Connecticut hospitals are there when we need them, providing high-quality care for everyone who walks through their doors, regardless of their ability to pay. The positive impact of hospitals also extends far beyond the essential medical care that they provide. Connecticut hospitals are dynamic, complex organizations working to build a healthier Connecticut – strengthening our healthcare system, our communities, and our economy. Connecticut hospitals are continually working to find innovative ways to better serve patients and communities. They are building integrated care delivery networks with physicians, services, and technology to make sure patients receive high-quality, coordinated, cost-effective, patient-focused care. They are investing in improving the health of their communities and addressing social influencers of health to improve health equity for all Connecticut residents. Since the spring of 2020, hospitals have seen challenge after challenge. They responded effectively to the COVID-19 pandemic and are now meeting the challenge of treating sicker patients than they saw before the pandemic, supporting a workforce that is exemplary but exhausted, and managing through significant financial hardship brought on by record-level inflation. This brief overview highlights the many contributions of hospitals and examines the key challenges facing them. It also offers a primer on hospital finance and the fiscal condition of Connecticut hospitals today.

Connecticut hospitals and health systems:

- Provide care for more than 336,000 admitted patients, accounting for more than 1.9 million days of inpatient care.
- Treat more than 1.5 million patients in their emergency departments.
- Provide nearly 10 million episodes of outpatient services* to individuals.
- Welcome more than 35,000 babies into the world.

*Outpatient data reported by the Office of Health Strategy based on FY 2022 data. Outpatient services include diagnostic procedures (such as colonoscopies), ambulatory surgeries (such as gallbladder procedures), diagnostic imaging (MRI, PET, and CT scans), clinic visits, and COVID-19 testing and vaccinations. Hospital services data are from ChimeData FY 2023.
A MISSION OF SERVICE ...

The role of hospitals in our communities is moving beyond providing care when people are sick, to focusing more and more on improving the health of individuals and their communities. Hospitals are always there when people are acutely sick. They are key leaders in community preparedness and disaster response. Hospitals are also focusing more on preventive care and community health. Chronic diseases — like diabetes, congestive heart failure, and chronic obstructive pulmonary disease — and their complications, make up a significant portion of the illnesses in a community. Increasingly, hospitals are addressing factors that drive poor health and profound inequities that predominate in low-income communities and many communities of color — factors like unemployment, food insecurity, and unstable housing. Cross-sector efforts that look at these and other social influencers of health are growing as we develop innovative ways to address the systemic factors that support health and wellness throughout Connecticut’s diverse communities.

OF NOTE Connecticut hospitals and health systems are economic drivers in our communities, collectively contributing directly and indirectly to nearly 245,000 jobs in our state and producing a total economic impact of approximately $38.7 billion. In addition, hospitals contribute to community well-being by providing uncompensated, subsidized, and free health services, contributing to research, and supporting community health improvement and community building activities. In 2022, the value of these types of community contributions was approximately $3.4 billion statewide.

...WITH A LOCAL FOCUS

Hospitals are important institutions in our communities — significant employers, purchasers, and engines of local commerce that are not likely to move out-of-state. They provide jobs for hundreds of thousands of Connecticut residents and support communities with programs that help families with food, housing, diapers, and jobs. Strong hospitals support local families and stimulate local opportunities for economic growth and prosperity.

HOW HOSPITALS ARE PAID

Hospitals receive payment for patient services from government insurance programs like Medicare and Medicaid, from commercial insurance companies, and from patients who pay (in part or in full) for services themselves. Medicare is the federal health insurance plan for people who are 65 or older, certain younger people with disabilities, and people with End Stage Renal Disease (kidney failure that requires dialysis or a kidney transplant). Medicaid provides health coverage to millions of Americans including eligible low-income adults, children, pregnant women, elderly adults, and people with disabilities.

Medicaid is administered by states, according to federal requirements. States and the federal government fund the program jointly. The hospital payment system in the U.S. is complex. Hospitals provide critical and life-saving care, 24 hours a day, to anyone who walks through the doors, regardless of their ability to pay. Medical care for those who do not pay — including charity care and bad debt — cost Connecticut hospitals about $270 million in 2022.

Hospitals receive reimbursement from Medicare for only about 62% and from Medicaid for only 74% of what it costs to provide the care to those patients. This underpayment for services amounted to nearly $2.8 billion in 2022. In fiscal year 2022, Connecticut hospitals incurred $1.55 billion in Medicare losses, and $1.23 billion in Medicaid losses.

Note: The hospital and health system economic analysis found on page 4 is based on statewide multipliers from the Regional Input-Output Modeling System (RIMS II), developed by the Bureau of Economic Analysis of the U.S. Department of Commerce. It uses data from each hospital and health system’s FY 2022 audited financial statements. RIMS II provides an accounting of “inputs” purchased and “outputs” sold by an industry in the state. The spending of one industry will have ripple influence throughout a state’s economy — this is known as the multiplier effect. RIMS II regional multipliers measure both the direct and indirect impact on the state economy from a specific industry. The total number of jobs is based on individuals employed by Connecticut’s hospitals and health systems, as recorded through IRS Form W-3.

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CONNECTICUT HOSPITAL ASSOCIATION
ADVOCACY PRIORITIES

PUTTING PATIENTS AND COMMUNITIES FIRST

ENSURE THE VIABILITY OF THE HEALTHCARE SYSTEM

FINANCIAL CHALLENGES

- Connecticut hospitals continue to face significant economic headwinds that threaten their financial health and sustainability. The Office of Health Strategy (OHS) reports hospital expenses, climbing by $3.3 billion since before the pandemic, and revenues are not keeping pace, leading to a negative statewide hospital operating margin of -1.3% in fiscal year 2022. 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 facing significant financial resources to growing labor costs, which has added to considerable financial strain in the industry. To continue to support these growing labor-related costs, hospitals will require financial assistance from the state and federal governments.

- Policy proposals that would reduce payments to hospitals or impose greater regulatory burdens will only worsen these challenges and make it more difficult to reduce costs and increase access.

SUPPORT AND GROW THE HEALTHCARE WORKFORCE

- Connecticut hospitals are one of the state’s largest providers of tax revenue. In 2019, Governor Ned Lamont and the hospitals announced a historic settlement of a longstanding dispute around the hospital tax. The settlement covers seven years, through 2026, gradually reducing the tax burden on hospitals, while preserving revenue gains for the state. In accordance with the settlement, hospitals received the third year of tax burden reduction in 2022, while providing more than $581 million in revenue gain for the state.

- Regulatory Environment Impeding Care

Hospitals are continuously evolving how they deliver healthcare in order to meet patient demand for timely services in optimal settings. They are partnering with others to improve health equity in all our communities, and growing to meet the evolving demands of the people living in the communities they serve. Connecticut’s process for regulating service delivery changes — called the Certificate of Need (CON) process — has not kept pace with the transformation in healthcare. Delays and excessive administrative burden and bureaucracy in the current CON process create barriers to healthcare access and affordability and hamper jobs development and economic growth. Hospitals will pursue changes in the process to improve the system, put patients first, and achieve our shared goal to improve access to high-quality healthcare and grow the state’s economy.

PROVIDE HOSPITALS WITH THE TOOLS TO PREPARE FOR THE FUTURE

- Connecticut hospitals are continuously evolving how they deliver healthcare access and affordability and hamper jobs development and economic growth. Hospitals will pursue changes in the process to improve the system, put patients first, and achieve our shared goal to improve access to high-quality healthcare and grow the state’s economy.

- Partner with others to improve community health, advance health equity, stabilize and strengthen our behavioral health system, promote public health infrastructure, and focus on quality to improve health outcomes.

IMPROVE THE HEALTH OF OUR COMMUNITIES

- Hospitals are working to partner with their communities to develop opportunities to drive regional transformative change in community health, care delivery, and health equity. Poor nutrition, air quality, living conditions, diaper insecurity, and

- Community Health Investment

Hospitals are working to partner with their communities to develop opportunities to drive regional transformative change in community health, care delivery, and health equity. Poor nutrition, air quality, living conditions,
lack of economic stability and mobility contribute to chronic disease and increased need for medical care. Connecticut has among the nation’s greatest disparities in wealth, particularly in economically marginalized communities, which are often disproportionately communities of color. These wealth disparities contribute to longstanding health disparities that became starkly visible during the pandemic. Hospitals have renewed their focus on solutions that will afford meaningful opportunities for these communities to prosper. To further these efforts, Connecticut hospitals are interested in building partnerships with their communities and with the state to reimagine how Medicaid can invest in this work.

**Behavioral Health**

The growing demand for mental health and substance use services among people of all ages, coupled with a precipitous drop in the number of people working in behavioral health, has caused an ongoing crisis in timely access to care. Hospitals are working to address this growing demand for services. We must build on legislative efforts to meet current needs and make system improvements, including establishing permanent Medicaid payments for new initiatives such as children’s behavioral health urgent crisis centers (BHUCCs), statewide emergency mobile psychiatric services, and community-based and school-based services, implementing permanent Medicaid payments for care coordination such as Collaborative Care Model (COCM) services, supporting the implementation of integrated care models such as Community Care Teams (CCTs), increasing Medicaid rates for partial hospitalization programs (PHP), intensive outpatient services (IOP), and in-home psychiatric care programs, and expanding the BHUCC model and mobile crisis services to cover peak demand times, to meet the needs of child, adolescent, and adult patients.

**Affordability and Price Transparency**

Connecticut hospitals and health systems are committed to reducing costs and making sure healthcare is affordable and accessible to everyone. Hospitals have been active participants in the implementation of the Healthcare Cost Growth Benchmark — if properly implemented, it can be a tool in measuring and controlling healthcare spending across the healthcare delivery system. However, its implementation must be based on sound and accurate data and should focus on the entirety of the healthcare spending landscape, including factors such as chronic underpayment by the state Medicaid program. Patients need information about their healthcare to make informed choices and to know what to expect. Hospitals strive to offer clear and meaningful pricing information meeting and exceeding federal pricing transparency requirements and work directly with patients to avoid unanticipated patient costs. Connecticut also leads the nation in financial assistance programs and protections against medical debt. Local hospitals work hard to make sure patients know about their financial assistance policies — including that help is available for underinsured individuals facing astronomical deductibles. They also connect uninsured patients to coverage and advocate for policies to prevent medical debt in the first place.

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**About the Connecticut Hospital Association**

The Connecticut Hospital Association has been dedicated to serving Connecticut’s hospitals and health systems since 1919. Through state and federal advocacy, CHA represents the interests of Connecticut’s hospitals on key healthcare issues in the areas of quality and patient safety, access and coverage, workforce, community health, health equity, and hospital reimbursement.

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