HB 7148, An Act Concerning The State Budget For The Biennium Ending June Thirtieth, 2021, And Making Appropriations Therefor

St. Vincent’s Medical Center appreciates the opportunity to submit testimony regarding our opposition to HB 7148, An Act Concerning The State Budget For The Biennium Ending June Thirtieth, 2021, And Making Appropriations Therefor. St. Vincent’s Medical Center opposes any change to the terms and conditions of the current agreement in place between hospitals and the state pertaining to supplemental payments.

Before commenting on the bill, it’s important to point out that for 116 years, St. Vincent’s Medical Center has provided high quality care for the Greater Bridgeport community. Founded in 1903 by the Daughters of Charity, we treat everyone who comes through our doors, 24 hours a day, regardless of ability to pay. We are one of the largest employers in the City of Bridgeport with more than 3,000 associates, including medical staff. In 2018, St. Vincent’s total direct economic impact on our community was close to $1.0 billion. We are a safety net hospital, and last year, delivered community benefit and charity care programs that directly serve the poor and vulnerable.

As background, in 2017, Connecticut faced operating deficits projected to be as high as $317 million in the current fiscal year and $3.5 billion over the next biennium. At the same time, Connecticut hospitals were plagued by an onerous hospital tax that was never intended to be a direct tax on healthcare services. When the tax was originally established, the state intended to use the revenue collected to make supplemental benefit payments to hospitals for healthcare services provided to patients enrolled in the Medicaid program. These supplemental payments would qualify the state for increased federal reimbursement. Unfortunately, the previous Administration abandoned this strategy within a year of its adoption and opted instead to keep larger and larger portions of the tax payments received from hospitals while reducing supplemental payments to hospitals, thus foregoing the opportunity to qualify for increased federal funding.

Rather than shying away from the dual challenges of (1) placing government on a path forward to fiscal stability and (2) addressing what had become a direct tax on healthcare services, Connecticut hospitals stepped forward and volunteered to work with legislative leadership and the Administration. The results were an historic bipartisan three-year agreement – one that received overwhelming support from a majority of members of all four caucuses and one that Connecticut hospitals continue to support strongly.

The 2017 agreement has helped address the chronic and persistent operating deficits in the state budget by enabling the state and hospitals to benefit from increased federal reimbursement, while diminishing the state’s reliance on a direct tax on healthcare services.

HB 7148 proposes to abandon the 2017 agreement between hospitals and the state during its third and final year. If enacted into law, hospitals will experience a $516 million increase in the hospital tax, with a corresponding reduction in supplemental payments amounting to $43 million – to $453 million.
St. Vincent’s Medical Center also opposes those sections of **HB 7148** which propose to:

- Reduce hospital inpatient payments resulting from the implementation of Version 36 of the 3M APR-DRG Grouper, for a reduction of approximately $60 million in FY 2020 and approximately $62 million in FY 2021. (The budget proposes to restore partially the $230 million reduction from the implementation of the Grouper.)
- Link hospital payments to readmission rates, for a reduction of $6.1 million in FY 2020 and $7.3 million in FY 2021.
- Set a ceiling on the maximum price that the state employee health plan will pay for services (hospitals and providers) based on a percentage (not yet defined) above the Medicare payment rate.
- Increase utilization management in the Medicaid program for a reduction of $1.4 million in FY 2020 and $9.8 million in FY 2021.

**HB 7148** undermines the budget agreement that helped the state reduce the deficit by $650 million per year and hospitals to reduce losses under the tax by $229 million per year.

Connecticut’s fiscal crisis has challenged all hospitals to do more, and then some, with less. In the last five years, St. Vincent’s has reduced staff, closed programs and delayed important infrastructure and capital investments. These funding reductions, if enacted, will increase the net tax paid by St. Vincent’s. Coupled with the grouper change, these reductions will result in a net revenue decrease of approximately $7.0 million between payments received by and taxes paid by St. Vincent’s Medical Center- funds that would have gone to initiatives aimed at improving the health of the communities we serve.

St. Vincent’s is privileged to serve as one of the healthcare anchors in the Greater Bridgeport community and the State of Connecticut. We care for the sick and we also play a major and continually expanding role in improving community health. Working with our communities, we are identifying and addressing key health issues people are facing so they can live healthier, better lives. A continued loss in revenue will mean these initiatives may need to be placed on hold and continued deferment of new programming that could enhance and improve the quality of services that patients and their families rely on St. Vincent’s to provide.

We have deeply appreciated the dialogue that has occurred among legislators who have supported our efforts to educate the Administration and have heard the collective voices of hospital associates, physicians and volunteers to protect the core serves that hospitals across the State must deliver to meet the needs of our communities.

We do not believe that you worked so hard only to have this progress, on behalf of the people we all serve collectively in our communities, undermined by this bill.

The staff and physicians of St. Vincent’s Health Services are members of your communities. They work tirelessly to perform extraordinary acts every day- including serving patients with compassion, healing the sick, delivering babies, providing support for families in crisis and teaching future healthcare providers—ensuring that every day, our mission to meet the needs of the sick, poor, homeless, handicapped and frail elderly in the greater Bridgeport area is fulfilled.

We respectfully request you reject these proposals to ensure that this critical work is protected, and we implore this General Assembly to honor the state’s commitment to hospitals by keeping our agreement in place. We urge you to reject all efforts to deviate from our 2017 hospital agreement.

**Vote “No” on HB7148.**

Thank you for your consideration of our position. For additional information, contact Dianne Auger, Senior Vice President and Chief Administrative Officer, dianne.auger@ascension.org or 203-395-4141.