



**Connecticut Department of Public Health**

**Testimony Presented Before the Public Health Committee**

**March 19, 2014**

**Commissioner Jewel Mullen, MD, MPH, MPA  
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**Senate Bill 460: An Act Concerning Hospital Conversions  
And Other Matters Affecting Hospitals**

The Department of Public Health (DPH) thanks the committee for raising this important issue, and recognizing we are at a critical moment in Connecticut's healthcare landscape. The DPH provides the following information regarding Senate Bill 460 by outlining some of the Department's specific concerns:

**Section 2** of the bill defines "affected community" as a municipality where a hospital is physically located or a municipality whose inhabitants are regularly served by the hospital. The phrase "a municipality whose inhabitants are regularly served by the hospital" is unclear and needs clarification. (e.g., hospital's primary service area).

**Section 10, (a)** of the bill describes an expedited review process for distressed hospitals that propose a transaction including only non-profit to non-profit entities. The commissioner is to consider six criteria in determining if a hospital is distressed, and therefore qualifies for expedited review. It appears from the wording that the hospitals must meet all six of the criteria. If the intent is the consideration of all six criteria, the Office of Health Care Access (OHCA) is concerned that these criteria may not allow any hospitals, even the most financially troubled, to qualify as distressed and therefore be considered for expedited review. Using the hospital financial filings submitted annually to OHCA by all hospitals, OHCA finds that only five hospitals would meet the criteria for distressed in the categories of experiencing an operating loss for two straight years, having less than 50 days cash on hand, having a current asset to liability ratio of 1½ and an inpatient occupancy rate of less than 50%. Using the results from FY 2012, the hospitals that would meet just these four criteria are Dempsey, Johnson, Milford, New Milford and Windham. However, when applying the criteria of long-term debt to capitalization of greater than 75%, all of these five hospitals would be unable to meet that ratio and would not be allowed to seek expedited review. It is not known what the hospital's current or likely investment grade is, which is the sixth criteria for expedited review. The Department would welcome further discussion on this issue.

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In addition, a post-approval requirement listed in **Section 10, (h)** is the submission of annual financial filings by the new hospital after the transaction. Such filing would be made each year on March 1<sup>st</sup>. The filings as referred to in the bill would include audited income statements, balance sheets and other financial statements. OHCA notes that, by existing statute and regulations, OHCA receives a large amount of financial information from all hospitals whether they are for-profit, not-for-profit or state-operated hospitals. Any newly acquired hospital would be required to file the same as existing hospitals. OHCA receives the audited financial statements for the previous fiscal year for the hospitals and their parent corporations, as well as all balance sheet, statement of operations, charity care, and uncompensated care information and a significant amount of financial data and information which OHCA utilizes to annually produce the statutorily required Report on the Financial Status of Connecticut's Hospitals. OHCA receives the financial filings on February 28<sup>th</sup> and March 31<sup>st</sup> of each year. OHCA requests that this post-transaction requirement be eliminated or revised in light of the possible redundancy to current hospital financial reporting laws.

**Section 14** requires that a certificate of need is required for the "termination of inpatient or outpatient reproductive services offered by a hospital or other facility or institution operated in the state." The "hospital or other facility" language in this section does not align with the existing definition of "Health Care Facility" found in Sec. 19a-630 of the Connecticut General Statutes. The bill's language may require the regulation of service providers (e.g., abortion clinics) not currently under OHCA's jurisdiction. Though the Department licenses clinics, including abortion clinics, they are not subject to CON. Therefore, OHCA requests that the term "Health Care Facility as defined in 19a-630" be substituted for "hospital or other facility." In addition, "reproductive services" is not currently defined in OHCA statutes/regulations thereby making it unclear as to what "reproductive services" means.

We also note that the implementation of the provisions of this bill would require the allocation of significant additional resources to DPH that are not currently included in the enacted budget nor in the Governor's recommended budget adjustments.

Thank you for your consideration of the Department's views on this bill.