



## DAY KIMBALL HOSPITAL

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### TESTIMONY OF

Robert Smanik  
President and CEO  
Day Kimball 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 Robert Smanik. I am President and CEO for the Day Kimball Hospital (DKH). I am providing written testimony 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 DKH, the proposed reductions will mean a **cut of over 2 Million dollars**, 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.

DKH is focused on quality and patient safety, and providing access to the most skilled professionals, the highest quality of care, and the latest technology. Providing care to all who need it, regardless of ability to pay. In addition, DKH is among the largest employers in Windham County, supporting thousands of families/jobs and generating substantial economic activity. In many respects, the health of our community is linked to the health of our local hospital. Unfortunately, the economic crisis puts tremendous pressure on our Hospital.

The past two years, in particular, have been extremely challenging. In fiscal year 2009, DKH lost more than \$4 million per year due to inadequate reimbursement for Medicaid and SAGA patients. One of the traditional means hospitals use to make up for such underpayments is non-operating (investment) income, which fell short of what was expected by **over \$1 million**. The magnitude of these losses cannot be understated.

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.