



**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
INSURANCE AND REAL ESTATE COMMITTEE
Thursday, March 2, 2023**

**SB 1116, An Act Concerning A State-Operated Reinsurance Program
And Health Care Cost Growth**

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **SB 1116, An Act Concerning A State-Operated Reinsurance Program And Health Care Cost Growth**. CHA opposes sections 2 to 8, inclusive of the legislation.

Connecticut hospitals continue to meet the challenges posed by the COVID-19 pandemic and are now facing new challenges of treating sicker patients than they saw before the pandemic, with a dedicated but smaller workforce who are exemplary but exhausted. They are also experiencing significant financial hardships brought on by record inflation. Through it all, hospitals have been steadfast, providing high-quality care for everyone who walks through their doors, regardless of ability to pay.

SB 1116 would, among other things, amend the state's cost growth benchmark statute to require application of the annual spending and quality benchmarks at the hospital level and would require site-neutral payments in commercial insurance contracts.

Cost Growth Benchmark

The provisions of SB 1116 that seek to apply the cost growth benchmark targets specifically to hospitals would result in the misapplication of measures enshrined in statute, and unchanged by this legislation, to assess performance against the benchmarks. CHA supports the cost growth benchmark work and opposes the misapplication prescribed in the bill as it will undermine the validity of the benchmarking process.

As codified during last year's legislative session, the cost growth benchmark is assessed at four levels: (1) the State, (2) health insurance market (e.g., Medicare, Medicaid, and Commercial), (3) individual payer by market, and (4) Advanced Network (provider entities of a pre-defined size). Data at the individual payer and Advanced Network levels are risk adjusted.

To assess changes in the amount of healthcare spending, the Office of Health Strategy (OHS) will calculate total healthcare expenditures on an annual basis. The change in total health expenditures on a per capita basis will be used to assess performance against the benchmark. Total healthcare expenditure per capita is calculated by dividing total medical expense by payer by the number of Connecticut members represented in the total medical expense data. Total medical expense represents all payments for medical expenses, including hospital spending, for the Connecticut resident population and is reported by payers for all members (including fully and self-insured members).

The methodology statutorily required to assess performance against the benchmark cannot be applied to hospitals given the way it is currently calculated, but that does not mean hospital spending is not included in the benchmark.

The cost growth benchmarking process will provide additional information on the sources of spending that underlie spending growth. Total medical expense data will be reported to OHS via several spending categories, which include hospital inpatient and outpatient spending. It is likely that OHS will publicly report these service category data as part of the annual publication of benchmark data.

To reiterate, CHA supports the benchmarking process and has been part of the process since the Governor's executive order was issued. It was only last year that the legislature codified the benchmark and this will be the first year when data is publicly reported. It is premature to consider changes, especially those that do not work within the statutory measurement framework.

Site-Neutral Payments

CHA opposes site-neutral payments. Connecticut residents rely on hospitals for access to care 24-hours-a-day, to serve as a safety net provider for vulnerable populations, and to have the resources needed to respond to medical and public health emergencies and disasters. Many of these roles are not generally funded explicitly; instead, they are built into a hospital's overall cost structure and supported by revenues received from providing direct patient care.

The Medicare program recognizes the difference between a hospital setting and other settings. It has set forth specific criteria to determine when the provision of that service is hospital based and when it is simply a physician office service. When it meets the tests to be hospital based, the service is entitled to a higher level of Medicare funding, which is accorded in recognition of the fact that the hospital is held to a higher regulatory standard and must be prepared for all emergencies.

Connecticut hospitals and health systems are struggling financially and as a field lost \$164 million in fiscal year 2022. They are managing the aftermath of the most significant public health crisis in a century, as well as the incredible challenges of deepening workforce shortages, broken supply chains, and historic levels of inflation that have increased the costs of

caring for patients. Now more than ever, hospitals need stable and adequate reimbursements for what is a highly challenging environment. The site-neutral payment proposal in SB 1116 does not recognize this important role of hospitals and will undermine both their financial viability and their ability to support patient, public health, and community need.

The cuts in commercial reimbursement contemplated in SB 1116 would be in addition to the significant underpayment provided by government payers for hospital services. Currently, hospitals are reimbursed far less than what it costs them to provide the care in these programs. In 2021, uncompensated and undercompensated care totalled \$2.3 billion including \$1.1 billion in Medicare losses, \$993 million in Medicaid losses, and spending in excess of \$243 million on charity care.

Connecticut hospitals cannot withstand rate-setting policies for services by the state that will continue to erode the ability to care for patients and will undermine the financial health of the sector.

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