

February 19, 2013

**Testimony of Matthew V. Barrett, Executive Vice President of the Connecticut Association of Health Care Facilities (CAHCF), Inc.**

**Proposed H.B. No. 5106 AN ACT CONCERNING CHARGES FOR PATIENT CARE BY NURSING HOMES.**

Good afternoon Senator Slossberg, Representative Abercrombie and to the members of the Human Services Committee. My name is Matthew V. Barrett, Executive Vice President of the Connecticut Association of Health Care Facilities (CAHCF), our state's one hundred and sixty-six (166) member trade association of skilled nursing facilities and rehabilitation Centers. Thank you for this opportunity to offer testimony this afternoon on **Proposed H.B. No. 5106 AN ACT CONCERNING CHARGES FOR PATIENT CARE BY NURSING HOMES.**

This legislation proposes that "the general statutes be amended to change the current flat-rate system used by nursing homes to charge for patient care to a new system that calculates such charges based on each patient's individual health care needs." According to the proponent, the stated purpose is to reduce the state's overall Medicaid costs. This type of Medicaid nursing facility payment system is commonly called a "case mix" system where payments to providers are made based on the level of care provided to the residents. These payments systems are also referred to as acuity-based or acuity adjusted payment models. The Medicare payment system is an acuity based payment system.

The implications of moving from our current system to a case mix system would be far reaching and complex. A significant change of this type should only be made after careful study. Our association would commit to fully participating in such a study should the state legislature direct a case mix or acuity payment system study.

A review of the current rate setting system is certainly warranted at this time, particularly in light of the impact of the dramatic aging of our population, long term care rebalancing, rightsizing and a range of home and community based service initiatives. Nursing home operators believe that the acuity 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. The existing system has been unable to reflect these changing dynamics. A review of the payment system should include evaluating the implication of moving to an acuity adjusted for this reason.

However, a review should also evaluate the effectiveness of Connecticut's current rate-setting system. It can be said easily that the current payment system is not allowed to function as it was intended. There has been no rate increase in the system since 2007, except for marginal increases made possible by increasing the user fees paid by nursing homes themselves. The Fair Rent component of the rate formula, which incents nursing

home quality improvement, was frozen in 2009 and only partially restored last session, with the leadership of the Human Services Committee. 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. 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.

The inadequate system has produced a lawsuit file by CAHCF, which is still pending against the state of Connecticut. Our cost-based prospective payment system is not allowed to function, therefore as acuity rises in the nursing home setting, the program today is unable to reflect those costs. When this matter was last reviewed in Connecticut in a 1993 acuity study, researchers found a moderately strong correlation between current Medicaid rates and facility case mix. In their words: "This means that current cost-based rates partly reflect resident care need – higher rates for some facilities with higher resource use (heavy care) and lower rates for some facilities for some facilities with lower resource use (light care) residents." However, this system since 1991 has never been implemented. Instead, the annual Appropriation Act has set nursing rates based on available resources.

In closing, the current system and an acuity based system should be reviewed and our association would gladly participate in such a well-timed evaluation.

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

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