



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

**TESTIMONY PRESENTED TO THE FINANCE, REVENUE, AND BONDING
COMMITTEE
APRIL 21, 2015**

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Office of Policy and Management

Testimony Regarding House Bill No. 7058

AN ACT CONCERNING THE HOSPITAL TAX

Senator Fonfara, Representative Berger and distinguished members of the Finance, Revenue, and Bonding Committee, thank you for the opportunity to offer testimony on House Bill No. 7058, An Act Concerning The Hospital Tax.

This bill would phase out the hospital net patient revenue tax beginning in calendar year 2017 and eliminate the tax completely starting in calendar year 2021. The state currently redistributes a portion of the money raised through the tax back to hospital facilities based on their Medicaid expenditures and receives a federal match on these payments.

The Governor's budget proposal updates the base for the hospital tax from 2009 to 2013 total net patient revenues and equalizes the tax rates on inpatient and outpatient services. The Governor's proposal increases the tax by \$160.6 million (from \$349.1 million to \$509.7 million) and distributes a corresponding amount back to the hospitals in the aggregate through supplemental payments, resulting in a net gain to the state of approximately \$110 million due to the federal reimbursement on those payments.

Therefore, should House Bill 7058 become law, when fully phased in the gross impact of eliminating the hospital tax would be approximately \$510 million on an annual basis (assuming the changes under the Governor's budget move forward). If the supplemental payments to hospitals under Medicaid proposed in the Governor's budget are also eliminated, there will be offsetting savings to the state of approximately \$77 million.

I would like to thank the committee for the opportunity to present this testimony. Please feel free to contact my office with any questions you may have.