



**WATERBURY
HOSPITAL**
HEALTH • CENTER
caring makes a world of difference

**TESTIMONY OF WATERBURY HOSPITAL
BEFORE THE
HUMAN SERVICES COMMITTEE
Thursday, January 18, 2007**

On the adequacy of Hospital funding of Medicaid, SAGA & Managed Medicaid care provided at Waterbury Hospital.

Waterbury Hospital has served as Greater Waterbury's community hospital since 1890, providing access to all levels of care to our community regardless of ability to pay. For the fiscal year ended September 30, 2005, Waterbury Hospital provided care to the indigent with the following costs and reimbursements. These numbers do not reflect the costs incurred by the Hospital to provide care to the uninsured and underinsured under our free care, sliding scale and bad debts programs.

| | <u>COST</u> | <u>REIMBURSEMENT</u> | <u>LOSS</u> |
|------------------|---------------------|----------------------|-----------------------|
| Managed Medicaid | \$14,932,482 | \$10,600,405 | \$ (4,332,077) |
| Medicaid FFS | \$11,824,524 | \$ 7,308,555 | \$ (4,515,969) |
| SAGA | <u>\$ 6,268,390</u> | <u>\$ 2,806,297</u> | <u>\$ (3,462,093)</u> |
| TOTAL | \$33,025,396 | \$20,715,257 | \$(12,310,139) |

Uncompensated Care Payments – Total \$ 3,400,000

Net loss on care provided to Medicaid & SAGA patients \$ (8,910,139)

For fiscal year 2005, Waterbury Hospital experienced a loss on operations of \$(30,448). When a Hospital like Waterbury, experiences losses on operations, it cannot keep pace with the reinvestment required to maintain its physical plant or keep current with replacement of clinical equipment. Due to the material and chronic losses on the Medicaid programs, Waterbury Hospital has had to defer reinvesting in its physical plant and equipment replacement for many years. Our average age of plant, a financial ratio used routinely in our industry to see how frequently one is able to refresh their plant and equipment, significantly exceeds both state and federal averages. Our average age of plan is a bit over 19 years. Connecticut averages a little over 11 years and National averages about 9 years. Consequently, because we do not earn enough profits from

operations, we are not able to reinvest in plant and equipment, and we fall short of the standard of care enjoyed by patients in other hospitals around Connecticut and the Nation.

The city of Waterbury is challenged from a socio-economic basis, with a higher than state average unemployment rate, lower per capita household income than the state, and higher proportions of elders and indigent than state averages. Waterbury Hospital is the largest private employer in the City of Waterbury. We serve as a significant economic engine to this City. It has been well documented in recent reports to various state agencies, including OHCA and DSS, that Waterbury Hospital is financially challenged to meet the ongoing needs of the community through reinvestment of dollars into upgrading physical plant and clinical equipment.

It has also been documented that rate increases granted to the Managed Medicaid program are not being fully passed along to Hospitals to provide care. As a not-for-profit acute care Hospital, we serve as the community's safety net for health care. Other providers can limit access or deny services to this population. We are there to serve all patients, regardless of ability to pay, 24 hours per day, each day of the year. Over the years, other providers and managed care initiatives have moved larger portions of the commercially insured business out of the Hospital. This has continually eroded our ability to underwrite the funding shortfalls generated under the Medicaid programs. These other providers are not obligated to and increasingly do not provide access to this population. That burden falls back to the Hospital.

We ask you to invest in the safety net infrastructure that Connecticut Hospitals provide to our deserving residents. We ask you to fully fund the cost of care provided to individuals enrolled in state programs. Failure to do so puts the entire health care infrastructure at risk for all residents.

For additional information, contact John H. Tobin, DMan, MPH, President and CEO, Waterbury Hospital at 203-573-7334.