



**TESTIMONY OF
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SENIOR VICE PRESIDENT, HEALTH POLICY
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
APPROPRIATIONS COMMITTEE
Thursday, February 16, 2017**

HB 7027, An Act Concerning The State Budget For The Biennium Ending June Thirtieth 2019, And Making Appropriations Therefor

Good afternoon. My name is Stephen A. Frayne, and I am the Senior Vice President, Health Policy, Connecticut Hospital Association (CHA). I am here today to testify in opposition to **HB 7027, An Act Concerning The State Budget For The Biennium Ending June Thirtieth 2019, And Making Appropriations Therefor.**

Before commenting on the bill, it's important to point out that Connecticut hospitals provide high quality care for everyone, regardless of ability to pay. Connecticut hospitals are finding innovative solutions to integrate and coordinate care to better serve patients and communities, as well as achieve health equity. These dynamic, complex organizations are working to build a healthier Connecticut. That means building a healthy economy, community, and healthcare system. By investing in the future of Connecticut's healthcare and hospitals, rather than continuing to cut away at them, we will strengthen our economy, put communities to work, and deliver affordable care that Connecticut families deserve.

HB 7027 as drafted sets up a new tax on hospitals as a way to attract federal revenue to help balance the state budget.

2018 Property Tax Proposed Impact

2018 Municipal Aid	2018 Hospital Taxes	2018 State Budget
<ul style="list-style-type: none"> • + <u>2,811</u> C. Law • (56) PILOT • (408) TRS • + 212 H. P. Tax 	<ul style="list-style-type: none"> • (438) C. Law • (212) H. P. Tax • + 238 New Sup. 	<ul style="list-style-type: none"> • (2,811) C. Law • + 56 PILOT • + 408 TRS • (238) New Sup • + 155 CMS
<ul style="list-style-type: none"> • = <u>2,559</u> Total 	<ul style="list-style-type: none"> • = (412) Total 	<ul style="list-style-type: none"> • = (2,430) Total
<ul style="list-style-type: none"> • (252) Less 	<ul style="list-style-type: none"> • 26 More 	<ul style="list-style-type: none"> • 381 More

As can be seen from the table above, this time the source of those funds is not a direct tax on hospitals by the state, but rather an elaborate series of transactions that would make Rube Goldberg proud. First, the state intends to reduce payments to towns by about \$56 million for the PILOT related to hospital real property. Second, the state intends to further reduce funding to towns by requiring them to pay about \$408 million to cover a share of the Teacher's Retirement System (TRS). Third, the state will increase funding to the towns through the Municipal Revenue Share Account. Fourth, hospitals' tax exemption for real property will be removed, clearing the way for hospitals to be taxed by towns about \$212 million per year. Fifth and finally, hospitals are assured that this time the state's word is its bond and the promised new funding of \$250 million to offset the new tax of \$212 million is bankable.

As described, the new property tax would be optional and towns would be free to impose or not, or negotiate something in between. Given the math, it is hard to imagine how towns, collectively faced with a deficit of \$252 million a year versus current law, would willingly grow that deficit by another \$212 million a year and pass up the hospital property tax revenue.

The administration proffers that this would help hospitals since the new funding would be more than the new tax and hospitals would be better off by about \$26 million per year. We don't need a new property tax and new pools to receive \$26 million in additional hospital support. If you want to provide hospitals an extra \$26 million in support, just increase the exiting supplemental payments by \$26 million.

The notion that this budget will help hospitals is hard to grasp, particularly when you consider the loss of funding that will result from changes in eligibility for the Qualified Medicare Beneficiary (QMB) program, the Specified Low-Income Medicare Beneficiary (SLMB) program, the Qualified Individuals (QI) program, as well as limits to our ability to appeal the tax, rates, or any other adverse decision the state makes, and elimination of the small hospital fund.

We urge you to reject the new tax on hospitals being proposed by the Administration. Additionally, we need you to preserve the small hospital pool. Finally, keep Medicaid supplemental payments as a separate line item in the state budget. Last year the legislature enacted this protection to prevent the Governor from using his rescission authority to wipe out the entire account.

Thank you for your consideration of our position. For additional information, contact CHA Government Relations at (203) 294-7310.