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New Report Confirms Connecticut Hospitals' Financial Health is Still Reeling

The Office of Health Strategy's Annual Report Details Significant Economic Headwinds Facing Hospitals
Details Available [Here](#)

WALLINGFORD – A new [report](#) on the financial status of Connecticut's hospitals released by the Office of Health Strategy (OHS) confirms that hospitals across Connecticut are facing significant economic headwinds that threaten their financial health and sustainability. The **Connecticut Hospital Association (CHA)** is calling for action to address the financial situation hospitals are facing, as demonstrated in the state's report that echoes [findings](#) shared earlier this year about the lingering impact of the pandemic on hospitals' financial health.

Hospital expenses have climbed by **\$3.3 billion** since before the pandemic, OHS reports, and revenues are not keeping pace, leading to a negative statewide hospital **operating margin of -1.3%** in Fiscal Year 2022.

The [OHS report](#) (*Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals*) details how the **rising costs of drugs, contract labor, and salaries and wages** for medical personnel are driving the growth in expenses, at the same time hospitals are **spending more on uncompensated care** including **insufficient Medicaid and Medicare reimbursements**.

"This report direct from OHS confirms the significance of the financial challenges facing hospitals and health systems today. Hospitals provided exceptional, compassionate care to all patients through the pandemic and continue to provide high-quality care to every patient who walks through their doors, regardless of ability to pay. But there are lasting and unprecedented financial challenges that they are navigating every day that cannot be ignored," said **Jennifer Jackson, CEO, CHA**.

"The report is further evidence of the need to advance policies that support care delivery and abandon the pursuit of policies that will increase cost and reduce access to care. We urge OHS and our state partners to focus on this report and recognize the apparent reality as we work together to develop policies that continue enhancing healthcare access and affordability throughout our state. We need to work together on solutions to address underpayment, address root cause drivers of poor health, and reduce administrative burden and bureaucracy that drive up costs and make it increasingly difficult to care for patients in these trying times."

In addition to facing rapidly rising costs and negative operating margins, hospitals are spending more to provide uncompensated care for patients, according to OHS, with the **expense of providing charity care (free care) and bad debt (unpaid costs) rising 9.6 % in one year**.

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While expenses have risen dramatically, payments for care remain devastatingly insufficient. The OHS report indicates that Medicare reimbursements in the state averaged only **74 cents on the dollar**, and Medicaid reimbursed only **62 cents on the dollar** in FY 2022.

“Hospitals work every day to bridge the gap created by government underpayments. But these gaps are growing to unsustainable levels and patients deserve better. Medicaid underfunding not only leads to cost shifts that increase costs for families with private insurance, but it also deprives people who are medically underserved of access to needed care and social supports. We need to address these issues to increase access, affordability, and equity, and pursue continued collaboration on solutions to mitigate the challenges that threaten hospitals’ ability to sustain exceptional care,” said Jackson.

Key findings of the OHS report include:

- **Hospital expenses outweigh revenues, resulting in negative operating margins**
 - **Hospital expenses grew by \$3.3 billion from pre-pandemic levels.** Expenses increased from \$12.5 billion in FY 2019 to \$15.8 billion in FY 2022
 - **Operating expenses grew by \$1.24 billion in one year alone**, an 8.5% increase in FY 2022 compared to the previous fiscal year
 - The increases are primarily due to rising costs for **contract labor (29%), salaries and wages (26%), and supplies and drugs (17%)**
 - **Statewide hospital operating margin fell to -1.3%**
 - An **increasing number of hospitals** are facing negative total margins
 - **Operating losses totaled \$206.6 million** “due to operating expenses rising faster than revenues”
 - **Non-operating losses totaled \$309 million** in FY 2022
 - **Health system operating margins fell further than individual hospital margins, dropping to -3.82%**
- **Hospitals are spending more to provide uncompensated care for patients**
 - Uncompensated care costs – the expense of providing charity care (free care) and bad debt (unpaid costs) – **totaled \$285.4 million**, an **increase of 9.6%** from FY 2021
- **Payments have not kept pace**
 - While expenses have risen dramatically, payments for the rising cost of care have not kept pace
 - OHS reports that Medicare reimbursements average only **74 cents on the dollar** and Medicaid reimburses only **62 cents on the dollar** on average

Background

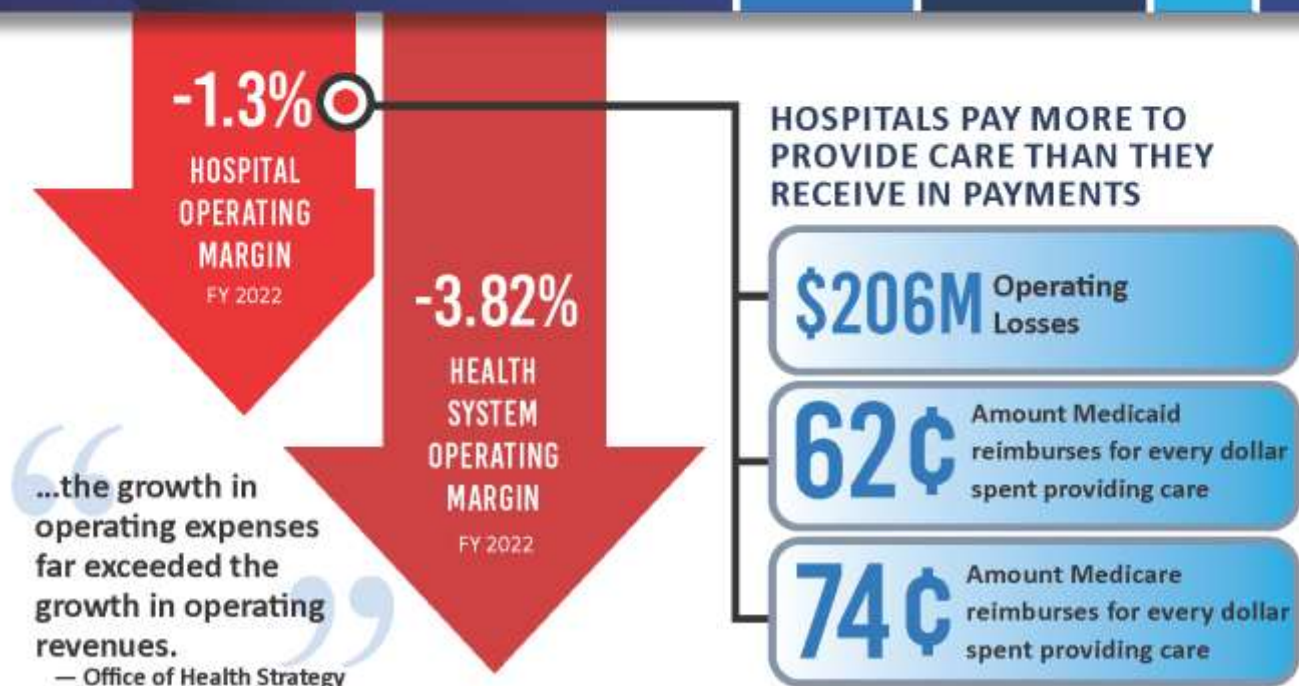
The findings of the OHS report show the same trends documented in a [report](#) released in March by CHA and supported by an [independent study](#) from Kaufman Hall that found that the pandemic had a staggering and long-lasting financial impact on healthcare in Connecticut.

- Read the OHS report on FY 2022 data [here](#)
- View an infographic highlighting key findings of the OHS report [here](#)
- Read the CHA March report on the pandemic’s impact [here](#)
- Read the Kaufman Hall study [here](#)

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OFFICE OF HEALTH STRATEGY REPORT DETAILS SIGNIFICANT FINANCIAL STRAIN ON CONNECTICUT HOSPITALS



Source: OHS Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals for Fiscal Year 2022, Released September 2023