

**Testimony of the Connecticut Children's Medical Center
to the Appropriations Committee regarding the
Department of Social Services Budget for Fiscal Years 2010-2011**

February 18, 2009

Senator Harp, Representative Geragosian, members of the Appropriations Committee, thank you for the opportunity to speak with you today. My name is Martin Gavin, and I am President and CEO of the Connecticut Children's Medical Center. I am here to speak to you about Connecticut Children's unique financial circumstances and our urgent needs in the Department of Social Services budget. In the early 1990s, our community envisioned the creation of a medical center exclusively devoted to children, that would provide Connecticut with a regional center of excellence in pediatric health care. Connecticut Children's is achieving that vision for children statewide but our financial health is jeopardizing the future. As Connecticut's financial health continues to feel the effects of the current economic downturn, more families will have to rely on HUSKY to maintain their children's access to health care. The State must continue to repair the HUSKY reimbursement structure if we are to preserve the critical resources that Connecticut Children's provides every day.

All children should have the health care they need to grow and learn. The children of Connecticut deserve a health care system that both provides them with coverage and enables them to access high quality health care services. It is critically important for the State to provide coverage for uninsured children, but the coverage will not help them if providers cannot afford to treat them. The State must pay safety net providers like Connecticut Children's adequately in order to ensure access to care.

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

- 31,000 primary care visits (90% for HUSKY kids)
- 44,000 emergency care visits (60% for HUSKY kids)
- 95,000 physician specialty care visits (42% for HUSKY kids)
- 37,000 inpatient hospital days (49% for HUSKY kids)
- 8,000 surgical procedures (34% for HUSKY kids)

programs for asthma, diabetes, cancer, pain management and other major concerns of childhood. In addition to our main campus in Hartford, Connecticut Children's offers services in 20 other cities and towns across the state including our ten partner hospitals.

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, Connecticut Children's 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.

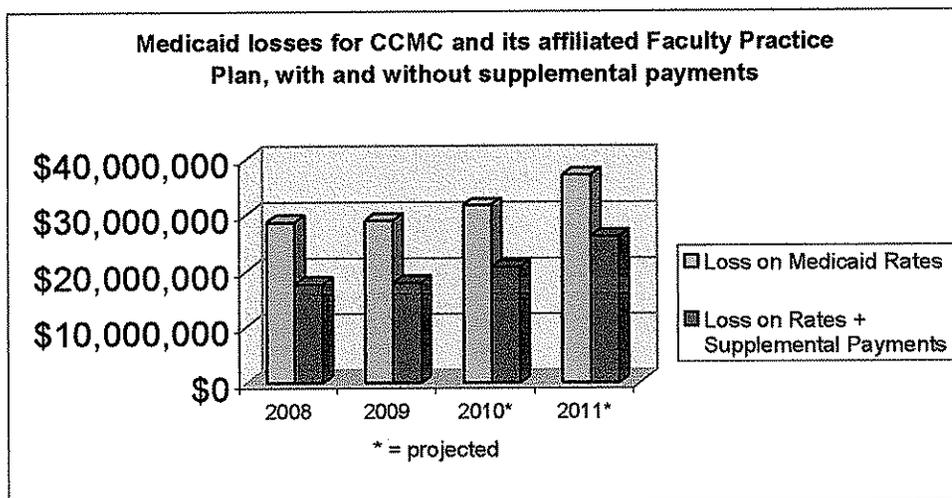
At Connecticut Children's, 49% of the children who receive inpatient care rely on HUSKY for their coverage. This is by far the highest percentage of any Connecticut hospital. But by providing a critical safety net for HUSKY, Connecticut Children's suffers huge financial losses.

We appreciate that the Governor's proposed budget for FY 2010-2011 preserves Medicaid funding. With the economic downturn and projected budget deficits, you will certainly be faced with difficult decisions in 2009. I am asking today that you focus special attention on the needs of our children and families. As more families face job losses, more children will be turning to HUSKY for continued access to the health care services they need. While it is clearly our mission to provide access to vulnerable children, my hospital is likely to experience even greater Medicaid losses as families shift from employer-based coverage to HUSKY.

Connecticut Children's and the State of Connecticut need each other. Connecticut Children's will celebrate its 13th birthday in April and we have grown up to be the state's leader in pediatric health care. In 2009 and beyond, our leadership is allowing us to help fix some of the problems in Connecticut's health care system. In January, we opened a new pediatric inpatient unit at Saint Mary's Hospital in Waterbury. This collaboration allows families in the Waterbury region to access unique, high-quality and family-centered pediatric care along with enhanced access to pediatric subspecialty services. This consolidation has also created significant efficiencies by allowing Waterbury Hospital and Saint Mary's Hospital to transfer their pediatric service to us, thereby erasing some of the Medicaid losses they were experiencing. We have been approached by

region to access unique, high-quality and family-centered pediatric care along with enhanced access to pediatric subspecialty services. This consolidation has also created significant efficiencies by allowing Waterbury Hospital and Saint Mary's Hospital to transfer their pediatric service to us, thereby erasing some of the Medicaid losses they were experiencing. We have been approached by several other hospitals in Connecticut regarding similar consolidation proposals and as these projects move forward, Connecticut Children's will have the opportunity to create even greater efficiencies in the pediatric system of care.

All of this progress requires that Connecticut Children's continue working with the State to implement a more permanent solution to our structural problem with Medicaid funding. Connecticut Children's must have long-term financial viability in order to continue leading the way towards better and more efficient health care for our children.



The Governor's budget proposes to maintain Connecticut Children's supplemental payment, but this will still leave us with a Medicaid loss of \$18 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.

Connecticut Children'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

As Connecticut's only independent children's hospital, Connecticut Children's 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 Connecticut Children's 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.