



**Testimony of Connecticut Children's Medical Center
to the Finance, Revenue and Bonding Committee
regarding SB 1137, An Act Concerning Deposits in Lieu of Taxes, and
SB 1138, An Act Concerning Community Restoration Funds
April 29, 2019**

Senator Fonfara, Representative Rojas, members of the Finance, Revenue and Bonding Committee, Connecticut Children's Medical Center appreciates the opportunity to submit testimony on SB 1137, An Act Concerning Deposits in Lieu of Taxes, and SB 1138, An Act Concerning Community Restoration Funds. Connecticut Children's opposes the proposed legislation because if adopted, the fees required of non-profits would have a major impact on our finances, inevitably resulting in an increase in the cost of healthcare in Connecticut.

Before commenting on the bill, I want to provide some background about Connecticut Children's. We are a nationally recognized, 187-bed not-for-profit children's hospital driving innovation in pediatrics. With over 2,600 employees and over 1,100 on our medical staff, we are the only hospital in the State dedicated exclusively to the care of children. Through our partnerships with adult hospitals and primary care providers across Connecticut, we are able to offer a continuum of care for children, from primary prevention to complex disease management, closer to their home. Last year alone, Connecticut Children's directly cared for more than 15% of all kids in Connecticut covered by Medicaid and spent over \$90 million in free and uncompensated care. And as the primary pediatric teaching hospital for the University of Connecticut School of Medicine and the Frank H. Netter MD School of Medicine at Quinnipiac University, we trained 284 medical students, 375 physician residents, and 71 physician fellows last year. We are also the primary pediatric research partner of Jackson Laboratories.

SB 1137 and SB 1138 would each require a not-for-profit hospital to pay an annual fee to the state treasurer in an amount equal to 25% of the sum such hospital would have paid to the municipalities in which the real property is located, if such property were subject to the local property tax, to fund community restoration and revitalization activities. We object to this proposal as a thinly disguised effort to impose a hybrid form of property tax on not-for-profit acute care, chronic disease, children's, and psychiatric hospitals and health systems. We believe that Connecticut citizens are already well-served by a system through which hospitals and their community partners identify and address the medical, behavioral health, and social service needs that are unique to each community.

There exists a long-cherished historical tradition in the United States whereby governments have elected not to impose property tax or other such levies on providers of essential services of a religious, charitable, or educational nature. It has been a traditionally held value in our nation

that government will not tax activities that fortify the health and welfare of its people, and state governments across the nation, including Connecticut, have included not-for-profit hospitals among this group of charitable providers.

This tradition has helped to maintain the economic viability of providers of essential services for the benefit of the people who rely upon these services. In short, if hospitals did not exist, then people would look to government to provide essential healthcare services. State government cannot afford to assume the responsibility that our people would demand of you in the absence of not-for-profit hospitals.

SB 1137 and SB 1138 violate the traditional principles incenting the existence of organizations that have as their sole mission to provide essential healthcare services to the people of our state. These principles must remain intact.

Connecticut Children's is keeping its promise to meet the healthcare needs of our State's residents, having provided over \$120 million in benefits to the community in the last year alone. We need to maintain our strong partnership with the State so that we can continue to provide the care that is critical for Connecticut's future. Healthier kids today mean healthier adults tomorrow. Investing in our children is an essential step for building our future workforce and reducing the cost of their future health care needs. State policies must support the programs, services and delivery systems that will promote each child's optimal emotional and physical health.

The pediatric healthcare landscape is unique. Children and adolescents make up only 20% of the total population of the nation and the State and minors get sick much less frequently than adults. Of the over 9,000 staffed beds throughout Connecticut, roughly 350 are dedicated to children, including the 187 at Connecticut Children's. And because the total number of child patients is significantly less than that of adults, pediatric specialists are not needed as often as their adult counterparts. Economic realities thus dictate that only health providers that see enough kids needing specialty care, like Connecticut Children's, can afford to employ the full range of these specialists. Our ability to play this unique role could be detrimentally impacted by SB 1137 and SB 1138.

With more than half of our patients reliant on Medicaid, Connecticut Children's has by far the highest Medicaid percentage of any hospital in the State. The combination of recent Medicaid rate decreases, and ongoing reductions in our Disproportionate Share Hospital (DSH) payment over the past several years create an unsustainable trend that is negatively impacting our ability to care for all of the State's children. SB 1137 and SB 1138 would only exacerbate this challenge.

Another issue, one that may uniquely impact Connecticut Children's, is that we rent much of our clinical space from other hospital non-profits. For example, we lease the land at our main campus in Hartford from Hartford Healthcare. This means that any fee imposed on the real property owned by Hartford Healthcare and leased to Connecticut Children's would be passed down to us to pay.

The commitment of Connecticut Children's to its community has not wavered, even while the financial burdens imposed on hospitals by the state have grown increasingly unbearable. Connecticut Children's urges the Finance, Revenue and Bonding Committee to recognize the unique and critical role we play for children and families across Connecticut. Please reject SB 1137 and SB 1138. Do not impose additional burdens on hospitals and health systems.

Thank you for your consideration of our position. If you have any questions about this testimony, please contact Jane Baird, Connecticut Children's Senior Director of External Relations, at 860-837-5557.