



**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 2016-2017**

February 27, 2015

Senator Bye, Representative Walker, members of the Appropriations Committee, thank you for the opportunity to submit testimony regarding the Department of Social Services budget. It is critically important for Connecticut Children's Medical Center to receive adequate Medicaid reimbursement because more than half of our patients rely on HUSKY. Getting paid only 64 cents for every dollar we spend on their care is unsustainable and jeopardizes the care we provide to all children. I would like to share with you some information about the unique resources that Connecticut Children's Medical Center provides to our State's most vulnerable citizens.

Connecticut Children's is a nationally recognized, 187-bed not-for-profit children's hospital serving as the primary teaching hospital for the University of Connecticut School of Medicine Department of Pediatrics. Connecticut Children's is consistently named among the best in the nation for several of its pediatric specialties in the annual *U.S. News & World Report* "Best Children's Hospitals" rankings.

A comprehensive array of pediatric services are available at our hospitals in Hartford and Waterbury, with neonatal intensive care units in Hartford (Level 4) and the University of Connecticut Health Center (Level 3), along with a state-of-the-art ambulatory surgery center, five specialty care centers and 10 practices across the state and in Massachusetts. Our Level 1 Pediatric Trauma Center and Primary Care Center are the busiest between Boston and New York. Connecticut Children's has 2,200 employees with a medical staff of nearly 1,100, practicing in more than 30 subspecialties.

Cutting edge research at Connecticut Children's is offering new options for families. Children with complex medical conditions are more likely to find a cure today because of the partnership between Connecticut Children's and Jackson Laboratories (JAX). Connecticut Children's clinicians now have access to the JAX federally-certified CLIA laboratory which is capable of performing genomics analysis on pediatric patients. This state-of-the-art testing capability, which is typically only available at a few of the nation's largest children's hospitals, can identify novel and personalized treatments for patients. The testing is one component of a larger collaborative program advancing genomics based treatments for children.

Connecticut Children's has taken its commitment to promoting children's healthy development to a new level through the establishment of the Office for Community Child Health (OCCH).

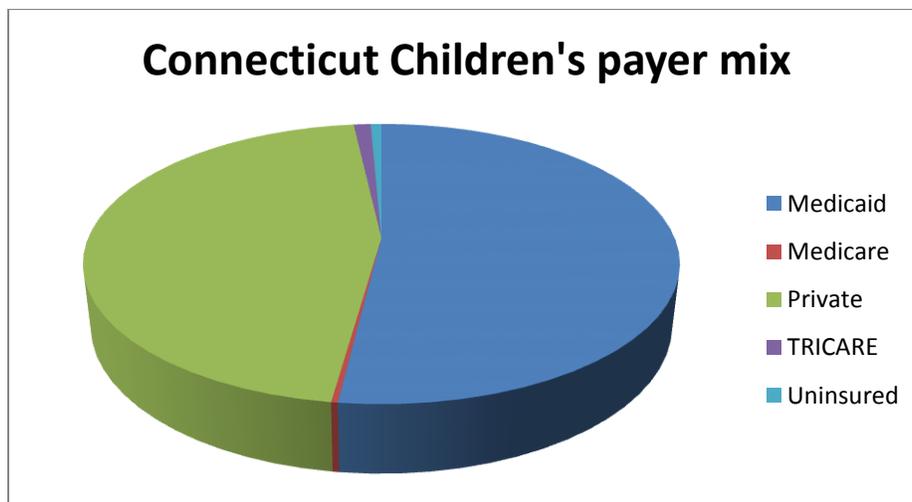
OCCH coordinates the Medical Center's existing community-oriented programs and functions as an incubator for new innovative ideas for community partnerships. OCCH and its programs link the child health sector to community partners that serve children and families in order to find systemic solutions to child health problems. Through OCCH, the Medical Center is making our children healthier by connecting them to community based prevention and wellness services.

As the only hospital in Connecticut dedicated exclusively to children, our pediatric experts are uniquely prepared to handle public health emergencies with a child and family centered approach. Last fall, our Hospital Emergency Operations Plan was enhanced by training, planning and drills that were conducted in response to the need for Ebola preparedness. In five weeks' time, Connecticut Children's Ebola Task Force completed seven high level drills simulating scenarios involving suspected or confirmed Ebola patients, conducted 37 two-hour staff training sessions that prepared nearly 100 clinical personnel, and remodeled four patient rooms. Hopefully, we will never need to make use of our preparations to treat a child with a confirmed Ebola diagnosis, but all of this planning and preparation is completely transferable to other emergency situations that may arise in the future.

Connecticut Children's is training tomorrow's pediatricians. The University of Connecticut School of Medicine's Department of Pediatrics has a rich history of collaborative, academic relationships with medical facilities throughout the region. Since April 1996, Connecticut Children's has been the academic home for the Department and the principal training site for the University of Connecticut Pediatric Residency Program, the Pediatric Fellowship Programs, and for medical student pediatric education.

Medicaid

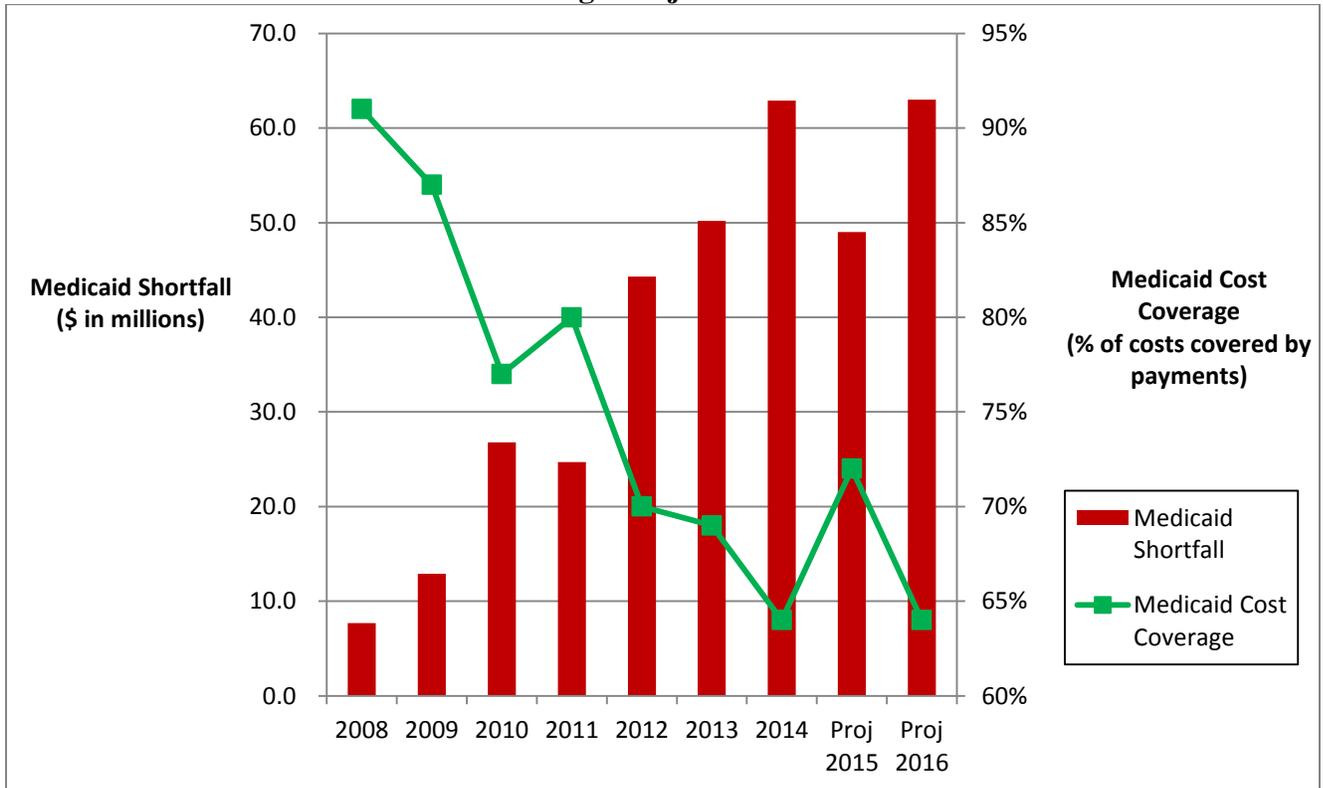
Medicaid plays a distinctive role at Connecticut Children's. The substantial reliance on Medicaid and the almost non-existent role of Medicare makes Connecticut Children's payer mix unique.



Source: *Annual Report on the Financial Status of Connecticut's Short-Term Acute Care Hospitals for Fiscal Year 2013*

If the State of Connecticut wants to maintain access to the full spectrum of pediatric health care services for all of its children, there must be a relationship between Medicaid cost coverage for the services Connecticut Children’s provides and Medicaid volumes. While the number of children served by Connecticut Children’s has risen, Medicaid cost coverage has decreased since 2008 from 91% to 64% in 2014. This has resulted in Connecticut Children’s Medicaid shortfall increasing from \$7.6 million to \$63 million per year during the same time period.

Connecticut Children’s Medicaid Shortfall and Cost Coverage, FY2008 through Projected FY2016



The Governor’s proposed budget for the FY2016-2017 biennium maintains Connecticut Children’s Disproportionate Share Hospital (DSH) payment at \$15.6 million but the proposed 5% Medicaid funding cut to hospitals would reduce annual revenue by an estimated \$5.45 million. If this budget proposal is enacted, Connecticut Children’s Medicaid shortfall would grow to \$63 million and the percent of costs covered by Medicaid payments would decrease to 64% in FY 2016 as shown in the chart above.

DSH payments improve, but do not solve, Connecticut Children’s Medicaid shortfall. Even with the additional DSH payment of \$10 million approved by the Finance Advisory Committee on January 8, 2015, Connecticut Children’s will still spend \$49 million more caring for patients who rely on Medicaid than they will receive from the State this year, with total payments covering only 71.6% of the costs, as shown in the table on the next page.

Connecticut Children’s Medicaid Experience in FY2015

	Projected Medicaid Shortfall	Projected Percent of Costs Covered by all Medicaid Payments
Medicaid rates only	\$74.6 million	56.8%
Medicaid rates + budgeted \$15.6 million DSH payment	\$59.1 million	65.8%
Medicaid rates + budgeted \$15.6 million DSH payment + new \$10 million DSH payment	\$49.1 million	71.6%

Cost Reductions and Cost Shifts to Private Payers

Cutting costs cannot solve the problem. While Connecticut Children’s expenses have grown to meet the resource requirements demanded by the growing acuity of our patients for the provision of safe, quality care, Connecticut Children’s has lowered annual expenses by \$18 million (through reductions in employee benefits, attrition, and other measures) without resorting to significant layoffs or cuts to services. A recent Children’s Hospitals Association study reported that Connecticut Children’s has the 9th lowest cost per day out of 34 independent children’s hospitals surveyed, despite operating in one of the most expensive areas of the country. Connecticut Children’s has worked with commercial payers to raise rates to help offset low Medicaid reimbursement. However, private payers are unwilling to bear any additional responsibility for the Medicaid cost shift.

Growth

To improve scale and cost efficiency, Connecticut Children’s has extended its geographic reach, operating in 19 locations and increasing patient volume by 50% in the past seven years. This growth follows national trends at our peer children’s hospitals reflecting the economic reality that bigger hospitals deliver better value within the current framework of government policy, regulations and model of reimbursement. Partnership with other Connecticut providers has been our chosen vehicle for growth. This strategy has been attractive to our partners because they can ensure patients in their historical service areas access to care. Connecticut Children’s has been able to make subspecialty care more ubiquitous, consistent and higher in quality in a cost- and resource-effective way.

Legislative Solution

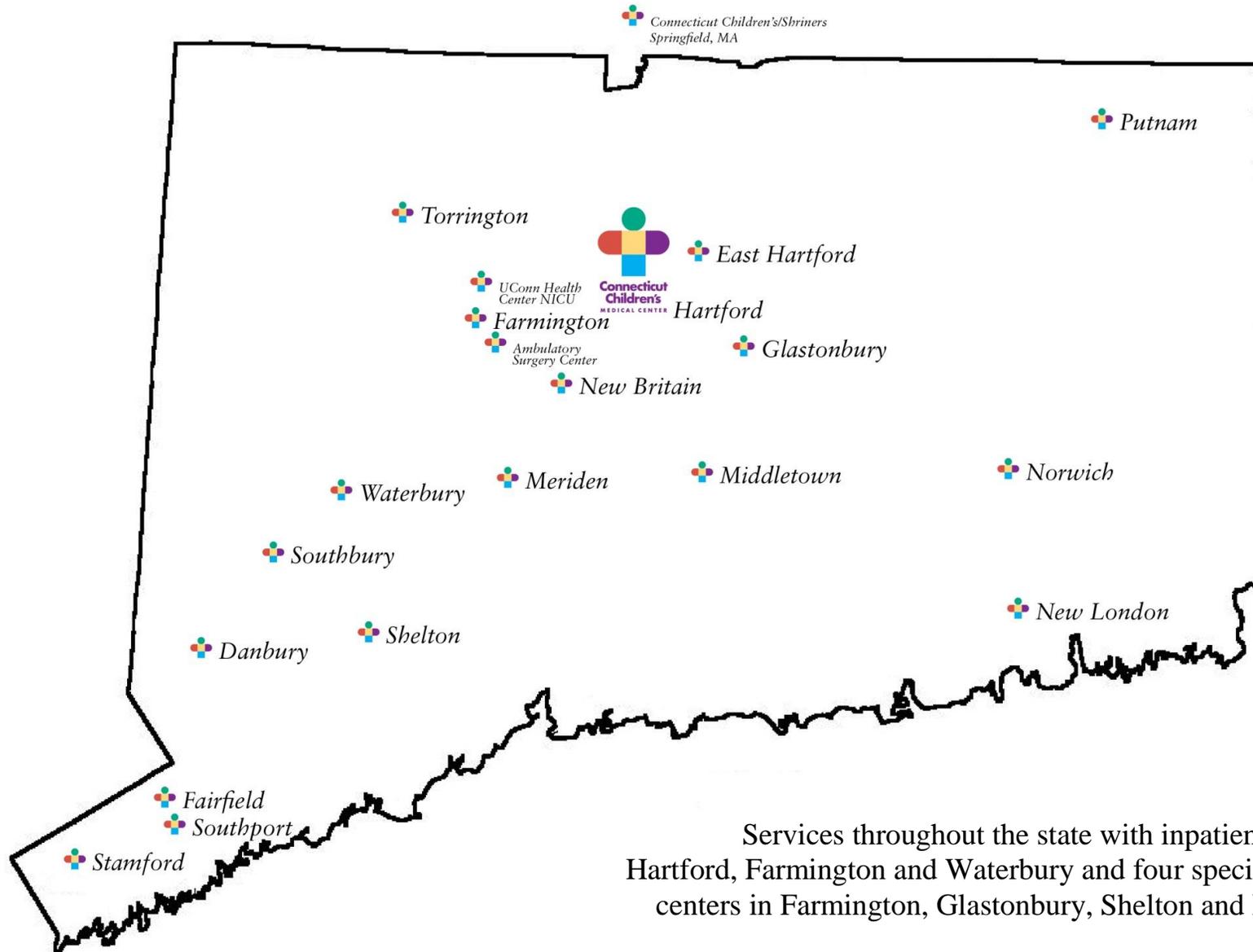
A legislative Medicaid solution to protect the safety net is needed. The Connecticut General Assembly should define Safety Net Hospitals as those acute care hospitals with at least 45% of inpatients covered by Medicaid. To preserve access for all patients who rely on their services, Safety Net Hospitals should be limited to a Medicaid shortfall of no more than 15% of their

Medicaid costs. In FY2016, such a law would still require Connecticut Children's to absorb a projected annual consolidated Medicaid shortfall of \$25.9 million. One-half of all Medicaid payments made to Safety Net Hospitals as part of this solution would be funded with federal dollars.

I encourage you, as leaders of our State, to assure that our most vulnerable citizens have access to health care. Connecticut Children's is the region's only academic medical center dedicated exclusively to the care of children. Our strategic plan positions us to achieve our new vision—to make the children in Connecticut the healthiest in the nation. We must forge a strong partnership with the State so we can continue to provide care that is critical for Connecticut's future.

If you have questions about this testimony, please contact Jane Baird, Connecticut Children's Director of Government Relations, at 860-837-5557. Thank you.

Connecticut Children's 2015 Locations



Services throughout the state with inpatient care in Hartford, Farmington and Waterbury and four specialty care centers in Farmington, Glastonbury, Shelton and Hartford