

CONNECTICUT HOSPITAL ASSOCIATION

2016: Connecticut Hospitals Today



Caring in Connecticut

Connecticut Hospitals Provide Core Healthcare Services



Connecticut hospitals treat everyone who comes through their doors 24 hours a day, regardless of ability to pay. In 2014, they provided nearly \$248 million in free services for those who could not afford to pay.

Connecticut's hospitals are caring, mission-driven organizations, offering the latest medical technology, ensuring quality care and patient safety, maintaining and upgrading extensive facilities, and meeting the dynamic and evolving healthcare requirements of today's patients.

Connecticut hospitals are nationally recognized for their relentless focus on patient safety, as well as for their dedication to eliminating disparities and improving health equity.

Connecticut hospitals are finding innovative solutions to integrate and coordinate care to better serve patients

and communities. They are improving patient care, quality, and access, and ensuring patients receive the right care at the right time, in the right setting, and in the right way.

They are also playing a bigger role than ever in our state's emergency preparedness and response. As part

of comprehensive community disaster plans, training drills, and surveillance systems, Connecticut hospitals are prepared not only to care for the ill and injured, but also to provide shelter and help coordinate recovery. It is this level of constant readiness and responsiveness that defines hospitals as a hub of safety and security for people in every community in Connecticut.

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.

EACH YEAR, CONNECTICUT HOSPITALS:

Provide 7.8 billion episodes of outpatient services* to individuals.



Serve 3.6 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.



Treat nearly 1.6 million patients in their emergency departments.

Welcome more than 36,000 babies into the world.



* Outpatient data reported by the Office of Health Care Access. Outpatient services include diagnostic procedures (such as colonoscopies); ambulatory surgeries (such as gall bladder procedures); diagnostic imaging (MRIs, PET, and CT scans); and clinic visits.

Hospitals: Good for Your Health...

Quality of Care and Patient Safety

Connecticut hospitals have always been dedicated to improving patient safety and providing the best quality care to patients. They are making care more effective, reducing unintended incidents of patient harm to zero, and participating in programs to improve outcomes for all patients.

Connecticut hospitals were the first in the nation to launch a statewide effort to become High Reliability Organizations (HROs). They are creating cultures with a relentless focus on safety, with the goal to eliminate all preventable harm.

To date, more than 50,000 healthcare workers across the state have been trained in High Reliability Science – specific behaviors and practices that keep patients safe in complex, high-risk organizations. High Reliability has been used by many other industries that manage high risk, including the aviation and nuclear power plant industries.

These efforts are resulting in improved patient safety, collaborations among healthcare workers across the continuum,

and partnerships with patients – setting the foundation for lasting improvement, better health, and lower costs.

Improving Population Health

Connecticut hospitals play a major and continually expanding role in population health management, with a focus on integrated, equitable care. One example is the work being done through the Connecticut Asthma Initiative. The Initiative formally launched in January 2016. It is based on the premise that no one should die of asthma or be required to limit his or her life unnecessarily due to the disease. The initiative comprises nearly 140 people from 60 organizations, including hospitals, community organizations, state government, and more.

The goals of the initiative include the creation of hospital- community partnerships, the reduction of asthma hospitalizations and ED visits, better training and education, and the establishment of a model as a sustainable best practice for asthma care that will significantly improve health equity by 2017.

Mental Health

Because of a lack of resources in the behavioral health system, patients don't always receive the appropriate care in the appropriate setting at the appropriate time. Connecticut hospitals are pursuing initiatives to improve behavioral healthcare for children and adults, but are troubled by proposed funding cuts to programs that would help link services for people struggling with mental illness. Of particular concern is the elimination of state funding for hospital-based "Community Care Teams," which bring together healthcare and social service workers to address the needs of people who make frequent visits to emergency rooms because of mental illness or addiction.



... and Essential for a Healthy Economy

Connecticut hospitals serve as the economic lifeblood of our communities, providing enormous benefits that drive growth in the health and medical fields as well as numerous other industries.

Connecticut hospitals provide jobs to the full-time equivalent of 55,000 people who make sure we have access to the very best care whenever we need it. They are often the largest employers in our communities. They spend billions of dollars each year on staff salaries and the purchase of medical supplies and food, as well as facility construction.

These dollars have a "ripple effect" as

they move through the larger economy, generating additional jobs and spending in communities throughout the state.

In total, Connecticut hospitals contribute \$21.3 billion to the state and local economies each year, generate the full-time equivalent of more than 108,000 jobs in our communities, and serve as a magnet for other business and commerce.



Community Benefit by the Numbers

In 2014, Connecticut's hospitals benefitted their communities in many ways.

- \$710.5 million** Unpaid government-sponsored healthcare - Medicaid
- \$471.6 million** Unpaid government-sponsored healthcare - Medicare
- \$247.6 million** Uncompensated care: Charity care/bad debt to provide services for those who cannot pay
- \$39.6 million** Community services to improve the health of the community
- \$18.9 million** Research and other programs to advance healthcare for patients and the community
- \$9.2 million** Donations to help support community organizations
- \$8.0 million** Community building to create stronger, healthier communities
- \$4.4 million** Subsidized health services* to provide care needed by the community

* Most subsidized health services funds are reflected in the "unpaid costs of government programs" numbers

\$1.5 billion Total community benefit provided by Connecticut Hospitals in 2014

Connecticut hospitals provide outreach and support services for cancer, diabetes, asthma, and other chronic conditions, financial assistance to the uninsured, mobile vans and clinics delivering primary, preventive, and mental health care, healthy lifestyle education programs, services for the homeless, clinics for migrant farm workers, crisis intervention services, and many other programs targeted to meet specific community needs.

How Hospitals are Paid

Hospitals receive payment from many sources, including the federal and state governments, through programs such as Medicare and Medicaid, as well as commercial health insurance plans.

In 2014, Medicare reimbursed 88% of the cost of treating patients in Connecticut hospitals; Medicaid reimbursed an average of 64% of the cost of care (there have been no adjustments to improve Medicaid reimbursement in seven years). As a result, in 2014, Connecticut hospitals incurred \$471.6 million in Medicare losses, \$710.5 million in Medicaid losses, and spent \$247.6 million on charity care.

The underfunding of Medicare and Medicaid 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 50.6% more than their cost to cover the government shortfall.

Adding to that cost is the \$391 million per year hospital tax.

In total, at a time when hospitals are trying to reduce the cost of care, government underfunding and the hospital tax add hundreds of dollars per year to the cost of care for people with commercial insurance.

\$1.1 billion

Between providing \$710.5 million in unpaid Medicaid care and the \$391 million hospital tax, Connecticut hospitals contribute \$1.1 billion each year to balancing the Connecticut budget.

The Hospital Tax

In 2010, Connecticut balanced the state budget by imposing a hospital tax that was not supposed to hurt hospitals or patient care. The state taxed hospitals, returned that money to hospitals, and received a federal match on the payment the state made to hospitals. The state was able to balance the budget, and hospitals in the aggregate were whole. Now, however, the state taxes hospitals \$556 million per year, but returns only \$165 million.

The hospital tax costs hospitals \$391 million each year and results in longer wait times, less access to care, and higher healthcare costs.

It also means the state is foregoing \$263 million in federal matching funds. These are dollars that could be coming to Connecticut, but are going to other states instead. This makes no sense when the state has a budget shortfall.

Impact of Health Reform

Connecticut hospitals support healthcare reform because it improves access, quality, and the affordability of care, but it would be wrong to assume that an increase in patients through the Affordable Care Act (ACA) means hospitals are making more money.

Based on 2014 data, hospitals have seen no noticeable change in demand for charity care. And while expanded coverage should reduce uncompensated care over time, it won't make up for the ACA cuts

to Medicare. The reason is that, nationally, all hospitals contribute to fund the expansion of coverage, but funds are returned to the states with the largest population of uninsured. Overall, Connecticut had fewer uninsured patients to start, due to long-standing, substantial Medicaid eligibility standards.

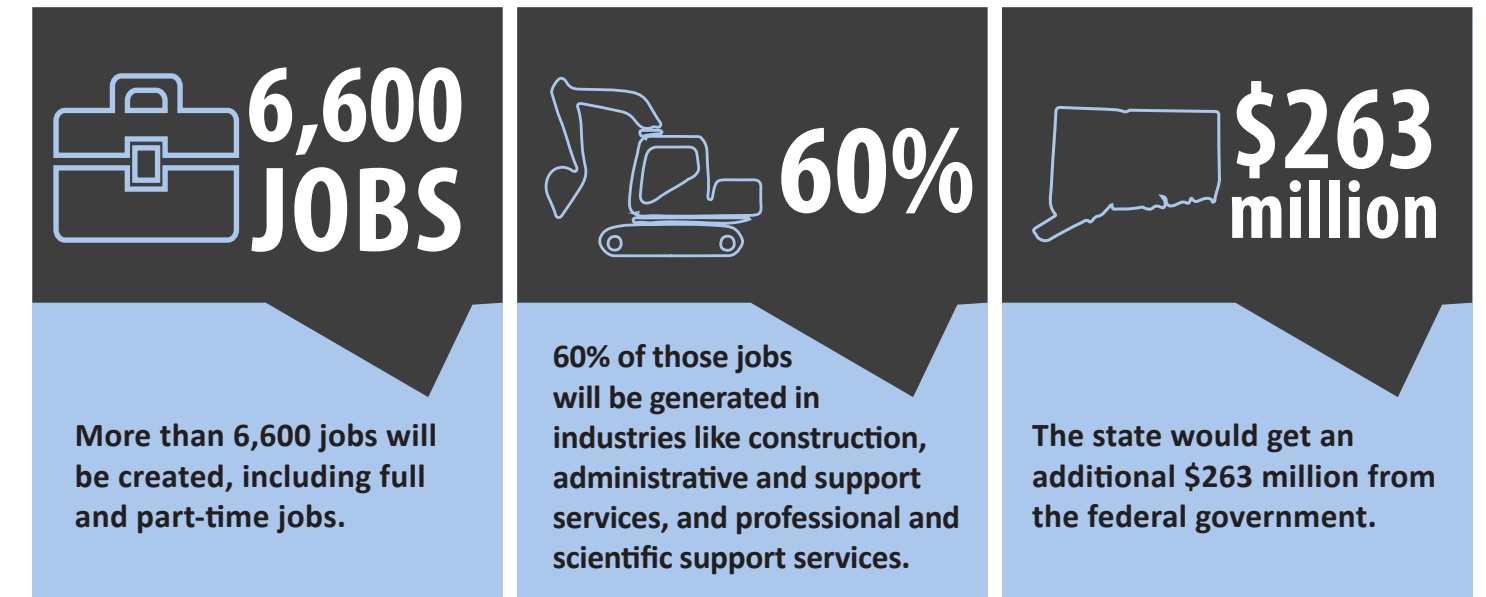
Payment for Value

Connecticut hospitals have always

focused on providing excellent quality care, and changes in how hospitals are reimbursed due to healthcare reform reflect this focus, providing new challenges and opportunities to improve patients' lives. Hospitals are being measured on improving quality and safety. Payments are adjusted for multiple factors, including how hospitals decrease preventable complications, prevent readmissions, improve the patient experience, and make care more effective.

Hospitals Can be Part of the Solution

Hospitals can be part of the solution to the state's budget problems. A 2015 analysis by the Connecticut Center for Economic Analysis (CCEA) at the University of Connecticut found that by returning 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:



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.

This is an investment that would pay for itself in the very first year, and dramatically increase the state's overall job creation. And because Connecticut hospitals are anchored in the state, it is an investment with an assured short-term payoff and long-term durability.

Investing in our state's hospitals is a win for our state's economy, patients, communities, and healthcare system.

NOTE: The economic analysis found on pages 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 2014 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. The number of jobs on page 4 is based on full-time equivalents. Hospital services data from ChimeData FY2014.

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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