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Testimony of Jean Mills Aranha, Connecticut Legal Services, Inc. In Support of HB 5451: An Act Concerning Transparency in Nursing Home Cost Reports March 13, 2012

To Senator Musto, Representative Tercyak, and Members of the
Committee on Human Services:

My name is Jean Mills Aranha; I am an attorney working in the
Elder Law Unit of Connecticut Legal Services in Stamford. I submit
this testimony in support of House Bill 5451 on behalf of the legal
services programs in Connecticut and the low income individuals
we serve.

One of our priorities at Connecticut Legal Services is enforcing the
rights of nursing home residents. These individuals are some of
our most vulnerable citizens; they are elderly, ill, injured or
disabled. As you well know, the taxpayers of the State of
Connecticut pays for the care of many of nursing home residents
through the Medicaid program, administered by the Department
of Social Services. (DSS).

Nursing homes that receive state funding are currently required to
submit annual cost reports to the DSS. This bill would require for-
profit nursing homes that receive state funding to report in
greater detail on the transactions they conduct with related
parties. They would also be required to include in their reports
the actual cost of the goods and services being provided and the
mark-up, profit or administrative charges on purchases from
related parties.

More transparency is needed for these transactions so that DSS
can determine whether payments to related parties are obscuring
the true financial situation of the nursing home. Without knowing



the details of related party transactions, a facility may be portrayed as losing money while a related party which is the recipient of advantageous transactions may be prospering. DSS needs to know the full financial picture to determine whether facilities are financially sound, and if not, why not.

In addition to having an effect on accurate and fair rate setting, the true financial status of a nursing home is of paramount importance when a nursing home seeks a Certificate of Need to terminate services. In my practice, I have seen how the closure of a facility – or even the threat of a closure -- can have a great impact on its residents, especially for the frail elderly and disabled individuals who may have lived there for many years. The trauma of transferring to a new home can cause serious medical as well as psychological problems for these residents and their family members. It is critical that DSS have full information about the financial status of a facility, so that it can make a truly informed decision about whether closure due to financial distress is warranted. This legislation will help DSS to do that.

This bill protects both vulnerable nursing home residents and the State of Connecticut, which pays large amounts each year for the care of these residents through the Medicaid program. I urge you to support it.

Thank you for your attention to this legislation and my testimony.

Respectfully submitted,

Jean Mills Aranha