CAHCF
Connecticut Association of Health Care Facilities

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Written testimony of Matthew V. Barrett, President and CEO of the Connecticut Association of Health Care Facilities (CAHCF) concerning the Governor's FY 2019 Midterm Budget Recommendation

Good evening Senator Osten, Senator Formica, Representative Walker and to the distinguished members of the Appropriations Committee. My name is Matthew V. Barrett. I am President and CEO of the Connecticut Association of Health Care Facilities (CAHCF). CAHCF is a one hundred and fifty three member trade association and elder care profession advocacy organization of skilled nursing facility and rehabilitation centers.

This year marks the eleventh year of flat nursing home funding in the Connecticut state budget. CAHCF is very mindful and understanding of Connecticut's fiscal challenges. However, we think it remains critically important to let the Appropriations Committee know again this year that investment in our state's skilled nursing facilities must be a priority. Each year, the adopted budget removes all statutory and regulatory inflationary increases for nursing homes. This amounts to $144 million during this biennial budget period, and effectively, this means that Connecticut nursing homes have been flat funded for now over a decade.

Nursing home operators from around the state want you to know about the challenges they face in delivering high quality care under these circumstances. The current path is putting undue pressure on our employees and jeopardizing the quality of care that we know everyone wants. Indeed, seventy nine percent of the public agrees that the lack of Medicaid funding impacts quality in nursing homes (American Health Care Association (AHCA) Opinion Survey, December 2016). In a Connecticut specific polling question in the AHCA survey, eighty percent expressed worry about the state's ability to ensure both home care and nursing home care to meet the needs of our aging population, and that their care needs might eventually be so great that they will need nursing home care, even if they can be cared for at home initially (American Health Care Association (AHCA) Opinion Survey, December 2016). Moreover, home and community based care can be more expensive than nursing home care ("Factors Influencing Receipt of Long-Term Care Services and Supports in Home and Community Settings, Legislative Program Review and Investigations Committee, December 2016).

Connecticut nursing facilities remain in a period of ongoing financial distress. Bankruptcies and state receiverships have continued to be in the news. The gap under Medicaid between providing care and its costs is widening dramatically. This year nursing home providers will on average be reimbursed some $28.00 per patient day less than what it costs to care for our residents. For the typical nursing facility, this represents over $500,000 per year in unfunded Medicaid costs. Again, there has been no general Medicaid rate increases in the system since 2007, except for increase made possible by raising the provider tax paid by nursing homes themselves. A badly needed wage enhancement program implemented for our hard working employees was a very important step in the right direction, but it doesn't address the underlying Medicaid funding shortfall. The private pay market has all but disappeared as more individuals spend down resources in assisted living communities and become Medicaid eligible. Medicare reimbursement, which for many years mitigated the Medicaid shortfall, is now under pressure in reduced payments and shorter stays in nursing homes.

However, Connecticut's dramatically aging population is the seventh oldest in the Nation. Much is being asked of our nursing facilities today, and more will be asked in the future, given these clear population dynamics. As the state continues in the direction of long term care rebalancing and rightsizing, these changes will mean that the acuity and numbers of nursing facility residents will continue to rise measurably as our population ages, even as more residents choose home and community based environments to receive their care.

Finally, our nursing home operators understand the ongoing need to contain costs, especially during challenging fiscal times in our state. In this regard, we look forward to working with the Appropriations Committee and our committee of cognizance, the Human Services Committee, toward achieving cost effective solutions addressing the needs of our state's aging population over the months ahead in the following areas: nursing home beds reductions and nursing

home business diversification, including providing specialized services to our state's populations needing long term care services and supports.

In this regard, I offer support for a new policy direction included in Governor Malloy's midterm budget adjustment before the committee titled "Modernize Nursing Home Rate-Setting". Specifically, a SFY $300,000 appropriation is proposed by the Governor to support the development of an acuity-based rate setting system for nursing homes beginning in SFY 2020. As background, in 2015, the Connecticut General Assembly broadly authorized the acuity based Medicaid reimbursement system where the basis for a portion of the Medicaid reimbursement includes a classification system that groups assessed conditions, diagnoses or both and takes into consideration the resources required to provide care, services and supports for residents with such conditions, diagnoses or both.

Acuity based payment systems are often called "case mix" systems. They measure the intensity of care and services required for each individual in the nursing home and translate those measures into groupings. In short, acuity is the commonly used term used to describe the measurable amount of nursing care required for a nursing facility resident. These grouping form the basis of the nursing home Medicaid payments. The groupings have a payment hierarchy where the groupings representing the highest level of care and services appropriately receive the highest payment. Accordingly, as the services and care are less intense in lower acuity groupings, the reimbursement is less. Many acuity based payments systems also provide adjustments for services to special needs residents, such as residents with a diagnosis of dementia, Alzheimer's disease or a similar cognitive condition who may have more complex care needs and higher staffing requirements than is reflected on the clinical assessments, bariatric residents who require special care, ventilator dependent residents, residents with behavioral health needs and residents with developmental disabilities. Some systems include quality incentive payments.

Thirty-five states include and acuity adjustment in their nursing facility Medicaid rates, including all the New England states and neighboring New York. An acuity based payment system will advance Connecticut's goal of rebalancing in the area long term services and supports. A 2010 Rhode Island Department of Human Services report to the Rhode Island state legislature provides that when paying a flat per diem rate without an acuity factor, "there is no incentive for nursing homes to seek or to serve more costly (higher acuity) residents and that moving in this policy direction "should also facilitate the placement of lower acuity patients in home and community based settings" (Acuity Adjusted Rates for Rhode Island Nursing Facilities: A Report to the Rhode Island State Legislature. Department of Human Services, June 23, 2010).

This payment policy is consistent with the state's policy goals in the area of long term services and supports. As our state continues to build a stronger system of home and community based supports for persons with less complex care needs, the result will be that older and higher acuity individuals will be served in greater numbers in Connecticut nursing homes. Nursing homes report that this is now being experienced. However, the Medicaid rate-setting system is not responsive to this dynamic. For these reasons, Connecticut should implement an acuity based Medicaid payment system for skilled for nursing homes.

Thank you and I would be happy to answer any questions you may have.

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