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Hospitals increasingly in the red, group says
Medicaid tweaks could cost state federal funds
By Devon Lash

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STAMFORD -- As Gov. M. Jodi Rell proposes cuts and benefit reductions for state Medicaid spending, hospitals in Connecticut are reporting damaging losses.

In the first quarter of this year, hospitals lost more than $200 million. That follows a $156 million loss in the last quarter of 2008, according to data compiled by the Connecticut Hospital Association.

"Because the health-care sector has always been strong in terms of jobs, often people think it is immune from recessionary pressures," CHA spokeswoman Leslie Gianelli said. "Hospitals are experiencing dramatic losses."

Rell's proposals could result in a loss of federal money, Gianelli said.

But Jeffrey Beckham, spokesman for the state Office of Policy and Management, said states can maintain eligibility for federal stimulus money even with reductions in Medicaid benefit packages and the establishment of co-pays.

Rell has proposed two changes in Medicaid spending that may be adjusted to better comply with federal guidelines, Beckham said. The first would impose premiums for HUSKY A adults, and the second would eliminate self-declaration provisions upon application.

"Even with the reductions proposed by the governor ... we will still exhaust the Budget Reserve Fund, need to achieve labor savings, conduct one-time fund transfers, and still need to scrutinize further revenue streams to achieve a balanced budget," he wrote in an e-mail.

The situation is unusually dire because the economic downturn has hit hospital investments hard, Gianelli said.

In the past, strong non-operating margins -- investment income, real estate holdings or other contributions -- would buoy low operating margins, or revenue from patient care, she said.

Non-operating margins often "fill the gap" for shortfalls in Medicaid rates, which reimburse about 70 cents on the dollar for each procedure, she said.

The federal stimulus package offers Connecticut an increased match on Medicaid spending, Gianelli said.

"By spending more, Connecticut will receive more," she said. "It's a win-win."

Beckham said the flaw in that argument is that "the state doesn't have the revenue."

Stamford Hospital's total margin declined about 4 percent since last February, though the hospital is still operating with a 2 percent total margin, said John Ansorge, chief financial officer.

"We are seeing high-level declines," Ansorge said.

In the last year, the hospital lost about $8 million in investment returns, he said.

Norwalk Hospital lost about $4.6 million in investments since October, interim CFO Mike Kruzick said. As of last month, the hospital's total margin was a little less than 1 percent, Kruzick said.

Connecticut hospitals' total margins in fiscal year 2006 were the second-least profitable in New England, ranking slightly higher than Rhode Island, according to a March report released by the Office of Health Care Access.

In 2006, the state's 30 acute-care hospitals had an average total margin of 2.5 percent; in 2007, the total margin increased to 3.6 percent, according to OHCA.

Last year, the average total margin dropped to negative 1 percent, Gianelli said, because of the market losses in the last quarter of 2008. After the first quarter of 2009, the total margin is at negative 11.9 percent, she said.

Hospitals now are "very diligent about making sure the quality of patient care is not being affected by cuts," Gianelli said. "But that's not to say cuts won't be coming."