CAHCF/CCAL

Connecticut Association of Health Care Facilities
Connecticut Center for Assisted Living

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Testimony of Matt Barrett, President and CEO of the Connecticut Association of Health Care Facilities / Connecticut Center For Assisted Living (CAHCF/CCAL).

THE GOVERNOR'S BUDGET RECOMMENDATIONS FOR HEALTH AND HUMAN SERVICES FOR SFY 2024 AND SFY 2025

First and foremost, the association's focus and attention is in opposition to the provisions in the biennial budget recommendations that would eliminate any inflationary increases in the Medicaid skilled nursing facility rates for SFY 24 and SFY 25. This is effectively a $205.9 million reduction to nursing homes in the Governor's biennial budget recommendation now under consideration in the Appropriations Committee.

Specifically, the baseline budget includes an inflationary adjustment in each year of the biennium for nursing homes. The Department of Social Services is required to provide these inflationary increases over the next two fiscal years However, Section 12 of this bill eliminates these increases over the biennium. This inflationary increase is critically important given the double-digit inflation, escalating staffing related costs and rising nursing pool agency costs that providers are experiencing. Put simply, the existing rates are clearly falling considerably behind these escalating costs.

The Department of Social Services recognized publicly the growing inflationary pressures faced by Connecticut skilled nursing facilities by remarkably updating the inflationary factor from 5.50% to 16.7% in the SFY 2023 rate calculation last fall. However, due to the imposed SFY 2023 $6.50 overall rate cap, fewer than sixty skilled nursing facilities received financial relief in this fiscal year from this critically-important revision to the rates when all nursing facilities are being ravaged by these costs.

It is important to note that the DSS inflation update from the October 2022 reflects *actual inflation*[1] *as of July 1, 2022* compared with the 2019 base year costs and is critically important given the double-digit inflation, escalating staffing related costs and rising nursing pool agency costs that providers are experiencing, but which were not reflected in the initial SFY 2023 rates.

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[1] Inflation rates are adjusted using a Bureau of Labor Statistics metric that is a general measure of regional inflation experiences by all industries but may not reflect extraordinary costs incurred by skilled nursing facilities in the area of nursing agency price premiums.

Unfortunately, as we said, the updated inflationary factor only impacted the actual paid rates of less than 60 skilled nursing facilities with initial SFY 2023 rates that fell below the imposed $6.50 rate cap, also referred to as the "stop-gain."

Our members were not successful in convincing the administration that the cap should be removed during this extraordinary period and that the 16.19% inflationary update be applied to all Connecticut skilled nursing facilities' paid rates in this current fiscal year. Nevertheless, providers were hopeful that the updated inflationary factor and adjustment would be included in the biennial budget proposal for SFY 2024 and SFY 2025.

Since the expiration of a temporary 10% Medicaid rate increase on June 30, 2022, the situation has worsened for our state's skilled nursing facilities. The existing rates, even with the recent increases associated with wage, pension and health care enhancement, are clearly falling considerably behind the double-digit inflation and increased labor costs. It is for this reason that we are requesting that the $205.9 million reduction be restored for the biennial period. Many states are recognizing the need to provide additional support to their hard-hit skilling nursing facilities at this stage in the elongated pandemic. The Commonwealth of Massachusetts days several months ago announced a new $165 million relief package for reasons on par with the needs here in Connecticut.

Thank you.

For additional information, please contact Matthew Barrett at mbarrett@cahcf.org