



**TESTIMONY OF
DARLENE STROMSTAD, FACHE, PRESIDENT & CEO
BEFORE THE PUBLIC HEALTH COMMITTEE
Wednesday, March 19, 2014**

**SB 460, An Act Concerning Hospital Conversions And Other Matters
Affecting Hospitals**

Waterbury Hospital appreciates the opportunity to submit testimony concerning **SB 460, An Act Concerning Hospital Conversions And Other Matters Affecting Hospitals**. My name is Darlene Stromstad and I am the President and CEO of Waterbury Hospital. I am here today to ask that you oppose this legislation.

Many of you may have heard that Waterbury Hospital has some challenges. Today I want to ensure that you understand what is happening at Waterbury Hospital, why the proposed joint venture with Tenet Healthcare is vital for our future, and how this legislation could impact our Hospital and our community.

For nearly a decade, Waterbury Hospital has lost money. In fact, the only year in which we had a positive bottom line in the last decade was FY 2012 and that was achieved by making some very tough choices. Unfortunately, that stability was short lived, and we ended FY2013 with a loss of \$2.3 million—in spite of making a mid-year adjustment and reducing our workforce by 100 jobs to address the impact of Medicaid cuts. And, for the first five months of FY2014, we have a combined loss of \$3.3 million, and are projecting to end this year in the red. We do not have a huge endowment to absorb these kinds of losses.

In my three years at Waterbury Hospital, we have worked very hard to reduce our expenses to attain financial stability. We've been hit with Medicaid budget cuts, Medicare reimbursement reductions and the financial impact of healthcare reform. We have responded by taking more than \$30 million in expenses out of our organization; more than 250 jobs have been eliminated. Here's the challenge: more than 70% of our patients are insured through Medicare and Medicaid; these payers do not cover the cost of care. Our community does not enjoy the levels of commercial insurance to make up the difference.

The paradox for us, as experienced every day by our staff, is that we continue to be very busy—in fact, last week we had to divert ambulances because our ER was full. For the first three months of fiscal 2014, our “heads in beds” was 2.8% more than the same time last year. However, our revenue was down by 6.1%. For an organization that lives paycheck to paycheck, the decrease in reimbursement from Medicaid and Medicare and the increasing cost of regulation means we are not going to survive as a stand-alone hospital.

So, are we as a hospital worth saving? Certainly I have my bias, but let's be clear about who we are: We are a safety net hospital for some of Connecticut's most vulnerable citizens. We operate the third largest psychiatric program in the state of Connecticut- we provide heart surgery, and house a Level II nursery for high risk infants, an increasing number that are born drug addicted. We operate three levels of intensive care – medical, surgical and cardiac. We provide both internal medicine and surgical residency programs that help supply Connecticut's need for physicians. We serve about 12,000 inpatients a year, 180,000 outpatients, another 100,000 physician office visits and 55,000 emergency patients. And we are the sole provider of full reproductive services in the greater Waterbury area.

In spite of our financial condition, our physicians, nurses and other staff members continue to do a great job of keeping the patients at the center of everything we do. This spring, we were awarded the Healthgrades Distinguished Hospital Award for Clinical Excellence which puts us in the top 5% - yes, Top 5 % - of all hospitals nationally for clinical outcomes. We were the only hospital in Connecticut to receive this distinction. And we are equally as proud that we were also named one of Healthgrades' America's 100 Best Hospitals for Critical Care. We also have a nationally known orthopedic surgery program. So let's be clear: this is a hospital worth saving.

Our board of directors has long believed the way to do that is through a partnership, a partnership that allows us to cut overhead expenses, get access to capital to upgrade our equipment and to navigate these rapidly changing waters of healthcare reform through the development of a larger delivery system. In 2010, our Board of Directors commissioned a study that clearly showed that a "capital partner"—a merger—was necessary for the Hospital's long-term viability.

Let me stop here for a moment. I want to be certain that you understand that our overriding goal has been and continues to be to ensure Waterbury Hospital remains viable so we can continue serving the folks of Greater Waterbury long into the future. As stewards of this community asset, our board members understand it is their responsibility to ensure we are meeting our mission of patient care into the future.

In 2011 the Waterbury Hospital Board of Directors hired consultants - called investment bankers – to find a prospective buyer. No nonprofit systems came forward! Our finalists were Vanguard Health Systems (now Tenet) and a smaller firm called LHP that promised to build a new hospital along with Saint Mary's Hospital. So we chose LHP. As risky as we knew that was, we had to try. A year and a great deal of work later, LHP notified its two Waterbury-based potential partners that it was not going to move forward on our deal.

In October 2012, after a very deliberate process and due diligence conducted by our Board of Directors, Waterbury Hospital signed a letter of intent to engage in a Joint Venture with Vanguard, now Tenet Healthcare. Please note we conducted our own due diligence on Vanguard and then Tenet when the acquisition of Vanguard was announced. We believe this sophisticated and tightly run organization provides a bright future for not only Waterbury Hospital but potentially for other facilities and communities in Connecticut. The vision for a cooperative health network, which you'll hear more about, where the most appropriate care can be delivered in the best setting is beneficial to all, including the many people that work and live in my community. By protecting our ability to deliver healthcare in Waterbury, we are protecting some of the most vulnerable folks in the State of Connecticut. A cooperative health network allows us together to take care of patients in the right place at the right time for the right price.

It's been nearly 18 months since we signed that letter of intent for the joint venture. We filed a Certificate of Need/Conversion application in May 2013, which was deemed complete last fall. We have been granted three extensions while we work to come to closure on outstanding issues, including the issue related to the ownership of physicians practices, finalizing a nurses contract (we are working hard on an agreement right now), and, now, awaiting the actions of the General Assembly and the Administration on the issues as they relate to hospital conversions.

The key question, of course, is whether Connecticut will be a favorable place for for-profit healthcare and for the creation of networks of healthcare for our communities.

SB 460 includes extensive changes to the CON/conversion process which, frankly, are not needed. It significantly increases the amount of information and expands the regulatory process for both for-profit and not-for-profit healthcare mergers. Having been through this process twice in my short time in CT, I can assure you that the existing regulation absolutely provides the level of detail and analysis to ensure the right decisions are being made for Connecticut. The current regulatory process requires a detailed description of the board's process to analyze and select a partner, it requires us to hire a nationally recognized third party to provide a written report on the "fairness" of the value we'll receive; it includes financial history and financial projections – both with and without Tenet as a partner.

It includes copies of all our agreements, information on the type and size of services presently provided; it defines market areas, all ownership interests and identifies the leadership involved in this transaction. It includes all of our board designated funds and trust documents, information on the formation of a surviving foundation. It includes studies leading up to the decision, conflict of interest, governance, etc., etc., etc. There are literally thousands of pages of documents. Additionally, the Attorney General's office, beyond the analysis of its staff, hires a third party—at the expense of the for-profit—which can be up to \$500,000 to analyze all of our filings, reviews the fairness opinion and ask additional questions. In fact, the AG's office can ask any question it believes is relevant; and believe me, they were thorough.

Beyond the filing of the application, we have done extensive education and outreach to ensure that our constituents have an understanding of the joint venture with Tenet Healthcare and have had an opportunity to ask questions. In Waterbury, we have had many forums for our employees, medical staff, and community. We've been engaged with business leaders, union representatives, faith communities, our elected representatives and the general public.

Our industry, to include hospitals in Connecticut, is undergoing enormous reform which requires that hospitals work collaboratively together. This proposed legislation would make it onerous and burdensome for all hospitals seeking to become part of a network or system. Essentially, SB 460 keeps the status quo in Connecticut which is not an option for most of us. It certainly won't meet the healthcare needs of our community long term.

As the only hospital in the state with a pending conversion CON for a joint venture with a for-profit healthcare system, we ask that you carefully consider the consequences of passing legislation that would deter any mergers, and the ability of for-profit healthcare to participate on a level playing field in our state. As I told the Labor Committee in December 2013, without becoming part of a larger system, Waterbury Hospital will limp along until such time as we can't.

Every day at Waterbury Hospital, we are mindful of our promise to our patients—to keep them at the center of everything we do. Our staff works hard and we are extremely proud of the care we provide. The proposed joint venture with Tenet Healthcare gives us the resources to be able to continue keeping our promise to our patients long into the future.

The action this committee and the General Assembly takes on legislation related to for-profit conversions will have implications for Waterbury Hospital and for healthcare in Connecticut for years to come. We respectfully ask that you do not pass this legislation.