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WRITTEN TESTIMONY
REGARDING

**HB 6824 – AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING
JUNE THIRTIETH 2014, AND MAKING APPROPRIATIONS THEREFOR
AND OTHER PROVISIONS RELATED TO REVENUE**

Appropriations Committee

February 27, 2015

Senator Bye, Representative Walker, and honorable members of the Appropriations Committee. My name is William F. Sullivan, Jr., and I am President & Chief Executive Officer of Visiting Nurse Services of Connecticut, Inc.

VNS is one of Connecticut's oldest and largest non-profit providers of skilled home health care, faithfully delivering cost efficient, outcome based, quality driven care for 105 years. VNS admits more than 8,000 patients each year, and administers more than 250,000 patient visits. As the primary home care provider in 57 communities, including: Stamford, Norwalk, Bridgeport and Torrington, VNS is one of Connecticut's largest providers of home health services for the Medicaid population. More than a third of our patients admitted, and nearly 100,000 annual patient care visits, are administered to Medicaid recipients, and that number is increasing as a result of new enrollees in the State's Health Insurance Exchange.

Our financial losses in caring for the Medicaid patient have exasperated. In our 2014 fiscal year, our agency lost approximately \$4 million providing home health services for nearly 2,000 Medicaid patients. All margins accrued through Medicare reimbursements and other third party payors, donations, grants, investment income, and all extraordinary revenue sources are utilized to support the Medicaid shortfall. In addition, our equity line of credit has nearly reached its maximum borrowing authority to support Medicaid. In spite of our best efforts to mitigate the material financial losses incurred from inadequate Medicaid funding, the gap grows at an alarming rate and cannot be sustained. We have operated with a material bottom line overall deficit due to the inadequate Medicaid reimbursement rates over the past 3 years.

Our community-based Board of Directors, is fully cognizant of its fiduciary responsibility, and has taken responsible and prudent measures in an attempt to secure our financial integrity.

- ✓ Employed aggressive unpopular cost saving measures to the detriment of employee recruitment and retention, such as:
 - eliminated some employer sponsored benefit programs: such as short-term disability protection coverage.
 - reduced the employer pension plan contributions.
 - reduced time-off benefits: such as sick time leave.
 - froze wages.
 - workforce reductions. (employ approximately 500 staff)
- ✓ Medicaid funding represents the most inadequate payment rates we are reimbursed as we are compensated a payment equivalent to \$.60 on each \$1.00 of cost.
 - Medicaid rates are significantly less than Medicare. To illustrate:
 - Skilled Nursing Medicaid rates are 70.5% of Medicare rate.
 - Home Health Aide Medicaid rates are 57.3% of Medicare rate.
 - On October 1, 2014, VNS Medicaid funding was reduced by a net of \$400,000 as DSS revoked an “add-on” rate adjustment authorized in 2002 by the DSS Commissioner to support our disproportionate share of Medicaid volume, supportable extraordinary cost differences serving Fairfield County, and to assure patient access.
- ✓ The VNS Board of Directors has voted to NOT accept any further MFP patients.
- ✓ The VNS Board is now engaged in a diligent debate as to whether they should restrict or eliminate Medicaid admissions which has become the practice of many other providers.
 - As a simple business decision, it is a “no brainer” to discontinue participation in the Medicaid program.
 - By eliminating Medicaid involvement, the VNS bleak financial picture would immediately reverse from an annual operating deficit of \$2.5 million, to a solid financially sound profitable \$1.7 million operation.

The current reimbursement model is not sustainable for VNS, or any other home health care provider. Any further reductions will devastate and collapse the frail market.

I strongly, and respectfully, request that you oppose the Governor’s Budget Recommendations as it assuredly will bankrupt our agency leaving no safety net provider to care for our current 2,000 Medicaid patients and placing added stress on the State’s Budget crisis by increasing hospital admissions and readmissions, extending hospital stays, accelerating nursing home placement, and impacting the expansion, or potential retraction, of the successful and cost-saving MFP program at a significantly higher cost to the State.

The 533.5 million savings the State has witnessed over the past 5 years, directly attributable to the utilization of home and community based services, will translate from a cost-effective, person-centered approach to care delivery and management of chronic disease, to a costly institutional care provision for care. Frankly, it will destroy the State's long term care goals of Aging in Place and rebalancing to cost effective health care delivery. The value and return on investment from home health care providers to the State budget is unparalleled. Can the State afford to not invest in a network of home health care providers which saves the State approximately \$100 million a year?

Thank you.

Home and community-based providers saved the State of CT

\$533.5 Million

under the Medicaid Program between 2009-2013.

The **FUTURE** of healthcare delivery will be centered in the **HOME** - *the cost-effective, person-centered approach to care delivery and management of chronic disease for people of all ages.*

The State Legislature must re-invest in home health providers to ensure their survival - and the continued benefit to CT!

The value and return on investment of Connecticut's licensed home health agencies to CT residents and the State's budget is *unparalleled* - and the statistics prove it:



Aging in Place while Saving State Dollars

Home care keeps people out of nursing homes and emergency rooms, which has saved the Department of Social Services (DSS) over \$533.5 million over five years. By 2015, CT projects an increase of 2,985 individuals over age 65 needing home- and community-based services to age in place in their homes, and DSS projects this number will increase by another 4,549 individuals by 2020.



The Cost-Effective Solution

Cost-cutting measures and enhanced coordination efforts by home care agencies have resulted in decreased monthly home health expenses. Over the 5-year period from 2009-2013, spending for the CT Home Care Program for Elders (CHCPE) programs has decreased by over 30%. Utilization of home health care decreased the average DSS monthly home health expense from \$474 in 2009 down to \$362 in 2013.



A Major Employer with Growing Workforce

CT agencies employ 17,500 home health and hospice workers in local communities. For 2015, DSS projects a need for an additional 925 home- and community-based direct care workers, including 487 home health aides and 415 personal care attendants. By 2020, according to DSS projections, we will need another 1,800 direct care workers.



Managing the Behavioral Health Population

Trained home health nurses assess high-risk individuals with serious persistent mental illness. These highly-skilled nurses implement and evaluate safe plans of care, including medication administration and adherence, to enable these individuals to live within the community. Providing home care services to this population saves the state of CT an additional \$20 million per year.

Sources: 1. CT Medicaid Long Term Care Demand Projections Databook: 8-12-14, 2. CHCPE Annual Reports to the Legislature for State Fiscal Years 2009-2013

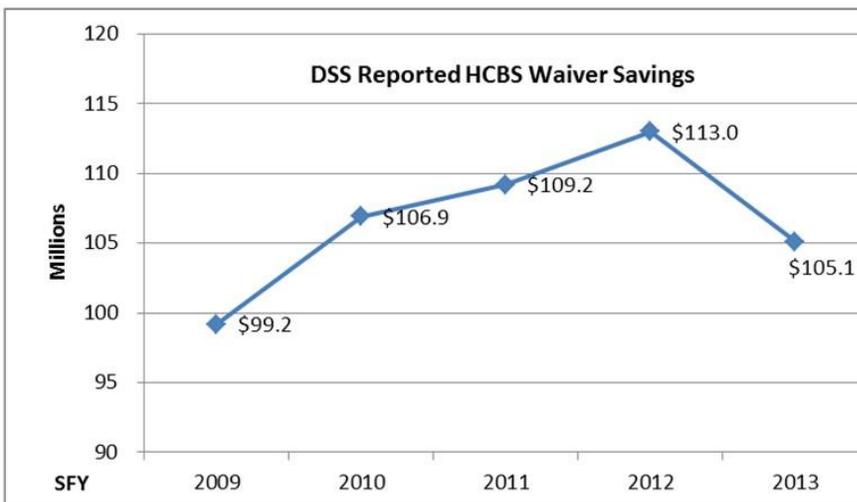
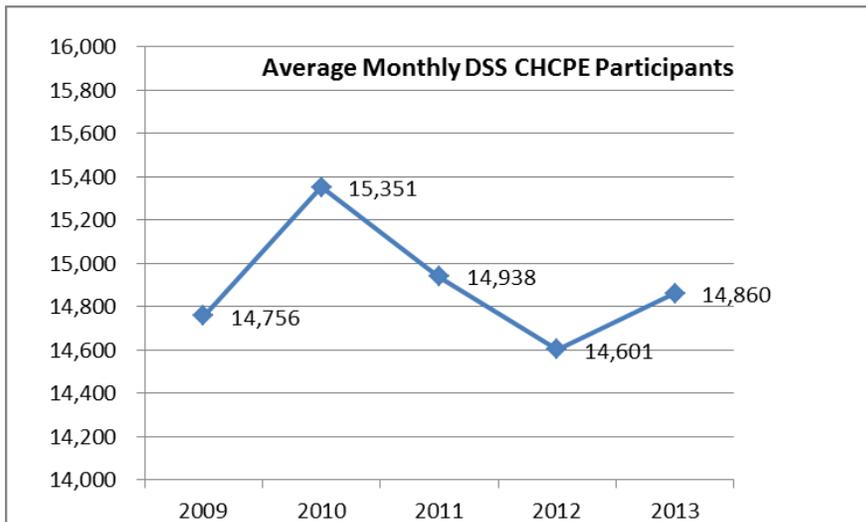
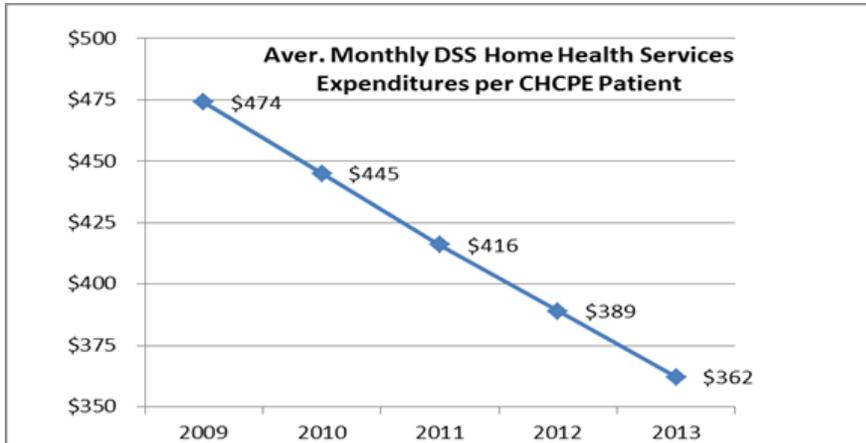


This is Healthcare at HomeSM



CT Medicaid Cost Savings Achieved Through Use of Home Healthcare Providers

Source: CT Home Care program for Elders Annual Report to the Legislature for State FY 2009-2013





Background Data:

An Analysis of DSS Annual CT Home Care Program for Elders Report

Correlation of Caseload to HHA Payments

- ✓ Based on the DSS CHCPE program data we can conclude that, from SFY 2009 thru SFY 2013, while the average number of recipients remained fairly stable with slight fluctuations, the overall payments for HHA services declined significantly. In the cumulative 5 year period, the caseload rose by 5%, (17,788 to 18,670) while the payments to HHAs dropped by 23.2% (\$83.9 million to \$64.5 million).
- ✓ For Title XIX clients the average monthly state expenditures on HHA services dropped by 26% in the 5 year period; for state funded clients the average monthly state expenditures on HHA services dropped by 36%. (Since the only payments for the 1915i clients were made in SFY 2013 there is no comparison information.)
- ✓ The reverse correlation with clients served increasing and payments to HHAs decreasing in the 5 year period substantiates that the HHAs have consciously tightened their belts and increased their effectiveness and efficiency.

Correlation of Year to Year Savings Increases to Year to Year HHA Payment Decreases

- ✓ For the 5 year period the DSS published savings amounted to \$533.5 million.
- ✓ For the 5 year period the cumulative year to year changes amounted to additional savings of \$5.9 million.
- ✓ For the 5 year period the cumulative year to year decreases in payments to HHAs amounted to \$19.4 million.
- ✓ Since all other payments trended upwards for the 5 year period (Year to year increases screening +\$806k; Waiver Services +\$54.6 million) totaling an additional \$55.4 million it is logical to conclude that the additional savings is the result of the reduction in HHA payments.



Correlation of 5 Year Aggregated Savings Increases (From 2009) to
Aggregated HHA Payment Decreases (From 2009)

- ✓ For the 5 year period the increase in savings over the SFY 2009 level amounted to an additional \$37.4 million.
- ✓ For the 5 year period the decrease in payments to HHAs under the SFY 2009 level amounted to a reduction of \$46.5 million.
- ✓ It would be logical to conclude that the additional savings is attributable to the reduction in payments to the HHAs.

HHA Average Monthly Payment Trends

Title XIX

- ✓ Every year during the 5 year period the average monthly reimbursement of HHA services to Title XIX recipients decreased. With annual reductions ranging from a high of 9.3% to a low of 6.5%.
- ✓ The average monthly per patient home health reimbursement by DSS was 36.5% higher in 2009 (\$621) than it was in 2013 (\$455).

State Funded

- ✓ Every year during the 5 year period the average monthly reimbursement of HHA services to State Funded recipients decreased. With annual reductions ranging from a high of 37.9% to a low of .01%.
- ✓ The average monthly per patient home health reimbursement by DSS was 58% higher in 2009 (\$215) than it was in 2013 (\$136).

Aggregate

- ✓ Every year during the 5 year period the average monthly reimbursement of HHA services to the combined State Funded and Title XIX recipients decreased. With annual reductions ranging from a high of 7.5% to a low of 6.5%.
- ✓ The average monthly per patient home health reimbursement by DSS was 30.1% higher in 2009 (\$474) than it was in 2013 (\$362).



Analysis of Long Term Care Demand Projections Databook

Individuals 65 or Older

- ✓ The DSS LTC Databook includes projections on the increases/decreases in the state population by various age cohorts. It concludes that there were 506,559 individuals in the state in 2010 that were 65 or older.
- ✓ They are projecting that in 2015 there will be 582,352 individuals in the state 65 or older. This is an increase of 75,793 or 14.9%.
- ✓ They are projecting that in 2020 there will be 671,041 individuals in the state 65 or older. This is an increase of another 88,689 or 15.2% more than 2015.

HCBS Patients 65 or Older

- ✓ The DSS LTC Databook includes projections on the increases/decreases in the recipients in need of HCBS by various age cohorts. It concludes that there were 12,563 individuals in the state in 2013 who were 65 or older who were in need of and qualified for HCBS.
- ✓ They are projecting that in 2015 there will be 15,548 individuals in the state 65 or older who will be in need of and qualify for HCBS. This is an increase of 2,985 or 23.7%.
- ✓ They are projecting that with DSS efforts to assist individuals who wish to remain in their communities in 2020 there will be 20,097 individuals in the state 65 or older in need of and qualify for HCBS. This is an increase of 4,549 or 29.2% more than 2015.

Projected HCBS Workforce Shortages

- ✓ The Databook includes projections on the need for workers to meet the future increased demand.
- ✓ For 2015 they are projecting that there will be a need for 925 additional HCBS workers over the 2013 level, including 487 HHA direct care workers such as CNAs.
- ✓ For 2020 they are projecting that there will be a need for an additional 1,832 HCBS workers over the 2015 level, including 1,225 HHA direct care workers such as CNAs.