SAINT FRANCIS
Hospital and Medical Center

TESTIMONY OF
R. Christopher Hartley
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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 R. Christopher Hartley I am a Senior Vice President for Saint Francis Hospital and Medical Center. I thank you for considering my remarks regarding **Governor M. Jodi Rell's March 1, 2010 Deficit Mitigation Plan For Fiscal Year 2010.**

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 State Administered General Assistance("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.

Thus 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 Saint Francis, the proposed reductions will mean a cut of nearly $21 million, creating a budget shortfall that will be impossible to fill and continue to meet the current service levels provided by the hospital. 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.

Saint Francis fulfills its role in providing care to families regardless of their ability to pay, targeting outreach to address health disparities and sustain partnerships with like-minded agencies in the Greater Hartford region. In FY2009, Saint Francis contributed $40,300,911 in service to its mission to the community. This number includes $5,489,583 in charity care, $28,646,585 in underpayments from Medicaid/Medicaid Managed Care and the SAGA and $6,164,173 in free services to the community that no one else in the community is capable of providing. Additionally, $40,300,911 does not include the $21,963,774 in bad debt experienced by the hospital in FY2009.

To reduce Saint Francis' Medicaid and SAGA payments by another nearly $21 million makes it impossible to continue to support the other communities and charity initiatives supported by the institution in FY2009. In fact, this level of reduction will force Saint Francis to curtail health services now available at Saint Francis by a significant amount. In addition, this decision will create a need to increase the amount of hospital costs shifted to private insurance carriers. This cost shift in turn will provide additional drag on the economic recovery in Connecticut by increasing premium costs to all the businesses in the state. Clearly, this is not a recipe for success.

It simply does not make 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.

Finally, 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 the Department of Social Services 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 ask you to immediately implement the SAGA rates funded in the biennial budget.