

**TESTIMONY OF
STEPHEN FRAYNE
SENIOR VICE PRESIDENT, HEALTH POLICY
CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
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Economic Impact of Connecticut Hospitals

Good evening Commissioner McDonald. My name is Stephen Frayne and I am the Senior Vice President, Health Policy of the Connecticut Hospital Association (CHA). I appreciate the opportunity to testify on behalf of CHA and its members regarding the Department of Economic and Community Development's study on the future course of the state's economy.

In 2007, Governor M. Jodi Rell began planning for growing the state's economy by creating a strategic plan for Connecticut. The Governor's strategic plan is to be a blueprint for state policy and includes recommendations on how Connecticut's industries and workers can successfully innovate, grow, and compete in the global economy. I know that you are looking at a variety of topics in your study, including transportation, technology transfer, brownfield remediation and redevelopment, business regulation, labor force quality and sustainability, cost of doing business, affordable housing, land use policy, taxation, availability of capital, and energy costs and supply.

I am here tonight to ask you to make sure hospitals and healthcare are included in the strategic plan for growing the state's economy. Connecticut's hospitals, like good schools and safe roads, are an essential part of the state's economy. As you focus on investing in the future of Connecticut, CHA asks that you recognize the need to invest in hospitals so that hospitals can continue to provide the services needed in their communities.

Providing patients and communities with the finest quality healthcare services is the highest priority for Connecticut's not-for-profit hospitals. Hospitals fulfill a vital role, caring for Connecticut residents 24 hours a day, seven days a week, and they make enormous contributions to the health and quality of life for millions of Connecticut residents. Last year, Connecticut hospitals provided 2.1 million days of inpatient care. In addition, hospitals provide a significant amount of outpatient care. Last year, Connecticut hospitals provided more than 4 million outpatient visits, including: 1.5 million emergency department visits; 183,000 ambulatory surgery visits; 30,000 cardiac procedures; 99,000 cardiac rehab visits; 144,000 gastroenterology procedures; 43,000 chemotherapy visits; 204,000 radiation therapy visits; 844,000 outpatient rehabilitation visits; 344,000 psychiatric care visits; and 624,000 primary care visits. Every moment of every day hospitals touch the lives of Connecticut residents by providing high quality healthcare services.

What is often overlooked, however, are the vital contributions that Connecticut's not-for-profit hospitals make to the state's economy. Connecticut's hospitals are both the economic bedrock and engine in their communities. They are major employers, offering jobs at all skill and salary levels in a growing employment sector. Connecticut hospitals won't move out of Connecticut in search of a more favorable business climate – Connecticut hospitals are here to stay. Hospital purchases provide important secondary income and job benefits to the local economy. Hospitals serve as a magnet for other healthcare business and serve as a stimulus for new businesses, attracting other businesses into the community, such as retail shops, banks, grocery stores, and family restaurants. This year, CHA conducted an analysis of the economic impact of Connecticut hospitals a summary of which I have appended to this testimony. The study shows that Connecticut hospitals and health systems:

- Generate nearly **\$12.2 billion** per year for the state and local economies—about **6%** of the Gross State Product;
- Provide **70,000** jobs in our communities generating approximately **\$6.5 billion** in annual local economy payroll; and
- Purchased goods and services generating approximately **\$2.7 billion** annually in local economic activity.

During the last three years, there has been a 24% increase in hospital contributions to Connecticut's economy---from \$9.8 billion in 2004 to \$12.2 billion in 2006.

The ability of Connecticut hospitals' to continue to make such contributions is constantly threatened. Payments for individuals enrolled in state and federal programs always fall short of the amount needed to cover the cost of care. These deficits rob Connecticut hospitals of the dollars needed for investment in facilities and acquiring modern technology. As of today, it would take \$1.1 billion in investment by Connecticut hospitals to catch up to the nation in average age of physical plant.

Connecticut hospitals are also struggling with a growing workforce shortage. Today's workforce problems can easily become tomorrow's crisis, particularly when you consider the needs of an expanding elderly population in Connecticut. According to the U.S. Census Bureau, Connecticut is one of the top 10 oldest states in the country. By the year 2030, the Census Bureau projects there will be a 69% increase in those over 65 in Connecticut and a 7% decrease in the population aged 18 to 50. This shift in demographics has serious implications for hospitals and the residents of Connecticut:

- As people age they require more hospital care—this will challenge a system that can't absorb the need.
- The need for essential hospital caregivers will rise; the federal government projects that by 2020, Connecticut will have the second worst nurse vacancy rate in the country—second only to Alaska.
- Connecticut's older physical plants—and the lack of necessary capital and cash reserves to upgrade these aged structures—will impede both the implementation of new and life-saving technologies and the safety and quality of care for Connecticut residents.

Last spring, Governor Rell established the *Hospital System Strategic Task Force*, chaired by Secretary of the Office of Policy and Management Robert Genuario and Commissioner of the Office of Healthcare Access Cristine Vogel. Its members included representatives of Connecticut hospitals and other healthcare experts, as well as business leaders. The report is final and has been submitted to the Governor. I urge you to review the report's findings and recommendations. One of the topics extensively discussed by the task force was "cost shifting" of losses from underfunded government programs to employer-sponsored insurance. The report concludes cost shifting is one of the leading drivers of the financial instability of Connecticut hospitals, is unsustainable, and is eroding the employer-sponsored insurance system hospitals rely on to make ends meet. CHA believes that one of the most important ways to stabilize Connecticut hospitals, recognized in the task force report, is to increase Medicaid funding in the state budget so that hospitals receive the full cost of providing care to patients who are covered by government-funded programs, such as Medicaid and SAGA.

On behalf of the millions of Connecticut residents who rely on a strong, stable hospital and healthcare system, we ask that you include in your strategic plan strategies to help Connecticut hospitals. We believe that a hospital investment strategy should be an integral component in any plan to strengthen Connecticut's infrastructure for today and tomorrow.

Thank you for your consideration. I am happy to answer any questions.