Connecticut Children's presentation to the MAPOC Subcommittee on Women and Children's Health

Monday, January 13, 2025

Connecticut Children's

THE STATE OF KIDS

Jim Shmerling, DHA, FACHE - President and CEO

Connecticut Children's

Our Commitment to Children

- We are Connecticut's only independent children's health system.

- Fast Facts:
  - Over 3,000 employees and 1,300 on medical staff
  - 38 locations across CT, MA, NY
  - 55 pediatric primary care locations participate in our clinically integrated network.

- Connecticut Children's serves as the Department of Pediatrics for UConn—we remain committed to training the next generation of pediatricians.

- Through our expansion efforts and partnership strategy, we are providing more of the care kids need close to home while at the same time investing in their communities.
  - According to a 2022 OHS report, Connecticut Children's ranks #1 in the state for community benefit spending as a percentage of total spending ($113.28 million).

Our Commitment to Children

- Kids are not little adults. Their growing bodies and developing minds come with a unique set of healthcare needs and a robust pediatric workforce is essential to ensuring that children have access to experts who are specifically trained to care for them.

- We continue to grow to meet the needs of children and families. New tower will include expanded NICU space, fetal medicine, cellular gene therapy, and bone marrow transplants.

- Connecticut Children's Office for Community Child Health builds partnerships across all sectors known to impact child health, development and well-being, such as housing, transportation, food and nutrition, and family support services.

- Medicaid underfunding is uniquely challenging for Connecticut Children's and our current Medicaid trend is unsustainable.

- **We want to partner with you!**

KIDS AREN'T LITTLE ADULTS:

Caring for Children Using Value-Based Programs Designed Specifically for Pediatrics

David Krol, MD, MPH, FAAP – Medical Director, Connecticut Children's Care Network

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Challenges

- Value-based programs are typically designed with adults in mind
  - Expectation of rapid return
  - Risk models
  - Quality metrics
  - Expectations of outpatient surgeries and imaging
- Data resources & expectations mismatch
  - Private/limited behavioral health discharge data
  - Delayed ED, hospital discharge data
  - Additional practice costs to provide supplemental data
- Absence of up-front payment to build primary care infrastructure
- Incentives based on gatekeeper metrics & year-over-year improvement

Opportunities & Recommendations

Partner with state leaders to ensure that payment models:

- specifically address children's health care in their design
- include appropriate pediatric metrics and risk algorithms
- ensure accurate, timely, accessible, easily exchangeable data
- recognize that care sometimes must take place in children's hospitals
- support up-front payment for primary care infrastructure
- reward consistent high performance, not only improvement
- remove "gatekeeper" metrics
- include pediatric providers in all conversations about payment models

BEHAVIORAL HEALTH UPDATE:

Ensuring Children Can Access the Behavioral Health Care They Need

Howard Sovronsky, LCSW – Senior Government Relations Strategist

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Challenges

- Lack of core funding for children's behavioral health is a significant obstacle in maintaining a sustainable continuum of care that is able to recruit and retain quality staff and invest in innovation and growth.

- The unique needs of young people with significant Intellectual Disabilities are not sufficiently being addressed. Better coordination and funding between DDS and the school districts would help address this concern.

- Boarding of children in our ED and in-patient units awaiting alternate levels of care continues to be an issue.

- Our Network of care for children who interact with multiple systems is fragmented creating challenges for children and families attempting to access services.

Opportunities

- Continue to improve our continuum of care that includes: Pediatric Emergency Room, Ambulatory Mental Health Services and our new Integrated Medical/Psychiatric In-patient Unit (IC5)
- Advance policies and sustainable investments that support the **integration of behavioral health** in schools, primary care, and other early-intervention settings to help prevent the need for higher, more costly levels of care.
- Support the Governor's interest in designing and implementing a meaningful and impactful **Children's Cabinet** to promote inter-agency collaboration and partnerships
- Build upon the work and future recommendations from the **Transforming Children's Behavioral Health Policy and Planning Committee**
- Continue to support the **partnership** between Connecticut Childrens and the Village by establishing a sustainable funding model for the Urgent Care and the Crisis Stabilization Programs.
- Increase **Medicaid rates** for children's behavioral health and move towards a cost- based rate structure.
- Expand the role of DDS in providing **expanded community based care for children with significant intellectual and developmental disabilities.**

ENGAGING FAMILIES AND STRENGTHENING COMMUNITIES TO PROMOTE CHILDREN'S OPTIMAL OUTCOMES:

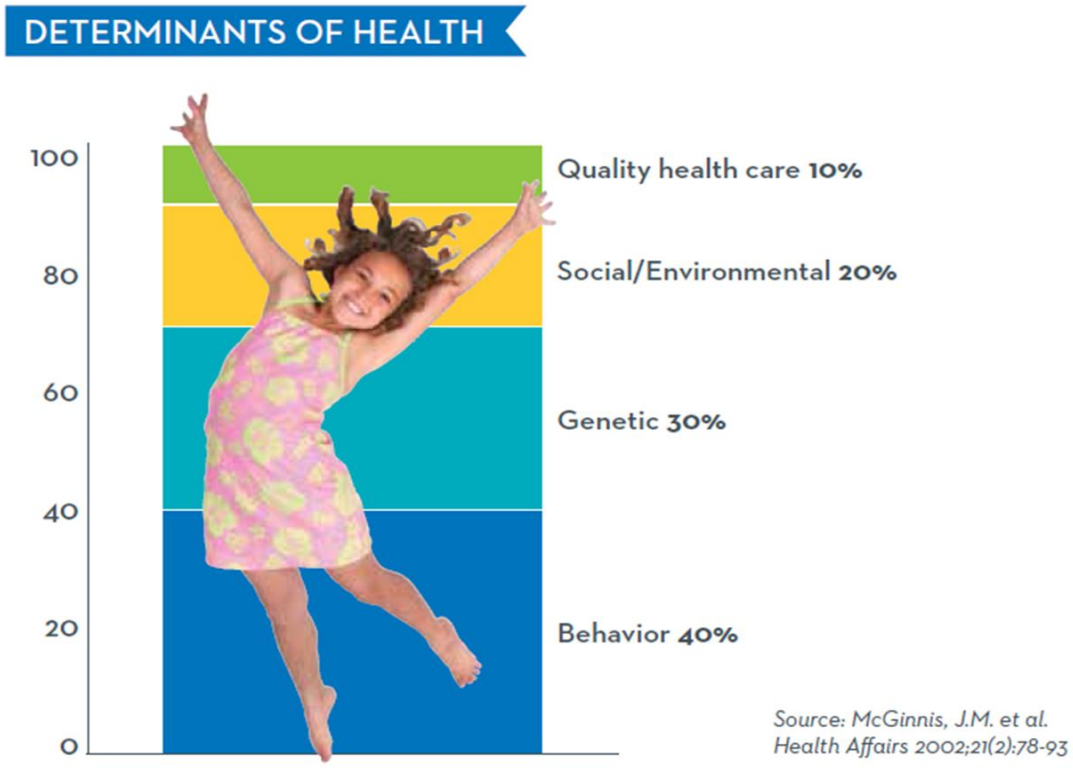
Addressing Lost Opportunities by Elevating Connecticut Resources to Scale and Impact

Paul Dworkin, MD – Executive Vice President for Community Child Health, Founding Director of Help Me Grow National Center, Project Director of North Hartford Ascend

Connecticut Children's | Office for Community Child Health

Challenges

- Behavioral, genetic, and social/environmental factors determine 90% of children's health, development, and wellbeing outcomes.
  - While pervasive, such factors are particularly important in areas of concentrated poverty.
- Connecticut has exemplary, community-oriented resources that have the capacity to strengthen families and communities to promote children's optimal outcomes. However, such resources are most often operating as siloed programs and must be embedded within comprehensive, integrated systems of care.



Opportunity

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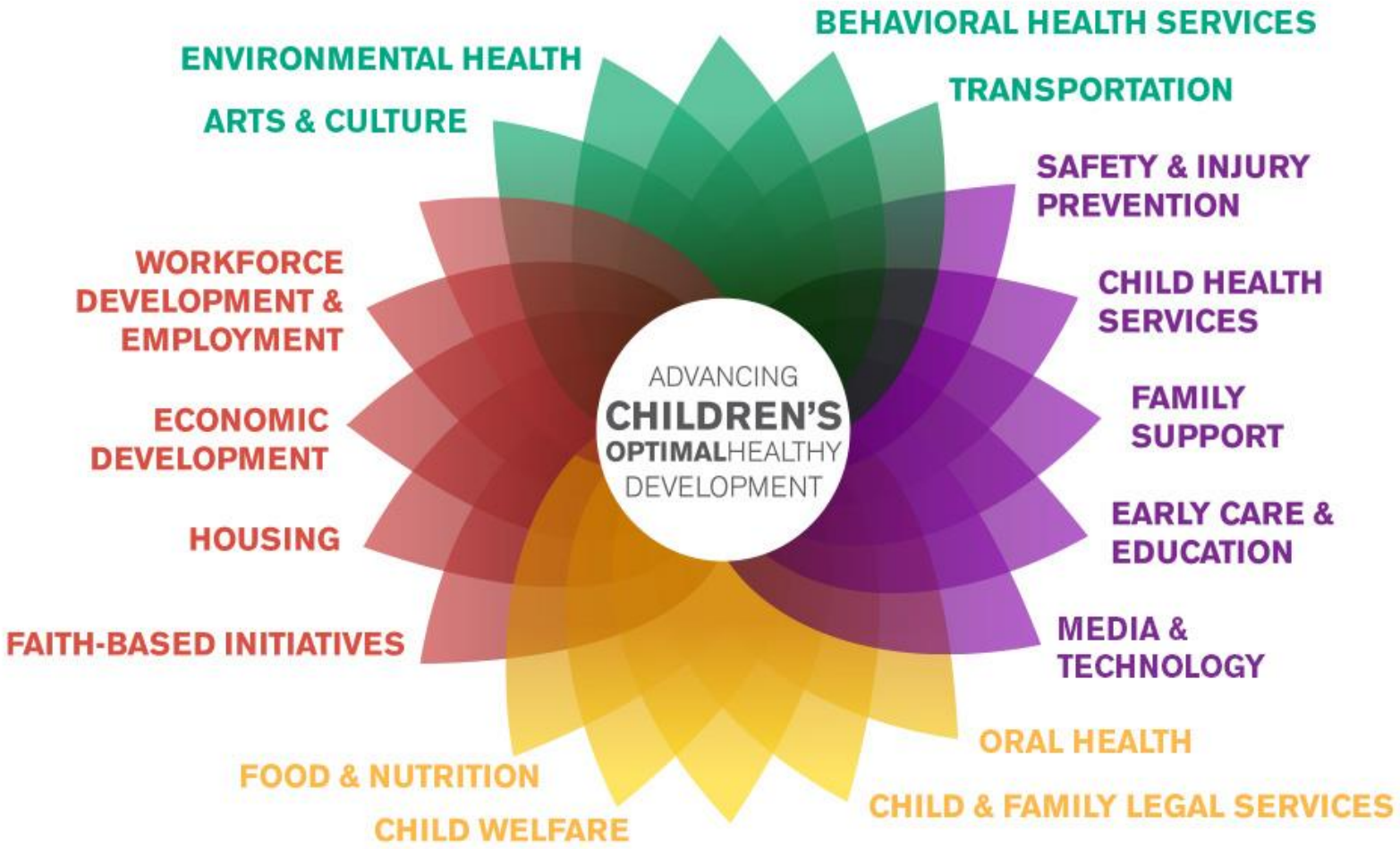


Opportunity

Connecticut Children's | Office for Community Child Health

NORTH HARTFORD ASCEND

Current State

Opinions, Priorities, Concerns, Needs of Promise Zone Neighborhoods' Residents and Families

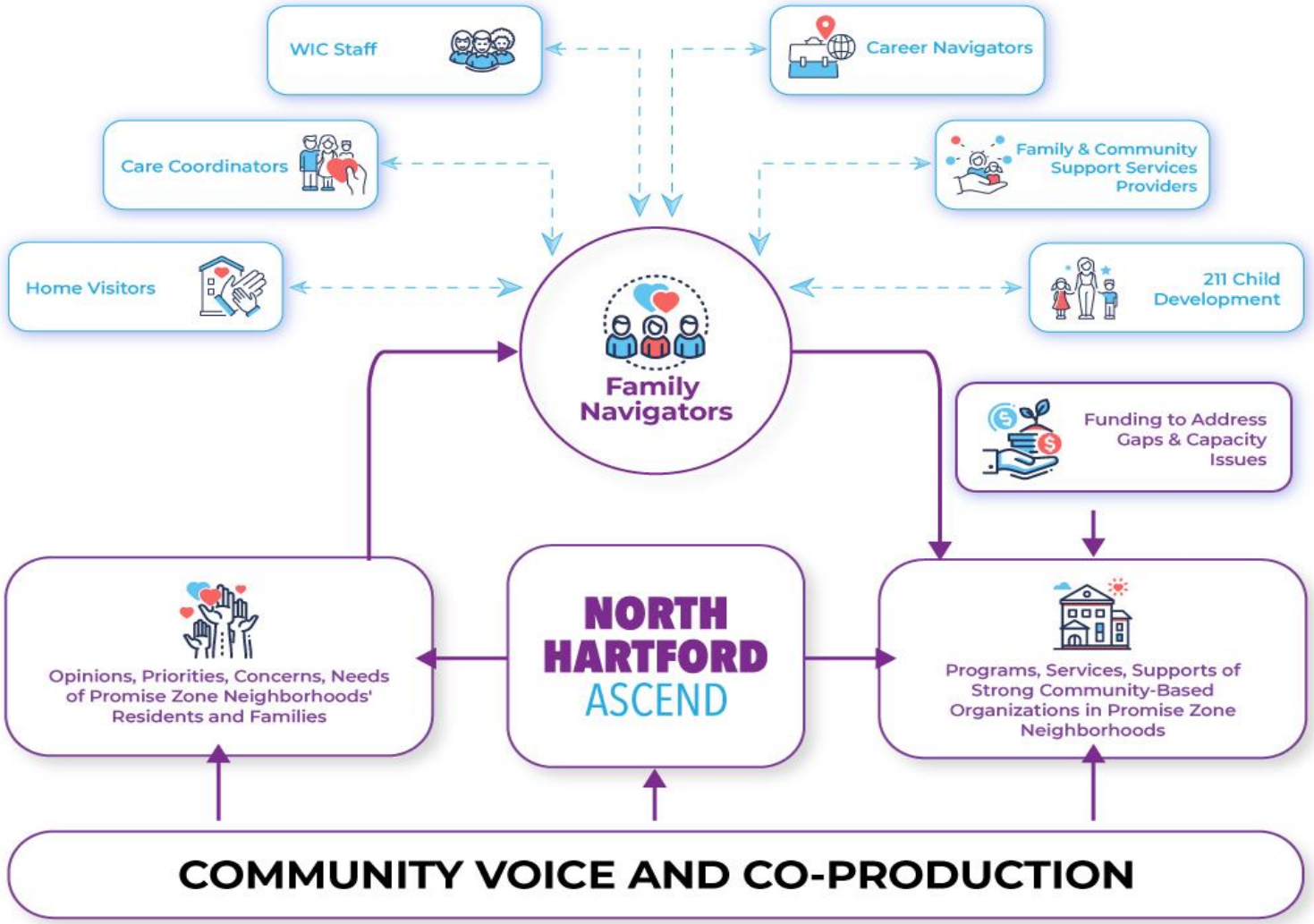
Strong Array of Programs, Services, Supports of Community-Based Organizations in Promise Zone Neighborhoods

Opportunity

Connecticut Children's | Office for Community Child Health

NORTH HARTFORD ASCEND

Ideal State-Ascend System Building



Recommendations

- Scale and spread the **North Hartford Ascend** model to mitigate the impact of concentrated poverty, strengthen families and communities, and promote the optimal health, development, and wellbeing of all children and youth;
- Bring **Help Me Grow-Connecticut** to scale and impact to enable every child and family access to a comprehensive system of developmental promotion, early detection, referral and linkage to community-based programs and services;
- Increase access to effective care coordination/care navigation services through coordinating, integrating, and strengthening the capacity and impact of DPH **Title V care coordination services** for children with special healthcare needs, United Way's **211-CT** and **211-Child Development**, DPH's **Care Coordination Collaborative** model, and such care coordination resources as **family navigators**, **home visitors**, **WIC staff**, **community health workers**, **career navigators**, and **school-based family & community support services providers**;
- Support the design of a transformative **child health services value-based care plan** as a pilot for the State Employee Health Plan through the work of the Children's Subcommittee of the Comptroller's Healthcare Cabinet and consider its implications for all plans-public (i.e., Medicaid) and private;
- Establish a meaningful and impactful **Children's Cabinet** to promote inter-agency collaboration and partnerships and solve the "wrong pocket" problem;
- Employ such tools as an **"ROI Calculator"** to capture both short-term and long-term return-on-investment, cost savings, and cost benefits of comprehensive childhood system building and justify an **"invest-reinvest"** approach through such financing vehicles as social impact bonds and cash transfers; and
- Drive and inform all initiatives through **community voice and co-production**.

MEDICAID MATTERS:

Treating Children Equitably by Prioritizing Their Unique Needs in Medicaid

Bridgett Feagin, MBA – Executive Vice President and Chief Financial Officer

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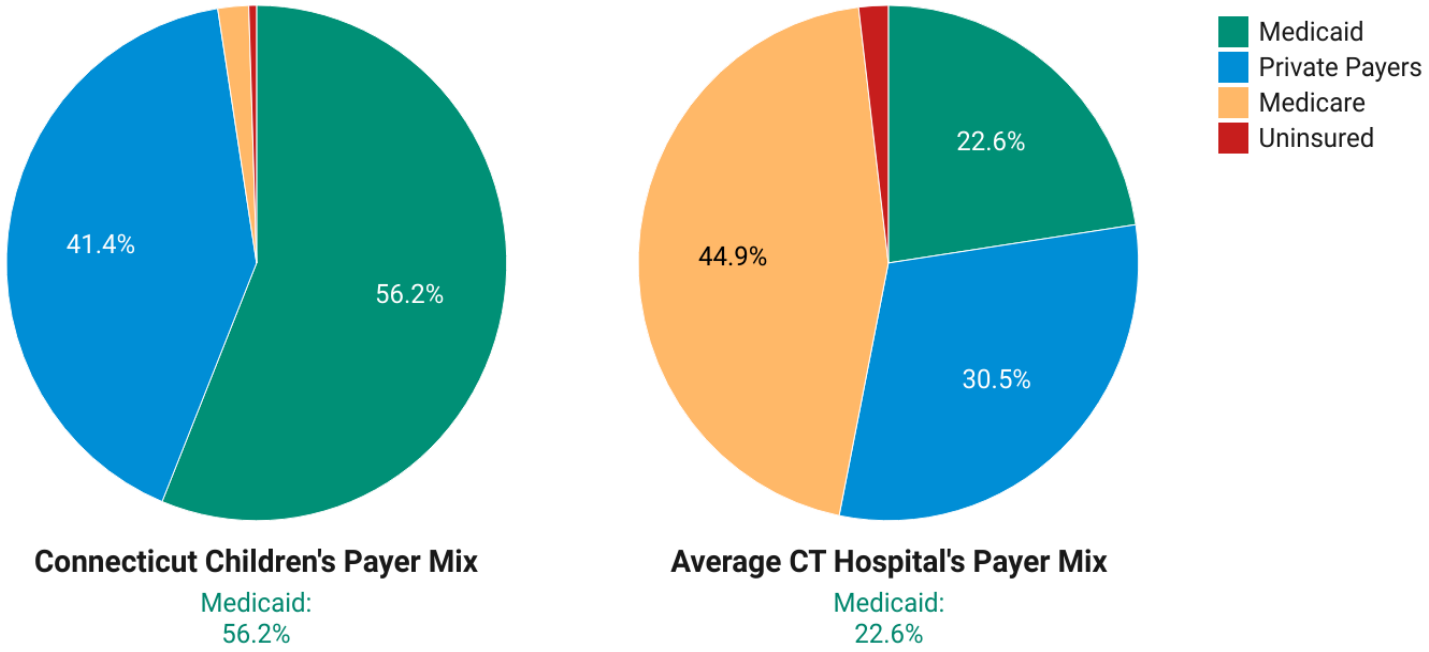
Pediatrics Is Unique

- Medicaid covers 1 out of every 3 children in Connecticut.
- As our State's pediatric health care safety net, Connecticut Children's has a special relationship with Medicaid:
  - **56.2%** of our patients rely on Medicaid
  - **22.6%** of adult patients rely on Medicaid
- This means that low Medicaid payments impact our bottom line much more dramatically.



Source: Office of Health Strategy's FY2022 Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals page 96 • Created with Datawrapper

Pediatrics is predictably and appropriately more expensive than adult medicine

- One driver of costs is the size range of our patients—we need to stock a wide range of equipment to meet their needs.
- Each dose of medicine is also calculated by patient weight.
- Another driver is the age range of our patients—50% of the inpatient care we provide is for kids under age 1 and about 70% is for kids under age 6—providing care for very young children requires more staff per patient.
- Connecticut Children's is not expensive compared to its peer group of other children's hospitals.
  - A 2022 Children's Hospital Association study completed by Goldman Sachs showed that Connecticut Children's had the **sixth lowest system-level operating expenses per adjusted patient day** out of the 37 children's hospital systems surveyed nationally.

How We Compare to Other Hospitals

- Cost coverage without supplemental payments:
  - Connecticut Children's 51.8%[1], Average Connecticut hospital 62%,[2] Average children's hospital 70.6%[3]
- Unreimbursed costs for Medicaid as % of total expenses
  - Connecticut Children's 18.1%[5], Average Connecticut hospital 7.2%[6], Average children's hospital 6.7%[5] (3rd quartile 10.3%)
- Connecticut Children's further stands apart because our patients are sicker; we have the highest Medicaid Case Mix Index in the State - 1.74[7] vs. the statewide average of 1.44[8]

Citations: 1. FY2024 projected Medicaid revenue for Clinical Operations excluding supplemental payments; 2. Connecticut Hospitals Today 2024, February 2024, page 5; 5. Children's Hospital Association Analysis of Children's Hospital (n=36) community benefit spending from IRS Form 990, Schedule H as reported by the Community Benefit Insight tool; 6. OHS Draft Hospitals' Community Benefit Summary and Analysis Report 2022, page 30; OHS Financial Status of Connecticut's Short-term Acute Care Hospitals, FY2022, page 99; 8. CMS DRG Grouper for 2022 received from Mark Schaefer, CHA on 05/03/2024.

Margin Trends

	Hospital – (A)			Connecticut Children's Specialty Group – (B)			Clinical Operations – (A) & (B)		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Operating Margin	11.44%	7.54%	7.20%	-24.11%	-14.74%	-19.85%	4.72%	3.11%	1.95%
Total Margin (Includes Pension Adj, Restricted Trust Income and Unrealized Gain/Loss)	19.11%	8.94%	8.45%	-23.99%	-14.83%	-19.78%	6.31%	4.35%	3.01%

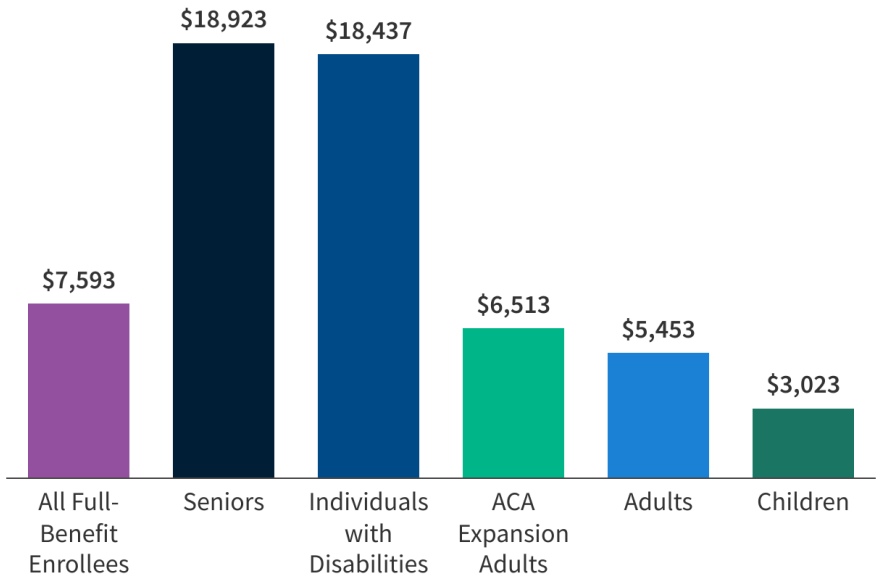
Source: Baker Tilly audited financial statements.

Challenges—Medicaid Must Invest Equitably in Children

- Medicaid spending on children is a great value.
- In serving our mission to care for all children regardless of healthcare coverage, we struggle and will continue to struggle with the financial impact of Medicaid.
- Connecticut Children's is paid more poorly than other hospitals in Connecticut—We project that in Fiscal Year 2024, Medicaid covered only 51.8%[1] of Connecticut Children's costs while it covered 62%[2] of costs for the average hospital in Connecticut (without supplemental payments)
- To achieve results that are closer to parity with Connecticut's adult hospitals, Connecticut Children's annual Medicaid cost coverage should increase to 62%.
- In FY24, achieving 62% cost coverage would require an additional $42.1 million in Medicaid revenue (State + Federal).

National Medicaid Spending Per Enrollee Was $7,593, Though That Varied Widely by Eligibility Group

Spending per full-benefit enrollee by eligibility group, 2021



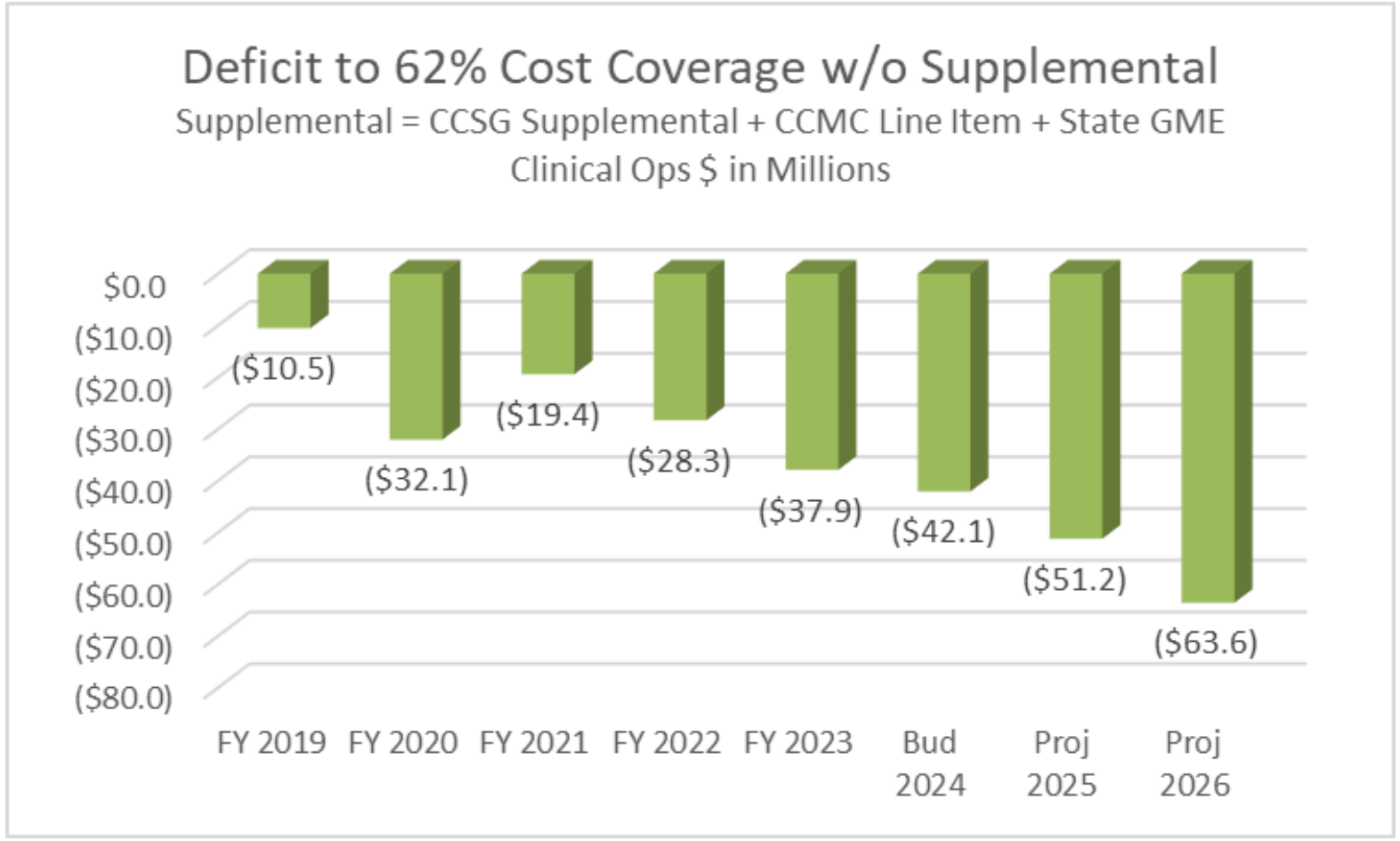
Source: Kaiser Family Foundation analysis of the M-SIS Research Identifiable files, CY2021

Implication: It is essential that the Medicaid Rate Study consider the adequacy of pediatric payment rates separately from its consideration of other rates.

Citations: 1. FY2024 projected Medicaid revenue for Clinical Operations excluding supplemental payments; 2. Connecticut Hospitals Today 2024, February 2024, page 5.

Connecticut Children's Current Medicaid Trend

The figures shown below represent the Medicaid under funding due to Connecticut Children's lower cost coverage, 51.8% versus the average cost coverage, 62% funding provided to the other Connecticut hospitals.



- Connecticut Children's does not participate in the provider tax settlement. Therefore, we have not received the annual rate increases as the other hospitals.
- Over the past 5 years and projecting forward, our aggregate loss to 62% cost coverage is $285.1 million.

Challenges—Current Crisis Precipitated by Medicaid Underpayments

- Closing one primary care location on April 1 and consolidating with remaining locations
- Closing Specialty Care Center at 4 Corporate Drive in Shelton, and consolidating those services into our Westport, Danbury, Farmington and Hartford locations to optimize resources
- Hospital Days' Cash on Hand as defined by OHS was at 25.56 days in September 2024
- The opening of our new Tower will be phased:
  - Phase 1 (late 2025)—opening one NICU floor and other non-clinical services
  - Phase 2 (date TBD)—opening remaining NICU floor, Fetal Care Center, remaining clinical services

Opportunities to invest in children

- State leaders can support children's access to care and optimal health by **implementing a Medicaid rate solution that achieves parity with adult health systems** for Connecticut Children's.
  - Historically low Medicaid reimbursement rates are a key factor in pediatric workforce shortages and related access challenges for children.
- The State must **treat children equitably by prioritizing their unique needs in Medicaid** through program design and financial investment.
  - Underinvesting in marginalized communities has short term impacts on children's health outcomes and long term disproportionate impacts on the vulnerable families Medicaid is meant to serve.
- Connecticut Children's recognizes that only about 10% of children's overall health and wellbeing is determined by the access to and quality of the health care services they receive.
  - It is essential for the State **to financially support opportunities for cross-sector community partnerships** that can address the social influencers of health and promote optimal healthy development and outcomes.
- Our ability to invest in transformative, innovative work in our communities requires long-term Medicaid stability.

Recommendations

- In reviewing the Medicaid Rate Study results, consider the adequacy of pediatric payment rates separately from consideration of other rates.
- Approve Medicaid revenue enhancement in FY2025 for Connecticut Children's to avoid the crisis being precipitated by the underpayment.
- Implement long-term Medicaid rate solutions that sustain payment parity for Connecticut Children's.
- Partner with Connecticut Children's to implement Medicaid payment models that reward achievement of pediatric-focused health and social determinant metrics.
- Identify new opportunities to leverage federal Medicaid revenue.

CLOSING REMARKS

Jim Shmerling, DHA, FACHE – President and CEO

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Q&A

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