



**Testimony of James E. Shmerling, DHA, FACHE,
President and CEO of Connecticut Children's Medical Center
to the Appropriations Committee regarding *House Bill 6864*
*An Act Concerning the State Budget for the Biennium Ending June Thirtieth 2027, and
Making Appropriations Therefor***

February 28, 2025

Senator Osten, Representative Walker, members of the Appropriations Committee, thank you for the opportunity to submit testimony for the committee's consideration regarding the Department of Social Services budget. I value the opportunity to share Connecticut Children's unique perspective and the role we play in caring for children in our state.

Connecticut Children's is the only health system in Connecticut that is 100% dedicated to kids which the State has recognized by designating us as the only licensed "Children's General Hospital" in Connecticut. With the expertise of over 3,200 team members including 1,300 clinical pediatric experts, Connecticut Children's understands from experience what it takes to care for children at all stages of their development from before birth and into adulthood. Our partnership with the State is vital to the sustainability of our mission.

Why Is Pediatric Medicine Unique?

Children are not little adults. They have unique physical, emotional and developmental needs and require the care of pediatric experts who are specifically trained to care for them. Caring for kids in a hospital setting is predictably and appropriately more expensive than adult medicine given the size and age range of our patients. We need to stock a wide range of equipment that can meet the needs of a one-pound newborn to a 300-pound high school football player. Each dose of medicine we provide is also individually calculated as a ratio of patient weight and medication dosage.

Notably, 50% of the hospital care we provide is for kids under age 1 and about 70% is for kids under age 6. When a toddler requires an MRI, they can't be expected to lie still on their own for the procedure. Appropriate care in this situation requires sedation, which requires the services of a pediatric anesthesiologist and thus each procedure is more labor intensive. Caring for very young children requires more staff, more services and more time and all of those resources result in added costs.

Connecticut Children's also stands apart because our patients are sicker; we have the highest Medicaid Case Mix Index in the State at 1.70. Case Mix Index is a measure used in health care to represent average illness severity for patients in a particular facility. Sicker patients require more resources during their hospital stay and thus they utilize more expensive care.

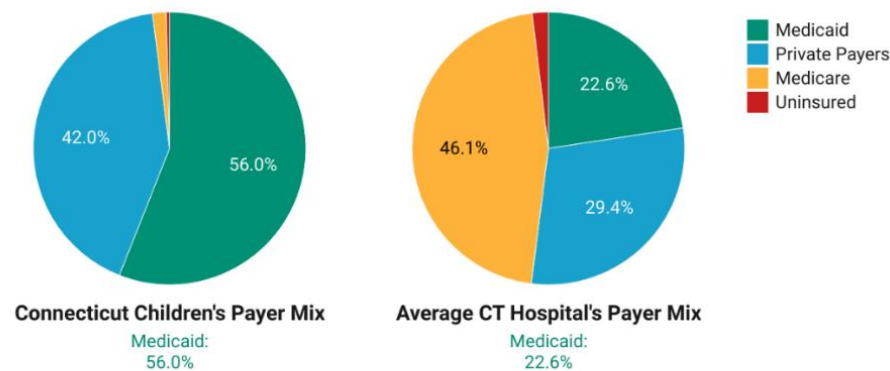
Although pediatrics is generally more expensive than adult medicine, Connecticut Children's is not expensive compared to our children's hospitals peers. In *Children's Hospitals CY2023 Financial Overview*, a report produced by Goldman Sachs and published in May 2024, which compares 38 children's hospitals nationally, Connecticut Children's costs per adjusted

discharge (which includes wage and case mix index adjustments) were the 5th lowest and 22% less than the median.

Some may say that Connecticut Children's does not need improved Medicaid rates because our base rate for inpatient care is already one of the highest in the state. This statement is misleading and neglects the fact that the base rate is not inclusive of costs associated with services provided by our medical staff which are paid by the hospital.

Connecticut's Healthcare Safety Net for Children

The Institute of Medicine defines safety net hospitals as those that provide a significant amount of care to patients who rely on Medicaid and experience vulnerabilities. By that definition, Connecticut Children's is our state's health care safety net for children. Our safety net role means that Connecticut Children's devotes significantly more care to patients who rely on Medicaid (56.0%) than the average adult-focused hospital in Connecticut (22.6%).



Source: Office of Health Strategy's FY2023 Annual Report on the Financial Status of Connecticut's Short Term Acute Care Hospitals, pages 88 and 122. • Created with Datawrapper

Insufficient Medicaid Payments are Precipitating a Crisis

While we are grateful that the Governor's proposed budget includes level funding for our Disproportionate Share Hospital payment, the status quo is unsustainable. This financial crisis is being precipitated by significant Medicaid underpayment, as the State pays Connecticut Children's at a lower percentage of its costs than other hospitals.

The two most recent reports on the financial status of Connecticut's short term acute care hospitals produced annually by the Office of Health Strategy (OHS) clearly delineate that Connecticut Children's Medicaid cost coverage falls below that of adult hospitals. If Connecticut Children's Medicaid payments had achieved parity with payments received by adult hospitals, we would have received an additional \$35.9 million in Medicaid revenue.

This significant Medicaid underpayment is resulting in dwindling days cash on hand and Connecticut Children's is approaching a crisis. In June and September 2024, we reported to OHS that our days cash on hand was at the critical level of 43.93 days and 25.56 days, respectively. PA 24-151 Sec. 146(c) notes that if a hospital reports two consecutive quarters of forty-five days or less of cash on hand, OHS shall contact the hospital to offer assistance.

Following the September 2024 measurement, Connecticut Children's took three steps to improve our results—we withdrew \$50 million from our investment portfolio, reduced routine capital expenditures and restructured vendor payments. Even with these mitigation steps, we project that our days cash on hand will be just over 40 in March 2025, and below 40 for the remainder of our fiscal year (FYE 9/30/2025), reaching just over 20 days by September. Medicaid underpayment is the force driving this trend and it must be addressed now. Without a financial solution to increase our days cash on hand, we worry that another Connecticut hospital crisis is imminent.

Solution to Achieve Medicaid Rate Parity

To achieve parity in FY2026 and ensure our financial sustainability, Connecticut Children's requires an additional \$35.9 million in Medicaid payments (state and federal dollars). To sustain parity going forward, Connecticut Children's total Medicaid payments must cover the same percentage of costs as Connecticut's adult focused hospitals each year.

One element of the parity solution involves the State's hospital tax. Connecticut Children's does not currently participate in the hospital tax because we are statutorily exempt from it. Thus, we also do not participate in the related lawsuit settlement nor do we benefit from the settlement's annual Medicaid rate increases. Connecticut Children's is seeking to remove that exemption to enable our participation in the hospital tax beginning in FY 2027. We recognize that our participation will benefit the State by leveraging additional federal Medicaid revenue and it will align Connecticut's tax with the rest of the nation since states with hospital taxes typically include their children's hospitals as taxpaying entities.

While our participation in the provider tax should improve Connecticut Children's Medicaid financial results, additional Medicaid investment will most likely be required in order to sustain parity. It is essential that total Medicaid payments to Connecticut Children's, including supplemental payments resulting from participation in the provider tax, achieve at least the same level of Medicaid cost coverage each year to support children's access to care.

What Could Medicaid Payment Parity Mean for Children's Health?

We know that only about 10% of a child's health is the result of the health care services they receive. As such, investments in community health are critical. A key component in any health payment model approach is addressing the upstream social, economic, and environmental drivers of health and the root causes of health inequities. In pediatrics, we specifically consider how investments in communities can promote children's optimal health, development, and wellbeing. Connecticut Children's has devoted significant time, energy and resources to the implementation of comprehensive, integrated systems of care that engage all sectors critical to children and their families.

Help Me Grow is a comprehensive, integrated approach to developmental promotion, early detection, and the referral and linkage of vulnerable children and their families to community-based programs and services. *Help Me Grow* was developed in Connecticut, is now supported by the State Office of Early Childhood, and we, through our work with the Help Me Grow National Center at Connecticut Children's, are supporting the implementation of the model in more than 30 states and 140 systems across the nation.

Connecticut Children's is also the grantee for *North Hartford Ascend*, a US Department of Education Promise Neighborhoods initiative to design, implement, evaluate, and sustain a

“cradle-to-career” pathway for at-risk children and youth in underserved Hartford neighborhoods. Both *Help Me Grow* and *Ascend* are extremely effective vehicles to system building, with “all sectors in” and “cross-sector collaboration.” A key feature of both models is the extent to which sectors such as healthcare are not viewed in isolation, but rather within the context of a comprehensive, integrated system.

Looking to the Future

Connecticut Children’s remains eager to partner with state leaders to rethink how our state cares for children through bigger, bolder, and more innovative programs that focus on prevention, optimal outcomes and as a result, cost savings and return on investment. Scaling and expanding initiatives like *Help Me Grow* and *North Hartford Ascend* first requires that Connecticut Children’s has financial stability and currently, our Medicaid underpayment hinders our ability to invest in new initiatives and take on additional risk.

Children deserve the best that we can give them. A more equitable investment in the pediatric safety net is an essential first step toward transforming children’s healthcare delivery and promoting each child’s optimal healthy development. Please support Medicaid cost coverage parity for Connecticut Children’s to help ensure that all children have access to the health care services they deserve.

How We Measure Our Success

As the only health system in Connecticut that is 100% dedicated to kids, Connecticut Children’s measures our success by the impact we have on our patients and their families. Below is the story of a family who our team had the honor to meet on the first day of their daughter’s life.

Ameerah Blake’s NICU (Neonatal Intensive Care Unit) Journey at Connecticut Children’s

Our daughter, Ameerah Blessing Blake was due in April 2024 but came into this world 15 weeks earlier at 25 weeks and 3 days.

Ameerah was born at Hartford Hospital weighing only 1lb 5.7 ounces. Ameerah was admitted to Connecticut Children’s NICU for ongoing treatment and care until she was healthier and stronger to come home with us. She spent 5 months at Connecticut Children’s and was eventually discharged June 13th, 2024 on a nasal cannula with supplemental oxygen of less than a liter.



While admitted at Connecticut Children’s, she underwent treatment for extreme prematurity which included: Respiratory Distress Syndrome (RDS), Bronchopulmonary Dysplasia (BPD), both relating to the difficulties she had with breathing properly on her own and with lung development. Additionally, she had surgery for a PDA (Patent Ductus Arteriosus) closure.

Our little Blessing is now home and we are grateful to God and her care team at Connecticut Children's. Ameerah is off oxygen and approximately 90% of the medications she was originally issued, she is doing tremendously well at every stage of her development. Ameerah still sees her team of specialists at Connecticut Children's, including cardiology pulmonology, audiology, endocrinology, ophthalmology and Coordinated Neonatal follow up. She was recently discharged from speech/language pathology. Ameerah receives at-home services, which includes a weekly nurse and Birth To Three to assist with her developmental growth.



The level of care our daughter received was exceptional. The medical team and all the staff at Connecticut Children's are incomparable. They extended selfless and compassionate care to our princess and was a tower of strength to my family and I, during this journey. I remember specifically when my husband and I caught Covid-19 and were unable to visit the NICU per protocol, as to protect all children, families and staff, they ensured that we were kept abreast of Ameerah's health status and even went to the extreme length of sending little notes and pictures on Ameerah's behalf to let her dad and I know that she was doing well.

For this, amongst many things my husband and I are eternally grateful and thankful for the services rendered to our miracle girl by Connecticut Children's. Thank you.

*Farrah Blake
Hartford, CT*

Thank you for your consideration of our position. If you have any questions about this testimony, please contact Christian Petersen, Connecticut Children's Government Relations Manager at cpetersen@connecticutchildrens.org.