



# Hospital of Saint Raphael

A member of the Saint Raphael Healthcare System

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**TESTIMONY BY  
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PRESIDENT AND CHIEF EXECUTIVE OFFICER  
HOSPITAL OF SAINT RAPHAEL**

6416

**HUMAN SERVICES COMMITTEE  
February 17, 2009**

**RE: H.B. 6416  
AAC DISPROPORTIONATE SHARE PAYMENTS TO HOSPITALS**

The Hospital of Saint Raphael supports House Bill 6416, An Act Concerning Disproportionate Share Payments to Hospitals which would allow hospitals that care for a significant percentage of Medicaid patients to receive the disproportionate share Medicaid rate adjustment. We also support House Bill 6402, An Act Concerning Maximization of Medical Reimbursement for the State of Connecticut and Federal Medical Assistance Percentages (FMAP) which would require the Department of Social Services (DSS) to research ways to maximize federal matching funds and to issue a report on the required steps and possible regulation changes.

The Hospital of Saint Raphael (HSR), a hospital with a 100-year old mission of caring for the poor, the elderly, and the underserved in the greater New Haven community, is facing serious financial challenges in large part due to the large percentage of its patients that are insured by Medicare and Medicaid. Fifty-three percent of our inpatients are covered by Medicare, which according to the Office of Health Care Access (OHCA), 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 full cost of services provided to their beneficiaries.

One reimbursement option already exists in Connecticut to help hospitals that care for a significant number of Medicaid patients -- it is the Medicaid Disproportionate Share Rate Payment adjustment. This adjustment is added onto a hospital's Medicaid rate and helps to compensate a hospital when a large percentage of its patient volume is attributed to caring for Medicaid patients. The formula for determining which hospitals qualify for this rate adjustment is complicated -- House Bill 6416 would revise this formula allowing more hospitals to become eligible. Specifically, it would change the requirement of a "Medicaid inpatient utilization rate at least one standard deviation above the mean Medicaid inpatient utilization rate" to "a Medicaid inpatient utilization rate of at least the mean Medicaid inpatient utilization rate." The removal of the "standard deviation" requirement would increase the number of eligible hospitals from about four hospitals to 10-13 hospitals across the State. Although the definitions in this Connecticut regulation are the same terms as the Social Security Act, it is our understanding that States must meet the minimum threshold requirement, as Connecticut has done, but that States may also expand the eligibility criteria to include more hospitals.

We were grateful for the Medicaid increase that was passed by the legislature in 2007 -- it is unfortunate, however, that the increase was based upon 2005 rates so that we still received approximately 70 percent of the cost of providing care to Medicaid patients. The ongoing Medicaid reimbursement shortfall year-after-year has contributed to the Hospital of Saint Raphael's current financial distress. We continue to scrutinize our costs and look for new revenue opportunities, however, it is imperative that the State recognize the impact the Medicaid shortfall has had on Saint Raphael's.

The Hospital of Saint Raphael's FY2007 Medicaid inpatient and outpatient visits totaled 75,500, and this number does not include the numbers of uninsured and elderly patients we care for each and every day. The Hospital of Saint Raphael, like hospitals all across our state, provides the safety net in our community -- we are open 24 hours per day, 7 days per week providing care for all who come through our doors. We cannot continue, however, to provide these services without additional Medicaid increases.

An opportunity exists, with federal matching funds, to provide some relief to those Connecticut hospitals that serve a significant percentage of Medicaid patients. We urge you to pass House Bill 6416, An Act Concerning Disproportionate Share Payments to Hospitals.