



2024 Legislative Session Messaging

Hospitals: Meeting Community Need

- Hospitals and health systems are the cornerstones of their communities. Their patients depend on them for access to care 24 hours a day, seven days a week. Hospitals are often the largest employers in their community, and large purchasers of local services and goods.
- Connecticut families rely on hospitals and health systems to be there when they need them. And, though the healthcare environment continues to shift, one thing remains certain: Hospitals' doors are always open, their lights are always on, and caregivers are always ready to heal.
- Connecticut hospitals and health systems are committed to making sure patients experience compassionate, empathetic, and coordinated care — at every visit. Doctors and nurses are partnering with patients and their families, building relationships that put the patient at the center of the care team, with culturally responsive, individualized plans, driven by each patient's priorities.
- Connecticut hospitals and health systems are transforming healthcare in our state by leveraging the expertise of integrated teams of doctors, nurses, and other healthcare professionals who are discovering new, data-driven, best practice approaches to care. Patients benefit when hospitals have the resources to develop new strategies to provide high-quality, coordinated, cost-effective, and patient-focused care.
- Hospitals and health systems are meeting today's needs — caring for those who delayed care due to COVID-19, treating significant levels of childhood respiratory illnesses and seasonal influenza, while providing for the significant number of patients with behavioral health needs.
- The last few years, including the period covering the pandemic, have taken a significant toll on hospitals and health systems and placed enormous strain on the state's healthcare workforce. Throughout the public health crisis and its aftermath, hospitals and health systems have confronted many challenges, including historic changes in use of services and revenue losses, as well as skyrocketing expenses.

Financial Stresses

Since the onset of the COVID-19 pandemic in March 2020, Connecticut hospitals and health systems have taken unprecedented steps to care for their communities amid significant pressure on staff and resources.

The financial impact of the pandemic and its lingering effects have been staggering. Key findings about the financial state of Connecticut hospitals from the beginning of the pandemic through September 2022 include:

- Expenses are significantly elevated from pre-pandemic levels
- Hospitals are treating patients who are sicker and require longer lengths of stay
- Margins remain depressed relative to pre-pandemic levels, with statewide operating margins falling into the negative. (There is only so long that any hospital can go when facing a negative margin. Healthy margins are needed to support care delivery, care improvement and innovation, and investments in the community)
- Hospitals have faced a profound financial toll, with no further financial relief in sight

Last year CHA issued a report, [The Pandemic's Impact on the Financial Health of Connecticut's Hospitals](#), which showed 2022 as the worst year financially for Connecticut hospitals since the start of the pandemic, with expenses growing \$3.5 billion higher than pre-pandemic levels and total hospital operating margins going negative.

More recently, OHS issued its Annual Report on the [Financial Status of Connecticut's Short Term Acute Care Hospitals for Fiscal Year 2022](#), confirming the findings of CHA's report. According to OHS's report:

- Hospital expenses outweigh revenues, resulting in negative operating margins
 - Hospital expenses grew by \$3.3 billion from pre-pandemic levels. Expenses increased from \$12.5 billion in FY 2019 to \$15.8 billion in FY 2022
 - Operating expenses grew by \$1.24 billion in one year alone, an 8.5% increase in FY 2022 compared to the previous fiscal year
 - The increases are primarily due to rising costs for contract labor (29%), salaries and wages (26%), and supplies and drugs (17%)
 - Statewide hospital operating margin fell to -1.3%
 - An increasing number of hospitals are facing negative total margins
 - Operating losses totaled \$206.6 million “due to operating expenses rising faster than revenues”
 - Non-operating losses totaled \$309 million in FY 2022
 - Health system operating margins fell further than individual hospital margins, dropping to -3.82%
- Hospitals are spending more to provide uncompensated care for patients
 - Uncompensated care costs – the expense of providing charity care (free or discounted care) and bad debt (unpaid costs) – totaled \$285.4 million, an increase of 9.6% from FY 2021
- Payments have not kept pace
 - While expenses have risen dramatically, payments for the rising cost of care have not kept pace
 - OHS reports that Medicare reimbursements average only 74 cents on the dollar and Medicaid reimbursements only 62 cents on the dollar

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 — they were the 5th highest source of tax revenue in 2022.¹ Hospitals pay more than all other corporations after considering corporate tax credits, and on a per-entity basis hospitals are among the highest taxpayers in Connecticut. Hospital taxes will generate more than \$4 billion in federal revenue for the state for the period 2020 through 2026. Each year, hospital taxes together with federal matching funds provide the state with enough revenue to cover the entire cost of hospital services under Medicaid.

Hospitals also are facing a host of other related challenges, including workforce shortages and supply disruptions.

These findings underscore the existential financial and operational threats Connecticut hospitals continue to face four years after the beginning of the pandemic.

Resources:

[Office of Health Strategy Hospital Financial Status Report Infographic, September 2023](#) (flyer)

[CHA Financial Health Report, March 2023](#) (report)

[Kaufman Hall CT Hospitals Financial Health, March 2023](#) (report)

Systemic Cost Drivers

Commercial Insurance Practices

- Overly burdensome prior authorization practices slow and/or deny access to needed and appropriate care.
- These prior authorization practices add significant cost to the system — requiring hospitals and health systems to jump through unnecessary administrative hoops.
- Costly and unnecessary prior authorization practices also affect timely patient discharge to the next care setting or to home, meaning patients remain in the hospital when they no longer need to be there.
- Other commercial insurance practices including prepayment and postpayment audits, downcoding, and unnecessary clinical reviews reduce payments and add cost to the system.

Medicare and Medicaid Reimbursements

- Hospital rates in the Medicare and Medicaid programs are currently set by the federal and state governments unilaterally, not through negotiation. In Connecticut, according to OHS, Medicare reimbursements in the state averaged only 74 cents on the dollar, and Medicaid reimbursed only 62 cents on the dollar in FY 2022. Policy proposals that would reduce payments to hospitals or impose greater regulatory burdens will only worsen these challenges and make it more difficult to reduce costs and increase access.

¹ <https://portal.ct.gov/DRS/DRS-Reports/Annual-Reports/Department-of-Revenue-Services-Annual-Reports>

- The Medicare Payment Advisory Commission estimates that hospital Medicare margins will have declined in 2023 to negative 10%². Currently, hospitals are reimbursed far less than what it costs them to provide the care in the Medicare and Medicaid programs. In Connecticut, Medicare and Medicaid underpayments reached approximately \$2.8 billion in 2022. Connecticut hospitals incurred \$1.55 billion in Medicare losses, \$1.23 billion in Medicaid losses, and spent more than \$270 million on charity care and bad debt. Connecticut’s chronic underfunding of Medicaid is not only contributing to a cost shift that drives up what employers and consumers pay for healthcare but it is also depriving people who are medically underserved of access to needed care and social supports, which are major contributors to health disparities.

Improving Community Health Through Structural Intervention

- Many Connecticut communities have been subject to long-standing underinvestment and structural racism. The pandemic illustrated, with alarming clarity, the health disparities that exist for communities of color and those disadvantaged by poverty and place. These health disparities contribute to higher levels of avoidable chronic illness, poor healthcare outcomes, reduced quality of life, and lower life expectancy.
- Hospitals are working together with community-based organizations and state government to develop sustainable upstream solutions to address the structural and systemic drivers of health, with the goal of reducing health disparities and improving the quality of life in the communities they serve.
- As an example, hospitals are working with the Diaper Bank of Connecticut and the state to screen families with young children for diaper need, understanding that a ready supply of diapers for young children not only means better health outcomes for children and their parents, but better economic outcomes for families.
- Hospitals are eager to expand these partnerships to explore ways in which Medicaid can be used to better support community health and clinical care delivery in line with legislation adopted last year requiring the state to develop a strategy to redesign Medicaid to improve healthcare outcomes, community health, and health equity to support HUSKY Health members, and to work with CHA and its members, as well as other community healthcare providers and stakeholders to inform community-based prevention policies and wellness, care delivery, and financing strategies.

Resources:

[*Diaper Connections Fall 2023 Status Report \(report\)*](#)

Improving Maternal Health Outcomes

- Hospitals and health systems are committed to addressing maternal health across Connecticut. As part of this ongoing effort at every hospital, CHA has adopted a four-part strategy to guide its work and advocacy, informed by comprehensive federal and state-level reports on maternal health.
 - Strategy 1: Address Structural, Upstream, Root Cause Drivers of Maternal Health Such as Racism, Discrimination, and Economic Inequality
 - Strategy 2: Support Programs to Expand Mental Health Services for Perinatal Mental Health Disorders Across the State

² https://www.medpac.gov/wp-content/uploads/2023/03/Ch3_Mar23_MedPAC_Report_To_Congress_SEC_v2.pdf

- Strategy 3: Ensure Those Giving Birth Are Heard and Are Decision Makers in Their Care
- Strategy 4: Advance Data Collection, Standardization, and Harmonization to Capture Data on Health Conditions of Pregnancy and the Postpartum Period and Improve Maternal Care

Resources:

[CHA Statewide Strategy to Improve Maternal Health, May 2023 \(flyer\)](#)

Keep Hospitals Sustainable and Contributing to Strong Economies

- Connecticut hospitals and health systems help our state’s economy grow and stay strong. Often a community’s largest employer, hospitals and health systems provided stable, competitive jobs to more than 119,000 people in 2022.
- In addition, nearly every hospital job produces another job outside the hospital, which means in 2022 hospitals and health systems generated more than 244,000 jobs in our state. The hospital sector generated \$38.7 billion for the state’s economy in 2022, driving growth in the health, medical, and research fields, as well as in many other sectors.

Resources:

[2024 Economic Impact Report \(report\)](#)

Support and Grow the Healthcare Workforce

- The last few years have taken a heavy toll on frontline healthcare teams who have suffered from stress, trauma, and burnout.
- The COVID-19 response and its resulting challenges have left nurses, doctors, and other caregivers experiencing burnout, with some considering early retirement and others simply leaving acute care or healthcare altogether. Shortages that have been building in healthcare professions for years are now critical, most acute in nursing, but felt across disciplines.
- Hospital clinical units have a mix of highly experienced and less-seasoned caregivers. With the acceleration of experienced professionals departing the workforce, hospitals and health systems need better and more available resources to replace what will become a gap in experience and practice knowledge. This could be supported through efforts to secure state funding for mentors at hospitals and other support measures.
- High vacancy rates and employee turnover in hospitals are driving labor costs up, taking the cost of hospital care in the wrong direction. Hospital contract labor expense has increased significantly compared to pre-pandemic levels.
- The pipeline of new graduates is not big enough to fill the need, due to lack of student positions and faculty in educational programs.
- Connecticut needs a whole system approach, addressing shortages in all healthcare disciplines such as nursing, respiratory, radiology, pharmacy, and EMS.

- We also need continued collaboration to address workplace violence. Nationwide, healthcare workers are uniquely and disproportionately at risk of workplace violence. We need to make it clear to every care provider that violence is not tolerated and our state, our hospitals, and our communities have their backs. Connecticut hospitals, through the Connecticut Hospital Association, recently adopted a Statewide Patient and Family Code of Conduct Policy, a common set of principles that will be implemented in a unified effort by hospitals to further their extensive work to protect healthcare workers and the patients in their care and raise awareness about the importance of workplace safety in healthcare settings. Connecticut must not let up on efforts to ensure the safety of every person in hospitals across the state and show our healthcare workers the respect, gratitude, and support they deserve.
- The state has made important investments in improving the development of the healthcare workforce. More is needed, including financial assistance to hospitals to both offset the staggering costs incurred over the last few years and assistance to expand the workforce.

Resources:

[2024 Healthcare Workforce Priorities \(message points\)](#)

[Supporting the Healthcare Workforce Message Card, January 2024 \(rack card\)](#)

[Statewide Patient and Family Code of Conduct Policy, October 2023 \(flyer\)](#)

[Improve Timely Access to Behavioral Health Services](#)

- The demand for behavioral health services continues to rise for people of all ages. Hospitals are doing their part to support the system, but the growing demand for services, coupled with a precipitous drop in the number of people working in Connecticut’s behavioral health workforce, has resulted in an ongoing crisis in timely access to care.
- The General Assembly must build on what was done in recent years by making additional investments in our system of care to meet current needs and achieve system improvements to meet future demand. The state should:
 - Support the establishment of Medicaid rate structures for new initiatives such as children’s behavioral health urgent care centers, statewide emergency mobile psychiatric services, and community-based and school-based services. Implement Medicaid reimbursement for care coordination initiatives, including but not limited to collaborative care model (COCM) services.
 - Focus on retaining and recruiting a skilled, diverse, and resilient workforce, and encourage the implementation of integrated care models for child, adolescent, and adult patients, such as Community Care Teams (CCTs) by, among other things, enabling Medicaid reimbursement for community health workers employed by CCTs.
 - Advocate for additional financial resources to sustain and increase access to home-based, community-based, and hospital-based outpatient services for all patients. Increase Medicaid rates for partial hospitalization programs (PHP), intensive outpatient services (IOP), and in-home psychiatric care programs to enable timely and safe discharge from hospitals, reduce waiting lists, and improve timely access to behavioral health services.

- Expand the urgent crisis center model and mobile crisis services to cover peak demand times, and meet the needs of child, adolescent, and adult patients. Align the efforts of the new Transforming Children’s Behavioral Health Policy and Planning Committee (TCB) with existing state advisory boards and oversight committees to avoid duplication and combat inefficiency.

Resources:

[2024 Advocacy Priorities: Behavioral Health](#) (flyer)

Improve Health Insurance Coverage and Access to Care

- Every day, Connecticut hospitals and caregivers see how the lack of health insurance is a barrier to care. Hospitals support helping people get adequate health insurance coverage and ensuring access to essential services that improve quality of life. As we consider ways to make coverage more affordable, we should build on what is working and pursue a health strategy that slows the growth of healthcare costs. Driving improvements in community health and health equity through early access to primary and preventive care will reduce prevalence of chronic diseases and conditions that accelerate illness and cost.
- Hospitals offer many programs to help patients who are uninsured and underinsured. Hospitals strive to offer clear and meaningful pricing information, patient resources to assist in the bill payment process, and free and discounted care for uninsured individuals. Many hospitals go well beyond statutory requirements extending discounts to individuals whose income is up to 550% of the Federal Poverty Line and offering assistance to the underinsured. If a patient can’t afford a bill because they have a high deductible plan or their personal situation changes, hospitals have help available. In total, Connecticut hospitals provided over \$130 million in charity care through these efforts in 2022. These are important efforts to support patients and their families, but we need long-term solutions that address the root cause of many struggles stemming from flawed insurance products.
- Hospitals support efforts to improve insurance affordability that do not result in unintended consequences that weaken hospitals’ ability to meet the needs and expectations of our patients and our communities. CHA continues to advocate for long-term solutions, including insurance designs that better protect families against medical debt. The growth of high-deductible health plans has resulted in a large domination of the market. Far too many families are underinsured as a result of flawed insurance products with astronomical deductibles resulting in out-of-pocket costs that exceed what those families can afford

Limit Regulatory Burdens

- Hospitals encourage legislators to avoid imposing any additional regulatory burdens on hospitals and healthcare workers, especially unfunded mandates.
- **Certificate of Need**
 - Changes are needed to Connecticut’s CON; the regulatory process by which hospitals and certain other healthcare providers seek state approval to change aspects of their operations (expand or reduce clinical services, including buying new technology or equipment) or the control or ownership of their organization (mergers, affiliations with other providers, or acquisition).

- Connecticut’s CON process has not kept pace with the transformation of healthcare since the passage of the Affordable Care Act. The state’s interpretation and use of CON has become increasingly inflexible, prescriptive, time consuming and onerous for hospitals, adding unnecessary cost to healthcare.
- Hospitals need a fair Certificate of Need (CON) process that puts hospitals on equal footing with other providers, entities, and out-of-state specialty hospitals, and reduces the existing regulatory burden on hospitals. The process must also clearly cover private equity transactions.

Resources:

[CHA CON Priorities, December 2023 \(message points\)](#)

[Improving Connecticut’s Certificate of Need Process Message Card, December 2023 \(rack card\)](#)

▪ **Healthcare Cost Growth Benchmarking**

- Connecticut hospitals and health systems are committed to reducing costs and making sure healthcare is affordable and accessible to everyone.
- Hospitals have been active participants in the implementation 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. However, benchmarks must be reasonable and reflect – not ignore – the impact of inflation, and implementation must be based on sound and accurate data and should focus on the entirety of the healthcare spending landscape, including factors such as chronic underpayment by the state Medicaid program.
- The Office of Health Strategy (OHS) has yet to implement a transparent data process for accurately accessing performance against the benchmark.
- Despite the weaknesses in OHS’s implementation process and the challenging economics of the healthcare industry, OHS has recommended implementing penalties for non-attainment of the annual benchmark and government-imposed price controls on healthcare providers. This is an out-of-step approach to building a healthcare delivery system in Connecticut that benefits both patients and the state’s economy.
- It is entirely premature to provide OHS with the authority to impose performance improvement plans (PIP) on entities that don’t meet the benchmark, and inappropriate to provide OHS with authority to impose a civil penalty on entities that do not file a PIP when required.

Resources:

[Letter to Connecticut General Assembly Regarding OHS Recommendations, October 2023 \(letter\)](#)

Avoid Harmful Cuts to Hospitals

Lawmakers should oppose policies that would further strain hospitals – such as site-neutral payment cuts, out-of-network caps, and further restrictions on facility fees – which would reduce access to critical healthcare services, especially in underserved communities.

▪ Site-Neutral Payment Policies

- So-called “site-neutral” policies would further decrease reimbursement to Connecticut hospitals and potentially endanger hospitals’ ability to provide life-saving care for the thousands of patients who rely on 24/7 access to vital services.
- There are fundamental differences between hospitals and other sites of care, particularly as hospitals are readily equipped to serve sicker patients, maintain resources needed to respond to disasters, and offer emergency care 24/7 regardless of ability to pay. “Site-neutral” policies would have the unintended consequence of harming access to such care.
- Hospital outpatient departments treat sicker and lower-income patients than other sites of ambulatory care. Compared to patients seen in independent physician offices or ambulatory surgical centers, Medicare patients seen in hospitals are more likely to be: lower-income, non-white, eligible for Medicare based on disability and/or end-stage renal disease, burdened with more severe comorbidities or complications, dually-eligible for both Medicare and Medicaid, and previously cared for in an emergency department or hospital setting.³ Site-neutral payment policies ignore this role and the non-funded associated costs.
- Current Medicare and Medicaid rates are not sufficient to cover the cost of care. This chronic underfunding shifts costs to families with private insurance, deprives people who are medically underserved of access to needed care and social supports, and results in hospitals covering the gaps – more than \$2 billion in unpaid care annually to Medicaid and Medicare beneficiaries.

Resources:

[Prevent Damaging Cuts to Hospitals, Site-Neutral Message Card, January 2023](#) (rack card)

▪ Out-of-Network Cost Caps

- During the 2023 legislative session, the Governor proposed and the legislature did not act on a cap on out-of-network commercial rates for hospital services.
- Such proposals would result in billions of dollars in reductions to local hospitals, and place significant strain on the local healthcare delivery system.
- In addition, out-of-network cost caps would not increase patient protections, which are already ensured through state and new federal laws, but rather would give large insurance companies more power over community hospitals to dictate rates.
- In October 2023, the Office of Health Strategy issued a report that recommended the legislature implement an out-of-network cap, a perplexing recommendation given the financial

³ [KNG Health Consulting Report, March 2023](#)

situation facing hospitals and healthcare. Such a policy would put the delivery of care in jeopardy. CHA will urge lawmakers to reject such proposals, as they did last year, to protect access.

Resources:

[Letter to Connecticut General Assembly Regarding OHS Recommendations, October 2023](#) (letter)

▪ **Facility Fees**

- Facility fees pay for many elements of care and the healthcare workforce that are integral to care delivery and are NOT add-on fees. They are one of the most common ways hospitals are paid for providing services. Now more than ever, as hospitals face significant economic headwinds, these payments ensure that care providers can cover costs and be available to care for patients 24/7. Further restrictions on facility fees could threaten healthcare access.
- Facility fees have long been the routine way hospitals receive a portion of payment for comprehensive care provided. Patients who receive care at a hospital outpatient setting or a physician’s office are typically charged a “professional fee” for the doctor, nurse practitioner and/or physician assistant who provided care, and a “facility fee” or technical fee that pays for everyone and everything else that supports care delivery, including other clinical staff such as nurses, technicians, and medical assistants, and other costs like medical records, equipment, and supplies.
- While independent healthcare providers often bundle payments as one fee (a “global fee”), hospitals and their outpatient care centers are required by Medicare and Medicaid to bill these fees separately. This convention is generally followed by commercial payers, which is why those with commercial insurance will often see separate bills when they receive services from hospitals. Additionally, state law requires hospitals to provide notices to patients who could potentially see a facility fee on their bill.
- As hospitals focus more on whole person care, population health, and preventive care to keep people healthy and out of the hospital, more services are being offered by hospitals in off-campus settings that increase convenience and access for patients. Hospital outpatient departments also support more Medicaid, low-income, and complex patients who may not be served by independent physicians, thereby significantly increasing access for patients who have difficulty obtaining healthcare elsewhere. As more services are offered in convenient locations, there is more awareness about facility fees today, which have long been how hospitals are generally required to organize billing.

Resources:

[How Facility Fees Support Care and Your Care Team, April 2023](#) (flyer)

- From emergency department care to remote patient monitoring for chronic care management and access to care from specialists, telehealth is changing the way healthcare is provided.
- Hospitals and health systems support the use of telehealth as a pathway to expand patient access to routine and specialty care while improving patient satisfaction and outcomes. Telehealth is also critically important for behavioral health services.
- Coverage, payment, and other policy issues prevent full use of telehealth, remote patient monitoring, and similar technologies.
- CHA continues to support making permanent the Medicare telehealth flexibilities granted during the COVID-19 public health emergency and extended through 2024. Additionally, flexibilities for telehealth through Medicaid and commercial insurance law requirements remains a priority.

Focus on Cybersecurity

- Connecticut hospitals are dedicated to safeguarding the privacy of their patients' medical information. As healthcare providers, hospitals and health systems have operated in a highly regulated information security environment for decades and continue to lead in this area. But even the most sophisticated data systems can be vulnerable to intrusion when attacked by motivated bad actors, which is why hospitals implement and continuously update cyber defenses and protections and test their readiness and capabilities.
- Globally, healthcare has become a target for attacks. Defending against them is an integral part of all healthcare operations. Here in Connecticut, we've seen cyber attacks impact not only healthcare but other industries including banks, insurance companies, schools, and utilities.
- The state's creation of a collaborative Cybersecurity Task Force in 2023 is encouraging and can build upon the work led by hospital teams to ensure high-quality care is matched with necessary security safeguards.
- Best practices include constant and consistent review of security measures including monitoring of information technology downtime procedures and policies to ensure that the preparedness plans are updated as needed and are readily available should the plans be requested by state regulators. Both operational and executive staff are engaged in the review and oversight of these measures.

Planning for the Future: Artificial Intelligence

- As healthcare continues to transform, Artificial Intelligence (AI) in healthcare remains an emerging and growing field that when used wisely has promise for innovations in medical care, can assist patients in awareness about their conditions, and can improve efficiencies for patients and providers.
- Policy considerations surrounding AI must strike a balance between managing the risks (e.g., misinformation, lack of human oversight, and potential for hidden bias) versus encouraging innovation.
- Hospitals and health systems remain focused on best ways to utilize AI to achieve medical

advancements, promote security in AI systems development, remove bias from AI, and ensure future developments are leveraged to improve health outcomes.