



WATERBURY HOSPITAL

TESTIMONY OF
John H. Tobin, DMan, MPH
President
WATERBURY HOSPITAL
BEFORE THE
APPROPRIATIONS COMMITTEE
Thursday, February 11, 2010

**HB 5018, AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES AND
REVENUES FOR THE STATE FISCAL YEAR ENDING JUNE 30, 2011**

My name is John H. Tobin. I am the President of Waterbury Hospital. I am testifying today in opposition to **HB 5018, An Act Making Adjustments To State Expenditures And Revenues For The State Fiscal Year Ending June 30, 2011.**

Thank you for the opportunity to testify today. Waterbury Hospital is deeply concerned about the devastating payment reductions to hospitals included in HB 5018 relating to the SAGA program.

For Waterbury Hospital, the proposed reductions will mean a cut of approximately \$3.7 million over an 18 month period, creating a budget shortfall that we cannot absorb without impacting access to care or quality. In the face of the prolonged recession, as unemployment has soared and record numbers of people have found themselves uninsured or on Medicaid, we continue to provide care to all 24 hours a day, 7 days a week, regardless of patients' ability to pay. In fiscal year 2008, the Hospital experienced its most significant loss in its 120 year history. We have worked very hard to restore fiscal stability to the organization over the last year, implementing revenue enhancements of \$11 million and expense reductions of nearly \$14 million in order to balance our budget. Through those efforts, we reduced nearly 70 full time equivalent positions. We made every effort to reduce costs and grow revenue without impacting directly the critical health care services that we provide to our patients. Even with those improvements, the system is still fragile and cannot sustain further budget cuts from government programs that already reimburse at less than the cost of services provided. As you know, Waterbury is one of the state's most economically challenged cities with a population that measures at the bottom of every measured economic and social indicator with regard to wages, education and unemployment. We simply are unable to reduce costs further without impacting the services that we offer to our patients. We struggle under the weight of the ever evolving unfunded government mandates that we are required to comply with daily on both a state and federal level.

We provide over 41,000 Medicaid & SAGA patient visits annually. Over 40% of our Emergency and Behavioral Health services are provided to Medicaid & SAGA patients and this program represents 15.6% of the healthcare services provided overall at Waterbury Hospital. For FY 2009, the Hospital experienced Medicaid & SAGA underpayments of \$11.9 million compared to our costs. We do not have the ability to subsidize these underpayments even further on the shrinking

number of our commercially insured population. In order to close the financial gap if this reduction is implemented, we will need to look first at the areas of the hospital that produce the largest losses – Behavioral Health, Maternity and Emergency Services. These services unfortunately are the most in demand from the Medicaid & SAGA population.

We strongly urge rejection of the proposed cuts and urge you to pay Waterbury Hospital and all other Connecticut hospitals, the Medicaid rate for services under the SAGA program as provided for in the budget.

As you may know, the SAGA program has been the focus of much legislative attention for several years. The SAGA program was significantly modified in 2004 and subjected hospitals, pharmacies, and Community Health Centers to a cap based on available appropriations. Over time, DSS removed the cap from all providers except hospitals. Today, SAGA non-hospital providers are paid one hundred percent of the Medicaid rate while hospitals are paid about 43 percent of the Medicaid rate.

As of today, DSS has not taken the administrative steps needed to implement an 1115 waiver for the SAGA program as directed by the legislature and does not plan to do so until July 1, 2011 – a full seven and a half years after first directed by the legislature to do so. In a letter dated January 20, 2010, DSS stated that the further delay is due to the uncertainty created by federal healthcare reform.

The biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. This new budget makes it clear that DSS will not be implementing existing law in the time frame required. **The funds necessary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver.** So, let's just start paying hospitals in accordance with the biennium budget at the Medicaid rate for SAGA and finally put hospitals on par with all other providers to the SAGA program. This change can be accomplished by modifying section 17b-192(f) to read:

(f) The Commissioner of Social Services shall [,within available appropriations,] make payments to hospitals for inpatient and outpatient services at the Medicaid rate.[based on their pro rata share of the costs of services provided or the number of clients served, or both.] The Commissioner of Social Services shall, within available appropriations, make payments for any non-hospital ancillary or specialty services provided to state-administered general assistance recipients under this section based on a methodology determined by the commissioner.

Thank you for your consideration of our position.