



**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
PUBLIC HEALTH COMMITTEE
Wednesday, March 23, 2011**

**SB 1204, An Act Establishing The Connecticut
Health Insurance Exchange**

The Connecticut Hospital Association (CHA) appreciates this opportunity to present testimony concerning **SB 1204, An Act Establishing The Connecticut Health Insurance Exchange**.

SB 1204 establishes a state health insurance exchange pursuant to the Patient Protection and Affordable Care Act and a basic health plan.

States have a significant role to play in the implementation of the Patient Protection and Affordable Care Act's health insurance market reforms. A key component of the new insurance market is the establishment and operation of an American Health Benefit Exchange for individuals and a small business health options program Exchange for small business groups in each state.

The goals of Exchanges are to reduce the number of individuals without health insurance coverage and to provide a state-level market mechanism to improve access and coverage for individuals and small groups. Robust exchanges will provide individuals the most choices from which to select a healthcare plan that is best for them and their families.

Each state must engage in planning and implementation of the Exchanges so that they are operational on January 1, 2014. Before January 1, 2014 the Department of Health and Human Services will issue guidance to establish standards for the operation of the Exchanges that will include: establishing certification criteria and marketing requirements for qualified health plans; defining the essential benefits package; ensuring that qualified health plans are accredited on clinical quality and other measures; developing a system that will rate qualified health plans relative to quality and prices; and determining the enrollment periods.

CHA supports the creation of robust Exchanges that will have a dramatic impact on healthcare and hospitals in Connecticut. We would like to assist and provide the input of Connecticut hospitals in the development of the Exchanges, and as such, **CHA would respectfully request that SB 1204 be amended to provide a representative from CHA on the Connecticut Health Insurance Exchange.**

HB 1204 also directs the Department of Social Services to establish a Basic Health Plan for those individuals with family income between 133 and 200 percent of the federal poverty level (FPL). The Basic Health Plan would become the new insurance coverage for those individuals currently on Medicaid with incomes above 133 percent of federal poverty guidelines. The driving force behind this change is that it will allow the state to shift 100 percent of the cost of covering these individuals to the federal government, thereby freeing up the state share to help balance the state budget. If there are federal dollars left over, the proposed legislation calls for using those dollars to increase reimbursement rates for providers.

In 2014, this legislation would remove from Medicaid those adults whose income exceeds 133 percent of the FPL and enroll those individuals in a Basic Health Plan. While this approach may help the state with its budget issue, it doesn't resolve the existing problems of the Medicaid program for patients, providers, or businesses. As we all know, in both good times and bad, inadequate funding for Medicaid has been a problem that has affected beneficiaries, the state, hospitals, and employers. Beneficiaries suffer inadequate access to non-hospital services, the state can't afford it, and hospitals struggle with how to shift the Medicaid underfunding of more than \$1 million a day to those who get their health insurance through their employer.

As a solution to these existing problems, the Basic Health Plan approach falls short. First, and most important, it does not provide a way to improve access to non-hospital based services for Medicaid patients. Nor does it address the underfunding of hospitals, which results in costs being shifted to Connecticut businesses and employees. As proposed, nearly all of the new federal funds available for the Basic Health Plan will be used to relieve the state of its existing obligation to pay for half of the cost of the service for these individuals. When the dust settles, as best we can tell, there will be little or nothing left that could be used for the purpose of improving access or reducing the cost shift. As a consequence, we will have missed an historic opportunity to break the cycle of inadequate access and the employer burden that results from cost-shifting.

In our opinion, a better approach, outlined in the [\(attached\)](#) Medicaid Modernization solution developed by Connecticut hospitals, would be to mainstream these individuals into the health insurance exchange and use federal funding to provide them with the resources necessary to cover any out-of-pocket expenses and missing services.

Connecticut hospitals' Medicaid Modernization solution improves the care and value for patients, reduces the state deficit, materially reduces the cost shift to Connecticut businesses and workers, and makes it possible for Connecticut hospitals to remain strong and viable in their role as Connecticut's healthcare safety net.

Thank you for your consideration of our position.

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

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Modernizing Medicaid: SOLUTIONS FOR BUILDING A BETTER, HEALTHIER CONNECTICUT

Connecticut faces an *unprecedented state budget crisis*, but Connecticut hospitals have developed a package of *workable, practical solutions for modernizing Medicaid* – turning this crisis into an opportunity for improving access to care, creating a Medicaid system that better focuses on quality and efficiency, while reducing the state deficit.

A combination of short- and longer-term structural changes to modernize Connecticut's Medicaid program will build a better, healthier Connecticut. We urge the Governor and legislature to include the following elements in the 2012-13 budget:

Improve access to physicians and primary care for Medicaid patients

- **Raise Medicaid physician rates to Medicare levels and allow hospitals to bill for physician services provided. Effective January 1, 2013.** This can be done with no cost to the state by taking advantage of increased federal matching funds for primary care physicians and by converting some current Disproportionate Share Hospital payments into Medicaid rate increases for physicians. Raising payment rates and attracting more physicians to participate in Medicaid will ensure that patients have access to more consistent, coordinated care, resulting in better health outcomes – and also help to ensure that hospital Emergency Departments are focused on providing critical emergency care, not congested by patients without other options in a system that doesn't work properly.

Cost to the state budget: \$0

Combining short- and longer-term structural changes to modernize Connecticut's Medicaid program will:

- Improve access to care for Medicaid patients;
- Create an up-to-date Medicaid payment system that better focuses on quality, efficiency, and safety; and
- Reduce the state deficit.

Reduce the state deficit

- **Implement existing Medicaid law** (to move from current managed care contracts, a change that was passed in 2010 and included in current budget planning, but not implemented), and apply medical management to all Medicaid populations. **Effective July 1, 2011.** Estimated savings include \$60 million from medical management and \$60 million in administrative savings. Savings to the state budget: \$60 million annually
- **After using \$60 million in savings to help the state budget, reinvest the remaining \$60 million of savings, plus \$35 million from current Disproportionate Share Hospital payments, to begin to modernize the hospital payment system** by raising physician rates and beginning the transition process to a DRG system (discussed below). **Effective July 1, 2011.** Cost to the state budget: \$0
- **Introduce a gain-sharing element that encourages effective, coordinated patient care management.** This puts a portion of new hospital funding "at risk" and ensures that hospital and state incentives are aligned. **Effective July 1, 2011.** Cost to the state budget: \$0
- **Align the state's Medicaid program with health reform guidelines** by enrolling in private insurance those Medicaid patients with incomes eligible for federal subsidies in the new Health Insurance Exchange. **Effective January 1, 2014.** The shift of patients from Medicaid to private insurance will result in significant savings: even assuming the state pays all out-of-pocket costs to keep beneficiaries whole and invests an additional \$250 million in hospital rates and modernization, the state would still see an enormous return. Savings to the state budget: \$229 million annually

Create an up-to-date Medicaid hospital payment system that better focuses on quality, efficiency, and safety

- **Converting to a Diagnosis Related Group (DRG) system**, such as that used by Medicare (and nearly all other states for their Medicaid programs), **creates the foundation for a system that can also reliably measure quality, efficiency, and safety. Implementation to begin in 2011.**

Replacing Connecticut's outdated TEFRA target system (which does not connect payment to specific care provided), with a DRG system would provide a manageable, appropriate way to relate the resources needed by specific patients with the payments hospitals receive for caring for those patients.

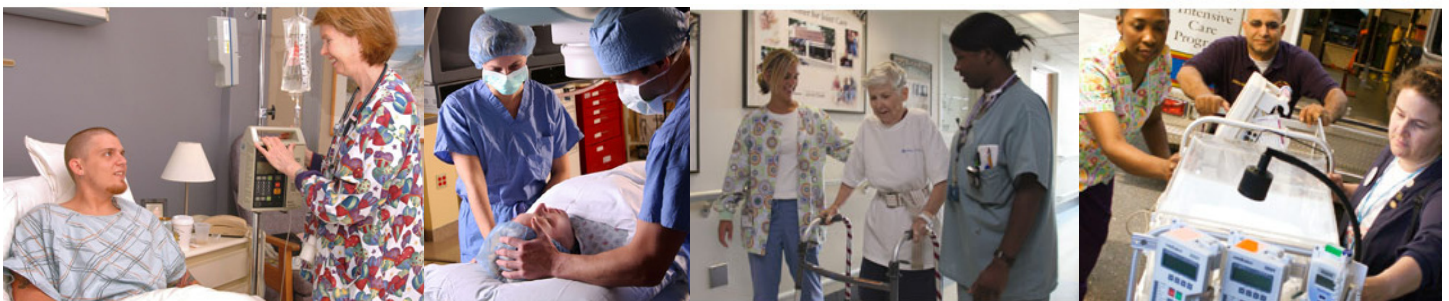
Cost to the state budget: \$0

These are actionable solutions that will enable Connecticut hospitals to continue providing top quality care to patients across the state. They don't require legislation or a federal waiver. They are solutions that improve the care and value for patients, dramatically reduce the state deficit, materially reduce the cost shift to Connecticut businesses and workers, and make it possible for Connecticut hospitals to remain strong and viable in their role as Connecticut's healthcare safety net.

An effective Medicaid program must:

- Offer quality options for patients
- Provide high value and collaboration between providers
- Fully leverage available federal dollars
- Align provider incentives with program goals
- Provide adequate payment to providers through a modern reimbursement system

Connecticut hospitals stand ready to be actively engaged partners in building a financially sound Connecticut, supported by a dynamic, job-generating economy, and an innovative, compassionate healthcare system that meets the needs of all Connecticut residents.



Contact **CHA**
for more information

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