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

Good morning or afternoon. My name is Kurt Barwis and I am the president and CEO of Bristol Hospital and Health Care Group. I am here today to testify in opposition to HB 7148, An Act Concerning The State Budget For The Biennium Ending June Thirtieth, 2021, And Making Appropriations Therefor. Bristol Hospital 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 Bristol Hospital provides high quality care for everyone, regardless of their ability to pay.

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 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 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.

Bristol Hospital 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.

Even though it’s early in the budget process, we hope the General Assembly realizes that the hospital tax is not a solution to the state’s budget problems.

Last year, Bristol Hospital was charged just under $14 million in taxes. The State also cut our Medicaid rates unilaterally last October due to a mistake that is resulting in millions of dollars of under payments. There has been no resolution to this costly error.

All of this can all affect our ability to address community needs for access to health care services and key investments in technology and facilities.

We implore this General Assembly to honor the state’s commitment to hospitals by keeping our agreement in place. We urge you to reject any and all efforts to deviate from our 2017 hospital agreement.

Thank you for your consideration of our position.