



**Testimony of James E. Shmerling, DHA, FACHE  
President and CEO of Connecticut Children's Medical Center  
to the Appropriations Committee  
Regarding the Department of Social Services Budget for Fiscal Years 2016-2017  
February 11, 2016**

Senator Bye, Representative Walker, members of the Appropriations Committee, thank you for the opportunity to submit testimony regarding the Department of Social Services budget. I joined Connecticut Children's Medical Center in November 2015 having spent my entire 35 year career in children's hospitals. I am looking forward to partnering with you so we can make the children of Connecticut the healthiest in the nation.

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 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.

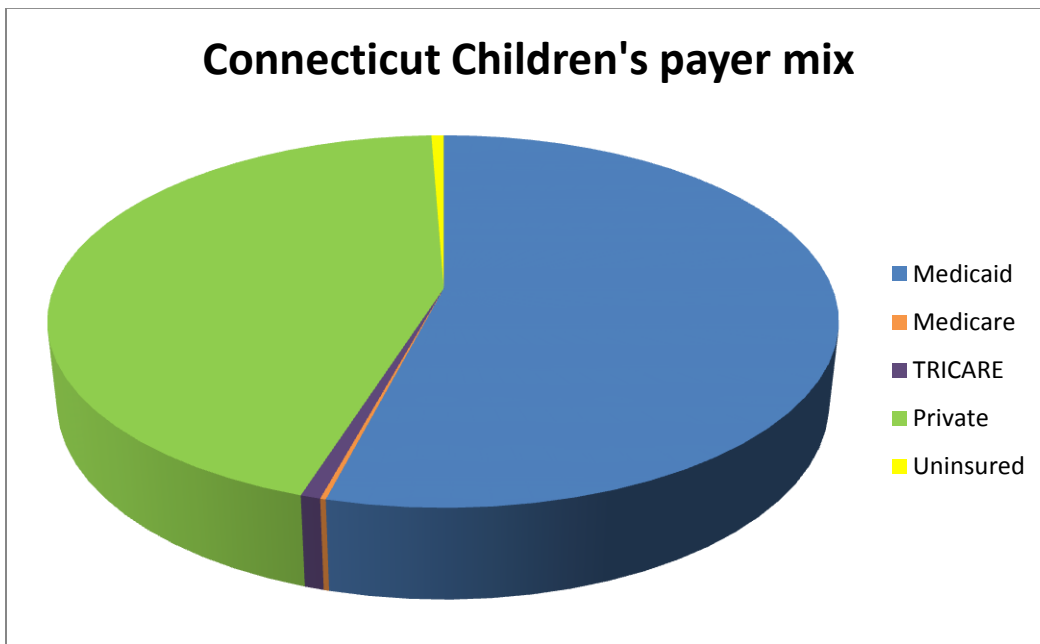
A comprehensive array of pediatric services are available at our hospitals in Hartford and Waterbury, with neonatal intensive care units in Hartford (Level 4) and the University of Connecticut Health Center (Level 3), along with a state-of-the-art ambulatory surgery center, five specialty care centers 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 more than 2,400 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). Social determinants—the circumstances in which people live and work—powerfully affect health. In fact, social and environmental factors are estimated to have twice the impact on the overall health of individuals as does the health care they receive. OCCH has embraced a broader definition of community benefit that includes community-building activities. Indeed, even a cursory review of our community-oriented programs reveals the extent to which they address such social determinants of health as housing (e.g., Connecticut Children’s Healthy Homes), community safety (e.g., Injury Prevention Center), and early childhood development (e.g., *Help Me Grow*<sup>®</sup> National Center). OCCH helps the Medical Center make our children healthier through community based prevention and wellness.

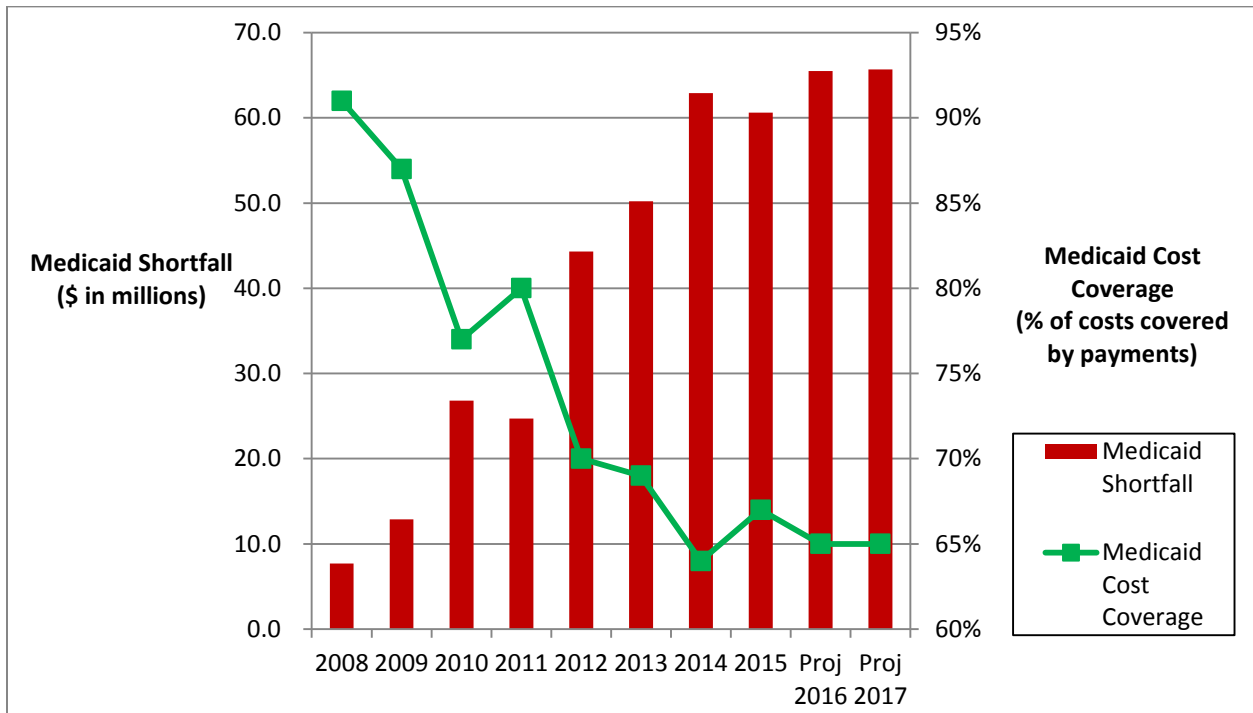
Connecticut Children’s is training tomorrow’s pediatricians. The University of Connecticut School of Medicine’s Department of Pediatrics has a rich history of collaborative, academic relationships with medical facilities throughout the region. Since April 1996, Connecticut Children’s has been the academic 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. Currently, 126 of our pediatric residency and fellowship program graduates are practicing in Connecticut.

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 among hospitals in the state.



Source: *Annual Report on the Financial Status of Connecticut’s Short-Term Acute Care Hospitals for Fiscal Year 2014*

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 a projected 65% in 2016. This has resulted in Connecticut Children’s Medicaid shortfall increasing from \$7.6 million to \$65 million per year during the same time period.



Connecticut’s challenges with providing adequate services for children in behavioral health crisis are a significant driver of our Medicaid loss. In 2015, 2,343 children and adolescents in behavioral health crisis were brought to Connecticut Children’s Emergency Department (ED). Once they are medically cleared, some of these children are transferred to the Child and Adolescent Rapid Emergency Stabilization (CARES) unit on the Institute of Living campus, but far too many have to spend one or more nights in our ED awaiting an available inpatient bed at another facility. Children and adolescents in behavioral health crisis spent a total of 2,656 nights in Connecticut Children’s 25-bed ED in 2015.

Last fall, Connecticut Children’s ED implemented a pilot program with grant funding that is intended to get at the underlying concerns of some of these children. When a child who arrived in behavioral health crisis is ready to be discharged home, the family can connect with a social worker with specialized expertise in intensive care coordination services so they can have support at home right away. The social worker shares the discharge plan with the child’s primary care physician, school, and mental health provider so everyone is on the same page about the child’s needs. Intensive care coordination matches the family to services that address the child’s underlying needs and helps avert future emergency department visits. Funding through the Community Care Teams initiative that was included in the original biennial budget for FY2016-

2017 could have allowed Connecticut Children’s to expand this pilot. Unfortunately those funds were eliminated in the Governor’s proposed budget.

Disproportionate Share Hospital (DSH) payments improve, but do not solve, Connecticut Children’s Medicaid shortfall. In 2016, Connecticut Children’s is projected to spend \$65 million more caring for patients who rely on Medicaid than we will receive from the State, with total payments covering only 65% of the costs. The Governor’s proposal to further reduce our DSH payment in 2017 will only exacerbate that shortfall.

**Connecticut Children’s Medicaid Experience in FY2016-2017**

		<b>Projected Medicaid Shortfall</b>	<b>Projected % of Costs Covered by all Medicaid Payments</b>
<b>2016</b>	<b>Medicaid rates only</b>	\$79.8 million	57.0%
	<b>Medicaid rates + budgeted \$14.3 million DSH payment</b>	\$65.5 million	64.6%
<b>2017</b>	<b>Medicaid rates + proposed \$14.1 million DSH payment</b>	\$65.7 million	64.5%

Cutting reimbursement does not result in reducing costs. Connecticut Children’s expenses reflect the resource requirements that the growing acuity and volume of our patients demands for the provision of safe, quality care. In a recent Children’s Hospitals Association study, Connecticut Children’s has the 7<sup>th</sup> lowest cost per day out of 30 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 the rates they pay to help offset low Medicaid reimbursement. However, they are unwilling to bear any additional responsibility for the Medicaid cost shift.

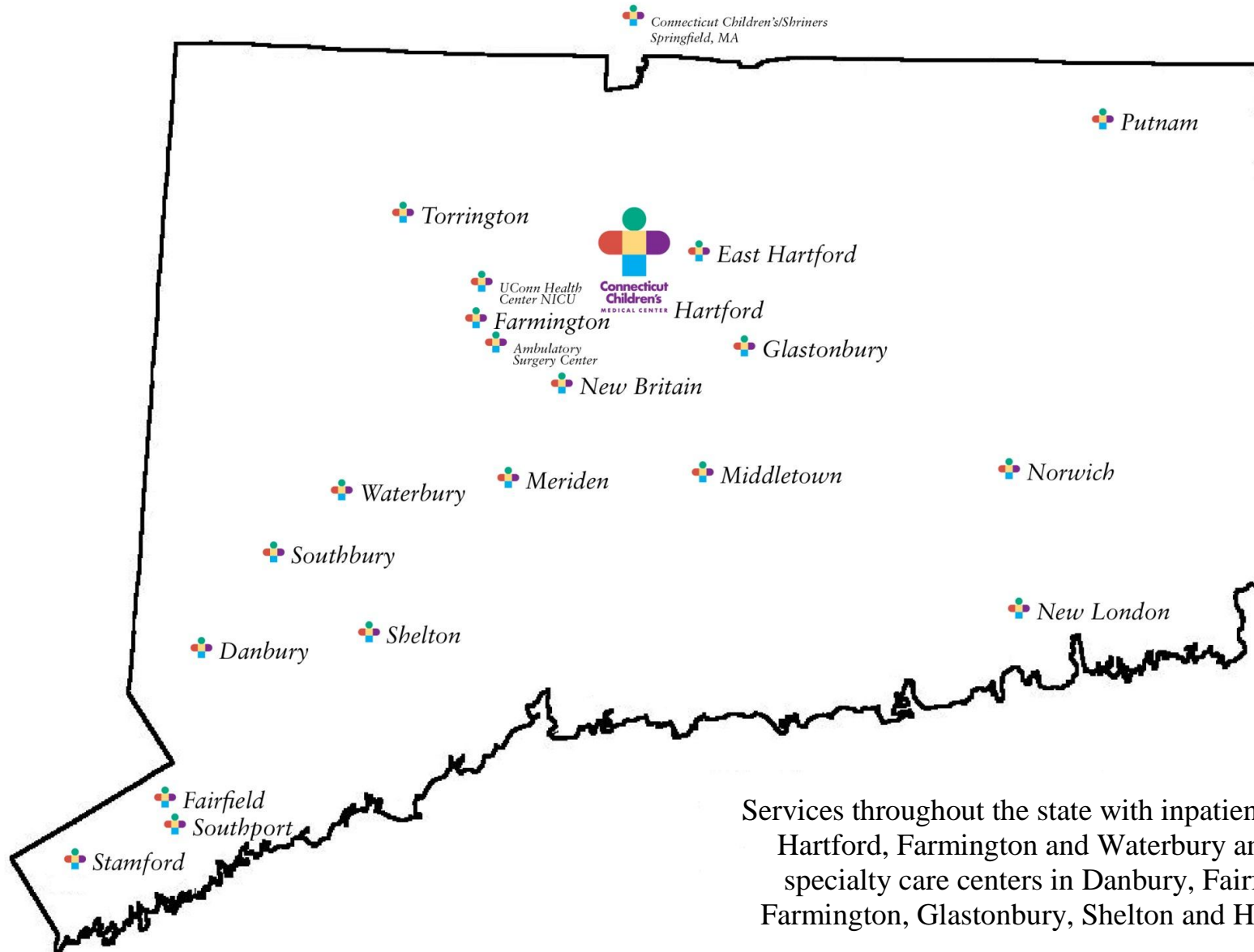
To improve scale and cost efficiency, Connecticut Children’s has extended its geographic reach, operating in 21 locations and increasing patient volume by approximately 50% in the past seven years. This growth follows national trends at our peer children’s hospitals reflecting the economic reality that 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 and families because it ensures patients’ access to care closer to home. Connecticut Children’s has been able to make subspecialty care more ubiquitous, consistent and higher in quality in a cost- and resource-effective way.

A legislative Medicaid solution to protect the safety net would provide a long-term solution. Safety Net Hospitals can be defined as those acute care hospitals with at least 45% of inpatients covered by Medicaid. To preserve access for all those who rely on their services, Safety Net Hospitals should be limited to a Medicaid shortfall of no more than 15% of their Medicaid costs for hospital care and services in their physician subspecialty practices. In FY2016, this would still require Connecticut Children’s to absorb a projected annual consolidated Medicaid shortfall

of \$27.8 million. One-half of all Medicaid payments made to Safety Net Hospitals as part of this solution would be funded with federal dollars.

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.

# Connecticut Children's 2016 Locations



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