



We oppose the proposed cuts to hospitals through the tax and elimination of uncompensated care funding because they hurt patients and communities and risk unraveling the safety net for our most vulnerable citizens.

*We believe the hospital tax is bad policy, but **there are five critical issues that must be addressed if the tax is implemented:***

- ✓ **Help those hospitals most hurt by the tax** – *Our request is that the state create a fund to reduce the losses of those hospitals most hurt by the tax by at least three-quarters, through an appropriation of about \$35 million. Hospitals would still be major contributors to reducing the state deficit.*
- ✓ **Make the tax collected equal the tax budgeted to be collected** – *The administration’s estimate of tax to be collected is based on applying tax rates to 2009 revenue. If the tax is applied to the revenues in future years, then the actual tax collected will far exceed what is budgeted and create even bigger losses for hospitals. If the current rate of net revenue growth continues, the tax collected would be \$55 million higher than expected in 2012, and it would be \$75 million higher than expected in 2013. To fix this problem, the statute should say the tax rates will be applied to the lower of the 2009 revenue or the revenue in the applicable tax year.*
- ✓ **Sunset the tax** – *The ability of states to use these kinds of mechanisms will be further restricted beginning in 2014 as the overall federal allotment for DSH shrinks. In addition, in 2014 the state of Connecticut will have new sources of funding from healthcare reform that will more than replace this source of funding. Sunsetting the tax will have no effect on this biennium budget and will assure a complete reexamination of the tax and its effects.*
- ✓ **Stabilize the present** – *Over the next two years, hospitals will be at the center of many transformations in healthcare: redesigning care delivery systems, continuing to improve quality and patient safety, and improving community health. Connecticut hospitals will be facing unprecedented financial challenges with the imposition of this new tax and funding cuts, as well as the significant Medicare funding reductions resulting from healthcare reform—they cannot sustain another cut during the next two years and still deliver on these mission-critical fronts: hospitals must be protected from further cuts during the biennium.*
- ✓ **Prepare for healthcare reform and the future** – *We will still be left, at the end of this biennium, with what we started with: a dysfunctional hospital payment and funding system. We believe the state should establish a goal of January 1, 2014 (coincident with the increases in federal funding) as the date by which we will have designed and implemented a modern hospital payment system. The system should include a requirement that payment is rebased every several years and inflation is applied in the intervening years – a construct similar to what is used for nursing homes.*