



FOR IMMEDIATE RELEASE
March 24, 2009

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Recession Severely Compromises the Financial Health of Hospitals Total Margin Plummets to Unprecedented Low; Hospitals Cannot Absorb Additional Cuts

Wallingford, CT – According to data compiled by the Connecticut Hospital Association, the total margin reported by state hospitals in the first quarter of 2009 dropped to negative 11.5 percent. This represents a further decline of 3.2 percentage points or 39 percent in total margin since the fourth quarter of 2008 when hospital margins dropped precipitously from prior quarters. The overall loss to Connecticut hospitals in the first quarter of 2009 was over \$200 million, which follows the \$156 million loss that Connecticut hospitals experienced in the fourth quarter of 2008. This shocking financial drop during the past six months has put Connecticut hospitals in a severely compromised position.

While the healthcare sector has been often characterized as immune from recessionary pressures, this is clearly not the case. Hospitals are experiencing significant declines in operating income as well as dramatic non-operating (investment) income losses. Increasing numbers of uninsured, under-insured, and Medicaid patients—many casualties of escalating unemployment—combined with lack of access to credit and traditional sources of capital are stressing hospitals' already precarious financial condition. After years of plugging the gap caused by Medicaid under-reimbursement with investment income that has now disappeared, many hospitals are at the breaking point.

As Governor Rell and the General Assembly work to balance the state budget, we urge them to make hospitals a priority, as Connecticut hospitals cannot absorb any further cuts. Cutting hospital reimbursement or implementing other changes to Medicaid will result in huge cost increases to hospitals and dire consequences for communities depending on the health of their local hospitals. We cannot allow the healthcare safety net to unravel any further.

Since healthcare is the sector through which over a billion dollars of stimulus money can come to the state, hospital reimbursement offers a potential lifeline for the state budget. The federal stimulus package permits an increased match, from 50 to 60 percent, for Medicaid dollars expended by the state of Connecticut. Thus, Connecticut has the opportunity to both increase payment to hospitals for services provided to Medicaid patients and realize additional revenue that can be applied directly to the deficit. This win-win situation cannot be overlooked.

“Hospitals need support in this economic crisis so they can continue to care for their communities. Cuts to Medicaid must be opposed now more than ever if we are to keep quality healthcare available to all who need it in Connecticut,” stated Jennifer Jackson, President and CEO, Connecticut Hospital Association.

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The Connecticut Hospital Association has been dedicated to serving Connecticut’s hospitals since 1919. Through state and federal advocacy, CHA represents the interests of Connecticut’s not-for-profit hospitals on key healthcare issues in the areas of quality and patient safety, access and coverage, workforce, public health, and hospital reimbursement.