

Testimony of Saint Mary's Hospital

Before the Planning and Development Committee

March 21, 2014

House Bill 5583

Senator Osten, Representative Rojas, Senator Fasano, Representative Aman and members of the Planning and Development Committee. Saint Mary's Health System is submitting this testimony in opposition to House Bill 5583 An Act Concerning the Payment of Real Property Taxes by Certain Institutions of Higher Learning and Hospital Facilities.

Saint Mary's Health System is a leading regional healthcare provider anchored by Saint Mary's Hospital, an acute care community teaching hospital that has served Greater Waterbury for more than 100 years. Licensed for 347 beds, Saint Mary's is designated as a Level II Trauma Center and Primary Stroke Center, offers award-winning cardiac care and houses the region's only pediatric emergency care unit. As the leading provider of surgical services in Greater Waterbury, Saint Mary's was the first to introduce the daVinci® Robotic Surgery System. The health system's satellites and affiliates extend from Waterbury to Wolcott, Naugatuck, Southbury, Prospect and Watertown.

House Bill 5583 would require Saint Mary's Hospital, and the state's other hospital systems, to pay property taxes on a sliding scale ultimately requiring payment of 100% of real property taxes in 2018. The bill then proposes a reimbursement scheme back to hospitals for up to 77% through a state grant. The state has previously not required payment of these taxes by non-profit hospitals, in recognition, in part, of the valuable contributions that hospitals make to their local communities. Saint Mary's provides essential healthcare services (from emergency to primary care to advanced surgical services) to all regardless of their ability to pay. We provide over \$20 million annually in direct community benefit. Saint Mary's has a direct economic impact on the community of nearly \$500 million annually.

This bill would place yet another terrible financial burden on not-for-profit hospitals. Over the last few years, hospitals have certainly paid "our fair share" to help the state in its recovery from the current recessionary period. In 2013, a tax on hospital patients cost \$27 million. In 2014, the tax on hospital patients grew to \$101 million – raising the cost of care by \$49 for every person who gets their health insurance coverage through work or privately. Beginning in July, the tax will more than double to \$235 million – raising the cost of care by \$114 for those people. In addition to the tax on hospital patients, in December 2012, the state reduced hospital funding by \$103 million. That is funding that would have offset some of the losses

hospitals experienced from treating the poor. Hospitals are also feeling the impact of cuts to Medicare payments and the federal sequestration – a 2% cut to Medicare funding.

The reimbursement mechanism contemplated in this bill is very problematic. The bill contemplates that the state would reimburse hospitals up to 77% through the existing payment in lieu of taxes (PILOT) program. The state currently does not reimburse towns up to the percentages the law stipulates. The state, in fact recognizes this in the program description: "A grantee's payment in any year may reflect a modification due an audit of an amount previously paid. There is also a proportionate reduction of PILOT totals to the amount of the appropriation in any year in which funding is insufficient." Further, in fact, the FY 14 appropriation is insufficient to fully fund the grant, which results in a pro rata reduction in the grant amount to each town. If this historical trend were to continue as it has for many years, how would a not-for-profit hospital be able to budget accordingly? We are not towns. We cannot raise taxes. We can only raise costs on our services and on our patients and we don't believe that anyone wants us to do that. This would significantly increase the cost of health care in this state in a time when we are trying to control the rising costs of health care.

We urge you to reject HB5583 An Act Concerning the Payment of Real Property Taxes by Certain Institutions of Higher Learning and Hospital Facilities.