



House of Representatives

General Assembly

File No. 348

February Session, 2012

House Bill No. 5280

House of Representatives, April 11, 2012

The Committee on Human Services reported through REP. TERCYAK of the 26th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT ADJUSTING NURSING HOME RATES FOR PHYSICAL PLANT IMPROVEMENTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (4) of subsection (f) of section 17b-340 of the
2 2012 supplement to the general statutes is repealed and the following
3 is substituted in lieu thereof (*Effective July 1, 2012*):

4 (4) For the fiscal year ending June 30, 1992, (A) no facility shall
5 receive a rate that is less than the rate it received for the rate year
6 ending June 30, 1991; (B) no facility whose rate, if determined pursuant
7 to this subsection, would exceed one hundred twenty per cent of the
8 state-wide median rate, as determined pursuant to this subsection,
9 shall receive a rate which is five and one-half per cent more than the
10 rate it received for the rate year ending June 30, 1991; and (C) no
11 facility whose rate, if determined pursuant to this subsection, would be
12 less than one hundred twenty per cent of the state-wide median rate,
13 as determined pursuant to this subsection, shall receive a rate which is
14 six and one-half per cent more than the rate it received for the rate year

15 ending June 30, 1991. For the fiscal year ending June 30, 1993, no
16 facility shall receive a rate that is less than the rate it received for the
17 rate year ending June 30, 1992, or six per cent more than the rate it
18 received for the rate year ending June 30, 1992. For the fiscal year
19 ending June 30, 1994, no facility shall receive a rate that is less than the
20 rate it received for the rate year ending June 30, 1993, or six per cent
21 more than the rate it received for the rate year ending June 30, 1993.
22 For the fiscal year ending June 30, 1995, no facility shall receive a rate
23 that is more than five per cent less than the rate it received for the rate
24 year ending June 30, 1994, or six per cent more than the rate it received
25 for the rate year ending June 30, 1994. For the fiscal years ending June
26 30, 1996, and June 30, 1997, no facility shall receive a rate that is more
27 than three per cent more than the rate it received for the prior rate
28 year. For the fiscal year ending June 30, 1998, a facility shall receive a
29 rate increase that is not more than two per cent more than the rate that
30 the facility received in the prior year. For the fiscal year ending June
31 30, 1999, a facility shall receive a rate increase that is not more than
32 three per cent more than the rate that the facility received in the prior
33 year and that is not less than one per cent more than the rate that the
34 facility received in the prior year, exclusive of rate increases associated
35 with a wage, benefit and staffing enhancement rate adjustment added
36 for the period from April 1, 1999, to June 30, 1999, inclusive. For the
37 fiscal year ending June 30, 2000, each facility, except a facility with an
38 interim rate or replaced interim rate for the fiscal year ending June 30,
39 1999, and a facility having a certificate of need or other agreement
40 specifying rate adjustments for the fiscal year ending June 30, 2000,
41 shall receive a rate increase equal to one per cent applied to the rate the
42 facility received for the fiscal year ending June 30, 1999, exclusive of
43 the facility's wage, benefit and staffing enhancement rate adjustment.
44 For the fiscal year ending June 30, 2000, no facility with an interim rate,
45 replaced interim rate or scheduled rate adjustment specified in a
46 certificate of need or other agreement for the fiscal year ending June
47 30, 2000, shall receive a rate increase that is more than one per cent
48 more than the rate the facility received in the fiscal year ending June
49 30, 1999. For the fiscal year ending June 30, 2001, each facility, except a

50 facility with an interim rate or replaced interim rate for the fiscal year
51 ending June 30, 2000, and a facility having a certificate of need or other
52 agreement specifying rate adjustments for the fiscal year ending June
53 30, 2001, shall receive a rate increase equal to two per cent applied to
54 the rate the facility received for the fiscal year ending June 30, 2000,
55 subject to verification of wage enhancement adjustments pursuant to
56 subdivision (14) of this subsection. For the fiscal year ending June 30,
57 2001, no facility with an interim rate, replaced interim rate or
58 scheduled rate adjustment specified in a certificate of need or other
59 agreement for the fiscal year ending June 30, 2001, shall receive a rate
60 increase that is more than two per cent more than the rate the facility
61 received for the fiscal year ending June 30, 2000. For the fiscal year
62 ending June 30, 2002, each facility shall receive a rate that is two and
63 one-half per cent more than the rate the facility received in the prior
64 fiscal year. For the fiscal year ending June 30, 2003, each facility shall
65 receive a rate that is two per cent more than the rate the facility
66 received in the prior fiscal year, except that such increase shall be
67 effective January 1, 2003, and such facility rate in effect for the fiscal
68 year ending June 30, 2002, shall be paid for services provided until
69 December 31, 2002, except any facility that would have been issued a
70 lower rate effective July 1, 2002, than for the fiscal year ending June 30,
71 2002, due to interim rate status or agreement with the department shall
72 be issued such lower rate effective July 1, 2002, and have such rate
73 increased two per cent effective June 1, 2003. For the fiscal year ending
74 June 30, 2004, rates in effect for the period ending June 30, 2003, shall
75 remain in effect, except any facility that would have been issued a
76 lower rate effective July 1, 2003, than for the fiscal year ending June 30,
77 2003, due to interim rate status or agreement with the department shall
78 be issued such lower rate effective July 1, 2003. For the fiscal year
79 ending June 30, 2005, rates in effect for the period ending June 30, 2004,
80 shall remain in effect until December 31, 2004, except any facility that
81 would have been issued a lower rate effective July 1, 2004, than for the
82 fiscal year ending June 30, 2004, due to interim rate status or
83 agreement with the department shall be issued such lower rate
84 effective July 1, 2004. Effective January 1, 2005, each facility shall

85 receive a rate that is one per cent greater than the rate in effect
86 December 31, 2004. Effective upon receipt of all the necessary federal
87 approvals to secure federal financial participation matching funds
88 associated with the rate increase provided in this subdivision, but in
89 no event earlier than July 1, 2005, and provided the user fee imposed
90 under section 17b-320 is required to be collected, for the fiscal year
91 ending June 30, 2006, the department shall compute the rate for each
92 facility based upon its 2003 cost report filing or a subsequent cost year
93 filing for facilities having an interim rate for the period ending June 30,
94 2005, as provided under section 17-311-55 of the regulations of
95 Connecticut state agencies. For each facility not having an interim rate
96 for the period ending June 30, 2005, the rate for the period ending June
97 30, 2006, shall be determined beginning with the higher of the
98 computed rate based upon its 2003 cost report filing or the rate in
99 effect for the period ending June 30, 2005. Such rate shall then be
100 increased by eleven dollars and eighty cents per day except that in no
101 event shall the rate for the period ending June 30, 2006, be thirty-two
102 dollars more than the rate in effect for the period ending June 30, 2005,
103 and for any facility with a rate below one hundred ninety-five dollars
104 per day for the period ending June 30, 2005, such rate for the period
105 ending June 30, 2006, shall not be greater than two hundred seventeen
106 dollars and forty-three cents per day and for any facility with a rate
107 equal to or greater than one hundred ninety-five dollars per day for
108 the period ending June 30, 2005, such rate for the period ending June
109 30, 2006, shall not exceed the rate in effect for the period ending June
110 30, 2005, increased by eleven and one-half per cent. For each facility
111 with an interim rate for the period ending June 30, 2005, the interim
112 replacement rate for the period ending June 30, 2006, shall not exceed
113 the rate in effect for the period ending June 30, 2005, increased by
114 eleven dollars and eighty cents per day plus the per day cost of the
115 user fee payments made pursuant to section 17b-320 divided by
116 annual resident service days, except for any facility with an interim
117 rate below one hundred ninety-five dollars per day for the period
118 ending June 30, 2005, the interim replacement rate for the period
119 ending June 30, 2006, shall not be greater than two hundred seventeen

120 dollars and forty-three cents per day and for any facility with an
121 interim rate equal to or greater than one hundred ninety-five dollars
122 per day for the period ending June 30, 2005, the interim replacement
123 rate for the period ending June 30, 2006, shall not exceed the rate in
124 effect for the period ending June 30, 2005, increased by eleven and one-
125 half per cent. Such July 1, 2005, rate adjustments shall remain in effect
126 unless (i) the federal financial participation matching funds associated
127 with the rate increase are no longer available; or (ii) the user fee
128 created pursuant to section 17b-320 is not in effect. For the fiscal year
129 ending June 30, 2007, each facility shall receive a rate that is three per
130 cent greater than the rate in effect for the period ending June 30, 2006,
131 except any facility that would have been issued a lower rate effective
132 July 1, 2006, than for the rate period ending June 30, 2006, due to
133 interim rate status or agreement with the department, shall be issued
134 such lower rate effective July 1, 2006. For the fiscal year ending June
135 30, 2008, each facility shall receive a rate that is two and nine-tenths
136 per cent greater than the rate in effect for the period ending June 30,
137 2007, except any facility that would have been issued a lower rate
138 effective July 1, 2007, than for the rate period ending June 30, 2007, due
139 to interim rate status or agreement with the department, shall be
140 issued such lower rate effective July 1, 2007. For the fiscal year ending
141 June 30, 2009, rates in effect for the period ending June 30, 2008, shall
142 remain in effect until June 30, 2009, except any facility that would have
143 been issued a lower rate for the fiscal year ending June 30, 2009, due to
144 interim rate status or agreement with the department shall be issued
145 such lower rate. For the fiscal years ending June 30, 2010, and June 30,
146 2011, rates in effect for the period ending June 30, 2009, shall remain in
147 effect until June 30, 2011, except any facility that would have been
148 issued a lower rate for the fiscal year ending June 30, 2010, or the fiscal
149 year ending June 30, 2011, due to interim rate status or agreement with
150 the department, shall be issued such lower rate. For the fiscal years
151 ending June 30, 2012, and June 30, 2013, rates in effect for the period
152 ending June 30, 2011, shall remain in effect until June 30, 2013, except
153 any facility that would have been issued a lower rate for the fiscal year
154 ending June 30, 2012, or the fiscal year ending June 30, 2013, due to

155 interim rate status or agreement with the department, shall be issued
 156 such lower rate. The Commissioner of Social Services shall add fair
 157 rent increases to any other rate increases established pursuant to this
 158 subdivision for a facility which has undergone a material change in
 159 circumstances related to fair rent, except for the fiscal [years ending
 160 June 30, 2010, June 30, 2011, June 30, 2012, and June 30, 2013, such fair
 161 rent increases shall only be provided to facilities with an approved
 162 certificate of need pursuant to section 17b-352, 17b-353, 17b-354 or 17b-
 163 355.] year ending June 30, 2013, the commissioner shall add fair rent
 164 and moveable equipment depreciation allowances associated with
 165 items placed in service in cost report years 2008 through 2011 not
 166 otherwise included in rates issued for rate periods between July 1,
 167 2009, and June 30, 2012. Such fair rent and moveable equipment
 168 allowances for the fiscal year ending June 30, 2013, shall be added to
 169 the rate otherwise effective for the period without regard to
 170 adjustments to a facility's allowable fair rent or moveable equipment
 171 depreciation associated with items placed in service in cost report
 172 periods prior to 2008 based upon full amortization of an asset or
 173 adjustments to the annual rate of return made pursuant to subsection
 174 (f) of section 17-311-52 of the regulations of Connecticut state agencies.
 175 Interim rates may take into account reasonable costs incurred by a
 176 facility, including wages and benefits. Notwithstanding the provisions
 177 of this section, the Commissioner of Social Services may, within
 178 available appropriations, increase rates issued to licensed chronic and
 179 convalescent nursing homes and licensed rest homes with nursing
 180 supervision.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2012	17b-340(f)(4)

HS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 13 \$	FY 14 \$
Department of Social Services	GF - Cost	16.3 million	16.3 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill requires the Department of Social Services (DSS) to adjust nursing home Medicaid rates to reflect fair rent and moveable equipment expenses incurred by homes between 2008 and 2011. DSS would add an adjustment based on Medicaid's overall share of these costs based on an assumed useful life of the purchase¹.

During this period, homes made unreimbursed fair rent expenditures totaling \$103 million and movable equipment expenditures totaling \$49 million. Based on these past expenditures, DSS would realize an annual increase in the Medicaid program of \$16.3 million² for its share of these statewide costs.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

¹ Useful life for movable equipment is assumed to be 5 years. Useful life for fair rent varies by the type of capital improvement.

² Based on the useful life included in DSS nursing home cost reports and Medicaid paying 69.3% of statewide nursing home costs.

OLR Bill Analysis**HB 5280*****AN ACT ADJUSTING NURSING HOME RATES FOR PHYSICAL PLANT IMPROVEMENTS.*****SUMMARY:**

This bill requires the Department of Social Services (DSS) commissioner, for FY 2012, to add fair rent and moveable equipment depreciation allowances for items listed as in service in nursing home cost reports for years 2008 through 2011. These allowances must not have been included in rates issued between July 1, 2009 and June 30, 2012. Since FY 10, DSS has allowed fair rent increases only to facilities with approved certificates of need.

The bill's fair rent and moveable equipment allowances for FY 13 must be added to the rate otherwise effective for that period. This does not affect adjustments to a facility's allowable fair rent or moveable equipment depreciation for items placed in service in cost-report periods prior to 2008 based upon full amortization of an asset or adjustments to the annual rate of return made pursuant to DSS regulations.

EFFECTIVE DATE: July 1, 2012

BACKGROUND***Fair Rent***

Fair rent is calculated in lieu of mortgage interest, other financing costs, and depreciation related to certain property, including land, buildings, and non-movable equipment. Its purpose is to equalize yearly payments and reduce fluctuations that might otherwise vary significantly from year to year.

COMMITTEE ACTION

Human Services Committee

Joint Favorable

Yea 16 Nay 0 (03/22/2012)