

## PRESENTATION OUTLINE

### I. Introduction

- Overview of Connecticut Hospital System Challenges
- Financial Comparison of US and CT Hospitals using selected Financial Ratios

### II. Health Reform

- Key Attributes of National Health Reform Legislation

### III. Recommendations for the Task Force to Consider Regarding Connecticut's Response to Healthcare Reform

## CONNECTICUT HOSPITAL SYSTEM CHALLENGES

- Declining Operating Margins
- Severe Difficulty Accessing Capital
- Poor Balance Sheets
- Significant Needs to Modernize Facilities and Upgrade Health Information Systems
- Significant Health Personnel Shortages
- Growing demands for Service from the Uninsured and Underinsured Populations
- High Cost State for all Business Operations
- Federal and State Government are the Payment Source for over 50% of all Hospital Revenues

FINANCIAL DETERIATION  
OF THE HOSPITAL SYSTEM  
US/CONNECTICUT

	2007 Median		2008 Median		Deterioration Measure	
	US	CT	US	CT	US	CT
Operating Margin	2.1%	1.3%	1.5%	1.3%	-40%	0%
Median Rate of Revenue Growth	7.2%	6.3%	7.1%	6.4%	-1%	+2%
Days Cash on Hand	160 days	194 days	140 days	164 days	-14%	-15%
Cash to Debt	111.5%	97.6%	100%	83.5%	-11%	-14%
Debt to Capitalization	38.5%	31.8%	42.1%	33.8%	-9%	-6%
Maximum Annual Debt Service Coverage	4.0x	6.0x	3.6x	2.9x	-11%	-52%

***Source:***

***Moody's Investor Service: "not-for-profit Health Care Medians for Fiscal Year 2008 Show Weakening Across All Major Ratios and all Major Categories." New York, August 2009***

***Connecticut Hospital Association Financial Data***

## CURRENT HEALTH REFORM PROPOSAL ATTRIBUTES

- Seeks to reduce Medicare and Medicaid payments by 1.2 trillion dollars over 10 years.
- Expands insurance coverage to an additional 31-36 million Americans.
- Proposes to cut Medicare and Medicaid DSH payments as the number of uninsured shrink.
- Describes plans to create new, as yet undefined policies for bundling payments across the continuum of care.
- Introduces in concept form value based purchasing and geographic variation payment adjustments that could affect dollars available to Connecticut residents.
- Imposes penalties for hospital acquired infections and readmissions for some diagnosis within 30 days.
- Introduces new taxes on insurers, medical device manufacturers, employers, and individuals.

## RECOMMENDATIONS TO ASSIT HOSPITALS WITH HEALTH REFORM

### Level the Playing Field for Medicaid Payments

- Bring the Medicaid reimbursement levels up to the true cost of the care delivered.
- Ensure the Medicaid Program, once adjusted for true costs, receives an annual market rate update based on the Medicare market basket.

### Federal Health Reform Legislative Changes

- Support changes in the federal health reform legislation that maximize federal funding for SAGA patients by April 2010.
- Support language in the federal health reform legislation that repeals Statewide Neutrality for the Rural Floor for Medicare payments.
- Oppose passage of language in any federal health reform bill that allows federal dollars to be moved out of Connecticut to other states under the guise of a geographic variation adjustment or a value based purchasing change if this reduction does not recognize legitimate regional cost differences.

### Malpractice Reform

- Promote malpractice tort reform legislation that:
  - Caps awards for non-economic damages
  - Requires pretrial mediation to speed resolution of malpractice suits and reduce malpractice costs
  - Provides “good Samaritan” law protection to health care providers who use federal or state approved/recommended treatment protocols but experience a negative patient outcome.

### Other State Initiatives

- Create a private/public agency to oversee the distribution of federal stimulus dollars to assist Connecticut providers in the development and implementation of an electronic patient record.
- Promote a relationship between the Department of Public Health and hospitals that encourages a more collaborative and less adversarial approach to patient safety and quality of care improvements.
- Support changes to the Certificate of Need process that do not negatively impact the quality of care or increase health care costs. These changes involve streamlined review processes, higher thresholds for certain project types, selective expansion of exemptions, and an abbreviated merger/acquisition certification.
- Provide direct financial assistance and tax incentives that encourage hospitals and physician groups to recruit new physicians to Connecticut, especially primary care physicians.
- Remove existing barriers to physician alignment and the creation of accountable care organizations (AHOs) (e.g. corporate practice of medicine laws, antitrust provisions, etc).