

February 18, 2014

**STATEMENT OF**  
**PAUL CHAUSSE, DIRECTOR OF REVENUE CYCLE**  
**OPPOSING RAISED BILL NO. 61**

1. For almost twenty years, Lawrence and Memorial Hospital has operated under a system under which we negotiate contracts with insurance companies or preferred provider organizations in all areas including workers' compensation.
2. This continues until today except for a small number of clients of Fairpay Solutions.
3. In approximately 2007, Fairpay Solutions arrived on the scene. Instead of negotiating contracts, Fairpay's clients began paying deeply discounted rates based upon Fairpay's interpretation of costs.
4. Their payments were consistently below what a completely uninsured, indigent person would pay to the hospital.
5. We tried to negotiate or even get an explanation of how they arrived at what they paid - without success.
6. When we tried to discuss this with the insurance companies or self-insured employers, we were told to take it up with Fairpay
7. When we could get no satisfactory answers, we turned the matter over to our attorneys.
8. Four test cases were selected and the Workers' Compensation Commissioner, David Schoolcraft, ruled in our favor in a 21 page opinion. Commissioner Schoolcraft ruled that workers compensation carriers, like all other non-governmental payors including health insurers, must negotiate a rate of reimbursement with hospitals before services are provided, or they are required to pay the hospitals published charges.

9. After Commissioner Schoolcraft's ruling a couple of the larger employers have negotiated mutually acceptable contracts. We have come to agreement with everyone who has approached us. In addition, we have negotiated many individual agreements on claim-by-claim bases. This is how business has been conducted for the past 20 years.
10. The matter is now before the Connecticut Supreme Court. All parties have filed briefs. The Connecticut Hospital Association and Connecticut Business and Industry Association have also filed briefs. The matter will be scheduled shortly for oral argument and decision.
11. I ask you not to interfere and allow the process to work.
12. The bill as drafted proposes a fee schedule which would not even cover the costs for hospital services. This went on far too long in the Fairpay era. Connecticut hospitals treat Medicare and Medicaid patients at well below the cost of providing services. The proposed formula does not cover those costs, or other substantial costs like treatment of uninsured individuals. The current situation allow for open negotiations and the ability to cover costs for CT hospitals.
13. While the bill speaks of negotiation, there is no incentive for insurance companies to negotiate since the formula provides a rate of reimbursement below cost.
14. The Connecticut Business and Industry Association recently advocated for a system under which payers would be allowed to negotiate rates with hospitals. This system has existed for 20 years. This proposed bill would destroy the system.

**I urge the Labor and Public Employees Committee and the Legislature to Reject Raised Bill No. 61.**