TESTIMONY OF

Kathleen Silard, RN, BSN, MS, FACHE, President & CEO, Stamford Health

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

Stamford Health appreciates this opportunity to submit testimony concerning HB 7148, An Act Concerning The State Budget For The Biennium Ending June Thirtieth, 2021, And Making Appropriations Therefor. While there are certainly elements of the governor’s proposed budget that we support, we oppose any change to the terms and conditions of the current agreement in place between hospitals and the state pertaining to supplemental payments.

Stamford Health is a comprehensive, independent non-profit health care system that serves a region of approximately 650,000 people. We employ more than 3,500 people, making us the largest employer in the city of Stamford and one of the largest in Fairfield County. Beyond the lifesaving care we provide 24 hours a day, 365 days a year, we contribute more than $1 billion to our state and local economy and provide more than $80 million in uncompensated care to the residents that need it most. We are committed to providing friendly, personal care coupled with the most sophisticated services to all residents of lower Fairfield County.

As background, Connecticut hospitals have been plagued by an onerous hospital tax for years. The tax was originally established to use federal funds to make supplemental benefit payments to hospitals for services provided to patients enrolled in Medicaid, helping to offset growing losses due to chronic underfunding of the program. Instead, the previous Administration opted to keep ever larger portions of the tax payments while reducing supplemental payments back to hospitals.

Recognizing the state’s untenable financial situation, Connecticut hospitals worked with legislative leaders and the Administration to reach a sound bipartisan three-year agreement that addressed persistent operating deficits while diminishing reliance on the direct tax on healthcare services. This agreement received overwhelming support from a majority of members of all four caucuses, and it is one that Stamford Health, along with other Connecticut hospitals, continues to support.
HB 7148 proposes to abandon the agreement between hospitals and the state during its third and final year. If enacted into law as proposed, rather than reducing the state’s reliance on the hospital tax, hospitals will experience a net increase of $43 million. Although the details of how the increase would be apportioned are yet to be determined, our initial estimate is that this would have a negative $1.7 million impact to Stamford Health in FY 19 alone, and perhaps as much as four times that in FY 20.

Stamford Health 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. Although details of how this reduction would be effectuated, our initial estimate is that this would result in a negative $4 million impact in FY 19, and a negative $1.9 million impact in state FY 20.

Additionally, pending further clarification as to how these proposals would be turned into policy, Stamford Health has concerns about the execution of the following sections of HB 7148:

- Link hospital payments to readmission rates, for a statewide reduction of $6.1 million in FY 2020 and $7.3 million in FY 2021. Stamford Health performs well on a similarly-oriented Federal program. While we support efforts to improve health system outcomes, these programs rarely provide additional resources needed to improve performance and offer no upside for strong performance against these metrics. Most troubling, a retrospective cohort study published in the Journal of the American Medical Association found that the implementation of a federal program penalizing hospital readmissions was associated with a significant increase in trends in 30-day post-discharge mortality among beneficiaries with certain conditions.¹

- 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. We would seek clarity on the percentage above Medicare, and have concerns about unintended access impacts to state employees and retirees as a result of this price fixing.

- Increase utilization management in the Medicaid program for a reduction of $1.4 million in FY 2020 and $9.8 million in FY 2021.

As written, based on conservative assumptions, and to the best of our current ability based on the limited details available, we anticipate that these proposals could result in a more than $5.8 million reduction in Stamford Health’s bottom line in FY 19 alone, saying nothing of the impact in FY 20 and 21. Given our thin margins, these losses would be untenable for us and would force us to

identify cost cutting activities that would unfortunately likely directly impact patient access to services and needed care.

As this is the Administrations first budget, we remain optimistic and eager to continue to work with the Connecticut Hospital Association, the Governor, and our elected officials to chart a path forward that helps stabilize the state’s finances while reducing the historical burden on our vital industry. We implore this General Assembly to honor the state’s commitment to hospitals by keeping our agreement in place. We urge you to reject efforts to deviate from our 2017 agreement.

Thank you for your consideration of our position, and we look forward to working together as the budget process unfolds. For additional information, please contact Ben Wade, Senior Vice President, Strategy & Marketing, at 203-276-7510, or bwade@stamhealth.org.

Sincerely,

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Stamford Health