



**TESTIMONY OF
STEPHEN A. FRAYNE
SENIOR VICE PRESIDENT, HEALTH POLICY
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
FINANCE, REVENUE AND BONDING COMMITTEE
Tuesday, April 25, 2017**

**SB 1053 An Act Phasing Out The Hospitals Tax
HB 7322, An Act Concerning State And Local Revenue**

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 support of **SB 1053, An Act Phasing Out The Hospitals Tax**, and in opposition to **HB 7322, An Act Concerning State And Local Revenue**.

Before commenting on these bills, 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.

In 2011, when we started down the hospital tax road, the goal was to maximize federal revenue. Hospitals were expected to go along despite serious misgivings and revenue dislocations because, in the aggregate, hospitals would be made whole and get a piece, albeit small piece, of the federal revenue. The hospital tax today bears no resemblance to what it looked like when it started; federal maximization has been abandoned in favor of direct taxation of hospital services – you cannot maximize federal revenue if you keep the hospital tax money and do not return it in the form of Medicaid payments.

In the 1990's we also had a hospital tax and it too morphed from its original purpose to maximize federal revenue to a direct tax on hospitals. Thankfully, back then the legislature decided the best course of action was to phase down and eliminate the tax over a series of years. SB 1053 follows that precedent, and we strongly urge your support of the hospital tax phase-down.

HB 7322 would repeal the sales tax exemption, making sales of tangible personal property or services to and by not-for-profit charitable hospitals in this state, not-for-profit nursing homes, not-for-profit rest homes, and not-for-profit residential care homes subject to sales tax. In brief, it is a tax increase, which will raise the cost of the medical care. We strongly urge you to oppose repealing the sales tax exemption provided in 12-412 (5) and (8).

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