Testimony Presented to the
Appropriations Committee
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Senate Bills 355 and 357

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My name is Robert Bowsza, Chief Financial Officer of HARC, Inc., an organization that serves people with intellectual and related disabilities. Thank you for the opportunity to offer testimony on Senate Bill 355, An Act Concerning Capital Improvements Required by the Department of Developmental Services AND Senate Bill 357, An act Concerning Reductions to State Contracts.

With regard to **Senate Bill 355**, I am here today to support the exemption of capital improvements from the current rate freeze. Following is a summary of issues:

- Room and board rates for community residences have been capped or frozen since the fiscal year ending June 30, 2008. Previously, providers had been reimbursed for actual allowable and reasonable costs with a time lag between incurring costs and receiving reimbursement. The current rate freeze makes it difficult for providers to absorb unanticipated cost increases in such areas as food, utilities and maintenance. For example, a snowy winter may result in snowplowing expenses that will not be recovered under a rate freeze.

- From time to time, providers undertake capital projects to benefit the health and safety of our residents. These projects require pre-approval from DDS and DSS. Under the rate system in effect prior to 2008, these capital improvements would have been reimbursed according to a schedule of depreciation. With the approval in place, community providers were able to apply for loans from banks and other lending institutions such as the Corporation for Independent Living (CIL).

- The current frozen rate system does not allow for the recovery of approved capital project costs. Financing for such projects will be impossible to obtain, as lenders will be unwilling to commit funds for projects that will not be reimbursed. We fear that the system of funding community residences will collapse if these rate freezes continue.

We appeal to you to consider amending the general statutes to allow for reimbursement of capital improvements.

With regard to **Senate Bill 357,** HARC's families are concerned about the impact of reduced funding for their sons and daughters and the ability of community providers to maintain health, safety and quality standards, at reduced rates. As currently drafted, the bill only allows any agency to move funds from one line item to another when that agency's state funding is reduced by 5% or greater. There is no provision for line item adjustments when funding cuts are less than 5%. In this precarious economic climate, any cut can be devastating to a small agency. The bill also offers no opportunity for an agency to renegotiate the scope of services provided with reduced funding. This issue is exacerbated when consumers receive services from long-term providers, like HARC, that are especially affected by the state's long history of chronic underfunding of private providers.

We urge you to incorporate into the bill the opportunity for providers and families to renegotiate the scope of services for consumers who participate in individual or group contracts. Providers should have a more prominent, active role in determining whether the services provided are funded sufficiently to meet health, safety and programmatic standards mandated by Medicaid and suggested as best practices.

Thank you for your urgent attention to our critical safety net programs that serve the most vulnerable citizens in Connecticut.