



*A Union of Professionals*

**AFT Healthcare** 

Testimony of  
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Public Health Committee Public Hearing  
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***HB 5147 An Act Concerning Salaries For Nonprofit Hospital Administrators***

Good afternoon Senator Gerratana, Representative Ritter, and members of the Public Health Committee. My name is Jean Morningstar and I am proud to be the First Vice President of AFT Connecticut, a diverse union of more than 30,000 members, including more 7,000 healthcare workers in 10 acute care hospitals in Connecticut. It is on their behalf that I testify before you today in favor of 5147 An Act Concerning Salaries for Nonprofit Hospital Administrators.

Connecticut's non-profit hospitals generated more than \$660 million in profit last year. They receive almost \$2 billion each year in Medicaid payments and pay no local property taxes. Hospitals blame state budget cuts for funding reductions and have laid off hundreds of bedside caregivers. Yet while they spent millions on an aggressive lobbying and media campaigns, they also paid scores of executives hundreds of thousands of dollars in hefty annual compensation packages. Dozens received more than \$1 million and at least one was paid more than \$3.5 million.

These salaries and bonuses are not tied to quality of care or linked to patient outcomes. In fact, many of the highest paid executives lead hospitals with the highest readmission rates, patient falls, medication errors and hospital acquired infections. Why are we allowing hospitals to subsidize exorbitant executive salaries and bonuses with taxpayer dollars?

HB 5174 offers an avenue to put patient care before hospital profits, as it would require nonprofit hospitals to cap administrators' annual salaries and bonuses at \$500,000. If they exceed \$500,000, the hospital would be required to pay property taxes to the municipality in which it is located. It's a prudent proposal that will maximize scarce taxpayer resources.

No doubt you will hear from numerous hospital administrators today who claim that they cannot do their jobs for less and that they are beholden to the will of the market that sets their salary and bonus rates. Don't be fooled. Governor Andrew Cuomo in New York wasn't. In 2012, he issued Executive Order No. 38, directing state agencies to promulgate regulations limiting executive compensation for non-profit organizations that receive state funds, such as Medicaid. The regulations prohibits a "covered provider" (a hospital, nursing home, home health agency, or managed care organization that receives state funds), from using more than \$199,000 per year of state funds or state-authorized payments for

compensation paid to covered executives, unless the covered provider has obtained a waiver from the Department of Health.

The intent was to prevent public funds from being diverted to excessive compensation and unnecessary administrative costs, and to ensure that taxpayer dollars were being used to help the most vulnerable. Penalties for noncompliance include redirection of state funds, limitation or revocation of the provider's license, and suspension, modification or termination of the provider's contracts with the state. The regulations apply to providers who receive at least 30 percent of their overall funding from the state and were upheld by the Suffolk County Trial Court.

HB 5174 provides for far more generous compensation than Governor Cuomo's Executive Order, but the bill could be further strengthened with the proposed language I have attached to my testimony:

- First, there should be an express inclusion of hospital system executives. As the bill is currently written, executives from Hartford HealthCare and Yale New Haven Health System, the biggest offenders, would be exempt.
- Second, all hospital executive compensation should be tied to quality and patient outcomes. In years when hospitals or hospital systems are fined by Medicare for excessive errors, safety lapses and adverse events, no executive should receive any bonus.
- Third, in order to ensure that compensation is truly reflective of facility's mission to quality care, total executive compensation shall be limited to twenty times the wages paid to the lowest paid full-time employee. For hospitals or hospital systems that pay their lowest paid workers minimum wage, the maximum annual executive compensation would be just over \$399,000.
- Fourth, these requirements could be enforced with penalties for violators to benefit the General Fund. Such penalties could include the reduction or suspension of property tax exemptions; reductions in Medicaid payments; or monetary fines equivalent to the total salary, awards and bonuses and benefits paid to executives.

It is time to stop the practice of siphoning patient care dollars into the pockets of executives who provide no patient care. It's only fair that these executives, whose facilities receive significant taxpayer dollars, share in efforts to balance our state budget. I urge you to put patients before hospital profits and pass HB 5174 with the recommended changes.

Thank you for listening and I will be happy to answer any questions.

**AN ACT CONCERNING COMPENSATION FOR HOSPITAL EXECUTIVES**

Be it enacted by the Senate and House of Representatives of the General Assembly convened:

Section 1. (NEW) (*Effective July 1, 2016*):

(A) For purposes of this section:

(1) "Awards and bonuses" means compensation and benefits, in cash or in-kind, other than salary and wages, paid directly or indirectly to an executive as compensation for the performance of services.

(2) "Executive" includes (i) chief executive officer; (ii) chief financial officer; (iii) president; (iv) vice president; (v) hospital administrator; or (vi) individual who works as an employee or an independent contractor and who has executive, managerial or administrative authority over a hospital, a health system or an outpatient facility operating under a hospital's license. "Executive" does not include an individual if fifty percent or more of the individual's work for the hospital, health system or outpatient facility is providing direct patient care or the direct supervision of staff who work exclusively at providing direct patient care.

(3) "Health system" has the same meaning set forth in section 33-182aa(4).

(B) No hospital operating in the state of Connecticut shall provide salary and wages, awards and bonuses, as defined in Section 1 (A)(1), and any other compensation to executives, as defined in Section 1 (A)(2), that when combined exceeds twenty times the combined salary and wages, awards and bonuses and any other compensation provided to the lowest paid full time employee of the hospital.

(C) No health system operating in the state of Connecticut shall provide salary and wages, awards and bonuses, as defined in Section 1 (A)(1), or any other compensation to executives, as defined in Section 1 (A)(2), that when combined exceeds twenty times the combined salary and wages, awards and bonuses and any other compensation provided to the lowest paid full time employee of the all hospitals belonging to the health system.

(D) No hospital operating in the state of Connecticut shall provide awards and bonuses, as defined in Section 1 (A)(1) to executives, as defined in Section 1 (A)(2), for any year in which such hospital is penalized for patient safety lapses, including avoidable infections, medical errors and other adverse events by the Centers for Medicare and Medicaid Services as required by the Hospital-Acquired Condition Reduction Program.

(E) No health system operating in the state of Connecticut shall provide awards and bonuses, as defined in Section 1 (A)(1) to executives, as defined in Section 1 (A)(2), for any year in which any member hospital is penalized for patient safety lapses, including avoidable infections, medical errors and other adverse events by the Centers for Medicare and Medicaid Services as required by the Hospital-Acquired Condition Reduction Program.

Section 2. Section 19a-649(c) of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2016*):

(a) The office shall review annually the level of uncompensated care provided by each hospital to the indigent. Each hospital shall file annually with the office its policies regarding the provision of charity care and reduced cost services to the indigent, excluding medical assistance recipients, and its debt collection practices. A hospital shall file its audited financial statements not later than February twenty-eighth of each year. Not later than March thirty-first of each year, the hospital shall file a verification of the hospital's net revenue for the most recently completed fiscal year in a format prescribed by the office.

(b) Each hospital shall annually report, along with data submitted pursuant to subsection (a) of this section, (1) the number of applicants for charity care and reduced cost services, (2) the number of approved applicants, and (3) the total and average charges and costs of the amount of charity care and reduced cost services provided.

(c) Each hospital recognized as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, shall, along with data submitted annually pursuant to subsection (a) of this section, submit to the office (1) a complete copy of such hospital's most-recently completed Internal Revenue Service form 990, including all parts and schedules; and (2) in the form and manner prescribed by the office, data compiled to prepare such hospital's community health needs assessment, as required pursuant to Section 501(r) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, provided such copy and data submitted pursuant to this subsection shall not include: (A) Individual patient information, including, but not limited to, patient-identifiable information; (B) information that is not owned or controlled by such hospital; (C) information that such hospital is contractually required to keep confidential or that is prohibited from disclosure by a data use agreement; or (D) information concerning research on human subjects as described in section 45 CFR 46.101 et seq., as amended from time to time.

**(d) Each hospital and health system must report annually to the Office of Health Care Access in the form and manner prescribed by the office, a list of its ten lowest paid full time employees, job titles, salary, awards and bonuses, fringe benefits and any other compensation.**

Section 3. (NEW) (*Effective July 1, 2016*). (1) In addition to any other liability or penalty provided by law, the Office of Health Care Access, in conjunction with the Department of Social Services, may impose a civil penalty on a hospital or health system that (a) does not comply with Section 1 of this act; or (b) fails to report as required by section 2.

(2) Penalties may include (a) the reduction or suspension of property tax exemptions; (b) reductions in Medicaid payments; (c) a monetary fine equivalent to the total salary, awards and bonuses and benefits paid to executives that do not comply with section 1 of this act; or (d) any other monetary penalty determined by the Office of Health Care Access.

(3) All penalties recovered under this section shall be paid into the State Treasury and credited to the General Fund.