



**TESTIMONY
OF
CONNECTICUT HOSPITAL ASSOCIATION
HUMAN SERVICES COMMITTEE
Thursday, April 10, 2003**

**HB 6548, An Act Concerning The State Budget For The Biennium Ending June 30,
2005, And Making Appropriations Therefor**

The Connecticut Hospital Association (CHA) appreciates the opportunity to submit testimony on **HB 6548, An Act Concerning The State Budget For The Biennium Ending June 30, 2005, And Making Appropriations Therefor** as it relates to the Governor's budget proposal for the Department of Social Services.

Connecticut hospitals and hospitals across the country are facing a series of daunting fiscal challenges, including staggering reductions in the Medicare program, a severe shortage of healthcare workers, escalating pharmaceutical costs, unprecedented blood and blood product price increases, and skyrocketing medical and general liability premiums. In addition, in this post 9/11 era in which we must be prepared for what used to be unthinkable, we continue to expend our limited resources on disaster and emergency planning at unprecedented levels. These pressures have put Connecticut's hospitals in a financially tenuous position.

Significantly increasing the financial pressure on Connecticut's hospitals is the recent deficit reduction plan passed by the General Assembly and signed by the Governor. This plan (see Schedule A, attached) reduces hospital funding as follows: \$5 million from the uncompensated care program; \$1 million from General Assistance (GA)/Department of Mental Health and Addiction Services (DMHAS) funding; \$.4 million from Community KidCare funding; \$21.9 million and \$26.3 million, for SFY 04 and 05, respectively, from the HUSKY program by eliminating medical coverage for 27,000 parents of children enrolled in the program; and \$4.4 million and \$10.3 million, for SFY 04 and 05, respectively, from the Medicaid program by eliminating presumptive eligibility and restructuring benefits.

Looking ahead, CHA is grateful that the Governor's biennial budget proposes the permanent repeal of the hospital sales tax on patient care services, increases outpatient Medicaid rates, and maintains level funding of the DSH and Urban DSH pool. Quick permanent repeal of the hospital sales tax is paramount if Connecticut's hospitals are to avoid having to redirect \$128 million (see Schedule B, attached) they currently use to provide patient care to instead pay sales tax.

While the permanent repeal of the hospital sales tax will help, the other proposed changes and reductions contained in the Administration's budget will have a dramatic negative effect on Connecticut hospitals.

Specifically, CHA opposes the elimination of cash and medical benefits under the State Administered General Assistance Program (SAGA) program, which will strip coverage from approximately 25,000 individuals. In place of SAGA coverage, the Administration proposes to increase DSH Pool funding by \$58.3 million to offset the loss of direct hospital SAGA payments. Unfortunately, the proposal does not fund current SAGA services now delivered outside the hospital in other community settings. When these services are no longer available in the community due to funding cuts, SAGA patients will be forced to access treatment at hospitals, more often than not in already overcrowded hospital emergency departments. The \$21 million in community-based SAGA services to be eliminated include clinic, physician, dental, laboratory, and x-ray services.

If, however, the elimination of SAGA is inevitable in order to attract federal matching revenue, then any new SAGA DSH Pool equivalent that is created should be fully funded at \$80 million per year (\$58.3 million to cover the loss of direct hospital SAGA payments and \$21 million to cover the hospital costs resulting from the elimination of community based services). Additionally, to preserve the integrity of the current SAGA distribution (see Schedule C, attached), a new SAGA-specific allocating statistic would need to be developed. If properly developed and applied, a new SAGA allocating statistic should allocate any additional SAGA DSH Pool funds so that the result matches the current SAGA distribution. CHA has already discussed this with OPM; OPM has committed to working with CHA to solve this problem and we appreciate this commitment.

CHA also opposes the establishment of a grant-based system for GA mental health services. Transferring the GA behavioral health program to grants will cause behavioral health providers to, in effect, become insurers by having to accept the risk that the demands of the population may outstrip the dollars available. CHA does not believe it is appropriate for the state to expect individual providers to take that risk, and, moreover, to do so with 30% fewer dollars (funding is being reduced from \$66.4 million to \$46.5 million).

Assuming, however, that the Committee agrees to the policy change of establishing a grant-based program, CHA urges the Committee to, at minimum, level-fund the program. Finally, if the Committee transfers risk to behavioral health providers, CHA requests that payments for hospitals for DMHAS' behavioral health programs be made directly to hospitals, and that a new Uncompensated Care Pool (UCP) equivalent be created and funded at \$29 million per year.

In addition to the changes proposed in the Governor's budget, DMHAS is already implementing changes to the GA behavioral health program that will have a devastating effect on hospitals. For example, effective Friday, March 14, 2003, coverage is no longer available through the general assistance behavioral health program for individual

practitioners and transportation services. In the past, when DMHAS temporarily suspended transportation payments, hospitals that had located inpatient placements for GA patients in DMHAS treatment facilities were unable to get the patient to the facility unless the ambulance providers, who are not owned by hospitals, were paid in advance. It is already extremely difficult for hospitals to locate inpatient mental health placements, and many GA patients must wait for days or even weeks for an inpatient placement. The state should not further impede GA patients' access to appropriate treatment by refusing to pay transportation from a hospital emergency department to a DMHAS facility for inpatient treatment.

CHA and its member hospitals are aware that these requests come at a time when the economy is sluggish and the state is attempting to eliminate a sizeable budget deficit. However, hospitals are in great need of your assistance. Connecticut's hospitals need Medicaid and SAGA funding increases, not cuts, in order to continue their vital role as the state's healthcare safety net, providing care for all those in need, regardless of their ability to pay. This is why CHA asks you to make hospitals a priority this legislative session and protect them from budget reductions. CHA also urges you to reverse the HUSKY program changes already implemented, oppose changes and cuts to SAGA, and oppose converting the GA behavioral program to a grant-based program with 30% less resources.

Thank you for your consideration of our position.

**SCHEDULE A
BIENNIUM IMPACT OF HOSPITAL PAYMENT REDUCTIONS ALREADY IMPLEMENTED**

	SFY 2004 HUSKY A	SFY 2005 HUSKY A	SFY 2004 HUSKY B*	SFY 2005 HUSKY B*	SFY 2004 \$1 CO-PAY	SFY 2005 \$1 CO-PAY	SFY 2004 Presumptive Eligibility	SFY 2005 Presumptive Eligibility	SFY 04 - 05 Total Impact by Hospital
Backus	(267,914)	(321,595)	(54,168)	(125,808)	(54,168)	(57,097)	(35,136)	(58,561)	(974,447)
Bradley	(50,033)	(60,057)	(10,116)	(23,494)	(10,116)	(10,663)	(6,562)	(10,936)	(181,977)
Bridgeport	(1,289,325)	(1,547,660)	(260,683)	(605,443)	(260,683)	(274,774)	(169,092)	(281,820)	(4,689,480)
Bristol	(325,897)	(391,195)	(65,892)	(153,035)	(65,892)	(69,453)	(42,741)	(71,234)	(1,185,340)
Conn. Childrens	(2,691,079)	(3,230,275)	(544,098)	(1,263,680)	(544,098)	(573,509)	(352,928)	(588,214)	(9,787,879)
Danbury	(307,093)	(368,623)	(62,090)	(144,205)	(62,090)	(65,446)	(40,274)	(67,124)	(1,116,944)
Day Kimball	(248,693)	(298,523)	(50,282)	(116,782)	(50,282)	(53,000)	(32,616)	(54,359)	(904,537)
John Dempsey	(809,550)	(971,755)	(163,680)	(380,149)	(163,680)	(172,527)	(106,170)	(176,951)	(2,944,462)
Greenwich	(55,491)	(66,610)	(11,220)	(26,058)	(11,220)	(11,826)	(7,278)	(12,129)	(201,830)
Griffin	(234,498)	(281,483)	(47,412)	(110,116)	(47,412)	(49,975)	(30,754)	(51,256)	(852,905)
Hartford	(1,502,022)	(1,802,973)	(303,687)	(705,321)	(303,687)	(320,103)	(196,986)	(328,311)	(5,463,092)
Hungerford	(127,734)	(153,327)	(25,826)	(59,981)	(25,826)	(27,222)	(16,752)	(27,920)	(464,588)
Johnson	(123,441)	(148,174)	(24,958)	(57,966)	(24,958)	(26,307)	(16,189)	(26,982)	(448,975)
L & M	(612,155)	(734,808)	(123,769)	(287,456)	(123,769)	(130,459)	(80,283)	(133,804)	(2,226,503)
Manchester	(257,852)	(309,516)	(52,134)	(121,082)	(52,134)	(54,952)	(33,817)	(56,361)	(937,848)
Middlesex	(583,739)	(700,699)	(118,024)	(274,113)	(118,024)	(124,403)	(76,556)	(127,593)	(2,123,151)
Midstate	(339,670)	(407,728)	(68,676)	(159,503)	(68,676)	(72,389)	(44,547)	(74,245)	(1,235,433)
Milford	(111,842)	(134,252)	(22,613)	(52,519)	(22,613)	(23,835)	(14,668)	(24,446)	(406,788)
New Britain	(958,235)	(1,150,232)	(193,742)	(449,969)	(193,742)	(204,214)	(125,670)	(209,450)	(3,485,254)
New Milford	(68,902)	(82,708)	(13,931)	(32,355)	(13,931)	(14,684)	(9,036)	(15,061)	(250,608)
Norwalk	(309,485)	(371,495)	(62,573)	(145,328)	(62,573)	(65,956)	(40,588)	(67,647)	(1,125,646)
Rockville	(222,877)	(267,533)	(45,063)	(104,659)	(45,063)	(47,498)	(29,230)	(48,716)	(810,638)
Sharon	(27,543)	(33,062)	(5,569)	(12,934)	(5,569)	(5,870)	(3,612)	(6,020)	(100,179)
St. Francis	(2,199,624)	(2,640,350)	(444,733)	(1,032,902)	(444,733)	(468,772)	(288,475)	(480,792)	(8,000,382)
St. Mary's	(1,155,960)	(1,387,573)	(233,719)	(542,817)	(233,719)	(246,352)	(151,601)	(252,669)	(4,204,411)
St. Raphaels	(948,204)	(1,138,190)	(191,713)	(445,258)	(191,713)	(202,076)	(124,355)	(207,258)	(3,448,767)
St. Vincent's	(458,834)	(550,768)	(92,770)	(215,460)	(92,770)	(97,784)	(60,175)	(100,292)	(1,668,852)
Stamford	(389,059)	(467,013)	(78,662)	(182,695)	(78,662)	(82,914)	(51,024)	(85,040)	(1,415,070)
Waterbury	(451,152)	(541,547)	(91,217)	(211,853)	(91,217)	(96,147)	(59,168)	(98,613)	(1,640,912)
Windham	(569,737)	(683,892)	(115,193)	(267,538)	(115,193)	(121,419)	(74,720)	(124,533)	(2,072,224)
Yale New Haven	(4,262,360)	(5,116,385)	(861,789)	(2,001,523)	(861,789)	(908,372)	(558,998)	(931,663)	(15,502,878)
TOTAL	(21,960,000)	(26,360,000)	(4,440,000)	(10,312,000)	(4,440,000)	(4,680,000)	(2,880,000)	(4,800,000)	(79,872,000)

* Includes in '04 \$2.6 and '05 \$6 million in proposed Medicaid restructuring.

**SCHEDULE B
PATIENT CARE DOLLARS LOST IF SALES TAX IS RESUMED**

Hospital	Estimated Tax for FY 2004
Backus	(4,722,850)
Bradley	(706,225)
Bridgeport	(5,118,880)
Bristol	(2,681,369)
Charlotte Hungerford	(1,905,613)
CT Children's	-
Danbury	(8,274,654)
Day Kimball	(2,429,445)
John Dempsey	-
Greenwich	(6,188,167)
Griffin	(2,205,532)
Hartford	(10,313,010)
Johnson	(1,216,352)
Lawrence & Memorial	(5,221,480)
Manchester	(3,247,554)
Middlesex	(4,891,062)
MidState	(3,746,331)
Milford	(1,773,382)
New Britain	(4,506,486)
New Milford	(1,860,096)
Norwalk	(5,663,757)
Rockville	(1,742,154)
St. Francis	(8,293,801)
St. Mary's	(2,793,523)
St. Raphael	(6,428,268)
St. Vincent's	(4,703,301)
Sharon	(1,144,472)
Stamford	(5,741,544)
Waterbury	(3,690,173)
Windham	(1,850,457)
Yale-New Haven	(15,879,381)
TOTALS	(128,939,320)

SCHEDULE C
UNINTENDED OVER/(UNDER) PAYMENT FROM MISALLOCATING SAGA

	Actual SAGA FY 2001 Distribution	SAGA Distribution if Through Urban DSH	Unintended Over/(Under) Payment	SAGA Distribution if Through UCP	Unintended Over/(Under) Payment
Backus	1,088,757	-	(1,088,757)	1,831,228	742,471
Bradley	65,887	-	(65,887)	-	(65,887)
Bridgeport	3,227,477	6,878,279	3,650,802	3,724,344	496,867
Bristol	-	-	-	954,669	954,669
Conn. Childrens	-	-	-	-	-
Danbury	1,610,801	-	(1,610,801)	3,210,877	1,600,076
Day Kimball	915,497	-	(915,497)	918,419	2,922
Greenwich	163,616	-	(163,616)	1,146,187	982,571
Griffin	443,401	-	(443,401)	762,277	318,876
Hartford	7,259,233	7,549,952	290,719	5,420,941	(1,838,292)
Hungerford	701,177	-	(701,177)	536,352	(164,825)
John Dempsey	1,557,276	-	(1,557,276)	-	(1,557,276)
Johnson	13,653	-	(13,653)	393,249	379,596
L & M	1,592,758	-	(1,592,758)	1,866,332	273,574
Manchester	1,585,543	-	(1,585,543)	616,883	(968,660)
Middlesex	2,421,166	-	(2,421,166)	1,151,327	(1,269,839)
Midstate	1,363,898	-	(1,363,898)	1,391,134	27,236
Milford	-	-	-	344,231	344,231
New Britain	1,988,216	3,592,179	1,603,963	1,706,913	(281,303)
New Milford	-	-	-	448,045	448,045
Norwalk	2,758,105	-	(2,758,105)	2,002,653	(755,452)
Rockville	434,522	-	(434,522)	227,529	(206,993)
Sharon	-	-	-	248,306	248,306
St. Francis	7,154,449	8,378,917	1,224,468	4,404,664	(2,749,785)
St. Mary's	2,367,592	2,937,510	569,918	1,623,338	(744,254)
St. Raphael's	3,359,236	5,165,086	1,805,850	3,180,568	(178,668)
St. Vincent's	2,437,266	4,540,174	2,102,908	2,868,397	431,131
Stamford	953,494	-	(953,494)	3,892,444	2,938,950
Waterbury	1,555,753	3,188,325	1,632,572	1,843,421	287,668
Windham	417,979	-	(417,979)	448,073	30,094
Yale-New Haven	8,176,130	13,382,461	5,206,331	8,450,081	273,951
Total	55,612,882	55,612,882	-	55,612,882	-