



ATHENA

Athena Health Care Systems

**Testimony to the Human Services Committee
Regarding
Raised Bill No. 662, AN ACT CONCERNING MEDICAID ELIGIBILITY AND
REIMBURSEMENT.**

Presented by Michael Mosier, C.F.O. and Lawrence Santilli, President, Athena Health Care Associates, Inc.

March 11, 2008

Good Morning Senator Harris, Representative Villano and members of the Human Services Committee. My name is Michael Mosier, C.F.O. of Athena Health Care Associates, Inc. and with me is Lawrence Santilli, President of Athena Health Care Associates, Inc. Athena is a Connecticut based company that offers a full spectrum of long term care services throughout our 18 nursing homes. Thank you for this opportunity to testify on Raised Bill No. 662.

We have specific comments on Bill No. 662, AAC Medicaid Eligibility and Reimbursement. They are as follows:

Section 8: Allowable Fair Rent

Athena supports the changes regarding the determination of allowable fair rent.

Fair rent is the reimbursement mechanism used to reimburse a facility for its real property and improvements. Each asset is assigned a cost, useful life and interest rate. From there, the fair rent is calculated similar to a mortgage payment. Fair rent is then substituted for facility reported real property and improvement costs.

Currently, reimbursement for the original building, usually the largest component of the fair rent allowance system, drops out of the calculation after the 30th year. In most cases this decreases the fair rent allowance to the "minimum" fair rent. The "minimum" fair rent is set at the 25th percentile for all nursing facilities. This drop off or "cliff" creates an issue. In effect, it ultimately penalizes a facility to do further renovations and may limit their ability for financing such renovations. We have illustrated this issue in the attached example but basically, once a facility is at the minimum, they must spend more than what equates to the minimum fair rent before it receives one additional dollar in reimbursement.

To correct this issue and to provide facilities with funding opportunities for improvements, the proposed changes would:

FACILITY A EXAMPLE

160 Beds

Fair rent calculation:

	Cost	First Year	Last year	Usefull Life	Rate of Return	Fair Rent
Real Property						
Improvements Other						
Than Org Building	\$42,000	1989	2009	21	9.8598%	\$4,809
	\$2,800	1989	2013	25	9.2970%	\$292
	\$15,275	1991	2010	20	9.2970%	\$1,709
	\$38,000	1993	2007	15	8.5003%	\$4,576
	\$125,000	1994	2013	20	7.9408%	\$12,675
	\$12,975	1995	2014	20	7.5472%	\$1,277
	\$5,170	1996	2015	20	9.7350%	\$596
	\$65,069	2001	2010	10	8.2350%	\$9,800
	\$31,855	2002	2011	10	7.5320%	\$4,648
	\$4,364	2002	2016	15	7.5320%	\$495
	\$2,650	2002	2011	10	7.5320%	\$387
	\$8,190	2003	2007	5	6.0780%	\$1,948
	\$68,377	2003	2012	10	6.0780%	\$9,325
	\$1,276	2003	2017	15	6.0780%	\$132
	\$13,303	2003	2022	20	6.0780%	\$1,167
	\$1,034	2004	2011	8	6.3600%	\$169
	\$5,393	2004	2013	10	6.3600%	\$745
	\$2,095	2005	2014	10	6.3435%	\$289
	\$7,992	2006	2010	5	7.2030%	\$1,960
	\$2,108	2006	2015	10	7.2030%	\$303
Total Real Property	<u>\$454,926</u>					<u>\$57,302</u>

Minimum Fair Rent \$ 5.4532 /patient day \$302,544

Minimum Fair Rent in Excess of Actual \$245,242

Improvement Spending Required Prior to First Dollar of Reimbursement \$2,205,279

FACILITY B EXAMPLE

Original Building drops off. Facility has made on-going renovations

160 Beds

Fair rent calculation:

	Cost	First Year	Last year	Usefull Life	Rate of Return	Fair Rent
Real Property						
Improvements Other	\$45,000	1985	2014	20	7.5472%	\$4,430
Than Org Building	\$2,293	1988	2007	20	9.9846%	\$269
	\$2,400	1989	2008	20	9.8598%	\$279
	\$3,969	1991	2010	20	9.2970%	\$444
	\$5,883	1991	2015	25	9.2970%	\$613
	\$10,053	1992	2011	20	8.9970%	\$1,101
	\$1,653	1993	2012	20	8.5003%	\$175
	\$7,265	1993	2007	15	8.5003%	\$875
	\$94,077	1995	2009	15	7.5472%	\$10,689
	\$14,378	1995	2014	20	7.5472%	\$1,415
	\$180,928	1995	2019	25	7.5472%	\$16,298
	\$13,699	1996	2010	15	6.9097%	\$1,496
	\$81,314	1996	2015	20	6.9097%	\$7,622
	\$142,156	1997	2026	30	10.0155%	\$15,099
	\$1,431	1997	2021	25	10.0155%	\$158
	\$43,259	1997	2016	20	10.0155%	\$5,087
	\$5,905	1997	2011	15	10.0155%	\$777
	\$3,407	1998	2007	10	8.8755%	\$528
	\$7,590	1998	2012	15	8.8755%	\$935
	\$7,832	1998	2017	20	8.8755%	\$850
	\$16,892	1999	2008	10	8.3280%	\$2,555
	\$14,663	1999	2013	15	8.3280%	\$1,748
	\$4,155	1999	2018	20	8.3280%	\$434
	\$3,989	2000	2009	10	9.5310%	\$636
	\$203,394	2000	2014	15	9.5310%	\$26,029
	\$17,606	2001	2010	10	8.2350%	\$2,652
	\$12,189	2001	2020	20	8.2350%	\$1,263
	\$32,217	2002	2011	10	7.5320%	\$4,700
	\$28,290	2002	2016	15	7.5320%	\$3,211
	\$1,483	2002	2021	20	7.5320%	\$146
	\$44,270	2003	2012	10	6.0780%	\$6,037
	\$7,761	2003	2007	5	6.0780%	\$1,846
	\$1,555	2003	2017	15	6.0780%	\$161
	\$5,838	2003	2022	20	6.0780%	\$512
	\$2,092	2003	2027	25	6.0780%	\$165
	\$2,276	2004	2008	5	6.3600%	\$546
	\$218,056	2004	2013	10	6.3600%	\$30,134
	\$591	2004	2018	15	6.3600%	\$62
	\$4,783	2004	2023	20	6.3600%	\$429
	\$1,495	2004	2028	25	6.3600%	\$121
	\$25,826	2005	2009	5	6.3435%	\$6,188
	\$75,863	2005	2014	10	6.3435%	\$10,476
	\$50,546	2005	2019	15	6.3435%	\$5,322
	\$6,209	2005	2029	25	6.3435%	\$502
	\$51,215	2006	2010	5	7.2030%	\$12,559
	\$170,029	2006	2013	8	7.2030%	\$28,699
	\$5,563	2006	2015	10	7.2030%	\$799
	\$58,506	2006	2020	15	7.2030%	\$6,506
	\$1,205	2006	2025	20	7.2030%	\$116
	\$700,000	2007	2026	20	7.0000%	\$66,075
	\$300,000	2008	2027	20	7.0000%	\$28,318
Total Real Property	\$2,743,049					\$318,087

Minimum Fair Rent \$ 5.4532 /patient day

\$302,544

Minimum Fair Rent Less Than Actual

(\$15,543)

Mimimum fair rent has no benefit to the facility.