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

Testimony to the Appropriations Committee
Regarding
The Governor's Proposed Budget FY 2010 – FY 2011
Human Services
February 18, 2009

Presented by David Bordonaro, CANPFA Chair

Good evening Senator Harp, Representative Geragosian, and members of the Appropriations Committee. My name is David Bordonaro and I am the President of McLean, a not-for-profit provider of the full continuum of long term care services located in Simsbury. I am also the Chairman of the Board of CANPFA, an association of over 150 not-for-profit providers of aging services.

I am joined tonight by several other CANPFA members who are here to show their support for the adequate funding of Medicaid rates for long term care services.

Among those here tonight are representatives from: **McLean** located in Simsbury; **Masonicare** in Wallingford, Newtown, and **Masonicare Home Health & Hospice** serving statewide; **Central Connecticut Senior Health Services** including **Southington Care** in Southington and **Jerome Home** in New Britain; **The Lutheran Home of Southbury**; **St. Joseph's Living Center** located in Windham, **Hebrew Health Care** located in West Hartford and serving the Greater Hartford area; **Whitney Center** in Hamden; **Sister Virginie Grimes Health Center, The Jewish Home for the Aged, Leeway** and **The Mary Wade Home** all located in New Haven; The **Jewish Home for the Elderly** located in Fairfield; **The Bradley Home** and **Connecticut Baptist Home** both located in Meriden, **Ingraham Manor** located in Bristol, and **Church Homes** including **Avery Heights** in Hartford and **Noble Horizons** in Salisbury.

These and the other non-profit and mission driven members of CANPFA have made a commitment to serve our elderly and chronically ill through the full continuum of long term care. We believe that people should receive the services they need, when they need them, in the place they call home.

On behalf of these members I would like to speak to the Governor's proposal to provide no rate increase in the Medicaid program for long term care providers.

Medicaid is the single most important public source of financing for long term care, but the fact is that Medicaid rates do not meet the costs of providing this care. This is the case both for nursing homes and for home and community based services.

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The Governor has proposed a budget that provides no Medicaid rate increase for the next two fiscal years for providers across the continuum of long term care. This budget will follow the current fiscal year when we also received no rate increase. That will be three years without any rate increase.

While this may appear to be a stabilization of funding, the fact is that no rate increase for three straight years will have a devastating effect on the level of services that we will be able to provide. We have seen what happens when the Medicaid rates fall so far behind that the strain becomes too much – providers teeter on bankruptcy, quality providers leave the field, and others are reluctant to enter the field. This is already happening and will be accelerated if the Governor's proposal is adopted.

No where is this more evident than in our nursing homes. The nursing home remains the cornerstone and the safety net of our long term care system, but the financial stress of inadequate Medicaid rates is undermining our ability to provide quality nursing home care. If rates are allowed to remain stagnant for three years, the results will be devastating.

The nursing home rate setting structure that is outlined in statute establishes individualized rates based on allowable costs and held down by cost center caps. Historically this rate setting structure has been ignored in the budget process and replaced by small and arbitrary rate increases. These nominal rate increases have resulted in the providers needing to shift costs and cut expenses and the entire system is strained.

The Governor's proposal acknowledges that the statutory rate structure, if allowed to function, would recognize a 9.7% rate increase in the next fiscal year and an additional 3% increase in the following year. But she proposes not to provide that increase. Instead, the Governor is asking nursing homes to find the $280 million dollars in cuts within their own facilities over the next two years. That is at least $280 million in current spending that must be cut from our operating budgets. And there are not many places we can go to find these cuts. 70% of our costs are related to personnel. Staffing, heat, medical supplies, food – these are our expenses.

The Governor's proposal also would deny any new fair rent adjustments in our rates to reimburse for capital improvements or repairs to our aging infrastructure. The administration has already established a policy of denying fair rent adjustments for the purchase of moveable equipment such as new beds, patient lifts, or other furniture or equipment that improves the quality of patient care. This policy is extremely short sighted in this economy. It will restrict the ability of providers to finance improvements to their aging facilities, and it will discourage those with working capitol from spending it. And ignoring the need to upgrade residents' beds, mattresses, patient lifts, and other modernized patient care equipment will thwart efforts to improve patient care.

We understand the fiscal strain the state is under. This economic downturn has negatively affected all of our organizations. In addition, the effects of the economy will most certainly accelerate spend down rates and increase the public portion of the payer mix within our programs. With less private pay, the dependence on our Medicaid rates becomes even higher. These are harsh realities that we all must face.

The state has adopted a long term care plan with a goal of rebalancing the system and providing a choice for individuals seeking long term care. We support this goal, but experience shows that while rebalancing can moderate the growth of long term care costs, it does not eliminate the growth. Costs continue to rise and will continue to rise through the entire long term care system – and the state needs to recognize this and invest in it. This is an essential element to the success of the long term care plan and the only way we can maintain the commitment to those who rely upon the Medicaid system for their long term care needs.

In closing, I would encourage the Committee to invest in the Medicaid program and make it a priority in this budget. It is a vital program and the safety net that our most frail and vulnerable residents rely upon.

Thank you and I would be glad to answer any questions.