

Contact: Michael O'Farrell
Office: 860.271.4838 • Cell: 860.235.3399

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L+M Reduces Workforce; Hospital Cites Federal and State Cuts

New London, CT ~ Citing the 'sheer magnitude' of payment cuts from both Medicare and Medicaid, Lawrence + Memorial Hospital today reduced its workforce by eliminating 33 positions.

"L+M and other hospitals are contending with massive structural changes that are happening very rapidly," said President and CEO Bruce D. Cummings. "We are also experiencing unexpected – and previously unbudgeted – cuts in federal (Medicare) and state (Medicaid) funding.

"The sheer magnitude of the Medicare and Medicaid cuts impel us to look at all of our services and costs, including the largest component of our budget – personnel," Cummings continued.

The eliminated positions are from a variety of departments at the Hospital and include manager and director level positions, too. Seven of the affected are union employees. Of the 33, one third (11) are per diem positions – employees who work on an 'as needed basis.' Six of the positions are from clinical areas, though no clinical services have been eliminated.

Included in the cuts is the elimination of the Hospital's involvement with Safe Kids New London County which provided community outreach programs, including car seat safety inspections in New London and other areas. The Hospital is in active negotiations with Child and Family Agency of Southeastern Connecticut to build up those services in time.

"I cannot emphasize enough that layoffs are always a measure of last, not first, resort for us," Cummings said. "This is not something we set out to do. However, the

current state of the healthcare landscape is challenging L+M – and other hospitals – to make extremely difficult decisions as a result of the painful cuts imposed upon us by Medicare and Medicaid.”

Cummings outlined some of the specific challenges faced by L+M. They include:

The Tax Payer Relief Act, Congress’ continuation of Bush-era tax cuts and temporary ‘fix’ to Medicare’s threatened reduction to physician payments, took effect January 1, 2013. The impact to L+M is \$1.3 million per year for five years.

Sequestration, the automatic across-the-board reduction that took effect April 1, 2013, has resulted in a \$1 million loss for L+M this year and a \$1 million loss next year.

Governor Malloy proposed – and the Connecticut Legislature approved – a 20% cut in Medicaid payments to hospitals. The three-year ‘hit’ to Connecticut hospital is \$550 million. The impact to L+M was \$1 million per month this July, August and September and another \$4.3 to \$6 million reduction next year.

The above cuts, said Cummings, are on top of the cuts already programmed into the Affordable Care Act, which according to one source, will result in hospitals receiving a \$260 billion reduction in Medicare outlays between 2013 and 2022.

In addition, hospitals are contending with three types of ‘hidden’ cuts that further reduce what they receive from Medicare. These, Cummings said, are new and more stringent admitting criteria, a phase out of Disproportionate Share (DSH) payments, and pay-for-performance schemes that are reducing Medicare payment rates previously seen by hospitals. Sustained drops in volumes – both inpatient and outpatient – are also contributing factors.

“This is an unprecedented time,” said Cummings. “For more than 100 years, L+M has worked to improve the health of the region. Our mission is not changing. As we continue to focus on providing the best in patient care, we will redouble our efforts to develop creative, affirmative responses to the new healthcare environment and to fashion new programmatic initiatives that will assure L+M’s continuation as one of Connecticut’s leading healthcare organizations.”

Cummings made it clear that these cuts will have no impact on Westerly Hospital, the Rhode Island hospital acquired by L+M earlier this year.

“From an operating perspective,” said Cummings, “Westerly Hospital is ‘in the black’ for both June and July – the first two months of the acquisition. In addition, our commitments to Westerly were clearly spelled out in the asset purchase agreement. Our team is in place there and while there are things still to be ironed out, our first two months have been incredibly encouraging.”

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