



February 19, 2020

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 2021 Midterm 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 Matt 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 fifty member trade association of skilled nursing facilities and assisted living communities.

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 during these challenging fiscal times. The current Medicaid funding environment, and the accumulated decade-long Medicaid nursing home underfunding of approximately \$125 million, is putting tremendous pressure on our operators and employees and jeopardizing the quality of care that we know everyone wants. A substantial increase in Medicaid funding for nursing homes in this midterm budget adjustment is once more the main the message from Connecticut's skilled nursing facilities.

Nursing Home Case Mix Implementation in FY 2021 Amplifies Need to Address Medicaid Underfunding

The need to address the Medicaid funding issue in FY 2021 is even more acute given that Connecticut is transitioning its Medicaid payment system from a cost based reimbursement system to a case mix reimbursement methodology proposed to begin on July 1, 2020. In this regard I would like to thank the leadership of the Appropriations Committee and the Human Services Committee for holding an informational legislative briefing on the transition to case mix nursing home payments on February 6, 2020 (I have attached the co-authored briefing presentation of CAHCF/CCAL and LeadingAge Connecticut to this evening's Appropriations Committee testimony). In short, we were pleased to have the opportunity to express the main concern that the case mix system must be accompanied with the necessary increased Medicaid resources to assure consumer access to quality nursing home care, an ability to retain and recruit our workforce, and to meet the quality of life and physical environment expectations of consumers and regulators, as follows:

This new case mix reimbursement system will only meet its intended objectives if it is fully funded.

- The current cost-based system has an annual funding shortfall estimated to be \$125 million. This estimate is based on the State's own calculation of the rates utilizing what the State considers to be the allowable costs of providing care.
- This new case-mix system is currently planned to be "budget neutral" - which automatically means it too will be underfunded, but by what level we do not yet know. Therefore, if we do not increase the current level of funding, the new system will not be allowed to work as designed and will not meet the stated objective of appropriately

funding high acuity care. The current funding will just be reallocated within the system, but not at the rate levels needed. As a result, we fear that many quality nursing homes may be negatively affected by a reduction in their rates and others will not receive the funding necessary to cover the cost of caring for higher acuity residents.

- Similarly, it will be essential that the performance incentive payments, which are a hallmark feature of the proposed case mix system, be funded with additional resources. Given the demonstrated underfunding now present in the system, we believe it would significantly undermine the very objective of quality improvement if incentive funds were diverted from existing underfunded resources.

Background on Nursing Home Funding Shortfall and Unaddressed Needs

As background, 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. We understand three (3) more will close in 2020. 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--- however, nursing home operators do want to express their gratitude to the leadership of the Appropriations Committee for supporting increased wage and benefit enhancements in last session's adopted two-year budget.

However, Connecticut's dramatically aging population is sixth 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. These challenges become heightened when the private pay nursing home market has all but disappeared as more individuals spend down resources in assisted living communities and as operators experience even more pressure in reduced Medicare payments and shorter stays in nursing homes.

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.

Conclusion: A Substantial Increase in Medicaid Funding for Nursing Homes Must Be a Priority in FY 2021.

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.

Especially in light of case mix implementation in FY 2021, and for these additional reasons, we are asking the Appropriations Committee to make a substantial increase in Medicaid funding for nursing homes a priority in this year's midterm budget adjustment.

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

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