

**TESTIMONY OF
MIDDLESEX HOSPITAL
SUBMITTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
Thursday, March 13, 2014**

SB 368, An Act Phasing Out The Hospital Tax

Middlesex Hospital appreciates the opportunity to submit testimony concerning **SB 368, An Act Phasing Out The Hospital Tax**. The hospital tax is not being implemented as originally passed. We are respectfully requesting your support for having it phased out over a five-year period.

Middlesex Hospital suffered from last year's budget actions, which imposed a tax of \$336 million on hospitals over the biennium. We've done extraordinary things to minimize the impact to patient care. But it is very challenging. Middlesex Hospital has been forced to implement programs and policies that reduce our expenditures in areas such as employee wages, benefits and medical supplies in order to absorb the additional tax expense. Middlesex Hospital has been fortunate to have maintained a modest operating margin, which has been reinvested in the provision of care to enable us to continue to provide convenient, high-quality, efficient health care to our community. However, it took a comprehensive dedicated process over many months to identify and implement these cost saving measures. Further cost reductions by Middlesex Hospital of similar magnitude as are inherent in the status quo tax plan could not be achieved year over year into the future without severe negative repercussions. It is our mission to provide the safest, highest-quality health care and the best experience possible throughout the community we serve. This tax will jeopardize our ability to carry out this mission.

In 2010, Connecticut balanced the state budget by imposing a hospital tax that was not supposed to hurt hospitals or patient care. The state taxed hospitals, returned that money to hospitals, and received a 50% federal match on the tax dollars collected from hospitals. The state was able to balance the budget, and hospitals in the aggregate were whole.

However, the new budget continues taxing hospitals \$350 million per year, but only returns \$249 million to hospitals in FY2014 and \$115 million in FY2015, with the total loss to hospitals of \$336 million over the two state fiscal years.

The hospital tax means providing care with even fewer resources, affecting access and services for all patients.

Connecticut hospitals have done extraordinary things to absorb the increased tax burden in order to minimize any impact to patient care. Unfortunately, in the last year,

Connecticut hospitals have been forced to eliminate more than 1,400 jobs, reduced staff salaries and benefits, reduced some services, and postpone investments in technology and infrastructure because of the increased tax burden. This is having a negative effect on the state economy and it is just the beginning as the tax will double this year.

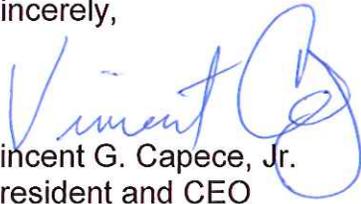
Middlesex Hospital has always been committed to improving patient care and ensuring that every person receives safe, excellent care. At Middlesex, we are constantly working to identify opportunities for improving the quality and safety of the care we provide as well as to make the experience of the patient and their family the best possible. One example of this is our High Reliability Transformation in which we are bringing principles to Middlesex Hospital that have helped make other industries remarkably safe for long periods of time (such as commercial aviation, nuclear power, and the US Nuclear Navy, to name a few), as part of a state wide initiative being led by CHA. This supports our goal of keeping patient safety our absolute number one focus. This process involves teaching habits and tools that improve individual performance, communication, and team work to all of our employees and medical staff, increasing transparency to be better able to find, understand and respond to opportunities for improvement, and system change management techniques to improve the function of our systems to decrease the likelihood of errors occurring or reaching the patient. In addition, we are teaching staff the principles of LEAN methodology to enhance our process improvement capabilities. Specific quality and safety initiatives have included successful efforts to reduce readmissions, catheter associated urinary tract infections, and surgical site infections, as well as system improvements to ensure best evidence based practices are in place for patients with many different diagnoses, such as heart attack, stroke and pneumonia. Beyond these, there are numerous other initiatives all centered on improving patient safety, providing the highest quality of care and the best experience possible to every patient every time, too numerous to list here.

Again, it is Middlesex Hospital's mission to provide the safest, highest-quality health care and the best experience possible throughout the community we serve, and this tax puts at risk our ability to carry out this mission.

I urge you to support SB368 and help Connecticut hospitals ensure safe, high-quality care to the communities we serve.

Thank you for your consideration of our position.

Sincerely,


Vincent G. Capece, Jr.
President and CEO