



For Immediate Release
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Connecticut Hospitals Urge Caution: More State Spending Cuts Will Affect Care, Increase Cost

WALLINGFORD – Hospitals care for all, regardless of a person’s ability to pay. The state provides Medicaid coverage to our neediest residents. Connecticut has always been generous about who it is willing to cover in the Medicaid program, but has never set aside enough money to pay for what it promises. With the Affordable Care Act, Connecticut received a huge infusion of additional federal funds to help make the Medicaid program more affordable. But instead of using those funds to reduce the cost shift and losses to providers, it used those funds to reduce the state deficit.

When the state fails to pay for the hospital services it uses, that hurts all of us – it shifts the cost to others and results in Connecticut forfeiting \$2 dollars in federal support for every \$1 dollar it owes for hospital care – leaving all of us with fewer hospital services, higher hospital costs for Connecticut businesses and consumers, and fewer hospital jobs. The attached information provides background and data on this trend.

Here is what is happening:

- From 2004 through 2010, increases in Medicaid spending for hospital services went hand in hand with increases in Medicaid enrollment.
- In April 2010, there was a slight uptick in state spending because the State Administered General Assistance (SAGA) program was moved into the Medicaid program as a way to get the federal government to pay for more of the cost. Prior to the change, SAGA was largely financed by state dollars only. With the program moved into Medicaid, the federal government began paying 50 percent of the expense in 2010, and by 2014 began paying 100 percent of the expense – a good deal for Connecticut taxpayers.
- Beginning in 2013, Medicaid demand for hospital care far exceeded the funding available to pay for that care. That trend will accelerate through 2017.
- The reason for the gap is not because federal help has dried up. Rather, it is because our leaders in Hartford decided not to take it. Now, instead of using the hospital tax as promised as a way to get more federal help for Connecticut, it is now just a tax costing Connecticut hospitals and patients \$270 million annually. By doing that, **the state leaves behind \$180 million in federal help every year for Connecticut.**
- Making a bad situation significantly worse are huge reductions in hospital funding of \$216 million over the biennium.
- In 2015, 2016, and 2017, the state will pay less for the hospital services it uses than it did in 2008 – even though enrollment in Medicaid in 2015, 2016, and 2017 will be 68% higher than it was in 2008.
- Cutting and taxing hurts us all - it means fewer hospital jobs, fewer hospital services, and higher hospital costs for Connecticut businesses and consumers.

Five Steps to a Better Future for Connecticut

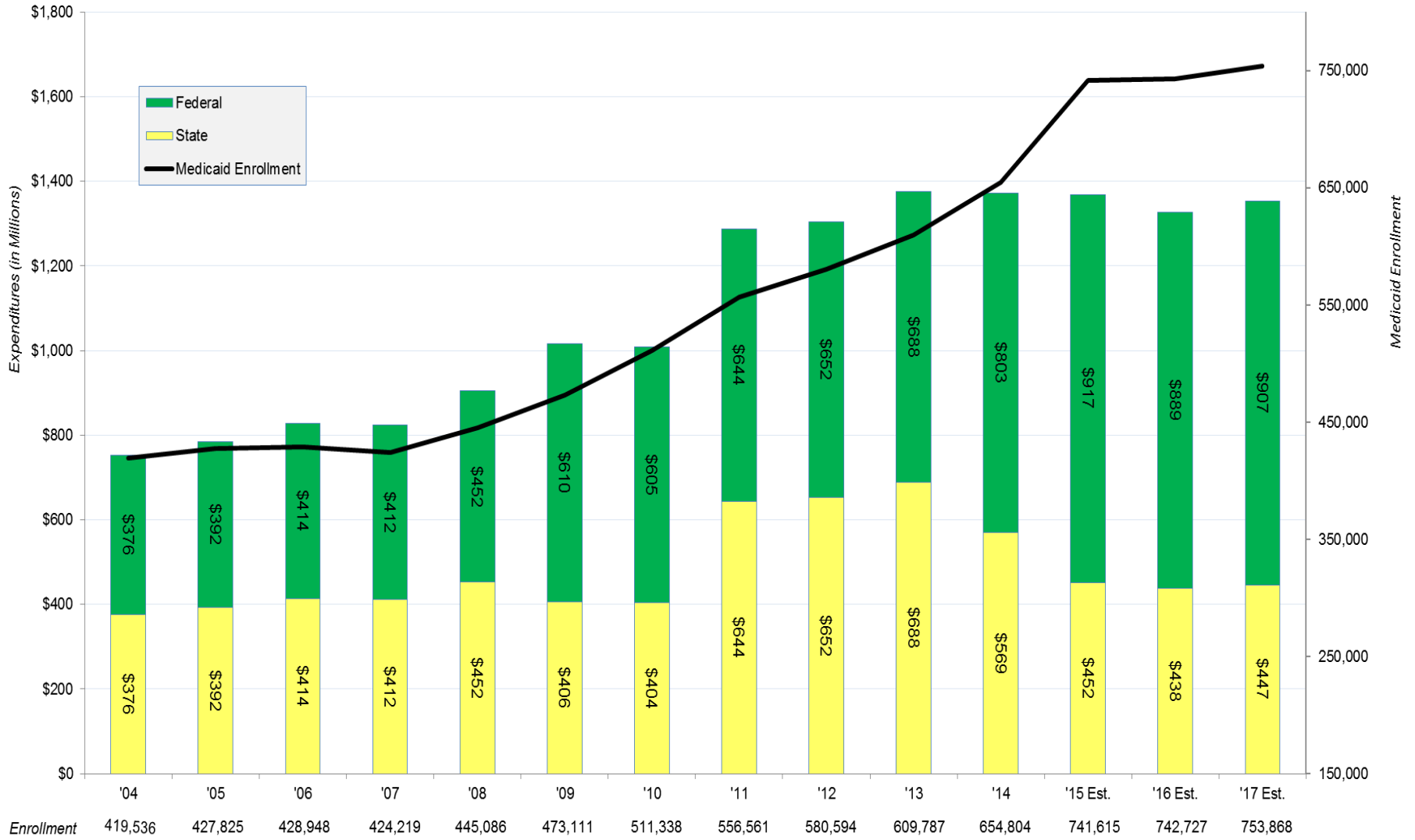
1. Cherish the service hospitals provide taking care of all regardless of their ability to pay for that care – a contribution to the health and well-being of Connecticut exceeding \$1.2 billion per year.
2. Acknowledge that cutting Medicaid payments and taxing hospital care nearly \$800 million more over the next two years is the wrong prescription for Connecticut.
3. Recognize that it makes good sense for the state to keep its promise and reinstate the hospital tax for 2016 to its original purpose – to attract federal dollars. By equalizing the hospital tax payments and appropriations at \$350 million each in 2016, Connecticut will receive \$235 million in federal revenue, \$180 million more than today.
4. Begin phasing down the hospital tax in 2017 and have it eliminated by 2020.
5. Don't be penny wise and pound foolish – it makes no sense to cut hospital payments to save \$1 Connecticut dollar but lose \$2 more dollars from the federal government in the process.

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About CHA

The Connecticut Hospital Association has been dedicated to serving Connecticut's hospitals since 1919. Through state and federal advocacy, CHA represents the interests of Connecticut's hospitals on key healthcare issues in the areas of quality and patient safety, access and coverage, workforce, community health, diversity, and hospital reimbursement.

Hospital Acute Care Expenditures (Estimated) - Medicaid



Estimates for FY 16 - FY 17 include proposed reductions.

Annual Impact of Hospital Funding Cuts and Tax

2015 Expected:

| | | |
|---------------------------------|--------------------|----------------------|
| Assessment | | (349,122,279) |
| Less: Appropriated Funds | | |
| Expanded Pool | 18,359,698 | |
| Low-Cost Pool | 15,100,000 | |
| Inpatient Supplemental Pool | 80,500,000 | |
| DSH | 76,522 | |
| Sub-total | <u>114,036,220</u> | |
| Equals Hospital Tax | | (235,086,059) |

Budgeted - 2016/2017

| | | |
|-------------------------------------------|--------------------|----------------------|
| Assessment | | (509,758,676) |
| Less: Appropriated Funds | | |
| Expanded Pool | 0 | |
| Low-Cost Pool | 0 | |
| Inpatient Supplemental Pool | 241,119,999 | |
| DSH | 76,522 | |
| Sub-total | <u>241,196,521</u> | |
| Equals Hospital Tax | | (268,562,155) |
| Less Rate Cut | | (92,990,000) |
| Less Expanded Pool 14-15 | | (14,500,000) |
| Equals Total Annual Cuts and Taxes | | (376,052,155) |

FY 16 and 17 Biennium Impact of Hospital Funding Cuts and Tax

| Eliminate Low-Cost Pool | Provider Rate Cut | Hospital (Tax) | Total Cuts |
|-------------------------------|----------------------|-------------------|------------|
|-------------------------------|----------------------|-------------------|------------|

| | | | | |
|---------------------|---------------------|----------------------|----------------------|----------------------|
| BACKUS | (2,720,000) | (5,190,000) | (17,490,177) | (25,400,177) |
| BRIDGEPORT | (200,000) | (11,810,000) | 1,172,323 | (10,837,677) |
| BRISTOL | (3,920,000) | (2,720,000) | (6,579,831) | (13,219,831) |
| CT CHILDREN'S | 0 | (10,520,000) | 0 | (10,520,000) |
| DANBURY ** | 0 | (5,830,000) | (38,237,500) | (44,067,500) |
| DAY KIMBALL | (2,660,000) | (2,280,000) | (6,196,281) | (11,136,281) |
| DEMPSEY | 0 | (7,210,000) | 0 | (7,210,000) |
| GREENWICH | 0 | (1,230,000) | (32,954,690) | (34,184,690) |
| GRIFFIN | (1,460,000) | (2,660,000) | (9,394,546) | (13,514,546) |
| HARTFORD | 0 | (18,000,000) | (48,950,374) | (66,950,374) |
| HOSP. OF CENTRAL CT | (5,440,000) | (7,800,000) | (14,001,652) | (27,241,652) |
| HUNGERFORD | (1,540,000) | (2,440,000) | (7,433,815) | (11,413,815) |
| JOHNSON | (2,040,000) | (940,000) | (4,239,799) | (7,219,799) |
| LAWRENCE + MEMORIAL | (1,680,000) | (5,520,000) | (15,976,144) | (23,176,144) |
| MANCHESTER | 0 | (3,640,000) | (6,497,148) | (10,137,148) |
| MIDDLESEX | (1,080,000) | (4,060,000) | (27,026,022) | (32,166,022) |
| MIDSTATE | (3,860,000) | (4,040,000) | (10,958,413) | (18,858,413) |
| MILFORD | 0 | (890,000) | (2,442,266) | (3,332,266) |
| NEW MILFORD ** | 0 | 0 | (6,142,170) | (6,142,170) |
| NORWALK | 0 | (4,920,000) | (20,064,108) | (24,984,108) |
| ROCKVILLE | (600,000) | (1,070,000) | (5,357,989) | (7,027,989) |
| ST FRANCIS | 0 | (14,560,000) | (17,996,093) | (32,556,093) |
| ST MARY'S | (200,000) | (6,030,000) | 311,684 | (5,918,316) |
| ST RAPHAEL * | 0 | 0 | 0 | 0 |
| ST VINCENT'S | (200,000) | (7,880,000) | (7,545,378) | (15,625,378) |
| SHARON | (520,000) | (150,000) | (4,897,233) | (5,567,233) |
| STAMFORD | 0 | (5,710,000) | (31,887,419) | (37,597,419) |
| WATERBURY | (200,000) | (4,620,000) | (494,032) | (5,314,032) |
| WINDHAM | (1,880,000) | (1,640,000) | 485,221 | (3,034,779) |
| YALE-NEW HAVEN | 0 | (42,620,000) | (196,483,499) | (239,103,499) |
| Total | (30,200,000) | (185,980,000) | (537,277,353) | (753,457,353) |

*Combined with YNHH

** New Milford Rate Cut Combined with Danbury

Annual Impact of Other Reductions Not Identified in the Budget

| | | |
|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------|
| SPA 15-008 | Reduces reimbursement for lab services 20% | \$13,800,000 |
| SPA 13-035 | Eliminates inflation updates for 2014 and 2015 | \$11,200,000 |
| SPA 15-006 | Reduces by 50% reimbursement for inpatient hospital-based primary care | \$16,200,000 |
| SPA 15-003 | Eliminates 100% of the payment for: ED physicians when the patient is admitted and, observation care on day of admission | \$5,300,000 |
| SPA 12-005 SPA 13-009 SPA 13-010 SPA 13-011 | Eliminates payments required to make the transition from managed care to FFS budget neutral | \$25,000,000 |
| SPA 15-018 | Reduces payment for screening mammography and diagnostic x-ray | \$9,800,000 |
| SPA 15-020 | Reduces radiology fees from 100% to 57.5% of 2007 Medicare | \$13,400,000 |
| SPA 15-015 | Reduces rates for obstetrical services | \$13,900,000 |
| Total | | \$108,600,000 |

3/30/2015