TESTIMONY OF
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BEFORE THE
APPROPRIATIONS COMMITTEE
Wednesday, February 21, 2018

HB 5035, An Act Adjusting The State Budget For The Biennium Ending June 30, 2019

Good afternoon. My name is Stephen A. Frayne, and I am the Senior Vice President, Health Policy, Connecticut Hospital Association (CHA). I am here today to testify in opposition to reductions in Medicaid funding proposed in **HB 5035, An Act Adjusting The State Budget For The Biennium Ending June 30, 2019.**

Before commenting on the bill, it's important to point out that Connecticut hospitals provide high quality care for everyone, regardless of their ability to pay. Connecticut hospitals are dynamic, complex organizations that are continually working to find innovative ways to better serve patients and communities and build a healthier Connecticut. They are developing integrated delivery networks with physicians, services, and technology to make sure patients receive high quality, coordinated, cost-effective, patient focused, and equitable care. By investing in the future of Connecticut's hospitals, we will strengthen our healthcare system and our economy, put communities to work, and deliver affordable care that Connecticut families deserve.

This past year, we worked with legislative leadership and the Administration to come to a historic agreement – one that we strongly support. The agreement, in short, raised the hospital tax from $556 million per year to $900 million per year, and raised payments back to hospitals from $118 million per year to $691 million ($671 million in Medicaid payments and $20 million in bonding to provide grants to hospitals for capital improvements). This agreement helps the state and hospitals. For hospitals, the loss under the tax is reduced from $438 million per year to $209 million per year. For the state, the gain from the tax is increased from about $520 million per year to $650 million per year.

The agreement also addressed the first year of the next biennium, establishing the tax at $384 million and the payments back to hospitals at $175 million – leaving hospitals with the same loss to start 2020 as they incurred in 2019.

The Administration calls the reduction in the tax agreed to in the bi-partisan budget a "self-inflicted wound," and argues it is tantamount to a $516 million tax break for hospitals on the assumption that the rate increase and supplemental payments would be maintained at 2019 levels. However, the 2020 budget does not assume supplemental payments are maintained. Rather, it assumes the opposite – that they are eliminated. The reason the taxes go down by $516 million is because the payments to hospitals also go down by $516 million. It is not a tax break. It is a dollar for dollar reduction in taxes equal to the 2020 budgeted reduction in payments to hospitals. This is a key component of the agreement.

The Administration proposes to further chip away at the hospital agreement by eliminating the $20 million per year in grants (section 12 of **SB 12, An Act Authorizing And Adjusting Bonds Of The State For Capital Improvements And Other Purposes)**, the $8.5 million per year in funding for primary care services, and the $21.1 million per year in inpatient rate payments that support graduate medical education (GME).

Connecticut, as almost every other state, has long been committed to supporting the training of the next generation of caregivers. Twenty Connecticut hospitals are involved in training our future physicians; they have between them 1,653 full time equivalent (FTE) residents in training. About 46% of those are in either primary care or OB/GYN residencies – the balance are in other specialties. According to the most recent data, Medicaid has determined the allowable salary cost for those residents at about $180 million per year, and determined that its share of the salary cost based on use of service is $21 million per year for inpatient care. Cuts like what is proposed could jeopardize the ability of teaching hospitals to fulfill their commitment to train future physicians. The nation is already facing a critical shortage of physicians, and cuts to GME would further exacerbate the problem.

Eliminating GME funding, reducing primary care funding, eliminating grant funding, raising the tax – if implemented individually or in any combination – undermine the budget agreement that helped the state reduce the deficit by $650 million per year and hospitals to reduce losses under the tax by $229 million per year.

We respectfully request you reject these proposals.

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