

**TESTIMONY OF
STEPHEN FRAYNE
SENIOR VICE PRESIDENT, HEALTH POLICY
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
HUMAN SERVICES COMMITTEE
Thursday, January 18, 2007**

On the adequacy of hospital reimbursement from private managed care organizations serving HUSKY and Medicaid clients

My name is Stephen Frayne and I am Senior Vice President, Health Policy of the Connecticut Hospital Association (CHA). I appreciate the opportunity to testify on behalf of CHA and its members on **the adequacy of hospital reimbursement from private managed care organizations serving HUSKY and Medicaid clients.**

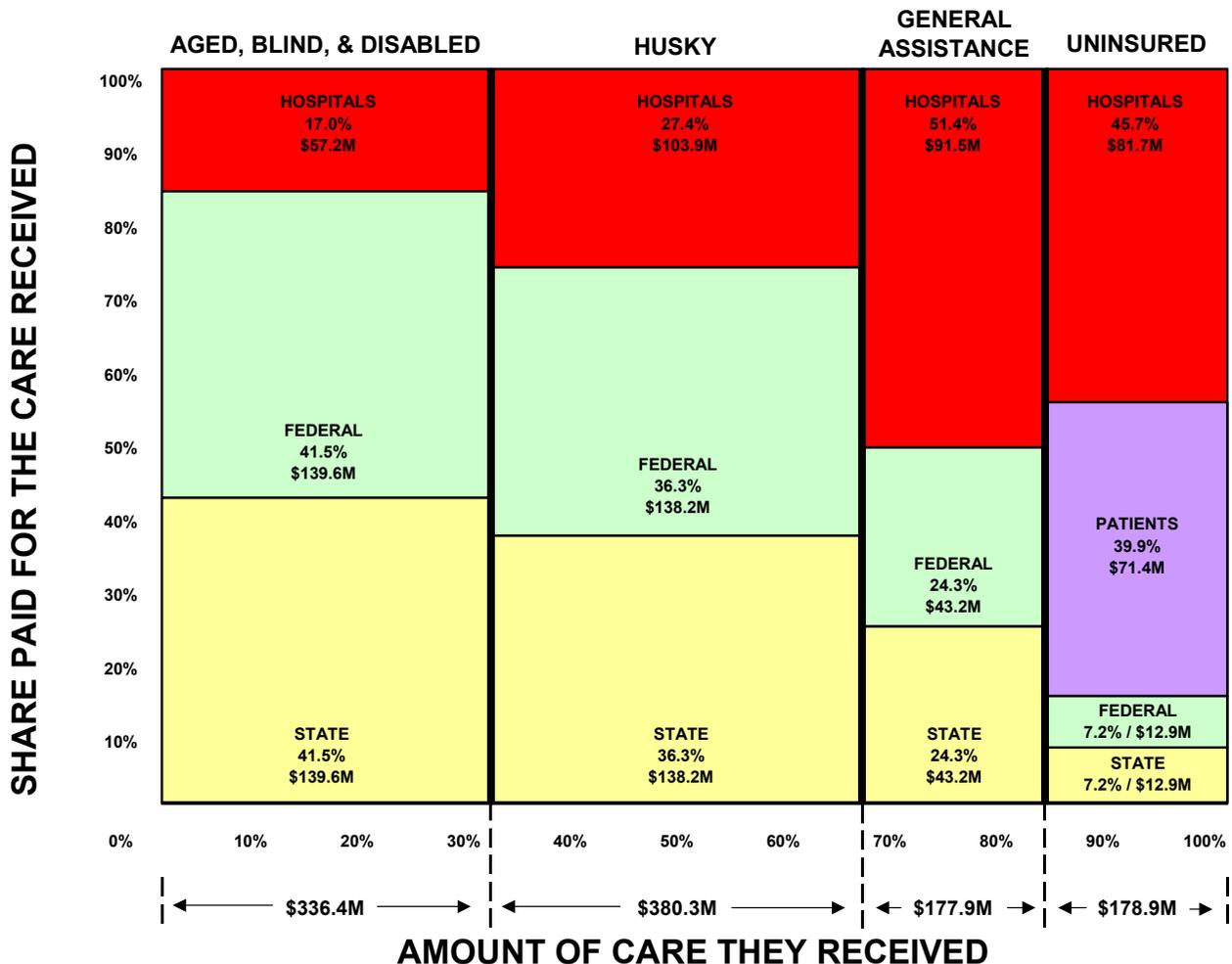
As we talk about hospital financing, we should first remember that hospitals are more than facts and figures and dollars and cents—hospitals, at their core, are really people taking care of people. Each year, the 45,000 people employed in Connecticut's hospitals care for more than 400,000 people admitted to their facilities, treat nearly 1.4 million people in their emergency rooms, and welcome more than 43,000 babies into the world. We provide care to all people regardless of their ability to pay—we serve more than 381,000 people in the State who don't have health insurance and nearly one million people enrolled in under-funded state and federal programs. And, we do this 24 hours a day, seven days a week, 365 days a year.

Often when people talk about hospitals, they picture buildings. But, Connecticut hospitals are not merely buildings—they are an integral part of the fabric of Connecticut communities and key contributors to our overall quality of life—just like strong schools, safe streets, and job growth. Our hospitals not only care for their patients, they are committed to the community beyond their four walls—dedicated caregivers are out in the community helping to keep our families, friends, and neighbors healthy where they live, work, and play. Whether it's bringing mobile mammography to uninsured women, offering parenting classes for young, new families, or providing dental care to our most vulnerable citizens, hospitals are working to keep community members healthy and well.

Who pays for Medicaid, SAGA, and the Uninsured today?

Annually hospitals contribute in excess of **\$334** million per year to cover the cost of care provided to Medicaid, SAGA, and the Uninsured. Those three groups make up more than 23 percent of the State's population. An often overlooked fact is that the amount hospitals have to contribute to cover the cost of state under funding for Medicaid and SAGA **exceeds by more than three times** what hospitals have to contribute to cover the cost for those without insurance. Perhaps most sad about this fact is that half of that annual loss is recoverable from the federal government.

WHO PAYS FOR THE COST OF CARE FOR THE UNINSURED AND INDIVIDUALS ELIGIBLE FOR STATE ASSISTANCE



As the chart above clearly shows, HUSKY under funding is a huge burden for hospitals. Today, **hospitals contribute 74 cents for every state dollar spent for HUSKY**. Why is the burden so large? The most succinct answer can be found in the December 18, 2006 Program Review and Investigations Committee report, which states: “It appears that much of the rate increases to Medicaid MCOs has gone to increased MCO administrative expenses and have not been passed on to providers, at least not to hospitals.”

While it would be easy, it would be patently unfair to end my testimony here—letting hang in the air the implication that managed care companies are the villains and if it wasn’t for them, care for the Medicaid and SAGA population would be so much easier. Sure, we need to evaluate what the state is buying for about \$90 million per year in administrative payments and whether it is getting its money’s worth. But the more fundamental question is, are these programs adequately funded to permit them to achieve their stated objectives. As far as hospitals are concerned, the answer is a simple no.

The hidden genius in how managed care companies can make a go of a 3.8% increase when needing double digit increases in their commercial products won't be found in their business and financial acumen. Rather, it is their and the state's over reliance on a group of providers, namely hospitals, who can't and won't quit. As a state, we can and should do far better than this.

What should be done?

A January 16, 2007 New-Haven Register editorial observed the following when commenting on the various options for universal health care:

...state payments to compensate hospitals for the care of the poor fall some \$250 million short each year of meeting the hospitals' costs. Even with some of those costs being shifted to those with private insurance, the shortfall has placed some hospitals in financial jeopardy and has diminished investment in new medical technology and patient care systems. The formula for compensating hospitals needs to be revised.

Medicaid, HUSKY and hospital compensation are basic components of the state's health care system. These programs need to be mended before another health care entitlement is considered.

Hospitals need you to decide that investing in their ability to care for Connecticut is a priority.

Hospitals need to be paid what it costs to serve individuals enrolled in state programs.

For additional information, contact CHA Government Relations at 203-294-7310.