



*Office of the President
Robert P. Ritz, C.H.E.*

March 13, 2007

TESTIMONY TO THE HUMAN SERVICES COMMITTEE, SB 1383, AN ACT CONCERNING MEDICAID MODERNIZATION

Dear Members of the Human Service Committee:

As I am sure you know, Connecticut hospitals are underpaid by the State Medicaid program when compared to actual cost and the level of payment to hospitals across the country. The attached Medicaid fact sheet provides greater details about the specific losses incurred at Saint Mary's.

At Saint Mary's Hospital, this problem is especially acute. We serve one of the largest Medicaid populations, yet our payment rates (for both Medicaid and private payers) are among the lowest in the state. This combination makes it virtually impossible for us to achieve financial stability.

We have taken many steps to rectify this situation. We have implemented a Performance Improvement Plan that has reduced our costs, trimmed our workforce, and streamlined our operations. We have successfully implemented new services that have increased access for the members of our community. We asked for and received special aid from the State of Connecticut. Yet we continue to suffer significant losses due to under funding. Throughout all of this, the thing that remains constant is our commitment to care for the community. In 2006, our clinics saw nearly 37,500 visits. Our emergency department saw 66,000 visits, with nearly 44% being Medicaid patients, the highest percentage in the state. There is no doubt there is a large and growing need for our services in the community we serve. The fundamental problem that confronts us is that due to severe under payments from the state, the greater the number of people we serve, the greater our financial losses.

Our ability to continue to provide access to needed health care services for the area's less fortunate is in jeopardy. Saint Mary's will either be forced to reduce the scope of services provided, (close the Emergency Department, clinics, or other services) where we lose a substantial amount of money from providing care to Medicaid recipients, or reduce our Mission and simply be less of a health care provider to our area. Regardless of the outcome of our fiduciary decision making, our community will suffer and those that are in the greatest need will feel it the most.

As we ponder State policy on universal access to care and we look at ways to improve our health care delivery system, it is very important that we first increase the level of reimbursement to State hospitals at or above cost for providing care to the Medicaid population. SB 1383 addresses this critical issue by requiring that hospitals receive reimbursement equal to the costs of providing service.

**56 Franklin Street
Waterbury, CT 06706**

This adjustment is long overdue. If the legislature does not take corrective action and implement such a change, there will be failures and we will not have done what is necessary to protect one of our State's most fragile, yet precious, assets. We are truly at a crossroad and we need your help.

Please adopt SB 1383.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert P. Ritz". The signature is fluid and cursive, with a prominent initial "R" and a stylized "P".

Robert P. Ritz, C.H.E.
President & Chief Executive Officer

RPR/jc

Saint Mary's HOSPITAL

In the "Funding of Hospital Care" report developed by the Legislative Program Review & Investigations Committee, Saint Mary's Hospital is described as a "severely distressed hospital" based upon the following characteristics:

- Low private payment to cost ratio (.96, 2nd lowest in state)
- Low Medicaid payment to cost ratio (.62, among lowest in state)
- High % Medicaid population (20.8, 4th highest in state)
- Low operating costs per case (2nd lowest in state)
- High percentage of Emergency Room Medicaid patients (42%, highest in state, excluding CCMH)
- High occupancy rates (89% occupancy, 5th highest in state, average is 77%)

These characteristics lead to annual operating losses that are unsustainable, as summarized below:

	Medicaid	Medicaid Mgd. Care	SAGA	Uninsured	Total
Total cost	\$11.4M	\$13.4M	\$6.9M	\$2.9M	\$34.6M
Reimbursement	6.5M	9.2M	3.0M	0.4M	\$19.1M
Shortfall	\$4.9M	\$4.2M	\$3.9M	\$2.5M	\$15.5M

The chart above is based upon fiscal year 2006. All data is drawn from SMH cost accounting system. Compensation from State Uncompensated Care pools is not included.

What are the results of Medicaid under funding at SMH?

- Lowest FY2005 operating margin in state of Connecticut (-10.2%)
- Operating loss of (\$15.3 million) in FY 2005
- Overall degradation of balance sheet
- Inability to access capital, resulting in an inability to reinvest in property, plant & equipment (information technology, bed expansion, clinical quality and capacity)
- Inability to fund pension liability at appropriate levels
- Overcrowding in Emergency Room, extended waits, limited access
- Consideration of limiting or eliminating access to critical services (Behavioral Health, Pediatrics, Neonatology, etc.)

