CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
INSURANCE AND REAL ESTATE COMMITTEE
Tuesday, March 17, 2015

SB 807, An Act Concerning Fairness And Efficiency In Insurance Contracting

SB 808, An Act Concerning The Establishment Of A Dispute Resolution Process For Surprise Bills And Bills For Emergency Services

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **SB 807, An Act Concerning Fairness And Efficiency In Insurance Contracting,** and **SB 808, An Act Concerning The Establishment Of A Dispute Resolution Process For Surprise Bills And Bills For Emergency Services.**

Before commenting on the bills, 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.

Section 1 of SB 807 requires the insurance commissioner to establish a pilot program with a tiered healthcare provider network. The program should look to the Healthcare Exchange and the principles it established when developing network adequacy. Specifically, any tiered healthcare network must include essential community providers of sufficient number, type, and geographic distribution as to ensure that low-income, medically underserved individuals have access to a broad range of such providers, including those that specialize in mental health and substance abuse services. The tiered healthcare network would assure that all services be accessible without unreasonable delay, and that offerings be substantially the same as the network of providers available to its largest plan representing a similar product offered outside of the Exchange.

Section 3 would prohibit a hospital from billing under its tax identification number for services provided "outside the hospital." If Section 3 of SB 807 is intended to ensure that a hospital may bill under its tax identification number for services provided in locations subject to the hospital's license only, CHA has no concerns with the provision.

Connecticut hospitals provide a broad range of critical healthcare services to patients throughout the state. To better meet patient needs, hospitals often provide various services at locations that are "off campus," meaning that these are locations in the community, not in the main hospital facility. Each of these locations must meet state licensure requirements (including very specific requirements about the physical environment) and, if a hospital is Medicare-certified, strict Medicare rules. Hospitals are, therefore, currently permitted to bill under their tax identification numbers for hospital services that are provided at licensed locations only.

To the extent that Section 3 would prohibit a hospital from billing under its tax identification number for services provided outside of the hospital's main campus, the provision would have a serious and detrimental impact on access to care for patients. Under federal tax rules, each hospital is permitted only one tax identification number. If a hospital cannot bill for services provided at locations outside of its main campus, it will not be financially feasible to continue to provide those services in the community. Important services such as those provided at hospitals' off-campus Emergency Departments, for example, would likely need to be closed.

Section 4 imposes limitations on how hospitals and health systems work and contract with health insurance companies. 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 fresh thinking regarding how to deliver and pay for care. In addition, Connecticut will receive $45 million in federal funds for a State Innovation Model (SIM) grant to help it redesign how the state pays for and delivers healthcare. This redesign will impact 80 percent of the state's population and advance significantly the coordination of care. Section 4, if adopted, will impede, if not prevent, the establishment of new integrated delivery models and the implementation of Connecticut's SIM grant.

Section 5 proposes to adopt site-neutral reimbursement policies as recommended by the Medicare Payment Advisory Commission's June 2013 report to Congress, *Medicare and the Health Care Delivery System*. CHA strongly opposes Section 5's recommendation to adopt site-neutral payments.

We rely heavily on hospitals to provide 24/7 access to care for all types of patients, to serve as a safety net provider for vulnerable populations, and to have the resources needed to respond to disasters. These roles are not funded explicitly; instead, they are built into a hospital's overall cost structure and supported by revenues received from providing direct patient care. Hospitals are also subject to more comprehensive licensing, accreditation, and regulatory requirements than other settings.

Section 5 does not recognize this complex funding and regulatory scheme.

The Medicare program has set forth specific criteria to determine when the provision of that service is hospital-based and when it is simply a physician office service. When it meets the tests to be hospital-based, the service is entitled to a higher level of Medicare funding, which is accorded in recognition of the fact that the hospital is a more expensive place to deliver care and is held to a number of higher standards.

Regulatory Requirements/Roles	Hospital Outpatient Department	Ambulatory Surgery Center	Physician Office
24/7 Standby Capacity for ED Services	✔		
Back up for Complications Occurring in Other Settings	✔		
Disaster Preparedness and Response	✔		
EMTALA Requirements	✔		
Uncompensated Care/Safety Net	✔		
Teaching/Graduate Medical Education	✔		
Special Capabilities (burn, trauma, neonatal, psychiatric services, etc.)	✔		
Required Government Cost Reports	✔		
Equipment Redundancy Requirements	✔		
Stringent Building Codes (ventilation systems, hallway widths, ceiling heights, etc.)	✔		
Infection Control Program	✔	✔	
Quality Assurance Program	✔	✔	
Joint Commission Accreditation	✔	✔	
Life and Fire Safety Codes	✔	✔	✔
Malpractice Insurance	✔	✔	✔
Admin Staff/Billing	✔	✔	✔
Medical Supplies	✔	✔	✔
Nurses	✔	✔	✔
Space and Utilities	✔	✔	✔

©American Hospital Association January 28, 2015

Finally, Section 5 would place yet another fiscal burden on hospitals, negatively impacting every Connecticut hospital.

In 2014, Connecticut hospitals paid $349.1 million in the so-called hospital tax. The Governor has proposed to increase that tax by $165 million, bringing the tax to $514.4 million per year. This is in addition to proposed reductions to Medicaid provider rates by $107.5 million in FY 2016 and $117.5 million in FY 2017, the elimination of a $15 million low-cost hospital pool, and the withholding of hospital supplemental payments of $12.9 million in FY 2014 and $16.1 million in FY 2015.

Hospitals have made difficult choices to account for the resources lost due to government underfunding of the Medicaid program, the hospital tax, and other cuts, and over the last few years, many jobs were eliminated, services were reduced, and investments in technology and infrastructure were put on hold. Hospitals can endure no more.

SB 808 calls for the establishment of a dispute resolution process for surprise bills and bills for emergency services. CHA looks forward to working with the Committee to ensure patients have appropriate notice of their financial responsibility and are able to receive and have access to the highest quality and most appropriate care.

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