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CONNECTICUT  
HOSPITAL  
ASSOCIATION



# 2019 CONNECTICUT HOSPITALS TODAY

Connecticut Hospital Association  
January 2019

# CONNECTICUT HOSPITALS AND HEALTH SYSTEMS

## Leading Healthcare Into The Future

Connecticut families rely on hospitals and health systems to be there when they need them. And, as the healthcare environment continues to shift, one thing remains certain: their doors are always open, their lights are always on, and caregivers are always ready to heal.

Connecticut hospitals and health systems play a critical role in preserving, protecting, and improving lives. They offer excellent quality care, state-of-the-art technology, and competent, compassionate staff.

Through collaboration with community partners, hospitals and health systems also play a crucial role in emergencies - preparing for, responding to, and recovering from mass casualty events, as well as natural and manmade disasters - serving as a beacon of hope for their communities in times of uncertainty.

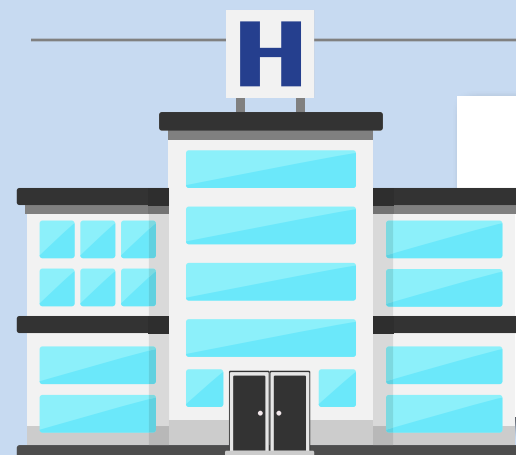
In addition to treating illness and injury, Connecticut hospitals and health systems strive to improve the health and well-being of people in their communities by helping to manage chronic illness, expanding access to primary care, addressing social determinants of

health, and improving health equity.

More than 103,000 people have good jobs in Connecticut hospitals and health systems, and that helps keep our state's economy strong. The hospital sector generates \$27.7 billion for the state's economy and drives growth in the health, medical, and research fields, as well as in many other areas.

Today's hospitals and health systems are evolving - innovation is an imperative. They're building integrated delivery networks with doctors, nurses, and other healthcare professionals who are working together as a coordinated team to better serve patients and communities.

Vibrant hospitals and health systems require support and collaboration from government and many other sectors. *Connecticut Hospitals Today* addresses the key challenges facing Connecticut's hospitals and health systems, highlights the contributions of hospitals to our quality of life and Connecticut's economy, and summarizes the complex issue of hospital finance.



EACH YEAR IN

CONNECTICUT HOSPITALS AND HEALTH SYSTEMS:



**8.4 million** episodes of outpatient services provided to individuals



**2.2 million** persons served through community benefit programs and activities

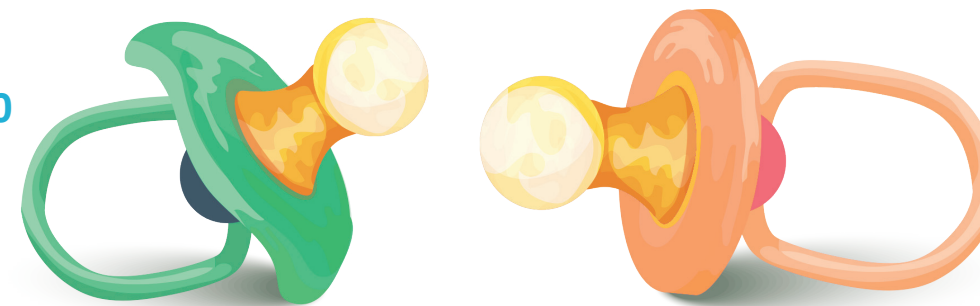


**More than 1.5 million** patients treated in emergency departments



**Nearly 2 million** days of inpatient care provided for nearly 400,000 admitted patients

**More than 35,000** babies welcomed into the world





## Hospitals: Good For Your Health...

The heart of every Connecticut hospital and health system's mission is its commitment to provide the highest quality care to every patient. Connecticut hospitals and health systems are known nationally for driving culture change through high reliability safety practices and patient-centered care redesign. This work is saving lives, but there is much more to be done.

Connecticut hospitals and health systems are focused on eliminating infections and errors that lead to patient harm. They are working individually and collaboratively in state and national programs, as well as with partners across the continuum of care, to improve quality. And Connecticut hospitals and health systems believe in transparency – they have long shared safety and quality data with the public because patients and their families need clear,



meaningful information to make healthcare decisions.

Going to the hospital isn't always easy, but Connecticut hospitals and health systems are committed to making sure patients experience compassionate, empathetic, and coordinated care – every visit.

## ... And Essential For a Healthy Economy

Connecticut hospitals and health systems provide great jobs to more than 103,000 people. And nearly every hospital job produces another job outside the hospital. In total, they generate more than 204,000 jobs in our state.

Connecticut hospitals help our state's economy grow strong. The hospital sector generates \$27.7 billion for the state's economy and drives growth in the health, medical, and research fields, as well as in many other sectors.



**MEDICARE** is the federal health insurance program for: people who are 65 or older; certain younger people with disabilities; and people with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a transplant, sometimes called ESRD).

**MEDICAID** provides health coverage to millions of Americans, including eligible low-income adults, children, pregnant women, elderly adults, and people with disabilities. Medicaid is administered by states, according to federal requirements. The program is funded jointly by states and the federal government.

## How Hospitals Are Paid

Hospitals receive payment for their services through programs such as Medicare and Medicaid, through commercial health insurance, and from patients who self-pay. Hospitals also provide charity care, meaning services to patients with no payment expected.

The current payment system is unstable and underfunded. Connecticut hospitals provide critical, lifesaving care 24 hours a day to everyone who walks through their doors, whether they can afford that care or not, but hospitals aren't reimbursed anywhere close to what it costs them to provide that care. Connecticut's hospitals receive less than 70% of what it costs from Medicaid to provide care. More than one in five Connecticut residents are on Medicaid, including about 40 percent of the children born in Connecticut. Low Medicaid reimbursement leaves them, and everyone else, with less access to care.

Medicare and Medicaid underpayments total nearly \$1.5 billion each year. In 2017, Connecticut hospitals

incurred nearly \$763 million in Medicare losses, nearly \$679 million in Medicaid losses, and spent more than \$111 million on charity care. Adding to that cost is the hospital tax.

The underfunding of Medicare and Medicaid forces commercial plans to pay more than the cost of care to cover the shortfall. That cost burden is shifted to everyone covered by commercial insurance, primarily employers and their employees.

- ✓ **Bring Medicaid rates in line with the national average.**
- ✓ **Protect access to patient care in light of potential changes to healthcare on the national level.**

# KEY ISSUES

## The Hospital Tax

The hospital tax was enacted to capture more federal revenue to help reduce the state deficit. In the beginning, in 2012, hospitals paid taxes to the state, the state then “returned” all the tax money, plus some, in the form of Medicaid payments to the hospitals. The state then claimed the reimbursements to the hospitals as Medicaid payments, thus receiving federal matching funds, which it deposited in the general fund to help reduce the state deficit.

However, the Malloy Administration began increasing the tax while reducing the amount of Medicaid funding appropriated back to hospitals – resulting in a tax that at its height in 2016 cost hospitals more than \$400 million a year. This resulted in higher healthcare costs, job losses, and the closing of programs and services. Wait times grew. It became more difficult to get access to care.

In 2015, hospitals had no choice but to take legal action to challenge the constitutionality of the hospital tax, as well as the level of Medicaid funding. This litigation is ongoing, but hospitals would prefer to resolve funding and hospital tax issues in an amicable and collaborative manner.

In 2017 and 2018, with bipartisan support in the legislature, hospitals and the Administration agreed on a three-year (2017-2020) reduction of the hospital tax burden. The hospital tax burden decreased from \$438 million a year in 2017 to \$229 million a year in 2018 and 2019, to \$43 million a year in 2020. By protecting this agreement, patients, communities, and hospitals will benefit, and the healthcare sector will remain vibrant and strong.

- ✓ **Protect the agreement regarding taxes paid by hospitals and Medicaid payments to hospitals, and settle past disputes.**
- ✓ **Partner with hospitals to develop new opportunities that benefit patients, communities, hospitals, and the state.**
- ✓ **Invest in the hospitals and healthcare to grow Connecticut’s economy.**

## Regulatory Environment

The system by which hospitals and certain other healthcare providers seek state approval to change aspects of their operations, control, or ownership – including integrations, mergers, and affiliations with other providers – known as the Certificate of Need (CON) process – has not kept pace with the transformation of healthcare since the passage of the Affordable Care Act.

The state’s interpretation and use of CON has become more inflexible and prescriptive toward hospitals. Hospitals need a CON process that treats Connecticut hospitals fairly and on an equal basis with other providers, entities, and out-of-state specialty hospitals, and reduces the existing regulatory burden on hospitals.

- ✓ **Support a Certificate of Need (CON) process that treats hospitals fairly and on an equal basis with other providers and other entities.**
- ✓ **Do not pass legislation that imposes additional regulatory burdens on hospitals.**

## Behavioral Health

Each day, Connecticut hospitals treat children and adults in behavioral health crisis. A chronic and persistent lack of resources in the behavioral health and substance use treatment system means patients do not always get the care they need in the proper setting; often their only recourse is to go to the hospital emergency department.

The problem has gotten worse, with limited state funding for behavioral health services and substance use prevention and treatment programs due to persistent budget deficits; historically high numbers of individuals suffering from opioid and alcohol addiction; growing shortages of psychiatrists, child and adolescent psychologists, and addiction medicine clinicians to treat these patients; and a lack of available facilities, resources, and personnel to address current demand for services. This adds pressure to hospitals as demand increases for emergency medical and hospital-based behavioral health services.

Improve behavioral health and substance use services in Connecticut by:

- ✓ **Supporting treatment and prevention programs that emphasize an integrated approach to patient care, such as Community Care Teams.**
- ✓ **Funding proven drug and alcohol abuse treatment programs, such as recovery coaches.**
- ✓ **Matching facilities and available resources, such as short-term, intermediate, and long-term beds, with patient need.**

## Worker Safety

Ensuring worker safety is a priority of Connecticut hospitals and health systems. They have been collaborating through CHA since 2016 on the *Safer Hospitals Initiative*. The initiative’s goals are to promote worker satisfaction through statewide adoption of successful interventions for a safe and supportive workplace.

Using high reliability principles and practices, hospitals and health systems are focused on driving worker safety and workplace violence events to zero; using hospital-specific reporting to identify trends and target improvement; driving improvement through peer learning and best practice education; and implementing peer support programs for healthcare workers who experience on-the-job trauma.

## Social Determinants of Health

Recognizing that a major factor affecting health outcomes is social determinants of health – the social, behavioral, and environmental influences that impact a person’s health – Connecticut hospitals and health systems have come together to address social needs to improve health and health equity and reduce healthcare disparities.

As part of a statewide collaborative to address social determinants of health, hospitals and health systems are working alongside community-based organizations on non-medical needs. They’re helping people secure healthy food, coordinate transportation to medical appointments or to pick up their medicines, and find safe housing, so people have a secure place to heal.

Additionally, a Health Equity Advisory Council is developing approaches to advance health equity and eliminate health outcome disparities.

## Costs/Transparency

Connecticut hospitals and health systems recognize that the cost of medical care is high and there is a need to analyze the underlying issues that are driving the increasing cost of care.

They are committed to reducing cost and making sure healthcare is affordable and accessible for everyone. Hospitals and health systems are committed to transparency because it is important for people to have the information they need to make the right choice for them.

**Note:** The hospital health system economic analysis found on page 6 is based on the statewide multipliers from the Regional Input-Output Modeling System (RIMS II), developed by the Bureau of Economic Analysis of the U.S. Department of Commerce. It uses data from the hospital health system FY 2017 audited financial statements. RIMS II provides an accounting of “inputs” purchased and “outputs” sold by an industry in the state. The spending of one industry will have several rounds of ripple influence throughout the state economy – this is known as the multiplier effect. RIMS II regional multipliers measure both the direct and indirect impact on the state economy from a specific industry. The number of jobs is based on individuals employed by the hospital health systems, as recorded through IRS Form W-3. Hospital services data are from ChimeData FY2017 and Office of Health Strategy, Health Systems Planning Unit.

### About the Connecticut Hospital Association

The Connecticut Hospital Association has been dedicated to serving Connecticut's hospitals and health systems since 1919. Through state and federal advocacy, CHA represents the interests of Connecticut's hospitals and health systems on key healthcare issues in the areas of quality and patient safety, access and coverage, workforce, community health, health equity, and hospital reimbursement.

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