



Testimony of Kimberly A. Lumia

President & Chief Executive Officer | Sharon Hospital

Submitted to the Tax Panel CONCERNING THE HOSPITAL TAX  
September 16th, 2015

Thank you for this opportunity to submit testimony in regards to  
**The Hospital Tax.**

Before commenting, it's important to point out that Sharon Hospital treats everyone who comes through their doors 24 hours a day, regardless of ability to pay. It is equally important to underscore that Sharon Hospital is Connecticut's only for-profit hospital, paying in excess of \$300,000 annually in income and property taxes.

The impact of the provider tax on Sharon Hospital is tearing at the fabric of the non-urban communities, putting pressure on ability to invest in progressive technology, maintaining employment levels and the mission and vision of Sharon Hospital.

The delivery of healthcare services in Connecticut and nationwide is undergoing transformative changes. Hospitals are the front line of health care and Sharon Hospital is proud to lead the way in providing safe, accessible, affordable, patient-centered care for all who enter our doors. Sharon Hospital continually strives to implement innovative solutions to integrate and coordinate care to better serve our patients and communities.

The hospital tax adopted in 2011 has challenged us to minimize the impact on our patients. While in place, it continues to impede our ability to innovate and reinvest in our community and infrastructure, and should be repealed. Its original purpose was to leverage federal funds to help the State balance its budget however, since the ACA, there are no matched Federal funds. The reimbursement to hospitals has continually been reduced to the point where

over the past three years Sharon Hospital has paid in excess of \$6 million or 5% of its annual operating budget.

At a time when we are working to reduce health care costs, re-invest in innovative technology, and provide accessible affordable care to all our patients the continuation of the hospital tax is counter-productive.

Rather than continuing Connecticut's arbitrary reimbursement model, which does nothing to incentivize best practices, Connecticut could learn much from following the lead of New York state, and its value-based purchasing model (VBP) of Medicaid reimbursements. New York's model is part of the federal roll out of the Delivery System Reform Incentive Payment program, or "DSRIP." Under DSRIP performing providers systems ("PPS") will be funded for five years to build an integrated delivery system, reduce preventable hospital admissions and emergency department use by 25%, expand access to primary care and behavior health services, and manage population health. Comprised of providers from across the continuum of care, including hospitals and health systems, physicians, nursing homes, home care and behavioral health providers and federally qualified health centers, PPSs will be awarded payments based on performance of identified process and outcomes measures, focused in the first two years on tasks to build an integrated delivery system and in years three through five on reducing preventable hospital use.

Indeed, CMMS announced in a January press release (Jan. 26, 2015 CMMS Press Release, "Better Care. Smarter Spending. Healthier People: Paying Providers for Value, Not Volume") of its intention to move towards a value based model. It stated, "To help drive the health care system towards greater value-based purchasing – rather than continuing to reward volume regardless of quality of care delivered – HHS has set a goal to have 30 percent of Medicare payments in alternative payment models (categories 3 and 4) by the end of 2016 and 50 percent in categories 3 and 4 by the end of 2018. This will be achieved through investment in alternative payment models such as Accountable Care Organizations (ACOs), advanced primary care medical home models, new models of bundling payments for episodes of care, and integrated care demonstrations for beneficiaries that are Medicare-Medicaid

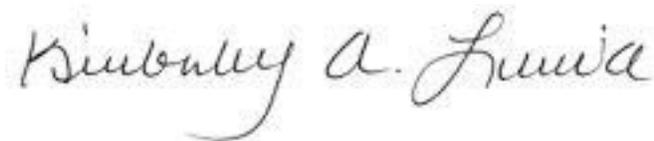
enrollees. Overall, HHS seeks to have 85 percent of Medicare fee-for-service payments in value-based purchasing categories 2 through 4 by 2016 and 90 percent by 2018."

This move towards value based purchasing is where CMMS is headed at the federal level, and Connecticut should work towards creating a reimbursement model that maximizes the benefits of such a model. \*

The State must begin to phase out this tax which is destabilizing our health care industry – an industry with high quality jobs that pay good wages, offer comprehensive benefits and stimulate the local economy. The State of Connecticut is currently not doing anything to proactively to assist the state of healthcare and the overall promotion of healthy residents.

The State needs to review the VBP model and create programs that achieve sustainable outcomes and lower costs thus changing healthcare and consumer behavior — not by taxing providers. To that end, we would welcome the opportunity to work with the legislature and the administration to create an agreed upon mechanism that allows for the elimination of what is essentially a regressive tax model that works to the detriment of patient care.

Thank you for your consideration.

A handwritten signature in cursive script that reads "Kimberly A. Lumia". The ink is dark and the signature is fluid and legible.

Kimberly A. Lumia  
President & CEO

and The Leadership Team, Board of Governors, and  
Advisory Board Members of Sharon Hospital

\* July 2015 Article related to New York's Model