



**TESTIMONY OF
STEPHEN FRAYNE
SENIOR VICE PRESIDENT, HEALTH POLICY
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
APPROPRIATIONS COMMITTEE
Thursday, February 11, 2010**

**HB 5018, AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES AND
REVENUES FOR THE STATE FISCAL YEAR ENDING JUNE 30, 2011**

My name is Stephen Frayne. I am the Senior Vice President, Health Policy, of the Connecticut Hospital Association (CHA). I am testifying today in opposition to **HB 5018, An Act Making Adjustments To State Expenditures And Revenues For The State Fiscal Year Ending June 30, 2011.**

Connecticut's hospitals are among the finest in the nation. Focused on quality and patient safety, and providing access to the most skilled professionals, the highest quality of care, and the latest technology, Connecticut hospitals deliver. Providing care to all who need it, regardless of ability to pay, twenty-four hours a day, seven days a week year-round, hospitals are integral to the quality of life and health in our communities. Hospitals are among the largest employers in the state, supporting over 97,000 jobs and generating nearly \$13 billion in annual economic activity. In more ways than one, the health of our communities is inextricably linked to the health of their local hospitals. Unfortunately, the economic crisis is ravaging the health of our hospitals.

2008 and 2009 were extraordinarily difficult years. In 2008 and again in 2009, Connecticut's hospitals lost more than \$300 million per year due to under-reimbursement for Medicaid and SAGA patients. In addition, during those two years, one of the traditional means hospitals use to make ends meet – non-operating (investment) income – fell short of what was expected by over \$620 million. The magnitude of that loss cannot be understated – we expect it will take well over a decade to recover what was lost. Finally, since the start of the recession, about 100,000 Connecticut residents have lost jobs and employer-paid health insurance coverage, and the Medicaid and SAGA populations have increased by 75,000; combined enrollment in those programs now stands at about 500,000 – a little more than 14 percent of the state population.

My comments today will be limited to one change in the proposed budget adjustments: cutting the dollars appropriated to raise hospital payments in the SAGA program up to Medicaid payment levels. **We strongly oppose that reduction and urge you to pay Connecticut's hospitals the Medicaid rate for services under the SAGA program as provided for in the budget.**

As you may know, the SAGA program has been the focus of much legislative attention for several years. The SAGA program was significantly modified in 2004 and subjected hospitals, pharmacies, and community health centers to a cap based on available appropriations. Over time, DSS removed the cap from all providers except hospitals. Today, SAGA non-hospital providers are paid one hundred percent of the Medicaid rate while hospitals are paid about 43 percent of the Medicaid rate.

As of today, DSS has not taken the administrative steps needed to implement an 1115 waiver for the SAGA program as directed by the legislature and does not plan to do so until July 1, 2011 – a full seven and a half years after first directed by the legislature to do so. In a letter dated January 20, 2010, DSS stated that the further delay is due to the uncertainty created by federal healthcare reform.

The biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. This new budget makes it clear that DSS will not be implementing existing law in the time frame required. **The funds necessary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver.** So, let's just start paying hospitals in accordance with the biennium budget at the Medicaid rate for SAGA and finally put hospitals on par with all other providers to the SAGA program. This change can be accomplished by modifying section 17b-192(f) to read:

(f) The Commissioner of Social Services shall [,within available appropriations,] make payments to hospitals for inpatient and outpatient services at the Medicaid rate.[based on their pro rata share of the costs of services provided or the number of clients served, or both.] The Commissioner of Social Services shall, within available appropriations, make payments for any non-hospital ancillary or specialty services provided to state-administered general assistance recipients under this section based on a methodology determined by the commissioner.

Thank you for your consideration of our position.