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Connecticut Hospitals Appeal State Hospital Tax Declaratory Ruling, Petition Centers for Medicare & Medicaid Services

Wallingford – On November 1, the Connecticut Hospital Association and Connecticut hospitals took the next steps to protect patients, hospitals, and healthcare in Connecticut by filing two legal actions. First, hospitals appealed the declaratory ruling of the Department of Social Services (DSS)/Department of Revenue Services (DRS), on the basis that the hospital tax is illegally implemented. Second, hospitals filed a petition with the Centers for Medicare & Medicaid Services (CMS), showing that the state’s reimbursement and tax scheme violates the federal Medicaid Act.

In the DSS/DRS appeal, the hospitals dispute the state’s findings that the tax is applied legally, and assert that the hospital tax is, among other things, in violation of the U.S. and Connecticut Constitutions; in violation of federal and state statutes; in excess of the Departments’ statutory and regulatory authority; and is arbitrary and capricious. Hospitals are asking that the court direct DSS/DRS to end the hospital tax.

In the CMS petition, the hospitals demonstrate how the hospital tax, which now totals a staggering \$556 million a year and exceeds by nearly 30 times the corporate tax rate, is not only bad public policy but violates federal law. The petition describes how hospitals continue to be used as a major source of revenue through the illegal, overbroad tax, which restricts access for Medicaid patients, shifts costs to commercial payers, jeopardizes care for everyone, and puts hospitals in significant financial peril. The petition also demonstrates how the administration of the Medicaid program has been driven solely by state budget deficits and not patient needs; that supplemental inpatient payments were irresponsibly reduced and manipulated; and that the Medicaid rate violates federal law by not taking into account inflation and other costs incurred by hospitals. Connecticut hospitals are asking CMS to compel the state to amend its Medicaid State Plan to bring Connecticut’s Medicaid rates and payments, as well as the hospital tax, in compliance with the federal Medicaid Act.

As a result of the hospital tax and poor Medicaid funding, since 2013, there have been 1,390 layoffs and more than 1,700 open positions that have been eliminated at Connecticut hospitals. Many hospitals have postponed or curtailed plans to make facility improvements and enhance service offerings. Hospitals are actively evaluating the elimination of programs and, in many cases, are also assessing their ability to meet bond covenants.

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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, health equity, and hospital reimbursement.