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New Taxes Wrong Prescription for Connecticut's Hospitals Hospitals Urge Rejection of New Healthcare Tax

Wallingford, CT – In testimony today before the legislature's Finance, Revenue and Bonding Committee, Jennifer Jackson, President and CEO of the Connecticut Hospital Association, strongly opposed legislation that will impose a 3¼ percent tax on hospital gross revenues. She urged the committee to avoid imposing new taxes on healthcare, which will only serve to increase costs to consumers and employers and harm hospitals struggling to care for increasing numbers of uninsured patients and patients with government-sponsored coverage.

Citing the severe economic challenges facing hospitals in the state, Ms. Jackson maintained that the tax is potentially devastating to financially compromised hospitals. In her testimony, Ms. Jackson described the financial burden currently facing hospitals, a burden that could be lifted in part were the state to use Medicaid relief, allocated through the American Recovery and Reinvestment Act, for the purpose it was intended – to prevent cuts to Medicaid. Connecticut's relief will total \$1.74 billion over the course of 27 months, resulting from an increase in the federal match rate from 50 percent to 61.59 percent. That \$1.74 billion in additional funding is enough to cover 100 percent of the cost of the increase in Medicaid and SAGA enrollment that has or will occur in state fiscal years 2009, 2010, and 2011, and also provide a nearly \$300 million contribution to the state's General Fund. Unfortunately, none of the funds designated for Connecticut are being used to help hospitals cover the increased costs brought on by the combined 18 percent increase in Medicaid and SAGA enrollment.

Last imposed in the 1990's, the hospital user tax was ultimately repealed. The tax proved extremely disruptive to hospitals, changing every year based upon shifting state budgetary needs. Despite initial promises to the contrary, the state retained the entire increased federal match and kept another \$106 million of tax funds originally intended for hospitals. Given the dire fiscal situation facing Connecticut, hospitals are destined to lose big under the newest tax scheme.

“Taxing hospitals is the wrong prescription for Connecticut. Instead of a new healthcare tax, which hurts consumers, employers, and hospitals, let's work together and use the enhanced federal Medicaid match to maintain eligibility and coverage, bring provider rates closer to covering the real cost of care, and contribute to balancing the state budget,” stated Ms. Jackson.

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The Connecticut Hospital Association has been dedicated to serving Connecticut's hospitals since 1919. Through state and federal advocacy, CHA represents the interests of Connecticut's not-for-profit hospitals on key healthcare issues in the areas of quality and patient safety, access and coverage, workforce, public health, and hospital reimbursement.