

January 17, 2007

Human Services Committee
State Capital
Harford, CT 06106

RE: Alternative Healthcare Models for the Delivery of Care for Managed Medicaid Clients.

Dear Honorable Members of the Human Services Committee:

Thank you for holding this very important public hearing today. This hearing is very timely due to the recent reports regarding the financial crisis facing many of Connecticut's thirty-one acute care hospitals.

Johnson Memorial Hospital (the Hospital) is a private, not-for-profit, acute care hospital in Stafford Springs, Connecticut. The Hospital is licensed for 92 beds, 9 bassinets and provides a broad range of inpatient and outpatient services primarily in Hartford and Tolland Counties. The hospital is a full service community hospital that is committed to providing for the preventative, educational and rehabilitative health needs of all residents. In 2006 the Hospital served 20,700 patients in its 24 hour Emergency Room. There were also more than 4,000 in-patient admissions, and more than 750,000 outpatient tests done in 2006. In addition we provide a variety of health education programs for the community.

The hospital is located in Stafford, and also provides outpatient services at various facilities in Enfield, Connecticut. The Hospital is the largest employer in Stafford, and one of the larger employers in the region. There are more than 700 employees at the hospital, and more than 1,200 in the Corporation's Network. We service approximately 94,000 adult residents in our market area, which consists of towns of East Windsor, Enfield, Somers, Stafford (Stafford and Stafford Springs), and Suffield.

As you can see we are a very busy hospital servicing our community health care needs. We provide high quality health care services that a large percentage of the population would otherwise not be able to access.

Johnson Memorial Hospital is severely impacted by not receiving appropriate reimbursement for servicing the Medicaid Managed Care Population. For 2008, our estimated shortfall, the difference between current reimbursement (what we are paid) and current cost (what our overall expenses are to perform the services) will be approximately \$1.6 million.



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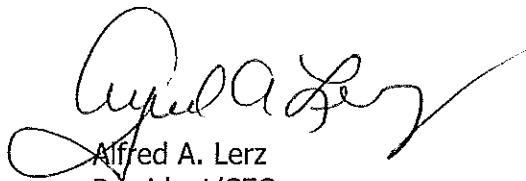
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Johnson Memorial Hospital is struggling to break even from operations. In Fiscal Year 2006 we lost \$2.9 million from operations. We can not continue to operate under these circumstances. Yearly we are impacted by lack of full payor reimbursement to cover our costs from the State of Connecticut Medicaid reimbursement system and the Federal Medicare reimbursement system. For 2008, our estimated shortfall for the State of Connecticut Medicaid system will be approximately \$2.9 million; the non-managed care portion will be approximately \$1.3 million, and the managed care portion will be approximately \$1.6 million mentioned earlier.

Johnson Memorial Hospital needs to be reimbursed its full costs to provide services to all patients including all of the Medicaid population, managed care portion and non managed care portion. In absence of adequate reimbursement, Johnson Memorial Hospital can not continue to provide services to the community while losing money. If this trend continues we will be forced to limit access to care, and ultimately eliminate services.

By receiving full reimbursement it would allow us to generate income from operations, and thus be a viable healthcare provider for our community, and the State of Connecticut. The current reimbursement system needs to be changed to properly compensate our costs of providing services to the local Medicaid population.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Alfred A. Lerz". The signature is fluid and cursive, with a large initial "A" and a long, sweeping tail.

Alfred A. Lerz
President/CEO

Johnson Memorial Hospital