haven may be postponed. Implementation of electronic medical records may be delayed. And, programs and services will once again need to be evaluated as YNHHS affiliates can not simply "write-off" these significant multi-million dollar cuts.

Under the federal stimulus bill, Connecticut will get more than \$1.74 billion in increased federal funds to provide care for our most vulnerable populations. This infusion should be used to maintain eligibility and coverage, and help bring provider rates closer to covering the actual cost of care. Instead, the Governor is proposing to reduce hospital funding by \$219 million and implement a tax.

While the Administration has not taken the steps necessary to implement the SAGA waiver, the biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates to Medicaid levels effective January 1, 2010. The funds to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver. The Administration's delay in implementing the current SAGA budget as planned – results in another \$108 million cut to hospitals and has the additional impact of eliminating \$41 million that would have come to Connecticut hospitals through increased federal Medicare DSH payments.

We are hopeful that you will reconsider these proposals and instead find government savings and efficiencies in ways that do not impact the direct healthcare service that Connecticut hospitals provide. We respectfully urge you to reject the hospital tax included in SB 484, and insist that DSS implement the SAGA rates funded in the FY 2010-2011 biennial budget.

Thank you for your consideration.