CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
Monday, March 22, 2010

SB 484, An Act Concerning The Governor's Revenue Plan

My name is Jennifer Jackson. I am the President and CEO, of the Connecticut Hospital Association (CHA). I am testifying today in opposition to **SB 484, An Act Concerning The Governor's Revenue Plan.** CHA opposes section 10 of this bill, which imposes a 3¼ percent tax on hospital gross revenues.

Connecticut's hospitals are among the finest in the nation, focused on providing the highest quality and safest possible care. Access to the most skilled professionals and latest technology is expected by patients in our state, and Connecticut hospitals deliver. Providing care to all who need it, regardless of ability to pay, twenty-four hours a day, seven days a week year-round, hospitals are integral to the quality of life and health in our communities. Hospitals are among the largest employers in the state, supporting over 97,000 jobs and generating nearly $13 billion in annual economic activity. In more ways than one, the health of our communities is inextricably linked to the health of the local hospital. Unfortunately, the economic crisis continues to ravage the health of our hospitals.

2008 was an extraordinarily difficult year for all, including hospitals. In that year alone, Connecticut hospitals lost more than $300 million due to under-reimbursement for Medicaid and SAGA patients. One of the traditional means hospitals use to make ends meet – non-operating (investment) income – more than disappeared, going negative for the first time ever in 2008. Instead of investments supporting operations, hospitals posted losses on those investments of over $200 million. In addition, since the start of the recession, about 76,000 Connecticut residents have lost jobs and employer-paid health insurance coverage, and the Medicaid and SAGA populations have increased by 75,000; combined enrollment in those programs now stands at about 500,000 – a little more than 14 percent of the state population.

CHA strongly opposes the Hospital User Tax.

History instructs us on the disruptive nature of a Hospital User Tax. During the decade when this tax was in force, we learned the following: 1) not all tax dollars will be returned to hospitals; from 1994 to 1999, in addition to retaining the entire increased federal match, the state kept another $106 million of the tax funds that were supposed to be returned to hospitals; 2) the redistribution of the tax is very volatile – winners and losers change every year; and 3) state budget goals trump the needs of hospitals and patients.

During the 1990s, prior to its repeal, the Hospital User Tax was constantly changed. The driving force for each change was getting or keeping federal dollars. Initially, the tax was intended as an off-budget pool and assessment, which then morphed into two separate taxes in response to a federal lawsuit. At first, the redistribution formula included all government and uninsured shortfalls; it later excluded Medicare and Medicaid inpatient shortfalls. And while hospitals originally were required to tell every patient the tax amount, a further change prohibited hospitals from telling anyone the tax existed at all.

Not much has changed since the last time this onerous tax was imposed. A Hospital User Tax must still be redistributive – in other words, some hospitals will get more than they put in while others will get less. Our analysis indicates that more than half of the hospitals in the state will get less under the new proposal.

Hospital finances are fragile enough – and should not be further stressed to balance the state budget.

Unfortunately, Connecticut hospitals find themselves with their backs up against the wall – needing your help more than ever.

Congress, as part of the American Recovery and Reinvestment Act, provided Medicaid relief to the states in the form of an increase in the federal match rate. The expressed purpose of the relief was to prevent cuts to Medicaid. Connecticut's relief will total $1.74 billion over the course of 27 months, resulting from an increase in the match rate from 50 percent to 61.59 percent.

The $1.74 billion in additional federal Medicaid funding is enough to cover 100 percent of the cost of the increase in Medicaid and SAGA enrollment that has or will occur in state fiscal years 2009, 2010, and 2011, and also provide a nearly $300 million contribution to the General Fund. Sadly, not one cent of that extra $1.74 billion is being used to help hospitals cover the increased burden they are experiencing because of the combined 18 percent increase in Medicaid and SAGA enrollment.

Instead of a Hospital User Tax, let's work together and use the enhanced federal Medicaid match for the purpose it was intended: to maintain eligibility and coverage, and make another down payment on bringing provider rates closer to covering the cost of care. In other words, let's help those who need it most and support those providing the help, while at the same time contributing significantly to balancing the state budget.

Thank you for your consideration of our position.

For additional information, contact CHA Government Relations at (203) 294-7310.