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## **OLR Bill Analysis**

### **sHB 6678 (as amended by House "A")\***

#### ***AN ACT CONCERNING NURSING HOME TRANSPARENCY.***

#### **SUMMARY**

This bill makes various changes related to nursing home oversight and the information these homes must give state agencies. It requires (1) nursing homes to submit to the Department of Social Services (DSS) narrative summaries of certain expenditures, in addition to their annually required cost reports, and (2) DSS to post this information on its website. The bill subjects nursing homes that fail to do so to a fine of up to \$10,000 per incident.

The bill expands the information that nursing home licensure applicants must give to the Department of Public Health (DPH) to include (1) information on any private equity fund that owns any part of the home, the name of the fund's investment advisor, and a copy of the most recent quarterly statement given to the private fund's investors, including information on fees, expenses, and the fund's performance, and (2) the owner's audited and certified financial statements. The financial statement must include a balance sheet from the end of the most recent fiscal year and income statements from the most recent fiscal year (or an applicable shorter period if the owner has not existed for a full fiscal year). Existing law, unchanged by the bill, allows the DPH commissioner to require an applicant to submit additional information, including these statements.

The bill broadens certain reporting requirements for chronic and convalescent nursing homes that receive Medicaid funding. Current law requires these types of for-profit homes to include in their annual reports a profit and loss statement from each related party (i.e., a company related to the home through family association, common ownership, control, or business association with the home's owners or

operators) that receives at least \$50,000 of income from the home per year. The bill extends the requirement to all of these types of nursing homes, not just for-profits.

The bill also requires the DSS commissioner to develop a guidebook that at least includes a glossary and a plain language (1) description of the Medicaid nursing home rate setting process and (2) explanation of terms related to it. The commissioner must post the guidebook in a conspicuous place on the agency's website by July 1, 2024, and may update it as needed.

\*House Amendment "A" (1) changes the information required in nursing homes' expenditure narrative summaries, (2) requires the commissioner to develop a Medicaid nursing home rate setting guidebook, and (3) removes provisions that would have (a) allowed the DSS commissioner to collect penalties by offsetting payments due to a facility and (b) eliminated the income threshold at which nursing homes must report third-party expenditures.

EFFECTIVE DATE: July 1, 2023, except that the requirement for the DSS commissioner to develop a Medicaid nursing home rate setting guidebook is effective upon passage.

### **COST REPORTING REQUIREMENTS**

Beginning with the current cost reporting year, the bill requires nursing homes to annually submit narrative summaries of cost expenditures to the DSS commissioner, alongside their statutorily required cost reports. The summaries must include (1) profit and loss statements for the preceding three cost report years, (2) total revenue, (3) total expenditures, (4) total assets, (5) total liabilities, (6) short-term debt, (7) long-term debt, and (8) cash flows from investing, operating, and financing activities. Starting by January 1, 2024, the DSS commissioner must annually post these cost reports and summaries for each nursing home in a conspicuous place on the agency's website.

The bill requires a nursing home that fails to comply with this reporting requirement to be fined up to \$10,000. Before imposing a

penalty, the social services commissioner must notify the nursing home about the violation and allow it to request a review. The home must request a review within 15 days after receiving the notice, and DSS cannot impose the penalty while the review is pending.

Under the bill, the penalty may be imposed even if the nursing home's ownership changes after the violation takes place, as long as DSS issued the notice about the violation before the change in ownership became effective and the record of the notice is readily available in a central registry maintained by DSS. Payments made for these penalties must be deposited in the General Fund and credited to the Medicaid account.

**COMMITTEE ACTION**

Aging Committee

Joint Favorable Substitute

Yea 15 Nay 0 (02/28/2023)