



UNIVERSAL HEALTH CARE
FOUNDATION OF CONNECTICUT

Testimony Concerning the Waterbury Hospital / Prospect Medical Holdings Proposed Deal
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Good afternoon. I am Lynne Ide, Director of Program and Policy at Universal Health Care Foundation of Connecticut. This is not the first time you have heard from us regarding hospital conversions in this state. We testified in 2014, during the Tenet hearing, here in Waterbury, and a few weeks ago in Rockville, at the hearing on Prospect Medical Holdings' proposed deal to acquire Eastern Connecticut Health Network. Some of what I say will be familiar, but we believe that there are critical questions that need be asked during any hospital sale, and that even more questions must be asked in a for-profit conversion of a hospital.

Our ultimate concern is rooted in the impact this deal will have on patients, consumers, residents and the community. A local hospital is a cornerstone in a community, providing local care, employing local residents, and participating in the local economy.

The concerns we have may not be new, but they are worth repeating.

Out-of-state and for-profit

As we testified in Rockville, the fact that Prospect Medical Holdings is an out-of-state for-profit company raises a red flag. Despite assurances in PMH's presentations and in the ECHN public hearings, we would be naïve to take these at face value. If PMH is seeking, ultimately, to turn a profit from this struggling hospital, it stands to reason that they will have to change the way the hospital has been doing business. We are leery of a takeover by a company who, by its very nature as a for-profit corporation, is accountable to its investors, not the local community.

Connecticut only has one for-profit hospital, Sharon Hospital, and promises to the community made during that transaction has remained unfulfilled. Sharon Hospital officials have shared little of the information that has been asked of them from the community, and the Foundation for Community Health (FCH). FCH arose from that hospital conversion.

To be fair, we are also generally wary of any local hospital takeover, in light of the situation faced by Windham Hospital last year. The critical care unit was changed to a progressive care unit, despite community protest.

Cost and quality in the context of provider consolidation, for-profit health care

We are deeply concerned about the evidence that shows that provider consolidation leads to higher prices and, in turn, higher costs to consumers. This increase in price and cost is not matched by an increase in quality.

Dr. Leemore Dafny, of Northeastern University, has found that provider consolidation generally increases prices, and quality doesn't improve.ⁱ We ourselves put out a paper on provider consolidation in health care, and our literature review reinforced Dafny's work—prices often go up, with little change to quality.ⁱⁱ

And what kind of players are for-profit health care companies? In a June 2015 report in *Health Affairs*, researchers noted that of the fifty hospitals with the highest charge-to-cost ratio, according to Medicare data, forty-nine of those hospitals were for-profit.ⁱⁱⁱ This isn't surprising, as for-profit companies are accountable to their own bottom line, not the health of patients.

We offer this evidence, again, to put this deal in context. While we cannot know the ultimate impact this deal will have on the cost and quality of Waterbury Hospital, the evidence is not promising.

Community at the center

Waterbury is not Manchester or Rockville. The most recent Community Health Needs Assessment (CHNA) conducted in Waterbury, in September 2013, points to Waterbury's specific needs.

According to the Greater Waterbury Health Improvement Partnership^{iv}:

- Median household income is \$41,499 vs. \$69,243 for all CT
- The unemployment rate in the city is 12.9% vs. 8.55% for the state
- 20.6% of the city's population were below the poverty level in 2010
- 3 Priority health issues include
 - Access to care
 - Mental health/substance abuse (Waterbury has the highest rates of suicide in CT)
 - Obesity
 - Tobacco use

In many ways, Waterbury's increased needs only increase our concern about this deal. Access to essential services and affordability are the consumer's concern, particularly for the city's working poor and Medicaid populations.

Waterbury deserves to have access to essential services that are affordable, for all residents. Essential services are not those most profitable for a hospital and health system, but those services that are critically needed in a community, addressing major health concerns of residents. Hospitals and the expanding health systems they build are ultimately responsible for ensuring the health of a community.

Caution, and strict conditions, to protect the community

We have seen the presentations Prospect Medical Holdings has shown to communities in Manchester and Rockville. They assure that care will be of high quality, that they will be responsive to the community, and that this is a good deal for the people of Manchester, Rockville and now Waterbury.

We urge the Office of Health Care Access and the Office of the Attorney General to place conditions on this deal that ensure Waterbury Hospital, and the Greater Waterbury Health Network as a whole, remain a responsible and responsive community member.

We believe the following are conditions that should be put on this deal:

- Require Waterbury Hospital, under Prospect Medical Holdings, to conduct a Community Health Needs Assessment every three years, and to develop and implement a plan to address high priority needs
- Ensure that Waterbury Hospital has a local board that is not entirely controlled by the hospital and PMH, and that includes local residents who truly represent the community
- Include an independent monitor to ensure that Prospect Medical Holdings abides by any conditions and agreements that are a part of this transaction
- Ensure the protection of charitable assets in the conversion from non-profit to for-profit, and that charitable assets not be utilized to offset uncompensated care, but to provide services that address community needs

Waterbury deserves a deal that protects them. If this is the only way to save the hospital, so be it. But this deal cannot go forward without conditions that protect the residents of this area. The community must be a valued stakeholder in this transaction.

Since Prospect Medical Holdings is both an out-of-state and for-profit company, it is even more important that they build trust with the local community. We urge both parties to seriously consider signing the proposed community benefit agreement put forward by Community United.

ⁱ Dafny, L. (2009). Estimation and Identification of Merger Effects: An Application to Hospital Mergers. Chicago: Northwestern University.

ⁱⁱ Universal Health Care Foundation of Connecticut. (December 2014). Hospital consolidations and conversions: A review of the literature. Available at:
http://universalhealthct.org/images/publications/Hospital_Consolidations_and_Conversions.pdf

ⁱⁱⁱ Bai, G. & Anderson, G.F. (June 2015). Extreme markup: The fifty US hospitals with the highest charge-to-cost ratios. Health Affairs, Vol 34, No 6, pp 922-928.

^{iv} Greater Waterbury Health Improvement Partnership Final Summary Report, p.3