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PRESIDENT AND
CHIEF EXECUTIVE OFFICER

TESTIMONY OF
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THE WILLIAM W. BACKUS HOSPITAL
SUBMITTED TO
THE JOINT PUBLIC HEARING OF THE
INSURANCE AND REAL ESTATE, PUBLIC HEALTH,
AND HUMAN SERVICES COMMITTEES
Monday, February 14, 2011
HB 6305, AN ACT CONCERNING IMPLEMENTATION
OF THE SUSTINET PLAN

The William W. Backus Hospital in Norwich, Connecticut, appreciates the opportunity to submit testimony concerning HB 6305, "An Act Concerning Implementation of the Sustinet Plan."

While we applaud the goals of this proposed bill, we believe that there is a better approach to coordinating with healthcare reform while improving access to care, addressing provider financial losses, reducing the state deficit, and mitigating the cost shift to businesses.

HB 6035 implements the recommendations of the Sustinet Health Partnership and sets forth the organizational and operational purposes of the Sustinet Authority and Plans. Section 5 of the proposed bill states that "the purposes of the Sustinet Authority shall be to promote access to high-quality health care that is effective, efficient, safe, timely, patient-centered and equitable.... Section 6 states that the Sustinet Plan shall be administered to slow the growth of health care costs, improve the quality of health care services and improve health outcomes.

About Backus

Backus is a community hospital with more than 1,700 full- and part-time employees. The hospital provides acute care services for nearly one-quarter million residents in eastern Connecticut. Backus operates the only Trauma Center east of the Connecticut River. The hospital also provides a Comprehensive Community Cancer Center accredited by the American College of Surgeons' Commission on Cancer, and a state-certified Stroke Program. The hospital offers a full array of laboratory and diagnostic imaging services. Our Emergency Department had 65,561 visits during Fiscal Year 2010, and there were 449,993 outpatient visits.

The Backus health system operates outpatient health centers in Norwich, Plainfield, Colchester, Ledyard and Montville; laboratory services throughout the eastern Connecticut region, and the Backus Outpatient Care Center in Norwich.

During Fiscal Year 2010, Backus provide \$65,155,861 in uncompensated care, including \$2,836,240 in charity care. In addition to these amounts, the hospital provided a community benefit equivalent to \$5,401,981 for the year, including a number of community health improvement initiatives, research and community-building activities.

Rationale for Backus Hospital's position on HB 6305

- HB 6035 will essentially create an insurance plan for those individuals with family incomes between 133% and 200% of the federal poverty level who are currently covered by Medicaid.
- Moving these individuals to the Basic Health Plan enables the state to shift the full cost of covering these individuals to the federal government. This results in additional state dollars being available to help balance the state budget.
- Although this plan clearly benefits the state, its does not address current issues faced by beneficiaries and providers.
- Connecticut hospitals have worked together to propose a solution to modernize Medicaid (*please see that attached document*). This plan will:
 - improve both care and value for our patients
 - reduce the state deficit
 - materially reduce the cost shift to Connecticut businesses and workers, and
 - make it possible for Connecticut hospitals to remain strong and viable in their role as Connecticut's healthcare safety net.

Thank you for this opportunity to submit testimony.



David A. Whitehead
President and Chief Executive Officer
The William W. Backus Hospital

Modernizing Medicaid: SOLUTIONS FOR BUILDING A BETTER, HEALTHIER CONNECTICUT

Connecticut faces an unprecedented state budget crisis, but Connecticut hospitals have developed a package of workable, practical solutions for modernizing Medicaid – turning this crisis into an opportunity for improving access to care, creating a Medicaid system that better focuses on quality and efficiency, while reducing the state deficit.

A combination of short- and longer-term structural changes to modernize Connecticut's Medicaid program will build a better, healthier Connecticut. We urge the Governor and legislature to include the following elements in the 2012-13 budget:

Improve access to physicians and primary care for Medicaid patients

- **Raise Medicaid physician rates to Medicare levels and allow hospitals to bill for physician services provided. Effective January 1, 2013.** This can be done with no cost to the state by taking advantage of increased federal matching funds for primary care physicians and by converting some current Disproportionate Share Hospital payments into Medicaid rate increases for physicians. Raising payment rates and attracting more physicians to participate in Medicaid will ensure that patients have access to more consistent, coordinated care, resulting in better health outcomes – and also help to ensure that hospital Emergency Departments are focused on providing critical emergency care, not congested by patients without other options in a system that doesn't work properly.
Cost to the state budget: \$0

Combining short- and longer-term structural changes to modernize Connecticut's Medicaid program will:

- Improve access to care for Medicaid patients;
- Create an up-to-date Medicaid payment system that better focuses on quality, efficiency, and safety; and
- Reduce the state deficit.

Reduce the state deficit

- **Implement existing Medicaid law** (to move from current managed care contracts, a change that was passed in 2010 and included in current budget planning, but not implemented), and apply medical management to all Medicaid populations. **Effective July 1, 2011.** Estimated savings include \$60 million from medical management and \$60 million in administrative savings.
Savings to the state budget: \$60 million annually
- **After using \$60 million in savings to help the state budget, reinvest the remaining \$60 million of savings, plus \$35 million from current Disproportionate Share Hospital payments, to begin to modernize the hospital payment system** by raising physician rates and beginning the transition process to a DRG system (discussed below). **Effective July 1, 2011.**
Cost to the state budget: \$0
- **Introduce a gain-sharing element that encourages effective, coordinated patient care management.** This puts a portion of new hospital funding "at risk" and ensures that hospital and state incentives are aligned. **Effective July 1, 2011.**
Cost to the state budget: \$0
- **Align the state's Medicaid program with health reform guidelines** by enrolling in private insurance those Medicaid patients with incomes eligible for federal subsidies in the new Health Insurance Exchange. **Effective January 1, 2014.** The shift of patients from Medicaid to private insurance will result in significant savings: even assuming the state pays all out-of-pocket costs to keep beneficiaries whole and invests an additional \$250 million in hospital rates and modernization, the state would still see an enormous return.
Savings to the state budget: \$229 million annually

(OVER)

Create an up-to-date Medicaid hospital payment system that better focuses on quality, efficiency, and safety

- **Converting to a Diagnosis Related Group (DRG) system**, such as that used by Medicare (and nearly all other states for their Medicaid programs), **creates the foundation for a system that can also reliably measure quality, efficiency, and safety. Implementation to begin in 2011.**

Replacing Connecticut's outdated TEFRA target system (which does not connect payment to specific care provided), with a DRG system would provide a manageable, appropriate way to relate the resources needed by specific patients with the payments hospitals receive for caring for those patients.

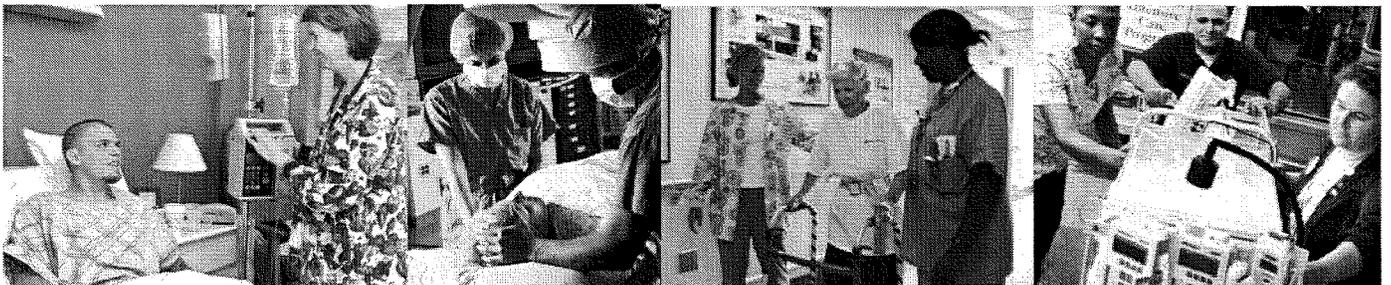
Cost to the state budget: \$0

These are actionable solutions that will enable Connecticut hospitals to continue providing top quality care to patients across the state. They don't require legislation or a federal waiver. They are solutions that improve the care and value for patients, dramatically reduce the state deficit, materially reduce the cost shift to Connecticut businesses and workers, and make it possible for Connecticut hospitals to remain strong and viable in their role as Connecticut's healthcare safety net.

An effective Medicaid program must:

- Offer quality options for patients
- Provide high value and collaboration between providers
- Fully leverage available federal dollars
- Align provider incentives with program goals
- Provide adequate payment to providers through a modern reimbursement system

Connecticut hospitals stand ready to be actively engaged partners in building a financially sound Connecticut, supported by a dynamic, job-generating economy, and an innovative, compassionate healthcare system that meets the needs of all Connecticut residents.



Contact **CHA**
for more information

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