

CONNECTICUT ASSOCIATION OF HEALTH CARE FACILITIES, INC.

February 26, 2013

Written testimony of Matthew V. Barrett, Executive Vice President, Connecticut Association of Health Care Facilities (CAHCF) - H.B. No. 6367 AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS FOR HUMAN SERVICES PROGRAMS.

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 H.B. No. 6367 AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS FOR HUMAN SERVICES PROGRAMS. This is legislation introduced at the request of the Governor, and which implements various provisions requiring statutory changes included in the Governor's FY 2014 and FY 2015 budget recommendation, now before the Appropriations Committee.

Specifically, Section 6 of HB 6367 corresponds to the Governor's budget proposal concerning Medicaid rates to skilled nursing facilities and rehabilitation centers. First, the proposed budget removes \$53.4 million in FY 2014 and \$81.0 million in FY 2015 from Medicaid spending estimates by eliminating the scheduled rebasing of rates effective July 1, 2013 and 2% inflationary increase 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. While the language included in Section 6 does not specify the actual Medicaid rate reduction, our association estimates the reduction equates to approximately a 1.2% Medicaid rate decrease.

Connecticut skilled nursing facilities and rehabilitation centers from all across our state in testimony before the Appropriations Committee on February 22, 2013 presented a simple message on behalf of their nursing home residents and caregivers that evening: Connecticut nursing facilities can't take any more cuts without jeopardizing quality. Our nursing homes are very mindful and understanding of Connecticut's fiscal challenges. But at a time when nursing home providers need our state government most to help them 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 harmful cuts to Connecticut nursing homes proposed in the proposed biennial budget.

Connecticut nursing homes remain in a period of ongoing financial distress. Medicare reductions in 2011 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 in the other federal funding source, Medicaid. For the typical nursing facility, this represents over \$400,000 per year

in unfunded costs. There has been no Medicaid rate increase in the system since 2007, except for increases made possible by increasing the nursing home 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 through 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.

These proposed nursing home cuts follow a sustained period of nursing home receiverships, bankruptcies, closures, and Medicaid hardship rate relief requests. Yet there are one million baby boomers in Connecticut. There are 600,000 residents in Connecticut over the age of sixty. 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 in our state.

We urge the Human Services Committee to work with Appropriations Committee leaders 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) continue efforts to totally reverse the 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 in the proposed biennial budget recommendation.

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

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