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Written testimony of Russell Schwartz, VP/Director of Operations, Avon Health Center & West Hartford Health & Rehabilitation Center Concerning the Governor's Midterm Budget Adjustment proposal for FY 2015

Good evening Senator Bye, Representative Walker and to the members of the Appropriations Committee. My name is Russell Schwartz. I am Director of Operations for Avon Health Center, in Avon, CT and West Hartford Health & Rehabilitation Center in West Hartford, CT. Our family owned facilities are longstanding providers of rehabilitation and nursing care in the towns of Avon and West Hartford. Combined our buildings have 280 beds, and more than 400 employees. Both facilities are Medicare 5-star rated, and have been recognized by the American Health Care Association's Quality Initiative Recognition Program.

I am here this evening with a simple message from nursing facility operators, and on behalf of our residents and caregivers: *Our nursing facilities need your help.* We just can't continue on a downward path where no help is provided 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 continue to speak up. Last session, the adopted budget cut \$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 the inflation estimated for July 1, 2014. An additional proposed nursing facility funding cut of \$11.0 million in FY 2014 and \$14.8 million in FY 2015 was only partially restored, leaving a \$5 million reduction. Regrettably, under the adopted rate formula, most nursing facility rates were cut at a time when operating costs continue to climb.

And given the state surplus, these cuts were badly timed. Connecticut nursing facilities remain in a period of ongoing financial distress. Medicare reductions in 2012 were as high as 16% in many Connecticut nursing homes. Further, nursing homes were cut an additional 2% in the Medicare sequestration last year. At the state level, there continues to be a widening gap under the Medicaid system between the rates paid to facilities and the actual costs for providing care. This year nursing home providers will on average be reimbursed \$25.43 per patient day less than what it costs to care for our residents. For the typical nursing facility, this represents over \$500,000 per year in unfunded costs. There has been no Medicaid rate increases in the system since 2007, except for an increase made possible by raising the user fees paid by nursing homes themselves (again, cut by \$5 million last session).

The Fair Rent component of the rate formula, which incents nursing facility quality improvement, has been restored only to its 2009 level, and the system still fails to reimburse for improving patient care and safety with new furniture, beds and other types of equipment, known as moveable equipment. This is especially important given that many nursing facilities in Connecticut are nearly 40 years old and have the need for ongoing investment in the facility infrastructure, including meeting updated building requirements, new equipment and life and safety infrastructure maintenance.

This follows a sustained period of nursing facility 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, with over 160,000 Connecticut citizens over the age of 80 according to a December 2012 report issued by the U.S. Census Bureau. Much is being asked of our nursing facilities today, and more will be asked in the future, given the dramatic aging of our population, the need to reform rates as the state continues toward rebalancing and rightsizing of long term care. These changes will mean that the acuity and numbers of nursing facility residents will continue to rise measurably as our population ages, even as more residents choose home and community based environments to receive their care. On average, Connecticut nursing facilities are 91% occupied. The notion that our nursing homes are not needed is false. While we have supported efforts to increase care at home in such programs as Money Follows the Person, we are asking the Appropriations Committee to recognize that home care is not always the best

option for our rapidly aging population. Even with the current emphasis on home care today, nursing facilities will remain a critical component in the continuum of long term care, to aid in the prevention of avoidable hospital readmissions.

In conclusion, we are asking the committee to address the ongoing needs of our nursing facilities. We ask you to consider skilled nursing facilities as a critical, cost-effective, and efficient 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) create a payment system which incents nursing facility quality improvement with payment methods to reduce licensed beds consistent with the state's long term care rebalancing and rightsizing goals, (2) totally restore the cuts from last session; (3) continue to work to resolve the ongoing excessive delays in the Medicaid eligibility process; and finally (4) reverse the current trend of flat or reduced funding and recognize the importance of nursing facilities in the continuum of long term care.

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