



**TESTIMONY
OF
CAROLYN BRADY
VICE PRESIDENT, PATIENT CARE AND REGULATORY SERVICES
CONNECTICUT HOSPITAL ASSOCIATION
APPROPRIATIONS COMMITTEE
Wednesday, March 12, 2003**

**HB 6548, An Act Concerning The State Budget For The Biennium Ending June 30, 2005,
And Making Appropriations Therefor**

On behalf of Connecticut's 31 acute care hospitals, the Connecticut Hospital Association (CHA) appreciates the opportunity to testify on **HB 6548, An Act Concerning The State Budget For The Biennium Ending June 30, 2005, And Making Appropriations Therefor** as it relates to the Governor's budget proposal for the Department of Mental Health and Addiction (DMHAS) Services.

Connecticut hospitals and hospitals across the country are facing a series of daunting fiscal challenges, including staggering reductions in 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. As a result of these financial stresses, Connecticut's hospitals are in a financially tenuous position, with 11 of the state's 31 acute care hospitals ending FY 2001 with negative operating margins, according to the latest Office of Health Care Access *Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals*.

In addition, the recent deficit reduction plan passed by this General Assembly and signed by the Governor will significantly add to the financial pressures confronting hospitals on a daily basis. This plan will reduce the uncompensated care program by \$5 million; eliminate medical coverage for 23,000 parents of children enrolled in the HUSKY program; eliminate the continuous eligibility policy for the HUSKY A program; reduce General Assistance Managed Care in DMHAS services by \$2.5 million; and reduce the Community KidCare Program in the Department of Children and Families by \$1 million.

CHA is grateful that the Governor's budget proposal would permanently repeal the hospital sales tax on patient care services, increase the outpatient rate, and maintain the level funding of the DSH pool and the Urban DSH pool. However, the proposed modifications and reductions contained in the DMHAS budget will have a dramatic and negative effect on Connecticut hospitals.

HB 6548 proposes, with respect to DMHAS, to reallocate \$42.5 million and \$50 million in funding in fiscal year 2004 and fiscal year 2005 respectively from DMHAS' general assistance managed care account to DMHAS' mental health and addiction services account, essentially establishing a grant-based system for DMHAS' managed care behavioral health program.

CHA opposes establishing a grant-based system for DMHAS' managed care behavioral health program. Transferring the general assistance behavioral health program to grants will cause behavioral health providers to in effect become insurers by having to accept the risk that the demands of the population may outstrip the dollars available. CHA does not believe it is appropriate for the state to expect individual providers to take that risk. Assuming the Committee agrees with this policy change of establishing this grant-based program, CHA urges the Committee to at least level fund the program and not reduce the level of funding by 30% from \$66.4 to \$46.5 million. The legislature should not give providers the risk and, at the same time, require providers to deliver the same services for 30% less. Finally, if the Committee transfers risk to behavioral health providers, CHA requests that payments for hospitals for DMHAS' behavioral health programs be made directly to hospitals.

In addition to the changes proposed in the Governor's budget, DMHAS already is implementing changes to the general assistance behavioral health program that will have a devastating impact on hospitals. For example, effective Friday, March 14, 2003, coverage is no longer available through the general assistance behavioral health program for laboratory services, individual practitioners and transportation services. In the past, when DMHAS temporarily suspended transportation payments, hospitals that had found inpatient placements for general assistance patients in DMHAS facilities were unable to get the patient to the DMHAS treatment facility unless the ambulance providers, who are not owned by hospitals, were paid in advance. It is already extremely difficult for hospitals to find inpatient mental health placements for patients and patients sometimes wait for days or even weeks for an inpatient placement. The state should not further impede general assistance patients' access to appropriate treatment by refusing to pay for transporting patients from a hospital emergency department to a DMHAS facility for inpatient treatment.

We are asking that you make hospitals a priority and protect them from budget reductions as you conduct your budget deliberations. We know that our request comes at a time when you are struggling through a sluggish economy and are making difficult budget decisions. But this is also the time when we are in the greatest need of your assistance. Connecticut hospitals must remain financially viable if they are to continue to serve as the state's healthcare safety net, providing care for all those in need, regardless of their ability to pay. This protection of access to care is most important now, in difficult economic times, when Connecticut's workers and families may be losing their health insurance coverage.

Thank you for consideration of our position.