



**TESTIMONY
OF
STEPHEN A. FRAYNE, VICE PRESIDENT OF FINANCE
AND INSURANCE SERVICES OF THE
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE HUMAN SERVICES COMMITTEE
ON THURSDAY, MARCH 7, 2002**

IN SUPPORT OF

**SB 445, AN ACT CONCERNING THE DEPARTMENT OF SOCIAL SERVICES
PAYMENTS FOR HOSPITAL INPATIENT, OUTPATIENT, MENTAL HEALTH
AND COMMUNITY MENTAL HEALTH SERVICES**

AND

**SB 440, AN ACT CONCERNING THE ADMINISTRATIVE COSTS
OF THE MEDICAID PROGRAM**

Good afternoon Co-Chairs Senator Mary Ann Handley, Representative Theresa Gerratana, and members of the Human Services Committee. My name is Stephen A. Frayne. I am the Vice President of Finance and Insurance Services of the Connecticut Hospital Association (CHA). I am here to testify in support of Senate Bill 445, an Act Concerning the Department of Social Services Payments For Hospital Inpatient, Outpatient, Mental Health and Community Mental Health Services, and Senate Bill 440, an Act Concerning the Administrative Costs of the Medicaid Program.

Senate Bill 445 amends the Department of Social Services statutes by increasing the rate of payment for inpatient, outpatient, and outpatient mental health services. The Bill, as proposed, would increase the rate of payment over the next two years. In the first year, it would require that payment be set at no less than 75% of the cost incurred. In the second

year it would require that payment be set at no less than 100% of the cost incurred.

These adjustments over the next two years would complete the process began by the Legislature and the Administration last year. Last year the minimum payment threshold for inpatient services was set at 62.5% of 1999 costs. While it may be hard to believe, two-thirds of the hospitals received an increase in payment in order to bring them up to 62.5% of cost. Thank you again for setting a minimum threshold last year.

It is important to continue the work of updating the hospital payment system. Prior to last year, some parts of the hospital payment system were over a decade old, and other parts were over two decades old. However, CHA and its members are not insensitive to the current and projected fiscal plight facing the State. Our goal is that you work with us and find some way to continue to update the hospital payment system into the future.

Finally, SB 440, An Act Concerning the Administrative Costs of the Medicaid Program establishes a task force to examine the administrative costs and the level of paperwork involved in the implementation of Medicaid programs. CHA supports SB 440 and any other effort to reduce the paperwork burdens and administrative costs of the Medicaid program on Connecticut hospitals and will work cooperatively with the task force to accomplish its goals.

In summary, CHA supports Senate Bills 445 and 440 and requests the Committee support them too. I would be happy to answer any questions.