

**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
PUBLIC HEALTH COMMITTEE
Wednesday, March 19, 2014**

**SB 460, An Act Concerning Hospital Conversions And Other Matters
Affecting Hospitals
HB 5571, An Act Concerning Certificate Of Need Requirements, Hospital
Conversions And Medical Foundations**

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **SB 460, An Act Concerning Hospital Conversions And Other Matters Affecting Hospitals** and **HB 5571, An Act Concerning Certificate Of Need Requirements, Hospital Conversions And Medical Foundations**. CHA opposes these bills.

Before outlining our concerns, it's important to detail the critical role hospitals play in the health and quality of life of our communities. All of our lives have, in some way, been touched by a hospital: through the birth of a child, a life saved by prompt action in an emergency room, or the compassionate end-of-life care for someone we love. Or perhaps our son, daughter, husband, wife, or friend works for, or is a volunteer at, a Connecticut hospital.

Hospitals treat everyone who comes through their doors 24 hours a day, regardless of ability to pay.

SB 460 amends Connecticut's existing statutory scheme regulating the conversion of not-for-profit hospitals to for-profit status, and will subject certain transactions involving only not-for-profit hospitals and health systems to the regulatory review and approval process. With respect to the conversion of a not-for-profit hospital to for-profit status, SB 460 significantly amends Connecticut's existing process and requirements as currently stated in Sections 19a-486 through 19a-486h of the Connecticut General Statutes.

SB 460 extends the regulatory review and approval process to certain transactions that involve only not-for-profit hospitals and health systems. As currently drafted, the regulatory process will apply on and after October 1, 2014 to a not-for-profit hospital that enters "into an agreement to transfer a material amount of its assets or operations or a change in control of operations" to another not-for-profit hospital. The process for these exclusively not-for-profit transactions is the same as the process for conversions to for-profit status, with a few exceptions.

SB 460 also creates an expedited review and approval process for transactions involving only not-for-profit hospitals when one is distressed and facing significant financial hardship that may impair its ability to operate effectively without a conversion.

SB 460 as drafted creates an overly burdensome regulatory environment that will prevent hospitals and healthcare systems from creating strategic partnerships that allow them to adapt and grow in this new and rapidly changing healthcare environment. The Patient Protection and Affordable Care Act (Affordable Care Act) facilitates massive changes in the healthcare delivery system, as it has become obvious that the manner in which healthcare has traditionally been delivered is simply not sustainable. This includes a necessary shift toward providing healthcare using different, integrated care delivery platforms that depend upon investment in new technologies, creation of alliances, market contractions, and fresh thinking regarding how to align resources. SB 460 will impede these necessary changes to healthcare, and importantly will create a substantial chilling – and most likely freezing – effect upon affiliations, mergers, and acquisitions that are essential to properly modernize healthcare delivery. This is particularly troublesome because, in light of the dramatic shifts in the market for healthcare, all forces in Connecticut should be pulling together to foster them.

In Connecticut, we have substantial processes in place already that govern the conversion of assets from a not-for-profit hospital to a for-profit entity. These include a set of nine separate statutes, Sections 19a-486 through 19a-486h, that detail the information required to be filed, as well as the robust review, necessary hearings, and appeal process. We also have the Certificate of Need (CON) laws used by the Office of Health Care Access, found in chapter 368z, which specifically require an entity to obtain a CON for “transfer of ownership of a health care facility” per Section 19a-638(a)(2). Additionally, Section 19a-644 requires hospitals to annually report “all transfers of assets, transfers of operations or changes of control involving its clinical or nonclinical services or functions from such hospital to a person or entity organized or operated for profit” along with a mandated report of information about any affiliated or related entities and their key employees.

The Affordable Care Act provides for what can only be described as one of the most significant overhauls of the country’s healthcare system. Its goals – to expand health coverage, control healthcare costs, and improve the healthcare delivery system and the quality of care provided – necessitate fundamental, structural changes in how healthcare services are delivered at every level, including at hospitals here in Connecticut. It is not yet entirely clear what the structure will look like when all the changes are fully implemented, but one thing is clear – it will look drastically different than what we see today. At a time when the Affordable Care Act and other changes across the continuum of care are transforming the way care is delivered and the manner in which hospitals and other providers are integrating and coordinating care, this substantial increased regulatory burden will have a decidedly chilling effect.

Thank you for your consideration of our position. For additional information, contact CHA Government Relations at (203) 294-7310.