MIDDLESEX HOSPITAL

TESTIMONY OF
Robert G. Kiely
President & CEO
Middlesex 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 Bob Kiely, and I am President and Chief Executive Officer for Middlesex 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 Middlesex Hospital, the proposed reductions will mean a cut of $2,280,743, 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.

Such a significant reduction and budget shortfall will result in unavoidable cutbacks in hospital services to our patients and community. Further erosion of Medicaid rates will have a devastating impact on physicians, hospitals and on the patients served by the Medicaid program. The Governor's proposed tax on hospital revenues will have dire consequences for Connecticut hospitals. This is a road that was taken in the 80's and 90's with great peril and it was a relief when the hospital tax was eliminated. The re-imposition of a tax at this time of economic distress is, frankly, untenable.

The demand for care in our service area is as great as we have ever seen, however the reimbursement for that care is at an all-time low. Middlesex Hospital continues to provide care for underinsured and uninsured individuals; however these cuts will severely jeopardize the ability to continue doing so on sustainable basis. Additionally, this unprecedented cut will inevitably lead to a material reduction in services currently provided to all residents in our community. There are several services currently offered by our hospital that generate little or no revenue, but that we believe are vital services to ensure a healthy population and reduce healthcare expenditures. Such programs include chronic disease management, patient education, and countless other community benefit programs, which will unfortunately face increased scrutiny with further cuts.

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.