CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
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CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
HUMAN SERVICES COMMITTEE
TUESDAY, FEBRUARY 23, 2016

SB 106, An Act Concerning A Medicaid Ambulatory Payment Classification System For Certain Hospital Services

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony in opposition to **SB 106, An Act Concerning A Medicaid Ambulatory Payment Classification System For Certain Hospital Services**.

Before commenting on the bill, it's important to point out that Connecticut hospitals provide core healthcare services to all of the people in Connecticut, 24 hours a day, regardless of ability to pay. Connecticut hospitals offer safe, accessible, equitable, affordable, patient-centered care that protects and improves peoples' lives.

SB 106 as proposed does two things. First, it deletes the requirement that the new payment system for hospital outpatient services be based on Medicare's Ambulatory Payment Classification (APC) system. Second, it authorizes the creation, within available appropriations, of supplemental payment pools for John Dempsey Hospital and Connecticut Children's Medical Center to cover losses those institutions may experience when all outpatient Medicaid payments are the same for all hospitals.

DSS has argued that the changes are technical in nature and that the reference to Medicare needs to be removed because the Department needs to structure its methodology differently from Medicare in several key respects.

For the last several years, the hospitals and DSS have collaborated on Medicaid modernization. Together we accomplished the transition of inpatient payments from a flat amount per case regardless of the illness (TEFRA method) to a payment that varies based on the illness and the intensity of the illness (AP-DRGs). CHA and the hospitals also support modernizing the outpatient payments system from one that has a mix of fixed fees and cost-based payments to one that varies payment based on the illness. The bedrock upon which the outpatient

transition is built comprises two separate but inseparable ideas: 1) the transition is budget-neutral in the aggregate, and 2) the new system is based on Medicare with modifications in instances in which Medicare does not make sense. Decoupling the new payment system from one based on Medicare would result in a system that is not manageable or easily maintained. Beyond the low payment levels, what bedevils hospitals with Medicaid is that it is out of step with all other normal payment conventions and, as such, requires significant manual intervention that often results in errors.

The hospitals do understand that DSS may need to deviate from Medicare in instances in which Medicare APCs don't make sense for Medicaid. CHA believes the existing statutory language permits DSS to have the flexibility it needs and therefore does not need to be modified.

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