CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
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CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE HUMAN SERVICES COMMITTEE
Tuesday, February 24, 2004

SB 325, An Act Concerning Full Payment To Physicians For Services Provided To Dually Eligible Patients

SB 326, An Act Concerning State Assistance To Legal Immigrants

HB 5040, An Act Concerning Necessary Revisions To Human Services Statues

HB 5041, An Act Concerning The Governor's Budget Recommendations Regarding Human Services Statutes

Good morning, Co-Chairs Senator Mary Ann Handley and Representative Peter Villano, and members of the Human Services Committee. My name is Stephen Frayne. I am the Vice President of Finance and Insurance Services of the Connecticut Hospital Association (CHA). I appreciate the opportunity to testify on behalf of CHA and its members on **SB 325, An Act Concerning Full Payment To Physicians For Services Provided To Dually Eligible Patients; SB 326, An Act Concerning State Assistance To Legal Immigrants**; **HB 5040, An Act Concerning Necessary Revisions To Human Services Statutes;** and, **HB 5041, An Act Concerning The Governor's Budget Recommendations Regarding Human Services Statutes.** HB 5040 and HB 5041 collectively seek to implement the Governor's budget proposal for the Department of Social Services (DSS).

CHA requests that the Human Services Committee make modifications to the Governor's budget proposal to protect and ensure the financial viability of Connecticut's hospitals and other healthcare providers, and most importantly to ensure that those most in need continue to receive vitally important healthcare services. CHA requests that the Human Services Committee make modifications to the broad policy framework upon which the budget proposal is created, as well as some of the specific provisions implementing the budget proposal.

The framework of the budget proposal is based upon the concept that the major restructuring of the human services programs over the last several years was necessary to protect and pay for important safety net programs into the future; and, that increases in the cost of providing healthcare is reducing the amount of money available for other services. We respectfully disagree with those concepts.

Eliminating coverage for Husky Adults, cutting hospital funding for SAGA, shifting SAGA's insurance-risk to hospitals, imposing co-pays (that in general are uncollectible)

eliminating continuous, guaranteed, and presumptive eligibility, restructuring Husky coverage, cutting funding for the Uncompensated Care Pool, eliminating transitional Medicaid, and eliminating non-critical adult dental services do not today or in the future protect the safety net. These strategies by definition, remove people from, and funding for, insurance coverage.

At the end of this biennium budget period, it will have been eight years since a Connecticut hospital has had a cost of living adjustment in the Medicaid fee-for-service system. During the same period, the Tobacco settlement, the Uncompensated Care Pool, the increase in the federal match, and other federal maximization efforts will have netted the state well in excess of $1 billion dollars. These new revenues replaced, not expanded, state-based funding for health care services.

Connecticut's hospitals appreciate the Administration's proposal to allow CHEFA to back up to $100 million in hospital purchases. In addition, Connecticut's hospitals appreciate the Administration's recognition that the current Medicaid payment system needs updating. The intuitive appeal of the Administration's proposal is its simplicity. Out of the box, who could be against setting a minimum per case payment amount in each of the next several years and then bringing those below that amount up to it. However, the proposal's Achilles' heel is also its simplicity. First, not all cases are the same – and not all hospitals see the same types of cases. Second, while a minimum payment level is important, it is not as important as what percentages of costs are covered. Third, it excludes outpatient services. Fourth, it fails to recognize that costs to the hospital increase every year.

The attached schedule helps illustrates some of these concerns. The schedule shows the percentage of costs covered before and after the new minimum per case payment. It indicates that because there is no cost of living increase to the rate, (which was assumed at 2% per year) hospitals lose ground. It also indicates that the range of percentages of costs being covered in the third year, despite the new per case minimum, is still widely variable. CHA requests that you adopt, as an approach, an increase to the level of payment for outpatient services and a series of increases to the base level of inpatient Medicaid payment until payment equals cost. We have attached language that will phase in Medicaid increases for all Connecticut hospitals and respectfully request that you amend HB 5040 and HB 5041 to provide such increased assistance to Connecticut hospitals.

Connecticut hospitals and hospitals across the country are facing a series of daunting fiscal challenges: inadequate funding for the Medicare program, a severe shortage of healthcare workers, escalating pharmaceutical costs, unprecedented blood and blood product price increases, and skyrocketing medical and general liability premiums. In addition, in this post 9/11 era in which we must be prepared for what used to be unthinkable, we continue to expend our limited resources on disaster and emergency planning at unprecedented levels. These pressures have put Connecticut's hospitals in a financially tenuous position. In 2003, 28 of the state's 31 acute care hospitals ended the year unable to collect enough funds to cover the cost of care delivered to those patients.

While we agree with the Governor that the state and national economies appear to be improving, we disagree with the view that the 2004 session should not be seen as an opportunity to fundamentally shift course. There is no better time than today to stabilize Connecticut hospitals and repair the tears in the healthcare safety net.

CHA urges you to maintain state-based funding. Tobacco settlement funds, increases in the federal match rate, and other federal maximization efforts should be used to expand, not replace, state funding for healthcare services.

Connecticut's hospitals need more not fewer insured patients. Connecticut hospitals rely on your help in their service as the state's healthcare safety net, providing care for all those in need, regardless of their ability to pay. Make hospitals a priority. Restore the previously enacted reductions and reject any additional reductions.

Two other ways in which the Human Services Committee can begin to repair the safety net is to support **SB 325, An Act Concerning Full Payment To Physicians For Services Provided To Dually Eligible Patients** and **SB 326, An Act Concerning State Assistance To Legal Immigrants**. SB 325 requires DSS to fully reimburse medical providers assisting individuals who are eligible for both Medicaid and Medicare. So it is clear, CHA would request that the language be modified to affirm that it applies to all medical providers, i.e., hospitals and physicians. SB 326 allows the DSS Commissioner to accept new applications from legal immigrants for state-funded public assistance programs administered by DSS. CHA urges you to support these bills that will increase reimbursement to medical providers and will begin to reduce the number of uninsured patients in the state.

Thank you for consideration of our comments.

SAF:pas
Attachment

MEDICAID INPATIENT

Schedule A

Payments as a Percent of Cost
Before and After Budget Proposal

Hospitals	FY 2001 Payment as a % of Cost	FY 2005 Payment as a % of Cost	FY 2006 Payment as a % of Cost	FY 2007 Payment as a % of Cost
Backus	39.33%	40.4%	42.3%	44.0%
Bradley Memorial	104.27%	96.3%	94.4%	92.6%
Bridgeport	58.36%	53.9%	55.2%	57.4%
Bristol	57.16%	65.8%	68.8%	71.7%
Danbury	71.21%	65.9%	68.9%	71.8%
Day Kimball	59.61%	67.1%	70.1%	73.1%
U Conn/John Dempsey	61.39%	56.7%	55.6%	54.5%
Greenwich	79.25%	73.2%	71.8%	70.4%
Griffin	71.98%	66.5%	65.2%	63.9%
Hartford	68.80%	63.6%	62.3%	61.1%
Charlotte Hungerford	52.65%	59.4%	62.1%	64.7%
Johnson Memorial	55.90%	56.0%	58.6%	61.0%
Lawrence & Memorial	61.97%	57.3%	56.1%	55.0%
Manchester Memorial	48.69%	45.0%	44.1%	43.2%
Middlesex Memorial	51.72%	59.6%	62.3%	64.9%
MidState	58.56%	60.2%	62.9%	65.6%
Milford	58.32%	60.2%	63.0%	65.6%
New Britain	61.23%	72.0%	75.2%	78.4%
New Milford	45.91%	42.4%	41.6%	41.8%
Norwalk	75.50%	69.8%	68.4%	67.0%
Rockville General	81.86%	75.6%	78.4%	81.7%
St. Francis	74.44%	68.8%	67.4%	66.1%
St. Mary's	80.59%	74.5%	73.0%	71.6%
Hospital Of St. Raphael	63.85%	59.0%	57.8%	57.9%
St.Vincent's	75.50%	69.8%	68.4%	67.0%
Sharon	79.89%	73.8%	75.1%	78.3%
Stamford	70.36%	72.2%	75.5%	78.6%
Waterbury	95.99%	88.7%	86.9%	85.2%
Windham	55.49%	60.4%	63.1%	65.8%
Yale New Haven	68.65%	63.4%	62.2%	61.0%
Total	**66.88%**	**63.6%**	**63.5%**	**63.5%**