



# The Hospital of Central Connecticut

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**Testimony of  
Steven Godfrey, VP Payer Relations/Government Affairs  
The Hospital of Central Connecticut  
Before the Human Services Committee  
Tuesday, March 13, 2006**

My name is Steve Godfrey and I am Vice President, Payer Relations and Government Affairs at The Hospital of Central Connecticut. I appreciate the opportunity to testify on behalf of the hospital in support of **SB 1383, An Act Concerning Medicaid Modernization.**

The significant under-funding of hospitals by the State of Connecticut has been documented in a variety of studies and has been before the legislature for many years. However, the recent report by The Program Review and Investigations Committee is the best reference point for this discussion. The report provides a current, objective, and comprehensive analysis of the level of under-funding and, more importantly, its consequences for the people of this State.

The key message that the report delivers is this: The hospital payment and funding mechanisms that the State of Connecticut utilizes for the Medicaid and SAGA programs are hopelessly outdated, methodologically flawed, and severely underpay hospitals. This severe under-funding is in turn one of the key drivers of hospital financial performance. Hospitals in Connecticut as a whole have had inadequate margins for many years in large part due to this system and the related under-funding. The report also notes that this under-funding is far worse in Connecticut than in the rest of the country. The failure after so many years of not addressing this issue has created a very deep hole so that modest increases in hospital funding will no longer work. Finally, in addition to weakening our hospitals we are also leaving significant federal matching dollars on the table by not increasing overall funding.

One of the aspects of the report that I would like to personally comment on is the so-called "cost-shift". That is, the inevitable shifting by hospitals, by necessity, from government lines of business onto commercial/private pay customers. One of my primary roles at the hospital is to negotiate the contracts with all our managed care and commercial payers. I experience first hand the inter-relationship between government under-funding and commercial rate setting. Let me just say this; we are undermining the

competitiveness of our business community and creating unsustainable cost pressure on the private insurance market by failing to properly pay hospitals their reasonable cost. The cost shift is real. Ignoring it won't make it go away.

The Hospital of Central Connecticut is the primary access point and safety net for the underserved population in our area. For some elements of this population such as SAGA patients, we are virtually the only provider with unlimited access. However, that mission is costing the hospital over \$4,000,000 a year and climbs every year. We will not be able to properly update our aging infrastructure, invest in critical technology, or recruit properly trained nurses, physicians, or other staff if Medicaid funding is not addressed. The hospital is also the largest employer in our area. We currently employ over 2400 staff and our economic success is fundamentally tied to the economic success of the central Connecticut area. Investing in hospitals is not only important from a health care standpoint but from a business and community standpoint as well.

We fully appreciate that addressing hospital Medicaid under-funding represents a financial challenge for the State. This has been the case now for many years. However, the irony is that 25 years of freezes and cuts have only made the problem worse and in fact brought us to the place we now find ourselves. It is no longer acceptable to use the cost of adequately funding hospitals as an excuse not to act. Rather, it time we looked at the costs and consequences of not addressing the issue. It is time now for the State of Connecticut to accept its responsibility for paying hospitals their reasonable cost.

Thank you for your time today.