TESTIMONY OF ANNE DIAMOND
PRESIDENT AND CEO
DAY KIMBALL HEALTHCARE
SUBMITTED TO THE APPROPRIATIONS COMMITTEE
Tuesday, March 5, 2019

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

Good afternoon. My name is Anne Diamond, and I am the President and CEO of Day Kimball Healthcare. 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. Day Kimball Healthcare 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 Day Kimball Healthcare provides high quality care for everyone, regardless of their ability to pay.

Day Kimball Healthcare is comprised of Day Kimball Hospital, Day Kimball Medical Group and Day Kimball Healthcare at Home. Our nonprofit community healthcare system is the major provider of comprehensive healthcare services in Northeast Connecticut, serving more than 70,000 of the region’s approximately 100,000 residents. Beyond the lifesaving care we provide 24 hours a day, we are also the region’s largest employer, employing approximately 1,000 people (more than 80% of whom live in our service area), contributing more than $258 million to our local and state economies, and investing in improving the health of our communities.

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 a 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.

Day Kimball Healthcare 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.

The ability to provide comprehensive healthcare services depends largely on the financial health of our hospital. Our hospital provides life-saving access to care for approximately 23,000 emergency visits each year, in addition to high quality, efficient care for approximately 500 births, 3,000 surgical procedures and 4,000 inpatients. We provide this care to everyone in the communities we serve, regardless of ability to pay; and in our area, those covered by Medicare and Medicaid (which reimburses less than the actual cost of care) make up over 60% of the patient population.

Despite skyrocketing costs and ever-increasing hospital taxes, Day Kimball has managed to continue providing high quality, highly efficient care to our patients. This is thanks to our ongoing efforts to find innovative business and clinical partnerships, such as our new tele-ICU partnership with Yale New Haven Health. Clinical technology and partnerships such as this allow us to bring services that would normally be prohibitively costly at a community hospital into our hospital and into our community, enabling our patients to receive the high level of care they need close to home and in a less costly setting.
Progressive, dynamic initiatives like this are the future of high-quality, lower-cost healthcare. But to make that happen, hospitals must have the financial breathing room necessary to make the investments in technology, clinical talent and facilities that are required. Continued cuts and taxes make it increasingly difficult to make these investments. And for small, independent hospitals like ours, these cuts and taxes are a threat not only to innovation but to our very survival. Ensuring access to high quality, cost-efficient health care in Connecticut requires foresight for responsible fiscal planning beyond mere months, and the knowledge and vision to truly appreciate how allowing for these investments today will make for a healthier Connecticut – both physically and economically – tomorrow.

Day Kimball currently pays $11 million to the state in the form of the Hospital Tax. The agreement reached with the State in 2017 would have reduced the tax that Day Kimball pays to an estimated $4.6 million for this upcoming budget year. A $6.4 million reduction in the taxes paid. Instead HB 7148 keeps the tax for Day Kimball at $11 million.

Day Kimball currently receives supplemental payments from the State, not including the small hospital pool, of $4.9 million. The agreement reached with the State would have reduced these supplemental payments to roughly $1.7 million. Our Health System was supposed to experience an improvement of $3.2 million (Net of the taxes paid and supplemental payments received) for the upcoming budget year. Instead HB 7148 keeps the tax at the current level and reduces our supplemental payments by an estimated $439,000.

In addition Day Kimball Hospital receives additional funds in the form of the small Hospital Pool. Day Kimball per the approved 2019 budget was scheduled to receive $3.9 million from the small hospital pool. In December we were notified by the State that the small hospital pool funding had been reduced in total from $12.8 million down to $9.8 million and Day Kimball’s share was going to be reduced to $3.0 million. We believe HB 7148 maintains the small hospital pool funding at the reduced level of $9.8 million. This pool needs to be adjusted back to the $12.8 million level as approved by the legislature last summer.

HB 7148 also reduces hospital inpatient payments resulting from the implementation of Version 36 of the 3M APR-DRG grouper. The $60 million dollar reduction statewide for FY 2020 equates to an additional $261,000 reduction for Day Kimball.

**In Summary, for Day Kimball it is estimated that in FY20 with the reduction in supplemental payments, the reductions related to the Grouper, and the unexpected reduction in the small hospital pool funding level, the negative impact to Day Kimball is substantial. Day Kimball currently pays approximately $3.0 million more in taxes than it receives in the form of supplemental payments and the small hospital pool payments. This budget would increase that loss by another $439,000. For a small hospital these types of losses are not sustainable. As a result we are experiencing cash flow issues that impact our ability to do capital improvements requiring us to put plans into place for decreasing needed services to our community and potential workforce reductions if these issues are not resolved. This will also negatively impact**
the overall economic health of northeast Connecticut since we are the largest employer and a significant buyer of local goods and services.

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. It is a matter of trust and I trust that you will do the right thing for healthcare in our state.

Thank you for your consideration of our position.