

Testimony to FRB Committee – March 9, 2016

Good morning distinguished members of the Finance, Revenue, and Bonding Committee. My name is Tom Rockoff. I am a gastroenterologist in private practice and co-owner of the Naugatuck Valley Endoscopy Center in Waterbury, Connecticut. I am privileged to be speaking before you today as a representative of the ambulatory surgical centers across our state that are being unfairly burdened by the recently passed 6% gross-receipts tax on ASCs that went into effect on October 1, 2015. Regrettably, this tax was passed as a last-minute addition to the budget without opportunity for public comment or any consideration of its consequences.

Since our endoscopy center opened in 2003, we have performed more than 20,000 endoscopic procedures for our patients in the Greater Waterbury region – saving our patients millions of dollars in lower copayments over this period of time. The overwhelming majority of our patients have been extremely satisfied with the ability to have their procedures done in our safe, comfortable, and convenient outpatient facility rather than the hospital. We recently had the honor of having our local representative, Chairman Jeffrey Berger, at our center to meet our dedicated staff and see first-hand what we offer to our patients.

Equally important is the fact that our endoscopy center performs these procedures far more cost effectively than the hospital saving both patients and insurers (including the state of Connecticut) a substantial amount of money. On average, a colonoscopy (which is recommended for all patients age 50 or older to prevent colorectal cancer – one of the most common and deadly cancers today) costs 53% less to perform at an ASC compared to a hospital outpatient department.

We cannot overemphasize how this ASC tax will have a crippling effect on all of the 61 centers in our state. As independent small businesses, we already each pay our fair share of federal income, sales, property, and payroll taxes as any other business does. As you know, a gross

receipts tax is particularly onerous in that it is calculated **before** other expenses have been taken out which compounds the tax burden to us all.

In addition, ASCs have already been reimbursed at significantly lower rates than hospital based outpatient departments. Medicare rates to our ASCs are nearly half what they pay to hospital outpatient departments for the very same procedures. Over the past decade, this trend has persisted and the reimbursement gap among all insurance carriers continues to widen to our detriment. As an example, in 2015, Medicare reimbursed our ASC \$467 for a colonoscopy versus \$882 when performed at the hospital.

Therefore, this combination of declining revenue with a higher tax burden endangers the viability of many of our ASCs. As a result, some ASCs will have to reduce the services they provide and perhaps close altogether. Staff members will lose jobs, patients will lose health care choices, and cases will shift to more expensive settings costing patients and us as taxpayers far more money in the end. As you can see, it is unfair to have patients in need of these lifesaving procedures pay the price for our state budget shortfall.

In 2015, our center would have paid nearly \$103,000 toward this tax alone which is the same as 2.2 full-time equivalents or FTEs. Therefore, money that is earmarked for the salaries of 2 full time employees would have to be used to pay this tax. Without additional revenue, staff may need to be let go for our ASC to remain financially stable and maintain our current high level of patient care.

Only four states in the nation have imposed similar taxes on ASCs (albeit at much lower rates) and, importantly, two states, Florida and our neighbors in Rhode Island, eventually repealed their ASC tax

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proposals after learning of the unintended consequences that the tax would have had on their citizens.

Ladies and gentlemen, I urge you to reconsider the ramifications of this tax on our ambulatory surgical and endoscopy centers. With all of the changes in our healthcare system, it would be a terrible time to once again have patients' healthcare choices restricted and become more expensive when many families are already struggling in the current economic climate.

As a representative of our ASC staff, employees, and patients served, it is clear that the best possible outcome would be to repeal this tax and continue to allow our ASCs to provide safe, accessible and more affordable healthcare to the hard working citizens of our state. To that end, we wholeheartedly support Bill 5493 which seeks to reduce then repeal this tax altogether in 2018.

I thank you for the opportunity and privilege to address this important issue with you today. I am available to answer questions at any time.