TESTIMONY OF
CARL SCHIESSL
DIRECTOR, REGULATORY ADVOCACY
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
FINANCE, REVENUE AND BONDING COMMITTEE
Friday, March 2, 2018

SB 10, An Act Concerning Revenue Items To Implement The Governor's Budget

SB 12, An Act Authorizing And Adjusting Bonds Of The State For Capital Improvements And Other Purposes

Good afternoon. My name is Carl Schiessl, and I am the Director, Regulatory Advocacy at the Connecticut Hospital Association (CHA). I am here today to testify in opposition to **SB 10, An Act Concerning Revenue Items To Implement The Governor's Budget,** and **SB 12, An Act Authorizing And Adjusting Bonds Of The State For Capital Improvements And Other Purposes.**

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 reach 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.

In section 11 of **SB 10, An Act Concerning Revenue Items To Implement The Governor's Budget**, the Administration proposes to repeal the scheduled reduction in the hospital tax to $384 million effective July 1, 2019. This proposed change violates an essential element of the historic agreement between hospitals and the state that was included in the bipartisan budget.

The Administration calls the reduction in the hospital 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. We ask that you oppose this change.

The Administration also proposes to abandon another commitment made in last year's agreement with hospitals by eliminating a grant program to hospitals for capital improvements. This proposed change is set forth in Section 12 of **SB 12, An Act Authorizing And Adjusting Bonds Of The State For Capital Improvements And Other Purposes.** Section 12 would repeal a provision included in the bi-partisan budget adopted last year that authorizes up to $20 million in new General Obligation bonds in each of the next five years for the Office of Policy and Management to provide grants to hospitals for capital improvements.

We respectfully request that you reject each of these proposals.

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