



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

**Friday, February 22, 2013**

***HB 6350, AN ACT CONCERNING THE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2015,  
AND OTHER PROVISIONS RELATING TO REVENUE***

Good afternoon. My name is Stephen Frayne, and I am the Senior Vice President, Health Policy for the Connecticut Hospital Association (CHA). I am here today to testify in opposition to **HB 6350, AN ACT CONCERNING THE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2015, AND OTHER PROVISIONS RELATING TO REVENUE.**

Before outlining our concerns, it's important to detail the critical role hospitals play in the health and quality of life of our communities. Connecticut'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: through the birth of a child, a life saved by prompt action in an emergency room, or 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 provide care to all people regardless of their ability to pay. Connecticut hospitals are the ultimate safety net providers, and their doors are always open.

Every day, healthcare professionals in hospitals see the consequences and health implications for individuals and families who lack access to care and coverage. Emergency departments 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. Throughout Connecticut, 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 receive care.

Thus, as frontline caregivers, Connecticut hospitals are absolutely committed to initiatives that improve access to safe, high-quality care and expand access to coverage. Connecticut hospitals stand ready to partner on Medicaid system reform and innovation to create effective solutions that offer a win for everyone: better access for patients, lower costs for the state, and better payment for providers. The ultimate goal is to establish a healthcare system through which coverage is affordable and sustainable, and access to care is guaranteed.

I'm sure by now many of you are uncertain what to believe regarding the impact HB 6350. On the one side, you have the administration suggesting that in 2014 there will be very few uninsured left, so hospitals will no longer need the subsidies the state is providing to help defray some of the costs hospitals incur caring for the uninsured. On the other side, you have hospitals saying no way, these changes will devastate us.

What I would like to do in the time allotted is to provide you with some background to help you sort through the back and forth. First, let's examine that "subsidy." If you look at Chart 1, you will see the "subsidy" hospitals received in 2012 and 2013, and what this budget would provide to hospitals in 2014 and 2015.

In 2012, hospitals received a "subsidy" of \$50.3 million to defray about 8 percent of their \$479 million and \$123 million losses incurred for the care they provided in 2011 to those on Medicaid and the uninsured. The "subsidy" came about through the hospital provider tax, which was implemented on July 1, 2011. Hospitals paid about \$350 million in taxes and received back about \$400 million in payments, hence the \$50 million "subsidy." The hospital provider tax also provided *the state* a subsidy of about \$150 million in that year – those funds were used to help balance the state budget. In short, for every new federal dollar, a quarter went to help hospitals and three quarters went to reduce the state deficit.

In December of 2012, the contours of the hospital tax—and who benefits—changed dramatically, and for the worse for hospitals. Again as Chart 1 shows, in 2013 hospitals will pay about \$350 million in taxes and receive back about \$323 million – yes, in a reverse Robin Hood, the hospital "subsidy" is zeroed out, and hospitals now pay the state more than is returned. The state benefit, however, grows from about \$150 million to \$188 million. In short, hospitals get less than nothing, and the state gets all the federal dollars plus some of the hospital dollars.

Regardless how unfair 2013 appears, it pales in comparison to what is proposed in the biennium budget. Again Chart 1 shows that in 2014, hospitals will pay about \$350 million in taxes and receive back about \$215 million – costing hospitals \$134 million. Despite the damage this real tax will have on hospitals, the state budget benefit grows from about \$188 million to \$242 million. In 2015, the misery for hospitals doubles to \$269 million when they pay about \$350 million in taxes and receive back about \$80.6 million. The benefit to the state budget grows from \$242 million to \$309 million.

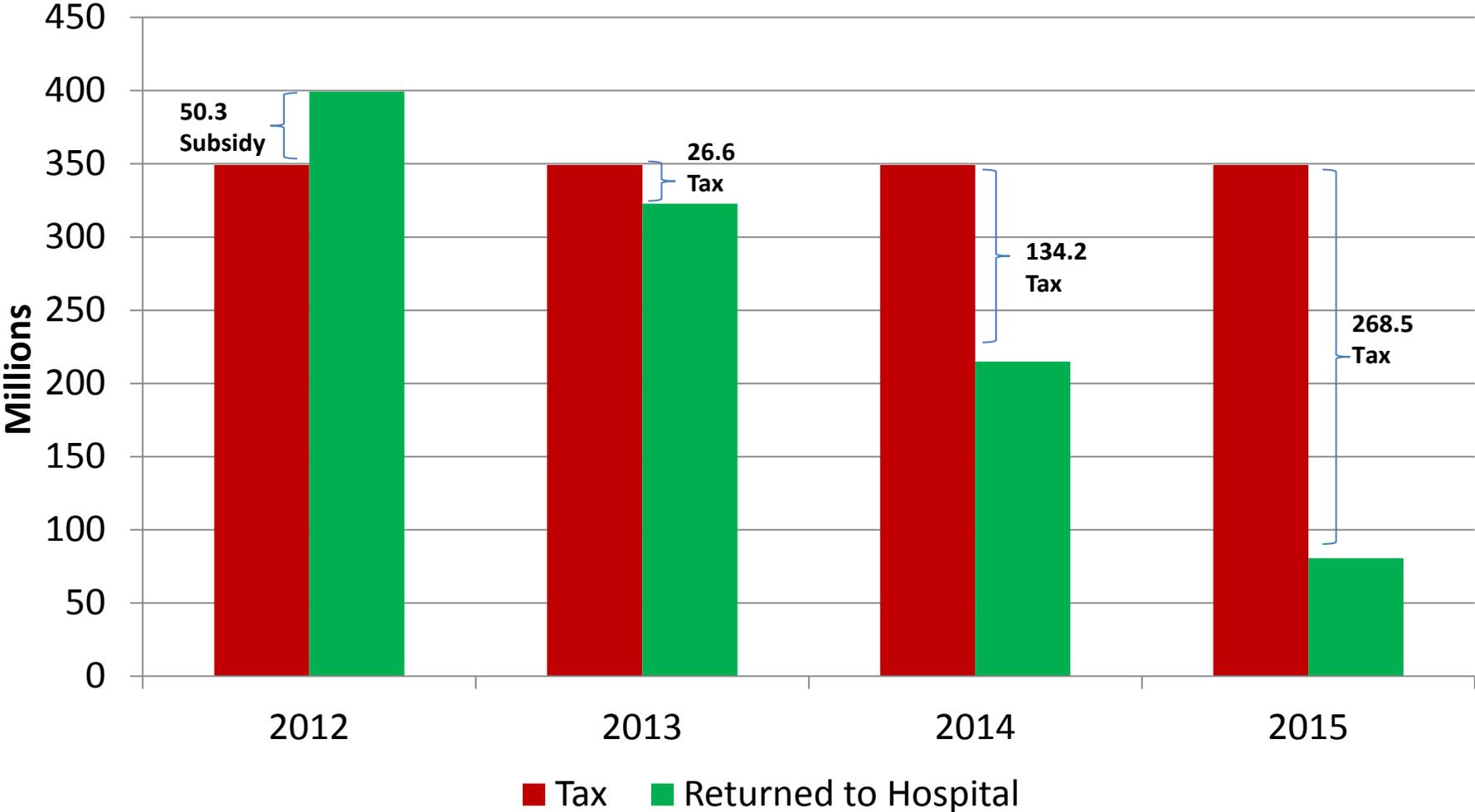
In short, what started eighteen months ago as a scheme to help balance the state budget with \$150 million in new federal revenue has been converted to an unadulterated tax on hospitals. The new arrangement moves from reliance on \$150 million – that's 100 percent of federal revenue provided to the state for healthcare but used to help balance the state budget – to \$309 million to balance the state budget, 87 percent of which comes from just taxing hospitals.

Some of you might be thinking, "This just doesn't seem right – I thought the whole point of the hospital provider tax was to bring to Connecticut unused DSH dollars. If what you are saying is true, then aren't we leaving behind unused DSH dollars available to Connecticut?" Section 24 of the bill provides the answer to that question, and requires you to add another healthcare acronym to your lexicon – IGT – IGT stands for Intergovernmental Transfer. An Intergovernmental Transfer is a transfer of public funds between governmental entities. The transfer can be from one level of government to another, (e.g., counties to states or within the same level of government, or from a state university hospital to the state Medicaid agency). Section 24 lays the foundation for Connecticut to adopt this technique by running the University of Connecticut Health Center through the DSH and/or Medicaid account.

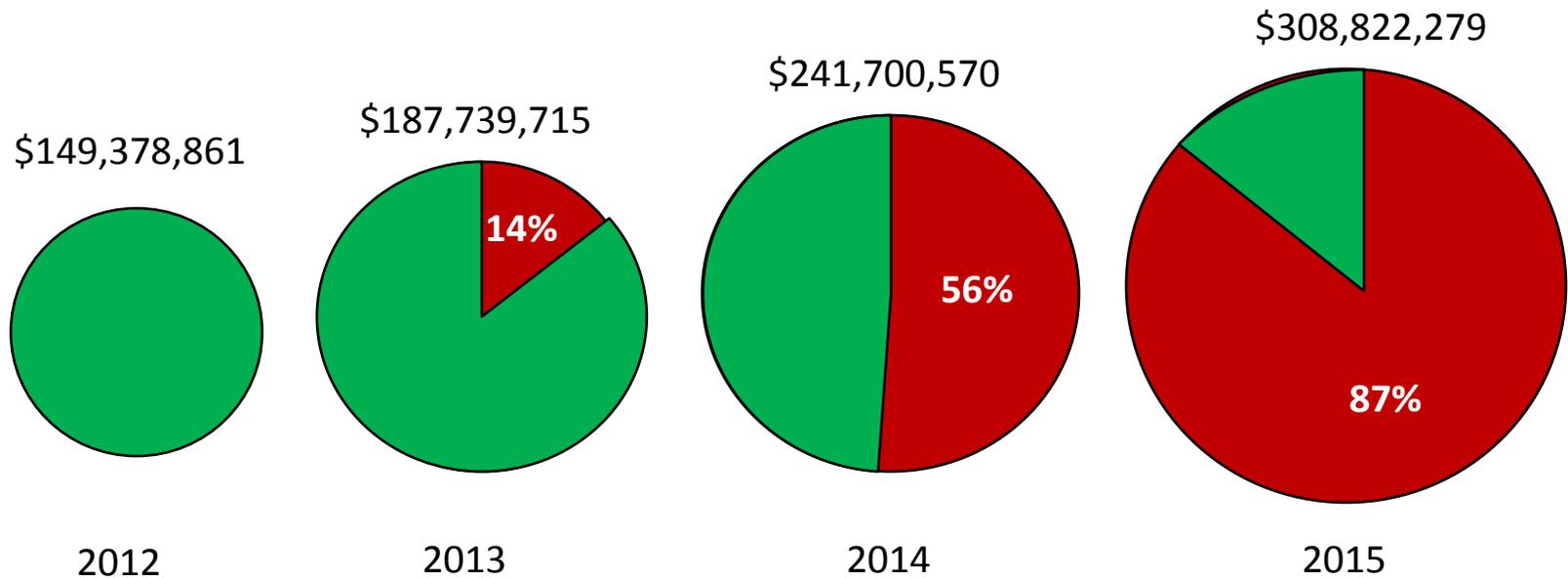
It's one thing not to help hospitals; it's something completely different when you harm hospitals. Taking patient care revenue to balance the state budget is just plain wrong. You can help by voting no on this proposal; and, either restore the funding to hospitals to \$400 million as was originally designed, or reduce the taxes on hospitals to \$50 million below what is returned.

Thank you for your consideration of our position.

# Hospital Tax – From Subsidy To Tax



# Hospital Tax \$ Replace Federal \$ To Balance State Budget



■ Federal Dollars  
■ Hospital Dollars

## 2012 Impact of the Tax and DSH Program

2012 Hospital Tax			
	Tax Assessment	DSH / Supplemental Payments	(Tax)/ Subsidy
BACKUS	(11,268,023)	13,894,134	2,626,111
BRIDGEPORT	(16,925,421)	19,966,707	3,041,286
BRISTOL	(2,938,986)	2,719,306	(219,681)
CT CHILDREN'S	0	0	0
DANBURY	(20,585,238)	21,134,039	548,801
DAY KIMBALL	(4,052,452)	4,418,697	366,245
DEMPSEY	0	0	0
GREENWICH	(12,130,657)	4,588,603	(7,542,054)
GRIFFIN	(5,423,895)	5,148,678	(275,217)
HARTFORD	(34,683,478)	37,986,643	3,303,165
HOSP. OF CENTRAL CT	(16,146,616)	19,170,427	3,023,810
HUNGERFORD	(4,396,161)	5,053,099	656,938
JOHNSON	(1,373,473)	2,478,601	1,105,128
LAWRENCE + MEMORIAL	(12,346,219)	14,925,348	2,579,128
MANCHESTER	(7,204,578)	6,493,206	(711,372)
MIDDLESEX	(13,858,593)	12,357,946	(1,500,646)
MIDSTATE	(7,721,251)	7,779,180	57,928
MILFORD	(2,363,466)	5,171,477	2,808,011
NEW MILFORD	(1,446,301)	2,059,502	613,201
NORWALK	(13,891,084)	18,882,145	4,991,061
ROCKVILLE	(2,770,391)	1,968,152	(802,239)
ST FRANCIS	(27,627,703)	28,698,727	1,071,024
ST MARY'S	(8,789,072)	11,096,944	2,307,872
ST RAPHAEL*	0	0	
ST VINCENT'S	(16,167,067)	23,060,582	6,893,515
SHARON	(2,247,353)	1,775,444	(471,909)
STAMFORD	(17,310,741)	22,747,616	5,436,874
WATERBURY	(8,287,738)	9,719,092	1,431,354
WINDHAM	(3,693,275)	3,191,260	(502,016)
YALE-NEW HAVEN	(73,473,045)	93,001,284	19,528,239
<b>TOTAL</b>	<b>(349,122,279)</b>	<b>399,486,836</b>	<b>50,364,557</b>

\* Combined with YNHH

**2013 Impact of the Tax and DSH Program and Hospital Cuts**

	2013 Hospital Tax			2013 Hospital Cuts		
	Tax Assessment	DSH / Supplemental Payments	(Tax)/ Subsidy	DSH / Supplemental Payment Cut	Medicaid Rate Cut	2013 Total Cuts
BACKUS	(11,268,023)	10,978,671	(289,353)	(2,915,463)	(876,133)	(3,791,596)
BRIDGEPORT	(16,925,421)	16,780,715	(144,707)	(3,185,992)	0	(3,185,992)
BRISTOL	(2,938,986)	2,364,405	(574,581)	(354,900)	(238,168)	(593,068)
CT CHILDREN'S	0	0	0	0	(6,774,007)	(6,774,007)
DANBURY	(20,585,238)	17,045,082	(3,540,157)	(4,088,957)	0	(4,088,957)
DAY KIMBALL	(4,052,452)	3,675,978	(376,473)	(742,718)	(1,748,275)	(2,490,993)
DEMPSEY	0	0	0	0	(557,865)	(557,865)
GREENWICH	(12,130,657)	3,628,923	(8,501,734)	(959,680)	0	(959,680)
GRIFFIN	(5,423,895)	4,285,310	(1,138,585)	(863,368)	0	(863,368)
HARTFORD	(34,683,478)	30,295,667	(4,387,812)	(7,690,976)	(368,621)	(8,059,597)
HOSP. OF CENTRAL CT	(16,146,616)	15,897,131	(249,485)	(3,273,295)	(7,152,806)	(10,426,101)
HUNGERFORD	(4,396,161)	4,058,071	(338,089)	(995,028)	(852,931)	(1,847,958)
JOHNSON	(1,373,473)	1,984,796	611,323	(493,805)	(136,375)	(630,179)
LAWRENCE + MEMORIAL	(12,346,219)	12,135,242	(210,978)	(2,790,106)	0	(2,790,106)
MANCHESTER	(7,204,578)	5,339,061	(1,865,516)	(1,154,144)	0	(1,154,144)
MIDDLESEX	(13,858,593)	9,726,027	(4,132,566)	(2,631,919)	(704,625)	(3,336,544)
MIDSTATE	(7,721,251)	6,439,219	(1,282,032)	(1,339,961)	(1,841,816)	(3,181,777)
MILFORD	(2,363,466)	4,017,147	1,653,681	(1,154,330)	(548,560)	(1,702,889)
NEW MILFORD	(1,446,301)	1,617,771	171,471	(441,730)	(113,516)	(555,247)
NORWALK	(13,891,084)	15,164,246	1,273,162	(3,717,899)	0	(3,717,899)
ROCKVILLE	(2,770,391)	1,639,980	(1,130,411)	(328,173)	0	(328,173)
ST FRANCIS	(27,627,703)	23,329,730	(4,297,973)	(5,368,997)	(1,308,657)	(6,677,654)
ST MARY'S	(8,789,072)	9,198,729	409,657	(1,898,215)	(1,743,833)	(3,642,048)
ST RAPHAEL*	0	0	0	0	0	0
ST VINCENT'S	(16,167,067)	19,099,596	2,932,529	(3,960,986)	(78,081)	(4,039,067)
SHARON	(2,247,353)	1,364,346	(883,007)	(411,098)	0	(411,098)
STAMFORD	(17,310,741)	18,313,267	1,002,526	(4,434,348)	(1,118,592)	(5,552,941)
WATERBURY	(8,287,738)	8,381,613	93,875	(1,337,479)	0	(1,337,479)
WINDHAM	(3,693,275)	2,801,974	(891,302)	(389,286)	0	(389,286)
YALE-NEW HAVEN	(73,473,045)	73,202,430	(270,615)	(19,798,854)	(837,142)	(20,635,995)
<b>TOTAL</b>	<b>(349,122,279)</b>	<b>322,765,127</b>	<b>(26,357,151)</b>	<b>(76,721,709)</b>	<b>(27,000,000)</b>	<b>(103,721,709)</b>

## 2014 Impact of the Tax and DSH Program and Hospital Cuts

	2014 Hospital Tax			2014 Hospital Cuts		
	Tax Assessment	DSH / Supplemental Payments	(Tax)/ Subsidy	DSH / Supplemental Payment Cut	Medicaid Rate Cut	2014 Total Cuts
BACKUS	(11,268,023)	7,311,078	(3,956,945)	(6,583,056)	(764,695)	(7,347,751)
BRIDGEPORT	(16,925,421)	11,161,143	(5,764,278)	(8,805,564)	0	(8,805,564)
BRISTOL	(2,938,986)	1,571,592	(1,367,395)	(1,147,714)	(207,875)	(1,355,589)
CT CHILDREN'S	0	0	0	0	(5,046,611)	(5,046,611)
DANBURY	(20,585,238)	11,346,188	(9,239,051)	(9,787,851)	0	(9,787,851)
DAY KIMBALL	(4,052,452)	2,445,440	(1,607,011)	(1,973,256)	(1,525,906)	(3,499,162)
DEMPSEY	0	0	0	0	(486,908)	(486,908)
GREENWICH	(12,130,657)	2,416,583	(9,714,074)	(2,172,020)	0	(2,172,020)
GRIFFIN	(5,423,895)	2,850,771	(2,573,124)	(2,297,907)	0	(2,297,907)
HARTFORD	(34,683,478)	20,171,111	(14,512,367)	(17,815,532)	(321,735)	(18,137,267)
HOSP. OF CENTRAL CT	(16,146,616)	10,576,211	(5,570,405)	(8,594,216)	(6,243,019)	(14,837,235)
HUNGERFORD	(4,396,161)	2,701,519	(1,694,642)	(2,351,580)	(744,444)	(3,096,025)
JOHNSON	(1,373,473)	1,321,385	(52,087)	(1,157,215)	(119,029)	(1,276,244)
LAWRENCE + MEMORIAL	(12,346,219)	8,076,609	(4,269,611)	(6,848,739)	0	(6,848,739)
MANCHESTER	(7,204,578)	3,552,619	(3,651,959)	(2,940,587)	0	(2,940,587)
MIDDLESEX	(13,858,593)	6,477,430	(7,381,163)	(5,880,517)	(615,002)	(6,495,518)
MIDSTATE	(7,721,251)	4,284,104	(3,437,148)	(3,495,076)	(1,607,550)	(5,102,626)
MILFORD	(2,363,466)	2,676,103	312,637	(2,495,373)	(478,787)	(2,974,160)
NEW MILFORD	(1,446,301)	1,077,461	(368,840)	(982,041)	(99,078)	(1,081,119)
NORWALK	(13,891,084)	10,095,060	(3,796,023)	(8,787,085)	0	(8,787,085)
ROCKVILLE	(2,770,391)	1,090,960	(1,679,431)	(877,192)	0	(877,192)
ST FRANCIS	(27,627,703)	15,527,153	(12,100,550)	(13,171,574)	(1,142,205)	(14,313,779)
ST MARY'S	(8,789,072)	6,119,872	(2,669,200)	(4,977,072)	(1,522,029)	(6,499,101)
ST RAPHAEL*	0	0	0	0	0	0
ST VINCENT'S	(16,167,067)	12,707,086	(3,459,981)	(10,353,496)	(68,149)	(10,421,645)
SHARON	(2,247,353)	909,092	(1,338,260)	(866,351)	0	(866,351)
STAMFORD	(17,310,741)	12,190,810	(5,119,932)	(10,556,806)	(976,315)	(11,533,121)
WATERBURY	(8,287,738)	5,572,014	(2,715,724)	(4,147,078)	0	(4,147,078)
WINDHAM	(3,693,275)	1,862,100	(1,831,175)	(1,329,159)	0	(1,329,159)
YALE-NEW HAVEN	(73,473,045)	48,751,923	(24,721,122)	(44,249,361)	(730,663)	(44,980,024)
<b>TOTAL</b>	<b>(349,122,279)</b>	<b>214,843,418</b>	<b>(134,278,861)</b>	<b>(184,643,418)</b>	<b>(22,700,000)</b>	<b>(207,343,418)</b>

\* Combined with YNH

## 2015 Impact of the Tax and DSH Program and Hospital Cuts

	2015 Hospital Tax			2015 Hospital Cuts		
	Tax Assessment	DSH / Supplemental Payments	(Tax)/ Subsidy	DSH / Supplemental Payment Cut	Medicaid Rate Cut	2015 Total Cuts
BACKUS	(11,268,023)	1,943,000	(9,325,023)	(11,951,134)	(764,695)	(12,715,829)
BRIDGEPORT	(16,925,421)	6,286,745	(10,638,676)	(13,679,962)	0	(13,679,962)
BRISTOL	(2,938,986)	1,131,276	(1,807,711)	(1,588,030)	(207,875)	(1,795,905)
CT CHILDREN'S	0	0	0	0	(5,046,611)	(5,046,611)
DANBURY	(20,585,238)	4,159,004	(16,426,235)	(16,975,035)	0	(16,975,035)
DAY KIMBALL	(4,052,452)	1,260,200	(2,792,251)	(3,158,496)	(1,525,906)	(4,684,402)
DEMPSEY	0	0	0	0	(486,908)	(486,908)
GREENWICH	(12,130,657)	652,707	(11,477,950)	(3,935,896)	0	(3,935,896)
GRIFFIN	(5,423,895)	1,475,525	(3,948,370)	(3,673,153)	0	(3,673,153)
HARTFORD	(34,683,478)	6,286,745	(28,396,733)	(31,699,898)	(321,735)	(32,021,633)
HOSP. OF CENTRAL CT	(16,146,616)	5,289,697	(10,856,919)	(13,880,730)	(6,243,019)	(20,123,749)
HUNGERFORD	(4,396,161)	933,941	(3,462,220)	(4,119,158)	(744,444)	(4,863,603)
JOHNSON	(1,373,473)	438,149	(935,323)	(2,040,451)	(119,029)	(2,159,480)
LAWRENCE + MEMORIAL	(12,346,219)	3,277,029	(9,069,191)	(11,648,319)	0	(11,648,319)
MANCHESTER	(7,204,578)	1,633,437	(5,571,141)	(4,859,769)	0	(4,859,769)
MIDDLESEX	(13,858,593)	1,593,086	(12,265,507)	(10,764,861)	(615,002)	(11,379,862)
MIDSTATE	(7,721,251)	2,105,816	(5,615,436)	(5,673,364)	(1,607,550)	(7,280,914)
MILFORD	(2,363,466)	482,345	(1,881,121)	(4,689,131)	(478,787)	(5,167,918)
NEW MILFORD	(1,446,301)	254,665	(1,191,636)	(1,804,837)	(99,078)	(1,903,915)
NORWALK	(13,891,084)	3,490,822	(10,400,261)	(15,391,323)	0	(15,391,323)
ROCKVILLE	(2,770,391)	570,520	(2,199,871)	(1,397,632)	0	(1,397,632)
ST FRANCIS	(27,627,703)	6,286,745	(21,340,958)	(22,411,982)	(1,142,205)	(23,554,187)
ST MARY'S	(8,789,072)	3,049,990	(5,739,082)	(8,046,954)	(1,522,029)	(9,568,983)
ST RAPHAEL*	0	0	0	0	0	0
ST VINCENT'S	(16,167,067)	6,281,436	(9,885,631)	(16,779,146)	(68,149)	(16,847,295)
SHARON	(2,247,353)	114,070	(2,133,282)	(1,661,373)	0	(1,661,373)
STAMFORD	(17,310,741)	4,360,950	(12,949,792)	(18,386,666)	(976,315)	(19,362,981)
WATERBURY	(8,287,738)	3,802,976	(4,484,762)	(5,916,116)	0	(5,916,116)
WINDHAM	(3,693,275)	1,422,352	(2,270,923)	(1,768,907)	0	(1,768,907)
YALE-NEW HAVEN	(73,473,045)	12,016,771	(61,456,274)	(80,984,513)	(730,663)	(81,715,176)
<b>TOTAL</b>	<b>(349,122,279)</b>	<b>80,600,000</b>	<b>(268,522,279)</b>	<b>(318,886,836)</b>	<b>(22,700,000)</b>	<b>(341,586,836)</b>

\* Combined with YNHH

**2014 - 2015 Biennium Medicaid Rate Cuts,  
DSH Cuts, and Additional Hospital Tax Dollars Not Returned**

	<b>Medicaid Rate Cut</b>	<b>DSH Subsidy Eliminated</b>	<b>Additional Hospital Tax Dollars Not Returned</b>	<b>2014 - 2015 Total Cuts</b>
BACKUS	(1,529,389)	(5,252,222)	(13,281,968)	(20,063,579)
BRIDGEPORT	0	(6,082,572)	(16,402,954)	(22,485,526)
BRISTOL	(415,749)	0	(2,735,744)	(3,151,493)
CT CHILDREN'S	(10,093,223)	0	0	(10,093,223)
DANBURY	0	(1,097,601)	(25,665,285)	(26,762,886)
DAY KIMBALL	(3,051,813)	(732,490)	(4,399,262)	(8,183,565)
DEMPSEY	(973,816)	0	0	(973,816)
GREENWICH	0	0	(6,107,916)	(6,107,916)
GRIFFIN	0	0	(5,971,060)	(5,971,060)
HARTFORD	(643,470)	(6,606,329)	(42,909,100)	(50,158,900)
HOSP. OF CENTRAL CT	(12,486,038)	(6,047,621)	(16,427,324)	(34,960,983)
HUNGERFORD	(1,488,888)	(1,313,876)	(5,156,863)	(7,959,627)
JOHNSON	(238,058)	(2,210,256)	(987,411)	(3,435,724)
LAWRENCE + MEMORIAL	0	(5,158,257)	(13,338,802)	(18,497,059)
MANCHESTER	0	0	(7,800,355)	(7,800,355)
MIDDLESEX	(1,230,004)	0	(16,645,377)	(17,875,381)
MIDSTATE	(3,215,100)	(115,857)	(9,052,583)	(12,383,540)
MILFORD	(957,573)	(5,616,021)	(1,568,483)	(8,142,078)
NEW MILFORD	(198,156)	(1,226,402)	(1,560,475)	(2,985,033)
NORWALK	0	(9,982,123)	(14,196,285)	(24,178,408)
ROCKVILLE	0	0	(2,274,824)	(2,274,824)
ST FRANCIS	(2,284,410)	(2,142,048)	(33,441,507)	(37,867,965)
ST MARY'S	(3,044,059)	(4,615,744)	(8,408,282)	(16,068,085)
ST RAPHAEL*	0	0	0	0
ST VINCENT'S	(136,299)	(13,787,030)	(13,345,612)	(27,268,940)
SHARON	0	0	(2,527,725)	(2,527,725)
STAMFORD	(1,952,631)	(10,873,749)	(18,069,724)	(30,896,103)
WATERBURY	0	(2,862,707)	(7,200,486)	(10,063,193)
WINDHAM	0	0	(3,098,067)	(3,098,067)
YALE-NEW HAVEN	(1,461,326)	(39,056,478)	(86,177,396)	(126,695,200)
<b>TOTAL</b>	<b>(45,400,000)</b>	<b>(124,779,382)</b>	<b>(378,750,872)</b>	<b>(548,930,254)</b>

\* Combined with YNHH