



**TESTIMONY
OF
STEPHEN A. FRAYNE, VICE PRESIDENT OF FINANCE
AND INSURANCE SERVICES OF THE
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE PUBLIC HEALTH COMMITTEE
ON TUESDAY, MARCH 12, 2002**

**IN SUPPORT OF
SB 585, AN ACT CONCERNING MEDICAID PAYMENTS
AND
IN OPPOSITION TO
SB 583, AN ACT CONCERNING UNCOMPENSATED CARE**

Good afternoon Co-Chairs Senator Toni Harp, Representative Mary Eberle, and members of the Public Health 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 Senate Bill 585, an Act Concerning Medicaid Payments and in opposition to SB 583, an Act Concerning Uncompensated Care.

Senate Bill 585 amends the Department of Social Services statutes by increasing the rate of payment for partial hospitalization services. The Bill, as proposed, increases the Medicaid rate for partial hospitalization services to 90% of what Medicare pays for partial hospitalization services. This bill continues the process began by the Legislature and the Administration last year to update the hospital payment system. Last year, for example, a minimum payment threshold for inpatient services was set at 62.5% of 1999 costs. While it may be hard to believe, two-thirds of the hospitals received an increase in

payment in order to bring them up to 62.5% of cost. Thank you again for setting that minimum threshold last year.

It is important to continue the work of updating the hospital payment system. Prior to last year, some parts of the hospital payment system were over a decade old, and other parts were over two decades old. However, CHA and its members are not insensitive to the current and projected fiscal plight facing the State. Our goal is that you work with us and find some way to continue to update the hospital payment system into the future.

Therefore, please support Senate Bill 585.

Senate Bill 583 amends the general statutes by adding to the requirements that a hospital must satisfy, and the Secretary of the Office of Policy and Management must certify, in order for the Hospital to be eligible to receive uncompensated care or disproportionate share payments. It is important to note that in the last several months the Secretary has certified that all Hospitals have made reasonable efforts to provide uncompensated care and participate in the Medicaid Managed Care program. The added requirement is that a hospital must participate in Medicaid FFS and Managed Care. CHA does not take issue with the requirement to participate in Medicaid FFS but with the requirement to participate in Medicaid Managed Care. As you know, the terms upon which hospitals participate in Medicaid Managed Care are the subject of negotiation between providers and the Plan. If enacted into law, this new requirement could be construed as compelling a hospital to participate regardless of the terms. This would undermine the whole negotiation process because it would give one party to the negotiation, i.e., the Plan, an undue advantage. Therefore, please reject Section 1 of Senate Bill 583.

I would be happy to answer any questions.