

**TESTIMONY OF
PATRICK CHARMEL
BEFORE THE
APPROPRIATIONS COMMITTEE**

Friday, February 22, 2013

**HB 6350, AN ACT CONCERNING THE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2015, AND
OTHER PROVISIONS RELATING TO REVENUE**

Good afternoon. My name is Patrick Charmel, and I am President and CEO of Griffin Hospital. I am here today to testify in opposition to **HB 6350, AN ACT CONCERNING THE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2015, AND OTHER PROVISIONS RELATING TO REVENUE.**

The budget proposed by Governor Malloy will devastate our hospital, patients, staff, and community.

Griffin Hospital is the hospital of choice in our region for those who are lucky enough to have options and the provider of last resort, the safety net, for those who do not.

Our contribution to the community extends beyond our caregiving.

Griffin Hospital plays a critical role in our local economy. We employ 1,325 people and many others throughout our community are dependent on the business we generate. In total, we have an economic impact on our community of more than \$256 million. That is one of the reasons defunding hospitals hurts us all.

It has been said that hospitals can absorb these cuts – given that hospital margins in Connecticut are already inadequate to generate sufficient capital to replace aging plant and equipment and to invest in new medical and information technology, the only way that hospitals can “absorb” these cuts is to increase revenue or decrease operating costs.

Our “go to” strategy when trying to make up state payment shortfalls in the past was to simply charge managed care companies and indirectly the Connecticut employers who pay their premiums more. That strategy no longer works. Managed care companies can’t accept the cost shift because any attempt to raise premiums results in fewer employers offering health insurance to their employees or fewer employees

taking coverage offered by their employer because they can't afford the average 30% of premium that Connecticut employers ask their employees to pay.

Managed care companies and commercial health insurers are in the business of selling health insurance. If raising premiums to cover a growing cost shift leads to fewer employers and their employees buying insurance, they aren't going to accept the cost shift.

You have no doubt heard that the mandatory coverage provisions and associated penalties included in the affordable care act will force employers to provide health insurance and employees to take the insurance provided. Not true. The cost of providing and accepting coverage is much greater than paying the penalty, so it is reasonable to assume that many will simply pay the penalty. How many employers will continue to provide health insurance, how many employees will accept employer provided insurance, how many will be covered through the health insurance exchange, and what health exchange insurance products will pay hospitals is by no means certain at this point. Therefore, Medicaid payment cuts based on assumed future coverage levels are premature.

And when it comes to revenue, hospitals have seen a decline because to keep premiums affordable managed care companies are designing products with very high annual deductibles- typically 3 to 5 thousand dollars- which creates a barrier for many individuals and families to needed care.

So, if raising revenue isn't the answer then the only way to compensate for the state's proposed devastating payment cuts is to reduce hospital operating expenses.

In Griffin Hospital's case, we are already one of the most efficient hospitals in the state in part because we have worked hard to standardized care processes based the hard evidence of what works best, made the tough decisions and taken the difficult steps of reducing our workforce, - some 80 full time equivalent positions over the last two years, reducing our employee pension plan benefit by 60%, asking employees to pay a greater portion of the cost of their health insurance and reducing supply and purchased service costs by over two million dollars. This was all done to compensate for three years of no Medicare payments increases and the state's previous decrease in uncompensated care funding and imposition of a provider tax.

Despite the responsible steps we took to reduce operating costs, Griffin incurred an operating loss in FY 2012. Our plan for recovery was undermined this year by the State's recent unexpected deficit mitigation cut to hospital Medicaid disproportionate share and supplemental payments which cost Griffin Hospital \$860,000. If the Governor's proposed budget were adopted, the State's Medicaid and DSH payments to Griffin would be cut by an additional \$2.3 million dollars in state fiscal year 2014 (which begins in the fourth quarter of the hospital's current fiscal year) and \$3.7 million in 2015.

We have already taken drastic measures to heal the injuries inflicted by the state's previous Medicaid and uncompensated care cuts. There is no way "to absorb" the additional and deeper cuts included in the Governor's proposed budget - that can only be described as reckless - without eliminating or significantly reducing the capacity of services that require an operating subsidy like outpatient behavioral health services, preventive services, community education and out reach activity as well as reducing staffing levels throughout the hospital which will without a doubt adversely impact the hospital's clinical and service quality. Saying that it won't would be irresponsible. The hospital payment reductions included in the governor's proposed budget equate, by the second year of biennium, to a 34% reduction in Griffin's Medicaid payments from the 2012 level.

How can anyone believe that a 34% Medicaid payment cut with no way to compensate will not jeopardize the viability of our hospital and the Connecticut hospital industry. How can anyone believe that the care in Connecticut's hospitals won't suffer. Please, don't you believe it.

Connecticut's hospitals are vital to the health and wellbeing of the communities they serve. They are vital to the economy of our state. Connecticut's hospitals employ 54,000 state residents - as many as United Technology, General Dynamic, Aetna, Travelers and General Electric combined. Furthermore, Connecticut hospitals bring 4.4 billion dollars of federal revenue into the state which has tremendous stimulative effect on the state's economy. The hospital industry is going through dramatic and unprecedented change and therefore is fragile and particularly vulnerable. We need you to protect Connecticut's hospitals. By doing so you will protect Connecticut's economy and every one of the more than 3 million Connecticut residents that we serve.

Thank you for your consideration.