TESTIMONY OF THE
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
HUMAN SERVICES COMMITTEE
Tuesday, March 14, 2023

HB 6885, An Act Concerning Medicaid Payment Rates

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **HB 6885, An Act Concerning Medicaid Payment Rates.** CHA supports increasing Medicaid rates to providers and asks that such rates be increased for hospital services as well.

Connecticut hospitals continue to meet the challenges posed by the COVID-19 pandemic and are now facing new challenges of treating sicker patients than they saw before the pandemic, with a dedicated but smaller workforce who are exemplary but exhausted. They are also experiencing significant financial hardships brought on by record inflation. Through it all, hospitals have been steadfast, providing high-quality care for everyone who walks through their doors, regardless of ability to pay.

For more than a decade, Connecticut has underinvested in its Medicaid program. Although it has broad coverage policies relative to the nation, low rates paid to service providers are starving the care delivery system of essential resources. We strongly support provisions in HB 6885, which would increase Medicaid rates.

There are three important consequences of Connecticut's chronic underinvestment in Medicaid rates:

- Medicaid beneficiaries have poorer access relative to their commercially insured counterparts, they have poorer health and healthcare outcomes, and they experience preventable health disparities related to income, race and ethnicity, disability, sexual orientation, and gender identity
- Medicaid providers lack the resources to recruit and retain staff, finance advancements in technology and data analytics, and invest in systems, staff, and processes to drive continuous improvements in quality
- Commercial health insurers pay higher rates to make up for Medicaid underpayment; this amounts to a *hidden tax* on employers and their employees who ultimately bear the cost of these higher rates

In a recent presentation to the Medical Assistance Oversight Council (MAPOC) the Department of Social Services (DSS) highlighted the extent of this under investment (see presentation, slide 20). In 2022, as a percent of total state expenditures, Connecticut spent 22.6% on Medicaid versus an average of 28.8% among its northeastern peers. In other words, **Connecticut spent 27% less than other peer states on Medicaid** — this a long-standing disparity extending back at least six years.

If Connecticut committed to a comparable level of investment, it would need to increase its Medicaid spend by more than $2.5 billion annually. By consistently underspending on Medicaid relative to its northeastern peer states, on average by 6% from 2017 to 2022, **Connecticut left more than $7.5 billion in federal revenue on the table**. Combined with the state share, that's revenue that could have strengthened the care delivery system, driven better health outcomes for Medicaid beneficiaries, reduced pressure on commercial prices, and contributed to the broader economy.

As further evidence of this underspend, Connecticut Medicaid's annual rate of growth on a per member per month basis has been among the lowest in the nation. According to DSS "comparing SFY 2022 to SFY 2016, the PMPM increased by only 2.4% over that six-year period, an **annual rate of only 0.4%**" (see presentation, slide 10). What DSS has for too long touted as an accomplishment has meant severely restricted access to care for Connecticut Medicaid beneficiaries.

Acute Care Hospital Services

HB 6885 should also require Medicaid payment at 100% of Medicare for the services rendered by Connecticut's hospitals. Connecticut's reimbursement for hospital services is among the lowest in the nation. Connecticut hospitals are further burdened by an exceptionally high provider tax, accounting for more than 5.7% of total operating revenue in 2021 — more than double the tax rate in Massachusetts. *Connecticut pays $850 million in taxes which, when combined with federal matching dollars, is sufficient to subsidize the current state payments to hospitals for Medicaid hospital coverage in its entirety*.

Every year, DSS must submit to the Center for Medicare and Medicaid Services (CMS) a demonstration that it is paying no more than Medicare for hospital services. The analysis in 2021 showed that, after accounting for the net effect of taxes and supplemental payments, Connecticut hospitals received approximately 54% of what Medicare would have paid for hospital services rendered to Medicaid beneficiaries. That resulted in a Medicaid underpayment of more than $900 million in 2022 — an underpayment that was passed on to commercial payers, employers, and the commercially insured.

Connecticut's chronic underfunding of its Medicaid program in general, and hospital services in particular, drives higher commercial prices. If the state is serious about ensuring access to high quality Medicaid services and reducing pressure on commercial prices, the state must increase the state's investment in Medicaid and in the hospitals on which our residents depend.

Physician Specialty Services

HB 6885 would increase rates to individual healthcare providers to equal that of Medicare by 2028 and maintain parity with Medicare thereafter. The state last set rates for medical specialists and many non-physician practitioners in 2007. The policy was to pay practitioners at 57.5% of Medicare. Although some adjustments were made in the transition to managed fee-for-service in 2012, medical specialty rates for typical office visits remain below 60% of Medicare, and for the most common established patient office visits, below 50% of Medicare.

Payment parity with Medicare would be an extraordinarily effective means to strengthen and sustain payment adequacy for individual healthcare providers, including medical and behavioral health specialists and it would do a great deal to *ensure equity of access* for Medicaid beneficiaries and efforts to improve healthcare outcomes. These same policies should be extended to services rendered in freestanding behavioral health clinic settings.

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