



**TESTIMONY OF  
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CONNECTICUT HOSPITAL ASSOCIATION  
BEFORE THE  
INSURANCE AND 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**

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony in opposition to **SB 281, An Act Requiring Site-Neutral Reimbursement Policies In Contracts Between Health Carriers And Health Care Providers**.

Before commenting on the bill, it's important to point out that Connecticut hospitals provide core healthcare services to all of the people in Connecticut, 24 hours a day, regardless of ability to pay. Connecticut hospitals offer safe, accessible, equitable, affordable, patient-centered care that protects and improves peoples' lives.

SB 281 would require that each insurer, upon renewing or amending its contracts on or after October 1, 2016, 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 the recommendation in SB 281 to require insurers to adopt site-neutral payments. It should be noted that Medicare did not adopt the Advisory Commission's site-neutral recommendation.

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.

SB 281 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.

<b>Regulatory Requirements/Roles</b>	<b>Hospital Outpatient Department</b>	<b>Ambulatory Surgery Center</b>	<b>Physician Office</b>
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	✓	✓	✓

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SB 281 would increase the cost of healthcare by requiring health insurers to pay non-hospital-based providers the hospital rate but not require the non-hospital-based providers to comply with all the hospital standards or care for all regardless of their ability to pay. Health insurers know and understand the differences between provider types and are more than capable of deciding the appropriate level of funding.

Hospitals are paying \$556 million in taxes, and the budget for the biennium anticipated a return of approximately \$255 million in each of the two years of the budget – a budgeted deficit of \$301 million per year. The biennium budget was modified once in December of this past year, and hospitals were tapped for an additional \$90 million for SFY 2016. HB 5044 proposes another \$90 million cut for 2017, bringing the total hospital cuts related to the provider tax for the biennium to \$782 million.

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.

Thank you for your consideration of our position. For additional information, contact CHA Government Relations.