House of Representatives

General Assembly

File No. 415

February Session, 2026

Substitute House Bill No. 5357

House of Representatives, April 7, 2026

The Committee on Human Services reported through REP. GILCHREST of the 18th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING RESIDENTIAL CARE HOME RATES, FAIR RENT AND ADMINISTRATOR SALARIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (i) of section 17b-340 of the 2026 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2026*):

(i) For the fiscal year ending June 30, 1993, any residential care home with an operating cost component of its rate in excess of one hundred thirty per cent of the median of operating cost components of rates in effect January 1, 1992, shall not receive an operating cost component increase. For the fiscal year ending June 30, 1993, any residential care home with an operating cost component of its rate that is less than one hundred thirty per cent of the median of operating cost components of rates in effect January 1, 1992, shall have an allowance for real wage growth equal to sixty-five per cent of the increase determined in accordance with subsection (q) of section 17-311-52 of the regulations of Connecticut state agencies, provided such operating cost component shall not exceed one hundred thirty per cent of the median of operating cost components in effect January 1, 1992. Beginning with the fiscal year ending June 30, 1993, for the purpose of determining allowable fair rent, a residential care home with allowable fair rent less than the twenty-fifth percentile of the state-wide allowable fair rent shall be reimbursed as having allowable fair rent equal to the twenty-fifth percentile of the state-wide allowable fair rent. Beginning with the fiscal year ending June 30, 1997, a residential care home with allowable fair rent less than three dollars and ten cents per day shall be reimbursed as having allowable fair rent equal to three dollars and ten cents per day. Property additions placed in service during the cost year ending September 30, 1996, or any succeeding cost year shall receive a fair rent allowance for such additions as an addition to three dollars and ten cents per day if the fair rent for the facility for property placed in service prior to September 30, 1995, is less than or equal to three dollars and ten cents per day. Beginning with the fiscal year ending June 30, 2016, a residential care home shall be reimbursed the greater of the allowable accumulated fair rent reimbursement associated with real property additions and land as calculated on a per day basis or three dollars and ten cents per day if the allowable reimbursement associated with real property additions and land is less than three dollars and ten cents per day. For the fiscal year ending June 30, 1996, and any succeeding fiscal year, the allowance for real wage growth, as determined in accordance with subsection (q) of section 17-311-52 of the regulations of Connecticut state agencies, shall not be applied. For the fiscal year ending June 30, 1996, and any succeeding fiscal year, the inflation adjustment made in accordance with subsection (p) of section 17-311-52 of the regulations of Connecticut state agencies shall not be applied to real property costs. Beginning with the fiscal year ending June 30, 1997, minimum allowable patient days for rate computation purposes for a residential care home with twenty-five beds or less shall be eighty-five per cent of licensed capacity. Beginning with the fiscal year ending June 30, 2002, for the purposes of determining the allowable salary of an administrator of a residential care home with sixty beds or less the department shall revise the allowable base salary to thirty-seven thousand dollars to be annually inflated thereafter in accordance with section 17-311-52 of the regulations of Connecticut state agencies. The rates for the fiscal year ending June 30, 2002, shall be based upon the increased allowable salary of an administrator, regardless of whether such amount was expended in the 2000 cost report period upon which the rates are based. Beginning with the cost report year commencing on October 1, 2025, for the purposes of determining the allowable salary of an administrator of a residential care home with sixty beds or less, the department shall revise the allowable base salary to seventy-five thousand dollars to be annually inflated thereafter in accordance with section 17-311-52 of the regulations of Connecticut state agencies. Beginning with the fiscal year ending [June 30, 2000, and until the fiscal year ending June 30, 2009, inclusive, the inflation adjustment for rates made in accordance with subsection (p) of section 17-311-52 of the regulations of Connecticut state agencies shall be increased by two per cent, and beginning with the fiscal year ending] June 30, 2002, the inflation adjustment for rates made in accordance with subsection (c) of [said] section 17-311-52 of the regulations of Connecticut state agencies shall be increased by one per cent. Beginning with the fiscal year ending June 30, 1999, for the purpose of determining the allowable salary of a related party, the department shall revise the maximum salary to twenty-seven thousand eight hundred fifty-six dollars to be annually inflated thereafter in accordance with section 17-311-52 of the regulations of Connecticut state agencies and beginning with the fiscal year ending June 30, 2001, such allowable salary shall be computed on an hourly basis and the maximum number of hours allowed for a related party other than the proprietor shall be increased from forty hours to forty-eight hours per work week. For the fiscal year ending June 30, 2005, each facility shall receive a rate that is two and one-quarter per cent more than the rate the facility received in the prior fiscal year, except any facility that would have been issued a lower rate effective July 1, 2004, than for the fiscal year ending June 30, 2004, due to interim rate status or agreement with the department shall be issued such lower rate effective July 1, 2004. Effective upon receipt of all the necessary federal approvals to secure federal financial participation matching funds associated with the rate increase provided in subdivision (4) of subsection (f) of this section, but in no event earlier than October 1, 2005, and provided the user fee imposed under section 17b-320 is required to be collected, each facility shall receive a rate that is determined in accordance with applicable law and subject to appropriations, except any facility that would have been issued a lower rate effective October 1, 2005, than for the fiscal year ending June 30, 2005, due to interim rate status or agreement with the department, shall be issued such lower rate effective October 1, 2005. Such rate increase shall remain in effect unless: (1) The federal financial participation matching funds associated with the rate increase are no longer available; or (2) the user fee created pursuant to section 17b-320 is not in effect. For the fiscal year ending June 30, 2007, rates in effect for the period ending June 30, 2006, shall remain in effect until September 30, 2006, except any facility that would have been issued a lower rate effective July 1, 2006, than for the fiscal year ending June 30, 2006, due to interim rate status or agreement with the department, shall be issued such lower rate effective July 1, 2006. Effective October 1, 2006, no facility shall receive a rate that is more than four per cent greater than the rate in effect for the facility on September 30, 2006, except for any facility that would have been issued a lower rate effective October 1, 2006, due to interim rate status or agreement with the department, shall be issued such lower rate effective October 1, 2006. For the fiscal years ending June 30, 2010, and June 30, 2011, rates in effect for the period ending June 30, 2009, shall remain in effect until June 30, 2011, except any facility that would have been issued a lower rate for the fiscal year ending June 30, 2010, or the fiscal year ending June 30, 2011, due to interim rate status or agreement with the department, shall be issued such lower rate, except (A) any facility that would have been issued a lower rate for the fiscal year ending June 30, 2010, or the fiscal year ending June 30, 2011, due to interim rate status or agreement with the Commissioner of Social Services shall be issued such lower rate; and (B) the commissioner may increase a facility's rate for reasonable costs associated with such facility's compliance with the provisions of section 19a-495a concerning the administration of medication by unlicensed personnel. For the fiscal year ending June 30, 2012, rates in effect for the period ending June 30, 2011, shall remain in effect until June 30, 2012, except that (i) any facility that would have been issued a lower rate for the fiscal year ending June 30, 2012, due to interim rate status or agreement with the Commissioner of Social Services shall be issued such lower rate; and (ii) the commissioner may increase a facility's rate for reasonable costs associated with such facility's compliance with the provisions of section 19a-495a concerning the administration of medication by unlicensed personnel. For the fiscal year ending June 30, 2013, the Commissioner of Social Services may, within available appropriations, provide a rate increase to a residential care home. Any facility that would have been issued a lower rate for the fiscal year ending June 30, 2013, due to interim rate status or agreement with the Commissioner of Social Services shall be issued such lower rate. For the fiscal years ending June 30, 2012, and June 30, 2013, the Commissioner of Social Services may provide fair rent increases to any facility that has undergone a material change in circumstances related to fair rent and has an approved certificate of need pursuant to section 17b-352, 17b-353, 17b-354 or 17b-355. For the fiscal years ending June 30, 2014, and June 30, 2015, for those facilities that have a calculated rate greater than the rate in effect for the fiscal year ending June 30, 2013, the commissioner may increase facility rates based upon available appropriations up to a stop gain as determined by the commissioner. No facility shall be issued a rate that is lower than the rate in effect on June 30, 2013, except that any facility that would have been issued a lower rate for the fiscal year ending June 30, 2014, or the fiscal year ending June 30, 2015, due to interim rate status or agreement with the commissioner, shall be issued such lower rate. For the fiscal year ending June 30, 2014, and each fiscal year thereafter, a residential care home shall receive a rate increase for any capital improvement made during the fiscal year for the health and safety of residents and approved by the Department of Social Services, provided such rate increase is within available appropriations. For the fiscal year ending June 30, 2015, and each succeeding fiscal year thereafter, costs of less than ten thousand dollars that are incurred by a facility and are associated with any land, building or nonmovable equipment repair or improvement that are reported in the cost year used to establish the facility's rate shall not be capitalized for a period of more than five years for rate-setting purposes. For the fiscal year ending June 30, 2015, subject to available appropriations, the commissioner may, at the commissioner's discretion: Increase the inflation cost limitation under subsection (c) of section 17-311-52 of the regulations of Connecticut state agencies, provided such inflation allowance factor does not exceed a maximum of five per cent; establish a minimum rate of return applied to real property of five per cent inclusive of assets placed in service during cost year 2013; waive the standard rate of return under subsection (f) of section 17-311-52 of the regulations of Connecticut state agencies for ownership changes or health and safety improvements that exceed one hundred thousand dollars and that are required under a consent order from the Department of Public Health; and waive the rate of return adjustment under subsection (f) of section 17-311-52 of the regulations of Connecticut state agencies to avoid financial hardship. For the fiscal years ending June 30, 2016, and June 30, 2017, rates shall not exceed those in effect for the period ending June 30, 2015, except the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities which have documented fair rent additions placed in service in cost report years ending September 30, 2014, and September 30, 2015, that are not otherwise included in rates issued. For the fiscal years ending June 30, 2016, and June 30, 2017, and each succeeding fiscal year, any facility that would have been issued a lower rate, due to interim rate status, a change in allowable fair rent or agreement with the department, shall be issued such lower rate. For the fiscal year ending June 30, 2018, rates shall not exceed those in effect for the period ending June 30, 2017, except the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities which have documented fair rent additions placed in service in the cost report year ending September 30, 2016, that are not otherwise included in rates issued. For the fiscal year ending June 30, 2019, rates shall not exceed those in effect for the period ending June 30, 2018, except the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities which have documented fair rent additions placed in service in the cost report year ending September 30, 2017, that are not otherwise included in rates issued. For the fiscal year ending June 30, 2020, rates shall not exceed those in effect for the fiscal year ending June 30, 2019, except the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities which have documented fair rent additions placed in service in the cost report year ending September 30, 2018, that are not otherwise included in rates issued. For the fiscal year ending June 30, 2021, rates shall not exceed those in effect for the fiscal year ending June 30, 2020, except the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities which have documented fair rent additions placed in service in the cost report year ending September 30, 2019, that are not otherwise included in rates issued. For the fiscal year ending June 30, 2022, the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities that have documented fair rent additions placed in service in the cost report year ending September 30, 2020, that are not otherwise included in rates issued. For the fiscal year ending June 30, 2023, the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities which have documented fair rent additions placed in service in the cost report year ending September 30, 2021, that are not otherwise included in rates issued. For the fiscal years ending June 30, 2022, and June 30, 2023, a facility may receive a rate increase for a capital improvement approved by the Department of Social Services, for the health or safety of the residents during the fiscal year ending June 30, 2022, or June 30, 2023, only to the extent such rate increases are within available appropriations. For the fiscal year ending June 30, 2022, and June 30, 2023, rates shall be based upon rates in effect for the fiscal year ending June 30, 2021, inflated by the gross domestic product deflator applicable to each rate year, except the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities which have documented fair rent additions placed in service in the cost report years ending September 30, 2020, and September 30, 2021, that are not otherwise included in rates issued. For the fiscal years ending June 30, 2024, and June 30, 2025, a facility may receive a rate increase for a capital improvement approved by the Department of Social Services, for the health or safety of the residents during the fiscal year ending June 30, 2024, or June 30, 2025, only to the extent such rate increases are within available appropriations. For the fiscal year ending June 30, 2024, the department shall determine facility rates based upon 2022 cost report filings subject to the provisions of this section, adjusted to reflect any rate increases provided after the cost report year ending September 30, 2022. There shall be no increase to rates based on any inflationary factor for the fiscal year ending June 30, 2024. For the fiscal years ending June 30, 2026, and June 30, 2027, a facility may receive a rate increase for a capital improvement approved by the Department of Social Services, for the health or safety of the residents during the fiscal year ending June 30, 2025, June 30, 2026, or June 30, 2027, only to the extent such rate increases are within available appropriations. Notwithstanding any other provisions of this chapter, [any subsequent increase to allowable operating costs, excluding fair rent, shall be inflated by the gross domestic product deflator when funding is specifically appropriated for such purposes in the enacted budget. The rate of inflation shall be computed by comparing the most recent rate year to the average of the gross domestic product deflator for the previous four fiscal quarters ending March thirty-first] for the fiscal year beginning July 1, 2026, and each fiscal year thereafter, the inflation index shall be computed to reflect inflation between the midpoint of the cost year through the midpoint of the rate year. Any rebasing of rates shall include a stop loss so that no provider's rate is reduced as a result of the rebasing. The commissioner shall determine whether and to what extent a change in ownership of a facility shall occasion the rebasing of the facility's costs. For the fiscal year ending June 30, 2027, an inflationary adjustment of three per cent shall be added to the base rate for all residential care homes. Any increase to rates based on inflation shall be applied prior to the application of any other budget adjustment factors that may impact such rates. [The commissioner shall determine whether and to what extent a change in ownership of a facility shall occasion the rebasing of the facility's costs. There shall be no inflation adjustment during a year in which a facility's rates are rebased.**]** For the fiscal year ending June 30, 2024, the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities that have documented fair rent additions placed in service in the cost report year ending September 30, 2022, that are not otherwise included in rates issued. For the fiscal year ending June 30, 2025, the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities that have documented fair rent additions placed in service in the cost report year ending September 30, 2023, that are not otherwise included in rates issued. For the fiscal year ending June 30, 2026, the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities that have documented fair rent additions placed in service in the cost report year ending September 30, 2024, that are not otherwise included in rates issued. For the fiscal year ending June 30, 2027, **[**the commissioner may, in the commissioner's discretion and within available appropriations, provide pro rata fair rent increases to facilities that have documented fair rent additions placed in service in the cost report year ending September 30, 2025, that are not otherwise included in rates issued**]** <u>a residential care home with allowable fair rent less than five dollars per day shall be reimbursed as having allowable fair rent equal to five dollars per day. Any new fair rent additions placed in service on or after October 1, 2023, shall be added to the rate currently in effect. For the fiscal year ending June 30, 2027, and each fiscal year thereafter, allowable fair rent shall be based on those documented fair rent additions placed in service and reported in the immediately preceding cost report year ending on September thirtieth</u>.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2026*	17b-340(i)

Statement of Legislative Commissioners:

The title was changed; and "Beginning on October 1, 2025," was changed to "Beginning with the cost report year commencing on October 1, 2025," for clarity.

HS *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 $	FY 28 $
Social Services, Dept.	GF - Cost	up to $3 million	up to $3 million
Social Services, Dept.	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in a cost to the Department of Social Services (DSS) associated with adjusting rates for residential care homes (RCHs).

The bill applies a 3% inflationary adjustment to RCH rates in FY 27 and increases the allowable base salary for administrators in homes with up to 60 beds, resulting in a cost of up to $3 million in FY 27 and FY 28. DSS will incur additional costs associated with (1) including a stop loss so that no provider's rate is reduced as a result of rebasing, and (2) increasing reimbursements related to fair rent.

The bill also changes the basis for the calculation of annual inflation rates by requiring an unspecified inflation index be computed to reflect inflation between the midpoint of the cost year through the midpoint of the rate year. Under current law, the rate of inflation is calculated by comparing the most recent rate year to the average of the gross domestic product deflator for the previous four fiscal quarters ending 3/31. The impact of this change is unclear.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis
sHB 5357

AN ACT CONCERNING RESIDENTIAL CARE HOME RATES, FAIR RENT AND ADMINISTRATOR SALARIES.

SUMMARY

This bill makes various changes affecting residential care home (RCH) rates.

It increases state financial support to RCHs through adjustments in their State Supplement Program rates. For the cost report year starting on October 1, 2025, the bill increases the allowable base salary for administrators in homes with up to 60 beds from $63,407 to $75,000 (subject to future annual inflationary adjustments). By law, DSS generally sets new rates for RCHs effective each July 1 based on the home's allowable costs, including administrator salaries, it reports (from the prior October to September). The bill also requires DSS, for FY 27, to increase each RCH's base rate by 3%.

Current law requires DSS to calculate annual inflation rates for RCHs by comparing the most recent rate year to the average gross domestic product (GDP) deflator for the four fiscal quarters ending March 31. Current law requires this calculation (1) for allowable operating costs, excluding fair rent, and (2) when funding is specifically appropriated for this purpose. Starting in FY 27, the bill instead requires DSS to calculate inflation rates using an index (the bill does not specify which one) that reflects inflation between the midpoint of the cost year through the midpoint of the rate year. In doing so, the bill appears to give RCHs a nine-month period of inflation adjustments rather than 12 months as under current law.

Additionally, the bill requires DSS to include a stop loss when rebasing an RCH's rate so that the home's rate is not reduced because of

it. It also allows DSS to adjust a home's rate for inflation during a year it is rebased, which current law prohibits.

Lastly, the bill increases the minimum allowable fair rent increase from $3.10 to $5.00 per day for FY 27. It requires DSS to give fair rent increases to RCH's current rates for any new fair rent additions placed in service on or after October 1, 2023. It also allows RCHs to receive rate increases for FYs 26 and 27 based on FY 25 capital improvements approved by DSS for resident health or safety.

Current law allows the DSS commissioner, in her discretion and within available appropriations, to give prorated fair rent increases to facilities for FY 27 for these additions placed in service in the 2025 cost report year. The bill instead requires DSS, starting in FY 27, to base allowable fair rent increases on additions placed in service in the prior cost report year.

EFFECTIVE DATE: July 1, 2026

COMMITTEE ACTION

Human Services Committee

Joint Favorable
Yea 23 Nay 0 (03/19/2026)