



TESTIMONY
INSURANCE & Real ESTATE COMMITTEE
Thursday, March 3, 2016

SB 281, AN ACT REQUIRING SITE-NEUTRAL REIMBURSEMENT POLICIES IN CONTRACTS BETWEEN HEALTH CARRIERS AND HEALTH CARE PROVIDERS

Yale New Haven Health System (YNHHS)-- Connecticut's 3rd largest employer with over 20,000 employees and 6300 medical staff appreciates the opportunity to offer testimony concerning *SB 281, AN ACT REQUIRING SITE-NEUTRAL REIMBURSEMENT POLICIES IN CONTRACTS BETWEEN HEALTH CARRIERS AND HEALTH CARE PROVIDERS*. YNHHS joins with the Connecticut Hospital Association and all CT hospitals in **opposing SB 281**.

The Yale New Haven Health System, through Bridgeport, Greenwich and Yale-New Haven Hospitals, and their affiliated organizations, including the North East Medical Group, strives to provide access to high-quality, patient-centered care in collaboration with others who share our values. We offer our patients a range of healthcare services, from primary care to the most complex care available anywhere in the world. Inside Yale-New Haven Children's Hospital, we care for more children than any other provider in the state. 55% of our kids are insured by Medicaid for which we are reimbursed 31 cents on the dollar of cost. We care for our State's most vulnerable population by providing psychiatric care to children, teenagers, adults and the elderly who come to us from every corner of Connecticut. The majority of these patients are also insured by Medicaid and some who have no insurance at all.

The 3 YNHHS hospital affiliates care for more than one quarter of the State's Medicaid enrollees. Every day, our staff cares for individuals and families who lack access to medical, dental and mental health care. Our emergency departments are filled with individuals who do not have anywhere else to go for medical or mental health care. Last year, we provided thousands of psychiatric assessments to children in our emergency departments, a fraction of whom required inpatient acute psychiatric care.

SB 281 proposes to mandate site-neutral reimbursement policies in contracts between health carriers and health care providers. It fails to recognize that the cost structures and payer mix between independent physician offices and hospital outpatient departments are quite different.

- At YNHHS, over one-third of our total business is caring for patients insured by Medicaid, which reimburses us 31 cents on every dollar of cost, creating a shortfall of hundreds of millions of dollars per year. Many physician offices accept no Medicaid patients.
- YNHHS hospitals will pay \$182 million in taxes this year. Independent physician offices pay no provider tax.
- Over \$100 million of free and charity care is being provided each year. Most physician offices do not provide free or charity care to patients in need.
- Hospitals are subject to more comprehensive licensing, accreditation, and regulatory requirements than other settings.



As we negotiate our payment rates with insurance carriers, these unique differences are accounted for in the negotiations. If site neutral policies are mandated to be in all provider agreements, we will lose the ability to negotiate these unique cost differences into our agreements. Our reimbursement levels are already being kept in check by deductibles and copayments and the creation of tiered benefit programs that attempt to steer patients away from hospital outpatient departments.

If the goal of this proposal is to level the playing field, it must extend to regulatory requirements and provision of care to those insured by Medicaid and those with no ability to pay for the care they receive.

In addition to significant Medicaid under reimbursement, YNHHS hospitals bear a substantial tax burden. The hospital tax has become the fourth largest source of state tax revenue. As we navigate this additional financial burden, together with increased state regulation and decreased Medicaid reimbursement, we simply cannot manage another financial hit.

Connecticut residents and visitors rely heavily on hospitals to provide 24/7 access to care, to serve as a safety net provider, and to have the resources needed to respond to accidents, like the overturned bus recently on I-95 where the 70 passengers that needed medical attention were all brought to Yale-New Haven Hospital's Emergency Department. These services are not funded separately; instead, they are part of a hospital's core missions which is supported by revenues received from providing patient care.

Please oppose SB 281. Thank you for your consideration.