TESTIMONY PRESENTED TO THE
Higher Education and Employment Advancement Committee
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Testimony Supporting Senate Bill No. 1044

AN ACT CONCERNING THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Good afternoon Senator Bye, Representative Willis and distinguished members of the Higher Education Committee. Thank you for the opportunity to offer testimony on Senate Bill No. 1044 "An Act Concerning the Connecticut Health and Educational Facilities Authority". My name is Jeffrey A. Asher and I am Executive Director of the Authority. I am here speaking on behalf of CHEFA and its Board of Directors in support of this bill.

There are two important changes in the CHEFA statutes contemplated in this bill. Both changes are intended to assist CHEFA in meeting the capital financing needs and reducing the cost of securing funding for capital projects for our hospitals. The first requested change would permit CHEFA to finance capital projects in a contiguous state for a health care institution that is owned or controlled by an entity that is domiciled in Connecticut that is a healthcare institution or controls a healthcare institution. The second expands the type of capital projects that can be financed by a health care institution utilizing the State's special capital reserve fund program to include construction and renovation in addition to equipment. In the May 2004 Special Session, P.A. 04-1 was approved authorizing the creation of a special capital reserve fund in connection with financing of equipment purchases at certain health care institutions at the discretion of the Secretary of the Office of Policy and Management and the Treasurer. <u>Effective July 1, 2004, one hundred million dollars, in the aggregate, was made available. To date, no bonds have been issued utilizing this program because CHEFA has been able to meet hospital equipment financing needs through other CHEFA programs.</u>

<u>Financing Health Care Capital Projects in Contiguous States</u>

There has recently been significant consolidation activity in the Connecticut healthcare industry including acquisitions by the Yale-New Haven Healthcare System, Hartford Healthcare Corporation, the proposed acquisition of Saint Francis Hospital by a for-profit affiliate of Ascension Health of Missouri,(Ascension Health already owns St. Vincent's Hospital in Bridgeport), and the proposed acquisition of Waterbury Hospital and Bristol Hospital by Vanguard (Tennessee). Lawrence and Memorial Hospital (New London, CT) has commenced the process for the acquisition of Westerly Hospital in Rhode Island. We expect that this trend will continue.

We are requesting this change so we can continue to assist Connecticut hospitals/systems in meeting all of their capital financing needs. Currently, if Lawrence and Memorial Hospital wanted to issue debt to fund the Westerly Hospital acquisition and to finance other capital projects, it would need to issue debt in two states, using both CHEFA and the Rhode Island Health and Educational Building Corporation resulting in unnecessary cost and effort for the transaction. The proposed legislation would streamline the capital project financing process and could reduce the cost of capital for Connecticut healthcare institutions.

Expansion of the proposed "Qualified" Health Care Projects Financed via the Special Capital Reserve Fund Program

We need this additional authorization in order to assist smaller hospitals in Connecticut that do not have access to the same sources of capital as many of the larger institutions. This discrepancy results from the smaller institutions not having standalone ratings (from FITCH, Moody's or S&P) or having a rating that might be below investment grade. Consequently, these smaller institutions are not able to issue debt via public offering or at a favorable cost/interest rate.

I recently had a conversation with a smaller hospital that was looking to finance the expansion and renovation of its emergency department, which is now handling double the number of patients it was designed to accommodate. This hospital has had great difficulty in accessing capital and if they were able to finance their emergency department project using this program, the rating on the bonds would be essentially the same as the state of Connecticut and it would provide the institution with access to capital and at a lower cost. Without this program, the project may not be completed.

In summary, I endorse and recommend Committee approval of S.B. No. 1044.

I would like to thank the committee for the opportunity to present this testimony and I would be happy to answer any questions you may have.