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Written testimony of Matthew V. Barrett, President and CEO of the Connecticut Association of Health Care Facilities / Connecticut Center For Assisted Living (CAHCF/CCAL) concerning the Governor's FY 2020 and FY 2021 Budget Recommendation to the Connecticut General Assembly

Good evening Senator Osten, 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 / 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.

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 Appropriations Committee 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 (rebasings) of nursing home rates in a proposed effort to reduce the excess nursing home bed capacity by another 2,200 beds statewide.

Nursing home operators and dedicated and hardworking employees from around the state are testifying this evening because they want you to know about the challenges they face in delivering high quality care under these circumstances. The current path is putting harsh pressure on our employees and jeopardizing the quality of care that we know everyone wants. A substantial increase in Medicaid funding for nursing homes in this budget is the message.

The public understands the importance of adequately funding nursing homes. 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. Connecticut residents have expressed the concern 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), especially as age and acuity rise.

Connecticut nursing facilities remain in a period of ongoing financial distress. Bankruptcies and state receiverships have continued to be in the news. Twenty Six (26) nursing homes have closed in the last eight years. Again, aggressively reducing nursing home bed capacity further is a feature of the proposed budget

before you. In this regard, we recommend that the harsh consequences of the rebasing of the rates be accompanied by the opportunity for nursing homes with excess supply to voluntarily reduce beds during FY 2020. This modified version of the Governor's proposal 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 rebasing would, but is in line with the bed reduction concept. Under this approach, the full consequences of the rebasing would take effect in FY 2021.

The gap under Medicaid between providing care and its costs is widening dramatically. This year nursing home providers will on average be reimbursed some \$25.00 per patient day less than what it costs to care for residents. For the typical nursing facility, this can represent 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. Badly needed wage enhancement initiatives 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 Medicaid shortfall, is now under pressure in reduced payments and shorter stays in nursing homes.

However, Connecticut's dramatically aging population is oldest in the 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 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. In addition, Connecticut nursing home operators today report remarkable changes in the care needs of their residents as they see many more residents presenting with dementia and related needs, as well as higher numbers who also present with substance use disorder characteristics.

Finally, nursing home 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, we are asking the Appropriations Committee to make a substantial increase in Medicaid funding for nursing homes a priority in this year's budget.

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

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