



**Testimony of the Connecticut Children's Medical Center
to the Appropriations Committee
Regarding the Governor's Proposed Deficit Mitigation Plan for FY 2010
And the Impact of the Governor's Rescissions
March 11, 2010**

Senator Harp, Representative Geragosian, members of the Appropriations Committee, thank you for the opportunity to speak with you today. My name is Ann Taylor and I am Senior Vice President and General Counsel of the Connecticut Children's Medical Center. I am here to speak to you about Connecticut Children's unique financial circumstances and our serious concerns regarding the impact that the Governor's proposals could have on the children and families that we serve.

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.

Lines 42 and 43 of the Governor's proposed expenditure reductions cut Connecticut Children's Medicaid rates by 5% and our Disproportionate Share Hospital (DSH) payment by 10%, respectively. In addition, the Governor proposes to implement a hospital tax. The last time Connecticut imposed a provider tax on hospitals, children's general hospitals were exempted (Public Act 97-2) because our unique payer mix resulted in the tax having an unfair disproportionate impact on Connecticut Children's. The State must reject these proposals and 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. In Fiscal Year 2009, Connecticut Children's:

- Experienced over 250,000 patient visits including 35,000 pediatric primary care visits,

- Cared for over 51,000 children in our emergency department—140 children every day, 24 hours a day, 7 days per week, 365 days per year, and
- Conducted over 9,800 surgeries ranging from neurosurgery to ear tubes.

Connecticut Children's 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 170 new pediatricians in the past 12 years and 72 of these are currently practicing in Connecticut. We develop pioneering treatment 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 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.

With increased job losses, more families are relying on HUSKY and Connecticut Children's is seeing the impact of this change every day. Since October 2008, the percentage of our inpatient care devoted to children who rely on Medicaid increased from 46% to 51%. This is by far the highest percentage of any Connecticut hospital. During the same time, our Medicaid volume in the Emergency Department rose from 58% to 66%. By providing a critical safety net for HUSKY, Connecticut Children's suffers huge financial losses.

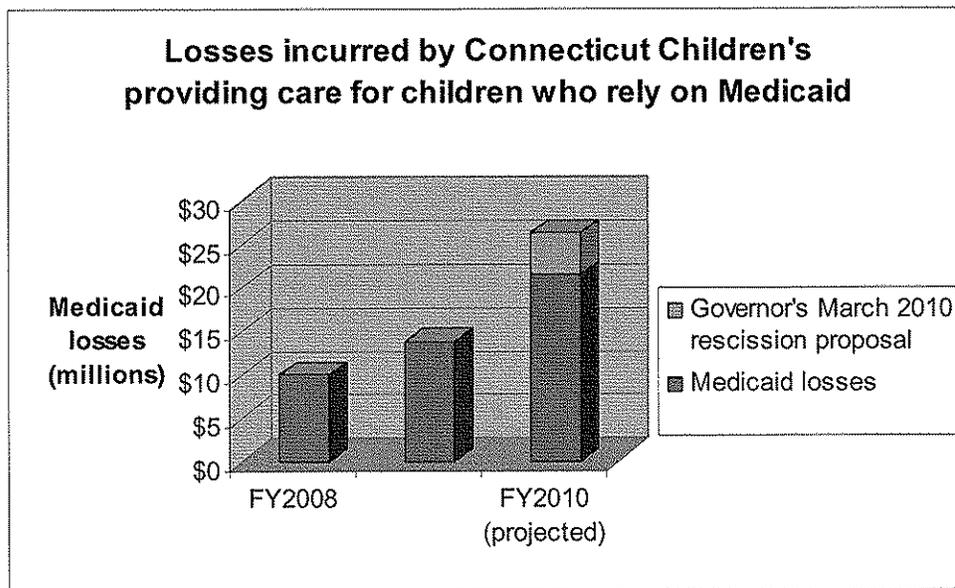
The recession and state budget crisis certainly present all of us with difficult decisions. I am asking today that you focus special attention on the needs of our children and families. As more families face job losses, more children will be turning to HUSKY for continued access to the health care services they need. While it is clearly our mission to provide access to vulnerable children, Connecticut Children's 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 14th birthday in April and we have grown up to be the state's leader in pediatric health care. In 2010 and beyond, our leadership is allowing us to help fix some of the problems in Connecticut's health care system. In January of last year, 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 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.

Connecticut Children's is also developing a Premier Program in Neonatology to establish a regional Center of Excellence for neonatal care including prenatal evaluation, neonatal intensive care and post-discharge follow-up, and serve as the hub of a regional neonatal care network. Connecticut Children's will continue to pursue opportunities to create even greater efficiencies in the pediatric system of care and raise the bar for pediatric health care services throughout western New England.

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.



In 2008, the Hospital Hardship Grant helped reduce our Medicaid losses to \$7.5 million. Without that grant, in 2009, our Medicaid loss grew to \$13.7 million (even after the additional \$5 million DSH payment). In 2010, we are projected to lose more than \$21 million taking care of children who rely on Medicaid.

The Governor's proposal will make it even more difficult to maintain access for the children and families who need the care that we are uniquely suited to provide. A 10% cut in our DSH payment will cost Connecticut Children's \$1.1 million per year. A 5% cut in our Medicaid rates will cost Connecticut Children's \$3.8 million per year. Taken together, these changes increase our projected Medicaid loss by \$5 million, bringing it to more than \$26 million for FY 2010.

As of today's date, the Rell Administration has not released many details about the proposed hospital tax. Although it is unclear what impact a hospital tax would have, the State made the right decision in the 1990s by exempting Connecticut Children's from that process with the passage of Public Act 97-2.

The State needs to reject these proposals in the Governor's plan and create a long-term financial solution that allows us to be reimbursed at our costs for Medicaid services. The State could draw additional federal matching dollars if our DSH payment was converted into our Medicaid inpatient per diem rates. The federal government contributes 50¢ for every dollar the State spends on DSH payments, but they pay 62¢ for every dollar spent on rates. The current state budget includes an \$11 million DSH payment for Connecticut Children's but the Governor's proposal cuts that payment by 10%. If the state paid that \$11 million in inpatient rates, the net impact on our Medicaid loss would be zero, but it would annually save \$1.3 million in state dollars by replacing it with federal revenue.

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 adjusted patient day are 24% lower than that of the average independent children's hospital. In 2009, Connecticut Children's made numerous changes to further control expenses including no pay raises, a voluntary 20% pay reduction for executives, no pension plan contributions, and other benefits reductions.

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 Connecticut's children, 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, Connecticut Children's enhances the quality of life in our state, we support the local economy, and we are good for kids. The State of Connecticut insures our neediest children by providing them with HUSKY cards. Those children come to Connecticut Children's to get high quality family centered pediatric health care services. The State must pay Connecticut Children's the cost of providing that care. Under the current state budget, we will lose \$21 million this year taking care of children who rely on HUSKY. The Governor's proposals will increase that loss to \$26 million. I ask the Appropriations Committee to reject the proposed cuts to Connecticut Children's DSH payment and Medicaid rates and instead work to provide more equitable Medicaid revenue so that we can preserve this critical resource. Without a fix in HUSKY reimbursement, the vision for a pediatric center of excellence cannot be sustained.