CHA CONNECTICUT HOSPITAL ASSOCIATION

TESTIMONY OF
STEPHEN FRAYNE
SENIOR VICE PRESIDENT, HEALTH POLICY
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
PUBLIC HEALTH COMMITTEE
Monday, March 3, 2008

HB 5038, An Act Implementing The Recommendations Of The Hospital Task Force

Good afternoon, Senator Handley, Representative Sayers, and members of the Committee. My name is Stephen Frayne and I am the Senior Vice President, Health Policy of the Connecticut Hospital Association (CHA). I appreciate the opportunity to testify on behalf of CHA and its members on **HB 5038, An Act Implementing The Recommendations Of The Hospital Task Force.**

Concerned about the condition of Connecticut Hospitals and Connecticut residents' access to healthcare, in April of 2007, Governor Rell established the *Hospital System Strategic Task Force.* The purpose of the Task Force was to develop strategies that, when implemented, would help stabilize the financial health of Connecticut's hospitals. The Task Force was chaired by Secretary of the Office of Policy and Management, Robert Genuario, and Commissioner of the Office of Health Care Access, Cristine Vogel. Its members included representatives of Connecticut hospitals and other healthcare experts, as well as business leaders.

In early January, the Task Force submitted its report to the Governor. The report contains the Task Force's findings and recommendations. The report is an excellent document that I would encourage you to review. We whole-heartedly support the report and its recommendations. In total, the Task Force put forth 29 recommendations. The recommendations covered a broad range of topics, including utilization and planning, workforce, and financial structure. The bill before you proposes to implement seven of those 29 recommendations.

One of the topics extensively discussed by the Task Force was "cost shifting" of losses from underfunded government programs to employer-sponsored insurance. The report concludes "cost shifting" is one of the leading drivers of the financial instability of Connecticut hospitals, is unsustainable, and is eroding the employer-sponsored insurance system hospitals rely on to make ends meet. Sadly, this bill has no recommendations to address "cost shifting" and, as a consequence, misses a substantive opportunity to help hospitals. In order to correct this oversight, the bill should be amended to incorporate the Task Force's recommendations to: increase reimbursement to reflect reasonable costs to provide care to patients in the Medicaid fee-for-service, HUSKY and SAGA programs, to ensure continued access to healthcare services; and to require CHEFA to establish a program to provide the proceeds from revenue bonds backed by contract assistance of the state that would assist hospitals in making needed investments.

110 Barnes Road • P.O. Box 90 • Wallingford, CT 06492-0090 • Phone: 203.265.7611 • Fax: 203.284.9318 • www.cthosp.org

A bright spot of the bill is the increased attention that will be brought to bear on the high use of the emergency department for behavioral healthcare. We agree that we have to identify areas where emergency department demand can effectively be reduced for behavioral health service. We also agree that it is necessary to identify feasible and effective models for psychiatric care to expand access to behavioral health crisis and emergency services for adults and children. However, it seems premature to hamstring the creativity of those yet-to-be-developed solutions by forcing any solution to fit within the confines of the current budget.

Another bright spot of the bill is the effort to expedite eligibility to state-administered general assistance to individuals released from prison. Unfortunately, missing are the resources to cover the growing caseload that will occur as a consequence of the effort. Please add the resources to cover that caseload.

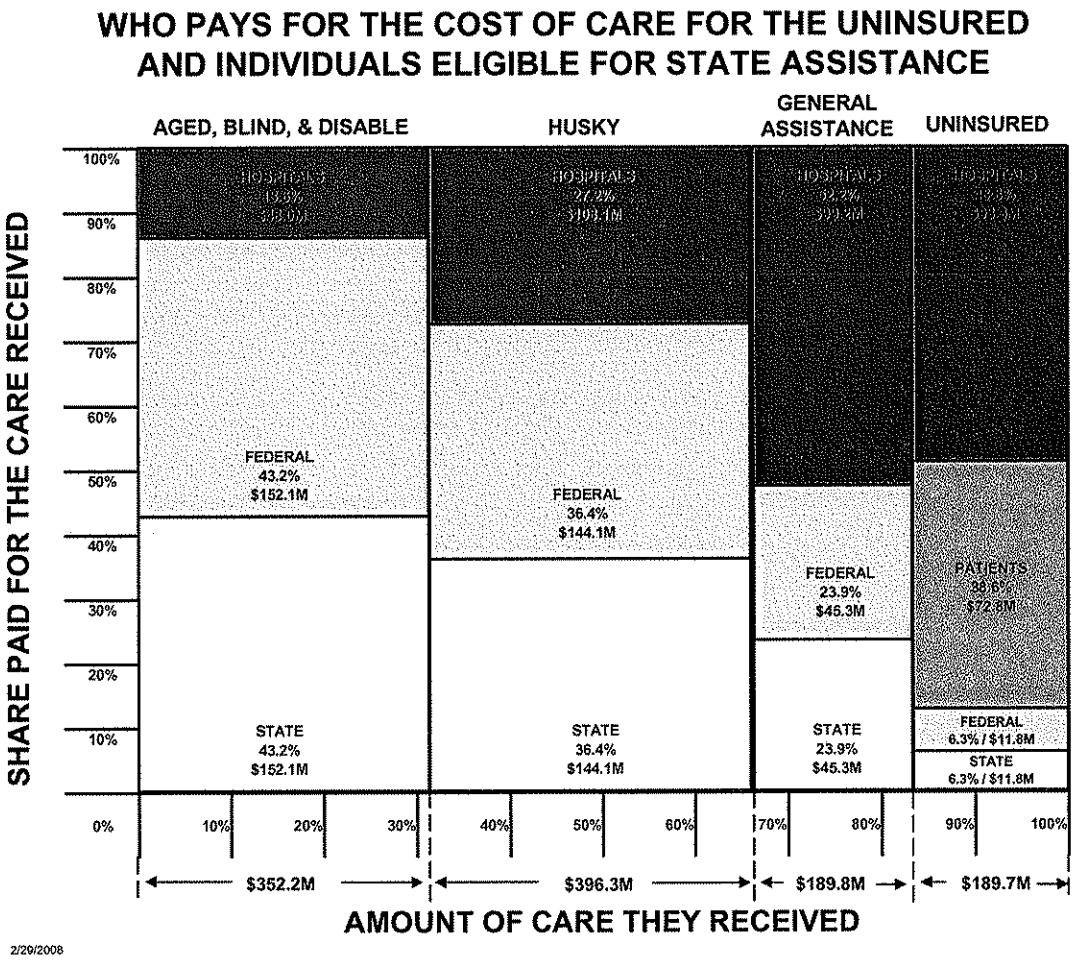
Finally, we are very supportive of the attention that will be brought to bear to help us train, recruit, and retain our workforce. Hospitals are facing acute workforce shortages that are projected to worsen to a critical level in the next 15 years. Today's vacancy rate for nurses is 6.6%, but other professions are also experiencing shortages. The vacancy rate for pharmacists is 7.3%, for respiratory therapists 8.4%, and physical therapists 9.5%. A 33% deficit in the supply of RNs is projected by the year 2010; 46% by 2015; and 57% by 2020. By the year 2020, Connecticut is expected to face a shortage of 22,400 nurses, earning it the distinction of having the second worst shortage in the nation. In 2005, approximately 2,000 qualified applicants were turned away from nursing schools due to a shortage of qualified faculty.

We would ask that you not support as written sections 1, 5, 6 and 7 for several reasons. First, 17b-192 has required DSS since 2004 to obtain a waiver of federal law so that individuals enrolled in SAGA can be enrolled in Medicaid. Four years have passed and the waiver request has not been filed. Absent that application being filed, hospitals are unable to claim the $30 million annually available to them through the Medicare program. This inaction has already cost hospitals and the state $120 million. The Task Force recommended providing DSS with the flexibility to choose the right method to get CMS approval not abandoning the effort in favor of a study. Section 5 requires hospitals to develop a plan to reduce the number of inpatients that have extended lengths of stay within hospitals' emergency departments. As drafted, the implication is that extended lengths of stay in the ED are exclusively a problem to be solved by hospitals alone. The Task Force recognized that this is not the case and recommended instead that the plan should be developed in conjunction with DPH. Sections 6 and 7 attempts to reinforce the need for the development of a state health plan and for DMHAS, OHCA, and DPH to collaborate to develop that plan. As written, these sections postpone the development of the state health plan for another two and a half years and contain requirements for hospitals to submit certain information that will not be useful to the state plan.

Providing patients and communities with the finest quality healthcare services is the highest priority for Connecticut's not-for-profit hospitals. Hospitals fulfill a vital role, caring for Connecticut residents 24 hours a day, seven days a week, and they make enormous contributions to the health and quality of life for millions of Connecticut residents. Last year, Connecticut hospitals provided 2.1 million days of inpatient care. In addition, hospitals provide a significant amount of outpatient care. Last year, Connecticut hospitals provided more than 4 million outpatient visits, including: 1.5 million ED visits; 183,000 ambulatory surgery visits; 30,000 cardiac procedures; 99,000 cardiac rehab visits; 144,000 gastroenterology procedures; 43,000

chemotherapy visits; 204,000 radiation therapy visits; 844,000 outpatient rehabilitation visits; 344,000 psychiatric care visits; and 624,000 primary care visits. Every moment of every day, hospitals touch the lives of Connecticut residents by providing high quality healthcare services.

As the chart below clearly indicates, every year before a hospital plans a new program, hires another nurse, and invests in a quality initiative, it must first figure out how to cover the annual $250 million deficit caused by state underfunding of its existing insurance programs. Under current law, this is a never-ending and ever-growing deficit for which we have to annually implore you for help because current law always presumes rates will never increase. The rate relief in the biennium budget, while it won't eliminate the problem, will make a real dent in it.



While your efforts are making a real difference, there is still much to be done. The most important thing you can do to help hospitals and other providers is to continue fighting for increases in funding in the state budget so that hospitals receive the full cost of providing care to patients who are covered by government-funded programs, such as Medicaid and SAGA.

Strong hospitals, like good schools and safe roads, are an essential part of what makes Connecticut a great state.

Thank you for your consideration. I am happy to answer any questions.