



**TESTIMONY OF
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CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
JOINT PUBLIC HEARING OF THE
INSURANCE AND REAL ESTATE, PUBLIC HEALTH, AND HUMAN
SERVICES COMMITTEES
Monday, February 14, 2011**

**HB 6305, AN ACT CONCERNING IMPLEMENTATION
OF THE SUSTINET PLAN**

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 6305, An Act Concerning Implementation Of The SustiNet Plan.

Before outlining our concerns and reasons for opposing this proposed bill, I'd like to talk about the members of the Connecticut Hospital Association—Connecticut's not-for-profit hospitals—and the critical role they play in the health and quality of life of our communities. Our State's hospitals are more than facts and figures, and dollars and cents—hospitals, at their core, are all about people. All of our lives have, in some way, been touched by a hospital: the birth of a child... a life saved by prompt action in an emergency room... the compassionate end-of-life care for someone we love. Or, perhaps, our son, daughter, husband, wife, or friend works for or is a volunteer at a Connecticut hospital.

Hospitals are essentially people taking care of people. Each year, the 52,300 people employed in Connecticut's hospitals care for more than 430,000 people admitted to their facilities, treat nearly 1.6 million people in their emergency rooms, and welcome more than 38,000 babies into the world. We provide care to all people regardless of their ability to pay—in fact, every three minutes someone without health insurance comes to a Connecticut hospital in need of inpatient, emergency, or outpatient surgical services. And, we do this 24 hours a day, seven days a week, 365 days a year.

Every day, we see the consequences and health implications for individuals and families who lack access to care and coverage. Our emergency rooms are filled with individuals who cannot find a physician to care for them because they are uninsured or underinsured – or they are Medicaid beneficiaries and few physicians will accept the low rates paid by Medicaid. Our emergency rooms are treating both those who have delayed seeking treatment because of inadequate or no coverage and those who have no other place to go—our hospitals are their healthcare safety net.

Thus, as front line caregivers, Connecticut hospitals are absolutely committed to initiatives that improve access to high quality care and expand health insurance coverage. We stand ready to be partners in solutions to create a system of healthcare coverage that ensures access to all residents. Such a system must ensure seamless care that is affordable to individuals and families and is sufficiently financed. The ultimate goal is to establish a healthcare system through which coverage is affordable and sustainable and access to care is guaranteed.

Although HB 6035 is intended to meet this goal, we must, respectfully, oppose this proposed bill.

HB 6035 sets forth the organizational and operational purposes of the Sustinet Authority and Plans. Section 5 of the proposed bill states that “the purposes of the Sustinet Authority shall be to promote access to high-quality health care that is effective, efficient, safe, timely, patient-centered and equitable.... Section 6 states that “the Sustinet Plan shall be administered to slow the growth of health care costs, improve the quality of health care services and improve health outcomes.”

While we agree with these goals, we believe there is a better approach for coordinating with federal health reform while improving patient access to care, reducing the state budget, mitigating the cost shift, and addressing provider financial losses. But, first, I’ll do a brief overview of the elements of HB 6035.

The Sustinet Authority will offer seven different Sustinet Plans, A thru G. Six of the seven plans are a renaming as Sustinet Plans of existing plans like HUSKY, Medicaid, Charter Oak, and the state employee health plan. The one new plan, Sustinet G, which becomes effective January 1, 2012, would be offered to employees and retirees of non-state public employers, municipal-related employers, small employers, and nonprofit employers.

In addition, the Department of Social Services is directed to establish a Basic Health Plan for those individuals with family income between 133 and 200 percent of the federal poverty level (FPL). The Basic Health Plan would become the new insurance coverage for those individuals currently on Medicaid with incomes above 133 percent of federal poverty guidelines. The driving force behind this change is that it will allow the state to shift 100 percent of the cost of covering these individuals to the federal government, thereby freeing up the state share to help balance the state budget. If there are federal dollars left over, the proposed legislation calls for using those dollars to increase reimbursement rates for providers.

The Sustinet Authority would have very broad powers to direct Medicaid and establish rules concerning Medicaid utilization management, healthcare coordination, disease management, evidence-based best practices, healthcare delivery systems, provider payment methods, provider network management, provider credentialing, and customer services. The Authority would have very similar powers for its own plans.

The vision for Sustinet and its Plans is expansive, bold, and ambitious. But boldness and ambition are not enough—to be successful, a vision has to be matched with ability and sufficient resources. The proposal does not provide sufficient resources. To illustrate our concern, I will focus on the element of the proposal that calls for the creation of a Basic Health Plan.

In 2014, this legislation would remove from Medicaid those adults whose income exceeds 133% of the FPL and enroll those individuals in a Basic Health Plan. While this approach may help the state with its budget issue, it doesn't resolve the existing problems of the Medicaid program for patients, providers, or businesses. As we all know, in both good times and bad, inadequate funding for Medicaid has been a problem that has affected beneficiaries, the state, hospitals, and employers. Beneficiaries suffer inadequate access to non-hospital services, the state can't afford it, and hospitals struggle with how to shift the Medicaid underfunding of more than \$1 million a day to those that get their health insurance through their employer.

As a solution to these existing problems, the Basic Health Plan approach falls short. First, and most important, it does not provide a way to improve access to non-hospital based services for Medicaid patients. Nor does it address the underfunding of hospitals, which results in costs being shifted to Connecticut businesses and employees. As proposed, nearly all of the new federal funds available for the Basic Health Plan will be used to relieve the state of its existing obligation to pay for half of the cost of the service for these individuals. When the dust settles, as best we can tell, there will be little or nothing left over that could be used for the purpose of improving access or reducing the cost shift. As a consequence, we will have missed an historic opportunity to break the cycle of inadequate access and the employer burden that results from cost shifting.

In our opinion, a better approach, outlined in the [\(attached\)](#) Medicaid Modernization solution developed by Connecticut hospitals, would be to mainstream these individuals into the health insurance exchange and use federal funding to provide to them with the resources necessary to cover any out-of-pocket expense and missing services. The Connecticut hospitals' Medicaid Modernization solution improves the care and value for patients, reduces the state deficit, materially reduces the cost shift to Connecticut businesses and workers, and makes it possible for Connecticut hospitals to remain strong and viable in their role as Connecticut's healthcare safety net.

Thank you for considering our point of view. We would request that you vote no on HB 6305, An Act Concerning Implementation Of The Sustinet Plan.

Modernizing Medicaid: SOLUTIONS FOR BUILDING A BETTER, HEALTHIER CONNECTICUT

Connecticut faces an *unprecedented state budget crisis*, but Connecticut hospitals have developed a package of *workable, practical solutions for modernizing Medicaid* – turning this crisis into an opportunity for improving access to care, creating a Medicaid system that better focuses on quality and efficiency, while reducing the state deficit.

A combination of short- and longer-term structural changes to modernize Connecticut’s Medicaid program will build a better, healthier Connecticut. We urge the Governor and legislature to include the following elements in the 2012-13 budget:

Improve access to physicians and primary care for Medicaid patients

- **Raise Medicaid physician rates to Medicare levels and allow hospitals to bill for physician services provided. Effective January 1, 2013.** This can be done with no cost to the state by taking advantage of increased federal matching funds for primary care physicians and by converting some current Disproportionate Share Hospital payments into Medicaid rate increases for physicians. Raising payment rates and attracting more physicians to participate in Medicaid will ensure that patients have access to more consistent, coordinated care, resulting in better health outcomes – and also help to ensure that hospital Emergency Departments are focused on providing critical emergency care, not congested by patients without other options in a system that doesn’t work properly.

Cost to the state budget: \$0

Combining short- and longer-term structural changes to modernize Connecticut’s Medicaid program will:

- Improve access to care for Medicaid patients;
- Create an up-to-date Medicaid payment system that better focuses on quality, efficiency, and safety; and
- Reduce the state deficit.

Reduce the state deficit

- **Implement existing Medicaid law** (to move from current managed care contracts, a change that was passed in 2010 and included in current budget planning, but not implemented), and apply medical management to all Medicaid populations. **Effective July 1, 2011.** Estimated savings include \$60 million from medical management and \$60 million in administrative savings. Savings to the state budget: \$60 million annually
- **After using \$60 million in savings to help the state budget, reinvest the remaining \$60 million of savings, plus \$35 million from current Disproportionate Share Hospital payments, to begin to modernize the hospital payment system** by raising physician rates and beginning the transition process to a DRG system (discussed below). **Effective July 1, 2011.** Cost to the state budget: \$0
- **Introduce a gain-sharing element that encourages effective, coordinated patient care management.** This puts a portion of new hospital funding “at risk” and ensures that hospital and state incentives are aligned. **Effective July 1, 2011.** Cost to the state budget: \$0
- **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. **Effective January 1, 2014.** The shift of patients from Medicaid to private insurance will result in significant savings: even assuming the state pays all out-of-pocket costs to keep beneficiaries whole and invests an additional \$250 million in hospital rates and modernization, the state would still see an enormous return. Savings to the state budget: \$229 million annually

Create an up-to-date Medicaid hospital payment system that better focuses on quality, efficiency, and safety

- **Converting to a Diagnosis Related Group (DRG) system**, such as that used by Medicare (and nearly all other states for their Medicaid programs), **creates the foundation for a system that can also reliably measure quality, efficiency, and safety. Implementation to begin in 2011.**

Replacing Connecticut's outdated TEFRA target system (which does not connect payment to specific care provided), with a DRG system would provide a manageable, appropriate way to relate the resources needed by specific patients with the payments hospitals receive for caring for those patients.

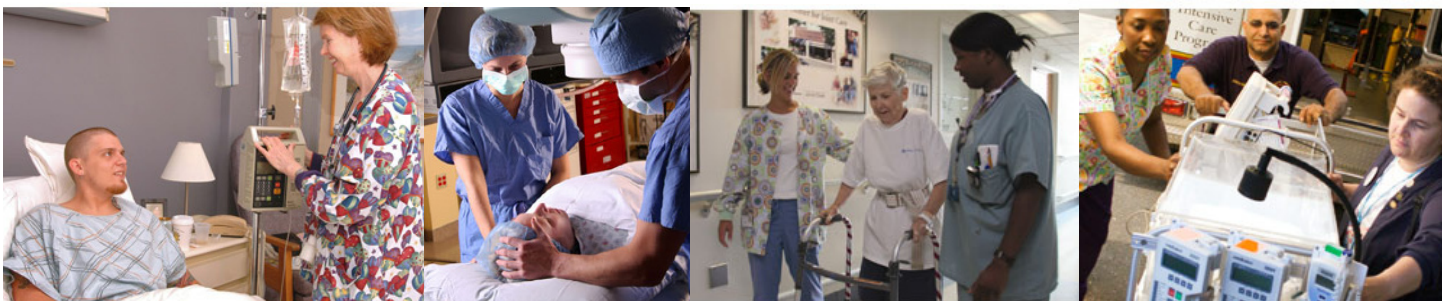
Cost to the state budget: \$0

These are actionable solutions that will enable Connecticut hospitals to continue providing top quality care to patients across the state. They don't require legislation or a federal waiver. They are solutions that improve the care and value for patients, dramatically reduce the state deficit, 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.

An effective Medicaid program must:

- Offer quality options for patients
- Provide high value and collaboration between providers
- Fully leverage available federal dollars
- Align provider incentives with program goals
- Provide adequate payment to providers through a modern reimbursement system

Connecticut hospitals stand ready to be actively engaged partners in building a financially sound Connecticut, supported by a dynamic, job-generating economy, and an innovative, compassionate healthcare system that meets the needs of all Connecticut residents.



Contact **CHA**
for more information

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