



**Testimony of the Connecticut Association of
Not-for-profit Providers For the Aging**

**Presented to the Human Services Committee
by
Patrick J. Gilland, President and CEO of Church Homes, Inc.**

**Regarding
Senate Bill 1128, An Act Implementing the Governor's Budget Recommendations with
Respect to Social Services**

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The Connecticut Association of Not-for-profit Providers For the Aging appreciates this opportunity to submit the following testimony to the Human Services Committee in support of increased Medicaid reimbursement for long term care providers.

Good morning Senator Harris, Representative Villano, and members of the Human Services Committee. My name is Patrick Gilland and I am the President and CEO of Church Homes, Inc. and the current Chairman of the Board of the Connecticut Association of Not-for-profit Providers for the Aging (CANPFA), an organization of over 130 non-profit providers of aging services representing the full continuum of long term care.

CANPFA members serve thousands of people every day through mission-driven organizations dedicated to providing people the services they need, when they need them, in the place they call home. CANPFA member organizations serve the very people who have been ignored in the Governor's budget proposal – the frail elderly and disabled Medicaid recipients.

Many years ago, the state and federal government made a commitment to the Medicaid program, to the people it serves, and to the providers who care for them. Today we can consider establishing new social service programs and developing large health care initiatives - but it will all be meaningless unless we sustain our commitment to this existing program that is the foundation of the system and that so many, many people have come to depend on.

CANPFA members have made a commitment to serving our elderly and disabled through the full continuum of long term care and Medicaid is the single most important public source of financing for that care. Medicaid covers the cost of essential health services for the frailest and most vulnerable older adults and people with disabilities - including both nursing home residents and clients who receive home and community-based services. If they were to lose this coverage, they would have few other resources to obtain the care they need.

In the long-term care field, Medicaid serves as a stable but inadequate source of reimbursement for the care of those who have exhausted their own financial resources. We all know that current Medicaid rates do not meet the costs of providing care – and those costs do not just disappear because they are not fully covered by Medicaid. The costs are shifted to other sources and the system is strained. And we have seen what happens when the rates fall so far behind that the strain becomes too much - providers teeter on bankruptcy and quality providers leave the field.

"Long Term Care providers have borne the brunt of inadequate payments for Medicaid beneficiaries for decades. DSS formulas continue to show Medicaid payment rates to be substantially below the cost of doing business. With increasing labor shortages we compete with hospitals for skilled clinical employees and with the general market for non clinical positions. Without even a modest rate increase the state will continue to force a continued deterioration in the financial performance of long term care providers. All of this with state regulations driving up the cost of doing business. The State of Connecticut has a responsibility to the frail elderly and needs to provide its long term care providers with the resources to carry out this joint responsibility." CANPFA Member

Medicaid financing for nursing homes: Federal law mandates that nursing homes provide the level of services that residents need to achieve and maintain their highest practicable level of functioning. Nursing homes have to spend whatever it costs to provide this level of care. If states reimburse nursing homes at less than the cost of care provided, as they generally do, the shortfall must be made up from other sources – which are most often the private payers.

Medicaid factors heavily in the payer mix of the majority of Connecticut's skilled nursing facilities and therefore a zero increase in the Medicaid reimbursement rate for two years would be a devastating blow to them. According to the Department of Social Services, an inflationary update for nursing home rates should be 6.5% in 2008 and 5-6% for 2009 – assuming an updated rebasing of rates to allowable costs. Yet the nursing homes that are facing these inflationary cost increases over the next two years are being asked to accept a zero percent increase in their rates.

"At minimum no increase will mean an inability for us to make any improvements that are not safety related. Additionally we are most likely going to have to make some staffing adjustments as no increase represents a huge part of our revenue projection given our average Medicaid census of over 160. Additionally we serve those residents requiring a secured dementia unit and do so at a significant staffing expense. This unit is always full and satisfaction is high because we allocate the necessary resources to do this well." CANPFA Member

"We are a not for profit nursing home. Maintaining high quality service is one of our top priorities. The majority of the cost for our top quality care is nursing wages. Over the past few years wages have gone up about 5% a year. With no increase in the Medicaid rates, our quality will suffer. Our best nurses will move to another area in the health care field." CANPFA Member

"Our average cost of providing benefits to staff has risen almost 20% in most nursing homes over the last two years. We cannot sustain this cost without compromising quality of care or shifting the burden to our staff - even with a modest 3% increase we are challenged to find ways to meet the benefit expense that continues to grow. With NO increase it is completely unmanageable." CANPFA Member

Private pay: Nursing homes frequently are forced to raise rates for privately-paying residents above the level they otherwise would have to pay in order to counteract the inadequate reimbursement they receive for the care of residents covered by Medicaid. Private pay residents have already invested in their future care - they paid their taxes and saved their money; many have purchased long term care insurance and sold their homes. We want to support them, not force them to support an inadequate publicly-funded system.

“Without a rate increase we will be forced to increase private rates which only shifts the burden to those who are already paying far more than their share to make up for state shortfalls; it runs the private pay candidate out of money sooner and creates a continuing disparity in quality for homes that have limited private pay business - the state and federal government needs to at least meet the cost of care for those on Medicare and Medicaid.” CANPFA Member

Nursing Facility User Fee: The nursing facility user fee that went into effect on July 1, 2005 placed an enormous financial burden on nursing homes across the state. We recognize the fact that this drastic action was taken in an effort to stabilize the nursing home field which at that time was being under funded by the Medicaid program by \$110 million. Unfortunately, the provider user fee system is being used to fund many other providers and has left the homes with a shortfall in their rates – while the cost of labor, energy, food and overhead continues to rise. Meanwhile, the nursing homes are carrying the full burden of the tax and are required to make large quarterly tax payments that severely strain their cash flow. At least 33 homes actually lost money in the tax scheme – and many others have realized only a slight net gain. Adding insult to injury, homes must pay the tax on residents who are pending Medicaid and have no current payment source.

Funding goal: We cannot allow the rates to remain stagnant, or we will quickly find ourselves in another desperate financial situation. Toward that goal, we would propose that if the state is not going to allow the statutory rate setting formula to rebase the rates on an annual basis, the state consider instituting an annual indexing of the nursing home rates to keep pace with inflation. While the system would still require a periodic rebasing, the indexing would help to maintain a reasonable rate structure that will not drive the nursing home system into financial jeopardy.

“As a provider with a current Medicaid census of 77% a no increase in our Medicaid rate over the next 2 years will impact the home in its ability to give staff increases in their wages and any increase in benefit costs will also have to be passed onto the employee thus eroding their take home pay. A 1% wage increase costs the home \$53,142, 77% of which (\$40,919) would have to be absorbed by the facility. The loss of funds to the facility by giving a 3% increase in each of the next two years would be \$245,516. The home would be forced to decrease staff and services to accommodate this and other increases including but not limited to, utilities (currently are 25% higher than last year), liability insurance (increases around 10% annually) and employee benefits (double digit increases annually). We must be reimbursed adequately for the services we provide to our residents.” CANPFA Member

Rebalancing Medicaid's long-term care coverage by encouraging home and community based services:

Most of the people CANPFA members serve are in their 70s, 80s and older. They have served their communities well over the years, and they choose to remain in their own homes. They know that the key to their independence is the availability of home and community-based services. Services such as home-delivered and congregate meals are life-lines for older adults who are not able to shop or cook a nutritious meal. Funding for home health and adult day services must become a priority in order to prevent older adults with chronic medical problems from needing nursing home placement. And we need to invest in our residential care homes that for years have provided an affordable homelike community based alternative for many older adults.

The state must commit to providing a stronger home and community based network of care because it is the right thing to do. And part of that commitment must be a financing plan that will build our community based infrastructure and adequately reimburse our providers. A strong financial commitment to this system of care will promote quality, attract new providers and encourage innovative new services.

The state has adopted a long term care plan with a goal of rebalancing the system and providing choice for individuals seeking long term care. The plan states that between SFY 2003 and SFY 2006 the proportion of Medicaid clients receiving services in the community increased from 46 to 51 percent while the proportion of Medicaid long-term care clients receiving institutional care decreased by nearly two percent a year – from 54 percent to 49 percent. At the same time though, the total Medicaid long-term care expenditures have increased.

Our experience shows us that while rebalancing can moderate the growth of long term care costs, it does not eliminate that growth. Costs continue to rise and will continue to rise throughout the long term care system – and ***we need to recognize this and we need to adequately fund it.*** We need to invest in our long term care system and keep up with rising costs of providing quality care. This is an essential element to the success of the long term care plan and the only way we can maintain our commitment to those who rely upon the Medicaid system for their long term care.

“The high cost of living in CT is driving many of our frontline workers to less costly regions throughout the country. CT has one of the fastest growing senior populations in the country, hence, the demand for services will increase. If we are not competitive in offering good wages and benefits for staff to live in this state they will have no choice but to move elsewhere or go into another field of work. Who will take care of all the seniors?” CANPFA Member

Thank you for your consideration of this testimony and I would be happy to answer any questions.

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(The State's Long Term Care Plan: <http://www.cqa.ct.gov/coa/PDFs/LTC%20Plan-2007%20Final.pdf>)