



February 14, 2014

*Written testimony of Michael Plausse, Chief Financial Officer, iCare Management, LLC, 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 Michael Plausse. I am Chief Financial Officer at iCare Management, LLC in Manchester, Connecticut. iCare Management is a longstanding Connecticut-based management company for 10 Skilled Nursing Facilities with 1,439 licensed beds in the communities of Manchester, Rocky Hill, Farmington, Meriden, Hartford, East Windsor and Bloomfield.

I am presenting this testimony with a simple message from nursing facility operators, and on behalf of our residents and caregivers: *Our industry needs your help.* We just can't continue on a path where no help is provided without losing employees and jeopardizing quality. We are very mindful and understanding of Connecticut's fiscal challenges. Through the State's own Medicaid State Plan, it makes commitments to qualifying residents and stakeholders to provide quality skilled nursing services at a reimbursement rate that covers the cost of care. *The State is not honoring its commitment!* For example, last session, the adopted budget right 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 move upwards, costs such as insurance, food, property taxes, wages, repairs and utilities.

Especially 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, the gap under Medicaid between providing care and its costs is widening dramatically. 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 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, know 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.

On average, Connecticut nursing facilities are 91% full. The notion that our nursing homes are not needed is false. While the industry has supported efforts to increase care at home in such programs as Money Follows the Person, I'm asking the Appropriations Committee to recognize that home care is not always the best options for our rapidly aging population nor is home care always the best option for individuals with developmental disabilities and behavioral health issues. Nursing homes provide a stable care environment for these residents that limit the number of hospitalizations and other healthcare events. Connecticut's Money Follows the Person Program is one of six states with the worse track record of re-institutionalization events for people in the Program even though it was one of the pioneer adopting states <sup>(a)</sup>. These events often involve expensive visits to the hospital and other state-funded healthcare environments before the beneficiary ends up re-institutionalized. The cost of these events is not often captured in the reported savings results for the Money Follows the Person Program. Nursing Homes can be the most appropriate and cost effective option for beneficiaries and tax payers.

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, 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) 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 facility care going forward as essential in the continuum of long term care.

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

<sup>a)</sup> Orshan, Bailey G. et al. "Money Follows the Person Demonstration: Overview of State Grantee Progress, January to June 2013" Mathematica Policy Research, December 31, 2013, [http://www.mathematica-mpr.com/publications/PDFs/health/MFP\\_jan-jun2013\\_progress.pdf](http://www.mathematica-mpr.com/publications/PDFs/health/MFP_jan-jun2013_progress.pdf)