



**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
INSURANCE AND REAL ESTATE COMMITTEE
Tuesday, February 27, 2024**

SB 210, An Act Concerning A State-Operated Reinsurance Program, Health Care Cost Growth And Site Of Service Billing Requirements

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **SB 210, An Act Concerning A State-Operated Reinsurance Program, Health Care Cost Growth And Site Of Service Billing Requirements**. CHA opposes Sections 2 through 8 of the legislation.

Connecticut hospitals are critical to their communities. They are confronting the challenges posed by a post-pandemic healthcare system with an exemplary healthcare workforce that continues to provide outstanding care. But challenges remain. Hospitals are treating sicker patients, it continues to be challenging to hire and retain staff, and the financial headwinds are grave. Through it all, hospitals are steadfast, providing high-quality 24-hour care for everyone who walks through their doors, focusing on making Connecticut's healthcare system more equitable, and driving world-class innovation right here in Connecticut.

SB 210 would, among other things, amend the state's cost growth benchmark statute to require application of the annual spending and quality benchmarks at the hospital level and would require site-neutral payments in commercial insurance contracts.

Cost Growth Benchmark

The provisions of SB 210 that seek to apply the cost growth benchmark targets specifically to hospitals would result in the misapplication of measures enshrined in statute, which are unchanged by this legislation, to assess performance against the benchmarks. CHA opposes the misapplication prescribed in the bill as it will undermine the validity of the benchmarking process.

As codified by the legislature, the cost growth benchmark is assessed at four levels: (1) the state, (2) health insurance market (e.g., Medicare, Medicaid, and Commercial), (3) individual payer by market, and (4) advanced network (provider entities of a pre-defined size). Data at the individual payer and advanced network levels are risk adjusted.

To assess changes in the amount of healthcare spending, the Office of Health Strategy (OHS) will calculate total healthcare expenditures on an annual basis. The change in total health expenditures on a per capita basis will be used to assess performance against the benchmark. Total healthcare expenditure per capita is calculated by dividing total medical expense by payer by the number of Connecticut members represented in the total medical expense data. Total medical expense represents all payments for medical expenses, including hospital spending, for the Connecticut resident population and is reported by payers for all members (including fully and self-insured members).

The methodology statutorily required to assess performance against the benchmark cannot be applied to hospitals given the way it is currently calculated, but that does not mean hospital spending is excluded from the benchmark.

The cost growth benchmarking process will provide additional information on the sources of spending that underlie spending growth. Total medical expense data will be reported to OHS via several spending categories, which include hospital inpatient and outpatient spending. OHS publicly reports these service category data as part of the annual publication of benchmark data.

CHA has been part of the benchmarking process since the Governor's executive order was issued in 2020. It was two years ago that the legislature codified the benchmark and OHS has issued its first public report in March 2023. It is premature to consider changes, especially those that do not work within the statutory measurement framework.

Separate Unique Identifier for Hospital Outpatient Departments (Site-Neutral)

Section 8 of the bill imposes an unnecessary and onerous administrative burden on care providers and needlessly increases administrative costs by requiring billing changes related to the location of care delivery. Hospitals already follow transparent billing rules. What may seem to be a benign requirement in this bill would not actually increase transparency but would provide commercial health insurance companies with information they can use to reduce payments to hospitals.

Connecticut residents rely on hospitals to provide access to care 24-hours-a-day, to serve as a safety net provider for vulnerable populations, and to have the resources needed to respond to medical and public health emergencies and disasters. Many of these roles are not generally funded explicitly; instead, they are built into a hospital's overall cost structure and supported by revenues received from providing direct patient care.

The Medicare program recognizes the difference between a hospital setting and other settings. It has set forth specific criteria to determine when the provision of a service is hospital based and when it is simply a physician office service. When a service meets the tests to be hospital based, the service is entitled to a higher level of Medicare funding, which is accorded in recognition of the fact that hospitals are held to a higher regulatory standard and must be prepared for all emergencies.

Connecticut hospitals and health systems are struggling financially and as a sector experienced over \$206 million in operating losses in fiscal year 2022, according to OHS. They are managing the aftermath of the most significant public health crisis in a century, as well as the incredible challenges of deepening workforce shortages, broken supply chains, and historic levels of inflation that have increased the costs of caring for patients. Policies that aim to decrease reimbursement to Connecticut hospitals would only add to these staggering challenges and further threaten access to critical healthcare services, especially in underserved communities. Now more than ever, hospitals need stable and adequate reimbursements for what is a highly challenging environment.

Connecticut hospitals cannot withstand policies intended to erode the ability to care for patients and undermine the financial health of the sector.

Thank you for your consideration of our position. For additional information, contact CHA Government Relations at (203) 294-7310.