



**TESTIMONY  
OF THE  
CONNECTICUT HOSPITAL ASSOCIATION**

**APPROPRIATIONS COMMITTEE**

**Wednesday, December 11, 2002**

**Governor's Budget Reduction Plan**

On behalf of Connecticut's 31 acute care hospitals, the Connecticut Hospital Association (CHA) appreciates the opportunity to submit testimony on the Governor's Budget Reduction Plan. CHA and its members appreciate the very difficult budgetary issues before you.

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 liability premiums. In addition, in this post 9/11 era in which hospitals must be prepared for what used to be unthinkable, we continue to expend our limited resources on disaster and emergency planning at unprecedented levels.

As a result of these financial stresses, Connecticut's hospitals are in a financially tenuous position, with 14 of the state's 31 acute care hospitals ending 2002 classified as either "moderately distressed" or "significantly distressed," according to the latest Office of Health Care Access *Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals*.

This is why we are asking you to make hospitals a priority and protect them from budget reductions.

We know that our request comes at a time when you are struggling through a sluggish economy and are attempting to eliminate a sizeable state budget deficit. But this is also the time when we are in the greatest need of your assistance. Connecticut hospitals must remain financially viable if they are to continue to serve as the state's healthcare safety net, providing care for all those in need, regardless of their ability to pay. This protection of access to care is most important now, in difficult economic times, when Connecticut's workers and families may be losing their health insurance coverage.

CHA's comments today regarding the Administration's "balanced budget plan," while thorough, should be viewed as preliminary. Our reluctance to be complete and definitive is based on our belief that it is very difficult to thoroughly know and quantify what will be the after-shock effect of the changes being proposed by the plan. These after-shocks, while difficult to predict, will occur and therefore need to be carefully considered.

As we understand it, the Administration is proposing to: freeze HUSKY B enrollment (a savings of \$500,000), eliminate HUSKY Adults (a savings of \$12,000,000), eliminate various forms of eligibility under Medicaid (a savings of \$3,600,000), eliminate the State Administered General Assistance (SAGA) program (a savings of \$33,360,000) offset by an increase of \$12,900,000 in Urban DSH payments. (The dollars shown are for the balance of the State fiscal year, not a full year impact.) All of these changes will have a direct negative impact on Connecticut's fragile hospital system.

As we understand it, the most significant change proposed above, the elimination of SAGA, is not intended to have any direct negative effect on hospitals in the aggregate. As it has been explained to us, while the SAGA program will be eliminated and therefore hospitals will annually lose \$60,000,000 in payments from the \$120,000,000 SAGA program (i.e., \$60,000,000), those lost SAGA payments will be replaced by an increase in the Urban DSH appropriation by the same amount.

Attached for your reference is a schedule that documents the SAGA payments each hospital received in its most recently completed fiscal year for which data is readily available. On that schedule, highlighted in bold print are the nine hospitals that are eligible to receive funds through the Urban DSH appropriation. As you can easily tell, if the \$60,000,000 in SAGA funds were transferred in total to the Urban DSH appropriation, those who are not eligible for payment through Urban DSH would suffer enormous losses. Those are not losses that any hospital can absorb. Therefore, the Administration and the Legislature should only agree on this course of action as a way to secure the maximum level of federal matching funds if there is a way to mitigate the impact on all hospitals.

We are also very concerned about the impact that the proposed budget cuts related to mental health services in the Department of Children and Families and the Department of Mental Health and Addiction Services will have on the healthcare system in Connecticut. Hospital emergency departments are already overloaded and patients experiencing behavioral health crises often remain in emergency departments for days or even weeks while the hospital attempts to find an appropriate placement. These delays are truly detrimental to behavioral health patients awaiting placement. In addition, the beds and resources consumed by behavioral health patients awaiting placement also affect the provision of care to all other patients in the emergency department. These proposed budget reductions would increase the number of behavioral health patients seeking treatment in hospital emergency departments and further exacerbate the backlog and resulting negative impact on patient care.

Our hospitals are there for you and your constituents, twenty-four hours a day, seven days a week. Please be there for us to help protect the future of our hospitals and the integrity of our statewide healthcare system.

Thank you for considering our position.