



2018
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CONNECTICUT
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HOSPITALS
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TODAY



CONNECTICUT HOSPITALS

BUILDING A HEALTHIER CONNECTICUT



Social determinants of health: the social, behavioral, and environmental influences that impact a person's health

Connecticut hospitals are there when we need them, providing high quality care for everyone who walks through their doors, regardless of their ability to pay.

But the positive impact of hospitals extends far beyond the essential medical care that they provide. Connecticut hospitals are dynamic, complex organizations working to build a healthier Connecticut – strengthening our healthcare system, our communities, and our economy.

Connecticut hospitals are continually working to find innovative ways to better serve patients and communities. They are building integrated delivery networks with physicians, services, and technology to make sure patients receive high quality, coordinated, cost-effective, patient-

focused care. They are addressing social determinants of health to improve health equity for all Connecticut residents.

This brief overview highlights the many contributions of Connecticut hospitals, examines the key challenges facing Connecticut hospitals, and offers a primer on hospital finance and the fiscal situation of Connecticut hospitals today.

Building a healthier Connecticut means building a healthy economy, community, and healthcare system. By investing in the future of Connecticut's healthcare and hospitals, we will strengthen our economy, put communities to work, and deliver the quality, affordable care that Connecticut families deserve.

Each year, Connecticut hospitals:

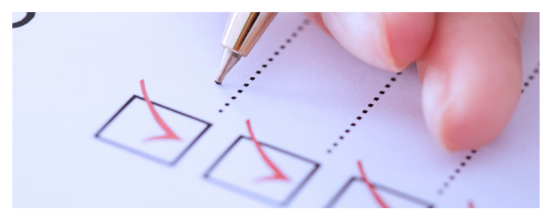
Provide **8.4 million** episodes of outpatient services to individuals

Serve **2.4 million** persons through community benefit programs and activities

Provide care for nearly **400,000** admitted patients, accounting for nearly **2 million** days of inpatient care

Treat more than **1.5 million** patients in their emergency departments

Welcome more than **35,000 babies** into the world



WHAT LEGISLATORS CAN DO IN 2018

1. **Protect** the agreement between hospitals and the Administration regarding taxes paid by hospitals and Medicaid payments to hospitals.
2. **Bring** Medicaid rates in line with the national average. Medicaid reimbursement to Connecticut hospitals remains among the lowest in the nation.
3. **Protect** access to patient care in light of potential changes to healthcare on the national level.
4. **Support** a Certificate of Need process that treats hospitals fairly and on an equal basis with other providers, entities, and out-of-state specialty hospitals.
5. **Do not pass** legislation that imposes additional regulatory burdens on hospitals.
6. **Improve** mental healthcare in Connecticut by matching bed availability with patient need, funding substance use treatment and prevention programs, and increasing funding for programs that emphasize an integrated approach to patient care.

HOSPITALS:

GOOD FOR YOUR HEALTH...

The heart of every Connecticut hospital's mission is its commitment to provide the highest quality care to every patient.

Connecticut hospitals are leaders in the quality and patient safety movement, using nationally recognized best practices and an inclusive approach that has changed the way healthcare is delivered. Connecticut hospitals are leading the nation with an ambitious statewide initiative to eliminate all-cause preventable harm using high reliability science to create a culture of safety. High reliability is an approach used by high-risk industries that helps to ensure the right outcome is achieved each and every time. This work, which began in the hospitals in 2011, is being expanded to post-acute and primary care providers.

Connecticut hospitals are committed to reducing Hospital-Acquired Conditions and readmissions, working collectively through the Hospital Improvement Innovation Network (HIIN), a national initiative funded by the Centers for Medicare & Medicaid Services (CMS), which aims to achieve a 20 percent decrease in overall patient harm and a 12 percent reduction in 30-day hospital readmissions.

And in an effort to promote patient-directed care, Connecticut hospitals are, through CHA, participating in a statewide Patient Family Advisory Council, which will give a greater voice to patients and families.

... AND ESSENTIAL FOR A HEALTHY ECONOMY

A strong hospital and healthcare sector is key to a healthier economy. Connecticut hospitals serve as the economic lifeblood of their communities and the state, providing enormous benefits that drive growth in the health and medical fields, as well as in many other business and industry sectors.

Connecticut hospitals and their related entities employ more

than 100,000 people, making them the largest employers in many of their communities.

Hospital jobs also serve as a vital economic stimulus, creating and supporting jobs throughout the state. Overall, Connecticut hospitals and their related entities contribute \$26.2 billion to the state and local economies each year, and serve as a magnet for other business and commerce.



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 for services. Hospitals also provide charity care, meaning services provided to patients with no payment expected.

The current payment system is unstable, threatening the financial sustainability of hospitals and driving up the cost of care. Connecticut's Medicaid reimbursement is among the lowest in the nation, with providers paid less than 60% of what it costs to provide care. One in five people are on Medicaid, including about 40 percent of the children born in our state. 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 2016, Connecticut hospitals incurred nearly \$800 million in Medicare losses, nearly \$700 million in Medicaid losses, and spent \$200 million on charity care. Adding to that cost is the hospital tax.

The underfunding of Medicare and Medicaid programs 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, who wind up paying approximately 50% more than their cost to cover the government shortfall.



Key Issues

The Hospital Tax

Prior to 2012, Connecticut hospitals did not tax not-for-profit hospitals.

The hospital tax was created to take advantage of federal funding. Here is how it was supposed to work:

- The state implements a tax on hospitals.
- The state appropriates all the tax dollars plus some back to hospitals in the form of Medicaid payments.

• The state receives a federal match on the Medicaid dollars appropriated to hospitals and uses that new source of revenue to help hospitals and balance the state budget.

However, over the years, the state continuously reduced the amount appropriated to hospitals, abandoning its commitment to maximize the federal reimbursement.

By 2017, the hospital tax had ballooned to \$556 million per year, with only \$118 million appropriated to hospitals –

creating a tax cost for hospitals of \$438 million per year. The tax had become the fourth largest state tax after the income tax, sales tax, and corporate tax, and was a tax burden that exceeded by nearly thirty times the corporate tax rate. The hospital tax led to higher costs, less access to care, and longer wait times for patients. More than 3,000 jobs were lost since 2013, programs and services were curtailed, and capital improvements were delayed.

In 2017, with bipartisan support in the legislature, hospitals and the state came to an agreement to increase the hospital tax from \$556 to \$900 million for each year of the biennium. Hospitals are

committed to this agreement. Appropriations to hospitals were set at \$671 million per year. The agreement provides a \$1.3 billion benefit to the state in the 2018-2019 biennium, and reduces hospitals' losses under the tax to approximately \$229 million per year.

CHA and its member hospitals continue to challenge the hospital tax and level of Medicaid funding through legal actions filed in 2015. The state is challenging the hospitals' ability to appeal and access to the process and procedures it used to set rates through legal actions filed in 2018.

The hospitals have asked the court to determine if the hospital

tax is, among other things, in violation of the U.S. and Connecticut Constitutions and in violation of federal and state statutes. The hospitals have asked CMS to review the hospital tax and the hospital rates for conformance with federal law.

Hospitals would prefer to resolve funding and hospital tax issues in an amicable and collaborative manner, rather than through the court system. Ultimately, however, the disputes about the level of Medicaid funding and hospital tax must be resolved, and the state must operate in conformance with the Medicaid Act.

Regulatory Environment

The Affordable Care Act (ACA) triggered a significant overhaul of the nation's healthcare system. The ACA's goals – to expand health insurance coverage, control healthcare costs, and improve quality – require fundamental, structural changes in how healthcare services are delivered at every level. In short, the ACA sparked a transformation in how hospitals deliver care.

However, 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 – has not kept pace with the transformation in healthcare since the passage of the ACA. Known as the Certificate of Need (CON) process, this detailed statutory and regulatory system was developed decades ago, when healthcare service reimbursements were based almost exclusively on volume, and the state had a significant interest in reducing potentially competing services that could drive up costs.

Over the past several years, the CON process, and the state's interpretation and use of CON, has become more inflexible, prescriptive, and onerous toward hospitals, often favoring the status quo over innovation and change.

We 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 regulatory burden on hospitals.

Mental Health

Connecticut's social services safety net has experienced significant contractions over the past several years. Reductions in state funding for mental health services and substance use prevention and treatment programs, coupled with the loss of state-funded health insurance under the HUSKY program, plus the threat of chronic and persistent state budget deficits, compounded by possible federal cutbacks in Medicaid and other assistance to states, will result in increased demand for emergency medical and hospital-based behavioral health services. While the problem has been particularly acute for children and adolescents in recent years, increasing numbers of younger, middle-aged, and older adults are turning to hospitals to receive mental health and substance use treatment services. As the pressure mounts, hospitals continue to lead statewide efforts to overcome the opioid epidemic by aggressively addressing prescriber practices through education and training, establishing prescribing guidelines and clinical best practices with respect to prescription drugs, and working with local organizations to enhance treatment and prevention programs.

We need the legislature to:

- Preserve and enhance state-operated and state-funded mental health and substance use treatment facilities to meet patient demand, including but not limited to young adults on the autism spectrum.

- Increase funding for substance use treatment and prevention programs to combat alcohol abuse and the opioid epidemic.

- Promote integrated care models such as Community Care Teams to help meet a patient's medical, mental health, and social service needs.

Health Equity

Health equity, as defined by the U.S. Department of Health and Human Services, is attainment of the highest level of health for all people. Connecticut hospitals envision a healthcare system in Connecticut that is equitable, and they are focused on addressing social determinants of health – the social, behavioral, and environmental influences that impact a person's health.

In 2018, CHA is launching a test project to address social determinants of health for hospital patients. The initiative, grant funded by the Connecticut Health Foundation, will be testing ways to screen patients for social needs such as housing, employment, food insecurity, and transportation, so patients can be referred to the appropriate resources and tracked to follow up that services were received.

Other statewide hospital initiatives include the Connecticut Asthma Initiative and Care Decisions Connecticut. The Connecticut Asthma Initiative is working to identify best practices in the policy arena that can improve the social determinants that so heavily affect asthma outcomes in some Connecticut communities. Care Decisions Connecticut is integrating patient-directed care strategies to improve palliative and hospice care and quality of life for persons in Connecticut with serious illness.

Note: The hospital health system economic analysis found on page 4 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 2016 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 FY2016 and OHCA.

About the Connecticut Hospital Association

The Connecticut Hospital Association has been dedicated to serving Connecticut's hospitals since 1919. Through state and federal advocacy, CHA represents the interests of Connecticut's hospitals 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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