



July 23, 2009

In a statement dated May 11, 2009, Spectrum Healthcare reviewed economic conditions facing nursing homes in Connecticut and summarized how these conditions have impacted negotiations with the union representing many of the company's employees, New England Healthcare Employees Union, District 1199.

Since the May 11th statement, economic conditions for the nursing home industry have been set on a path of further deterioration as a result of the dire budget crises affecting the State of Connecticut. In early May the industry was bracing for cuts in Medicaid funding which approached nearly a half billion dollars. These cuts were primarily targeted at eliminating increases to reimbursement rates that nursing homes rely on to cover increased operational costs. Regrettably, because of the unprecedented nature of the state's budget crisis, these proposed cuts have been made even deeper as a result of the Governor's supplemental budget presented on May 28, 2009. Through her supplemental budget the Governor proposes to *reduce* nursing home reimbursement rates by 2.4%. This means that nursing home Medicaid payments will shrink over prior year payments by millions of dollars. Indeed, for the four Spectrum facilities that are currently in negotiations with District 1199, the Medicaid cuts would amount to the loss of over \$650,000 in revenue from prior year revenue. This awful economic reality is compounded by cuts in payments by the federal government under the Medicare program. Clearly, since the company released its initial statement on May 11, 2009, the financial picture for nursing homes in Connecticut has become significantly bleaker.

Despite this stark economic reality, District 1199 continues to insist that the company agree to its demand that it increase employee wages and benefits or face a strike at four of the company's facilities. This threat was renewed again very recently and the company has begun to take steps to ensure that its operations will continue uninterrupted through the course of any job action.

Like thousands of employers across the country, Spectrum Healthcare has asked of its employees to accept, on a temporary basis, reductions in certain fringe benefits while the company weathers the economic storm. Even with these concessions, our employees would still enjoy the benefit of free health insurance, 100% employer paid pension, wages that are well above the industry average and paid vacations, paid sick leave, paid holidays and paid personal days, as well as uniform allowances and other benefits.

According to the union's own estimate of the cost of the concessions that the company has asked for, employees would sacrifice \$750 per year in benefits if the company's demands were agreed to. At a time when many millions of Americans are unemployed and are forced to make ends meet by stretching weekly unemployment benefit checks, we believe that the our proposals are reasonable and responsible. Clearly, the current recession is forcing the company to shoulder the burden of deep cuts in its principal revenue sources and we only ask that employees share in this pain on a temporary basis.