CHA CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
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SENIOR VICE PRESIDENT, HEALTH POLICY
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
HUMAN SERVICES COMMITTEE
Thursday, March 11, 2010

HB 5412, An Act To Move Hospital Uncompensated Care Funds And Urban Disproportionate Share Hospital Funds Into The Fund For Hospital Medicaid Rates

My name is Stephen Frayne. I am the Senior Vice President, Health Policy, of the Connecticut Hospital Association (CHA). I am testifying today in support of **HB 5412, An Act To Move Hospital Uncompensated Care Funds And Urban Disproportionate Share Hospital Funds Into The Fund For Hospital Medicaid Rates.**

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 is ravaging the health of our hospitals.

In past years, you have challenged us to put forward ideas that can help both hospitals and the state. Last year, we proposed moving State-Administered General Assistance (SAGA) into the Medicaid program to help reduce the state deficit by about $38 million per year – an idea that was fully vetted and included in the state biennium budget for 2010 -2011.

We also proposed moving hospital DSH funding into rates. The legislature included this proposal in the December 2009 deficit mitigation plan – but the governor vetoed that plan. We continue to urge adoption of this initiative, which has both a short- and long-term benefit. The short-term benefit would be to reduce the state deficit by about $1 million per month from now until June 30th 2011 by making these expenditures eligible for a 61.59 percent match instead of the current 50 percent match. The long-term benefit would be to pay out funds to hospitals in a way that would receive a higher federal match once healthcare reform passes. Let me explain: today, claiming hospital SAGA payments under the DSH allotment earns the state a 50/50 match. Under healthcare reform, the same dollars would earn the state a 100 percent federal match for 2014 through 2017, a 95 percent federal match for 2018 and 2019, and a 90 percent federal match thereafter.

(OVER)

We have several concerns with the bill as drafted. First, it seems to indicate the shift from DSH to rates would only be for a few months. Second, it doesn't clearly require that each hospital be made whole. Both of these issues are easily remedied with the following language:

> (NEW) (Effective from passage) The DSH amounts appropriated to hospitals under Disproportionate Share-Medical Assistance, Connecticut Children's Medical Center, and DSH-Urban Hospitals in Distressed Municipalities shall be transferred to the Medicaid account and be used to increase each hospital's Medicaid rate, to offset one hundred percent of each hospital's loss of DSH funds as a result of such transfer, for the fiscal year ending June 30, 2010 and annually thereafter. The Department shall require the managed care organizations participating in the HUSKY program to pay no less than the rates established by DSS for the Medicaid fee-for-service program.

Thank you for your consideration of our position.