



Where Visions are Built

September 27, 2011

Legislative Program Review and Investigations Committee testimony re:

Provision of Selected Services for Clients with Intellectual Disabilities

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Good afternoon Senator Fonfara, Representative Rowe and committee members. My name is Don Neel; I am the Vice President of Administration and Finance with Corporation for Independent Living. I am here today to speak in support of Community Living Arrangements and to provide some context for the study with respect to the rate-setting process, CLA size considerations and our capacity to develop additional group home facilities in Connecticut

Corporation for Independent Living, a 501(c)(3) non-profit corporation, has been developing group homes in Connecticut since 1979. We were instrumental in providing homes for the residents of Mansfield State Training School, permitting the ultimate decommissioning of that institution, and have, to date, developed approximately 600 licensed community residences in CT and MA that serve more than 2,600 people. Our mission and our values are based on the belief that all people deserve respect and the greatest possible degree of independence. For Connecticut's residents with developmental disabilities, these values are brought to life by providing opportunities for them to live as full-fledged members of our local communities, as opposed to hiding them away in large, impersonal institutions, such as Southbury Training School.

While the Department of Developmental Services (DDS) licenses and funds the service component of CLA operating costs, the Department of Social Services (DSS) funds the "room and board" component, including property costs. The room and board rate-setting process that DSS uses to reimburse property costs is archaic and inadequate in that it yields returns that are well below market rates. Known as "fair rental value," the rate setting basis is formulaically determined and is not based on actual market rents. Under the present system, total development costs are split between land and buildings. The building portion is funded at the Medicare Rate of Return, which is now at a historical low. The land portion is funded at only one-third the Medicare Rate of Return and is capped at 4%. The resultant blended rate provides an unreasonably low rate of return, which is unattractive to for-profit developers, barely manageable for not-for-profit developers, and is exacerbated by development budget inflexibility and the absence of a contingency line item. Particularly in Fairfield County, where land values are very high, the formula is even more skewed toward the undervalued land portion. The fair rental value formula, as it currently exists, inhibits the development of Community Living Arrangements.

The new I-2 regulations add complexity to building code compliance while providing life safety improvements for CLA residents who are not capable of self-preservation. The specialized fire suppression systems and means of egress are prudent investments that enhance our ability to allow residents to age in place, as some who are capable of self-evacuation when they move into a group home may not retain that capability as they get older. One of the consequences of these regulations is that they make the option of leasing facilities from private individuals both obsolete and impractical, as few landlords are likely to be willing to incur the expense of the extensive renovations that I-2 would require on non-compliant buildings. One approach that may be used is to spread the largely fixed costs of I-2 compliance among more residents by building larger homes. We do not support that approach; CLAs with two to four residents are much more home-like and enjoy easier acceptance by the community than homes for five or six residents. Of course, smaller residences do typically have higher per capita costs of supervision and personal care attention. Corporation for Independent Living also develops licensed community residences in our sister state of Massachusetts, where all the CLAs are four-person homes. This is a good model, one that we recommend for adoption in Connecticut.

The use of private, non-profit providers, such as the many great agencies in our state that have proven their ability to provide high quality service to people with intellectual disabilities, coupled with a private, non-profit developer with private financing, such as Corporation for Independent Living, is the most expedient means of providing high quality CLAs. When it comes to locating suitable sites, getting those properties under contract, obtaining permits and managing construction, we are far more agile than a state bureaucracy could be. Corporation for Independent Living has almost unlimited capacity to develop CLAs. We recently closed on a \$40 million revolving line of credit, with which we finance homes until we have aggregated enough to provide permanent financing with tax exempt bonds. We are here for the providers to provide the expertise, effort and financial means to develop as many homes as they need.

I have described the manner in which the current DSS rate-setting process presents a barrier to growth of private sector community-based services; it should be reviewed and modified. CLA size is also an important consideration; we recommend a maximum of four people per home, which can provide scale economies without sacrificing resident safety and quality of care, and without inviting unnecessary community resistance. Finally, Connecticut has a strong provider network and there is ample capacity to build and operate homes for our state's residents with intellectual disabilities.

Thank you for your consideration.