



**TESTIMONY
OF
STEPHEN A. FRAYNE
VICE PRESIDENT, FINANCE AND INSURANCE SERVICES
CONNECTICUT HOSPITAL ASSOCIATION
HUMAN SERVICES COMMITTEE
Tuesday, March 4, 2003**

**SB 739, An Act Concerning The Department Of Social Services Payments For
Hospital Inpatient Care, Outpatient Care, And Mental Health Services**

Good afternoon Co-Chairs Senator Mary Ann Handley, Representative Peter Villano, and members of the Human Services 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 **SB 739, An Act Concerning The Department Of Social Services Payments For Hospital Inpatient Care, Outpatient Care, And Mental Health Services**.

SB 739 would amend the Department of Social Services statutes by increasing the rate of payment for inpatient, outpatient, and mental health services. The bill, as proposed, would increase the rate of payment over the next three years so that by the end of the third year Medicaid rates will be equivalent to Medicare rates for similar services. These proposed adjustments would complete the process began by the legislature and the Administration in 2001. In 2001, the minimum payment threshold for inpatient services was set at 62.5% of 1999 costs. While it may be hard to believe, two-thirds of Connecticut hospitals received an increase in payment in order to bring them up to 62.5% of cost. Thank you again for setting a minimum threshold in 2001.

Now it is important to continue the work of updating the hospital payment system. Prior to 2001, some parts of the hospital payment system were more than a decade old, and other parts were more than two decades old. CHA and its members are not insensitive to the current and projected fiscal plight facing the State. However, we need to work together to find a way to continue to update the hospital payment system in the future.

In the aggregate, the Medicaid program underpays for the hospital services it receives by about \$160 million per year. At this level of underpayment, hospitals receive, on average, seventy-four cents for every dollar of care provided. Medicare rates for similar services reimburse ninety-eight cents for every dollar of care provided. Compared to other states, Connecticut's rate of hospital Medicaid reimbursement is fifth lowest in the nation.

In summary, CHA supports SB 739 and requests that the Committee support it too. I would be happy to answer any questions.