

**TESTIMONY
OF
J. Kevin Kinsella
Vice President
Hartford Hospital
Finance, Revenue and Bonding Committee
April 3, 2003**

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

My name is J. Kevin Kinsella I am Vice President of Hartford Hospital in Hartford. I appreciate the opportunity 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.

Connecticut hospitals 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 era of heightened need for Homeland Security, 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. 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.

The recent deficit reduction plan passed by the General Assembly and signed by the Governor will significantly increase the financial pressures on Connecticut's hospitals. This plan reduced hospital funding from the uncompensated care program by 5 million dollars; General Assistance/Department of Mental Health and Addition Services programs 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). These cuts will only exacerbate the serious financial situation facing every Connecticut hospital.

The last time the sales tax was in force, in 2001, the negative impact on Connecticut's hospitals was more than \$110 million. The Connecticut Hospital Association estimates that if the tax is reinstated in 2003 it will cost hospitals approximately \$128 million. Hospitals simply cannot absorb a financial hit of this magnitude. It is important to remember that if you permanently repeal the sales tax on patient care services, you will not be providing hospitals with a new tax break. Instead, you will be maintaining a significant and integral component of the current structure of hospital financing. In fact, the failure to repeal the tax would be a critical setback for

hospitals, reversing the progress that has been made toward creating a more equitable system for state reimbursement to hospitals.

The hospital sales tax is not imposed like a typical sales tax. It is a tax based on non-government hospital revenue. Because of contractual agreements with most payors, the tax cannot be added to the cost of services rendered; it must be paid by the hospital out of the contracted amount received. Therefore, hospitals have no real ability to pass the tax through to payors. This severely limits - and often eliminates - hospitals' ability to recoup the impact of the tax.

The passage of this bill is particularly important to Hartford Hospital as an urban hospital which provides a large portion of care for the medicaid and uninsured population.

I ask your support of HB 6666 and sections 9 and 10 of SB 1037.

Thank you for your consideration of my comments.

J. Kevin Kinsella
Vice President