

ROUND TABLE REMARKS, 10/23/14

The interest of proprietary or “for-profit” hospital corporations in converting many of Connecticut’s community, not-for-profit acute care hospitals will cast a long shadow. Certainly it is an issue that all of us will be wrestling with going forward – and one that needs to be informed and directed by our experience, and that of other communities. It is that experience of the recent past that raises serious concerns for workers, patients and communities.

Our union represents about 400 members currently working at Waterbury Hospital, in two bargaining units of service workers, including Building Services, Dietary, Central Supply, Laundry, Patient Care Associates, Surgical Assistants, Support Associates, Aides and Porters, Utility Workers, Maintenance and Storeroom Clerks.

We have represented Waterbury Hospital workers since 1973. In that 40 year history, with the possible exception of a lengthy strike in 1986, we have never experienced such contentious negotiations, with so many demands for concessions from the Hospital. as when the possibility of a for-profit entity taking over operations first emerged in 2011. Suddenly, the entire benefit structure, especially pensions and quality medical insurance that our members had struggled and sacrificed to achieve over four decades was at risk, jeopardizing workers’ futures, families and neighborhoods.

As you may remember, in August of 2011, the LHP Hospital Group of Texas announced it would take over and merge both Waterbury and St. Mary’s Hospital operation, building a new for-profit hospital in Waterbury, owning 80% of the new venture. That merger and acquisition eventually fell through, for a variety of reasons including reproductive rights issues and strong community skepticism. During the year long period that the deal was still in play, we felt, saw and heard the effect of the potential conversion.

Here’s how LHP’s CEO, Daniel Moen responded to community inquiries about the merger’s effect on employment and staffing at the hospitals:

“When asked if the merger would result in job losses—in terms of medical staff being laid off due to the merger—Moen said officials haven’t spent much time on that.” That was the public response in a city experiencing unemployment rates exceeding 11% --the highest in Connecticut. There were in fact, layoffs and hours cuts, among our membership, particularly in the Laundry Department.

As Patient Care Associate and 1199 Executive Board member Brenda Morisette put it at the time, “LHP didn’t tell Waterbury Hospital to lay the workers off. It didn’t have to. Waterbury wanted to make itself as attractive as possible as an acquisition, so it began cutting staff to sweeten the deal.”

One bargaining unit represented by our union at Waterbury Hospital is comprised of building services, dietary aides and porters. Those workers had been employed by a hospital subcontractor, Sodexo. When Sodexo and the Hospital were unable to agree on their own business contract, Waterbury brought in a new subcontractor, Compass, which did not accept the terms of the contract that had already been negotiated with Sodexo and was in place.

Not only did Compass not hire a large number of current employees, the Company resisted agreeing to the pension even though Compass has contracts with other SEIU locals in other locations that do include a defined pension benefits. Their rationale was that “The potential new operator of the hospital don’t do defined benefit pension plans,” – even though no purchase deal was yet in place.

The prospect of many community hospitals being converted into proprietary, for-profit organizations is deeply troubling to us—and not simply because we represent hospital workers.

Our members are not just Hospital employees; they are consumers of health care and members of the Greater Waterbury community. In those roles, they are deeply concerned about the tension between the access to and the delivery of quality, affordable care and the need to serve the interests of investors that is inherent in for-profit healthcare. As the Bible notes, ***“No one can serve two masters. You cannot serve both God and money.”***

That is an important caveat as we look forward. We already saw the role that controversy about reproductive rights played in scuttling the earlier deal with LHP. What other services might be lost, or limited, because they are not the most profitable, not contributing to a healthy bottom line? When one hospital corporation buys up multiple community hospitals in one area, which services might be consolidated, making access, geography, transportation and available hours new issues for local residents? What about the potential for costs to rise as more and more hospitals consolidate, limiting competition? While some conversions have gone relatively well for communities, in other cases, prices, particularly drug prices for specialized and already-expensive cancer treatments and chemotherapies--have risen sharply after advent of for-profit acute care.

A recent study published in the Journal of American Medicine cites research by UC Berkeley that found that hospital ownership of physician groups in California led to 10-20% higher costs overall for patient care, illustrating the financial risks for employers, consumers and taxpayers as hospital systems nationwide acquire more physician practices. While physician practice purchases are not limited to for-profit hospitals, such purchases are an important component of proprietary corporations' business models. In Connecticut, the Comptroller's Office is now working to compile data on this issue but it's one we all need to be alert to if we move forward towards more for-profit conversions.

And in this era of increased awareness of rising income equality, Connecticut needs to take a hard look at executive compensation in the proprietary hospital universe. During contract negotiations in 2012, we raised the issue of the top ten administrators at Waterbury Hospital having collectively earned over \$6 million in salaries during the previous two fiscal years, at a time when they laid off employees and proposed cutting hours, sick time, overtime and more. What will Executive compensation look like going forward in a for-profit hospital that is no longer a community asset but part of a national corporation?

In the 2013 New York Times pay survey, the chief executive of the biggest for-profit hospital chain in the US earned \$38.6 million.

Richard Bracken, the CEO of HCA, the hospital chain, led an enterprise whose profits dropped 34.89 percent, according to the article. HCA was the subject of a pair of New York Times articles in August 2012 about profits and practices that doctors said were designed to increase profitability, which, The Times wrote, “sometimes led to conflicts with doctors and nurses over concerns about patient care.”

Ostensibly, these stunning pay packages are in recognition of value. Yet [research](#) indicates [the more CEOs are paid, the worse their performance](#). "For the high-pay CEOs, with high overconfidence and high tenure, the effects are just crazy," Michael Cooper of the University of Utah's David Eccles School of Business [told Forbes Magazine](#), noting they return 22 percent worse in shareholder value over three years as compared to their peers.

In Connecticut, we have to worry about more than economic performance. We need to be cognizant that hospitals are major employers in our struggling cities, and critical public health resources. Their main function is providing healthcare, not “shareholder value.” So what happens when the leaders of these institutions are no longer rooted in the community and must “serve two masters”? The jury may still be out – but our experience as workers and as residents in Greater Waterbury suggests that we need to be very careful every step of the way, lest we discover that our hospitals have been converted –from centers of care to cash cows for investors.