

CAHCF/CCAL

Connecticut Association of Health Care Facilities
Connecticut Center for Assisted Living

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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) in support of H.B. No. 5236 (RAISED) AN ACT CONCERNING THE TRANSITION TO A MEDICAID NURSING HOME FACILITY CASE MIX PAYMENT SYSTEM.

Good evening Senator Moore, Representative Abercrombie and to the distinguished members of the Human Services 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.

I am pleased to testify in support of H.B. No. 5236 (RAISED) AN ACT CONCERNING THE TRANSITION TO A MEDICAID NURSING HOME FACILITY CASE MIX PAYMENT SYSTEM.

State Legislative Committees of Cognizance Oversight and Approval Process

The proposed legislation requires the submission and approval of the Connecticut General Assembly's legislative committees of cognizance (Appropriations, Human Services and Public Health Committees) of a case mix Medicaid state plan amendment (SPA) to CMS, and the adoption of state regulations, before the Department of Social Services (DSS) may implement a Medicaid case mix based payment system for Connecticut nursing facilities.

Case Mix Data and Model Transparency

Further, the proposed legislation requires the disclosure of public information data used in the development of the case mix payment modelling to the nursing home industry and the nursing home finance advisory committee for the purpose of making recommendations on the developing case mix payment system.

Requirement Components of the Case Mix SPA

The proposed legislation also requires that the SPA submission to the legislative committees and to CMS to include the major components of the case mix system and the assurance that the case mix system is adequately funded to assure access and quality nursing facility care, such as:

(A) A fiscal impact evaluation providing the assurance of (1) adequate funding to achieve quality and access to care and (2) an evaluation of the current cost-based Medicaid nursing

facility funding shortfall, including the accumulated impact of previously adopted annual stop gains in nursing facility rates; (3) provisions for an annual inflationary adjustment and periodic rebasing to the rates;

(B) A facility-by-facility specific impact analysis, including a comparison of current cost based issued provider rates to case mix model rates,

(C) A facility-by-facility comparison of the calculated model case mix rates prior to adjustment based on available state resources versus the actual case mix issued rates adjusted by available state resources;

(D) A provision to provide adequate reimbursement in the case mix payment methodology for the costs of dementia and Alzheimer's, ventilator, bariatric, HIV/AIDS, behavioral health care, substance use disorder care, and other specialty care in the case mix payment system;

(E) A provision to address the special needs of facilities with 95% occupancy or higher with residents predominantly supported by Medicaid;

(F) A provision of value-based performance incentives from supplemental funding not obtained through a rate withhold with the objective of rewarding quality performance by applying quality metrics;

(G) An access to care analysis to assure a sufficient supply of nursing facility beds and services, including specialty care services,

(H) A phase-in implementation schedule, including a stop loss provision;

(I) A rate differential based on geographic location of the nursing facilities located in Fairfield County;

(J) For the purpose of achieving voluntary licensed bed reductions of excess bed capacity, a provision to require the re-calculation of rates for any beds reduced by July 1, 2020; and

(K) The initial and annual training for nursing facility staff.

**Case Mix Implementation Report to the Committees of Cognizance by
January 1, 2021**

The proposed legislation requires that DSS submit a report to the committees of cognizance by January 1, 2021 on the components of the transition to a Medicaid nursing facility case mix payment system from a cost-based methodology payment system.

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

The current Medicaid funding environment for Connecticut nursing homes, 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 message from Connecticut's skilled nursing facilities.

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. The main concern of Connecticut nursing homes is 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 accumulated 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 an 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: Support H.B. No. 5236 (RAISED) AN ACT CONCERNING THE TRANSITION TO A MEDICAID NURSING HOME FACILITY CASE MIX PAYMENT SYSTEM before the Human Services Committee and Support A Substantial Increase in Medicaid Funding for Nursing Homes 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, we are separately asking the Appropriations Committee to make a substantial increase in Medicaid funding for nursing homes a priority in this year's midterm budget adjustment. For the same reasons, we are asking the Human Services Committee to adopt H.B. No. 5236 (RAISED) AN ACT CONCERNING THE TRANSITION TO A MEDICAID NURSING HOME FACILITY CASE MIX PAYMENT SYSTEM.

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

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