

**TESTIMONY
OF
STEPHEN A. FRAYNE
VICE PRESIDENT, FINANCE AND INSURANCE SERVICES
CONNECTICUT HOSPITAL ASSOCIATION
FINANCE, REVENUE AND BONDING COMMITTEE
Thursday, April 3, 2003**

IN SUPPORT OF

**HB 6666, An Act Concerning The Repeal Of The Sales Tax On Patient Care
Services and sections 9 and 10 of SB 1037, An Act Concerning Revenue Changes
To Implement The Biennial Budget**

Good afternoon Co-Chairs Senator Eileen Daily, Representative Andrea Stillman, and members of the Finance, Revenue, and Bonding Committee. My name is Stephen A. Frayne. I am the Vice President of Finance and Insurance Services of the Connecticut Hospital Association (CHA). I am here to testify in support of HB 6666, An Act Concerning The Repeal Of The Sales Tax On Patient Care Services and sections 9 and 10 of SB 1037, An Act Concerning Revenue Changes To Implement The Biennial Budget.

Both bills propose to permanently repeal the hospital sales tax on patient care services. CHA and all of Connecticut's hospitals are united in their support for the permanent repeal of the hospital Sales tax. Attached for your information is a letter signed by all the hospitals indicating their support for permanent repeal of the hospital sales tax.

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

The recent deficit reduction plan passed by the General Assembly and signed by the Governor will significantly increase the financial pressure on Connecticut's hospitals (see Schedule A attached). This plan reduced hospital funding from: the uncompensated care program by 5 million dollars; the GA/DMHAS by \$1 million; Community KidCare by \$.4 million; the HUSKY program by \$21.9 million and \$26.3 million, for SFY 04 and 05, respectively (by eliminating medical coverage for 27,000 parents of children enrolled in the HUSKY program); and the Medicaid program by \$4.4 million and \$10.3 million, for SFY 04 and 05, respectively (by eliminating presumptive eligibility and restructuring benefits). In addition, there are other

proposed changes and reductions contained in the Administration's budget that will have a dramatic negative effect on Connecticut hospitals. CHA opposes eliminating cash and medical benefits under the State Administered General Assistance Program (SAGA) program. CHA opposes the establishment of a grant-based system for General Assistance mental health services. These new cuts, if enacted, will only exacerbate the serious financial situation facing every Connecticut hospital.

CHA is grateful that the Governor's budget proposes permanent repeal of the hospital sales tax on patient care services. Quick permanent repeal of the sales tax is paramount if Connecticut's hospitals are to avoid having to redirect \$128 million dollars of funds (see Schedule B) currently used to provide patient care to instead pay sales tax. In 2002, 27 of the state's 31 acute care hospitals ended the year unable to collect enough funds from patients to cover the cost of care delivered to those patients. Our total losses in 2002 on patient care delivery were \$165.2 million. Reestablishing the hospital sales tax will nearly double the losses to \$294.2 million (see Schedule B).

I know that CHA's requests come at a time when the economy is sluggish and you are attempting to eliminate a sizeable state budget deficit. However, hospitals are in great need of your assistance. Connecticut's hospitals hope for Medicaid and SAGA funding increases not cuts. Connecticut hospitals rely on your help in their service 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. CHA urges you to reconsider and reverse the HUSKY program changes already implemented, oppose changes and cuts to SAGA, oppose converting the GA behavioral program to a grant-based program, and support permanent repeal of the hospital sales tax.

For the good of all Connecticut's hospitals, please support HB 6666 and sections 9 and 10 of SB 1037.

Thank you for your consideration of my comments.