



**TESTIMONY OF  
CONNECTICUT HOSPITAL ASSOCIATION  
SUBMITTED TO THE  
INSURANCE AND REAL ESTATE COMMITTEE  
Tuesday, March 12, 2024**

**SB 405, An Act Concerning Downcoding Of Health Insurance Claims**

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **SB 405, An Act Concerning Downcoding Of Health Insurance Claims**. CHA supports the bill.

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.

CHA appreciates the Committee's attention to a practice pervasive in the health insurance industry that replaces the judgement of clinical professionals with that of health insurance company executives and artificial intelligence (AI) driven algorithms. As has been widely reported, health insurance companies have moved aggressively to use algorithms to downcode or outright reject claims for medical services. There is no transparency provided in how the algorithms are constructed or the reasoning used to make these decisions. By design, these algorithms disregard the medical documentation that provides the patient-specific clinical circumstances and justification in support of the recommended services and care plan. Patients may also be harmed by these practices; in some cases patients end up bearing the cost of denials that occur after diagnostic or treatment services are provided.<sup>1</sup>

In addition to the reduction or denial of payment, downcoding results in significant additional administrative costs. Many of the initial denials are overturned through a lengthy and costly appeals process. The appeals process often requires the time and attention of hospital claims and billing experts and clinicians alike, as health insurance companies add more and more

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<sup>1</sup>[Hartford Business Journal - Tuesday September 12, 2023 Cigna sued for allegedly using 'automated intelligence' to deny claims without doctor review](#)

bureaucracy and complexity to the appeals process. These costs are a major concern for hospitals because such avoidable unreimbursed expenses are ultimately borne by employers and the commercially insured—they contribute directly to the widespread problem of healthcare affordability.

The national health insurance companies that made billions in profits in 2023 are denying payment for services authorized by Connecticut providers for Connecticut patients. Advancing HB 405 is critical to protecting patient care and we encourage the Committee to move this important piece of legislation forward.

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