



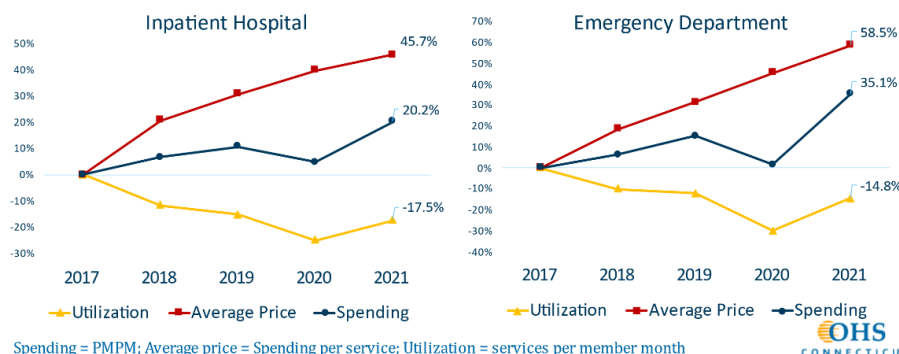
**STATEMENT OF THE OFFICE OF HEALTH STRATEGY ON HEALTH CARE COSTS
AND THE FINANCIAL HEALTH OF CONNECTICUT'S ACUTE CARE HOSPITALS
MARCH 14, 2023**

BACKGROUND:

- In CT and across America, we are facing a crisis in the affordability of healthcare. Large percentages of our residents are struggling to afford the care they need.
 - 55% of respondents in a [2022 survey](#) of CT residents reported a health care affordability burden in the last year
 - 38% of Americans in a recent [Gallup poll](#) report postponing needed healthcare because of costs
 - As the price for insurance coverage rises, employers are shifting more and more of the healthcare cost burden to employees
 - The leading cause of personal bankruptcy in the United States is medical debt.
- Data from CT health care claims shows that some of the main contributors to rising healthcare costs in our state are pharmacy and hospital costs.
- Therefore, to address this crisis all parties in the health care system, *including insurers, drug manufacturers, pharmacy benefit managers, hospitals, hospital systems, physicians, employers and consumers have a role to play*. Multiple solutions are needed: there is no single answer to this complex and long-standing problem. Governor Lamont has proposed a suite of data-driven measures aimed at relieving some of the burden of high health care costs in CT, and making CT a leader in affordability initiatives. Some of these proposals focus on increasing hospital competition and reducing unnecessary hospital charges.
- OHS acknowledges the indispensable role of hospitals in our health care system, and the strong public-private partnership that developed over the pandemic. The state contributed at least \$40 million of Coronavirus Relief Funding to our acute care hospitals, to supplement the greater than \$1 billion in federal assistance received.
- OHS also acknowledges that costs for staffing were exacerbated by the pandemic and the shortage of skilled professionals. Hospitals, like consumers, have been impacted by inflation.
- At the same time, hospital price increases preceded the pandemic. According to the CT All-Payer Claims Database, price paid per hospital discharge has increased by 46% since 2017, and price paid per emergency department visit has increased nearly 60%.

Inpatient hospital and emergency department payment per service increased each year, while utilization dropped significantly

/ Emergency department visits include both outpatient and professional spending



- Nationally since 2000, the increases in hospital services (227%) have outpaced overall inflation (76%) and wage gains (104%), contributing to the affordability crisis.



- Addressing healthcare affordability will require addressing the steep rise in hospitals prices, in addition to tackling the other drivers of cost.

Establishing The Facts:

- To develop solutions, all parties need to work from a common set of facts. That begins with using data and statistics that are available and verifiable by all parties.
- OHS publishes an annual [Hospital Financial Stability](#) report, based on hospitals' own audited financial reporting. As a comprehensive overview of income, assets and expenses this is the data source OHS uses to confirm hospital financial positions. The report covering FY 2022 is still under development. Five hospitals (Bristol, Day Kimball, Manchester, Rockville, and Waterbury) have requested and been granted an extension on submitting their FY 2022 data.
- The OHS annual reports cover the fiscal year from October through September and are generally published the following September.
- Some hospitals which have struggled in recent years continue to face financial challenges. The financial situation varies between institutions. Of the 27 acute care hospitals in CT, all but 3 (Waterbury, Manchester and Rockville) have not-for-profit status.
- [The report for FY 2021](#) showed the following:
 - In FY 2021 (October 1, 2020 – September 30, 2021), statewide **total operating profits, or earnings which come from providing care to patients at Connecticut hospitals was \$337.4 million**, an increase of 725% from the previous year.
 - Hospitals statewide earned \$1.14 billion from sources unrelated to patient care (or nonoperating revenue) such as revenue from investments, unrealized gains on investment holdings, and gains from affiliates or joint ventures. This was a 251% increase from the \$324.6 million earned in FY 2020**, due in part to increases in the financial markets.

- Seventy-four percent (74%) of hospitals (20 of 27) achieved a positive total margin, a measure of profitability that includes profits (or losses) from patient care and any gains (or losses) in non-operating revenues.
 - **The statewide total margin was 9.18% in FY 2021, an increase from the statewide total margin of 2.61% in the previous year.** The five-year average total margin was 6.06%.
 - Four hospitals had negative five-year average total margins in the FY 2017 to FY 2021 period; one fewer hospital than in the FY 2016 to FY 2020 period.
 - Total hospital net assets increased by \$2.3 billion to \$9.98 billion, or 30% in FY 2021.
 - Statewide hospital uncompensated care charges totaled \$834 million in FY 2021, a \$58 million or 7.5% increase from the prior fiscal year.
- Preliminary review of the total cash and short-term investments held by CT hospitals at the end of FY 2022 (to be released with the 2022 Financial Stability Report) showed **\$3.07 billion on hand, including over \$2 billion held by Yale New Haven Hospital.** Cash/short term investments declined from the \$4.4 billion held at the end of FY 2021.
 - On March 7, the Connecticut Hospital Association (CHA) released an analysis suggesting hospitals are facing significant financial instability. The [analysis](#) from KaufmanHall was commissioned by the hospital association. Since OHS does not have complete audited financial information for the FY 2022 time period covered by the CHA report we cannot independently confirm or refute the findings.
 - Neither the KaufmanHall report nor the accompanying materials proposed solutions to the high cost of healthcare in CT
 - The Kaufman report used “financial performance reports” for 2022, without further description. We assume but cannot confirm these performance reports will differ from those submitted to OHS since a number of hospitals were unable to submit their reports timely to OHS as required by statute. We note the report focuses on operating margins, but that total hospital margins include non-patient revenue as well, which is also significant.
 - OHS will analyze hospital financial stability once data is complete and has been reviewed for quality. However, it is clear that CT hospitals overall entered FY 2022 in an extremely strong financial position, both in terms of available cash and total margins from FY 2021.

Summary:

- There is a crisis in healthcare affordability, driven by a number of factors including steep rises in hospital costs. Solutions are needed.
- Hospitals entered the 2022 fiscal year with high operating margins and billions in cash and short-term investments on hand.
- The COVID pandemic and inflation pose challenges for consumers and healthcare providers alike. Hospitals are a critical part of the healthcare system, and their financial stability is important.
- Some hospitals continue to struggle but as of the most recently available data, the overall financial health of CT hospitals is strong.