



**Testimony of James E. Shmerling, DHA, FACHE  
President and CEO of Connecticut Children's Medical Center  
to the Appropriations Committee regarding *House Bill 6439*  
*An Act Concerning the State Budget for the Biennium Ending June Thirtieth, 2023,*  
*and Making Appropriations Therefor***

**March 3, 2021**

Senator Osten, Representative Walker, members of the Appropriations Committee, thank you for the opportunity to submit testimony regarding the Department of Social Services budget. At Connecticut Children's Medical Center, we are 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.

The year 2020 was tough for all of us and the challenges children currently face are great. From disruptions to their education, caregivers losing jobs, and social isolation, there are no shortage of ways that the COVID-19 pandemic has affected young people. The good news is that we can put kids on a path to success if we all work together to make them a priority. I urge lawmakers to prioritize children in the State budgeting process, particularly BIPOC (Black, Indigenous, and People of color) as you develop a plan for Connecticut's path forward. The unique resources and specialized care that Connecticut Children's provides to our State's most vulnerable children, before and during the pandemic, makes us well suited to partner and collaborate with you, community based organizations and the Department of Social Services in an effort care for the families who rely on 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 2,600 employees and 1,241 on our medical staff, we are the only hospital in the state dedicated exclusively to the care of children.



The pediatric healthcare landscape is unique. Of the over 9,000 staffed beds in Connecticut hospitals, fewer than 600 are dedicated to children. Fortunately, the total number of child patients is significantly less than that of adults and pediatric specialists are not needed as often as their adult counterparts. Only health systems that see enough kids, like Connecticut Children's, can afford to offer these critical services.

We believe that all children should be able to access high-quality and affordable healthcare, regardless of where they live, how much their caregivers earn, or the source of their insurance coverage. Through our statewide partnerships that connect our pediatric experts with adult hospitals, primary care providers, academic institutions, research centers and state agencies, we are able to offer a continuum of accessible care for children, from primary prevention to complex disease management. By leveraging the combined scope and knowledge of the hospital, our specialists and primary care

pediatricians, we are building a stronger pediatric community that can care for the whole child while improving quality of care and reducing costs.

Many of the children we serve are from socially vulnerable communities and receive health care benefits through the state's Medicaid program. Last year alone, Connecticut Children's cared for more than 99,000 children who rely on HUSKY and spent over \$109 million in free and uncompensated care. We need a strong partnership with the State to ensure that all children can get the care they need from our pediatric experts when they need it.

### **Advancing health equity for kids**

Investing in our State's future requires us to prioritize actions that will contribute to the success of kids and families across all zip codes, and in some respects, boldly speak to the structural barriers rooted in racial inequality that has prevented it from happening sooner.

We believe and recognize the potential of investing in children through their development in the early years. Our experience and research has validated the impact this type of investment has on their physical health, emotional wellbeing, and future success. By prioritizing our youth, advancing policies in the state budget that support their health, and increasing cultural sensitivities in care for BIPOC, we strengthen families, communities, and the state's future workforce.

It is an unfortunate reality that children growing up in low-income communities experience poorer health outcomes than their peers in more affluent communities. COVID-19 has made these disparities all the more stark. Children are spending more time at home than ever before and for some kids that means living in older homes that contain toxins and hazards like lead-based paint, mold, and unsafe windows and stairs that can lead kids to get sick or injured. Many families will also be faced with the choice of "heat or eat" this winter, meaning they will have to choose between paying their heating bill and going grocery shopping. Many also struggle with access to affordable and healthy foods as well as safe outdoor spaces to exercise and connect with nature.

All of these factors, often referred to as the "social determinants of health" are strong factors that impact a child's ability to grow, learn and succeed to their fullest potential. Only about 10% of a child's overall health is the result of the health care services they receive. Meaning that although equity in the health care system is critically important for our society, we must focus on building equitable and healthy communities in order for all children to thrive.

### **Supporting the emotional wellbeing of children and families**

COVID-19 has unfortunately exacerbated a behavioral health crisis. The Connecticut Children's emergency department and inpatient floors have seen a staggering increase in patients presenting with significant behavioral health concerns—often as a result of the anxiety, disruption of routine, and social isolation brought on by the pandemic.

Connecticut Children's is the largest provider of pediatric emergency behavioral health services in the state of Connecticut with over 3,000 visits in 2020. Depression and suicidal ideation (contemplating suicide or wanting to take one's own life), or threats of self-injury are the most common presenting problem. Recognizing the growing incidence of suicide, our Emergency

Department now screens all children starting at the age of 10 for risk of suicide, even for those who may be visiting us for a broken bone or a couple of stitches. In the first year, over 16,000 children were screened and 16% of those children tested positive for risks of suicide. This does not include those children who are admitted each year with serious medical complications resulting from failed suicide attempts. We have found a disturbing trend in recent months. The rates of positive screens in October 2020 increased to 19%, November was 24% and December was 21%. We need to act now to better support the mental health of children in Connecticut.

With the support of our network of primary care pediatric practices, we are working to strengthen the ability of these providers to identify and treat children earlier who are showing signs of emotional distress. This effort involves elevating screening tools, expanding knowledge of behavioral health conditions and creating a more confident pediatric workforce that better equipped to address the behavioral health needs of their patients. It is our hope that this approach will shorten the time children must wait between identification, treatment and improved health.

### **Caring for our youngest**

About 40% of the mothers giving birth in Connecticut rely on Medicaid and last year HUSKY provided coverage for 62% of the babies who receive care in Connecticut Children's NICUs. On



average, the babies who rely on Medicaid while in the care of our Neonatology team require more services than babies covered by private insurance because they are sicker and more likely to need the highest level of care that we are licensed to provide.

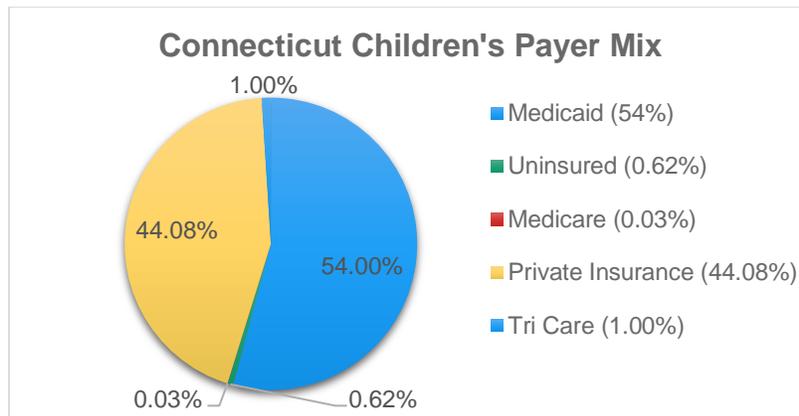
Through Connecticut Children's growing statewide neonatal network, we are expanding access to communities and reaching families who need our care the most. As a result, we collaborate on the care teams for 55% of babies born annually; meaning almost 20,000 Connecticut babies each year get a healthy start 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 can mean 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.

### **Our singular focus on children makes our relationship with Medicaid unique**

At Connecticut Children's, more than half of our patients rely on Medicaid. Combined with the almost nonexistent role of Medicare in the pediatric setting, Connecticut Children's payer mix looks nothing like other hospitals in the State.



Source: Office of Health Strategy's FY2019 Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals (OHS report)

According to the OHS report cited above, Connecticut Children's also stands apart because our patients are sicker; we have the highest Medicaid Case Mix Index in the State—1.83 vs. the statewide average of 1.44. Despite caring for more complex patients, our costs per day are below the statewide average which demonstrates that we have enacted effective cost controls. Even when compared to our peer children's hospitals nationwide, Connecticut Children's demonstrates cost effectiveness. A recent Children's Hospital Association analysis by Goldman Sachs showed that Connecticut Children's total operating expenses per adjusted patient day were 8<sup>th</sup> lowest out of 37 hospitals at the system level (including hospital and physician specialist costs) and 5<sup>th</sup> lowest out of 36 when physician costs were not included.

Despite the reasonableness of our costs, Connecticut Children's also stands out with regard to the percentage of our Medicaid costs that are covered by state reimbursements. On average, Medicaid reimburses Connecticut hospitals about 70 percent of the cost for treating Medicaid patients. Source: [Connecticut Hospitals - By the Numbers - Connecticut Hospital Association \(cthosp.org\)](http://cthosp.org)

Connecticut Children's cost coverage is much lower. In FY2021, our cost of caring for children who rely on Medicaid will exceed payments by:

- \$109.5 million for hospital services (51% of costs)
- \$ 26.6 million for physician services (49% of costs)
- \$136.1 million combined (51% of costs)

It is essential that the State make an appropriate investment in children's health and bring Connecticut Children's Medicaid cost coverage in line with the State's other hospitals. This investment is particularly important since we share our expertise with many of those hospitals so that more of the State's children can receive the care they need closer to home.

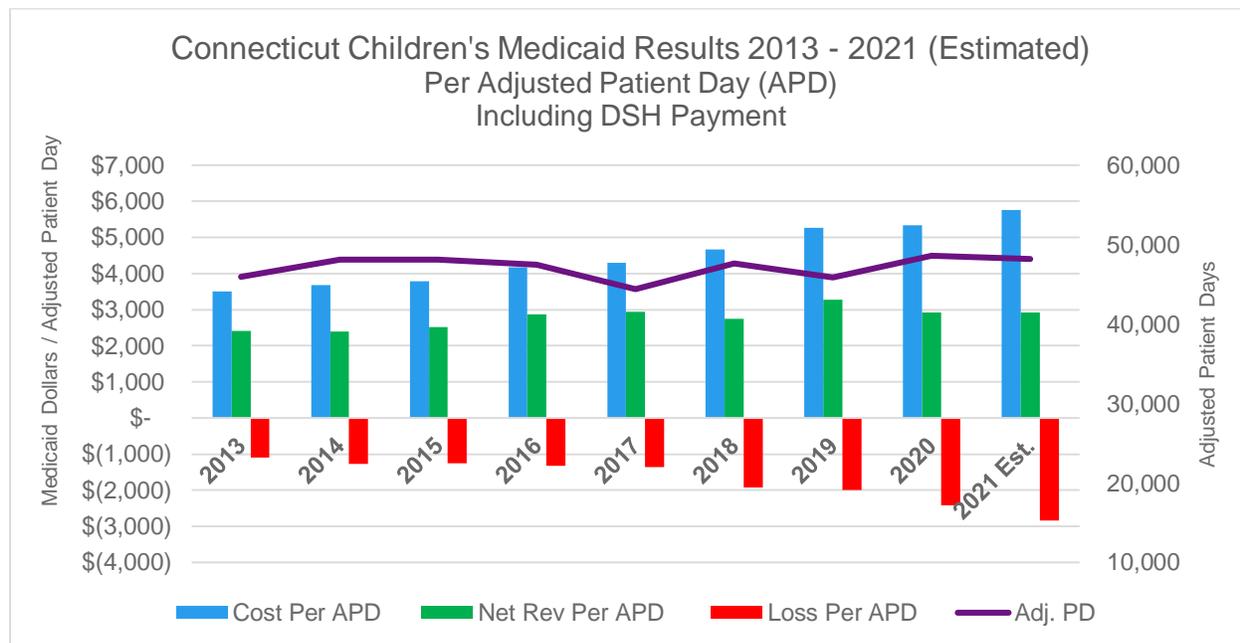
While we are grateful that the Governor's proposed budget includes level funding for our Disproportionate Share Hospital (DSH) payment, the continued erosion of our Medicaid revenue jeopardizes our ability to provide the care that all children need, regardless of the source of their health coverage. 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.

<b>Table 1—Impact of Connecticut Children’s declining Disproportionate Share Hospital Payment on our “Cost Coverage”</b> (% of costs covered by Medicaid payments) FY2015-Projected FY2021							
	2015	2016	2017	2018	2019	2020	2021 (proj)
<b>DSH payment</b>	\$15.6 m	\$14.0 m	\$12.7 m	\$11.1 m	\$10.1 m	\$17.6 m	\$10.1 m
<b>Cost coverage</b>	67%	68%	68%	59%	62%	58%	51%

Notes: 1. The table above displays the amounts of DSH that were actually received in 2016 and 2017 but these numbers do not fully align with the CMS 2016 audit which shows that some of the 2017 payment was paid in 2016. 2. An additional DSH payment of \$7.5 million was made in 2020 in recognition of the significant revenue losses that Connecticut Children’s experienced due to the pandemic.

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 the chart below, the difference between our costs per APD (blue bars) and the payments we receive from the State (green bars) has grown dramatically since 2013.



Our costs have increased on average per year by about 6% over that period, which is in line with the medical rate of inflation but does not take into account the significant jump we have seen in the severity of illness these patients are experiencing, also referred to as patient acuity. Given these factors, one could argue as noted above that Connecticut Children’s has experienced cost effective growth in expenses. During that time however, our Medicaid reimbursements per APD have decreased and our Medicaid shortfall per APD (red bars) has

increased. The bottom line is that Connecticut Children's is providing much more care and more complex care today for children who rely on Medicaid than we were 8 years ago while we are getting paid significantly less per unit of care.

### **Looking to the Future**

We are inspired to advocate on behalf of children especially those that need us most. Since our founding 25 years ago, Connecticut Children's pediatric experts have known that the care we provide for infants and children early in life is critical and will have lifelong implications for their physical health, emotional wellbeing, and future success. We strongly urge state legislators to prioritize our youth by advancing policies in the state budget that support their health and strengthen families, communities, and the state's future workforce.

Connecticut Children's stands ready to partner with state leaders to ensure all children have access to programs and services that will support their physical and emotional well-being. Children need bold leadership to address the many factors that contribute to their health and we look forward to our continued collaboration with State leaders so all of our children can grow, learn and succeed.