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Written testimony of Russell Schwartz, VP/Director of Operations, Avon Health Center and West Hartford Health & Rehabilitation Center Concerning the Governor's FY 2014 and FY 2015 Biennial Budget Recommendation

Good evening Senator Harp, Representative Walker and to the members of the Appropriations Committee. My name is Russell Schwartz. I am Director of Operations for Avon Health Center and West Hartford Health & Rehabilitation Center. We are longstanding providers of nursing home care in the Avon and West Hartford communities. My family has owned and operated these facilities for more than 35 years. We have 280 beds, and provide both short term rehabilitation and long term care. We employ more than 400 staff members, and greatly contribute to our local town economies. Both facilities received the American Health Care Association Bronze Quality Awards, and have attained Medicare's 5-star rating.

I am here this evening with a simple message from nursing home operators, and on behalf of our residents and caregivers: *Our nursing facilities can not take any more cuts*, without laying off employees and jeopardizing quality of care. We are very 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 must speak up and voice our strong opposition to the damaging cuts to Connecticut nursing homes as 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 both the scheduled rebasing of rates effective July 1, 2013, and the 2% inflation adjustment estimated for July 1, 2014. Second, the budget cuts \$11.0 million in FY 2014 and \$14.8 million in FY 2015 in order to reduce the 75% of the "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. This reduction equates to approximately a 1.2% rate decrease, which reduces reimbursement to my facilities by more than \$200,000 on an annual basis.

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, with a 2% Medicare sequestration cut. On average, CT providers are currently paid \$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 increases are proposed for reduction in this budget). The Fair Rent component of the facility rate formula, which incents nursing homes to make capital improvements in their physical plants, was frozen in 2009, and only partially restored last session. This is especially significant given that many nursing homes in Connecticut are nearly 40 years old and have the need for ongoing investments in the facility infrastructure, including meeting updated building and life safety requirements.

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 and 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. The long term care sector is in the midst of an active rebalancing and rightsizing, which includes a range of home and community based service initiatives. These changes will mean that the acuity of nursing home residents will continue to increase measurably while other 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 services for residents 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, that compromises financial stability; (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.