

**Testimony of the Connecticut Children's Medical Center
to the Public Health Committee regarding House Bill 5038,
An Act Implementing The Recommendations Of The Hospital Task Force
March 3, 2008**

Senator Handley, Representative Sayers, members of the Public Health Committee, thank you for the opportunity to speak with you today. My name is Martin Gavin, and I am the President and CEO of the Connecticut Children's Medical Center (CCMC). I am here to speak with you about House Bill 5038, An Act Implementing The Recommendations Of The Hospital Task Force.

In April 2007, Governor Rell established the Hospital System Strategic Task Force to address the critical needs facing Connecticut's hospitals. CCMC applauds the Rell Administration's focus on this key issue and I was pleased to participate as a member of the Financial Structure Subcommittee. The final report of the Task Force was released in January 2008. Although the report does not specifically address pediatric health care, it does address the need for hospitals to be paid their reasonable costs to care for Medicaid and HUSKY patients. As Connecticut's only hospital dedicated exclusively to children, CCMC supports this goal. Medicaid and HUSKY children comprise forty-nine percent the inpatient care provided at CCMC, by far the largest percentage of any hospital in Connecticut.

House Bill 5038 proposes to implement seven of the 29 specific recommendations in the final report of the Task Force. While this bill does not directly address the financial concerns mentioned above, it does bring increased attention to the issue of behavioral healthcare in hospital emergency departments. In October 2007, the Child and Adolescent Rapid Emergency Stabilization (CARES) unit opened on the Institute of Living campus with the goal of providing a six-bed assessment center that would address the needs of children who come to the CCMC Emergency Department in psychiatric crisis. While this change has not solved the problems we face, it has made significant improvements in the care that can be provided to these children and families. Connecticut's leaders deserve our thanks for funding this critical resource and we support the efforts of this bill to apply this success more broadly.

For CCMC, the most significant recommendations from the Task Force are those related to Medicaid reimbursement rates for hospitals. The State must pay safety net providers like CCMC adequately in order to ensure access to care. On behalf of the patients and families we serve, CCMC is very grateful to the State of Connecticut for its long-standing support. We look forward to continuing to collaborate with State leaders to ensure that all children have access to the health care services they need to grow, learn and succeed.

CCMC offers the full spectrum of pediatric care to children from each of Connecticut's 169 cities and towns. Each year, CCMC provides:

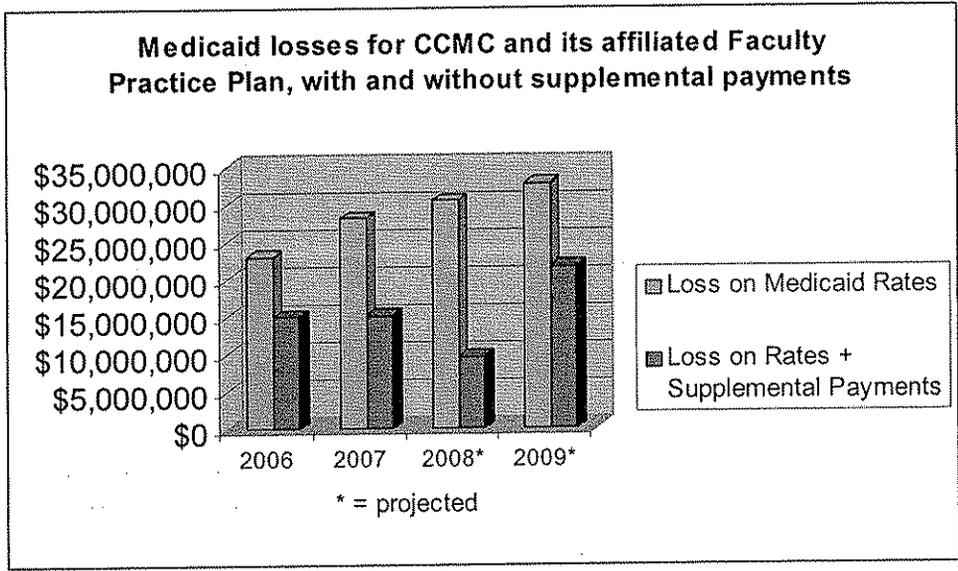
- 30,000 primary care visits (78% for HUSKY kids)
- 43,000 emergency care visits (62% for HUSKY kids)
- 95,000 physician specialty care visits (40% for HUSKY kids)
- 33,000 inpatient hospital days (49% for HUSKY kids)
- 8,500 surgical procedures (35% for HUSKY kids)

CCMC is a vital resource for children and families across the state. We are the only independent children's hospital in Connecticut and we are the Pediatric Department for the University of Connecticut School of Medicine. We have trained over 150 new pediatricians in the past 10 years and 66 of these are currently practicing in Connecticut. We develop pioneering treatment programs for asthma, diabetes, cancer, pain management and other major concerns of childhood. Our 10 hospital affiliation agreements and 13 satellite clinics are improving the quality of pediatric care throughout the state for all of Connecticut's children. Connecticut's HUSKY program has been very successful in providing coverage to vulnerable children with about 30% of all children enrolled in the program. Unfortunately, HUSKY reimbursement rates, despite recent increases remain inadequate. This combination of high enrollment for children and low reimbursement puts an undue burden on Connecticut's pediatric providers.

Unlike other hospitals, CCMC does not receive significant Medicare payments (which cover 97% of the average Connecticut hospital's cost of caring for Medicare patients). We also do not participate in the Uncompensated Care Disproportionate Share Hospital (DSH) pool or the Urban DSH pool. We do receive a supplemental payment because we are in our own DSH category under the Medicaid State Plan.

At CCMC, 49% of the children who receive inpatient care rely on HUSKY for their coverage. This is by far the highest percentage of any Connecticut hospital. But by providing a critical safety net for HUSKY, CCMC suffers huge financial losses.

During the 2007 session of the Connecticut General Assembly, lawmakers clearly made access to and financing of health care a priority with the passage of Public Act 07-185, An Act Concerning the HealthFirst Connecticut and Healthy Kids Initiatives, and funding in the Biennial Budget for Medicaid reimbursement increases, the Hospital Hardship Fund and the Charter Oak Health Plan. CCMC benefited from the inpatient and outpatient rate increases, a grant from the Hospital Hardship Fund and the maintenance of our supplemental payment, but even with this success CCMC only receives 85¢ in total reimbursement for every dollar we spend caring for these vulnerable children. Medicaid funding is an ongoing threat to CCMC's financial viability and we need to continue to work with the State to implement a more permanent solution.



The Governor's budget proposes to maintain our inpatient rate increase and our supplemental payment, but this will leave us with a Medicaid loss of \$22 million in FY 2009. The State needs to create a long-term financial solution that allows us to be reimbursed at our costs for Medicaid services.

Cutting costs cannot solve the problem. We are one of the most cost-effective children's hospitals in the country and our operating expenses per staffed bed are 16% lower than that of the average independent children's hospital. Maximizing other revenue also cannot solve the problem—we cannot cost shift such a huge loss onto our private payers.

CCMC's current and growing Medicaid shortfall threatens our long-term financial solvency. The losses noted in the chart above and the potential for continued losses in the future jeopardize our ability to meet the needs of all of Connecticut's kids, HUSKY or not. This ongoing loss trend reduces our ability to make needed capital investments and impairs our ability to recruit and retain exemplary staff.

As Connecticut's only independent children's hospital, CCMC enhances the quality of life in our state, we support the local economy, and we are good for kids. The State must take action to eliminate our Medicaid loss to preserve these critical assets. The Appropriations Committee can eliminate this loss and create a more secure future by providing an additional increase in our Medicaid inpatient reimbursement rates, providing an increase in the Medicaid reimbursement rates paid to CCMC Faculty Practice Plan physicians, and/or increasing the level of our supplemental payment. In any event, a long-term solution is required. Without a fix in HUSKY reimbursement, the vision for a pediatric center of excellence cannot be sustained.