CAHCF/CCAL
Connecticut Association of Health Care Facilities
Connecticut Center for Assisted Living

S.B. No. 1111 (RAISED) AN ACT CONCERNING EXCESS NURSING HOME BEDS AND PAYMENT FOR NONPATIENT CARE IN NURSING HOMES.

OPPOSED: Administrative and General Medicaid Rate Cuts of 3.5% for 75% of Nursing Facilities Would Result if Adopted

This proposed bill would on and after April 1, 2025, require that administrative and general-related costs in the Medicaid nursing facility rates be adjusted for beds that remain unoccupied for more than twelve months in the period beginning October first at facilities that have fallen below the minimum ninety per cent occupancy threshold. Further, the proposed bill provides that if the facility does not relinquish its license for unoccupied beds or does not increase occupancy percentages to greater than ninety per cent, then the facility's reimbursement for administrative and general-related costs will be reduced to ninety per cent of the median of the cost maximums for the administrative and general component of allowable costs.

Related to this rate reduction, the proposed bill also requires, on and after July 1, 2024, that DSS establish peer group medians and prices for nursing home facilities by using data from the most recent annual cost reports. The proposed bill provides that peer groups will be based on the bed capacity and location of the nursing home facility, but a much clearer definition is need to properly evaluate the impact of the proposed legislation. Further, the bill requires DSS to classify the nursing home facilities into mutually exclusive peer groups to establish a price-based component for the administrative and general component of reimbursement and pay based on the median of the peer group spending. Similar provision would apply to specialized long-term care facility peer group classifications.

The revisions proposed in this section would in our preliminary estimates dramatically reduce the Medicaid rates by $3.50 per resident day for approximately three-fourths (150 skilled nursing facilities) if the facilities occupancy percentage is below 90%. A policy of this type is a penalty in the rates for facilities that don't meet the state's aggressive rightsizing and rebalancing objectives. However, it should be noted that that rates would now be substantially reduced in the next rate rebasing for facilities that have occupancy below the 90% minimum occupancy threshold. Connecticut has for many years established rates based on a minimum of 90% occupancy to assure that Medicaid is not inefficiently paying for excess capacity. In short, Connecticut facilities below the 90% occupancy level now have their Medicaid payments reduced (imputed days) commensurate to their lower occupancy to achieve this policy objective. Moreover, right now rates would be reduced substantially at the next rebasing for low occupancy homes. In this sense, the policy to additionally reduced Administrative and General

component of the rates is a doubling of a penalty that is already cutting the rates under current rules. In this regard, additionally cutting rates as proposed here under the Administrative and General component of the rates is excessively punitive. We also read the bill to wrongly disallow utility and property maintenance costs which are a critical component of the care provided.

CAHCF has for many years urged a rightsizing and rebalancing policy that includes both incentives and disincentives to align the state's policy objectives to reduce excess bed capacity. Regrettably, the policies advanced in SB 1111 represent a disincentive only in the form of a rate reduction penalty. The vast majority of states, like Connecticut, have implemented lower occupancy rate penalties to assure state resources are not improperly compensating facilities for low occupancy and the costs of unused space. In this approach the state sets a minimum percentage of occupied beds per facility at which payment will be based. Here, the state generally pays the facility based on the higher of that occupancy threshold or the facility's actual occupancy level.

Moreover, a more impactful policy toward rightsizing and rebalancing would be to combine rate disincentives with rate incentives, such as requiring DSS to recalculate the property and other fixed costs portion of the rates that could result in a marginal increase in rates to partially offset the reduced facility valuation occurring with the reduction (de-licensure) of beds.

For these reasons, CAHCF is opposed to the bill as drafted.

For additional information, please contact Matthew Barrett, CAHCF President and CEO at mbarrett@cahcf.org