



May 11, 2009

Spectrum Healthcare is a Connecticut based nursing home operator that has been providing care to its residents and jobs for Connecticut residents since 1999. Today the company has grown to a total of six facilities in communities throughout Connecticut.

Many of the company's employees are represented by New England Healthcare Employees Union, District 1199. Since January 2009, the company has been in negotiations with District 1199 at four of its facilities over the terms of new collective bargaining agreements to replace those that expired on March 15, 2009.

As has been true for Employers around the country and in Connecticut, the current fiscal crisis has complicated negotiations. Unfortunately, these negotiations have been further complicated by the Unions proposals to, among other things, increase wages by over twelve percent in just two years, even though our employees already receive competitive wages, free health insurance, one hundred percent employer paid pension contribution, educational training and reimbursement, paid vacations, paid holidays, paid sick days and more. District 1199's demands seek to significantly expand the wage and benefit package that our employees receive at a time when the company can realistically expect zero growth in its revenue.

This nation's fiscal crisis has affected the nursing home industry significantly because Nursing Homes support the State's Medicaid Program by providing care for residents who enroll in the State's Medicaid Program. Nursing Homes provide the care, and the State reimburses nursing homes for the cost of providing that care. The problem is that for many years the State has not reimbursed nursing homes for the entire cost of providing that care and now the State wants to cut payments to nursing homes by nearly \$ 500 million over the next two fiscal years. This cut follows a zero percent rate increase in the last fiscal year, meaning that there would be no growth in revenue for three straight years. The State already does not reimburse nursing homes for the full cost of providing care to its residents, costs continue to increase, and revenue appears as though it will be cut.

Many Unions across the country have responded to this fiscal crisis by agreeing with their employers to concessions. In fact, just last week, many unions, including District 1199, agreed to wage and benefit concessions in their existing contracts with the State of Connecticut. In our case, the Union has proposed, among other things, a twelve percent wage increase over two (2) years and has sent Spectrum Healthcare a notice that District 1199 will commence a three-day strike at three of the company's facilities starting on May 20, 2009. At a time when more than five million Americans have lost jobs since the start of the recession, it is difficult to understand why the Union feels a need to walk

off the job in support of their demands for, among other things, a twelve percent wage increase over a two year period.

There's no question that payments to nursing homes in the State of Connecticut are inadequate. Over the last ten years approximately twenty nursing homes have closed their doors, and thousands of people have lost their jobs, due to inadequate funding from the State of Connecticut. Many more homes have been forced into bankruptcy and receivership over this same period. In fact, as it stands today there are at least fourteen nursing homes that are in receivership or bankruptcy.

In its negotiations with District 1199, the company has consistently sought to reach contract agreements which reflect the extraordinary economic reality that the company is faced with. With respect to wages, the company's offer has been straightforward and simple: if the company receives a funding increase from the State of Connecticut, then the company will share that increase with employees in the form of a wage increase. Conversely, if the company is forced to accept cuts in payments from the State of Connecticut, then employees are being asked to accept a reduction in wages which is in direct proportion to the size of such cuts. While the company has also requested that the union agree to modest concessions in benefits such as uniform allowances, educational reimbursements and paid personal days, the company has not sought to take away the free health insurance benefits or the employer-paid pension benefits that employees receive.