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FISCAL NOTE(Form 1)  
(Office of Fiscal Analysis)  
Analyst: JS 4/11/92  
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Version:

BILL NUMBER: sHB 5750  
FILE NUMBER:  
AMENDMENTS:

TITLE: "AN ACT CONCERNING HOSPITAL FINANCE"

FAVORABLY REPORTED BY Public Health

EFFECTIVE DATE: Upon Passage

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FISCAL IMPACT STATEMENT - BILL NUMBER sHB 5750

STATE IMPACT	Cost; Potential Savings; Potential Significant Future Savings; see explanation below
MUNICIPAL IMPACT	Potential Savings; Potential Future Savings; see explanation below
STATE AGENCY(S)	Commission on Hospitals and Health Care; State Comptroller; University of Connecticut Health Center

EXPLANATION OF ESTIMATES:

STATE IMPACT: Passage of this bill will result in a cost to the Commission on Hospitals and Health Care (CHHC). The CHHC anticipates the need for three additional staff (2 CT Career Trainee/Analyst Is and 1 Clerk Typist) at a total cost of \$65,000, to process the submission of and review hospital discount agreements, determine when an independent auditor is needed to verify that any such agreement will not result in cost-shifting to other payers, work with these independent auditors, and report findings in a timely manner. It should be noted that the bill allows the CHHC to assess the costs of retaining independent auditors to the hospitals requesting approval.

Encouraging additional negotiated discounts would likely require the University of Connecticut Health Center's Dempsey Hospital to increase rates or charges in order to make up lost revenue due to discount agreements. It should be noted that Dempsey Hospital is exempt from budget review and rate setting practices of the CHHC, and statutory prohibitions against cost-shifting to other payers.

If such rate increases do not sufficiently compensate for the discounts there will be a revenue loss to the Dempsey Hospital and thus potential pressure to increase State funding to the UConn Health Center. Additionally, the greater frequency of negotiated discounts will likely result in increased

administrative costs to the UConn Health Center's accounts receivable department.

A potential savings will exist for State employees' health insurance costs to the extent that the availability of greater discount agreements increases competition in the hospital market and reduces hospital rates, and therefore insurance costs. A potential future savings exists in that "regional hospital inflation" will be replaced by "regional inflation" when setting a hospital's revenue and expenditure caps. The "regional inflation" rate is lower than the "regional hospital inflation" rate. Pursuant to the bill, this lower rate would be used to compute these caps, effective with the year commencing October 1, 1994. The CHHC estimates that this change would result in an average hospital cost reduction of 1% in that year, and a resulting reduction in State General Fund costs for employee benefit plans of \$1.5 million.

A minimal cost, which can be absorbed within normal budgetary resources, is associated with provisions of the bill which require the CHHC to not approve any expenses for salaries or other compensation in excess of \$150,000 paid to hospital employees. Any additional cost would be incurred during the hospital budget review process.

MUNICIPAL IMPACT: A potential savings and potential future savings would ensue to municipalities as a result of any reduction in employee health insurance costs due to lower hospital costs. The magnitude of these potential savings cannot be determined at this time.