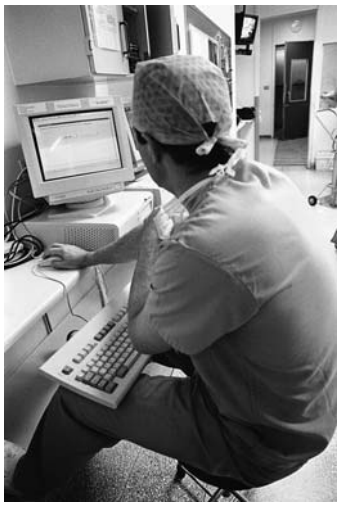
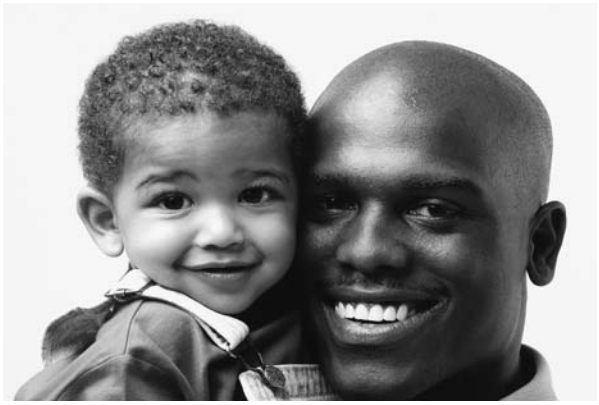
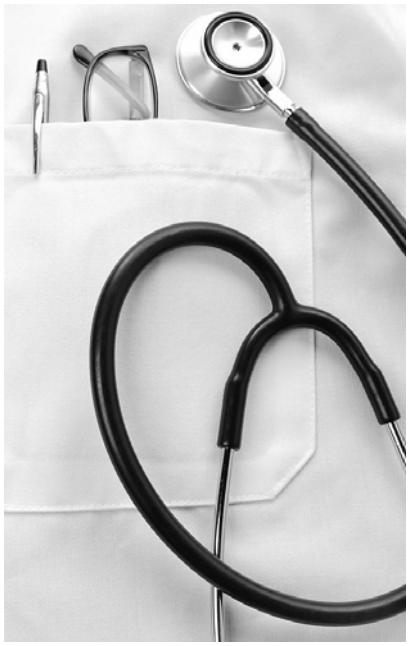
The Office of Health Care Access

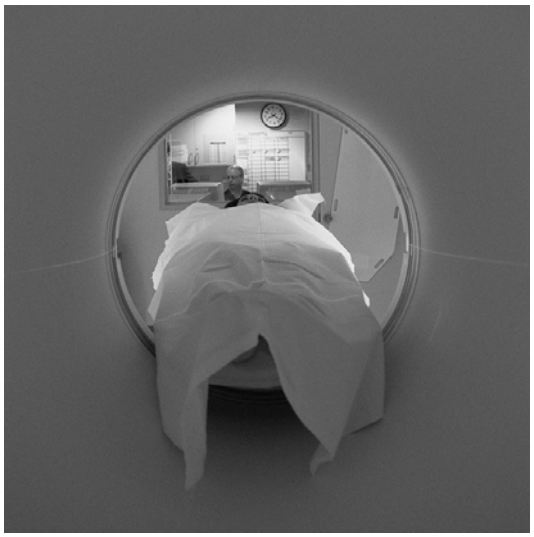
Annual Report

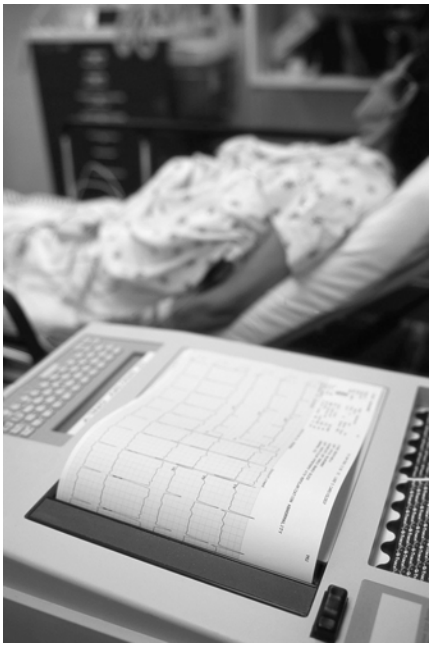
To the Governor and Legislature











April 2007

Commissioner's Message

This Annual Report describes the agency's accomplishments and demonstrates our continued commitment to ensuring access to quality health care for all of Connecticut's citizens. The agency plays a unique role in informing policy, collecting health care data and identifying barriers to insurance. In 2006, the Office of Health Care Access (OHCA) continued its many relationships with other state agencies and neighboring states by sharing information on health policy. From the release of up-to-date uninsured data to studying the impact of the uninsured on Connecticut hospitals and assessing the financial stability of the state's thirty-one acute care hospitals, all agency activities contributed to providing information and assisting policy makers in developing health coverage strategies that are in the best interest of our citizens.

The agency processed over 150 Certificate of Need applications from hospitals, surgical facilities, providers and other healthcare facilities. During 2006 there was an increase in applications for acquisitions of new and improved imaging equipment and for major renovation and upgrades to hospitals. In making its decisions, OHCA balances the need to accommodate technological advances in health care with the responsibility of avoiding unnecessary duplication of services and increased costs.

During 2006, the Certificate of Need management team attended a CON working session of the CON regulated states in Boston. It was the first time Connecticut's Certificate of Need program has shared experiences, thoughts and future trends in the health care environment with other CON states. In addition to the New England states, representatives from New York, Missouri and Alaska were in attendance. The team will also be attending the second CON working session in May 2007 in New Hampshire.

Through our grant-funded data collection, research and analysis activities, OHCA has become a recognized authoritative source of information regarding health insurance coverage in the State of Connecticut. The agency's data collection and analysis has provided background for health reform discussions in the executive and legislative branches. OHCA worked diligently within the political and economic environment to support the development of cost-effective policy options to increase health care coverage in the state, especially for low-income, working uninsured families.

OHCA released numerous publications and reports on a variety of topics including hospital financial stability, uninsured hospitalizations, pediatric psychiatric beds, and uninsured survey results.

OHCA responds on a daily basis to myriad requests for health care data and analyses. Agency leadership and staff have presented research findings to the Medicaid Managed Care Council; and have participated on a significant number of committees including the Child Poverty and Prevention Council, Health Care Cost Containment Committee, Committee to Examine Hospital Inpatient Behavioral Health Bed Capacity for Children, Behavioral Health Partnership, and Connecticut Interdisciplinary Health Policy Team. OHCA looks forward to building on the initiatives of these committees.

This annual report reflects the agency's Certificate of Need, Financial Analysis and Research and Planning activities in 2006.

Health Care Access

Certificate of Need (CON) Program

Through the administration of the CON program for hospitals, surgical facilities and other health care facilities, OHCA ensures service accessibility for citizens while regulating duplication or excess capacity of services. In 2006, OHCA issued 55 CON decisions, 87 CON determinations and 39 CON modifications. Figure 1 below illustrates 2006 CONs by type.

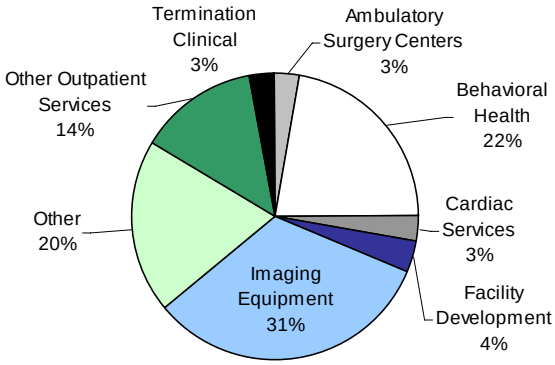
Three major trends are reflected in the types of 2006 CON actions: (1) continued increases in the acquisition of new and replacement imaging equipment by hospitals and doctors' offices; (2) hospitals and other health care providers seeking to maintain access to needed services by terminating hospital-based services and re-establishing health care services within the local community; and (3) hospitals undertaking major renovation projects and upgrades to physical space.

In 2006, Connecticut hospitals and physicians continued to acquire and upgrade imaging equipment to improve diagnostic capability and quality of care. This increase in imaging equipment CON applications was in part due to the fact that Section 19a-639 of the Connecticut General Statutes (C.G.S.) was amended to require CON authorization for the acquisition of a CT scanner, PET scanner, PET/CT scanner, MRI scanner, cine-angiography equipment, a linear accelerator or other similar equipment utilizing technology that is new or being introduced into the state, regardless of the cost. The statutory change requires that any provider acquiring these types of imaging equipment must demonstrate the need, accessibility, quality, cost-effectiveness and financial feasibility of their purchase.

The quality of diagnostic services in Connecticut improved in 2006 due to CONs approving the replacement of outdated MRI and CT scanners that were unable to perform necessary diagnostic procedures. Additionally, PET scanning technology was enhanced by PET/CT scanning technology, thereby improving the diagnostic capabilities of providers. Saint Mary's Health System, Inc. d/b/a Saint Mary's Partner's Inc. was authorized to establish a freestanding imaging center in Waterbury. MidState Medical Center, John Dempsey Hospital and New Britain Hospital were authorized to acquire mobile PET/CT scanning services. Saint Francis Hospital and Medical Center was authorized to acquire a 128-slice, dual source CT scanner. In addition, physician based practices such as Jefferson Radiology, P.C. expanded their imaging service through the acquisition of a 64-Slice CT scanner for the West Hartford office and a CT scanner for the Glastonbury office.

OHCA experienced a continued growth in providers seeking to enhance or maintain access to quality health care in the community, especially with regard to behavioral health services. As indicated in **Figure 1**, 22 percent of CON applications in 2006 involved behavioral health facilities. Stonington Behavioral Health, Inc., doing business as (d/b/a) Stonington Institute, was authorized to establish adult outpatient behavioral health services in Willimantic and Danielson. New Era Rehabilitation Center, Inc. was authorized to establish a methadone maintenance, ambulatory detoxification, and intensive outpatient day-evening treatment program in New Haven. These proposals will improve access to behavioral health services in these communities. Saint Vincent's Special Needs Center, Inc., d/b/a St. Vincent's Special Needs Services was authorized to construct a community-based group home for medically complex children in Newtown. Stonington Behavioral Health, Inc. d/b/a Stonington Institute was denied a CON for the establishment of a Hospital for the Mentally Ill in Ledyard. The continued establishment of community-based behavioral health services contributes to improved access and quality of patient care.

Figure 1: CONs and CON Determinations Approved in 2006 by Category



In 2006, OHCA evaluated numerous proposals by providers for the termination of health care services. Saint Vin-

cent's Medical Center was authorized to terminate its existing health care services at St. Joseph's Family Life Center in Stamford and transition such services to Optimas Health Care, Inc., a Federally Qualified Health Center currently operating in Stamford. Saint Mary's Hospital, Inc. was authorized to transfer control of its three health centers from Saint Mary's Hospital, Inc. to Franklin Medical Group and relocate two of the three health centers. In reviewing these proposals OHCA required evidence that no barriers to access to health care in the regions served were being created and that patient access would be positively impacted by the transition of the services. Five behavioral health providers were also authorized to terminate their services due to financial considerations. However, patient access for these particular providers could not be determined due to the closure of these services prior to CON authorization.

During 2006 OHCA reviewed and acted on numerous CON applications for expansions and renovations to hospital physical plants. Five hospitals received authorization to expand and undertake renovations to their hospital departments and facilities. Danbury Hospital was authorized to construct an on-campus outpatient diagnostic building and a parking garage. Griffin Hospital was authorized for the expansion of the hospital's emergency department, construction of an on-campus ambulatory services building and additional hospital parking. Silver Hill Hospital was authorized to construct and renovate on-campus patient care structures. St. Francis Hospital and Medical Center was authorized to construct a new laundry facility.

Section 19-a CGS. was amended in 2006, increasing the threshold for acquisition and replacement of major medical equipment from $400,000 to $3 million.

Section 19a-639 C.G.S. was amended in 2006 to increase the threshold for acquisition and replacement of major medical equipment from $400,000 to $3 million, which reduced the number of CON applications in 2006. However, the threshold change led to an increase in the number of CON determinations for items such as computer systems, medical equipment, picture archiving and communication systems. The statutory changes also increased the threshold for CON waivers for previously approved imaging and major medical equipment from $1 million to $3 million; thereby, increasing the total number of CON waivers for previously authorized equipment. The impact of this statutory change was greater flexibility for providers to purchase improvements in technology in a timely fashion. OHCA approved approximately $191 million in facility development projects and $64 million in imaging equipment. The 2006 CON Decisions and Determinations can be found at http://www.ct.gov/ohca.

Investigative Proceedings

In 2006, OHCA invoked its investigatory powers, pursuant to Section 19a-633, C.G.S., on two occasions. First, in May 2006, OHCA initiated an investigation to review utilization and capacity of acute care services provided in the "Waterbury Area" by Waterbury and St. Mary's Hospitals. The investigation stemmed from concerns about the long-term viability of either or both hospitals and their ability to serve the community that relies on their services particularly its socio-economically vulnerable residents. In its investigation, OHCA considered towns whose residents make up the majority of the hospitals' patient base and those towns from which a significant portion of residents receive inpatient care at either or both hospitals. The investigation is ongoing and OHCA will release its findings in 2007.

In November 2006, OHCA initiated an investigation into the acquisition of a PET scanner and/or PET-CT scanner and related costs and the acquisition of a CT scanner for 2660 Main Street Bridgeport practice location of Robert D. Russo, M.D. & Associates Radiology, P.C, pursuant to Section 19a-633 C.G.S. A hearing was held on December 12, 2006. OHCA has not issued any concluding document in this matter as of yet.

Financial Analysis

Financial Status of Connecticut's hospitals

In 2006, OHCA continued to collect and analyze historical financial results for Connecticut's hospitals and published its annual report on the financial status of the state's acute care general hospitals, as mandated by statute.

While Connecticut's acute care hospitals vary significantly in size and the populations they serve, they face many of the same internal and external operational challenges. Internally, service lines, payer mix, patient case mix and physical plant limitations influence financial performance. Externally, federal and state regulatory changes, reimbursement policies and methodologies, fluctuating investment performance and gifts, high energy costs, the costs of technological and pharmaceutical advances, high labor costs, staffing shortages and the uninsured are persistent issues faced by hospitals and that also affect hospitals' financial stability.

In FY 2005, the most recent year for which data is available, the overall financial health of Connecticut's 31 acute care hospitals showed slightly weakened performance, with:

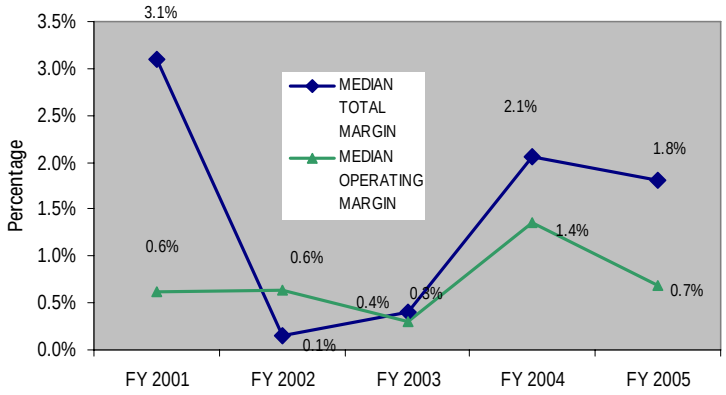
- more hospitals showing negative operating and total margins than in FY 2004;
- declines in both the statewide median total margin and the statewide median operating margin;
- a slight drop in the statewide number of days cash on hand, falling from 27 days in FY 2004 to 26 days in FY 2005;
- increased uncompensated care costs, up by 3.7 percent to more than $170 million; and
- a decline in FY 2005's statewide equity financing ratio, indicating a slight increase in the use of debt financing in asset acquisition;

Despite these challenges, however, the state's hospitals also showed positive results in FY 2005, with:

- total statewide net patient revenue increasing by 7 percent over the previous year, while statewide total operating expenses increased by 6.5 percent; and
- an increase for the third straight year in total patient days, up 4.4% and total discharges, up 3.6 percent from FY 2003

Hospitals face an increasingly unpredictable level of net revenues to cover rising operating expenses. The two most widely used indicators for measuring profitability are operating margin and total margin. For both measures, higher ratios imply greater profitability. Operating margin includes a surplus or loss from operating revenue only. As shown in **Figure 2**, the statewide hospital median total margin decreased from 2.1 percent in FY 2004 to 1.8 percent in FY 2005 due to decreases in both gains from operations and other operating income. The statewide hospital median operating margin decreased 1.4 percent in FY 2004 to 0.7 percent in FY 2005.

Figure 2: FY 2005 Statewide Median Total and Operating Margins



Twenty nine hospitals reported an increase in total operating revenue, an increase from 23 in FY 2004, and twenty four hospitals reported a positive total margin, down slightly from 26 in FY 2004.

Uncompensated Care

Patients at Connecticut's hospitals are treated regardless of their ability to pay, with the exception of non-emergency care such as elective or cosmetic surgery. Uncompensated care represents the level of charges for which hospitals do not receive reimbursement. There are two levels of uncompensated care: (1) free care which occurs when a hospital provides care knowing in advance it will not receive payment, and (2) bad debts, which occur when a hospital provides care and later discovers there will be no payment. In FY 2005, Connecticut hospitals reported total uncompensated care (bad debts and free care) charges of $388 million. The actual cost to the hospital for providing this uncompensated care was more than $170 million. As a percentage of total hospital expenses, the uncompensated care cost to hospitals was approximately 2.8 percent in FY 2005.

Disproportionate Share Hospital (DSH) Program

Since the inception of the Disproportionate Share Hospital (DSH) Program in December 1991, funds have been provided to Connecticut acute care hospitals based on each hospital's uncompensated and under-compensated care as a percentage of the statewide totals. Using the financial data filed annually by hospitals, OHCA performs the calculations for the DSH program. DSH funds of $62,475,000 were distributed to hospitals in 2005.

In May 2006, Praxair officials joined with executive branch leadership and Governor Rell to dedicate the Praxair Regional Heart and Vascular Center at Danbury Hospital, named for a gift of $4 million from the Praxair Foundation. The gift represents the largest corporate gift in the history of the hospital.

Research and Planning

The demand for accurate and objective health care information has never been greater. Through special studies, collaborative projects, publications and presentations, OHCA's Research and Planning Unit addresses the challenge of meeting the information needs of policy makers, providers, purchasers, state agencies, municipalities and the public at large.

Efforts to Improve Access to Health Insurance Coverage

Connecticut's Uninsured

In 2006, OHCA continued its ongoing examination of access to health insurance coverage, fielding separate telephone surveys of Connecticut households, employers, and two groups that the agency's prior research had shown are at high risk for being uninsured - Hispanic adults and young adults (ages 19 to 29). From 2001 through 2006, OHCA's survey research was supported by State Planning Grants (SPG) competitively awarded by the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA). The SPG program helped states design policies to expand access to affordable health insurance coverage. Specifically, it aided states in the collection and analysis of data on health insurance coverage and the development of health policy options. Information from OHCA's surveys have been provided to legislators, state agencies, healthcare advocates, municipal governments, health care providers and other stakeholders to inform their planning and policy making efforts.

"We have utilized this information in multiple venues and are appreciative of OHCA's work on this subject." -- Augusta Mueller, Director of Planning, Bridgeport Hospital

"Your reports provide us with current, useful resource material . . . as we perform our work in the grass roots community." -- Stephanie Paulmeno, Director of Community Health Planning, Greenwich Department of Health

A number of consistent results have emerged from OHCA's three general household and several targeted health insurance surveys. Nearly all Connecticut residents have health insurance, largely through an employer. Connecticut's system of employment-based coverage has remained stable, even as this has eroded nationally over the last several years. However, pockets of uninsurance remain. At any one time, approximately six percent of state residents are uninsured, and, over the course of a year approximately ten percent will experience at least one period of uninsurance.

The uninsured face several barriers to coverage. While the majority of uninsured are working adults, only 14 percent are eligible for coverage through their employers. Two-thirds of the uninsured earn less than 300 percent of the Federal Poverty Level, restricting their ability to purchase coverage. Finally, most of the uninsured are not married and therefore may not have access to coverage through a spouse or partner's employer.

Minorities and young adults (ages 19-29) are at greater risk for being uninsured. Minorities account for over half of the uninsured yet are less than one-quarter of Connecticut's total population. Hispanics alone are one-third of the uninsured, yet only ten percent of the state's total population. Among the uninsured, young adults comprise the largest single age group. OHCA's two targeted surveys of Hispanic and young adults revealed that both groups have reduced access to employer-coverage, lower incomes, and less likelihood of having access to coverage through a working family member.

Health insurance coverage has significant effects upon the use of health care services. The uninsured are less likely to have a regular health care provider, to have visited a health professional in the last year, or to receive a prescription. They are also more likely to choose not to get needed care for a medical emergency or non-emergency illness or injury.

Publications on each survey were released in early 2007. The State Planning Grant program ended in early 2007, but OHCA will continue to support planning efforts to reduce Connecticut's uninsured and provide data and analysis to Connecticut policy makers to inform coverage expansion efforts.

Special Studies and Reports

Among its key research activities in 2006, OHCA published:

Studying Health Care Utilization in Connecticut Report to the Governor and General Assembly . This report, mandated by Section 19a-634 of the Connecticut General Statutes, identified major forces affecting health care utilization, and examines Acute Care hospitalization trends in Connecticut for fiscal years 2001 through 2005. From 2001 to 2005, inpatient discharges and patient days grew steadily by about 2 percent annually. On average, about 15 percent of emergency department patients were admitted to Connecticut hospitals for inpatient care. Inpatient admissions through the ED increased from 44 percent in 2001 to 50 percent in 2005. The report discusses trends in staffed bed utilization and availability, discharges by age, gender race and ethnicity, as well as the reasons patients are admitted and the services they receive. The report also includes a discussion of charges, billing and payments.

Uninsured Hospitalizations, FYS 2001-2005. In FY 2005, the state's 31 acute care hospitals provided inpatient services to 11,000 uninsured state residents with total charges of $165 million. Outpatient hospital charges for the uninsured in that year were nearly $224 million. This report provides an analysis of the characteristics of uninsured hospitalizations in Connecticut. Such hospitalizations, for which no third party payer is responsible for payment, often result in financial burdens for patients and their families, as well as hospitals. The hospitalized uninsured are more likely than the insured to be admitted to the hospital through the emergency department (ED) and eventually discharged home without any home health services or care at another facility.

Evaluation of Pediatric Psychiatric Beds. In January 2006, in response to Public Act 05-280, "An Act Concerning the Expenditures of the Department of Social Services," OHCA presented the Report of the Committee to Examine Hospital Inpatient Behavioral Health Bed Capacity for Children to the General Assembly. The report examines access to and availability of inpatient acute behavioral health care beds for children (ages 0-12) and adolescents (ages 13-17) in the state and recommends increasing the number of pediatric beds in Mental Health Region 5. As a follow-up, OHCA established an implementation group in the summer, which reviewed the most current data to determine the appropriate number, type and location of the beds recommended for Region 5. OHCA will present the group's report in March 2007.

Health Insurance Coverage in Connecticut: Executive Summary of the 2006 Household Survey. An estimated 6.4percent of the state's population, or 222,600 residents, were uninsured at the time they were surveyed, up from 5.8 percent in 2004. While 6.4 percent were uninsured at the time of the survey, 10 percent or nearly 347,000 people experienced at least one period of uninsurance during the last year. Working adults account for 61 percent of Connecticut's uninsured, the majority of whom hold permanent full-time positions. Low income families, minorities and young adults have a greater likelihood of being uninsured than others.

Premium Assistance . . . Affordable, Cost Effective, Greater Access to Care. OHCA created a premium assistance brochure to educate policymakers on other states' practices and the value of using the private sector to provide coverage, rather than expand public programs. The brochure also highlighted variations and savings in state programs, and Connecticut's potential benefit from premium assistance.

2006 OHCA Publications

- Report of the Committee to Examine Hospital Inpatient Behavioral Health Bed Capacity for Children (January 2006)
- Summary Briefing on the Office of Health Care Access State Planning Grants Survey Results (January 2006)
- OHCA's Annual Report on the Financial Status of Connecticut's Acute Care Hospitals (2004 data, published 2006) (February 2006)
- Databook: Working HUSKY Families and Employers (February 2006)
- Premium Assistance…Affordable, Cost Effective, Greater Access to Care (April 2006)
- Studying Health Care Utilization in Connecticut - Report to Governor and General Assembly (June 2006)
- Health Insurance Coverage in Connecticut: Executive Summary of the 2006 Household Survey (December 2006)
- Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals. (December 2006)
- Uninsured Hospitalizations, FYs 2001-2005 (December 2006)

Copies of all reports are available on the agency's website at http://www.ct.gov/ohca.

The following lists some of the many organizations that were provided data and/or analyses by OHCA in 2006.

Government
Office of Policy Management, Office of Fiscal Analysis, Governor's Office, Senate Republicans, Connecticut General Assembly, Medicaid Managed Care Council, Department of Social Services, Labor Department, Department of Children and Families, Department of Mental Health and Addiction Services, Department of Public Health, Office of the State Comptroller Office, Office of Legislative Research, Permanent Commission on the Status of Women, HRSA Grantee states

Hospitals*: Yale-New Haven Hospital, Middlesex Hospital, Sharon Hospital, St. Mary's Hospital, Waterbury Hospital, and Waterbury Health Access Project (HRSA grantee – alliance of two Waterbury hospital, local clinics, and other providers)*

Other Providers*: East Hartford Community Health Care and Generations Health Clinics (Willimantic & Norwich), Multiple Sclerosis Society, Fairfield County Medical Association, Stamford Systems of Care Collaborative, Asian American Society, Mental Health Board, North Central Regional*

Insurers: *Connecticare, HealthNet, and Anthem*

Media: *Waterbury Republican American, Stamford Advocate, Connecticut Post, WTNH*

Municipal Government*: New Haven Health Department, Greenwich Health Department*

Foundations and Non-Profits*: Universal Health Care Foundation, CT Voices for Children, Hispanic Health Council, Middlesex United Way, Citizen Community of Human Rights, CT Health Foundation, CT Health Policy Project*

Research: *Boston University, Economic and Social Research Institute, The Urban Institute, HRSA grantee states.*

Legislative Update

On July 1, 2006 the two following Public Acts were enacted into law. Each of the Acts changed various sections of the Office of Health Care Access statutes.

Public Act No. 06-64 "An Act Concerning Revisions to the Office of Health Care Access Statutes" can be divided into distinct areas of interest, 1) waiver from certificate of need (CON) in emergency situations; 2) exemption from CON for replacement equipment; and 3) exemption from CON for non-profit health services.

Waiver from CON for Emergency Purposes

The Act expanded the existing statute by allowing a healthcare facility to request a waiver in situations where a healthcare facility demonstrates that the 60 day LOI phase would compromise the ability of the healthcare facility to provide access to care. This waiver is only applicable to services currently provided by the healthcare facility.

Waiver from CON for Replacement Equipment

The Commissioner has the authority to waive from CON certain equipment previously obtained through the CON process. The Act repealed a requirement which precluded the Commissioner from granting such a waiver if the applicant is replacing equipment that costs more than ten percent of original cost for each twelve month period that has elapsed since the original CON approval.

Exemption from Certificate of Need

The Commissioner of OHCA may grant an exemption from CON to non-profit facilities, institutions or providers currently under contract with a state agency or department who are seeking to engage in, relocate or terminate a service. A Commissioner of the agency with which the non-profit facility, institution or provider has a contract must request an exemption in writing. In the case of a relocation or termination of services the request must ensure access to care will continue to be met in a better or satisfactory manner and specifies how this will be done.

Public Act No. 06-28 "An Act Concerning Certificate of Need Capital Expenditure Thresholds" has two overall provisions of interest; 1) the raising of all capital expenditures threshold to $3 million and 2) adding an "in operation" date for certain radiology services.

Increase Capital Expenditure Threshold

The Act increased the CON threshold for all capital expenditures, including major medical equipment, to $3 million.

In Operation Date for Radiology Equipment

The Act required each health care facility, institution or provider that purchases, leases or accepts donation of a CT scanner, PET scanner, PET/CT scanner, MRI scanner, cineangiography equipment or a linear accelerator equipment has such equipment in operation by July 1, 2006 or CON authorization is required.

The Office of Health Care Access

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