TESTIMONY OF
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BEFORE THE
APPROPRIATIONS COMMITTEE
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Governor M. Jodi Rell's March 1, 2010 Deficit Mitigation Plan For Fiscal Year 2010

My name is Peter Freytag. I am Chief Financial Officer for Bristol Hospital, and I am testifying on **Governor M. Jodi Rell's March 1, 2010 Deficit Mitigation Plan For Fiscal Year 2010.**

Bristol Hospital appreciates Governor Rell's leadership and efforts to resolve the state's budget deficit; however we oppose the Governor's proposal to close the budget gap through reductions in hospital funding. The strategy of using hospital and health care funding to bolster the financial health of the state is inherently flawed. Detracting from health care funding will ultimately undermine hospitals' financial viability, patient well-being, and the economy in the long-run. The Governor's proposal to cut hospital funding by $219 million to balance the budget comes at a far greater cost to Connecticut's health care safety net and, more importantly, its residents.

Bristol Hospital in 2008 (based on the latest publicly-available data from the Office of Health Care Access) was the sixth lowest hospital in the State of Connecticut based on operating expense per discharge and is the second to the lowest Medicaid reimbursed hospital in the state Medicaid Program. The Governor's plan corresponds to significant losses for Bristol Hospital, increasing the burden it already bears of controlling costs while caring for a rising number of patients. For example, the proposed 5% reduction in Medicaid rates represents an additional loss of $700,000 to the Hospital, and delaying the SAGA waiver until July of 2011 translates into a loss of $1.3 million. In addition, the introduction of co-payments under the Medicaid program will negatively affect Bristol Hospital by $68,000. The proposal also calls for the implementation of a hospital tax which will only exacerbate the growing problem that hospitals now face in trying to meet their own budgets while replacing aging plants and equipment. Overall, the cumulative effect that the Governor's proposal will have on Bristol Hospital is a loss of over $2.3 million.

The proposal is especially detrimental to Bristol Hospital's patients, as a large portion of our community receives care through government programs. In FY2009, Bristol Hospital treated approximately 14,000 inpatient and outpatient Medicaid beneficiaries which accounted for nearly 30% of the Hospital's patient population. Moreover, recently our payer-mix data showed a tremendous upswing in Medicaid admissions, increasing by over 30% from the previous year. Given this information and the rise in unemployment, we can only expect a substantial decrease in private health insurance patients and a surge

in state-supported health insurance beneficiaries. Bristol Hospital, along with other health care providers in Connecticut, will face the added losses from under-reimbursement in conjunction with treating an increasing number of uninsured and under-insured patients.

Taking more funds from a system that is responsible for maintaining the health of Connecticut residents at a time when more and more patients require health services cannot work. The federal government demonstrated its understanding of the importance of protecting the health care industry when it injected $1.74 billion of stimulus funding into the state's Medicaid program. Bearing this in mind, the thought of reallocating health care funding for the purpose of balancing the budget simply does not make sense.

Bristol Hospital recommends the legislature oppose the proposed cuts and hospital tax and encourages that SAGA reimbursement immediately be increased up to the Medicaid rate as originally funded in the 2009 biennial budget.