



Testimony of Kimberly A. Lumia

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Submitted to the Public Health Committee

HB 6520, AN ACT CONCERNING REPORTING  
BY FOR-PROFIT HOSPITALS

March 15, 2013

Good afternoon Senator Gerratana, Representative Johnson, and distinguished members of the Public Health Committee. My name is Kimberly Lumia; I am President and Chief Executive Officer of Sharon Hospital in Sharon, Connecticut – the only full-service community hospital serving the Northwest corner of our state.

I appear before you this afternoon to speak in opposition to House Bill 6520, An Act Concerning Reporting by For-Profit Hospitals.

Sharon Hospital is currently the only for-profit acute care hospital in the state of Connecticut. As such, Sharon Hospital pays nearly \$2 million a year in local real and personal property taxes, income taxes and state sales and use taxes. All told, since 2001 Sharon Hospital has paid nearly \$20 million dollars in taxes, not including the new hospital provider tax.

Sharon Hospital has also made capital expenditures in excess of \$36 million in just the last several years. Somewhat ironically, these significant contributions to the local community and the overall Connecticut economy have been made by one of the state's smallest hospitals operating in one of its most rural and least populated areas.

We are opposed to the passage of Raised Bill 6520 for a variety of reasons. I am here today to explain why.

- This bill is unnecessary given the statutory financial reporting requirements for acute care hospitals set forth in the existing provisions of section 19a-644. For example, the information referenced in subsections 1a and 1c of the bill is already provided to OHCA in our annual reporting filing (submitted each February 28), our actual twelve months filing (submitted each March 31) and our audited financial statements and the footnotes thereto. All of these reports are publicly available through the OHCA website.

- The bill duplicates certain provisions of Connecticut’s non-profit conversion statute, 19a-486 of the Connecticut general statutes. For example, the conversion statute already requires the attorney general to make a finding that “any management agreement contemplated under the transaction is for reasonable fair value.” If the attorney general is unable to make this finding the transaction cannot be approved.
- The bill duplicates requirements of existing Certificate of Need laws. Hospitals are required to seek CON approval to establish certain facilities and services, and as part of this process they make full and public disclosure of the location of the project, timeline, cost and sources of funding.
- The language of the bill is vague and unclear, which will likely lead to issues in interpretation. For example, material terms such as “management agreement” or “financial transaction” are not defined. Other provisions make little sense and it is difficult to determine what information is actually required to be reported. For example, subsection 1 requires “a description of any office maintained outside the united states by an officer or management employee of the hospital.” Individual officers and employees do not typically maintain separate offices here or elsewhere. Similarly, subsection 2 requires the “identification of any agent or employees of an officer or management employee of such hospital.” Officers and management employees do not typically have individual agents or employees.
- The bill will impose significant compliance costs on for-profit hospitals in terms of additional FTE resources, particularly since the financial data being requested is not currently maintained or segregated for reporting purposes. Given the bill’s \$5,000 threshold for reporting financial transactions, we anticipate the need to hire two (2) additional FTEs, at a cost of at least \$100,000 per year, to track expenditures and complete the required reports. We also expect that OHCA staff will be overwhelmed by the volume of data that we submit in response to this new law. The low dollar threshold for reporting, coupled with the bill’s failure to define the term “financial transaction,” would require us, for example, to report simple, everyday supply purchases, such as surgical gloves acquired from vendors outside of the United States.
- The bill requires the disclosure of confidential and proprietary information in an increasingly competitive healthcare environment. Why should a for-profit hospital be required to disclose its future planned projects (which will add to the amount of property taxes that it pays) and its sources of funding when its non-profit competitors are not subject to the same requirement? In addition, the requirement that hospitals disclose information about potential capital projects is inconsistent with recent changes in CON laws, which eliminated the need for OHCA to review and approve most of these types of expenditures.

- The bill does not specify the purpose for the increased financial reporting and we question the value of data submissions that will apply currently only to Sharon Hospital and thereafter, assuming additional conversion applications are approved, an additional handful of hospitals.
- Finally, the bill unfairly discriminates against for-profit hospitals as most, if not all, of the provisions of raised bill 6520 apply equally to non-profit hospitals, which have joint ventures, partnerships and management agreements with for-profit third parties and off-shore insurance captives.

As noted above, Sharon Hospital is one of the state's smallest hospitals, but its for-profit status provides significant financial benefits. The contributions that can be made by larger for-profit hospitals in more populated areas of the state should be readily apparent. The state has much to gain from additional for-profit conversions and the example of Sharon Hospital over more than ten years demonstrates that the existing regulatory scheme governing this process is sufficient.

In closing, a simple review of the hospital financial reports available on the OHCA website will demonstrate the comprehensive nature of the existing financial reporting obligations for all hospitals and make it clear that this bill is simply unnecessary and would impose a significant burden on a single hospital – which is one of the state's smallest hospitals – for no apparent public purpose.

I would be pleased to answer any questions you might have. Thank you.