



The Facts: The Proposed State Budget Hurts Every Connecticut Hospital and Community

SUPPORT CONNECTICUT'S HEALTHCARE SAFETY NET FOR ALL PATIENTS

FACT: *The state budget's proposed 5.5 percent hospital tax and cut of \$83 million in uncompensated care funding hurts every hospital and every community in Connecticut.*

While the proposed state budget inflicts pain on everyone and every sector in Connecticut, for Connecticut hospitals, these are cuts that may not heal. Funding cuts and hospital taxes affect everyone—our employees, our patients, and the communities who rely on us for around-the-clock care. These budget cuts threaten hospitals' significant role as today's safety net—caring for the most vulnerable among us—and seriously jeopardize our ability to invest in tomorrow.

FACT: *Cutting \$83 million in uncompensated care funding for hospitals worsens Connecticut's weak economy.*

If the state cuts \$83 million in uncompensated care funds to hospitals, it also loses more than \$41 million in federal matching funds. By making a cut of this magnitude, Connecticut would lose \$176 million in business activity, 1,417 jobs, and \$63 million in salary and wages – this cut is wrong for hospitals and wrong for Connecticut.

FACT: *While taxes have been used to increase funding to providers in other states and for other provider groups in Connecticut, that's not the plan for the Connecticut hospital provider tax.*

Nursing homes in Connecticut are supporting their tax – with good reason: the tax will fund a 1 percent increase in state Medicaid funding to all nursing homes. The proposed hospital tax has no such provision. No share of the additional federal Medicaid funding will go to hospitals.

FACT: *The tax will hurt Connecticut hospitals and businesses.*

The tax would take \$267 million from hospitals, which the state plans to return to hospitals "in the aggregate." Federal law requires that there be winners and losers in this tax plan, so there is **no way** to make this work for all hospitals. Most hospitals will get back **less than what they were taxed and will be left with no choice but to shift the cost to Connecticut businesses**. When the effects of the tax and the \$83 million reduction in uncompensated care funds are combined, **every hospital in Connecticut loses money**—and let's not forget that the ones who lose are our communities, our patients, and those who rely on hospitals as their safety net.

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FACT: Hospitals did not experience a “windfall” from last year’s conversion from SAGA to the Medicaid Low Income Adults (MLIA) program.

The administration has claimed that cuts to hospitals will be easily absorbed because hospitals got a windfall as a result of the state converting patients of the State-Administered General Assistance (SAGA) program to Medicaid. What hospitals got was a more than 30 percent increase in the number of people covered by MLIA—with payment rates of 70 cents on the dollar for treating these patients. Providing services to more people at a loss certainly isn’t a windfall by any measure.

FACT: Connecticut hospitals have been participating in shared sacrifice for years.

Connecticut hospitals are all too familiar with the tough choices that must be made to balance needs and resources in difficult times. Financial losses to hospitals from inadequate Medicaid reimbursement have grown rapidly: from \$305 million in FY08 to \$360 million in FY09, and losses under the current payment structure are expected to **double by FY14 to \$750 million**. These growing losses jeopardize Connecticut hospitals’ role as their communities’ safety net and affect everyone’s access to high quality hospital care.

FACT: THERE’S A BETTER WAY

- **Leave hospital funding intact!**
- **Consider for this biennium budget some short-term strategies to cover the gap:**
 - Introduce a gain-sharing element to encourage effective, coordinated patient care management.
 - Postpone investment in the rainy day fund for FY 2012-13.
- **In 2013, begin taking full advantage of the incentives available in health reform** to raise physician rates to Medicare levels to improve access to care for Medicaid patients. In addition, align the state’s Medicaid program with health reform guidelines by enrolling in private insurance those Medicaid patients with incomes eligible for federal subsidies in the new Health Insurance Exchange.

These are solutions that improve the care and value for patients, reduce the state budget, materially reduce the cost shift to Connecticut businesses and workers, and make it possible for Connecticut hospitals to remain strong and viable in their role as Connecticut’s healthcare safety net.

**We urge Governor Malloy and members of the General Assembly:
Say **NO** to hospital cuts and taxes.**

We can and must do better than this.