



affiliate Columbia University College of Physicians and Surgeons
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**TESTIMONY OF
STAMFORD HOSPITAL
SUBMITTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
TUESDAY, APRIL 21, 2015**

HB 7058, AN ACT CONCERNING THE HOSPITAL TAX

Stamford Hospital appreciates this opportunity to submit testimony in support of HB 7058, An Act Concerning The Hospital Tax.

Stamford Hospital has been in operation for nearly 120 years, and provides a critical safety net for our community. At a time of unprecedented change in healthcare, Connecticut hospitals are leading the way to transform the way care is provided. Stamford Hospital is the cornerstone of our community, caring for everyone who comes through our doors 24 hours a day, regardless of ability to pay. We employ 2,200 people, with a payroll of \$300 million. Last year, we provided \$24 million in free (charity) care, 61% of which was for undocumented immigrants.

We are deeply concerned that the current and proposed state budgets continue to tax hospital revenue and erode the safety net that our hospital provides to our community. In fact, the effective tax rate on operating income is 117% versus the tax on for-profit businesses, which is 9% (see attached chart). For Stamford Hospital, it represents a negative impact of \$27.7 million each year, putting severe financial stress on Stamford Hospital.

The impact of the Hospital Tax cannot be overstated at this time, given our commitment of \$450 million in a new facility, a decision we made before the Hospital Tax was implemented.

While the hospital tax cannot end soon enough for hospitals, we support the phase-out outlined in HB 7058. We do, however, ask that the draft bill be amended to specify the amount and level of the tax allowed for eighteen months beginning July 1, 2015 and ending December 31, 2016 (i.e., the period before the phase-out begins). Specifically, we ask that the amount of tax by hospital be no higher than the current tax by hospital and that the aggregate of the tax between July 1, 2015 and December 31, 2020 not exceed the aggregate of the related supplemental payment structure.

Thank you for raising this bill and considering the modifications offered. Your action can help preserve patient care, protect jobs, and reduce the cost of care in Connecticut. Support HB 7058.

Thank you for your consideration of our position.

Stamford Health Impact

	(\$ in millions)
Stamford Health Reported 2014 Operating Income	\$ 8.60
Scheduled reduction in DSH / Supplemental Medicaid	(4.30)
Proposed 2016 budget impact ²	<u>(4.40)</u>
	(0.10)
Incremental Interest Cost FY 2016 ¹	(12.50)
Adjusted operating income	<u>\$ (12.60)</u>
Effective tax rate on operating income	11.7%
For profit effective tax rate	9%

¹Interest cost of new debt borrowed 2012 (pre-hospital tax) to build new replacement hospital

²Latest estimate per OPM.

Since our decision to build a new hospital in 2012, reductions (including proposed state reductions) has (will be) negatively impacting our bottom line by \$27.7 million³ annually, putting severe financial stress on Stamford Health.

³Includes \$19.3 million reduction from 2012 tied to the existing hospital tax and DSH / Supplemental Medicaid reductions, 2015 inpatient DRG and workers compensation reductions and proposed 2016 impact as estimated by OPM.