



**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
Monday, April 2, 2018**

HB 5591, An Act Concerning Municipal Revenue

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **HB 5591, An Act Concerning Municipal Revenue**. We oppose Section 12 of the bill as presently drafted.

Before commenting on the bill, it is important to point out that Connecticut hospitals provide high quality care for everyone, regardless of their ability to pay. Connecticut hospitals are dynamic, complex organizations that are continually working to find innovative ways to better serve patients and communities and build a healthier Connecticut. By investing in the future of Connecticut's hospitals, we will strengthen our healthcare system and our economy, and deliver affordable care that Connecticut families deserve.

Section 12 establishes a working group to develop legislative recommendations for the implementation of a municipal services in lieu of taxes (SILOT) program for nonprofits.

Municipalities in Connecticut are free under existing law to develop voluntary programs to generate revenue from tax-exempt properties to help finance the delivery of local public services benefitting those properties.¹ There is no need for legislation unless the program contemplated in Section 12 is intended to be mandatory rather than voluntary. While the language in Section 12 does not explicitly state the program contemplated therein will be mandatory, we ask why a working group is needed when existing law already accommodates voluntary arrangements.

As drafted, Section 12 charges the working group with offering legislative recommendations that are narrowly drawn and specifically directed to the implementation of a new program, rather than a study of the viability of a SILOT program in the state, taking into consideration the constitutional, legal, regulatory, and inter-governmental aspects of such a program and the impact on the nonprofits charged to pay the new service fees. It presents SILOTs as a foregone conclusion rather than a concept worthy of study.

¹ State Tax Panel, Final Report, Recommendation 4.

Our concerns are heightened by a recent proposal included in the Economic Growth and Fiscal Stability Report (Report) urging the Legislature to authorize municipalities to impose service fees in lieu of taxes on not-for-profit colleges and hospitals.² Their use of the phrase “urging the legislature to authorize” means adopt a new law, and their use of the word “impose” connotes the adoption of a mandatory program.

Based on the language of the charge to the working group included in Section 12, the ability under current law for municipalities to enter into voluntary arrangements with the owners of tax-exempt properties, and the recommendation of the Economic Growth and Fiscal Stability Commission, we must conclude that the program contemplated in Section 12 is intended to be mandatory. We oppose a mandatory SILOT program for the following reasons.

If adopted, the levy of a mandatory service fee on Connecticut’s not-for-profit hospitals would adversely impact healthcare providers and inevitably result in an increase in the cost of healthcare. As we stated in our March 23 testimony on the Report presented to this Committee, when you are the organization writing the check, it matters little whether the payment is being called a tax or a service fee.

Imposing a new service fee on not-for-profit hospitals will impede access to healthcare for Connecticut citizens by adding cost. It would also serve as a disincentive for these hospitals to expand care into areas not presently served by a particular service or specialty. It is more likely that hospitals will reduce their footprint or remain in their present location, rather than situating themselves in areas where there is greater patient need.

New fees will hamper efforts to grow Connecticut’s healthcare economic sector, which is anchored by hospitals and health systems. The Report states that “(a)mong Connecticut’s largest and most important sectors are healthcare, finance, and manufacturing.”³ The Commission elaborates by stating that “Connecticut has a high location quotient in all three sectors, meaning the proportion of Connecticut’s employment coming from all three is higher than the national average.”⁴ New fees would disrupt the growth of Connecticut’s high-potential healthcare sector.

The Commission states that “vital urban cores make for strong regions and support the entire metropolitan area and state with critical cultural, healthcare and higher education institutions.”⁵ Hospitals and health systems are often the largest employers in their communities, and salaries are a vital economic stimulus, creating and supporting jobs throughout the state. The main campuses of Connecticut hospitals are largely located in our central cities. Hospitals and health systems must be incented to grow and prosper rather than be subject to new or increased taxes and fees.

Hospitals and health systems work proactively to strengthen Connecticut communities. They are meeting the healthcare needs of residents while providing an array of community benefits to enhance the quality of life in our cities and towns. In 2016, Connecticut hospitals provided

² Connecticut Commission on Fiscal Stability and Economic Growth, Final Report, March 2018, page 58.

³ Final Report, at page 16.

⁴ Final Report, footnote 2 at page 16.

⁵ Final Report, at Page 54.

more than 12 million services to individuals and families at a cost of \$1.7 billion – that’s 15.4 percent of total hospital revenue.⁶

Connecticut hospitals benefitted their communities in many ways.

- \$671.6 million: Unpaid government-sponsored healthcare (Medicaid)
- \$793.2 million: Unpaid government-sponsored healthcare (Medicare)
- \$199.7 million: Uncompensated care: Charity care/bad debt to provide services to those who cannot pay
- \$30.9 million: Community services to improve the health of the community
- \$8 million: Research and other programs to advance healthcare for patients and the community
- \$15.3 million: Donations to help support community organizations
- \$5.1 million: Community building to create stronger, healthier communities
- \$9.1 million: Subsidized health services to provide care needed by the community.⁷

Hospitals and health systems play a unique and critically important role in our communities. They are keeping their promises to the state, to cities and towns, and to their patients. We remain committed to working with state government to enact measures that will achieve economic growth and fiscal stability. The state should continue to exclude not-for-profit hospitals from property taxation or mandatory municipal service fees. For these reasons, we oppose Section 12.

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

⁶ 2018 Community Benefit Report, Connecticut Hospital Association, March 2018.

⁷ Most subsidized health services funds are reflected in the “unpaid costs of government programs” numbers.