



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

TESTIMONY PRESENTED TO THE PUBLIC HEALTH COMMITTEE

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Secretary

Office of Policy and Management

Testimony Opposing House Bill No. 5454

AN ACT CONCERNING AMENDMENTS TO THE CONNECTICUT HEALTH AND EDUCATIONAL
FINANCE AUTHORITY

Senator Gerratana, Representative Ritter and distinguished members of the Public Health Committee, thank you for the opportunity to offer testimony in opposition to House Bill No. 5454, An Act Concerning Amendments to the Connecticut Health and Educational Finance Authority (CHEFA).

Under House Bill No. 5454, community-based hospitals would be able to finance, through CHEFA, up to a total of \$100 million in bonds backed by the State through the Special Capital Reserve Fund (SCRF) mechanism for capital projects. Currently, the availability of State-backed bonds (up to the \$100 million) is available to all hospitals for the financing of equipment only. This bill would also remove the discretion of the State Treasurer and the Secretary of the Office of Policy and Management to determine if it would be prudent and appropriate for the state to back the bonds. The Treasurer would retain the narrower self-sufficiency review found in Connecticut General Statutes Section 1-124 for when a SCRF is to be applied by quasi-governmental authorities.

Recently, Governor Malloy issued Executive Order No. 51 in order to undertake a review of laws and regulations surrounding the establishment, termination, transfer, acquisition and expansion of hospitals and medical service facilities and providers. The rapid rate of consolidations and expansions in health care has raised serious concerns and questions as to how these actions have and will impact the quality, accessibility and affordability of medical services. Providing state backing for more expansion and debt on the part of hospitals prior to such a review could well have more detrimental than positive impacts. In addition, this is clearly not the time for the State to be risking payments from its general fund by removing the broader discretion of both the State Treasurer and the Secretary of OPM to analyze the overall ability of hospitals to make good on their bond payments and to determine if the State's credit should be applied to these borrowings.

In addition, this bill would authorize CHEFA to undertake certain cross-border financings of state-based hospital groups doing projects in other states. Again, determining the impact of

acquisitions and expansions on our health care systems and the appropriate state policy responses was the purpose of the Governor's issuance of Executive Order No. 51. We believe that it is premature to enact legislation facilitating these cross-border financings prior to a proper review of the issues involved.

I respectfully request that the committee take no action on this bill. I would like to again thank the committee for the opportunity to submit testimony, and please contact me if I can answer any questions.