



WATERBURY HOSPITAL

TESTIMONY OF
John H. Tobin
President
Waterbury Hospital
BEFORE THE
APPROPRIATIONS COMMITTEE
Thursday, March 11, 2010

Governor M. Jodi Rell's March 1, 2010 Deficit Mitigation Plan For Fiscal Year 2010

My name is John H. Tobin. I am President for the Waterbury Hospital. I am testifying on Governor M. Jodi Rell's March 1, 2010 Deficit Mitigation Plan For Fiscal Year 2010.

Thank you for the opportunity to testify today. While we appreciate the difficult task facing Governor Rell and the legislature in addressing the state's budget deficit, we strongly oppose the devastating payment reductions to hospitals and imposition of a tax on hospital revenues included in the Governor's deficit mitigation plan.

The plan includes cuts to Medicaid rates, cuts to Urban DSH funds, elimination of non-emergency dental services, restrictions in the definition of medical necessity, and the imposition of co-payments under Medicaid, at an overall cost of \$70 million to Connecticut's hospitals for SFY 2010-2011.

In addition, the Administration's inaction in implementing the current SAGA budget as planned – and as required by statute – results in another \$108 million cut to hospitals and has the additional impact of eliminating \$41 million that would have come to Connecticut hospitals through increased Medicare DSH payments.

The overall impact of the changes the Governor has proposed for hospitals totals \$219 million.

The deficit mitigation plan also includes the imposition of a tax on hospital revenues, totaling approximately \$130 million. As Congress and President Obama work to enact significant healthcare reform and reduce the cost of care, a tax on hospitals is counterproductive as it will increase Connecticut's healthcare costs and increase the already onerous cost shift onto Connecticut businesses.

For Waterbury Hospital, the proposed reductions will mean a cut of \$6.7 million, creating a budget shortfall that will be extremely difficult to fill. 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.

We provide healthcare services to 41,000 Medicaid patient visits annually. Over 40% of our Emergency and Behavioral Health services are provided to Medicaid patients and our Medicaid program represents 15.6% of the healthcare services provided overall at Waterbury Hospital. For

FY 2009, the Hospital experienced Medicaid underpayments of \$11.9 million compared to our costs. We have gone through extensive cost cutting measures during the last year taking out \$13 million by workforce reduction and other non salary expenses. This proposal will require us to look at reducing services in areas that are in great need by our community.

It simply makes no sense to cut Medicaid payments and impose a tax on hospitals at a time when Congress has given unprecedented Medicaid funding increases to states. Under the stimulus bill, Connecticut will get more than \$1.74 billion in increased federal funds to provide care for our most vulnerable populations. This infusion should be used to maintain eligibility and coverage, and help bring provider rates closer to covering the actual cost of care. Instead, the Governor is proposing to reduce hospital funding by \$219 million.

In addition, while the Rell Administration has not taken the steps necessary to implement the SAGA waiver as directed by the legislature, the biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. The funds necessary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver. We urge you to insist that DSS pays 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.

We strongly urge rejection of the proposed cuts and hospital tax, and immediate implementation of the SAGA rates funded in the biennial budget.