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Milford Hospital makes budget cuts as it seeks merger

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MILFORD — Milford Hospital officials have instituted a series of deep budget cuts in an effort to remain financially solvent.

Officials are in the midst of negotiations with executives at Bridgeport Hospital and Yale New Haven Health to acquire the New Haven County health care facility. The parties announced last month they had signed an asset purchase agreement.

A deal to integrate Milford Hospital with its Bridgeport counterpart requires the approval of two state regulatory agencies, **the Department of Public Health** and the **Office of Health Strategy**. One reason the cuts are necessary is to keep Milford Hospital solvent until the deal can be approved, according to Karen Kipfer, a spokeswoman.

“These kinds of approvals can take any where from nine to 12 months,” Kipfer said. “The hospital has faced financial challenges long before this and these changes were needed to ensure our financial stability until regulators rule on this. Our goal is to avoid bankruptcy and closure.”

The cuts also would allow Milford Hospital to become a more attractive merger partner, she said. The budget cuts include:

Incremental wage cuts to employees making more than \$50,000 per year. The cuts range from 5 percent to 30 percent of an employee’s wages, depending upon what they are making and their job title.

The hospital on July 1 ceased making matching contributions to employees’ 403(b) retirement plans . The plans, also known as tax sheltered annuities, are for certain employees of public schools and other tax-exempt organizations.

Cuts to excess accumulated vacation time.

Offering settlements to contractors who performed work for the hospital prior to Aug. 1 that would allow the hospital to pay less than what it owes.

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One businessman, who spoke to the New Haven Register on the condition his company not be identified, was offered 20 cents on the dollar for work the business did for the hospital.

Vincent Petrini, senior vice president of public affairs for Yale New Haven Health, said Milford Hospital officials made the decisions on their own regarding the cost-cutting measures.

“Until the transaction is approved by regulators and closes, the organizations continue to act as separate organizations,” Petrini said. “The transaction, if approved, does have Bridgeport Hospital assuming significant debt, including loans, mortgages and more than \$30 million in pension liabilities associated with Milford Hospital.”

If Milford Hospital were to go into bankruptcy, Yale New Haven Health could acquire it at a much lower cost. But Petrini said the proposed approach currently in place “provides greater stability for employees and patients alike.”

“Our goal is to sustain access to high-quality care with the least amount of disruption as possible,” he said.

Milford Hospital has more than 600 employees when full- and part-time workers and those employed on a per diem basis are included, Kipfer said. There are 400 full-time equivalent employees and, of that total, about 100 are represented by a union, she said.

“The sacrifice and support of our employees has been nothing short of amazing,” Kipfer said, adding that union officials had signed off on the cuts.

Milford Hospital’s board of directors appointed an independent management and advisory firm, ToneyKorf Partners LLC, to develop a plan that would sustain the operations of the hospital as it considered long-term options, including the potential integration with Bridgeport Hospital. Representatives with ToneyKorf Partners have been contacting contractors about settlements that would leave the companies with pennies of the dollar of the total amount they are owed.

Milford Hospital already had a pre-existing business arrangement with Yale New Haven Health and Bridgeport Hospital.

The three parties developed a collaborative relationship in which both Yale New Haven Hospital and Bridgeport Hospital agreed to house their respective Inpatient Rehabilitation Units with Milford Hospital.

However, the arrangement failed to solve Milford Hospital’s need for a different business model. Hospital officials said last month that the facility’s financial performance continued to be challenged by low reimbursement rates from government payers.

Angela Mattie, a professor and department chairwoman of Quinnipiac University’s Healthcare Management and Organizational Leadership program, said Milford Hospital’s situation is becoming an increasingly common one for community hospitals.

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“People get very invested in their community hospitals.” Mattie said. “It’s like a part of their extended family. But the standalone family hospital is no longer financially viable.”

Given the choice between having Milford Hospital no longer exist or having it affiliate with a larger health care system, Mattie said “most people are going to opt for doing what it takes to have a bricks-and-mortar hospital remain in their community.”

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