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CONNECTICUT
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March 14, 2007

Statement by Paul Filson, Director of Service Employees International Union (SEIU) Connecticut State Council regarding SB 1188 AN ACT REQUIRING STATE-FUNDED HOSPITALS TO RETURN EXCESSIVE PROFITS TO THE STATE..– Before the Public Health Committee

Good afternoon, Co-Chairs, Senator Handley, Representative Sayers and distinguished members of the Public Health Committee - I appreciate the opportunity to be here before you today. My name is Paul Filson and I am Director of the Service Employees International Union's Connecticut State Council. The State Council represents over 55,000 active members in Connecticut. SEIU is Connecticut's largest union. We represent health care workers, building service workers, state/municipal employees and community college professors and staff. SEIU is America's largest health care union representing nearly 1 million health care workers.

SB 1188 will help the State of Connecticut by increasing accountability and redirecting excess resources from very wealthy institutions back to the Department of Social Services. Every two years the General Assembly, through its budget process distributes revenues to agencies, contractors and service providers to serve the public interest. Billions of tax payer dollars are allocated to non-profit hospitals to serve the needs of the elderly, the disabled and the poor. The hospitals do an excellent job. The state has an interest in knowing that every penny of its money is being used for the intended purposes.

The premise of **SB 1188** is simple. Excess revenue given to wealthy non-profit hospitals should not be kept. The definition of profit goes something like this – the surplus of revenue generated over expenses incurred for a particular accounting period. Nonprofit means – not conducted or maintained for the purpose of making a profit. Instead, it operates to serve as a public good. The State of Connecticut has no intention of giving more money than needed to any service provider. In fact, each year the state struggles to fund all the programs and services that need money. The SAGA program is severely under funded. Hundreds of private providers will not accept Medicaid patients because reimbursement rates are so low, and yet, wealthy non-profit hospitals may end up with more money than they actually used. Should these institutions just keep all the money?

Non-profit hospitals receive a very valuable tax exemption. They pay no property taxes or business taxes. In exchange, these hospitals are required to provide free or reduced-cost care to the benefit of disadvantaged populations in the host community. In addition, these non-profit hospitals also receive hundreds of millions from state and federal insurance programs like Medicare and Medicaid. They also receive other public subsidies to reimburse them for free care and bad debt expenses they incur in providing charity care.

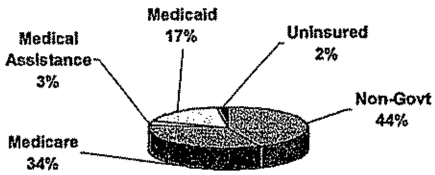
These tax advantages and subsidy programs were never meant to generate multi-million dollar windfalls for any particular hospital. **SB 1188** tries to strike a balance by setting an upper limit of $5 million per fiscal year on revenues in excess of expenses – usually defined as profits – for non-profit hospitals.

In fiscal year 2005, the State's largest and wealthiest hospital, with 944 licensed beds, Yale New Haven, took $7.7 million more in revenue than it had in total expenses. This even includes deducting $14 million for their costs of uncompensated care. **SB 1188** would return $2.7 million to the state to fund health care for SAGA recipients. Compare this to Hartford Hospital, the next largest, with 867 licensed beds. Hartford Hospital lost $32 million in fiscal year 2005. Hartford Hospital even dedicates a higher percentage of its revenue to uncompensated care than Yale New Haven.

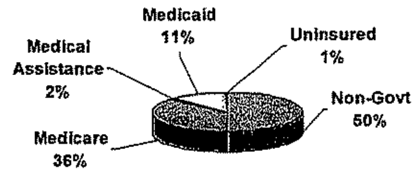
In summary, the language of **SB 1188** allows state subsidized non-profit hospitals to realize a very healthy operating margin. It does, however, redirect excessive money back to the state where it can be used for the public good.

KEY RESULTS - YALE-NEW HAVEN HOSPITAL

Hospital Gross Revenue Payer Mix

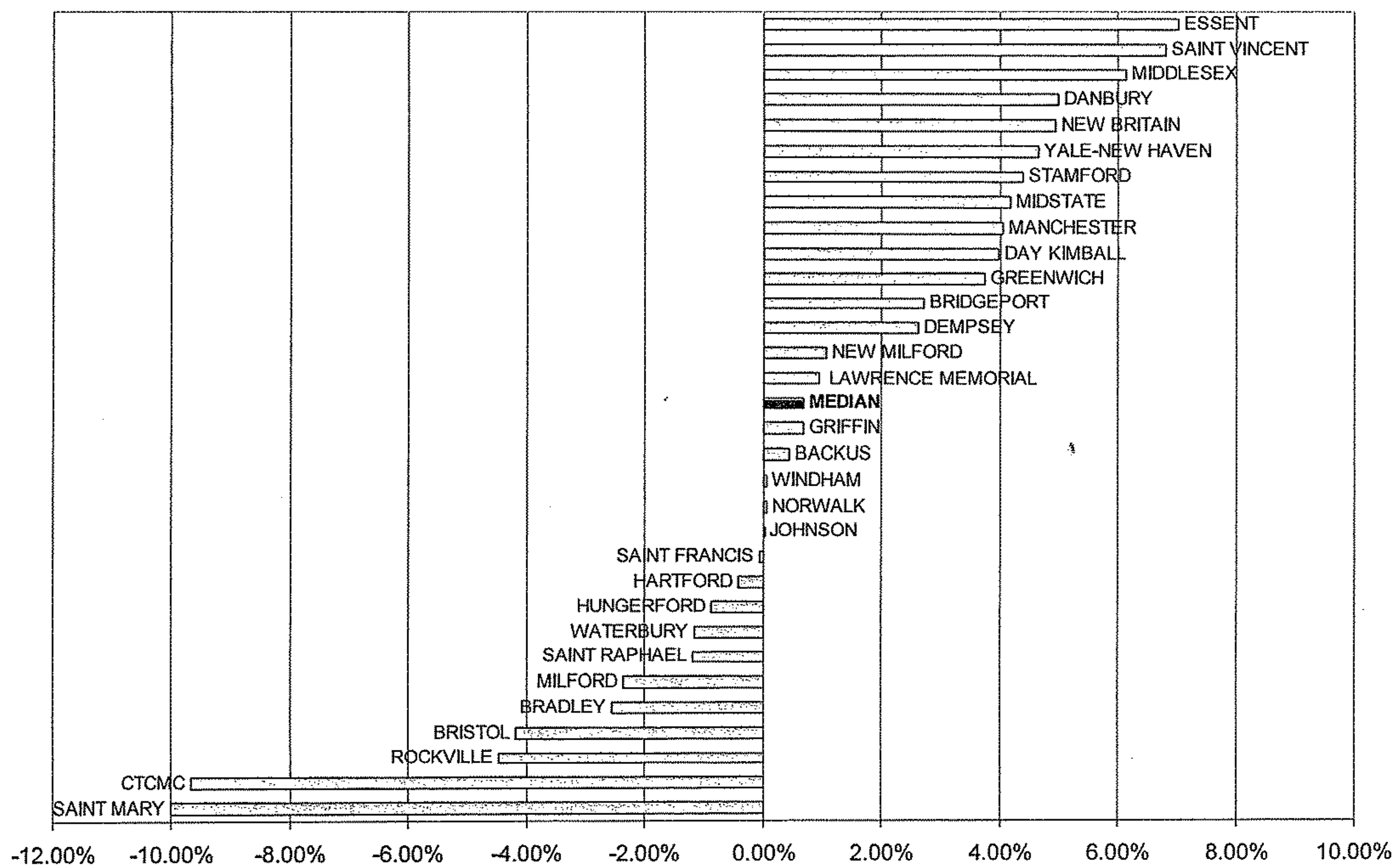


Hospital Net Revenue Payer Mix



	2003	2004	2005
NET ASSETS			
Hospital	$481,960,000	$513,776,000	$572,753,000
Health System	$573,414,000	$616,166,000	$673,589,000
REVENUE & EXPENSE SUMMARY			
Net patient revenue	$625,572,389	$680,865,022	$762,569,000
Total expenses	$635,618,000	$688,459,540	$740,545,000
Uncompensated Care Cost	$13,810,590	$13,940,176	$14,312,759
Uncompensated care % of total expenses	2.2%	2.0%	1.9%
Average Managed Care Discounts	49%	50%	53%
COST DATA			
Ratio of cost to charges	0.43	0.41	0.39
Medicare Payment to Cost	1.05	1.05	1.11
Medicaid Payment to Cost	0.70	0.72	0.68
Private Payment to Cost	1.14	1.14	1.19
FINANCIAL MEASURES			
Days of expenses in accounts payable	68	62	63
Days cash on hand	13	8	10
Days of revenue in accounts receivable	46	44	40
Equity financing ratio	43%	45%	46%
UTILIZATION MEASURES			
Patient Days	239,184	246,848	258,566
Discharges	44,618	46,961	48,616
ALOS	5.4	5.3	5.3
Staffed Beds	852	859	866
Licensed Beds	944	944	944
Occupancy of staffed beds	77%	78%	82%
Occupancy of licensed beds	69%	72%	75%
FTE's	4,970	4,968	5,333

FY 2005 OPERATING MARGINS



Source: Audited Financial Statements