

State of Connecticut
Office of Health Care Access

2004

ANNUAL REPORT

TO THE GOVERNOR AND THE GENERAL ASSEMBLY

MARCH 2005



Since my appointment in January of 2004, I have led the agency's efforts to facilitate access to a quality health care system. In addition to completing our mandated activities, the Office of Health Care Access has focused on increasing the value and utility of data collected by the agency so that it can be used to make data-driven decisions. We have also examined health care trends to better understand and predict hospital performance and used forecasting techniques to determine future health system needs.

Cristine A. Vogel, MPH
Commissioner

AGENCY OVERVIEW

The *mission* of the Office of Health Care Access (OHCA) is to ensure the citizens of Connecticut have access to a quality health care system by:

- advising policy makers of health care issues;
- informing the public and the industry of statewide and national trends; and
- designing and directing health care system development.

The agency facilitates access to quality health care by managing the Certificate of Need (CON) program for health system planning, collecting and analyzing hospital financial and utilization data and reporting on industry trends,

and exploring and defining health coverage issues. The agency continues to conduct research to examine health coverage issues and to look for cost-effective ways to expand access to affordable health insurance coverage.

During 2004, OHCA published various reports and targeted issue briefs to advise key decision makers on health care issues and to inform the public of statewide and national trends.

Throughout the year, OHCA gathers, verifies and analyzes hospital financial data, which include revenues and expenses, uncompensated care levels and other financial information. The agency also analyzes hospital utilization data to understand the capacity of and need for health care services, and administers the Certificate of Need Program, a regulatory function to assess need and to ensure access to quality services. This report highlights agency accomplishments in these areas specific to 2004.

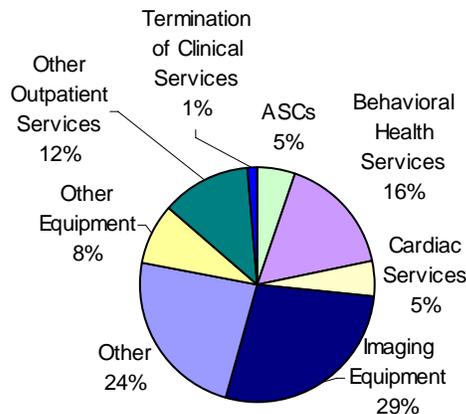
HEALTH CARE ACCESS

Certificate of Need 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 excessive capacity of services. In 2004, OHCA issued 76 CON decisions (66 applications and 11 waivers), 76 CON determinations and 24 CON modifications. Figure 1, page 2 illustrates 2004 CONs by type.

Two major trends are reflected in the CON applications and determinations: (1) the acquisition of new and replacement equipment by hospitals and doctor offices is increasing, and (2) hospitals are seeking to enhance access and quality of care available to their patients by offering new or expanded services.

Figure 1: CY 2004 CONs and CON Determinations



In 2004, Connecticut hospitals replaced equipment with obsolete technology to improve diagnosis and quality of care. Many of the MRI scanners



and CT scanners requested to be replaced were outdated and unable to perform necessary diagnostic procedures. CON authorization was granted for information systems, picture-archiving systems, monitoring and laboratory equipment. The development of new inpatient and outpatient clinical programs by hospitals

increased access to health care services. Recent changes to the American College of Cardiology and the American Heart Association guidelines have recognized the efficacy of providing primary angioplasty services without open-heart surgical backup. Four hospitals (Greenwich, New Britain, New Milford and Stamford) were approved to establish such programs. Three hospitals (Danbury, St. Mary's and Waterbury) were approved to establish angioplasty and open-heart surgery programs. These seven new programs will improve regional access and quality of patient care. Additionally, the acquisition of lithotripsy services and the development of wound treatment

programs, including hyperbaric medicine, by hospitals improved access and quality of health care delivery.

Furthermore, two hospitals have committed to establish Long Term Acute Care Hospitals (LTACs) as demonstration projects to better serve a medically complex population of inpatients in a more appropriate and efficient manner, thereby improving patient outcomes.

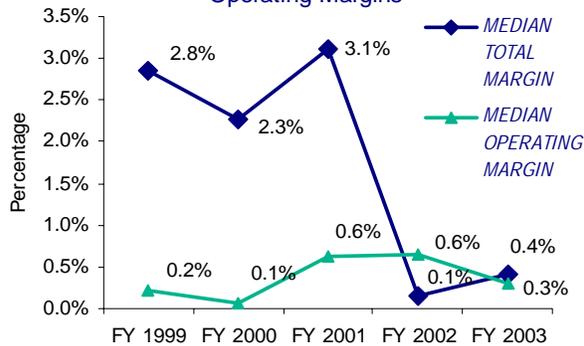
Hospital Financial Analysis and Forecasting

During 2004, OHCA collected and analyzed 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. Connecticut hospitals' total gross revenues increased 15% to \$10.8 billion, while hospital net revenue increased 8% to \$5.2 billion. Outpatient net revenues increased 1% and now account for 38% of hospital revenues. Total patient days rose by 1% and full time equivalents rose 2% during the year. Net revenues from government payers dipped slightly from 53% of total net revenues to 51%.

Hospitals continue to be challenged by both internal and external operational issues and 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*. Operating margin includes a gain or loss from operating revenue only, while total margin includes a gain or loss from both operating revenues and non-operating revenues. For both measures, higher ratios imply greater profitability. The statewide hospital median total margin increased from 0.1% in FY 2002 to 0.4% in FY 2003 due to increases in other operating income and non-operating income. During the same period, the statewide median operating margin continued to erode, dipping to 0.3% in FY 2003 from 0.6% in FY 2002.

In FY 2003, the most recent year for which data is available, nineteen hospitals reported a gain in total margin, the same number as in FY 2002. The statewide median total margin increased in FY 2003 rebounding from the severe losses in

Figure 2: Statewide Median Total and Operating Margins



Source: Connecticut Acute Care Hospital Audited Financial Statements

investment portfolios in FY 2002. (Figure 2) Hospitals rely on the added income generated from gifts and bequests as well as the appreciation in the value of their financial assets to subsidize low gains and losses from operations, replace obsolete equipment and fund new programs for patients. OHCA has used forecasting techniques to project hospital revenues and expenses in conjunction with the CON review process to better understand and predict individual hospital performance.

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) *charity care* which occurs when a hospital provides care knowing in advance it will not receive payment, and (2) *bad debt* which occurs when a hospital provides care and later discovers there will be no payment. In FY 2003, Connecticut hospitals reported total uncompensated care (bad debt and free care) charges of \$300 million. The actual cost to the hospital’s of providing this uncompensated care was \$149 million. As a percentage of total hospital expenses, the uncompensated care cost to hospitals was approximately 2.8% in FY 2003.

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 the hospitals, OHCA performs the calculations for the DSH program. DSH funds of \$63,725,000 were distributed to hospitals in 2004.

RESEARCH AND PLANNING



Measuring Health Insurance Coverage

As part of OHCA’s ongoing efforts to examine access to health insurance coverage, the agency sponsored two

statewide surveys in 2004. Conducted by the University of Connecticut Center for Research and Analysis (CSRA) on OHCA’s behalf, the surveys of households and employers provided up-to-date estimates of insurance coverage and measured the degree of coverage offered by small employers in the state.

OHCA has focused its efforts on exploring coverage offered by small employers, as the agency’s previous survey research revealed that 1) the majority of Connecticut’s uninsured residents were working adults, almost half of whom worked for small employers, and 2) the state’s small employers were significantly less likely to offer health insurance coverage.

Among its findings, the 2004 Household Survey found that while most state residents have health insurance and regularly access the state’s health care system, there are pockets of uninsured. Low income families, Hispanics and young adults have a greater likelihood of being uninsured than other groups.

The survey found that the uninsured also access

the health care system differently than individuals with coverage. They are less likely to have a regular source of health care, make fewer physician visits, and are more likely to forego medical care or a prescription when they have an illness or injury.

OHCA's companion research effort, the 2004 Small Employer Health Insurance Survey, found that Connecticut employers that did not offer coverage are predominantly firms with fewer than five employees, have annual gross revenues under \$500,000 and are service or retail businesses. Employers cite cost as the main reason for not offering employees health insurance.

Efforts to Improve Access to Health Insurance Coverage

Both the household and employer surveys were funded by a State Planning Grant (SPG) awarded in 2003 by the U.S. Department of Health and Human Services Health Services Resources Administration (HRSA) to assist in planning health insurance coverage options. OHCA's overall goal as the lead agency for the State Planning Grant project is to develop a plan to provide adequate and affordable health insurance coverage to all of Connecticut's citizens. OHCA and its interagency partners have steadily worked toward this goal since the initial HRSA SPG grant award in 2001.

Recent trends suggest that while private insurance is still the primary source of health insurance coverage for most individuals, employer-based insurance coverage has begun to decline, particularly for the lower paying service sector jobs that are contributing to Connecticut's economic recovery. At the same time, enrollment in public programs has increased. Maintaining and providing access to employment-based coverage is a key strategy to insure access to affordable health coverage. Since nearly three of every five uninsured Connecticut residents are

uninsured adults who may not have access to employer-sponsored insurance, the agency is targeting its proposed planning strategies on maintaining and improving access to employer-based coverage to reduce the number of uninsured and improve access to health care services.

Cardiac Registry

In 2004, OHCA implemented a significant policy to measure quality indicators of Connecticut's interventional cardiac care. Through a series of 2004 Certificate of Need decisions, OHCA



expanded the number of programs providing emergency angioplasty (Greenwich, New Milford, New

Britain, and Stamford Hospitals) and those performing emergency and elective angioplasty and open heart surgery (Danbury, St. Mary's, and Waterbury Hospitals).

As part of the CON settlements establishing these new programs, OHCA stipulated that new providers would have to meet nationally-recognized professional performance standards including procedure volumes and quality outcomes. To monitor their compliance with these standards, new providers will regularly submit specific clinical data to the Connecticut Cardiac Registry, a database designed and managed by OHCA.

Graduate Medical Education

OHCA continues, per statutory mandate, to collect and report annually on Graduate Medical Education (GME) in Connecticut. Seventeen of the state's teaching hospitals received approximately \$196.5 million in graduate medical education funding from Medicare and Medicaid in 2002 (the most recent year for which complete data are available), an overall increase of 18

percent from the prior year. The agency is reviewing its reporting requirements within the GME policy context and is examining ways to make the report more relevant to today's GME environment. After active review and discussion with members of the Graduate Medical Education Advisory Council, the agency proposed that, rather than a standing council, an ad-hoc committee be established which would be called upon to assess issues related to GME as the need arises.

TECHNOLOGY ENHANCEMENTS

During the past year, OHCA continued to enhance the agency website presence in several key areas. In March of 2004, CON Determinations and Letters of Intent were added to the website. This improved content complements the Final Decisions and Status Reports already available and directly provides



the information to the public. The agency also completed and launched a major initiative to upgrade its public website and migrate to the Connecticut government portal. The enhanced OHCA website, <http://www.ct.gov/ohca>, has become one of the agency's most valuable mediums for dissemination of information. Subscribers to OHCA's website are alerted via e-mail notification when updates occur on the website. Since the inauguration of the new portal in October of 2004, over 52,000 reports, publications and CON Decisions have been downloaded. Over 1,800 copies of the Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals for Fiscal Years 2002 and 2001 were accessed and downloaded in the two months following migration to the new portal.

In addition to the website initiatives, in 2004 OHCA began scanning all Certificate of Need documentation and disseminating the information in an electronic format to agency constituents. Providing this information in an electronic format has enabled the agency to dramatically expedite the processing of freedom of information requests as well as safeguard and preserve the original documents. At present, the agency has over 1,500 CON applications, decisions, determinations, letters of intent, as well as financial and fiscal forecasting files available for electronic viewing.

LEGISLATIVE UPDATE

Advances in healthcare technology are creating the ability to deliver more services in outpatient settings. In response to this marketplace shift, the 2004 Office of Health Care Access legislative session was highlighted by the passage of Public Act 04-249 "An Act Concerning Regulation of Outpatient Surgical Facilities." The public act was an effort by OHCA to expand its regulatory oversight to include outpatient surgical facilities, other than those owned by hospitals, that were providing higher levels of anesthesia to patients in Connecticut. Prior to the passage of this Public Act, only hospital-owned surgical facilities were subject to CON review. The successful passage of this legislation enables OHCA to ensure that patients in Connecticut have access to quality surgical services in all outpatient settings.

2004 Publications

OHCA Annual Report on the Financial Status of Connecticut's Acute Care Hospitals (2002 data, published 2004) (February 2004)

What the 2001 Medical Expenditure Panel Survey (MEPS) Reveals about Employer Based Health Insurance Coverage (February 2004)

Spring 2004: In the Field with Two New Surveys (April 2004)

Connecticut Acute Care Hospital Expense Trends and Forecasting Outlook (April 2004)

Measuring the Uninsured: Variations in Estimation Methods (June 2004)

2004 Small Employer Health Insurance Survey Findings Fact Sheet (July 2004)

Connecticut Acute Hospital Statewide Financial Analysis FY 2003 (August 2004)

Graduate Medical Education in Connecticut (October 2004)

2004 Small Employer Health Insurance Survey: Focus on Results (November 2004)

To access agency publications, visit OHCA's website at www.ct.gov/ohca