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 2026 and SFY 2024

Senator Osten, Representative Walker and Members of the Appropriations Committee, my name is Matt Barrett. I am President and CEO of the Connecticut Association of Health Care Facilities and the Connecticut Center for Assisted Living (CAHCF/CCAL).

As the committee carefully evaluates the needs all of our state's constituencies and communities in the budget adjustment, we once more ask you to also consider the needs of Connecticut's skilled nursing facilities in your deliberations.

Unfortunately, the Governor's two-year budget recommendation now before the Appropriations Committee continues the decades-long policy of eliminating skilled nursing facility statutory inflationary increases. For SFY 2026 and SFY 27, when including the state and federal share, the overall reduction in this line item amounts to $111.4 million. See the excerpt below from the Governor's proposed SFY 2026 and SFY 2026 recommended budget for these budget details. See also below corresponding statutory implementation language related to the inflationary reduction included S.B. 1251 (line 935), AN ACT IMPLEMENTING THE GOVERNOR'S RECOMMENDATIONS FOR HEALTH AND HUMAN SERVICES, which is legislation before the Human Services Committee introduced at the request of the Governor. We understand a public hearing will be scheduled on this measure over the next several weeks.

Reductions	FY 2026	FY 2027
• **Remove Inflation-Based Rate Increases for Nursing Homes and Intermediate Care Facilities for Individuals with Intellectual Disabilities** To comply with current statute, the baseline budget includes inflationary adjustments for nursing homes and intermediate care facilities for individuals with intellectual disabilities. DSS is required to provide these inflationary increases barring any legislation to remove rate increases for a particular fiscal year. This proposal eliminates the rate increases that were included in the baseline budget. Savings figures reflect the state's share of Medicaid expenditures. After factoring in the federal share, this proposal will reduce total Medicaid expenditures by $30.3 million in FY 2026 and $81.2 million in FY 2027.	-14,000,000	-37,500,000

(11) There shall be no increase to rates based on inflation or any inflationary factor for the fiscal years ending June 30, 2022, and June 30, 2023, unless otherwise authorized under subdivision (1) of this subsection. Notwithstanding section 17-311-52 of the regulations of Connecticut state agencies, for the fiscal years ending June 30, 2024, [and] June 30, 2025, June 30, 2026, and June 30, 2027, there shall be no inflationary increases to rates beyond those already factored into the model for the transition to an acuity-based reimbursement system. Notwithstanding any other provisions of this chapter, any subsequent increase to allowable operating costs, excluding fair rent, shall be

NOTE: The biennial budget recommendation aggregates the inflationary adjustment reduction for Connecticut's intermediate care facilities for individuals with intellectual disabilities as a component of the $111.4 million reduction.

CAHCF will be recommending the Human Services adopt the following language as a substitute in SB 1251 to require an inflationary adjustment to the rates in Section 17b-340d (a) (11):

> **(11) There shall be no increase to rates based on inflation or any inflationary factor for the fiscal years ending June 30, 2022, and June 30, 2023, unless otherwise authorized under subdivision (1) of this subsection. Notwithstanding section 17-311-52 of the regulations of Connecticut state agencies, for the fiscal years ending June 30, 2024, and June 30, 2025, there shall be no inflationary increases to rates beyond those already factored into the model for the transition to an acuity-based reimbursement system. For the fiscal years ending June 30, 2026, and June 30, 2027, and beyond, allowable operating costs, excluding fair rent, shall be inflated by the gross domestic product deflator. Notwithstanding any other provisions of this chapter, any subsequent increase to allowable operating costs, excluding fair rent, shall be inflated by the gross domestic product deflator when funding is specifically appropriated for such purposes in the enacted budget. The rate of inflation shall be computed by the gross national product percentage increase for the period between the midpoint of the base cost year through the midpoint of the applicable state fiscal year. Any increase to rates based on inflation shall be applied prior to the application of any other budget adjustment factors that may impact such rates.**

Providing these inflationary increases at this time is critically important to Connecticut's skilled nursing facilities at this time. Rates have not been adjusted for inflation since 2022, therefore, if the inflation adjustment is adopted, it will be at least five years before inflation is adjusted, noting that nursing homes rates are now based on 2019 costs. The recent Department of Social Services report on Medicaid rates underscores how Medicaid providers across the system are losing ground year after because of policies that do not adjust for increased inflation and costs. Fifteen nursing homes have closed since 2021 signaling that an ongoing Medicaid investment in facility operations and infrastructure is needed. The Medicaid budget hasn't addressed employee wages and benefits since 2021.

Skilled nursing facilities from all across Connecticut are providing testimony at today's Appropriations hearing, and dozens more are submitting written testimony to demonstrate that existing Medicaid rates are falling considerably behind because of these budgetary dynamics. Connecticut nursing facilities are working collaboratively with state policy makers on a full range of oversight and rate reforms such as the new case mix based payment associated with the acuity of the resident population, new transparency provisions and ownership disclosure requirements, the development of a value-based payment component of the rates, and the sector was an active stakeholder in Department of Social Services Excess Bed Capacity Work Group. However, the failure to address this underlying and foundational inflationary adjustment issue in the rates undermines these important initiatives.

Thank you for your consideration, and I would be happy to answer any questions you may have.

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