February 22, 2013

Written testimony of Deborah S. Torrey, Administrator, Shady Knoll Health Center; 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 Deborah Torrey. I am Administrator at Shady Knoll Health Center in Seymour, Connecticut. Shady Knoll is a longstanding provider of nursing care in the Naugatuck Valley. We provide for 128 residents ranging in age from 47 to 101. We employ over 200 skilled and unskilled workers. We have a strong working relationship with Griffin Hospital in Derby as well as the New Haven, Bridgeport, and Waterbury hospitals. We are a CMS recognized 5 star facility.

I am here this evening with a simple message from nursing home operators, and on behalf of our residents and caregivers: *Our nursing facility can't take any more cuts.* We just can't without losing employees and jeopardizing quality. We are very mindful and understanding of Connecticut's fiscal challenges. But at a time when we need our state government most to help us maintain the quality of care that we are known for, and required of us, we have to speak up and voice our strong opposition to the damaging cuts to Connecticut nursing homes proposed in the Governor's recommended biennial budget. 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. Toward these ends, we are 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.

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