CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
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CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
FINANCE, REVENUE AND BONDING COMMITTEE
MONDAY, MARCH 9, 2015

SB 946, An Act Concerning Revenue Items To Implement The Governor's Budget

Good afternoon. My name is Stephen Frayne, and I am the Senior Vice President, Health Policy, at the Connecticut Hospital Association (CHA). I am here today to testify in opposition to **SB 946, An Act Concerning Revenue Items To Implement The Governor's Budget.**

Connecticut hospitals have been struggling for years because of cuts to reimbursement and taxes. Now, with the Governor's proposed budget, reimbursement would drop further, the tax on patient care would rise, and hospitals would face new regulatory burdens. The hits started coming in 2012 and are getting bigger all the time – what started as a hit in 2012 of $33 million balloons in this budget to $400 million per year. We need strong public policy to achieve a sustainable healthcare environment in our state, not more slashing of hospitals.

First, the budget would expand the hospital tax. In 2012, when the hospital tax was imposed, hospitals were told that they would get back all of their money plus some; they would remain whole and patient care would not be affected. However, within a year that changed and, by 2015, the hospital tax cost $269 million per year. Now, the proposed budget says that if the state is allowed to increase the tax on hospitals by $165 million every year, all of that new tax revenue will be returned to the hospitals. In short, the headline is "hospitals will be made whole." However, given the track record, it is impossible to take comfort in the new assurance. Even if hospitals in the aggregate are kept whole, the required redistribution would result in significant additional harm to some hospitals. Moreover, the headline that "hospitals will be made whole" ignores the fact that the current tax on hospitals is being increased from $235 million to $269 million annually because of the elimination of the expanded pool ($18.6 million) and the low-cost hospital pool ($15.1 million).

Second, the budget would also reduce hospitals' ability to purchase tax credits. The tax credit change is described as closing a loophole, implying the need to stop some fancy inappropriate footwork on the part of hospitals. Nothing could be further from the truth. The preprinted tax forms provided to hospitals by the Connecticut Department of Revenue spell out the credit available and, as best I know, the Office of Policy and Management encouraged hospitals to pursue it.

Third, the proposed budget is counting on a greater than six percent rate reduction applied to hospitals – a cut of $107 million in 2016 and $111 in 2017. In addition to this cut, we are also facing significant cuts due to the implementation of new inpatient (APR-DRGs) and outpatient payment systems (APCs). While hospitals were told the change would be implemented in a budget-neutral manner, as of January 1, 2015, laboratory funding was cut 20 percent, graduate medical education funding was cut, inpatient hospital-based physician services was cut by about 50 percent, and emergency doctor funding for patients admitted through the Emergency Department was cut by 100 percent.

Lastly, in 2013, hospitals were told that if we explained how to get a higher match rate for Disproportionate Share Hospital (DSH) payments, the additional funds would be used to help hospitals exclusively. We did our part, but the hospitals never received the extra $18.6 million promised for either 2014 or 2015. This budget makes clear hospitals won't get what is owed now or in the future.

Attached for your reference is the impact of these budget proposals detailed by hospital.

In addition, the Governor's budget calls for, in *SB 954, An Act Concerning The Tax Exempt Status Of Certain Hospital Facilities,* imposing property taxes on 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 the ability of hospitals to maintain community benefits at their current levels, and affect access and services for all patients.

Connecticut hospitals epitomize the reason that the property tax exemption was created. They play a unique and critically important role in their communities. They are worthy of continued exemption from property tax.

Taken cumulatively, the ongoing cuts and the expansion of taxes are eroding hospitals, causing patient care and access to suffer. In addition, when much needed healthcare funds are diverted, it has a destabilizing effect on jobs and our economy. Patients, caregivers, workers, and everyone in our communities will suffer.

What we need is a real examination of the healthcare environment in our state, and a consideration of what is needed to develop strong policy to protect patient care and access. More cuts and higher taxes will simply add cracks to our state's healthcare foundation.

The best way you can express support for your community is to vote "No" on these proposals.

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

Impact of the Hospital Tax and Funding Cuts

Current:		
Assessment		(349,122,279)
Less Appropriated Funds		
Expanded Pool	18,359,698	
Low-Cost Pool	15,100,000	
Inpatient Supplemental Pool	80,500,000	
Sub-total		113,959,698
Hospital Tax		**(235,162,581)**
HB 6824 Changes:		
Increase in Assessment		(165,300,000)
Less Increase Supplemental		165,300,000
Less New Cuts:		
Expanded Pool (14-15)	(18,494,175)	
Expanded Pool (16-17)	(18,359,698)	
Low Cost Pool	(15,100,000)	
Rate Cut 6+%	(112,500,000)	
Sub-total		(164,453,873)
Annual Hosptial Cut HB 6824		**(399,616,454)**

Biennium Impact of Hospital Funding Cuts

	Eliminate Expanded Pool	Eliminate Expanded Pool	Eliminate Low-Cost Pool	Cut 5% of Funding	Total Cuts
	14 and 15	16 and 17	16 and 17	16 and 17	
BACKUS	(547,413)	(543,433)	0	(6,270,000)	(7,360,846)
BRIDGEPORT	(3,062,788)	(3,040,518)	0	(14,290,000)	(20,393,306)
BRISTOL	(406,908)	(403,950)	(4,177,996)	(3,290,000)	(8,278,854)
CT CHILDREN'S	0	0	0	(12,730,000)	(12,730,000)
DANBURY **	(1,181,706)	(1,173,113)	0	(7,050,000)	(9,404,819)
DAY KIMBALL	(353,479)	(350,909)	(2,566,430)	(2,760,000)	(6,030,818)
DEMPSEY	0	0	0	(8,730,000)	(8,730,000)
GREENWICH	(173,096)	(171,838)	0	(1,490,000)	(1,834,934)
GRIFFIN	(508,259)	(504,563)	(1,767,177)	(3,220,000)	(5,999,999)
HARTFORD	(5,541,139)	(5,500,848)	0	(21,770,000)	(32,811,987)
HOSP. OF CENTRAL CT	(1,701,633)	(1,689,260)	(7,041,772)	(9,440,000)	(19,872,665)
HUNGERFORD	(365,351)	(362,694)	(1,910,588)	(2,950,000)	(5,588,632)
JOHNSON	(171,427)	(170,181)	(2,156,032)	(1,130,000)	(3,627,639)
LAWRENCE + MEMORIAL	(1,030,483)	(1,022,990)	(2,431,225)	(6,680,000)	(11,164,698)
MANCHESTER	(465,819)	(462,432)	0	(4,400,000)	(5,328,251)
MIDDLESEX	(831,562)	(825,515)	0	(4,920,000)	(6,577,077)
MIDSTATE	(643,794)	(639,113)	(4,216,216)	(4,890,000)	(10,389,123)
MILFORD	(129,637)	(128,694)	0	(1,070,000)	(1,328,330)
NEW MILFORD **	(101,482)	(100,744)	0	0	(202,227)
NORWALK	(1,164,243)	(1,155,777)	0	(5,950,000)	(8,270,021)
ROCKVILLE	(172,742)	(171,486)	(655,352)	(1,290,000)	(2,289,580)
ST FRANCIS	(3,118,665)	(3,095,988)	0	(17,610,000)	(23,824,653)
ST MARY'S	(1,050,572)	(1,042,933)	(200,000)	(7,290,000)	(9,583,506)
ST RAPHAEL*	0	0	0	0	0
ST VINCENT'S	(2,000,504)	(1,985,958)	0	(9,540,000)	(13,526,463)
SHARON	(62,565)	(62,110)	(648,761)	(190,000)	(963,436)
STAMFORD	(976,313)	(969,214)	0	(6,910,000)	(8,855,528)
WATERBURY	(891,188)	(884,708)	(206,366)	(5,590,000)	(7,572,262)
WINDHAM	(420,361)	(417,304)	(2,222,085)	(1,990,000)	(5,049,750)
YALE-NEW HAVEN	(9,915,221)	(9,843,124)	0	(51,560,000)	(71,318,344)
Total	**(36,988,351)**	**(36,719,396)**	**(30,200,000)**	**(225,000,000)**	**(328,907,747)**

*Combined with YNHH

** New Milford Rate Cut Combined Danbury