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RE: Waterbury Hospital Certificate of Need Hearing

Good afternoon. My name is Lauren Bates, and I am a Health Policy Analyst for AFSCME International in Washington, D.C. Thank you for the opportunity to testify. The proposed conversion of Waterbury Hospital into a Tenet owned for-profit entity could decrease quality of care, increase costs and reduce access for the community.

Tenet states there is "no correlation between the tax status of a hospital and the quality of care..." AFSCME challenges this assertion as Tenet Healthcare has put the company's financial interests ahead of quality care and patient safety. The book *Coronary: A True Story of Medicine Gone Awry* is an alarming real world example of how Tenet physicians regularly performed lucrative heart surgeries that were **medically unnecessary**. Ultimately, Tenet paid over \$400 million to settle with government authorities and patients who were the victims of Tenet's practices.

Non-profit health care systems provide better quality care at a lower price than for-profit systems. For example, a Harvard Medical School study determined that "Not-for-profit hospitals consistently performed better than for-profit hospitals..." and a 2013 study found

“performed significantly better than for-profit hospitals...in HCAHPS [patient satisfaction] score, risk adjusted patient safety, [and] 30 day mortality.”

Tenet’s application cites several programs it would implement at Waterbury Hospital, but it is worth noting that the federal government mandates a number of these initiatives such as fall prevention, reduction of pressure ulcers, and prevention of hospital-acquired infections. Waterbury Hospital must participate in these programs regardless of ownership.

The purchase of Waterbury Hospital would significantly limit the community’s access to health care and increase health care costs. Data shows that “... for-profit hospitals have fewer full time employees per adjusted occupied bed than non-profit hospitals.” Understaffing leads to a reduction in quality of care for patients and consumer access to healthcare.

With Tenet’s proposed purchase of St. Mary’s Hospital, the sale of Waterbury Hospital is especially troubling. A Robert Wood Johnson Foundation study found that hospital consolidation can result in higher prices. “When hospitals merge in already concentrated markets, the price increase can be dramatic, often exceeding 20 percent.” According to both of Tenet’s Certificate of Need Applications, St. Mary’s Hospital and Waterbury Hospital serve almost identical service areas; only six of the eighteen service areas do not overlap.

Tenet has also cited its ability to reduce costs for Waterbury Hospital because, “the Hospital will enjoy economies of scale.” Hartford HealthCare and, more recently, the Value Care Alliance, show that non-profit hospitals can benefit from these same economies of scale while maintaining their non-profit status. Research also demonstrates that for-profit hospitals often charge higher prices and focus on providing profitable services at the expense of unprofitable services. For example, a study in *Health Affairs* found for-profit hospital markups were 37 percent higher than non-profit markups; additional examples are included in AFSCME’s white paper.

Tenet maintains that “inadequate reimbursement from third party payors” and “an unfavorable payor mix” contributed to Waterbury Hospital’s financial challenges. However, Tenet also states that the Joint Venture “will continue to serve the same patient population.” Further, the projected payer mix in the application shows an increased reliance on government payors, for inpatient and outpatient care. It is troubling that Tenet claims these reimbursements are problematic, but then does not address how it will overcome these particular challenges.

AFSCME is concerned that Tenet will focus on profitability for its shareholders at the expense of patients and the existing health care workforce. A conversion of Waterbury Hospital would require rigorous oversight to maintain the quality and access residents deserve particularly given Tenet’s history. In fact, the Justice Department is currently investigating Tenet for allegedly paying kickbacks for referrals. As such, AFSCME strongly urges the Office of Health Care Access and the Attorney General to enact strong protections to safeguard the community, patients, hospital employees and caregivers as a pre-condition of the sale of Waterbury Hospital. In the absence of such protection, AFSCME recommends that the Office of Health Care Access and the Attorney General reject the sale of Waterbury Hospital.

Sincerely,



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American Federation of State, County and Municipal Employees (AFSCME)