



**TESTIMONY OF  
CARL J. SCHIESSL  
CONNECTICUT HOSPITAL ASSOCIATION  
SUBMITTED TO THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
Thursday, March 9, 2017**

**HB 7050, An Act Concerning Enhancements To Municipal  
Finance And Accountability**

Good afternoon. My name is Carl J. Schiessl, Director, Regulatory Advocacy, Connecticut Hospital Association (CHA). I am here today to testify in opposition to **HB 7050, An Act Concerning Enhancements To Municipal Finance And Accountability**.

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 7050 subjects the real property owned by not-for-profit acute care hospitals, chronic disease hospitals, children's hospitals, and psychiatric hospitals to local property tax unless they receive an exemption from the municipality where such real property is located.

Imposing a local property tax on not-for-profit hospitals will impede access to care for Connecticut citizens. The local property tax will add cost and serve as a disincentive for providers to expand access to healthcare into areas not presently served for a particular healthcare service or specialty. Given the very real financial pressures being brought to bear on healthcare providers in Connecticut, it will be more likely that hospitals will become static in their present locations simply because it is less costly. They will be more inclined to repurpose existing facilities to meet patient need. People will still need to come to the place where the care is being provided, rather than the current trend of having healthcare providers go to the communities where patients live.

There is also a long-cherished historical tradition in this country whereby governments elect not to tax providers of essential services of a religious, charitable, or educational nature. It has been a traditionally held value in our country that government will not tax activities that fortify the health and welfare of its people, and state governments across the nation, including Connecticut, have included not-for-profit hospitals among this group of charitable providers.

The most compelling argument justifying the choice not to tax not-for-profit hospitals is that if such organizations did not exist, then people would look to state government to provide essential healthcare services. State government in the modern era is simply not funded or equipped to take on the responsibility that our people would demand of them. And the current economics of healthcare do not support the widespread monetization and privatization of healthcare.

HB 7050 violates the traditional principles incenting the existence of organizations that have as their sole mission to provide essential healthcare services to the people of our state. This principle must remain intact in our state.

HB 7050 also targets only not-for-profit hospitals for taxation. This is not fair, given the existence of a large number of other organizations that enjoy exemption from property taxation based on the religious, charitable, or educational purposes they serve. While we are not arguing that these organizations become subject to the property tax, we are distressed that under this bill only not-for-profit hospitals are targeted for taxation.

Connecticut's not-for-profit hospitals do not deserve to be taxed. These hospitals are keeping their promise to state and local government to meet the healthcare needs of our residents by providing high quality medical and mental healthcare, as well as an array of community benefits to enhance the quality of life in our cities and towns.

Not only do Connecticut hospitals care for the sick, but they also play a major and continually expanding role in improving community health. Working with their communities, Connecticut hospitals are identifying and addressing key health issues people are facing, so they can live healthier, better lives. These efforts include outreach and support services for patients with cancer, diabetes, asthma, or other chronic conditions, mobile vans and clinics delivering primary and preventive care, healthy lifestyle education programs, services for the homeless, clinics for migrant farm workers, crisis intervention services, and many other programs targeted to meet specific community needs. The community benefit programs offered by hospitals improve the quality of life in our cities and towns. **In 2015, Connecticut hospitals invested \$1.6 billion in community benefit initiatives.**

The commitment of Connecticut hospitals to their communities has not wavered, even while the financial burdens imposed on hospitals by the state have grown increasingly unbearable.

For example, Connecticut's Medicaid reimbursement is one of the lowest in the nation, with hospitals being paid less than half of what it costs to provide care. One in five people are on Medicaid, including about 40 percent of the children born in our state. Low Medicaid reimbursement leaves them, and everyone else, with less access to care. Medicare and Medicaid underpayments total more than \$1.3 billion each year. In 2015, Connecticut hospitals incurred \$583.1 million in Medicare losses, \$740.3 million in Medicaid losses, and spent \$216.7 million on charity care. On top of inadequate Medicaid reimbursement, hospitals must pay a \$556 million tax. This is the fourth largest state tax after the income tax, sales tax, and corporate tax. Hospitals currently have a state tax burden that exceeds by nearly thirty times the corporate tax rate.

The hospital tax and Medicaid underfunding are increasing healthcare costs for all of us. Patients with private health insurance end up paying more than \$650 more for the care they receive every year. Healthcare costs are high enough without the state shifting more cost onto the rest of us to pay. We need to keep healthcare costs as low as possible for all of us.

Hospitals have made difficult choices to account for the resources lost due to government underfunding of the Medicaid program, the hospital tax, and other cuts, and over the last few years, 3,000 jobs were eliminated, services were reduced, and investments in technology and infrastructure were put on hold. Hospitals can endure no more.

HB 7050 would place yet another fiscal burden on hospitals. The financial burden of paying property taxes to local governments, coupled with the adverse impacts of both the hospital tax and state funding cuts, threaten the ability of hospitals to maintain community benefits at their current levels, and affect access and services for all patients.

Connecticut hospitals are keeping their promise to the state, to cities and towns, and to their patients. The state should keep its promise to hospitals by continuing to exclude them from property taxation. Hospitals play a unique and critically important role in our communities. They are worthy of continued exemption from property tax.

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