



**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
APPROPRIATIONS COMMITTEE, COMMERCE COMMITTEE,
FINANCE, REVENUE AND BONDING COMMITTEE, AND
PLANNING AND DEVELOPMENT COMMITTEE
Friday, March 23, 2018**

Report of the Commission on Fiscal Stability and Economic Growth

The Connecticut Hospital Association (CHA) appreciates this opportunity to comment on the Report of the Commission on Fiscal Stability and Economic Growth (the "Report").

Before commenting on the Report, it is important to point out that Connecticut hospitals provide high quality care for everyone, regardless of their ability to pay. Connecticut hospitals are dynamic, complex organizations that are continually working to find innovative ways to better serve patients and communities and build a healthier Connecticut. By investing in the future of Connecticut's hospitals, we will strengthen our healthcare system and our economy, and deliver affordable care that Connecticut families deserve, consistent with the goals of the Commission.

In accordance with your instructions, we will limit our testimony to matters related to economic growth and fiscal stability. The Report states on page 16 that "(a)mong Connecticut's largest and most important sectors are healthcare, finance, and manufacturing." In footnote 2, the Commission elaborates by stating that "Connecticut has a high location quotient in all three sectors, meaning the proportion of Connecticut's employment coming from all three is higher than the national average."

Connecticut's hospitals and health systems provide great jobs to 100,000 people, with a total annual payroll of \$7.2 billion. They employ more full-time employees than there are full-time state employees. Connecticut hospitals and health systems are often the largest employers in their communities, and salaries are a vital economic stimulus, creating and supporting jobs throughout the state. Nearly every hospital and health system job creates another one outside the hospital or system, for a total annual payroll of \$14.7 billion.

Connecticut's hospitals and health systems further fortify Connecticut's economy by spending \$4.9 billion each year on the goods and services needed to provide quality healthcare. The money spent on medical supplies, food for patients, and utilities, among other things, ripples out into the wider economy for an additional spending of \$5.0 billion.

Connecticut hospitals and health systems spent \$806 million on buildings and equipment in 2015. This capital spending generated an additional \$832 million in economic activity in Connecticut. The total impact of spending on capital improvements by hospitals and health systems is \$1.6 billion.

When you add the \$14.7 billion payroll to the \$9.9 billion spent on goods and services and the “ripple effect” spending, plus the \$1.6 billion in capital improvements, you will conclude that the total economic impact of Connecticut’s hospitals and health systems amounts to \$26.2 billion per year.

Connecticut’s hospitals and health systems anchor the healthcare economic sector. We are pleased to concur with recommendation 9(2) on page 7 of the Report asking the state to undertake a series of initiatives to support the growth of Connecticut’s highest-potential economic sectors.

In fact, we ask that you preserve an existing initiative adopted last year authorizing the Office of Policy and Management to provide up to \$20 million in new General Obligation bonds over each of the next five years for hospital capital improvements. While we regret that the Commission did not address this measure in the Report, we suspect that it would agree that legislators demonstrated great foresight by adopting this measure to fortify the healthcare sector of Connecticut’s economy.

This bonding initiative is one part of the historic agreement on the hospital provider tax reached between hospitals and the state that was adopted by the legislature and signed into law by the Governor as part of the bipartisan budget agreement.

We were surprised that the Report did not mention this historic agreement. As you know, Connecticut hospitals agreed to a two-year increase in the hospital tax, from \$556 million to \$900 million per year, coupled with payments back to hospitals, which were raised from \$118 million per year to \$691 million.

The new law also addressed the first year of the next biennium, establishing the tax at \$384 million and the payments to hospitals at \$175 million – leaving hospitals with the same loss to start 2020 as they incurred in 2019: \$209 million.

We were disappointed that the pie chart on page 24 of the Report purporting to list General Fund Revenue in 2017 did not include a slice dedicated to the hospital tax, nor did the supporting narrative include a single reference to the hospital tax. Since its inception in 2012, the hospital tax has become the fourth largest state tax, after the personal income tax, the sales and use tax, and the corporation business tax.

On page 61 of the Report, the Commission articulates a path to fiscal stability in the next biennium and beyond. It characterizes restoring the hospital tax as a “structural revenue issue.” We vehemently disagree with such a characterization. The scheduled reduction in the hospital tax effective July 1, 2019 is current law. The reason the taxes go down by \$516 million is because the payments to hospitals also go down by \$516 million. It is not a tax break. It is a dollar-for-dollar reduction in taxes equal to the 2020 budgeted reduction in

payments to hospitals. Repealing this law would increase the tax from \$384 million to \$900 million per year, a \$516 million tax increase. The reduction in the third year is a key component of the agreement. Repealing the reduction would negate an essential element of the agreement reached last year, cause irreparable harm to patient care, make it impossible for organizations to rely on promises made by the state, even those committed to law, and constitute a substantial misstep on the road to fiscal stability.

On page 54 of the Report, the Commission states that “vital urban cores make for strong regions and support the entire metropolitan area and state with critical cultural, healthcare and higher education institutions.” As mentioned earlier, hospitals and health systems are often the largest employers in their communities, and salaries are a vital economic stimulus, creating and supporting jobs throughout the state. As we all know, the main campuses of Connecticut hospitals are largely located in our central cities. Hospitals and health systems must be included among the healthcare institutions referenced in the Report.

Connecticut hospitals also contribute to the quality of life in Connecticut, helping to preserve our ranking as 12th among all states in healthcare (see page 38), and fortify rankings on AARP’s livability index (see Page 39).

CHA opposes the proposal set forth on page 58 of the Report urging the legislature to authorize municipalities to impose service fees in lieu of taxes on not-for-profit colleges and hospitals. When you are the organization writing the check, it matters little whether the payment is being called a tax or a fee. If adopted, this levy will adversely impact healthcare providers and inevitably result in an increase in the cost of healthcare.

Imposing a new fee on not-for-profit hospitals will impede access to healthcare for Connecticut citizens by adding costs. It would also serve as a disincentive for hospitals to expand care into areas not presently served by a particular service or specialty. It is more likely that hospitals will reduce their footprint or remain in their present location, rather than situating themselves in areas where there is great patient need.

Finally, Connecticut hospitals are keeping their promise to state and local government to meet the healthcare needs of our residents while providing an array of community benefits to enhance the quality of life in our cities and towns. In addition to the \$26.2 billion in total economic impact, Connecticut hospitals serve nearly 2.4 million people through community benefit programs and activities.

We oppose the authorization of new service fees of this nature, and a new 0.5% local sales and use tax, as proposed by the Commission on page 8 of the Report. Rather, we encourage the state to “more fully fund the PILOT program with respect to state-owned property in central cities,” as mentioned on page 55 of the Report.

Thank you for your consideration of our position. For additional information, contact CHA Government Relations at (203) 294-7310.