



**Hospital of
Saint Raphael**

A member of the Saint Raphael Healthcare System

5419

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**TESTIMONY BY
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AND
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HOSPITAL OF SAINT RAPHAEL**

**HUMAN SERVICES COMMITTEE
February 5, 2009**

**RE: H.B. 5419, AAC PARITY OF MEDICAID RATES FOR HOSPITALS
LOCATED IN THE SAME MUNICIPALITY**

The Hospital of Saint Raphael supports House Bill 5419, An Act Concerning Parity of Medicaid Rates for Hospitals Located in the Same Municipality which would end the long-standing disparity of Medicaid rates paid to hospitals that are located within blocks of each other and that serve the same Medicaid population with the same costs.

The Hospital of Saint Raphael (HSR), a hospital with a 100-year old mission of caring for the elderly, the poor, and the underserved in the New Haven community, is facing serious financial challenges in large part due to the large percentage of its patients that are insured by government programs. Fifty-three percent of our inpatients are covered by Medicare, which according to the Office of Health Care Access, reimburses HSR about 95 percent of our cost. Another 14 percent of our inpatients are covered by Medicaid and State-Administered General Assistance (SAGA), for which the average reimbursement was 70 percent of our cost in fiscal year (FY) 2007.

For FY2007, our inpatient and outpatient Medicaid loss in profitability and cash at the Hospital of Saint Raphael was approximately \$14.5 million. The FY2007 inpatient and outpatient loss for taking care of Medicare patients was \$15 million. This combined loss of \$29.5 million represents a payment shortfall for caring for patients who are insured by government programs that do not pay the full cost of care. At the Hospital of Saint Raphael, the commercial insurers have historically paid more than the cost of care and are agreeing to pay even more, but the state and federal government must start paying for their share of the full cost of services provided to their beneficiaries.

Over the last few years, we have consistently shared with legislators and the executive branch the inequitable reimbursement disparity that exists between hospitals located in

the same municipality and have advocated for a remedy to this inequity. These hospitals serve the same general population, face the same inner-city issues and costs, utilize similar professionals, administer the similar protocols, provide the same high-quality of patient care and should, therefore, be reimbursed the same inpatient rates. Existing rates were based on the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 and were intended at the time to compensate for the cost structures of various hospitals in order to recognize the differences among hospitals and the patient acuity levels. Since that time, hospital cost structures have moved closer and closer together, but the reimbursement system has not. Hospitals within the same municipalities operate in the same environment providing the same services, with the same technology, and often times using the same physicians. We face the same cost demands, such as medical malpractice and caring for uninsured individuals.

In addition, Medicaid patients can choose between these urban hospitals. It is the patient's selection of hospitals that determines how much the State of Connecticut pays for that patient's care. Today, if a patient presents in New Haven, the State would pay \$1,812 more for that inpatient case at Yale-New Haven Hospital than at the Hospital of Saint Raphael, a 21.8 percent difference per case. This inequitable reimbursement system continues to penalize the Hospital of Saint Raphael and other similar urban hospitals in our State. Over time, it allows the better paid hospital to accumulate cash and use their resources to their competitive advantage in building new services, hiring our physicians and nurses, and further improving their profitability and cash position. These discrepancies have contributed to the financial challenges facing Connecticut's hospitals.

There is precedent to follow regarding equivalent rate structures -- Connecticut's Department of Social Services (DSS) currently pays the same standard outpatient clinic rate of \$57 at all of Connecticut's hospitals and the same standard outpatient payment rate of \$248 for a level 3, 4, or 5 emergency room patient at all Connecticut hospitals. Why should inpatient rates differ between two hospitals located in the same city?

The disparity in Connecticut's Medicaid reimbursement system over the years has significantly contributed to the Hospital of Saint Raphael's current financial condition. We continue to scrutinize our costs and look for new revenue opportunities, however, it is imperative that the State recognize the impact that its inequitable reimbursement system has had on our hospital. Our current financial status and the continuing inability to resolve this inequity will force us to change service levels, including programs that serve the state's most vulnerable populations. It is time for the 27-year old Medicaid formula to be revamped and revised to reflect fairness and equity among hospitals. Two hospitals that provide the same healthcare safety-net in the same municipality should receive the same Medicaid rates.

We would like to thank the Human Services Committee for raising House Bill 5419, An Act Concerning Parity of Medicaid Rates for Hospitals Located in the Same Municipality and urge passage of this bill.