Help and Hope Overcoming Addictions

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My name is Joe Sullivan. I am the CEO of the Midwestern Connecticut Council of Alcoholism, Inc. (MCCA) with headquarters at 38 Old Ridgebury Road in Danbury, Connecticut. We run a 15-bed substance abuse residential treatment center for adolescent girls in Norwalk. I am here today to explain that if the proposal in the Governor's budget to remove funding to reflect the suspension of rate increases determined by the single cost accounting for residential treatment facilities is allowed to stand, we would have to close our center.

Let me explain why. The rates currently being paid are the result of the costs that were incurred and reported during fiscal year 2007. The rates that would be paid beginning July 1, 2009 determined by the single cost report would be based upon the costs that were incurred in fiscal year 2008. There is a two-year lag time between the cost and the rates being paid to cover those costs. In some cases rates are reduced and other cases rates are increased as a result of the single cost report. In our situation because of an unusual set of circumstances our current year's daily rate of $257 was reduced from the rate for the previous year of $287 per day because our single cost report warranted that.

We are currently operating that program at a loss. That program currently costs us about $1,200,000 a year to operate. Based upon expenses and revenue for the first six months of this fiscal year, we anticipate losing between $170,000 and $200,000 this fiscal year. The rate reduction that we experienced because of the single cost report for 2007 resulted in a $153,000 reduction in revenue. We understand that this is the way the funding runs. We recognized this when we entered into the contract with the Department of Children and Families, that this could happen because of the way the funding flows and the rates are determined. It is just the rules of the game. Governor Rell's proposed budget changes the rules of the game at half time.

We had anticipated that because of our costs for fiscal year 2008, our rate for 2009 would raise from $257 a day to somewhere around $300 per day, again based on our cost for fiscal year 2008. If the single cost rate adjustment methodology is suspended, we will lose an anticipated $220,000 for the next fiscal year. We will not be able to absorb that loss and will close the program. This would be extremely regrettable for the children and the taxpayers of Connecticut at a time when one of the goals is to return out-of-state placed kids to Connecticut. If we close, kids who would normally come to us will continue to be placed out-of-state. It makes no sense to spend Connecticut taxpayer dollars in Vermont, New York, Massachusetts or any other states. I do not think the Governor's budget reflects an understanding of how the rate setting system really operates. In short, losses of one fiscal year are made up for two years later. If we have profits in one fiscal year, it is compensated for in a rate reduction two years hence.

I hope this testimony and chart that is attached make this problem clear. It is a complex situation that needs to be understood lest residential treatment services are further reduced in this state at a sacrifice of jobs and the well being of the people we are here to serve.

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RESIDENTIAL TREATMENT FACILITIES
SINGLE COST REPORT
RATE SETTING