

**TESTIMONY OF
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VICE PRESIDENT, FINANCE/CFO
MIDDLESEX HOSPITAL
SUBMITTED TO THE
HUMAN SERVICES COMMITTEE
TUESDAY , MARCH 2, 2010**

HB 5328, An Act Implementing SAGA Hospital Rate Increases

Middlesex Hospital appreciates the opportunity to submit testimony in support of **HB 5328, An Act Implementing SAGA Hospital Rate Increases.**

As I'm sure you know, the economic crisis has negatively impacted just about every industry in this country. Connecticut hospitals have not been spared the pain of this crisis. Despite the negative impact of this financial crisis, hospitals are continuing to find a way to provide care to all who need it, regardless of ability to pay, twenty-four hours a day, seven days a week year-round. This has been a struggle and this struggle continues. Hospitals are among the largest employers in our state and I strongly believe that the health of our communities is in many ways linked to the health of our hospitals.

2008 and 2009 were extraordinarily difficult years. In 2008 and again in 2009, Connecticut's hospitals lost more than \$300 million per year due to under-reimbursement for Medicaid and SAGA patients. In addition, during those two years, one of the traditional means hospitals use to make ends meet – non-operating (investment) income – fell short of what was expected by over \$620 million. The magnitude of that loss cannot be overstated – we expect it will take well over a decade to recover what was lost. Finally, since the start of the recession, about 100,000 Connecticut residents have lost jobs and employer-paid health insurance coverage, and the Medicaid and SAGA populations have increased by 75,000; combined enrollment in those programs now stands at about 500,000 – a little more than 14 percent of the state population.

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. At Middlesex Hospital, millions of dollars of unreimbursed costs are incurred each year to provide high quality care and services to Middlesex County residents. Payment at one hundred percent of the Medicaid rate for the SAGA population would result in over \$1 million of additional resources per year being available for the continued provision of community benefit, quality care and services required and deserved by the residents of Middlesex County.

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 Septemeber 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.

HB 5328 acknowledges that the funding to pay hospitals at the Medicaid rate is already appropriated, and directs DSS to pay hospitals in accordance with that appropriation without a cap. We urge you to pass HB 5328.

Thank you for your consideration of our position.