

Hospital 101



2011

In communities throughout the state, Connecticut's hospitals are always there, caring for all people 24 hours a day, 7 days a week, 365 days a year.

Unlike other institutions, hospitals are always open, accept all comers regardless of ability to pay, and serve as the "safety net" for those without health insurance or access to care. Serving as the safety net for our most vulnerable populations is more critical during these troubled economic times, as more individuals and families struggle with losing jobs and health insurance.

Connecticut's not-for-profit hospitals are caring, charitable organizations, but they are also complex healthcare organizations—offering the latest medical technology; ensuring quality care and patient safety; maintaining and continually upgrading extensive facilities; and meeting the dynamic and evolving healthcare requirements of today's patients.

Hospitals recognize the need to address rising healthcare costs, and are committed to continuously improving quality, accountability, transparency, and affordability. And although the full impact of the passage of the Patient Protection and Affordable Care Act (PPACA) on healthcare is still evolving, hospitals will persevere in their deep commitment to serving their communities.

This brief overview highlights the unparalleled contributions of hospitals to the economy and the quality of life in Connecticut, briefly examines the key challenges facing Connecticut's hospitals today, and offers a primer on hospital finance.

Each year, Connecticut hospitals:

- Provide care for more than 430,000 patients admitted to their facilities, accounting for more than 2 million days of inpatient care.
- Welcome more than 38,000 babies into the world.
- Treat more than 1.6 million patients in their emergency departments.
- Provide an additional 7.2 million episodes of outpatient services* to individuals.
- Serve more than 4 million persons through community benefit programs and activities.

All told, there are more than 13 million interactions with patients and community members by Connecticut's hospitals annually.

** Outpatient data reported by the Office of Health Care Access. Outpatient services include diagnostic procedures; ambulatory surgeries; diagnostic imaging; and clinic visits, including mental health, medical, and dental.*

Touching Lives in Many Ways

Hospitals' contributions to community health and wellness extend far beyond the hospital walls. Hospital "community benefit" services are needed now more than ever. With the bleak economic climate, individuals and families continue to lose jobs and health insurance—and turn to hospital charity care and Medicaid to obtain necessary healthcare services.

Connecticut hospitals:

- Offer a variety of community benefit programs and services to help residents maintain and enhance their health, including:
 - financial assistance to the uninsured;
 - mobile vans and clinics delivering primary and preventive care;
 - healthy lifestyle education programs, including physical activity and nutrition promotion; and
 - programs for managing chronic conditions like asthma.
- Serve as the core community healthcare provider, sponsoring screenings, support groups, counseling, and a multitude of other programs and activities designed to keep communities healthy.
- Provide teaching facilities for physicians, nurses, pharmacists, technologists, and other health professionals.

Community Benefit by the Numbers:

In 2009, Connecticut's hospitals benefitted their communities in many ways.

⇒ **\$573.3 million**

Government Sponsored Health Benefits to cover the unpaid costs of government programs

⇒ **\$245.5 million**

Uncompensated care: Charity care/bad debt to provide services for those who cannot pay

⇒ **\$29.8 million**

Community services to improve the health of the community

⇒ **\$11.5 million**

Research and other programs to advance healthcare for patients and the community

⇒ **\$9.4 million**

Donations to help support community organizations

⇒ **\$7.5 million**

Community building to create stronger, healthier communities

⇒ **\$2.9 million**

Subsidized health services* to provide care needed by the community

* Most subsidized health services funds are reflected in the "unpaid costs of government programs" numbers

\$880 million

Total community benefit provided
by Connecticut hospitals in 2009

Hospitals as Economic Engines

Connecticut hospitals make a tremendous contribution to the state's economy and the financial well-being of communities. They are major employers and purchasers of goods and services, and they help to stimulate further economic growth in our communities. In 2009, Connecticut hospitals:

- Spent \$8.5 billion on staff salaries, the purchase of medical supplies and food, as well as facility construction. These dollars have a "ripple effect" of an additional \$9.1 billion on the economy, resulting in a *total contribution of \$17.6 billion by Connecticut's hospitals to the state's economy.*
- Employed more than 52,300 people with a total annual payroll of over \$4.6 billion, which generated an additional 44,250 jobs and approximately \$4.9 billion in additional local payroll.

\$17.6 billion

Total economic contribution by
Connecticut's hospitals in 2009

How Hospitals Are Paid

Hospitals are not immune from tough economic times, and many are in precarious financial health. After decades of government underfunding, Connecticut's hospitals are facing deteriorating margins and major financial losses. Lack of access to capital and a significant downturn in philanthropy will continue to make matters worse in 2011. Without adequate funding, the ability of Connecticut's hospitals to maintain necessary programs and services to keep pace with state-of-the-art care and technology will be severely compromised.

Hospitals receive payment from many sources for the services they provide. Sources of hospital payments are the federal and state governments, through programs such as Medicare and Medicaid, as well as commercial health insurance plans.

- The state's underfunding of Medicaid programs shortchanges Connecticut hospitals by more than \$360 million annually—and robs the state of \$180 million in federal matching funds.
- State underfunding is compounded by the \$213 million shortfall from Medicare, and the \$245 million in charity costs provided by hospitals, \$102.5 million in charity care and another \$143 million of care that hospitals had to "write off" for patients who couldn't pay.

Underfunding Results in Cost-Shifting

Commercial health insurance companies (often referred to as "private payers") are a major source of funding for healthcare services through employer-sponsored health insurance coverage. On average, commercial health insurance reimburses more than 131 percent of the cost of care.

These payments exceed 100 percent of the cost of care, in part, because of the "cost shift" that results from government underfunding. Because government does not pay the full cost of care provided to its beneficiaries, employers and their employees end up paying more due to cost-shifting to employer-sponsored health insurance plans.

2009 Government Payments to Hospitals

Medicare—a federal health insurance program for people age 65 and older and certain people with severe disabilities.

- On average, Medicare reimburses 93 percent of the cost for treating Medicare patients in Connecticut hospitals.

Medicaid—a means-tested entitlement program funded by state and federal dollars that pays for medical and medically-related services for poor children, families, and the elderly, as well as Medicaid Low Income Adults (MLIA, formerly SAGA). In Connecticut, the Medicaid program for eligible children to the age of 19 is called the HUSKY (Healthcare for the Uninsured Kids and Youth) program.

- On average, Medicaid reimburses 71 percent of the cost for treating Medicaid patients in Connecticut hospitals.

Disproportionate Share Hospitals (DSH) payments—state/federal programs designed to help underwrite the cost of caring for vulnerable populations at hospitals.

- On average, DSH payments reimburse hospitals about 3 percent of the cost of treating the uninsured.

Other Challenges Facing Connecticut's Hospitals

In addition to hospitals being underfunded, there are other challenges facing Connecticut's hospitals.

- **Access and Coverage.** Access to healthcare services and health insurance coverage continue to be serious issues facing Connecticut hospitals and the state's residents. Nearly 400,000 of Connecticut's non-elderly population—about one in ten—do not have health insurance coverage, and more than 550,000 have health insurance coverage through the state's Medicaid program, with limited access to primary care providers. For hospitals, this means increasing demands for care by the growing number of individuals without health insurance or by those who rely on government programs for care.
- **Emergency Department Overcrowding.** Hospital emergency departments (EDs) are often the only place for individuals without health insurance to obtain care or for those who are covered by Medicaid but cannot find a physician to serve their primary needs. People with Medicaid coverage are four times more likely than patients with commercial coverage to rely on the ED for non-urgent care; the uninsured are two times more likely. This has resulted in nearly a quarter of all ED visits being for non-urgent care and has led to overcrowding in Connecticut hospital emergency departments.
- **Workforce Issues.** Connecticut's aging healthcare workforce will join the ranks of the state's significantly older population, raising healthcare demand at a time of projected shortages of nurses and other healthcare professionals. In addition, as healthcare reform moves forward, there will be a need for new staff roles and competencies, particularly in the area of health information technology.
- **The Aging of the State's Population.** Connecticut has one of the top ten oldest populations in the nation. This will exacerbate healthcare workforce shortages, as well as increase the demands for hospital and healthcare services.
- **Public Health Issues.** Hospitals play a critical role in tackling public health issues, including leading in improving the health of our communities. Hospitals focus on issues such as the increasing incidence of infections in the community to raising awareness about the need for primary and preventive health services to preparing for major disasters and public health emergencies.

The Future of Connecticut's Hospitals

Generations of Connecticut families have come to rely on strong, stable hospitals to care for them in sickness and in health. It is imperative that all stakeholders—including hospitals, government, business, insurers, and community members—work together to ensure that this state has viable hospitals capable of caring for families today and tomorrow.

Connecticut hospitals have always been there for their communities. We must make sure that we maintain and strengthen the investment in these critical healthcare resources.

About the Connecticut Hospital Association

Founded in 1919, the Connecticut Hospital Association (CHA) represents hospitals and health-related organizations. With more than 140 members, CHA is one of the largest and most respected hospital associations in the nation. CHA's mission is to advance the health of individuals and communities by leading, representing, and serving hospitals and their related healthcare organizations that are accountable to the community and committed to health improvement.

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