

DECEMBER 2024

CONNECTICUT HOSPITALS

FACE CONTINUED
FINANCIAL
CHALLENGES

SIGNIFICANT FINANCIAL AND OPERATIONAL THREATS

Hospitals across Connecticut are facing significant economic headwinds that threaten their financial health. Throughout the pandemic, hospitals provided exceptional, compassionate care to all patients. Today, hospitals continue to deliver high-quality care to every patient who walks through their doors, regardless of their ability to pay. However, there are lasting and unprecedented financial challenges that hospitals must navigate every day that continue to strain caregivers and care delivery.

A new report from Kaufman Hall details the extraordinary financial pressures continuing to affect Connecticut hospitals. The findings, summarized in the following analysis, “underscore the significant financial and operational threats Connecticut hospitals continue to face.”¹



Expense growth continues to be a concern.

- The high costs of drugs, medical supplies, and labor are straining hospitals, and Connecticut hospitals are paying more to provide care than they are receiving in payments. **In one year, expenses grew by \$1 billion**
- Connecticut hospitals are collectively operating at a loss; Connecticut hospitals produced a **total operating margin of -0.5%** in 2023
- Total Connecticut hospital **loss from operations was \$76 million** in 2023



Challenges for Connecticut hospitals surpass the Northeast/Mid-Atlantic and the nation.

- Connecticut hospitals’ margins remain highly depressed relative to the nation
- Rising operating costs continue to hit Connecticut harder than other states. Operating expenses increased 6.5% in 2023, exceeding Northeastern/Mid-Atlantic² and national growth, and revenue growth in Connecticut hospitals trailed far behind the Northeast/Mid-Atlantic and the nation



Medicaid underpayment increases burdens, harms access, and drives up patient costs.

- While expenses have risen dramatically, payments for the ballooning cost of care from government programs including Medicaid and Medicare have not kept pace
- Connecticut’s hospital operating revenue growth lagged the Northeast/Mid-Atlantic and the nation in part due to the Medicaid and Medicare population making up a larger and growing percentage of the state’s payer mix. Low Medicaid reimbursement rates will only further exacerbate a slower recovery and margin challenges

¹Kaufman Hall Report, September 2024, *Current State of Connecticut Hospital Finances*

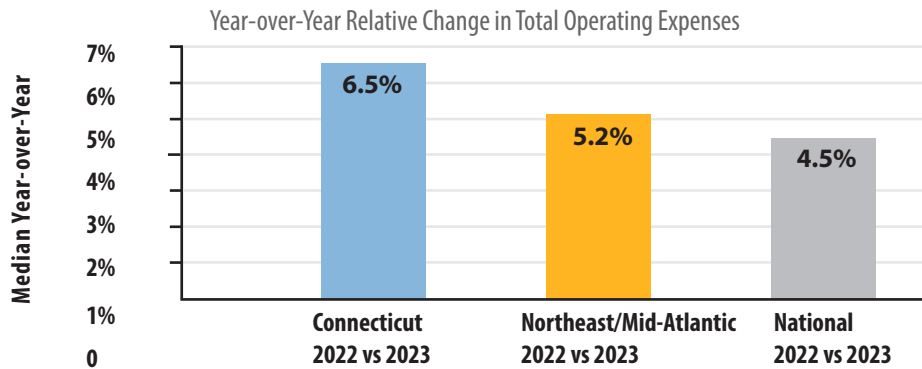
²Northeast/Mid-Atlantic region includes CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT, and WV.

STAGGERING IMPACT OF OPERATING COSTS

LABOR, DRUG EXPENSES, AND MEDICAL SUPPLIES

OPERATING COSTS

CONNECTICUT MEDIAN HOSPITAL OPERATING EXPENSE INCREASED 6.5% IN 2023 (TOTAL INCREASE OF \$1 BILLION)

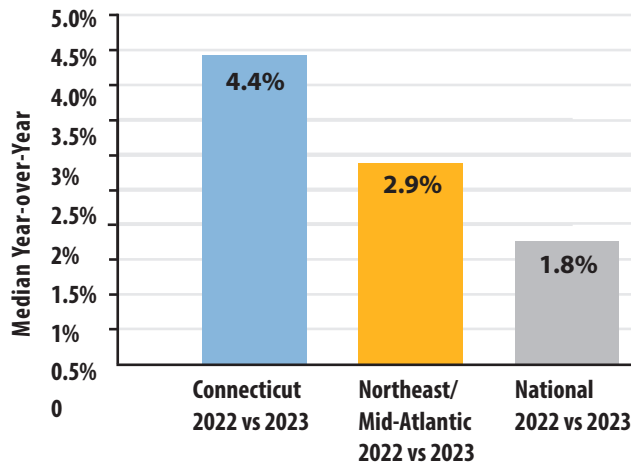


Connecticut hospitals have faced significant increases in operating expenses including the cost of drugs, medical equipment, and supplies — outpacing other regions. Connecticut has also seen significant increases in salary and wage expenses for healthcare workers, exacerbated by a tight labor market across all disciplines.

LABOR COSTS

CONNECTICUT MEDIAN HOSPITAL LABOR EXPENSE INCREASED 4.4% IN 2023 (TOTAL INCREASE OF \$169 MILLION)

Year-over-Year Relative Change in Labor Expense

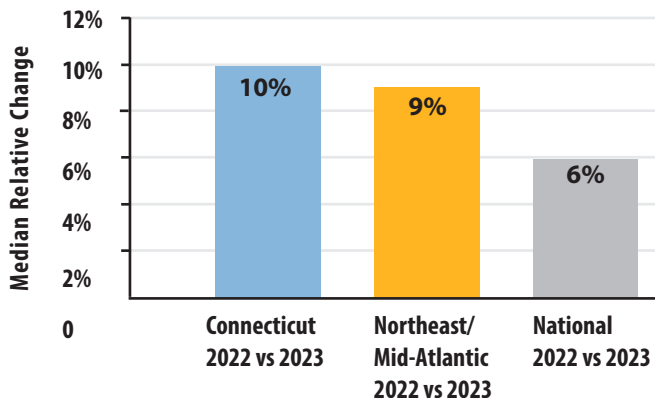


NEARLY 70% OF THE TOTAL INCREASE IN SALARY EXPENSE WAS DRIVEN BY GROWTH IN NON-CLINICAL (NON-EXECUTIVE) PERSONNEL AND NURSING SALARIES

EXAMPLES OF NON-LABOR COSTS

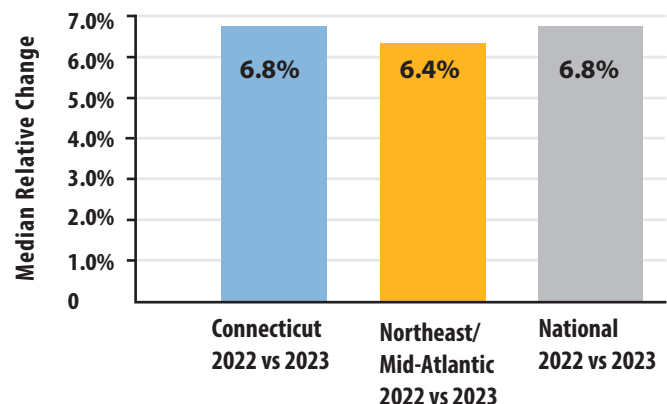
RISING DRUG COSTS: DRUG EXPENSES INCREASED BY 10% IN 2023 (TOTAL OF \$249 MILLION)

Year-over-Year Relative Change in Drugs Expense



RISING MEDICAL SUPPLIES COSTS: INCREASE OF 6.8% IN 2023 (TOTAL OF \$92 MILLION)

Year-over-Year Relative Change in Supplies Expense

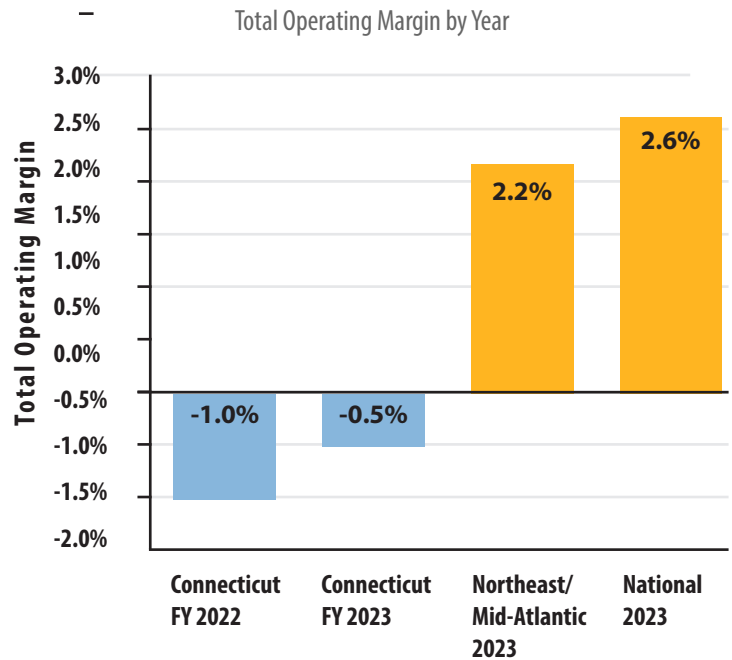


FINANCIAL CHALLENGES FOR CONNECTICUT HOSPITALS OUTPACE NATIONAL PRESSURES

Total hospital operating margin for Connecticut remained negative at -0.5% in 2023, lagging the Northeast/Mid-Atlantic margin of 2.2% and national margin of 2.6%. This is at a time when national margins are already historically low and hover at unsustainable levels.

Hospital margins provide insight into how costs compare to revenues and are a critical indicator of a hospital's financial health. Hospitals and health systems need positive operating margins to continue providing high-quality and equitable care, investing in life-saving technological advancements, and supporting their missions to create healthier communities and meet evolving patient needs.

CONNECTICUT TOTAL HOSPITAL OPERATING MARGIN REMAINED NEGATIVE IN 2023 AT -0.5% AND WAS HIGHLY DEPRESSED RELATIVE TO THE NATION



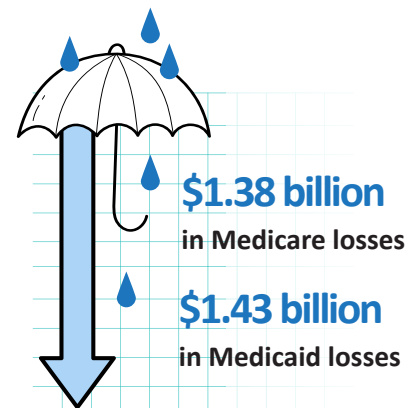
PAYMENTS HAVE NOT KEPT PACE

Medicare and Medicaid payment updates have not kept pace with the cost of care. Hospitals work every day to bridge the gap created by government underpayments, but these gaps are growing to unsustainable levels.

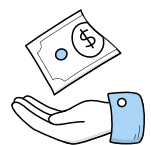
Connecticut's distressingly low Medicaid reimbursement lags significantly behind other states and creates barriers to healthcare access for low-income residents. Medicaid underfunding not only shifts costs to commercial health insurance, but it also jeopardizes access to needed care and social supports for people who are medically underserved.

In 2023, Connecticut hospitals incurred **\$1.38 BILLION IN MEDICARE LOSSES AND \$1.43 BILLION IN MEDICAID LOSSES**. According to the Connecticut Office of Health Strategy, Medicare reimbursements in the state averaged only 74 cents on the dollar, and Medicaid reimbursed only 62 cents on the dollar in FY 2022.²

Hospitals also face significant challenges when commercial insurers and Medicare Advantage payers delay, withhold, or deny payment for necessary services or impose needless and costly administrative requirements.



Medicaid payments average **62 cents on the dollar**



² OHS Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals for Fiscal Year 2022, Released September 2023

CONTINUED ACTION IS NEEDED



Connecticut hospitals provide high-quality care to anyone who walks through their doors, regardless of ability to pay.

Despite the significant financial challenges, hospitals have never wavered in providing high-quality care, maintaining and increasing programs to support the health of local communities, and continuing to advance efforts to slow the rate of healthcare cost growth. In the state's most recent report on the healthcare cost growth benchmark for 2022, the state data showed that medical spending, which includes hospital spending, increased by just 2.6% from 2021 to 2022 — lower than the benchmark target of 3.2%. But the challenges remain staggering and are growing.

As Connecticut hospitals face increasing financial pressures, we must continue working together to protect world-class care and support access, affordability, and equity for every patient.



Keep hospitals sustainable so they can continue contributing to strong economies and healthy communities.



Ensure that the state Medicaid program **pays rates that actually cover the cost of care.**



Ensure state policies **do not place additional burdens** on caregivers that could jeopardize the world-class healthcare delivery offered to every resident or reduce access to critical healthcare services, especially in underserved communities.



Develop ways to **reimagine Medicaid to invest in local communities** and programs that improve the health of people for generations to come.



Address **unfair national health insurance company administrative practices** that raise costs and reduce access to care.



Continue collaborative efforts to **bolster the healthcare workforce.**



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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.