



FOR IMMEDIATE RELEASE

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Recession Batters Connecticut Hospitals

Wallingford, CT – According to data compiled by the Connecticut Hospital Association, Connecticut’s not-for-profit acute care hospitals were hard hit by the recession in 2008, and are expected to be hit even harder in 2009. The statewide total margin for Connecticut hospitals dropped to minus 1.1% in 2008, a \$404 million year-over-year drop.

The loss in 2008 was caused by a huge year-over-year decline in non-operating income – or investment income – which is the source of funds hospitals have relied on most heavily to make ends meet. For the first time ever, Connecticut hospitals were unable to cover operating losses with investment income; instead, investment losses dragged overall margins into the red.

Connecticut hospitals historically have relied on non-operating income to close significant gaps caused by government under-payment for services provided to Medicaid and other government-pay patients. In 2007, the gap in government under-reimbursement to hospitals for Medicaid services was more than \$300 million, up from \$255 million in 2006. The gap is expected to widen even further this year, due to job layoffs, fewer people with employer-sponsored health insurance, and more people relying on state programs for help.

In addition, hospitals were hit with steep losses in the value of their assets this year: huge pension fund losses and other net asset losses in 2008 – a \$330 million loss in total – mean that hospitals’ ability to borrow funds for critically needed projects is severely impaired.

Fortunately, relief is available in the form of Medicaid funds in the federal stimulus package. The package contains sufficient funds to allow Connecticut to maintain current Medicaid eligibility and cover growing demand, as well as bring provider rates closer to the cost of providing care and contribute to closing the state budget deficit.

“Now that President Obama has signed the stimulus package into law, we urge Governor Rell and the Legislature to use the Medicaid stimulus funding to help the people who need it and to support those who provide that help,” stated Jennifer Jackson, CEO of the 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.