



Testimony of the Central Connecticut Chambers of Commerce regarding:

Appropriations Committee Public Hearing 2/22/13
Against the Governor's Proposed Budget as it Pertains to Hospitals

If we can agree on one thing during the 2013 legislative session it is that jobs and improving the state's economy must be our highest priority. Why then a budget would be put forth that contains proposals that would be catastrophic to our community hospitals and in turn the economies of the cities and towns throughout the state is beyond imagination.

The mechanics are simple. Since 2009 the transition from the State-Administered General Assistance (SAGA) program to Medicaid, Low Income Adults (MLIA) has resulted in an increase of close to 50,000 people in the program. At the same time the overall Medicaid population (with SAGA/MLIA) has grown by more than 120,000.

Hospitals caring for Medicaid patients lose money on every patient and those losses have only escalated from the rapid increase in enrollment. The myth that somehow community hospitals have fared better because the reimbursement rate under MLIA is \$.70 on the dollar vs. \$.30 on the dollar under SAGA is just that, a myth.

Contrary to those who would claim otherwise, there is no windfall to hospitals under MLIA. A loss is a loss and increasing the loss does not suddenly materialize into a gain. Those who think this is sustainable should be reminded of the bursting of the Internet bubble of the late 1990's. Billions were lost when many companies foolishly believed that they could lose a dollar or two on each transaction and "make it up in volume."

It didn't work then and will not work now with our community hospitals. Currently, Connecticut hospitals are losing approximately \$1.6 million a day caring for Medicaid and uninsured patients. Our community hospitals have worked very hard to improve services and quality while at the same time reducing costs.

For example, Bristol Hospital has been diligent in developing operating efficiencies and lowering costs. Through the efforts of the hospital's entire team, expense increases have been kept to 2% for the last year. Their efforts are always ongoing as they continue to try and squeeze every ounce of efficiency in operation while maintaining a high level of care, safety and service to the patients and staff.

Contrast this with the state which is now seeking to increase spending by more than 5% annually for the next two years. These increases include raises for state employees while the private sector sits stagnant with little or no increases in payroll or jobs.



As was stated earlier, there is no greater need in our state than to continue work to improve our economy and create jobs. In addition, we must do all that is possible to retain the jobs.

The proposed budget with the changes to the hospital reimbursements is in direct contrast with the goals to generate economic growth and protect jobs here in Connecticut. In fact, the net effect of this proposal will likely cost the state jobs and further damage the economy.

Bristol Hospital employs over 1600 professionals and staff. The net effect on the economy of Bristol and much of Central Connecticut from the economic output from the hospital and its staff is significant. The budget as proposed will put significant cost pressures on this critical economic engine and will result in the loss of jobs.

These jobs losses will come not only at the hospital but from many businesses that are corollary to the hospital throughout the community and the region. Balancing the state budget on the back of our community hospitals is not only a bad idea but will have a far reaching negative impact on the state as a whole.

As such we strongly encourage the legislature to drop the proposed budget change regarding the reimbursements to our community hospitals.

Central Connecticut Chambers of Commerce
Michael D. Nicastro, President & CEO
Timothy W. Furey Esq., Chairman of the Board
200 Main Street
Bristol, CT 06010