

**TESTIMONY OF  
CONNECTICUT HOSPITAL ASSOCIATION  
SUBMITTED TO THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
TUESDAY, APRIL 21, 2015**

**HB 7058, An Act Concerning The Hospital Tax**

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony in support of **HB 7058, An Act Concerning The Hospital Tax**.

Before commenting on the bill, it's important to point out that Connecticut hospitals treat everyone who comes through their doors 24 hours a day, regardless of ability to pay.

This is a time of unprecedented change in healthcare, and Connecticut hospitals are leading the charge to transform the way care is provided. They are focused on providing safe, accessible, equitable, affordable, patient-centered care for all, and they are finding innovative solutions to integrate and coordinate care to better serve their patients and communities.

HB 7058 proposes phasing out the hospital tax over a five-year period. The first step in that phase-out would begin on January 1, 2017, at which time each hospital's tax liability would equal eighty percent of the amount of the tax imposed on the hospital during the fiscal year commencing July 1, 2012. Then, on each subsequent January 1, the tax would decline from the amount paid in the fiscal year commencing July 1, 2012 (i.e., each hospital's tax liability would be sixty percent on January 1, 2018; forty percent January 1, 2019; twenty percent January 1, 2020; and zero on January 1, 2021).

The hospital tax was adopted in 2011 and began operating in state fiscal year 2012. Its original purpose was to provide a small amount of financial assistance to the hospitals (approximately \$50 million a year) and significant help to the state (approximately \$150 million a year). It worked originally through the following mechanism: hospitals paid \$350 million in taxes and received back \$400 million in payments. The state claimed the \$400 million in payments to hospitals as Medicaid payments and received \$200 million from the federal government. The \$200 million from the federal government was split: \$50 million was provided as a "subsidy" to the hospitals and \$150 million went to the state to balance its budget. In short, for every new federal dollar, a quarter went to help hospitals and three quarters went to reduce the state deficit.

Unfortunately that structure only lasted one year and, in December of 2012, the hospital tax began costing hospitals more and more. In short, hospitals were expected to keep paying the \$350 million in taxes but the amount returned kept dropping by about \$100 million per year. The damage inflicted by that rapid descent by year by hospital is detailed in the table below.

While the hospital tax cannot end soon enough for hospitals, we support the phase-out outlined in HB 7058. We do, however, ask that the draft bill be amended to specify the amount and level of the tax allowed for the eighteen months beginning July 1, 2015 and ending December 31, 2016 (i.e., the period before the phase-out begins). Specifically, we ask that that the amount of tax by hospital be no higher than the current tax by hospital and that the aggregate of the tax between July 1, 2015 and December 31, 2020 not exceed the aggregate of the related supplemental payment structure.

Thank you for raising this bill and considering the modifications offered. Now is the time to act to preserve patient care, protect jobs, and reduce the cost of care in Connecticut. Support HB 7058.

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

## Net Hospital Tax By Year Excludes Rate Cuts

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
BACKUS	2,626,111	(289,353)	(6,660,969)	(9,540,996)	(8,745,088)	(8,745,088)
BRIDGEPORT	3,041,286	(144,707)	632,274	(10,329,233)	586,161	586,161
BRISTOL	(219,681)	(574,581)	2,574,569	433,762	(3,289,916)	(3,289,916)
CT CHILDREN'S	0	0	0	0	0	0
DANBURY	548,801	(3,540,157)	(10,639,955)	(16,857,090)	(19,118,750)	(19,118,750)
DAY KIMBALL	366,245	(376,473)	232,741	(1,626,967)	(3,098,141)	(3,098,141)
DEMPSEY	0	0	0	0	0	0
GREENWICH	(7,542,054)	(8,501,734)	(10,673,871)	(11,584,557)	(16,477,345)	(16,477,345)
GRIFFIN	(275,217)	(1,138,585)	(262,782)	(2,936,808)	(4,697,273)	(4,697,273)
HARTFORD	3,303,165	(4,387,812)	(17,148,828)	(28,110,335)	(24,475,187)	(24,475,187)
HOSP. OF CENTRAL CT	3,023,810	(249,485)	1,695,284	(7,257,270)	(7,000,826)	(7,000,826)
HUNGERFORD	656,938	(338,089)	(366,062)	(2,288,227)	(3,716,908)	(3,716,908)
JOHNSON	1,105,128	611,323	1,147,280	245,376	(2,119,900)	(2,119,900)
LAWRENCE + MEMORIAL	2,579,128	(210,978)	(2,458,019)	(7,879,549)	(7,988,072)	(7,988,072)
MANCHESTER	(711,372)	(1,865,516)	(3,284,225)	(5,734,971)	(3,248,574)	(3,248,574)
MIDDLESEX	(1,500,646)	(4,132,566)	(6,860,134)	(11,235,109)	(13,513,011)	(13,513,011)
MIDSTATE	57,928	(1,282,032)	(194,944)	(3,582,045)	(5,479,207)	(5,479,207)
MILFORD	2,808,011	1,653,681	(1,272,440)	(1,954,477)	(1,221,133)	(1,221,133)
NEW MILFORD	613,201	171,471	(592,222)	(1,126,136)	(3,071,085)	(3,071,085)
NORWALK	4,991,061	1,273,162	(4,092,766)	(10,218,028)	(10,032,054)	(10,032,054)
ROCKVILLE	(802,239)	(1,130,411)	(988,909)	(1,897,733)	(2,678,995)	(2,678,995)
ST FRANCIS	1,071,024	(4,297,973)	(10,093,052)	(21,054,559)	(8,998,047)	(8,998,047)
ST MARY'S	2,307,872	409,657	152,588	(5,374,634)	155,842	155,842
ST RAPHAEL*	0	0	0	0	0	0
ST VINCENT'S	6,893,515	2,932,529	669,261	(9,855,701)	(3,772,689)	(3,772,689)
SHARON	(471,909)	(883,007)	(1,396,424)	(1,725,588)	(2,448,616)	(2,448,616)
STAMFORD	5,436,874	1,002,526	(9,094,047)	(14,230,582)	(15,943,710)	(15,943,710)
WATERBURY	1,431,354	93,875	(684,280)	(5,372,957)	(247,016)	(247,016)
WINDHAM	(502,016)	(891,302)	955,541	(1,256,042)	242,611	242,611
YALE-NEW HAVEN	19,528,239	(270,615)	(40,497,944)	(61,095,302)	(98,241,749)	(98,241,749)
<b>TOTAL</b>	<b>50,364,557</b>	<b>(26,357,151)</b>	<b>(119,202,334)</b>	<b>(253,445,757)</b>	<b>(268,638,677)</b>	<b>(268,638,677)</b>

\* Combined with YNH