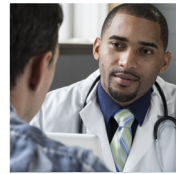


January 2017

2017: CONNECTICUT HOSPITALS TODAY

Connecticut Hospital Association



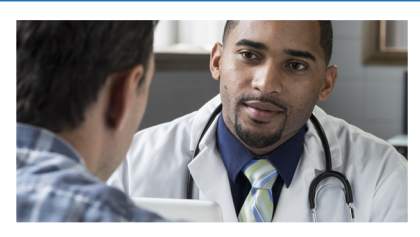


Connecticut HOSPITALS:

Building a Healthier Connecticut



Each year, Connecticut hospitals:



Provide **7.9 million** episodes of outpatient services to individuals.



Serve **2.6 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.



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

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

Connecticut hospitals are continually working to find innovative solutions to integrate and coordinate care to better

serve patients and communities.

They are focused on providing excellent, safe care, improving the health of their communities, and achieving health equity.

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.



Hospitals work to make their communities healthier through community outreach programs, education efforts, health screenings, and wellness and prevention activities.



Treat nearly **1.6 million** patients in their emergency departments.

Welcome more than **36,000 babies** into the world.



Hospitals: Good for Your Health...

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.

In 2014, Connecticut hospitals completed a three-year national patient safety improvement initiative known as the Centers for Medicare &

Medicaid Services (CMS) Partnership for Patients, which was designed to reduce preventable inpatient harm and hospital readmissions. Connecticut was a top-performing state and ended the first three-year project in 2014 in the top quarter, reducing events of preventable harm by nine percent.

This work continued and today, through CHA, hospitals are participating in the Hospital Improvement Innovation Network (HIIN), a national initiative funded by the CMS that aims to achieve a 20 percent decrease in overall patient harm and a 12 percent reduction in 30-day hospital readmissions.

... 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

85,000 people, making them the largest employers in many of their communities.

Hospital salaries also serve as a vital economic stimulus, creating and supporting jobs throughout the state. Overall, Connecticut hospitals contribute \$21.3 billion to the state and local economies each year, and serve as a magnet for other business and commerce.





Impact of Health Reform

Connecticut hospitals are deeply concerned about how patients would be affected if the Affordable Care Act (ACA) is repealed. Repealing the ACA leaves open questions about how healthcare will be delivered and funded.

The ACA expanded coverage to a significant number of individuals; this expansion was funded in part through cuts to Medicare payments to hospitals. If the law is repealed and the cuts to Medicare remain in place, Connecticut hospitals' fiscal stability and sustainability, as well as patient access to care, will be significantly compromised. Connecticut hospitals would, according to current projected estimates, lose approximately \$5.4 billion in Medicare funding over 10 years as a direct result of the ACA being repealed.

Also as a direct result of repealing the ACA, Connecticut hospitals stand to lose hundreds of millions in Medicaid funding each year over and above what they already lose as a result of underfunding. Connecticut's Medicaid reimbursement is already one of the lowest in the nation, with providers being paid less than half of what it costs to provide care. Ultimately, one in five people are on Medicaid in Connecticut. Low Medicaid reimbursement leaves them, and everyone else, with less access to care.

Patient care and access are the top priorities of Connecticut hospitals. Repealing the ACA without a replacement causes great concern.



WHAT LEGISLATORS CAN DO IN 2017

1. **STOP** taxing hospitals for the care hospitals provide to patients.
2. **BRING** Medicaid rates in line with the national average. Connecticut hospitals' Medicaid reimbursement is currently among the lowest in the nation, with hospitals being paid less than half of what it costs to provide care.
3. **PROTECT** patient care. If the Affordable Care Act is repealed, the state may lose significant federal funding that supports coverage for more than 200,000 of the people enrolled in Medicaid. If the federal funding is lost, Connecticut should not pass on the additional cost to hospitals. This will only raise healthcare costs for the sick.
4. **IMPROVE** mental healthcare in Connecticut by matching bed availability with patient need, funding substance use treatment and prevention programs, and fortifying treatment programs that emphasize an integrated approach to patient care.
5. **CHANGE** the Certificate of Need (CON) process and other regulations to foster innovation and promote efficiencies, enabling hospitals to be more responsive to the transformation of healthcare.



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 a great deal of charity care, meaning services provided to patients with no payment expected.

The current payment system is problematic. It is an unstable landscape that threatens the financial sustainability of hospitals and drives up the costs of healthcare for everyone. Connecticut's Medicaid reimbursement is one of the lowest in the nation, with providers being paid less than half of what it costs to provide care. One in five people are on Medicaid, including about 40% 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 more than \$1.3 billion each year. In 2015, Connecticut hospitals incurred \$583.1 million in Medicare losses, \$740.3 million in Medicaid losses, and spent \$216.7 million on charity care. Adding to that cost to Connecticut hospitals is the \$556 million hospital tax this year.

The underfunding of Medicare and Medicaid programs forces commercial insurance 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 50% more than their cost to cover the government shortfall.

The Hospital Tax

Prior to 2012, Connecticut did not tax not-for-profit hospitals. By 2016, the hospital tax had ballooned to \$556 million a year, becoming the fourth largest state tax after the income tax, sales tax, and corporate tax. Hospitals now have a state tax burden that exceeds by nearly thirty times the corporate tax rate.

This is tax on the sick, hospitals, and healthcare, and it leads to higher costs, less access to care, and longer wait times. Because of the hospital tax and Medicaid underfunding, patients with private health insurance end up paying more than \$650 more for the care they receive every year.

As a result of the hospital tax, more than 3,000 hospital jobs have been lost since 2013, programs and services have been curtailed, and some hospitals have been forced to delay or cancel capital improvements. The tax also

REIMBURSEMENT IN CONNECTICUT

MEDICAID LOSSES

\$740.3 HOSPITALS LOSE 35¢ ON EVERY DOLLAR OF CARE THEY PROVIDE TO MEDICAID ENROLLEES. In 2015 those losses totaled \$740.3 million.

MILLION

MEDICARE LOSSES

\$583.1 HOSPITALS LOSE 14¢ ON EVERY DOLLAR OF CARE THEY PROVIDE TO MEDICARE ENROLLEES. In 2015 those losses totaled \$583.1 million.

MILLION

HOSPITAL TAX

\$438 Connecticut hospitals must pay \$556 million in taxes to the state this year, for net negative impact of \$438 million.

MILLION

+ **\$1.8 Billion**
What hospitals don't have to spend on healthcare each year



drains hospitals' ability to contribute to the economy at a time of deepening budget problems for Connecticut.

The state must stop taxing hospitals for the care hospitals provide to patients. Connecticut hospitals – and their patients – cannot continue to endure these taxes.

In 2015, CHA and its member hospitals took steps to protect patients, hospitals, and healthcare in Connecticut by filing two legal actions challenging the tax. First, hospitals disputed the state's findings that the tax is applied legally, and asserted that the hospital tax is, among other things, in violation of the U.S. and Connecticut Constitutions and in violation of federal and state statutes. Hospitals are asking that the court direct the state to end the hospital tax.

Second, in 2016, hospitals filed a petition with the Centers for Medicare & Medicaid Services (CMS), arguing that the state's reimbursement and tax scheme violates the federal Medicaid

Act. Connecticut hospitals are asking CMS to compel the state to amend its Medicaid State Plan to bring Connecticut's Medicaid rates and payments, as well as the hospital tax, in compliance with the federal Medicaid Act.

Mental Health

Each day, Connecticut hospitals treat children and adults in crisis. But a lack of resources in the mental health system means patients don't always get the care they need in the proper setting; often their only recourse is to go to the ED. The problem is particularly acute for children and adolescents.

Hospitals struggle to care for these patients and, while funding levels keep shrinking, the number of patients coming to hospitals for these services keeps growing. We need the Legislature to help state-operated and private providers match bed availability with patient need, fund substance use treatment and prevention programs, and fortify

treatment programs such as Community Care Teams, which emphasize an integrated approach to patient care.

Population Health

Connecticut hospitals envision a healthcare system in Connecticut that is focused on the patient and that is safe, equitable, affordable, accessible, and properly funded.

Current hospital initiatives being conducted through CHA include the Connecticut Asthma Initiative (CAI) and Care Decisions Connecticut. CAI 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 illnesses.

Hospitals Can be Part of the Solution

Hospitals can be part of the solution to the state's budget problems. An analysis by the Connecticut Center for Economic Analysis (CCEA) at the University of Connecticut found that by appropriating to hospitals the taxes they must pay to the state, the state can make nearly \$35 million per year on top of its investment, and spur job growth and our economy. Specifically, the CCEA study found that by returning the tax dollars to hospitals, as the state originally intended:



More than **6,600 jobs** will be created, including full and part-time jobs.



The state would get an additional **\$293 million** from the federal government.



60% of those jobs will be generated in industries like construction, administrative and support services, and professional and scientific support services.



The new jobs will lead to increased sales, income, and other related tax revenue that would generate a surplus to the state of close to **\$35 million annually** over and above its share of the investment.

NOTE: The 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 2015 Medicare cost report. 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. Hospital services data is from ChimeData FY2015.

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.

For more information, please contact:



Jim Iacobellis, Senior Vice President, Government Relations and Regulatory Affairs
(203) 294-7310 | iacobellis@chime.org



Karen Buckley, Vice President, Advocacy
(203) 294-7259 | buckley@chime.org



Carl J. Schiessl, Director, Regulatory Advocacy
(203) 294-7341 | schiessl@chime.org



Brian Cournoyer, Director, Government Relations
(203) 294-7295 | cournoyer@chime.org