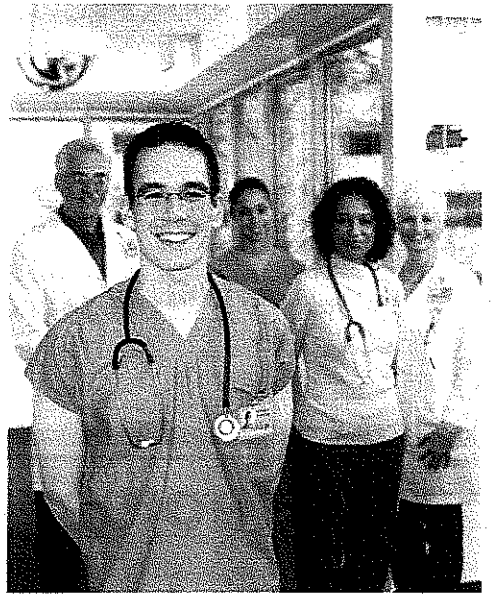
HARTFORD HEALTHCARE

University of Connecticut Health Center

Principal Partnership between University of Connecticut Health Center & Hartford Healthcare

Higher Education & Employment Advancement Committee Public Hearing, March 5, 2009



UCHC's Primary Mission: Education & Research

- 3 Schools:
  - Medical School (331 students)
  - Dental School (172 students)
  - Graduate School in Biomedical Sciences (342 students)

- Research: More than $90M per year of innovative research is conducted an discoveries are translated into advances in patient care (e.g., cancer vaccines, hormone therapies for osteoporosis, new materials for dental implants, and stem cell research)

- Residency Training: For 674 residents (medical and dental) per year, who train in local hospitals

- John Dempsey Hospital (JDH) & UConn Medical Group (UMG), the multi-specialty faculty practice, are sites for learning and represent key elements in attracting talented faculty who want to teach, conduct research, and provide patient care

UCHC: A Worthy Investment

- About 35% of Medicine graduates & 46% of Dental Medicine graduates practice in the State
- Dental Medicine is historically #1 or #2 ranked
- Connecticut residence comprise 75% of 2008 entering class in Medicine & 56% in Dental Medicine
- 2008 minority enrollment in Medicine is 28.1%
- School of Medicine is national leader in innovative curriculum
- Health Center has 5,062 employees (77% union, 13% faculty, 3% managerial, 7% residents/grad assistants/student workers) and generates $938M in Gross State Product

UCHC: Resource to Community & State

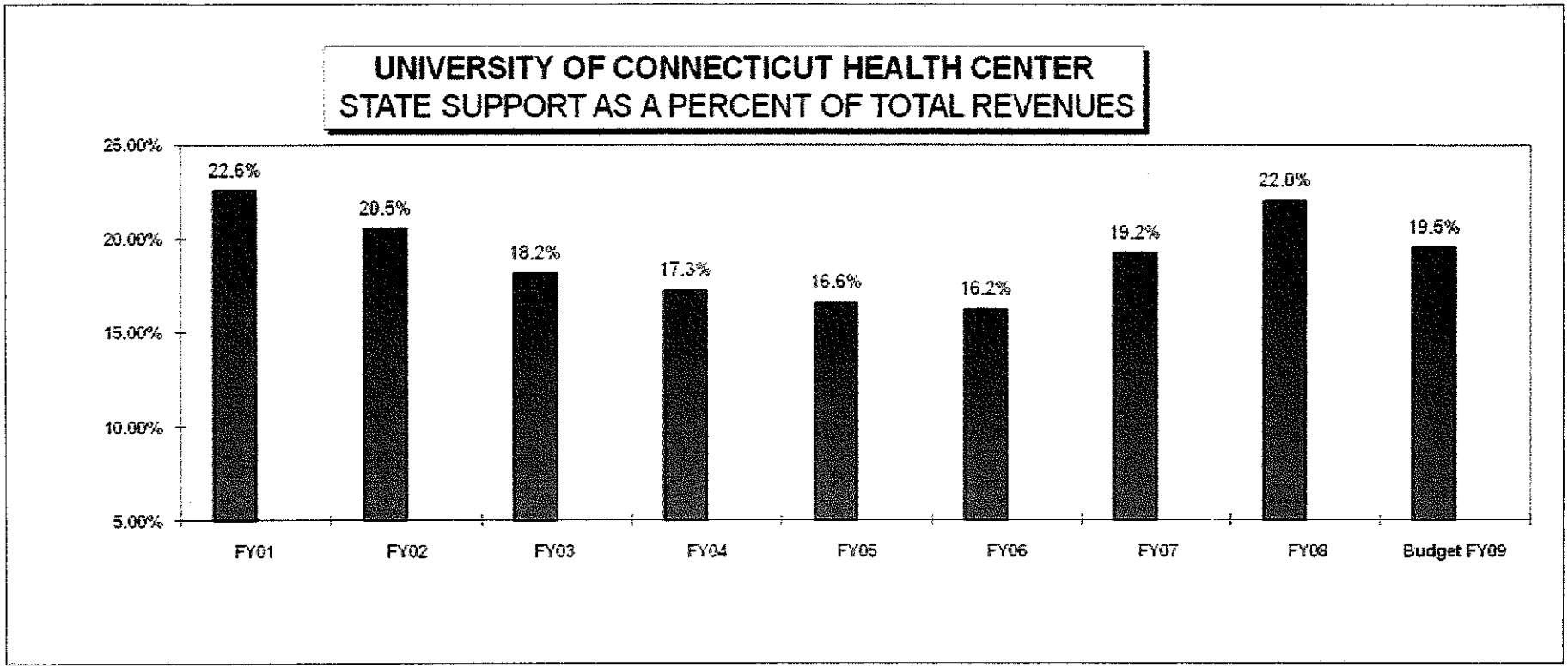
- Service to Medicaid Patients:
  - In FY08, JDH among top-5 hospitals in CT in Medicaid inpatient days as percentage of total inpatient days
  - Largest single provider of dental services to Medicaid clients and the under- and un-insured
    - 66% visits to Dental Clinic in Farmington are Medicaid clients
    - 71% of all student/intern/resident dental care activity is service is to Medicaid clients
- Clinical Service Collaboration:
  - Department of Public Health
  - Department of Corrections
  - Department of Mental Health & Addiction Services
  - Department of Veteran Affairs (Rocky Hill)
  - Department of Developmental Services

UCHC: Resource to Community & State (Cont.)

- Community Service
  - South Park Inn Medical Clinic (Hartford)
  - South Marshall Street Homeless Clinic (Hartford)
  - Urban Service Track
  - Connecticut Poison Control Center
  - YMCA Adolescent Girls Medical Clinic (Hartford)
  - Camp Courant Dental Screening Program
  - Migrant Worker Clinic
  - Covenant House (Willimantic)
- Economic Driver for the Region & State:
  - Biomedical & Biotech Jobs
  - Innovations & Spin-Offs from Stem Cell & Other Leading-Edge Research Programs

State Support

- Traditionally receive state general funds to support the academic (education & research) enterprise only
- 19.5% of Health Center budget is state-supported
- 80.5% comes from other revenues (clinical, research, tuition, philanthropy)



About John Dempsey Hospital (JDH)

- Opened in 1975: Only public university acute care hospital in Connecticut and the 2nd smallest academic health center hospital in the United States
- Originally planned at 400 beds, the first phase of JDH was built at 200 beds. The second tower was never built.
- Has 224 fully staffed and licensed beds, of which 116 are very specialized (Neonatal, Prison, Psychiatry, Maternity), leaving only 108 medical/surgical (flexible) beds
- Traditionally received no state general fund support for operations or capital program
- Faces the same set of challenges as the state's other 29 acute care hospitals: Medicaid/Medicare cutbacks, uncompensated care, low reimbursement rates, nursing and other health care profession shortages and the realities of an intensely competitive marketplace
- 16.6% of JDH inpatient cases are Medicaid recipients. JDH is in the top five hospitals in Connecticut for Medicaid inpatient days as a percentage of total inpatient days. JDH is a disproportionate share hospital for Medicaid and Medicare

Background

- John Dempsey Hospital (JDH) – Current State:
  - JDH is old, worn-out, & cannot be adapted to modern hospital-based healthcare standards
  - JDH is the 2nd-smallest academic hospital in the nation
  - JDH has a structural financial problem (size, payor mix, case mix) and until there is a long-term structural solution the General Assembly supports, JDH will continue to experience annual deficits
  - JDH prevents School of Medicine from realizing its full potential
    - Difficulty recruiting & retaining top-tier faculty & doctors
    - Without major improvements, the quality of the Schools of Medicine & Dental Medicine will significantly decline

Background

- Consequences of JDH Closure
  - Adverse consequences for Schools of Medicine & Dental Medicine
  - UConn as a whole (not just the Health Center) will be significantly diminished in its academic standing
    - UCHC is one-half of the University
  - Significant number of jobs will be lost at the Health Center
  - UConn will lose opportunity to substantially expand research
    - Undermines UConn's contribution to the development of the biomedical sector & ability to serve as economic driver in the state
  - Vital community services and the critical 224 hospital beds that serve that area will be lost, creating access problems for patients
  - Schools of Med & Dental Med won't be able to meet the physician and dentist shortage in the state, further declining state health care
  - Patients will migrate to Boston, New York & elsewhere

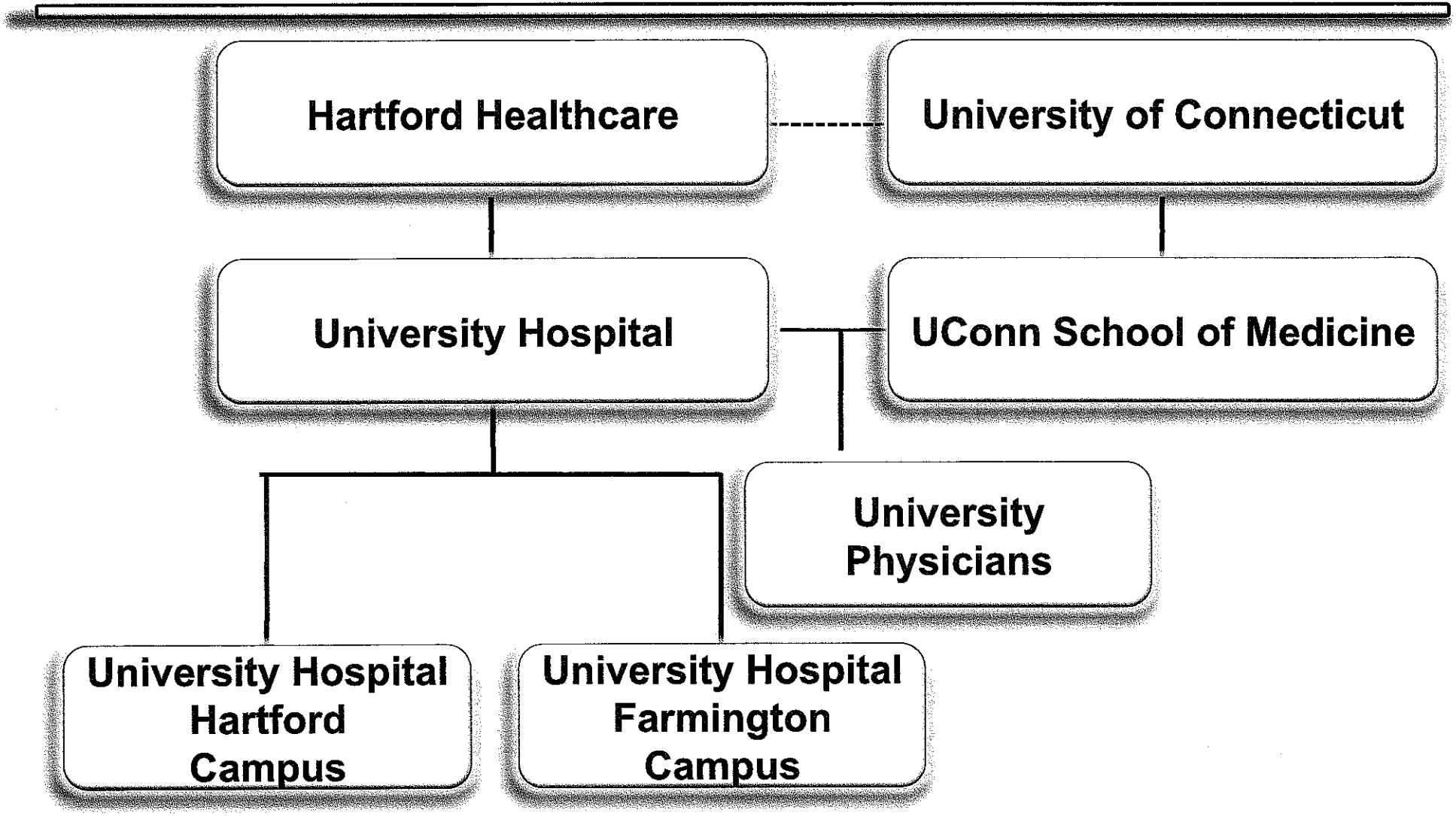
The CASE Process

- These background points are all conclusions reached in the March 2008 CASE Report, which recommended that UCHC define a new role with regional partners
- In response, UConn issued a Solicitation of Interest (SOI) in 2008, beginning a process of open & inclusive discussion designed to mobilize regional planning around a systemic solution
- Outcome: A set of parallel initiatives
  - Collaborative
  - Partnership

The Partnership

- Hartford Healthcare and Hospital of Central Connecticut submitted the only comprehensive response to the SOI; it's comprehensive in the sense that it:
  - Looks to establish partnerships in research, teaching, and clinical work
- Both the vision statement developed by the Partnership and the terms of the Partnership square with the recommendations made in the CASE report

Organizational Chart



The Partnership Terms

- New Corporation: University Hospital
  - Hartford Healthcare would be the sole member of University Hospital
  - University Hospital would be the parent of 2 licensed affiliates:
    - University Hospital – Hartford Campus (UH-HC)
    - University Hospital – Farmington Campus (UH-FC), which it would operate under lease from UConn
  - University Hospital medical staff would consist of
    - University Physicians -- School of Medicine faculty + Hartford Hospital full-time employed
    - Voluntary physicians

The Partnership Terms

- New Faculty Practice Plan: University Physicians
  - 2 Members
    - University Hospital
    - UConn School of Medicine
  - Each with Reserve Powers
  - Practice Plan combines the practices of the full-time employed clinical faculty at UCHC and HH
  - New faculty hires would be dually employed:
    - By University Physicians for clinical purposes
    - By School of Medicine for academic purposes
    - Current faculty may remain exclusively SoM employed
      - In which case, clinical services would be contracted by University Physicians

Governance

- UConn & Hartford Healthcare: Cross-Representation on Boards
  - UConn: Two ex-officio appointees, each with vote on Hartford Health Care Board of Directors
  - Hartford Health Care: Two ex-officio appointees, each with vote on UCHC Board of Directors
- University Hospital: New Board
  - Again each party (UConn & Hartford Healthcare) would have two ex-officio members each with voting rights

Governance

- University Physicians would have its own Board of Directors, including:
  - President & CEO of University Hospital, ex-officio with vote
  - Dean of School of Medicine, ex-officio with vote
  - Two other directors, one additional appointee of each
- There would be a University Physicians President, jointly appointed by University Hospital President & CEO and Dean of School of Medicine

Governance

- University Physicians Reserve Powers
  - University Hospital President & CEO:
    - Clinical priorities of employed clinical faculty
    - Appointments & discharge medical directors
    - Clinical care productivity & compensation of employed clinical faculty
    - Contracts with 3rd-party payors
    - Costs of operating University Physicians
    - Contracts for administrative services
    - Clinical care operating & quality standards
    - Operating & capital budgets for University Physicians

Governance

- University Physicians Reserve Powers
  - School of Medicine Dean
    - Educational and research priorities of employed clinical faculty
    - Academic appointments for employed clinical faculty and voluntary physicians
    - Clinical education & research productivity standards and compensation plans for employed clinical faculty
    - Contracts with 3rd-parties for clinical research
    - Educational & research operating and quality standards

Financial Matters

- Hartford Health Care Commitments Include:
  - Financial risk for operations of University Hospital & University Physicians
    - State is no longer responsible for unpredictability of JDH financial performance
  - Funding for major new downtown bed tower project
  - Academic support
  - Funding for growth of clinical faculty
  - Biomedical technology investments
  - Working capital for transition
  - Research enterprise is integrated with School of Med.

Financial Matters

- State Commitment
  - Continued funding of UCHC/School of Medicine at current levels (with inflation adjustments)
  - Fringe differential
  - Replacement hospital

Proposal: University Hospital/Hartford Healthcare Commitment*

YEARS 1-5	
Academic Support ($7M/YR)	$35M
YEARS 6-10	
Academic Support ($5M/YR) ($3M Direct Support; $2M Medical Directorships)	$25M
Percentage of UH/UP Profit over $3M**	$0M - $40M
OVER 10 YEARS	
Working Capital	$40M
Tech Transfer	$25M
Patient Tower	$300M
Research ($10M/Year, Less Expense)	up to $100M
TOTAL	**$425M - $565M**

*Based on 10-year totals for illustrative purposes; commitment extends beyond 10 years.
**Range for percentage of UH/UP profit is illustrative; no cap is implied.

Proposal: State Commitment*

YEARS 1-5	
Fringe Differential (currently est. @ $13M/YR)	$65M
YEARS 6-10	
Fringe Differential (currently est. @ $13M/YR)	$65M
OVER 10 YEARS	
Replacement Hospital	$475M
TOTAL	**$605M**

*Adjusted for inflation & based on current & future employees. Assumes continued annual funding of UCHC/SoM @ current levels + inflation ($146M annually). UConn to supply $25M for technology transfer over 10-year period.

Employee Matters

- School of Medicine employed clinical faculty are State employees for clinical teaching & research missions
- Employed clinical faculty become employed by University Physicians for clinical care mission
  - Except those who remain exclusively State employees in School of Medicine & whose services are provided to University Physicians via a Faculty Physician Services Agreement

Employee Matters

- Support Staff
  - Current non-unionized staff managers may remain state employees or choose to be employed directly by UH-FC
    - New non-unionized UH-FC staff managers become UH-FC employees (not State employees)
  - Current unionized staff supervisors & professional employees (UHP bargaining unit) would remain state employees
    - New hires for same positions would remain UHP members
  - Current state-wide bargaining unit employees (1199, CEUI, AFSCME) would remain state employees
    - New hires for same positions remain bargaining unit employees

Employee Matters

- Unions
  - If federal labor law applies to bargaining unit employee:
    - UH-FC would recognize the same collective bargaining unit agent as the employee's exclusive representative under the National Labor Relations Act
    - UH-FC would offer such employees, by contract, the same rights and benefits of the State Employees Relations Act
      - Including: binding interest arbitration in lieu of right to strike; union representation of supervisory positions that are represented by the collective bargaining unit
      - To the extent permitted by law, such employees would continue to participate in State employee benefit plans.

Proposed State Actions Required

- Commitment to Fund Fringe Benefit Differential for State Employees
- Commitment to Finance & Lease Replacement Hospital
- Commitment to ongoing funding for Schools of Medicine & Dental Medicine, adjusted for inflation and any expansion in size of Medicine & Dental Medicine classes
- Approval for School of Medicine to be a Member of University Physicians
- Approval of Labor Provisions
- Approval of Integration Agreement & Amendments

Benefits of the Partnership: Academic, Healthcare, & Economic

- Promote excellence in medical and dental education
- Help recruit & retain additional research &clinical faculty
- Transform the Dempsey Hospital from 2nd-smallest academic hospital to one of the largest (1,100 bed)
- Advance the School of Medicine to top-tier status
- Enhance UConn's overall reputation as one of the nation's top public research universities

Benefits of the Partnership: Academic, Healthcare & Economic

- Address physician shortage in the state, including in the area of primary care
  - 20 more medicine & 20 more dental students admitted each year
- Add tertiary and quaternary capabilities to the state hospital that it doesn't have now, notably Level 1 Trauma Center, LifeStar, Interventional Neuroradiology, and Transplant Services, all contributed by Hartford Hospital
- Stop out-of-state migration of patients to Boston, NY, etc. and become a medical destination

Benefits of the Partnership: Academic, Healthcare & Economic

- Secure jobs of our union workers as state employees at the Dempsey Hospital
  - Create at least 18,200 new jobs by 2040, generating $3.3 billion annually in new personal income
- Enhance investments in the biomedical technology, with spin-offs in the private sector
- Create a significant clinical trial base driving new research funding to the region
- Generate over $1.3 billion in new spending each year, over $1.9 billion in new tax revenue by 2035
  - Return on $475M investment = $900M+

State of Connecticut is Faced with a Choice

- Partnership & Regional Collaborative with Replacement for JDH in Farmington is needed; alternative is the status quo:
  - Status quo is failing & will continue to fail; jobs are being lost & will continue to be lost with decay of JDH
- A distributed model is not a viable alternative to new University Hospital in Farmington
  - Others hospitals are already at capacity
    - Each would need to build capacity for 120 more beds
  - The Farmington region needs a hospital
  - Competition between hospitals traps the School of Medicine and the State in a "Solomon Scenario," which risks cutting the baby in half, undermining the state's hospital and only public academic medical center.

End Result

TODAY	TOMORROW
•JDH is old, worn-out	•State-of-the-art facilities
•Tier-three medical school	•Tier-one medical school
•JDH is 2nd-smallest academic hospital	•JDH is one of the nation's largest academic hospitals
•JDH is losing money (Dempsey Deficit)	•Fiscal risk assumed by Hartford Hospital, budget predictability
•Modest research	•Biomedical hub fueled by adding millions more in research grants
•Difficulty recruiting & retaining top-tier faculty & doctors	•Attract/retain the world's best doctors and staff to the University Hospital and other hospitals in the region
•The risk of JDH closure	•Economically solvent
•Potential loss of thousands of jobs	•Growth of thousands of jobs

Conclusion

- The Partnership & Regional Collaborative will provide a major economic stimulus for the region (including jobs), improved access to state-of-the-art healthcare, and top-tier status for the state's only public academic health center
- Change isn't free, but cost of doing nothing is far higher; and the cost of this solution is substantially less than the cost the state incurs by "going it alone"

The Proposed Partnership & Collaborative Developed from the CASE Recommendations Offers a Much Brighter Future for Connecticut

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