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February 22, 2013

Written testimony of Paul T. Liistro, CAHCF, President; CEO and owner of Manchester Manor and Vernon Health Care Centers, Concerning the Governor's FY 14 and FY 15 Biennial Budget Recommendation

Good evening Senator Harp, Representative Walker and to the members of the Appropriations Committee. My name is Paul Liistro. I am CEO and owner of Manchester and Vernon Manor located in Manchester and Vernon, Connecticut. In addition, I am the President of the CT Association of Health Care Facilities, an industry trade group representing nearly 170 member facilities. My facilities are rated 5 stars by the Federal Health and Human Services administration, ranking them at the highest level of overall recognition.

I am here tonight representing nearly 27,000 patients; 35,000 employees; and hundreds of suppliers, and vendors who support our efforts to provide what you expect, the highest quality of care for the our residents. I carry a simple message: *We cannot afford these cuts!*

It was just 2 years ago that I spoke to you in favor of imposing a Federal Nursing Home Provider Tax on our industry. 43 States use provider taxes to eliminate or mitigate low nursing home rates. It is a solution to the challenges of balancing state budgets in a slow growth economy. Combined with a tax on the industry and Federal funds (no state tax payer funds were involved), we were able to construct a net 1.4% increase to the industry. Now the Governor wants to keep the tax on the industry, but claw back the federal funds portion to balance his budget. It is fundamentally unfair. The industry should benefit with higher rates made possible with the higher provider taxes we pay.

Let's be clear. The state operates no nursing homes. Private industry owns, operates, manages and is responsible for the quality care of all patients. With the support of employees, vendors and the supplier community, CT providers care for the frailest and poorest in our society. We heat, cool, hydrate, care for, nurse, entertain, console, laugh with, cry with, reassure, and do it all over again, every shift, every day, for 365 days.



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In hurricanes, floods, snow storms, power outages and unrelenting heat, we, the provider community care for these residents. *We are an industry of 'People caring for people'*. It is truly regrettable that cuts are proposed at this time.

*And the results of rate reductions to our industry...?* Lost jobs, patients sitting in soiled diapers, unwanted smells, and delays in responding to patient calls for aid, powdered milk, more pasta, less protein, and the list goes on.

Not only is the Medicaid rate substantially below our costs, we have to process Medicaid applications through DSS... The inability of DSS to manage its administrative processes according to federal requirements is legendary. Just a couple of months ago, a Hartford Federal District Court judge in a food stamp case issued a preliminary injunction against the Department citing evidence of an "ongoing, persistent systemic failure" to comply with federal law. It can take more than 6 months for DSS to grant a LTC case. *No payment for 6 months only to receive a rate below cost and now the proposed budget recommends more cuts. Inconceivable.*

If the state wants to save money, close the Norwalk nursing home operated by the state in receivership. It is rated by the federal government as **the** worst nursing home in the State. Second, dialogue with the industry for downsizing and bed closure. Third, initiate a pay-for-performance, acuity based rate system; In other words, Innovate!

I would be happy to answer any questions you may have.

Finally, while other states are preparing their long term care industry for integration as post hospital care centers, serving the requirements of the Affordable Care Act, CT is doing its best to destroy an important element in the care community. Between lowering readmissions back to hospitals, reducing the unnecessary use of medications, increasing and improving our competencies and skills, we, skilled nursing industry, can provide immeasurable value, improve care and save money. Only if we survive.

I would be happy to answer any questions you may have.

Respectfully, I am asking to work with you to

- (1) totally reverse the 2009 freeze, and fully recognize Fair Rent and Moveable Equipment in the rate formula;
- (2) continue to work to resolve the ongoing excessive delays in the Medicaid eligibility process;
- (3) create a payment system which incents nursing home quality improvement with payment methods to reduce licensed beds consistent with the state's long term care rebalancing and rightsizing goals, and,
- (4) reverse the cuts proposed in the Governor's biennial budget recommendation.

Not part of testimony; For submission only.

**Other facts and considerations:** First, the proposed budget removes \$53.4 million in FY 2014 and \$81.0 million in FY 2015 from Medicaid spending estimates related to savings associated with eliminating the scheduled rebasing of rates effective July 1, 2013 and 2% inflation add estimated for July 1, 2014. Second, the budget cuts \$11.0 million in FY 2014 and \$14.8 million in FY 2015 to reduce 75% of “enhanced funding” received by nursing facilities in SFY 2013 as a result of the two provider tax funded rate increases granted since July 1, 2012. The reduction equates to approximately a 1.2% rate decrease.

This proposal is badly timed. Connecticut nursing homes remain in a period of ongoing financial distress. Medicare reductions in 2012 were as high as 16% in many Connecticut nursing homes and additional federal cuts are proposed this year. A 2% Medicare sequestration cut, unfortunately, may be a best case scenario. On average, providers are paid today \$14.73 per patient day less than what it costs to care for our residents. For the typical nursing facility, this represents over \$400,000 per year in unfunded costs. There has been no rate increase in the system since 2007, except for increases made possible by increasing the user fees paid by nursing homes themselves (these increase are proposed for reduction in this budget). The Fair Rent component of the rate formula, which incents nursing home quality improvement, was frozen in 2009 and only partially restored last session. This is especially important given that many nursing homes in Connecticut are nearly 40 years old and have the need for ongoing investment in the facility infrastructure, including meeting updated building requirements, and life and safety infrastructure maintenance.

This follows a sustained period of nursing home receiverships, bankruptcies, closures, and Medicaid hardship rate relief requests. Yet there are 1 million baby boomers in Connecticut. There are 600,000 residents in Connecticut over the age of 60. Connecticut’s aging population is among the oldest in the Nation. Much is being asked of our nursing facilities, and more will be, given the dramatic aging of our population, long term care rebalancing, rightsizing and a range of home and community based service initiatives. These changes will mean that the acuity and numbers of nursing home residents will continue to rise measurably as our population ages, even as more residents choose home and community based environments to receive their care. Nursing homes will remain a critical component in the continuum of long term care.

We urge the committee to scale back the proposed cuts and address the ongoing needs of our nursing homes. We ask you to consider skilled nursing facilities, not as the problem, but as a critical, and cost effective, component of the future of post acute care in our state---in reducing avoidable hospital stays and in providing more transitional service for resident who will eventually go home.