

ORANGE

HEALTH CARE CENTER

February 11, 2016

***Written testimony of Paul Knutsen, Managing Partner, Orange Health Care Center
Concerning the Governor's Recommended FY 2016 and FY 2017 Proposed Budget***

Good evening Senator Bye, Representative Walker and members of the Appropriations Committee. My name is Paul Knutsen. I am the Managing Partner at Orange Health Care Center, the only Nursing Facility in Orange, Connecticut. Since 1947 Orange Health Care Center has been a family owned and operated provider of nursing care in our local community. Orange Health Care Center provides care for up to 60 residents, mainly long term, and over the past few years has added on a very successful rehab program.

I want to begin by letting you know how proud I am to be here representing Orange Health Care Center. I'm the Managing Partner of the facility, but the devoted caregivers at the facility all share the common goal and that is to deliver the highest quality care experience to anyone who comes to our facility. The team at Orange is doing an amazing job, and I am so grateful to them, and proud of them, for everything they are doing.

Providing the highest quality of care that everyone wants for their loved ones is getting harder and harder. The reason it's getting so hard isn't really difficult to understand... there has been almost no help in the budget for almost 10 years. Even the thought that our nursing facilities could be cut this session because of our state's ongoing financial troubles would be devastating to our profession and specifically to our residents, our staff and our facility. It is really beyond my ability to understand how we could continue to deliver the care we not only want to deliver, but are required to deliver if we were cut.

Let me explain: As I indicated in my opening, Orange Health Care Center has recently added a rehabilitation program to our once solely Long Term Care facility. This program was added for one main reason: to attempt to offset the inappropriate level of reimbursement for our Medicaid residents who also reside with us. Our Medicaid residents, mostly long term care residents, require and deserve just as much care and services as our rehabilitation residents, and yet our facility is reimbursed NOT based on what each resident requires but on an antiquated Medicaid system that reimburses every facility at different rates. These rates do not represent the costs that are supposed to be reimbursed for the care of these individuals.

To make up this difference in reimbursement our facility, as do most facilities, attempts to use the Medicare and Managed Care reimbursement systems to fill the short-fall. This requires facilities to leave beds open, allowing for rehabilitation patients to transition from the hospital to the facility.

For example: Our facility was 98% full with Medicaid residents for decades until it became unable to meet our financial obligations as costs of services and goods increased, and our Medicaid rate did not. So we added the rehabilitation program and our census dropped to 90%-92%, the State average, in order to keep beds open waiting for rehabilitation patients to return or to be admitted from the hospital.

The State sees this as a sign of lower occupancy, and as such a lesser need for nursing facility beds in our State. This couldn't be further from the truth. We could easily fill our beds back to 98% occupancy with Medicaid residents but we would be unable to pay our bills or to provide the quality of services necessary to care for those Medicaid residents. To provide quality and equal care to Medicaid residents, facilities need the reimbursement from other payer sources to offset the Medicaid shortfall. It should not be that way.

I do want to say how grateful we are that money was included in last year's budget for our Nursing home workers. Acknowledging the critically important work being done every day with wage and benefit increases for our caregivers is so important to our mission to deliver high quality care. I am concerned that these funds may not be sufficient to meet the requested needs that the facilities have presented on behalf of our employees.

I would like to also enlighten you to the fact that the current reimbursement levels do not allow some providers to meet their facilities; portion of these increases appropriately as these funds only cover a portion of these requested increases. The portion of these increases to the facility can be substantial, and the current rates of facilities like ours will have a difficult time meeting our portion of these increases we feel our employees deserve.

I would also like to make significant note in regards to our very antiquated reimbursement system in Connecticut. As one of the facilities in the bottom ten of the lowest rates for skilled Nursing facilities, **I can say with certainty that this system is providing a very unfair competitive market place for this profession.** The residents we all take care of are very similar in the range of their acuity levels and needs, yet the rates for facilities vary from \$170.94ppd to \$278.48ppd. The average rate being \$227.48 and median rate being \$231.46.

This unfair system is unlike any other in our reimbursement system for our profession here in Connecticut. With any other payer that we do business with the reimbursement is at fair market rates; Medicare Acuity based rates by region, Managed Care the same based on a similar system within a few acuity categories and finally Private Pay rates dictated by the market area. **However, our Medicaid system in the state of Connecticut fails to recognize the acuity of residents in their reimbursement system and is eager to close facilities that are failing rather than recognize that the underfunding is the issue that needs to be addressed.**

Our facility is operating at a Medicaid Rate of \$191.69. The ninth lowest rate in the State of Connecticut. This is well below the median state rate of \$231.45 and results in approximately \$50,000.00 per month less revenue than our competitors. This results in a total shortfall for our facility of \$567,000.00 annually below the average rates of all facilities, and \$602,000.00 annually below our fellow unionized homes. (A full and complete list of the varied facility rates are available through the Department of Social Services annual cost report data.)

Our rate of \$191.69 does not reflect the actual costs of providing care to our Medicaid residents. Our current cost to do so is \$228.95 per day supported by our cost report. We are actively disputing this unsupportable disparity in our rate. **We hope that our testimony will assist in fast-tracking Case Mix Reimbursement or at least result in an interim rate that will reimburse at least an average rate to all providers who are being reimbursed below the average rate.**

Without this base increase we are not sure how we will be able to support our facility. We are not a big player; we are a small family owned nursing home with employees with incredible tenure. We not only wish to continue our history of quality care but have earned the right to continue our 70 year history of providing quality care by being fairly reimbursed for the care we provide.

The State is in process of exploring an acuity-based reimbursement system as our neighboring States utilize. This has been in discussion for some time, and I would like to recommend that the playing field needs to be leveled. The facilities below the average reimbursement rate should be given strong consideration for rate relief until this system is fully implemented as the current reimbursement system is not promoting a fair marketplace for our profession.

The way the system works now, facilities with a higher Medicaid rate can afford to provide higher customer care, fancier physical plants, more sophisticated medical services, etc. Facilities at the lower rates cannot afford to even compete. The playing field can be leveled with acuity based reimbursement as proven by our neighboring states.

Please help us deliver the high quality care we are capable by minimally reimbursing providers the average reimbursement rate until a new fair acuity-based reimbursement system can be fully implemented.

On behalf of everyone at Orange Health Care Center, I thank you and would be happy to answer any questions you may have.

c.c. Ms. Andree Acampora, Senior Partner
Mr. David Mac Rizzo, Administrator
Mr. Charles Ferraro, State Representative, 117th Assembly District
Ms. Pam Staneski, State Representative, 119th Assembly District