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**Testimony of
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Submitted to the
Appropriations Committee
March 4, 2011 – Public Hearing

***OPPOSE HB 6380: AAC the Budget for the Biennium Ending June 30, 2013
Opposition to Cutting \$83.275M in Disproportionate Share Hospital (DSH)
Grants and Imposing Hospital Provider Tax***

As President and CEO of Eastern Connecticut Health Network (ECHN) – which includes Manchester Memorial Hospital and Rockville General Hospital – and as Secretary of the Connecticut Hospital Association’s Executive Committee, I am writing to express our strong opposition to House Bill 6380, specifically the Governor’s proposal to eliminate \$83.275 million in existing Disproportionate Share Hospital (DSH) payments to hospitals and impose a burdensome 5.5 percent hospital provider tax.

As you know, DSH funding is a special reimbursement program that is aimed at making up the shortfall for hospitals when care is provided to a patient who has little or no funds to cover the costs of care.

Unfortunately, the financial implications of these proposals are significantly harmful, particularly for not-for-profit community hospitals like Manchester Memorial Hospital and Rockville General Hospital.

If this budget passes with the elimination of millions in uncompensated care funding and the enactment of a hospital provider tax, collectively Manchester Memorial Hospital and Rockville General Hospital would lose more \$1.05 million in FY 2011 and more than \$4.2 million in FY 2012. In other words, the loss of \$4.2 million would be a devastating hit that would nearly erase ECHN’s entire operating margin, which only ranges from 1.5 percent to 2 percent.

I am proud to say that ECHN currently employs over 2,500 people, making us one of the largest employers in Manchester and the Tolland County area. We are a key driver in our

state's economy, last year paying out \$131 million in salaries and nearly \$80 million in goods and services – *mostly to local vendors.*

Furthermore, Manchester Memorial and Rockville General are two of the lowest cost hospitals in the state because we aggressively manage our expenses.

However, at a time when “jobs” are a top priority, deep cuts of this magnitude in much-needed hospital funding, coupled with a burdensome tax on hospitals, sends the wrong message to the state's healthcare community, to our hardworking employees, and most importantly to the communities and patients we serve.

The bottom line is the Governor's budget plan could put 60 to 75 jobs at ECHN at risk and require additional reductions in employee benefits.

I recognize the monumental task the Appropriations Committee, your colleagues in the legislature and Governor Malloy face this year to solve this unprecedented state budget deficit.

Our staff has also made some very difficult decisions in recent weeks to address the financial challenges confronting ECHN. We implemented a hiring freeze, delayed merit pay increases, and called for stricter oversight of overtime and other costs. We are also conducting a thorough review of all current projects underway at ECHN. And that's only the beginning.

We anticipate making many more tough choices in the months ahead while relying on staff to recommend other cost-saving initiatives for our healthcare system in these challenging economic times.

This is why cutting \$83 million in funding from the Uncompensated Care and DSH pools would only worsen the situation for Connecticut hospitals and affect our ability to provide high-quality, compassionate healthcare to the people who depend on Manchester Memorial and Rockville General for around-the-clock care.

For these reasons, I urge you to restore the proposed \$83.275 million funding cut in the Uncompensated Care and DSH pools and join us in opposing a burdensome provider tax on hospitals.

Thank you for your consideration.



Peter J. Karl
President & CEO
Eastern Connecticut Health Network (ECHN)