CONNECTICUT HOSPITALS Are Evolving

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.

Impact of Decreasing Reimbursement and Increasing Taxes on Implementing the Affordable Care Act

Connecticut hospitals support healthcare reform because it promises to improve access, quality, and the affordability of care. To improve access to care, the ACA required the establishment of state or federal health insurance exchanges and expanded eligibility in the Medicaid program. To finance the ACA, the federal government will and has been reducing Medicare and Medicaid reimbursement to hospitals – a collective negative impact of billions of dollars over the next ten years.

In Connecticut and across the country, we have seen an increase in the number of insured patients through the ACA. 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. In addition, based on 2014 data, hospitals have seen no noticeable change in demand for charity care.

Connecticut's decision to cut Medicaid reimbursement and tax hospitals $556 million a year further reduces the funding hospitals need to have on hand to ensure sustainability. Reimbursement rates that do not cover the cost of services impede a hospital's ability to operate efficiently, while millions in taxes damages hospitals, their communities, and the state and local economies.

It also impedes the hospitals' ability to access capital. Hospitals must continually invest in new and costly technologies that often demand modernization of buildings and facilities (or constructing new ones) to meet increasingly complex regulatory code and industry standards for care delivery. Other significant costs include electronic health record systems that cost millions of dollars, telemedicine infrastructure, and better imaging equipment. It has become increasingly difficult for hospitals to obtain capital because they are underfunded, which has led some hospitals to look for strategic partners to assist them.

Hospitals must continually invest in new and costly technologies that often demand modernization of buildings and facilities to meet increasingly complex regulatory and industry standards for healthcare delivery.

Payment for Value

Additionally, the federal reimbursement structure is shifting away from paying for the volume of services to instead pay for the value of services, based heavily on outcome and quality measures. Payments are being adjusted for multiple factors, including how hospitals decrease preventable complications, prevent readmissions, improve the patient experience, and make care more effective. Hospitals are becoming more efficient to provide coordinated, patient-centered care.

Integration is one way hospitals can achieve economies of scale; enabling them to have the ability to do more while pursuing opportunities for savings.

Hospital Integration

Integration is one way hospitals contend with the realities of healthcare reform. Healthcare reform requires hospitals to improve access to more people who are now covered, become more efficient and improve value for patients, and provide excellent, quality care to meet community need. Integration is one way hospitals can achieve economies of scale; it enables them to have the ability to do more and provides opportunities for savings.

However, even as hospitals innovate to find savings to pass on to patients, those funds are taxed away by the state to the tune of $556 million a year, with very little returned. That is money hospitals cannot use to improve healthcare or reduce the cost of care to patients. This fiscal burden factors into a hospital's decision about whether and how to integrate.

Ultimately, hospitals are committed to their missions of providing excellent quality care to everyone, 24-hours a day, and their primary goal in considering integration is their ability to ensure that they can continue this mission. Hospitals must be able to remain flexible to make decisions that are in the best interests of their patients and communities.

The Role of the Certificate of Need Process

The Certificate of Need process (CON) is a detailed statutory and regulatory system that requires hospitals and certain other healthcare providers to obtain state approval before implementing various changes to their operations, control, or ownership – including integrations, mergers, and affiliations with other providers. The CON 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 prescriptive and onerous, favoring the status quo over innovation and change, and failing to adjust to a changing healthcare landscape.

Governor's Executive Order Freezing Certificate of Need

On February 25, 2016, Governor Malloy issued an executive order calling for an extensive review of Connecticut's CON process. A task force is analyzing the current CON scope and process and will recommend necessary changes to improve efficiency, effectiveness, and foster alignment with state and federal health care reform efforts. The executive order also bars, until January 15, 2017, any final decisions on pending CON applications regarding hospital acquisitions and conversions. This freezes the existing CON process, holding up several planned hospital integrations until next year.

How You Can Help

- Support changes to the CON process that will enable providers to improve the quality of care and reduce the costs.
- Oppose changes to the CON process that will stifle innovation and prevent providers from remaining viable while they evolve to the demands of the changing healthcare environment and ACA mandates.
- Oppose efforts to hold the status quo on provider integration.

For additional information, please contact CHA Government Relations at (203) 294-7310.