



**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
PUBLIC HEALTH COMMITTEE
Wednesday, March 11, 2015**

SB 916, An Act Concerning Hospital Conversions

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **SB 916, An Act Concerning Hospital Conversions**. CHA opposes this bill.

Before commenting on the bill, it's important to point out that Connecticut hospitals treat everyone who comes through their doors 24 hours a day, regardless of ability to pay.

This is a time of unprecedented change in healthcare, and Connecticut hospitals are leading the charge to transform the way care is provided. They are focused on providing safe, accessible, equitable, affordable, patient-centered care for all, and they are finding innovative solutions to integrate and coordinate care to better serve their patients and communities.

Hospitals are calling for legislators to stop and reexamine the healthcare environment in our state, rather than impose new burdens on hospitals. We are asking them to help develop strong public policy to achieve a sustainable environment for healthcare in Connecticut.

SB 916 amends Connecticut's existing statutory scheme regulating the conversion of not-for-profit hospitals to for-profit status, and would 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 916 amends significantly Connecticut's existing process and requirements that are currently stated in Sections 19a-486 through 19a-486h of the Connecticut General Statutes.

SB 916 extends the regulatory review and approval process to certain transactions that involve not-for-profit hospitals and health systems only. As drafted currently, the regulatory process will apply on and after October 1, 2015 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.

SB 916 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 916 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 Affordable Care Act (ACA) facilitates massive changes in the healthcare delivery system, as it has become obvious that the manner in which healthcare has been delivered traditionally is simply not sustainable. This includes a necessary shift toward providing healthcare using different, integrated care delivery platforms that depend on investment in new technologies, the creation of alliances, market contractions, and fresh thinking regarding how to align resources. SB 916 will impede these necessary changes to healthcare and, importantly, will create a substantial chilling – and most likely freezing – effect on affiliations, mergers, and acquisitions that are essential to modernize healthcare delivery properly. 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, which 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 report annually “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 ACA 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 implemented fully, but one thing is clear – it will look drastically different than what we see today. At a time when the ACA 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.

Because CHA is opposed to increasing the regulatory burden placed on hospitals, we encourage the Committee to make our existing CON process more efficient by having decisions acted on in a timely fashion. In addition, the existing CON statutes should be amended to establish an expedited certificate of need process for routine applications, including relocations and imaging services, that could be completed in 60 days.

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