



**Testimony of Martin J. Gavin, President & CEO of Connecticut Children's Medical Center
to the Appropriations Committee
Regarding the Department of Social Services Budget for Fiscal Years 2014-2015
February 22, 2013**

Senator Harp, Representative Walker, members of the Appropriations Committee, thank you for the opportunity to submit testimony regarding the Department of Social Services budget. I would like to share with you some information about the unique resources that Connecticut Children's provides to our State's most vulnerable citizens and our relationship with the HUSKY program.

Connecticut Children's is the only hospital in the state that cares exclusively for children and it is a critical asset to all of us in Connecticut. As a center for vital research, a pioneer in new treatments, a trailblazer in advanced technology, and a teacher of future pediatric professionals, Connecticut Children's is advancing the health and wellness of all of our children, and fostering a healthier future for our state.

All children should have the health care they need to grow and learn. Connecticut Children's offers the full spectrum of pediatric medical care to children from each of Connecticut's 169 cities and towns. On a typical day at Connecticut Children's more than 1,000 people will walk through our doors, more than 153 children will visit the Emergency Department, and almost 40 children will undergo surgery.

In 2012, Connecticut Children's provided children and families with access to a comprehensive system of 18 provider locations and community-based programs designed to promote children's healthy development. Of particular note, our Clinical Care Center for Cancer and Blood Disorders celebrated its first anniversary last fall and our recently launched Cardiovascular Surgery Program is providing families with high quality family-centered care that used to require a trip to Boston or New York. In 2013, we will expand the availability of our services by adding an ambulatory surgery center in Farmington and a new primary care center in Hartford.

In addition to the benefits for families, the State of Connecticut also derives specific benefits from our integrated model of pediatric care. The newly-created Office of Community Child Health will serve as a national model for delivery system redesign, producing efficiencies for the Connecticut Department of Social Services and attracting Medicaid demonstration funding through the Affordable Care Act. Connecticut Children's researchers brought in nearly \$14 million in federal and private research dollars this year, contributing to the viability of the State's emerging bioscience corridor. Our new partnership with the University of Connecticut is focused on research that will use the human genome to prevent, diagnose, treat and cure pediatric

disease; this initiative will, in turn, attract new research enterprises and external funding to our State.

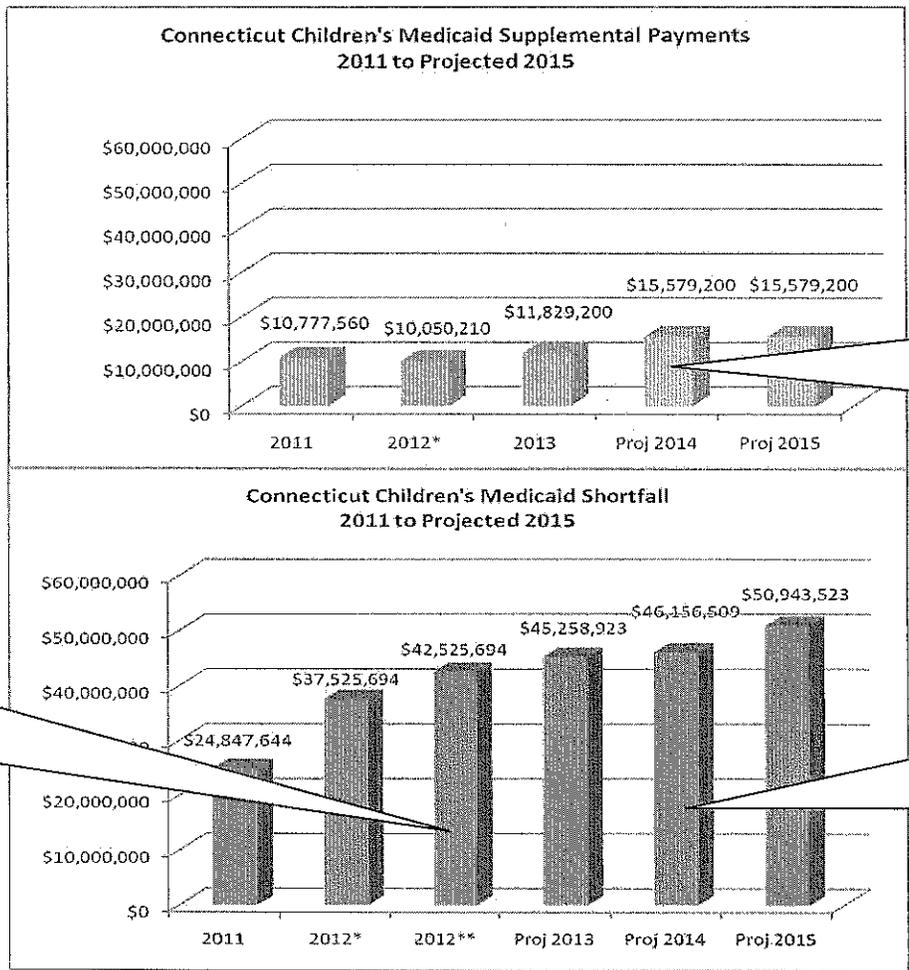
Connecticut Children's and Medicaid have a unique relationship and they need a strong partnership in order to meet the needs of the 283,000 children—more than one out of every three statewide—that rely on Medicaid for their health care coverage. With more than half of our inpatient care and nearly two-thirds of our emergency care devoted to children who rely on HUSKY, Connecticut Children's has by far the highest Medicaid percentage of any Connecticut hospital. During the economic downturn, those percentages have increased significantly as children have switched from private coverage to Medicaid. Connecticut Children's Medicaid inpatient days have increased by 20% in the past year alone.

In December 2012, the Connecticut General Assembly approved a series of state budget cuts that included a \$3.75 million cut to Connecticut Children's 2012 Medicaid revenue and a \$6.71 million cut in 2013. On an ongoing basis, these cuts will represent a \$7.5 million annual loss for Connecticut Children's. The Governor's proposed budget includes a \$5 million increase in Connecticut Children's Disproportionate Share Hospital payment that will offset some of the \$7.5 million annual cut and acknowledges the unique role that Medicaid plays in pediatric medicine. I urge you to include this funding in the new biennial budget so our children can continue to have access to the health care they deserve.

Connecticut Children's current and growing Medicaid shortfall threatens our long-term financial solvency. The losses noted in the chart below 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.

In 2008, the Hospital Hardship Grant helped reduce the discrepancy between Connecticut Children's Medicaid costs and reimbursements, but since that time, our Medicaid shortfall has grown dramatically. When we closed our books for 2012, we recorded a \$37,525,694 shortfall on Medicaid. For that year, the State paid Connecticut Children's 80¢ for every dollar we spent caring for children who rely on the program. The cuts enacted in December 2012, which were retroactive to January 1, 2012, reduced that cost coverage to 72¢ for every dollar spent and resulted in a revised shortfall of \$42,525,694 for 2012. The December cuts represent an ongoing \$7.5 million annual Medicaid revenue reduction so we project a Medicaid shortfall of \$45,258,953 in 2013.

The Governor's proposed budget would offset some of that reduction but even with that increase factored in, Connecticut Children's is projected to spend \$46,156,509 more caring for Medicaid children that we expect to receive in State reimbursements in 2014. Ultimately, the State needs to create a long-term financial solution that allows us to be reimbursed closer to our costs for Medicaid services.



Projections for FY2014 and FY2015 assume that the Governor's proposed increases are maintained.

The December 2012 Medicaid cuts increased the shortfall from \$37.5 million to \$42.5 million in FY2012

Without the Governor's proposed increases, the shortfalls would be \$5 million higher in each year.

Note: 2012* represents financial results before the December 2012 cuts; 2012** represents the revised results with those cuts factored in.

Cutting costs cannot solve the problem. Connecticut Children's is 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.

As the region's only academic medical center dedicated exclusively to the care of children, Connecticut Children's enhances the quality of life in our state, we support the local economy, and we are good for kids. In January of this year, we launched a strategic plan that will position us to achieve our new vision—to make the children in Connecticut the healthiest in the nation. Ultimately, we must forge a strong partnership with the State so we can continue to provide care that is critical for Connecticut's future.

Connecticut Children's 2013 Locations

