



**Testimony of Ken Rosenquest
President, CT Association of Ambulatory Surgery Centers
Before the
Finance Revenue and Bonding Committee
On HB 5493 AA Phasing Out the Ambulatory Surgical Center Tax
March 9, 2016**

Good afternoon Senator Fonfara, Representative Berger and members of the Finance, Revenue and Bonding Committee. My name is Ken Rosenquest and I am here today as President of the CT Association of Ambulatory Surgery Centers, representing all of the state's free-standing surgery centers to speak in support of repealing the newly imposed 6% gross receipts tax on Ambulatory Surgical Centers.

HB 5493 proposes a three-year phase out of the 6% gross receipts tax that was included in the budget during the final days of the legislative session. As a reminder, this tax was passed without any opportunity for public input or consideration of the impact on our segment of the Health Care Delivery System. So, thank you for recognizing the issues that exist with this tax and raising a bill to begin discussions on repeal.

By way of background, Ambulatory Surgery Centers (or ASCs) are locally owned small businesses that employ over 2000 Connecticut residents. Surgery Centers

provide Connecticut patients a high quality, more affordable option for effective surgical care. Procedures performed in Connecticut ASCs cost, on average, **half** as much as procedures performed in hospital outpatient departments. **In other words, Connecticut surgery centers save patients millions of dollars annually through lower deductibles and co-payments.** And, insurers, like the state of Connecticut, also benefit from these lower costs. This is a factor that has become increasingly important for patients with high deductible plans.

Unfortunately, the tax that was passed last session will make it increasingly difficult for ASCs to remain a cost-effective option for patients. Many facilities operate much like any other small business: on thin margins. The imposition of the tax is a critical hindrance on their continued economic viability.

Unlike other healthcare facilities that benefit from numerous state, local and federal tax exemptions, ASCs pay income taxes, sales and property taxes that already approach 50%. Because the new ASC tax is applied to “gross receipts” its actual impact will be in the neighborhood of an additional 30% tax. It could not have been the intent of the body to raise taxes on ASCs to that level. Reimbursement for medical equipment like screws and other medical implants for orthopedic surgery, and things like sales tax – which is typically exempt from additional taxes - are included in “gross receipts.” In other words, no expenses are accounted for prior to imposing the tax. The costs of providing care are now even higher because of the tax and reimbursement no longer covers these kinds of expenses.

Connecticut's tax is the **highest in the nation** – and only 4 states tax ASCs at all.

Having to pay this new tax will make it difficult for facilities to invest in cutting edge medical technology, staffing and other areas that improve patient care. In the end, it disproportionately penalizes the lower cost health care option that is available to patients and increases health care costs.

In fact a recent national university study, which is included with my testimony, indicated that this type of tax, specifically a provider tax, ends up costing more in the long run, increases health care costs and as a result should be eliminated.

On behalf of the thousands of patients we treat each year around the state and our employees, I urge repeal of this overly burdensome tax.

I know there are several other speakers that will be addressing key aspects of this bill, but I would be happy to answer any questions that you might have. Thank you.