

TESTIMONY OF YALE NEW HAVEN HEALTH

Finance, Revenue and Bonding Committee Name
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

Yale-New Haven Health System, comprised of Bridgeport, Greenwich and Yale-New Haven Hospitals, strongly supports **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's acute care hospitals are united in our support for the permanent repeal of the hospital sales tax as we face many fiscal challenges. At Yale New Haven Health, we have referred to the external pressures as a "*Perfect Storm*" with 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.

The recent FY 2003 deficit reduction plan 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. For hospitals in the Yale New Haven Health System, the combined cost is projected to be \$30.7 million in FY 2004 alone. 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. 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.

It is important to note that 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 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 ability to pass the tax on to insurers. This severely limits a hospital's ability to recover the 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.