



**Testimony of James E. Shmerling, DHA, FACHE
President and CEO of Connecticut Children's Medical Center
to the Appropriations Committee regarding *House Bill 5005*
*An Act Adjusting the State Budget for the Biennium Ending June 30, 2021***

February 19, 2020

Senator Osten, Representative Walker, members of the Appropriations Committee, thank you for the opportunity to submit testimony regarding the Department of Social Services budget. Connecticut Children's Medical Center is focused on improving the physical and emotional health of children through family-centered care, research, education and advocacy. We embrace discovery, teamwork, integrity and excellence in all that we do. I would like to share with you some information about the unique resources and specialized care that Connecticut Children's provides to our State's most vulnerable children and our relationship with the HUSKY program.

Background

Connecticut Children's is a nationally recognized, 187-bed not-for-profit children's hospital driving innovation in pediatrics. With over 2,900 employees and 1,190 on our medical staff, we are the only hospital in the State dedicated exclusively to the care of children. Our focus on



children differentiates us from all other hospitals in several key ways including: 1) our payer mix—more than half of our care is for patients who rely on Medicaid and we receive almost no Medicare payments; 2) our exclusion from the provider tax— we were not part of the hospital settlement agreement; 3) and our costs, which are predictably higher because children need more hands-on care, and show that we are the least expensive independent children's hospital in the country (wage-adjusted costs, see the chart on page 7). It is worth noting that more than half of our inpatient care is for infants and 70% is for children under age 6.

Last year alone, Connecticut Children's cared for more than 55,000 children who rely on HUSKY and spent over \$92 million in free and uncompensated care. The connection between Medicaid, vulnerable families and Connecticut Children's appears to be growing. In the past two years, we have provided 20% more care to children who rely on Medicaid while our payments per unit of care have decreased. We need a strong partnership with the State to reverse this unsustainable trend.

Through our statewide partnerships with adult hospitals, primary care providers, academic institutions, research centers and state agencies, we are able to offer a continuum of care for children, from primary prevention to complex disease management, closer to their homes. Our locations include pediatric inpatient units in Hartford and Waterbury, neonatal intensive care

units (NICUs) in Hartford and Farmington, which are licensed to provide the highest level of care, a state-of-the-art ambulatory surgery center in Farmington, primary care centers in East Hartford and West Hartford, and specialty care offices in fourteen locations. The Pediatric Trauma Center at our main campus in Hartford, which is also licensed to provide the highest level of care, is the busiest between Boston and New York. We provide pediatric inpatient management services in an alliance with Nuvance Health and newborn care services through our neonatal network at ten hospitals in Bridgeport, Danbury, Farmington, Hartford, Manchester, Meriden, New Britain, Norwalk, Norwich and Willimantic. In 2019, we were nationally ranked in four pediatric specialties by U.S. News & World Report and named a Best Children's Hospital by the Women's Choice Award for the fourth year in a row. We also received Magnet recognition for nursing excellence. Presently, only 7% of hospitals nationwide (and six other hospitals in Connecticut) have such a designation.

Forging partnerships and expanding access

The pediatric healthcare landscape is unique. Children and adolescents make up only about 20% of the population and thankfully most of them are healthy. Of the over 9,000 staffed beds in Connecticut hospitals, fewer than 600 are dedicated to children, including the 187 at Connecticut Children's. Since the total number of child patients is significantly less than that of adults, pediatric specialists are not needed as often as their adult counterparts. Economic realities thus dictate that only specialty care providers and health systems that see enough kids can afford to offer these critical services.

On top of the economic reality, there is a general consensus that there is both a nation- and state-wide shortage of pediatric specialists. As the only hospital in Connecticut that focuses exclusively on children's needs, we are acutely aware of this shortage. Our organization is focused on providing the unique expertise of our pediatric specialists to more children, all over the state, closer to their homes.

This goal requires our strategic partnership with local primary care pediatricians. By sharing best practices, care protocols and guidance to primary care physicians throughout the State, Connecticut Children's is helping pediatricians to manage the care they provide to children and adolescents more effectively across the care continuum. Not only does this help reduce costly hospital visits, it allows children to receive care in a more familiar location and improves access to Connecticut Children's specialists.

The Connecticut Children's Care Network currently includes more than 150 primary care pediatricians and 250 pediatric specialists across the State. By leveraging the combined scope and knowledge of the hospital, our specialists and primary care pediatricians, we are building a stronger pediatric community that will improve care and reduce costs. On January 1, 2020, our Care Network became the first pediatric-focused Advanced Network in the Department of Social Services' PCMH+ initiative.

We are the primary pediatric training site for the University of Connecticut School of Medicine and an inpatient medical student site for the Frank H. Netter MD School of Medicine at Quinnipiac University, having trained 480 medical students, 428 physician residents and 58 physician fellows this past year. As an academic medical center, Connecticut Children's is training tomorrow's pediatricians and promoting access for all children. 138 of the pediatricians working in Connecticut today (almost 15%) received their training at Connecticut Children's.

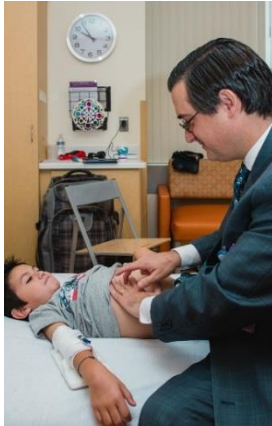
Despite the necessity of having organizations like ours to employ and train the pediatricians needed by our kids, we face financial barriers that other hospitals do not. For example, Connecticut Children's receives only about half as much reimbursement for training a pediatric specialist as an adult hospital would be reimbursed for physician training costs. In 2019, we spent \$12 million educating our pediatric residents. In order for us to continue training pediatric physicians, advanced practitioners and other providers so the State will have a sufficient supply of experts to care for the children of Connecticut, the State needs to adequately reimburse for those training costs.

Promoting innovation

We are committed to driving innovation throughout everything we do. As we consider the future for pediatrics, we are doubling down on innovations that will improve access to care and precision medicine. Although telehealth services are not fully integrated into the HUSKY program as of yet, we have continued to invest in Connecticut's first and only pediatric telehealth network. This technology will improve our ability to reach children in all corners of the state. Further, Connecticut Children's collaboration with The Jackson Laboratory for Genomic Medicine (JAX) places us at the cutting edge of genetics and genomics, allowing advanced care for our patients.



Although we compete with the New York and Boston health care employment markets, our innovative work and investment in research continue to attract some of the nation's top physicians to Connecticut Children's. These doctors understand that our pediatric health system will provide them with the resources and workforce needed to treat their complex patients and research the development of cures.



- ✓ In search of new therapeutic options for children with brain tumors, Dr. Ching Lau leads a multi-institutional research team that has proposed a faster, safer path to finding treatments.
- ✓ Just recently, Dr. Emily Germain-Lee, in partnership with JAX and UCONN Health Center, led a research initiative that launched mice up to the International Space Station to learn about the effect of microgravity on muscle and bone loss.
- ✓ In 2018, Connecticut Children's established the world's first human gene therapy clinical trial to treat Glycogen Storage Disease, led by Dr. David Weinstein. More than 500 patients travel from 49 states and 45 countries to receive his team's care.

At Connecticut Children's we know the future of health care means more innovative payment models based on outcomes, as opposed to patient volumes. Programs and services that address families' social determinants of health are necessary to ensure the future wellbeing of the State's children but there are challenges to bring them to scale without appropriately structured reimbursement mechanisms from our payers. This is why we are actively pursuing value-based reimbursement arrangements with our private payers and we are eager to partner with the Department of Social Services to consider innovative payment models that can address some of the most critical issues facing the HUSKY program including newborn care and

behavioral health services. With the support of our payers, we can build pediatric systems of care that address population health and improve each child's ability to grow, learn and succeed. In many ways, Connecticut Children's is already doing this work through a range of programs tackling issues like asthma, opioid dependence, home hazards, domestic violence, teen driving safety, sexually transmitted diseases, and suicide.

Supporting the emotional wellbeing of children and families

Connecticut Children's approach to providing services that support the emotional wellbeing of patients and families is evolving. We know that our ability to provide accessible and appropriate care for children and their families is extremely challenged. We see the impact of this fact every day at Connecticut Children's. Last year in our Emergency Department, 6,265 children and adolescents required emergency psychiatric evaluation services and 1,115 of those patients spent more than 24 hours in our ED waiting for the next step in their care. On our inpatient floors, we spend almost \$2 million per year in mostly unreimbursed costs to provide one-on-one staff supervision to children whose emotional needs do not allow them to be unattended even briefly in their hospital room. In our NICUs, the pressure on new parents of critically ill infants often impedes their ability to provide the comprehensive care their children need when they are ready to go home.

Much more work needs to be done in order to provide the families of children and adolescents with the coordinated array of programs and services that they deserve. We welcome the opportunity to partner with the Department of Social Services and our private payers to encourage investment in a realistic behavioral health system with payment policies that are aligned to meet the needs of caregivers, educators and families who support each child's optimal healthy development.

Caring for our youngest

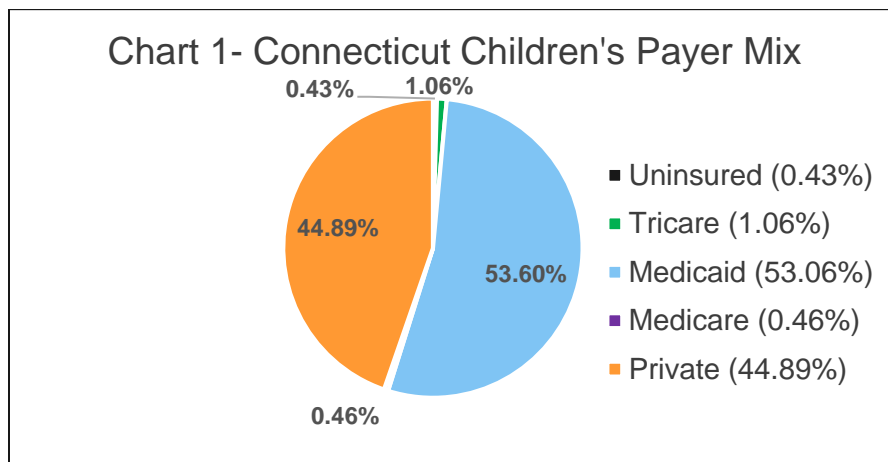
About 40% of the mothers giving birth in Connecticut rely on Medicaid and HUSKY provides coverage for more than half of the babies who receive care in Connecticut Children's NICUs. In November 2019, 68% of the care we provided to babies in our NICUs was covered by HUSKY. Through Connecticut Children's growing statewide neonatal network, we are expanding access to communities and reaching families who need our care the most. As a result, we collaborate on the care teams for 55% of babies born annually; meaning almost 20,000 Connecticut babies each year get a healthy start in life because their first doctor is one of Connecticut Children's experts.



Infants in our NICU often stay with us for weeks and months at a time as they receive highly specialized care. This care and the resources we invest in newborns is just that—an investment. When a pre-term baby is finally healthy enough to go home, it is often just the beginning of a childhood of continuing medical issues. As such, we know that the care we provide for babies and their families in the first hours, days, and weeks of life, is critical and will have lifelong implications for their physical health and emotional wellbeing.

Continuing our relationship with Medicaid

Without the support of Medicaid, which plays a distinctive role at Connecticut Children’s, many of our innovative programs and services would not be possible. More than half of our patients rely on Medicaid and the almost non-existent role of Medicare in the pediatric setting makes Connecticut Children’s payer mix unique among hospitals in the State.



Source: Office of Health Strategy’s FY2018 Annual Report on the Financial Status of Connecticut’s Short Term Acute Care Hospitals

Connecticut Children’s is grateful that the Governor’s budget proposes to maintain our DSH payment at current levels next year. However, the continued erosion of our Medicaid revenue jeopardizes our ability to provide the care that all children need, regardless of the source of their health coverage. Connecticut Children’s DSH payment has gradually eroded from \$15.6 million in 2015 to \$10.1 million in the last three years. The original intent of this payment was to compensate for most if not all of our Medicaid shortfall but the State has moved far from that approach.

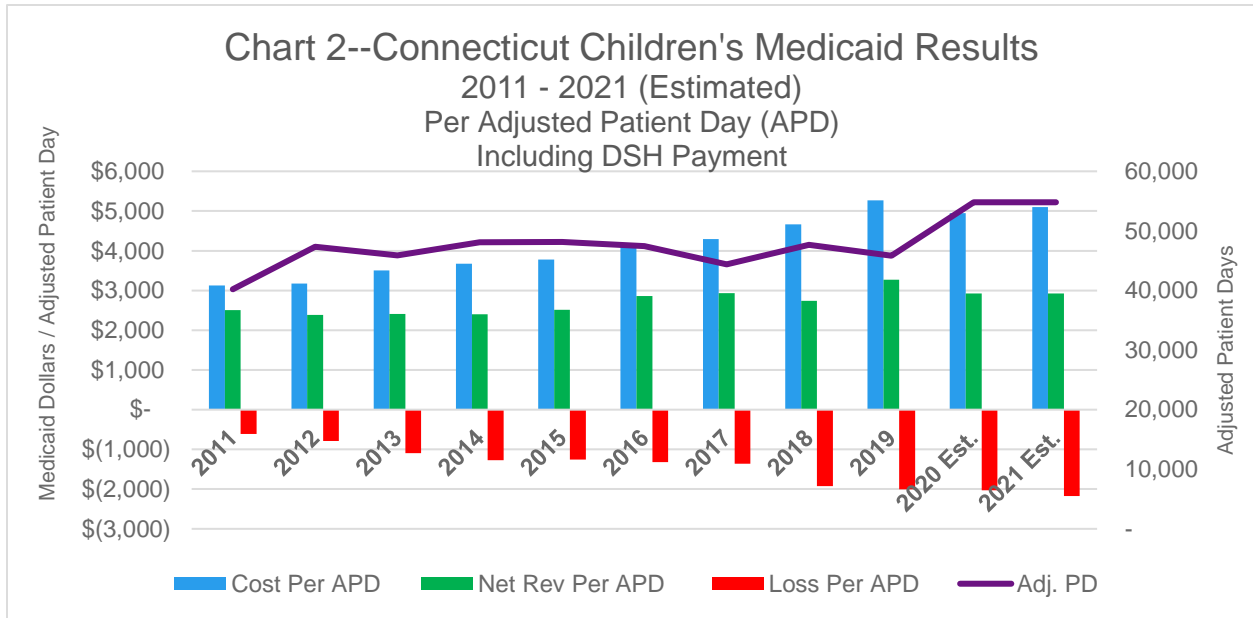
Table 1—Impact of Connecticut Children’s declining Disproportionate Share Hospital Payment on our “Cost Coverage” (% of costs covered by Medicaid payments on an adjusted patient day basis) FY2015-Projected FY2021							
	2015	2016	2017	2018	2019	2020*	2021*
DSH payment	\$15.6 m	\$14.0 m	\$12.7 m	\$11.1 m	\$10.1 m	\$10.1 m	\$10.1 m
Cost coverage	67%	68%	68%	59%	62%	59%	57%

* = projected

Over the past decade, Connecticut Children’s has seen less Medicaid reimbursement for the same amount of service. Hospitals often refer to a unit of service as an “adjusted patient day” (APD) which reflects the total amount of care a patient will receive during one day of an inpatient stay including both ‘inpatient’ and ‘outpatient’ services. As you can see in Chart 2 on the following page, the amount of care Connecticut Children’s provides has increased over time from about 40,000 APD in 2011 to almost 55,000 projected APD in FY2021 (purple line).

During that time however, our Medicaid reimbursements per APD (green bars) have decreased and our Medicaid shortfall per APD (red bars) has increased. The amount of care we provide to

children who rely on Medicaid has increased by 20% in the last two years alone. The bottom line is that Connecticut Children's is providing much more care today for children who rely on Medicaid than we were 10 years ago while we are getting paid significantly less per unit of care.



In 2021, Connecticut Children's Medicaid costs will exceed our Medicaid payments by \$119.2 million. That is, for every \$1 we spend caring for children who rely on Medicaid, we expect to be reimbursed only 57 cents by the State on a per APD basis. For comparison, our Medicaid shortfall in 2015 was \$50 million and our cost coverage was 67%.

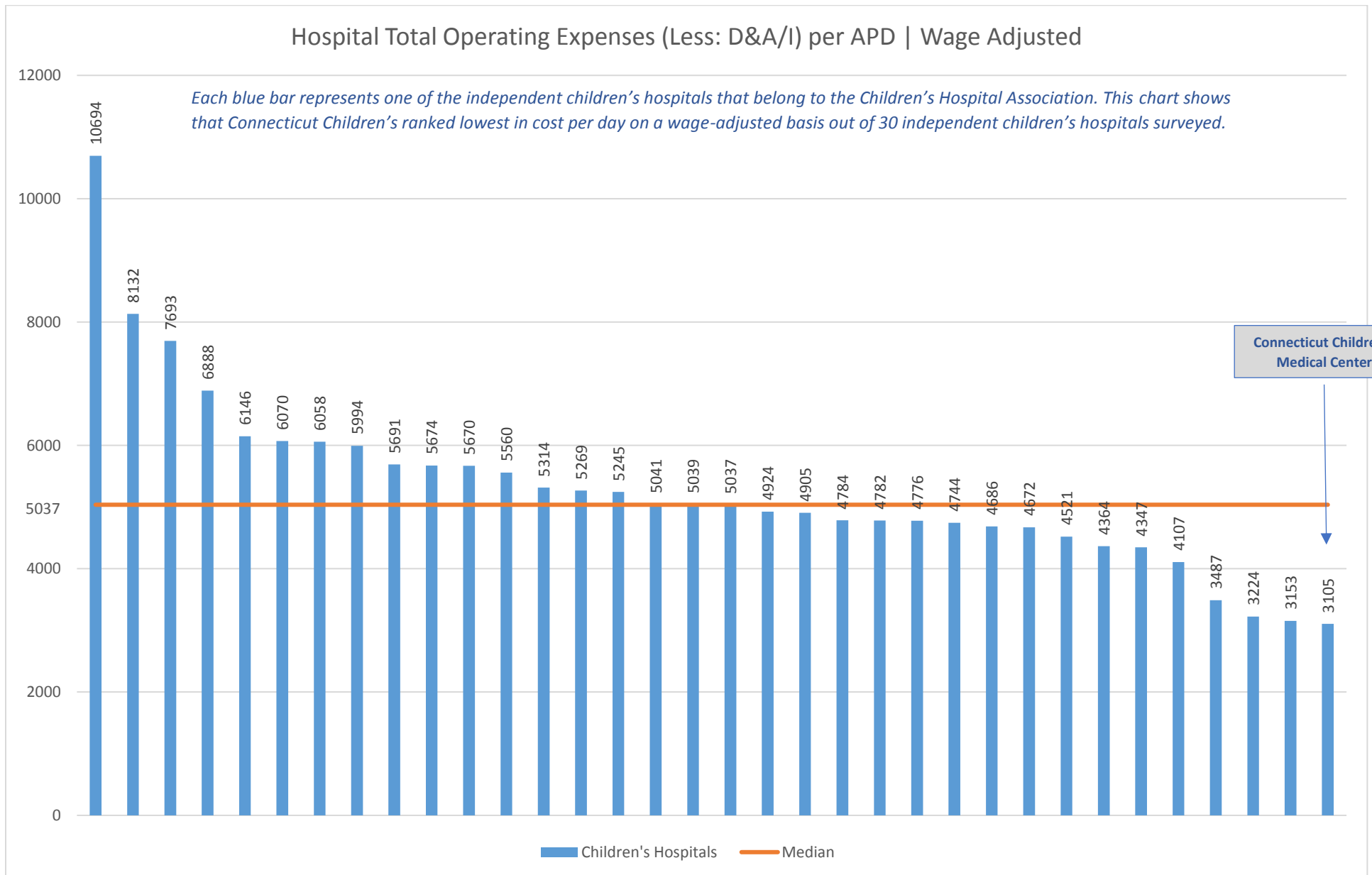
Cutting reimbursement does not result in reducing costs. Connecticut Children's expenses reflect the resource requirements that the growing acuity and volume of our patients demands for the provision of safe, quality care. The chart on page 7 shows the results of a 2018 Children's Hospital Association study. Connecticut Children's ranked lowest in cost per day on a wage-adjusted basis out of 30 independent children's hospitals surveyed. 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 jeopardizing the sustainability of Connecticut Children's.

Looking to the Future

Healthier kids today mean healthier adults tomorrow. Investing in our children is an essential step for building our future workforce and reducing the cost of their future health care needs. State policies must support the programs, services and delivery systems that will promote each child's optimal emotional and physical health. Connecticut Children's is committed to maintaining our strong partnership with the State so we can continue to provide the care that is critical for Connecticut's future.

Let's Peel Back the Onion...

Adjusting for relative wages across the country helps compare Children's Systems and Hospitals on a more "apples-to-apples" basis



Source: 2018 and 2019 CHA Survey data