

**TESTIMONY OF
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**BEFORE THE
HUMAN SERVICES COMMITTEE
Tuesday, March 15, 2011**

**SB 1013, AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET
RECOMMENDATIONS CONCERNING HUMAN SERVICES**

My name is Steven Hanks and I am the Executive Vice President and Chief Medical Officer of The Hospital of Central Connecticut. I appreciate the opportunity to submit testimony concerning **SB 1013, AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS CONCERNING HUMAN SERVICES.**

The Hospital of Central Connecticut ("HCC") is the focal point for access to health care in our region. At our two hospital campuses in New Britain and Southington, we provide comprehensive health care services, including inpatient acute, emergency, and outpatient services, to the people living in the central Connecticut area and we do this 24 hours a day and without regard to the ability of our patients to pay. The quality and service commitment of the hospital and its 2200 employees have been well documented over the course of the hospital's 100 plus year history. The Hospital of Central Connecticut is also the primary economic engine in the greater New Britain area. We are by far the largest employer in our area and the economic health of our hospital is closely linked to the overall health of the region. Our service area comprises a population of over 250,000.

SB 1013 provides the details for implementing the proposed state budget. I am here to ask you to oppose this bill because it imposes a 5.5 percent tax on hospitals and makes a number of other reductions and changes to the Medicaid program that will negatively affect the ability of HCC to serve our community of patients. In combination with the budget proposal to cut \$83 million in funding from the Uncompensated Care and DSH pools, passage of SB 1013 would necessitate rapid reduction of services to our most needy patients.

The financial impact of SB 1013 threatens our hospital's ability to meet our core mission, which is access to care for all members of our community. The specifics are as follows;

- Unfortunately HCC is a big loser under the provider tax scheme. This is because the formula for returning dollars back to the hospitals to compensate for the tax is redistributive. If this budget passes, the net effect of the provider tax will be an annual \$3 million reduction for HCC. When combined with an additional \$3.8 million annual loss as a result of the

defunding of the uncompensated pools, the combined annual impact to the hospital would be a loss in excess of \$6.8 million.

- As alluded to above, our hospital takes a proportionally larger hit than most hospitals. The Hospital of Central Connecticut's decrease in funding is larger than all but two other hospitals in the state. What is worse, HCC already carries a larger load of the Medicaid burden than most hospitals. For instance, 45% of our emergency room visits in 2009 were Medicaid, the third highest in Connecticut. On the inpatient side, we were also third highest with 22% of total discharges being Medicaid. We have also seen, like many hospitals, a large increase in Medicaid volumes as represented by a 15% increase in total Medicaid gross revenue between 2008 and 2010. At the same time, Medicaid pays us less than 70% of costs. These factors make an aggregate funding cut of almost \$7 million from the State seem unthinkable at this time.
- These cuts need to also be put in the context of the larger forces impacting our revenue. We estimate a cut from Medicare to our wage index for next year of approximately \$2.4 million. On the non-governmental side, the private commercial payers and employers in Connecticut have made it very clear that they have little tolerance for further cost shifting to them.
- Prior to these cuts, our preliminary estimates for FY12 was that our hospital might achieve a modest operating margin of about 1.5% which is already far below the 4% margin needed for capital needs and financial stability. Just these cuts alone will likely result in a loss of our entire margin plus some resulting in a potential operating loss between 1-2%. Simply put, we cannot absorb that.

I spoke above about our mission. One of our core missions is access to care for the underserved in Central Connecticut. As I'm sure many of you understand, our hospital is the single largest component of the health care safety net in our communities. Tens of thousands of patients on state assistance from our communities depend on access to our primary care and specialty clinics (which include maternity, cardiology, oncology, orthopedics, and behavioral health among others). In 2010 we had over 100,000 visits to our various outpatient clinics many of which are largely or even exclusively utilized by patients on Medicaid. Maintaining our ability to meet these needs has been seriously challenged for decades given the chronic underfunding of Medicaid. The uncompensated care pools were designed to help us meet this critical mission. The financial challenges represented by these cuts will for us necessitate a review of our clinical programs across the board. A reduction in access to some programs is an inevitable result of financial challenges of these proportions. Given that labor comprises about 60% of our cost profile, some level of job loss would have to be strongly considered. Of course, this is the last thing our communities and our state needs right now.

I understand that Governor Malloy is facing an unprecedented state budget deficit and has the tough job of balancing needs and resources. However, for many decades now, the non-profit acute care hospitals in Connecticut have been shouldering a disproportionate share of the burden of caring for the underserved in Connecticut. This financial burden, together with the underfunding on the Medicare side, has severely weakened hospitals in this state. The threat to the economic viability of HCC, the largest employer in our city, is unquestionably real. Equally of concern is the negative ripple effect that this will have on our entire local economy.

This is not the time to cripple the healthcare system here in our state. There are better options that provide the opportunity for expanding access, reducing the state deficit, reducing the cost shift to Connecticut businesses and employees, and helping address the hospital funding shortfall. I urge you to say NO to the hospital taxes and these funding cuts.