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# CONNECTICUT HOSPITALS TODAY





## FACING TODAY'S CHALLENGES HEAD ON

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 influencers

of health to improve health equity for all Connecticut residents.

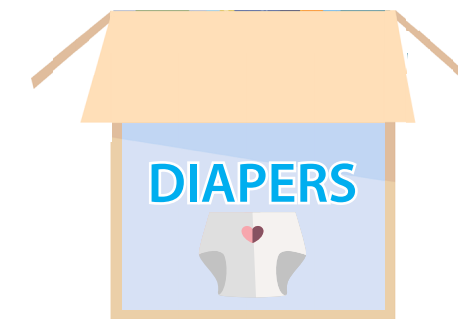
Since the spring of 2020, hospitals have seen challenge after challenge. They responded effectively to the COVID-19 pandemic, are now meeting the challenge of treating sicker patients than they saw before the pandemic, are supporting a workforce that is exemplary but exhausted, and managing through significant financial hardship brought on by record inflation.

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

## CONNECTICUT HOSPITALS AND HEALTH SYSTEMS:

Treat more than **1.4 million** patients in their emergency departments.

Serve **2.1 million** persons through community benefit programs and activities.



Provide care for more than **330,000** admitted patients, accounting for more than **1.9 million** days of inpatient care.

Provide nearly **10 million** episodes of outpatient services\* to individuals.



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

\* Outpatient data reported by the Office of Health Strategy. Outpatient services include diagnostic procedures (such as colonoscopies); ambulatory surgeries (such as gallbladder procedures); diagnostic imaging (MRIs, PET, and CT scans); clinic visits; and COVID-19 testing and vaccinations.

Hospital services data are from ChimeData FY 2022 and the Office of Health Strategy, Health Systems Planning Unit FY 2021.

**OF NOTE** Connecticut hospitals are economic drivers in our communities, collectively contributing directly and indirectly to more than 229,000 jobs in our state and a total economic impact of approximately \$35.2 billion. In addition, hospitals contribute to community well-being in other ways, by providing uncompensated, subsidized, and free health services, contributing to research, and supporting community health improvement and community building activities. In 2021, the value of these types of community contributions was approximately \$2.7 billion statewide.

## A MISSION OF SERVICE

More and more the role of hospitals in our communities spans the variables of the human condition. We are there when people are acutely sick and we are also key leaders in community preparedness and disaster response.

In addition, hospitals are focused on “population health,” the education and support of people living with or at high risk for chronic diseases. Chronic diseases — like diabetes, congestive heart failure, and chronic obstructive pulmonary disease — and their complications, make up a significant portion of the illnesses in a community. Education and active disease management can control their negative impact.

Increasingly, hospitals are becoming focused on factors that drive poor health and the profound inequities that predominate in low income communities and many communities of color — factors



like unemployment, food insecurity, and unstable housing. Cross-sector efforts that look at these and other social influencers of health are growing as we develop innovative ways to address the systemic factors that support health and wellness throughout Connecticut’s diverse communities.

## ...WITH A LOCAL FOCUS



Hospitals are important institutions in our communities — significant employers, purchasers, and engines of local commerce that are not likely to move away. Strong hospitals stimulate local opportunities for economic growth and prosperity.

## HOW HOSPITALS ARE PAID

Hospitals receive payment for patient services from government insurance programs like Medicare and Medicaid, from commercial insurance companies, and from patients who pay for services themselves.

Medicare is the federal health insurance plan for people who are 65 or older, certain younger people with disabilities, and people with End Stage Renal Disease (kidney failure that requires dialysis or a kidney transplant).

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.

The hospital payment system in the U.S. is complex. Hospitals provide critical and life-saving care, 24 hours a day, to anyone who walks through



the doors, regardless of their ability to pay. Medical care for those who do not pay — called charity care/bad debt — cost Connecticut hospitals about \$243.8 million in 2021. Hospitals receive reimbursements from government payers for only about 76% of what it costs to provide the care to those patients. This underpayment

for services amounted to nearly \$2.1 billion in 2021. In fiscal year 2021, Connecticut hospitals incurred \$1.12 billion in Medicare losses, and \$993 million in Medicaid losses.

Note: The hospital and health system economic analysis found on page 4 is based on 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 each hospital and health system’s FY 2021 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 a state’s 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 total number of jobs is based on individuals employed by Connecticut’s hospitals and health systems, as recorded through IRS Form W-3.

# KEY ISSUES

## Workforce Development, Recruitment and Retention

Hospitals across the country are struggling to retain doctors, nurses, and others on the care team in the wake of pandemic-related demands, and as the workforce ages and retires. Workers are tired after nearly three years of responding to the challenges the pandemic has created. Hospitals are creating new ways to keep their employees healthy and resilient, encouraging personal time off, supporting team dialogue around challenges and stress, and focusing on appreciation. To support patient care and the workforce, hospitals have invested significant financial resources to growing labor costs, which has added to considerable financial strain in the industry. To continue to support these growing labor-related costs, hospitals will require financial assistance from the state and federal governments.

## Behavioral Health

The pandemic contributed to a rise in the prevalence of mental health and substance use conditions, which has exacerbated the pre-existing care crisis in Connecticut among those living with behavioral health issues. Since 2021 hospitals have been working together to address the demand for pediatric and adult behavioral health services at hospital emergency departments and for psychiatric inpatient beds. Last year, the General Assembly took important first steps to address this crisis in access for children and adolescents. But the demand for behavioral health services continues to impact patients of all ages. We must build on what was done last year to make additional investments in our system of care, including the State making targeted investments in existing state-operated, hospital-based, and community services to meet current needs and achieve system improvements.

## Regulatory Environment

As the healthcare landscape continues to shift, hospitals are making changes, increasing access to services, partnering with others to improve the health and health equity in our communities, and growing to meet the evolving demands of the communities we serve. Connecticut’s process for regulating service delivery changes—called the Certificate of Need

(CON) process—has not kept pace with the transformation in healthcare. Hospitals will pursue changes in the process that level the playing field for all healthcare providers and entities, and reduce the regulatory burden on hospitals.

## Hospital Settlement

While most hospitals in Connecticut are not-for-profit and tax exempt, they are one of the largest sources of tax revenue for the state of Connecticut. In 2019, Governor Ned Lamont and the hospitals announced a historic settlement of a longstanding dispute around the hospital tax. In accordance with that settlement, hospitals received the third year of tax burden reduction in 2022, while providing more than \$581 million in revenue gain for the state. The settlement covers seven years, through 2026, reduces the tax burden on hospitals, and preserves revenue gains for the state in each year.

## Social Influencers of Health

Increasingly, hospitals are joining with community partners to identify and develop solutions for social conditions that are the precursors to poor health, negative healthcare outcomes, and associated health disparities. Poor nutrition, air quality, living conditions, and lack of economic stability and mobility contribute to chronic disease and increased need for medical care. The generational wealth gap, particularly among communities of color, has contributed to health inequities that have become starkly visible during the pandemic, creating a renewed focus on solutions that will afford meaningful opportunities for these communities to prosper.

## Costs/Transparency

Connecticut hospitals and health systems are committed to reducing costs and making sure healthcare is affordable and accessible to everyone. Hospitals have been and continue to be supportive of the Healthcare Cost Growth Benchmark—when properly implemented, it can be a tool in measuring and controlling healthcare spending across the healthcare delivery system. Patients need information about their healthcare to make informed choices and to know what to expect. Hospitals strive to offer clear and meaningful pricing information and work directly with patients to avoid unanticipated patient costs. Patients have many resources available to assist in the bill payment process and hospitals encourage patients to discuss the costs of their services with their provider or insurance company.

# CONNECTICUT HOSPITAL ASSOCIATION ADVOCACY PRIORITIES

## PUTTING PATIENTS AND COMMUNITIES FIRST

RECOVER FROM THE IMPACT OF COVID-19 AND PREPARE FOR THE FUTURE

SUPPORT AND GROW THE HEALTHCARE WORKFORCE

IMPROVE THE HEALTH OF OUR COMMUNITIES

ENSURE THE VIABILITY OF THE HEALTHCARE SYSTEM



Secure financial support for hospitals to address financial, workforce, and inflationary stresses. Ensure hospitals have the regulatory flexibility to recover from the impact of the COVID-19 pandemic and to meet the current and future health needs of Connecticut residents.



Focus on retaining and growing a skilled, diverse, resilient workforce to meet the patient needs of today and tomorrow.



Partner with others to improve community health, advance health equity, stabilize and strengthen our behavioral health system, promote public health infrastructure, and focus on quality to improve health outcomes.



Expand affordable coverage and access to care, ensure a sustainable payment system, and eliminate inefficient, burdensome payer practices that harm patients and delay care.

### 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 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](mailto:iacobellis@chime.org)



**Karen Buckley**, Vice President, Advocacy  
(203) 294-7259 | [buckley@chime.org](mailto:buckley@chime.org)



**Brian Cournoyer**, Director, Government Relations  
(203) 294-7295 | [cournoyer@chime.org](mailto:cournoyer@chime.org)



**Carl Schiessl**, Senior Director, Regulatory Advocacy  
(203) 294-7341 | [schiessl@chime.org](mailto:schiessl@chime.org)