CAHCF/CCAL

Connecticut Association of Health Care Facilities
Connecticut Center for Assisted Living

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Written testimony of Matthew V. Barrett, President and CEO of the Connecticut Association of Health Care Facilities / The Connecticut Center for Assisted Living (CAHCF/CCAL) Concerning H.B. No. 7164 AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS FOR HUMAN SERVICES.

Good afternoon Senator Moore, Representative Abercrombie and to the distinguished members of the Human Services Committee. My name is Matthew V. Barrett. I am President and CEO of the Connecticut Association of Health Care Facilities / Connecticut Center For Assisted Living (CAHCF/CCAL). CAHCF/CCAL is a one hundred and sixty member trade association of skilled nursing facilities and assisted living communities. Thank you for this opportunity to offer testimony concerning H.B. No. 7164 AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS FOR HUMAN SERVICES.

There are several provisions concerning policy and appropriations for Connecticut nursing homes in H.B. 7164. As background, this year marks another 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 express to the Connecticut General Assembly that this year investing in our state's skilled nursing facilities must be a priority. Regrettably, the proposed biennial budget removes all statutory and regulatory inflationary increases for nursing homes in a year where this help is essential. This amounts to $90 million reduction for nursing homes during this biennial budget period, and effectively means that Connecticut nursing home general rates have been flat funded for now twelve years. In addition, Medicaid expenditures for nursing homes will be reduced another $10.7 million by FY 2021 through a new recalculation (rebasing) of nursing home rates in a proposed multi-faceted policy initiative to reduce nursing home bed capacity by another 2,200 beds statewide.

The proposed statutory language to implement the Medicaid rate component provisions are included in Section 8 of H.B. 7164. Specifically, Section 8 would freeze nursing home rates for the biennial period. Property improvements (fair rent) will be allowed. The proposal includes a provision to limit a nursing home's rate decrease caused by the rebasing to two percent (2% stop loss). The stop loss provision will not apply to nursing homes with one star CMS quality ratings or occupancy below seventy percent (70%), therefore these facilities would experience rate decreases significantly greater than two percent. Presumably, these dramatic rate reductions would de-stabilize the operations such that closure or receivership would be the likely outcome.

In this regard, CAHCF recommends an alternative to the Governor's excess bed reduction strategy that could achieve a significant reduction in licensed bed capacity but avoid that the harsh consequences of the rebasing of the rates. Specifically, providing a new opportunity for nursing homes with excess licensed bed supply to voluntarily reduce beds during FY 2020 could lead to a significant reduction in bed supply during the first year of the two-year budget in a manner that might not jeopardize the nursing home's financial viability as the proposed rebasing would, but is in line with the bed reduction concept. Under this approach, the full negative consequences of the rebasing would take effect in FY 2021 for nursing homes with excess bed supply that have not voluntarily reduced beds.

CAHCF is advancing this proposal at this time because if adopted the policy would provide a very strong incentive for nursing homes to voluntarily reduce licensed beds during the first year of the biennium. This advances the state's policy to accelerate Long Term Services and Supports (LTSS) rebalancing goal, however not necessarily through closures alone. Specifically, this proposal: 1. details how the rate should be recalculated (imputed days must be recalculated) and 2. details that the facility's occupancy percentage should use, as the denominator, available days based upon the licensed bed capacity as of June 30, 2019, and not some average capacity over a period of time, which would be the normal approach when there is a change in capacity. The logic behind using licensed bed as of June 30, 2019 lies in the fact that the rate is prospective, not retrospective---the occupancy percentage in the base year cost report that is used for rate-setting purposes should be irrelevant. The following statutory implementation language is recommended as an amendment to 17b-340:

<u>(NEW) For the fiscal year ending June 30, 2020, the Commissioner of Social Services shall recalculate the rate for any facility that has reduced its licensed bed capacity at any time between October 1, 2016 and June 30, 2019. For the purpose of determining the facility's imputed days, such recalculation shall compute the facility's occupancy percentage based upon the facility's days reported in its most recent cost report and its licensed bed capacity as of June 30, 2019.</u>

CAHCF also recommends that the rate calculation formula in Section 8 be revised to assure that the final nursing home rates for the FY 2020 and FY 2021 correctly reflect increases in nursing home expenditure made after September 30, 2018, which is the cost report ending period. As drafted, the Governor's bill does not address this important adjustment to the formula. For this purpose, CAHCF recommends the following language (IN CAPS) be substituted in this section.

Line 777: 30, 2017, and not otherwise included in rates issued…. <u>For the fiscal year ending June 30, 2020, the department shall determine facility rates based upon 2018 cost report filings subject to the provisions of this section and applicable regulations, provided no facility shall receive a rate that is higher than the rate in effect on June 30, 2019, except the rate paid to a facility may be higher than the rate paid to the facility for the fiscal year ending June 30, 2019, if the commissioner provides, within available appropriations, pro rata fair rent increases, which may, at the discretion of the commissioner, include increases for facilities which have undergone a material change in circumstances related to fair rent additions in the cost report year ending September 30, 2018, and not otherwise included in rates issued. For the fiscal year ending June 30, 2020, no facility shall receive a rate that is more than two per cent lower than the rate in effect on June 30, 2019, unless</u>

the facility has an occupancy level of less than seventy per cent, as reported in the 2018 cost report, or an overall rating on Medicare's Nursing Home Compare Internet web site of one star on June 1, 2019, PROVIDED THE COMMISSIONER SHALL ADJUST THE RATE PAID TO THE FACILITY IN THE FORM OF A RATE ADD-ON TO REFLECT ANY RATE INCREASES PAID AFTER THE COST REPORT YEAR ENDING SEPTEMBER 30, 2018. For the fiscal year ending June 30, 2021, no facility shall receive a rate that is higher than the rate in effect on June 30, 2020, except the rate paid to a facility may be higher than the rate paid to the facility for the fiscal year ending June 30, 2020, if the commissioner provides, within available appropriations, pro rata fair rent increases, which may, at the discretion of the commissioner, include increases for facilities which have undergone a material change in circumstances related to fair rent additions in the cost report year ending September 30, 2019, and are not otherwise included in rates issued. The Commissioner of Social Services shall add fair rent increases to any other rate increases…

Sections 9, 10, and 11 as proposed by the Governor represent reasonable policies to expedite nursing home closures and receivership decision when the facts and circumstances do not warrant elongated and costly processes. However, these long term care rebalancing strategies should be coupled with policies to encourage and incent nursing homes to voluntarily reduce bed capacity. Once more, voluntary beds reductions present the chance that a nursing home could be a viable ongoing operation, though smaller in capacity, in lieu of closing.

Finally, as the committee continues to evaluate the polices included in H.B. 7164, CAHCF is asking that the point of view of nursing home operators across the state are expressing this session: First, operators are very concerned about their ability to recruit and retain nursing caregivers in this unprecedented period of low unemployment without a substantial increase in funding. Operators worry about the substantial increase in their staffing costs that will inevitably accompany the proposed increase in the minimum wage. Operators say the population is much more complex than ever before. They say costs are going up. And they are keenly aware that Connecticut has not made nursing home funding a priority for over a decade. For these reasons, CAHCF is asking the Human Services and Appropriations Committees to make a substantial increase in Medicaid funding for nursing homes a priority in this year's budget.

I would happy to answer any questions you may have.

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