



affiliate Columbia University College of Physicians and Surgeons
member New York-Presbyterian Healthcare System
A Planetree Hospital

**TESTIMONY OF
STAMFORD HOSPITAL
SUBMITTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
Monday, March 8, 2015**

**SB 945, An Act Concerning The Tax Exempt Status of Certain Hospital
Facilities**

Stamford Hospital is opposed to **SB 945, An Act Concerning The Tax Exempt Status of Certain Hospital Facilities** which, if enacted, will affect hospital services in our community and put our hospital at significant financial risk. We respectfully urge elected officials to consider the long-term implications of such public policy, the direction of which continues to threaten hospitals' ability to continue as the economic cornerstones of their communities. Exemption from property taxes provides necessary and important financial support to our hospital allowing us to pursue our mission of caring. Losing this benefit will make health care more expensive.

Stamford is often referred to as part of the Gold Coast. Yet, the city of Stamford is home to a significant undocumented population that is not eligible for any insurance coverage. Stamford Hospital has partnered with a number of organizations including Americares and Optimus Healthcare to provide primary and specialty care for these individuals and to reduce the use of hospital emergency services. And we have established a community collaborative to address the health care priorities identified in our Community Health Needs Assessment. While these programs have been well received, our Charity Care costs continue to rise (\$30.29 million in FY-2014). We are deeply concerned that the current and proposed state budgets continue to tax hospital revenue and continue to erode the safety net that our hospital provides to our community.

The restrictive effect of state budget actions can have a direct cause on reducing, if not eliminating, what could otherwise be smart and impactful local investments in community health improvement which could ultimately reduce the high levels of uncompensated care.

Under the Governor's budget, the state increases the user fee (hospital tax). It also would raise an additional \$165.3 million, totaling \$513 million from hospitals state-wide. That represents a half billion dollars from hospitals since 2011. While the \$165 million are slated to be returned to hospitals, we have significant concerns given past practices, including the methodology that would be used in any redistribution.

In the proposed budget, Stamford Hospital is projecting additional funding cuts of \$7.5 million over the Biennium. These cuts, combined with the proposed increases in the user fee results in an added financial burden on Stamford Hospital of \$25 million over the biennium, some of which may be offset when funds are redistributed. However, it is unclear how these funds will be distributed as supplemental Medicaid payments, creating more uncertainty. Moreover, past redistribution formulas have not factored in the high uncompensated care costs at Stamford Hospital which are the highest in the state as a percent of expenses and second in raw numbers.

The impact of the hospital tax on our current budget (FY2015) cannot be overstated, and the atmosphere of uncertainty affects operations and morale. It is very troubling. This year, the hospital tax and reductions of DSH payments is \$19.4 million for Stamford Hospital. Rather than revenue neutral payments for Medicaid as promised, we were notified in December of 2014 of unplanned cuts to the current (FY2015) budget, approximately \$2 million for Medicaid.

As the attached chart shows, Medicaid net reimbursement to Stamford Hospital as proposed will decline by 12% from 2009 to 2016 while Medicaid patient visits will have risen 77%. Net reimbursement per visit has declined from \$830 per visit in 2009 to a projected \$414 per visit in 2016 or 50%. And despite Medicaid expansion, visits by uninsured patients have remained relatively unchanged over the same time period, reflecting the large undocumented population in Stamford.

In addition, in **SB 945**, the Governor's budget calls for imposing property taxes on not-for-profit hospital properties that don't contain an Emergency Department. The financial burden of paying property taxes to local governments, coupled with the adverse impacts of both the hospital tax and state funding cuts, threaten our ability to maintain community benefits at their current levels, and negatively affected access and services for patients.

There are several other initiatives being considered by the legislature that are deeply concerning: (a) limiting the use of tax credits for hospitals to offset tax liability; (b) and unfunded mandates relating to electronic health records and contracting with managed care companies. Such public policy creates a negative healthcare environment in our state. We ask the legislature to consider a different approach – working with hospitals to achieve a sustainable healthcare environment.

Our community has real needs, and the mission of Stamford Hospital is to provide quality care --24/7; we provide emergency and trauma care, neonatal intensive care, regional heart and cancer care, and many other critical services. We accept all patients no matter their ability to pay. We train physicians and other healthcare professionals for the future needs of our community and state. Furthermore, Stamford Hospital is a major economic engine for the city of Stamford, which in turn supports the state. We employ 2,200 people and are in the middle of a \$450 million investment of a much-needed new hospital facility, construction of which will be completed in 2016. We urge you to consider the impact this budget will have on our patients, employees and the community and vote "NO" hospital cuts and taxes contained in SB 946, and support the continuation of the property tax exemption for hospitals. Thank you for your consideration of our position.

**Stamford Hospital
Analysis of State Funding**

	Forecast									
	SFY 2008	SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013	SFY 2014	SFY 2015	SFY ¹ 2016	
State Payments to Stamford Hospital										
Gross Medicaid Payments	\$ 19,332,605	\$ 25,243,415	\$ 28,154,574	\$ 32,091,964	\$ 33,343,972	\$ 38,496,217	\$ 41,492,337	\$ 46,531,043	\$ 43,774,330	
Gross DSH and Supplemental Medicaid Payments	5,348,120	5,172,459	5,043,093	5,500,600	22,747,615	18,068,349	8,388,447	3,080,157	9,405,007	
Total Payments	24,680,725	30,415,874	33,197,667	37,592,564	56,091,587	56,564,566	49,880,784	49,611,200	53,179,337	
Less:										
Hospital Tax paid to State by Stamford Hospital	0	0	0	0	17,310,741	17,310,741	17,310,741	17,310,741	17,310,741	26,288,125
Net Payments by State	\$ 24,680,725	\$ 30,415,874	\$ 33,197,667	\$ 37,592,564	\$ 38,780,846	\$ 39,253,825	\$ 32,570,043	\$ 32,300,459	\$ 26,891,212	(A)
Medicaid Patient Visits	31,207	36,667	42,253	48,069	52,137	59,524	60,411	64,946	64,946	(C)
Average Net Payment Per Visit	\$ 791	\$ 830	\$ 786	\$ 782	\$ 744	\$ 659	\$ 539	\$ 497	\$ 414	(E)
Uninsured Visits	23,039	22,623	22,270	22,425	24,140	23,661	22,116	21,065	21,065	

¹ SFY 16 assumption shows Medicaid visits flat to '15, layering in the proposed payment reductions. Volume is projected flat per this analysis due to proposed budget including a provision to transfer some HUSKY volume to exchanges.

Conclusions:

1. Medicaid net reimbursement as proposed will decline to \$26.8 million(A) on 64,946 visits(C) in 2016, DOWN from \$30.4 million(B) in SFY 2009 on 36,667(D) visits. The Hospital is being reimbursed less as projected in SFY 2016 compared to SFY 2009 on 77% more Medicaid patient visits.
2. Net reimbursement per visit has declined from \$830(E) per visit in SFY 2009 to a projected \$414(F) per visit in SFY 2016.
3. Despite Medicaid expansion, visits by uninsured patients has remained relatively stable at 21,065, a slight decline from 22,623 in 2009 reflecting the large undocumented population in southwest Connecticut (not covered under ACA).