

House of Representatives, April 14, 1998. The Committee on Appropriations reported through REP. DYSON, 94th DIST., Chairman of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE MEDICAID RATE FOR NURSING FACILITIES.

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

1 Section 1. Subsection (f) of section 17b-340
2 of the general statutes, as amended by section 50
3 of public act 97-11 of the June 18 special
4 session, is repealed and the following is
5 substituted in lieu thereof:
6 (f) For the fiscal year ending June 30, 1992,
7 the rates paid by or for persons aided or cared
8 for by the state or any town in this state to
9 facilities for room, board and services specified
10 in licensing regulations issued by the licensing
11 agency, except intermediate care facilities for
12 the mentally retarded and residential care homes,
13 shall be based on the cost year ending September
14 30, 1989. For the fiscal years ending June 30,
15 1993, and June 30, 1994, such rates shall be based
16 on the cost year ending September 30, 1990.
17 Notwithstanding the provisions of section 17b-344,
18 such rates shall be determined by the Commissioner
19 of Social Services in accordance with this section
20 and the regulations of Connecticut state agencies
21 promulgated by the commissioner and in effect on
22 April 1, 1991, except that:

23 (1) Allowable costs shall be divided into the
24 following five cost components: Direct costs,
25 which shall include salaries for nursing
26 personnel, related fringe benefits and nursing
27 pool costs; indirect costs, which shall include
28 professional fees, dietary expenses, housekeeping
29 expenses, laundry expenses, supplies related to
30 patient care, salaries for indirect care personnel
31 and related fringe benefits; fair rent, which
32 shall be defined in accordance with subsection (f)
33 of section 17-311-52 of the regulations of
34 Connecticut state agencies; capital-related costs,
35 which shall include property taxes, insurance
36 expenses, equipment leases and equipment
37 depreciation; and administrative and general
38 costs, which shall include maintenance and
39 operation of plant expenses, salaries for
40 administrative and maintenance personnel and
41 related fringe benefits. The commissioner may
42 provide a rate adjustment for nonemergency
43 transportation services required by nursing
44 facility residents. Such adjustment shall be a
45 fixed amount determined annually by the
46 commissioner based upon a review of costs and
47 other associated information. Allowable costs
48 shall not include costs for ancillary services
49 payable under Part B of the Medicare program.

50 (2) Two geographic peer groupings of
51 facilities shall be established for each level of
52 care, as defined by the Department of Social
53 Services for the determination of rates, for the
54 purpose of determining allowable direct costs. One
55 peer grouping shall be comprised of those
56 facilities located in Fairfield County. The other
57 peer grouping shall be comprised of facilities
58 located in all other counties.

59 (3) For the fiscal year ending June 30, 1992,
60 per diem maximum allowable costs for each cost
61 component shall be as follows: For direct costs,
62 the maximum shall be equal to one hundred forty
63 per cent of the median allowable cost of that peer
64 grouping; for indirect costs, the maximum shall be
65 equal to one hundred thirty per cent of the
66 state-wide median allowable cost; for fair rent,
67 the amount shall be calculated utilizing the
68 amount approved by the Office of Health Care
69 Access pursuant to section 19a-638; for
70 capital-related costs, there shall be no maximum;

71 and for administrative and general costs, the
72 maximum shall be equal to one hundred twenty-five
73 per cent of the state-wide median allowable cost.
74 For the fiscal year ending June 30, 1993, per diem
75 maximum allowable costs for each cost component
76 shall be as follows: For direct costs, the maximum
77 shall be equal to one hundred forty per cent of
78 the median allowable cost of that peer grouping;
79 for indirect costs, the maximum shall be equal to
80 one hundred twenty-five per cent of the state-wide
81 median allowable cost; for fair rent, the amount
82 shall be calculated utilizing the amount approved
83 by the Office of Health Care Access pursuant to
84 section 19a-638; for capital-related costs, there
85 shall be no maximum; and for administrative and
86 general costs the maximum shall be equal to one
87 hundred fifteen per cent of the state-wide median
88 allowable cost. For the fiscal year ending June
89 30, 1994, per diem maximum allowable costs for
90 each cost component shall be as follows: For
91 direct costs, the maximum shall be equal to one
92 hundred thirty-five per cent of the median
93 allowable cost of that peer grouping; for indirect
94 costs, the maximum shall be equal to one hundred
95 twenty per cent of the state-wide median allowable
96 cost; for fair rent, the amount shall be
97 calculated utilizing the amount approved by the
98 Office of Health Care Access pursuant to section
99 19a-638; for capital-related costs, there shall be
100 no maximum; and for administrative and general
101 costs the maximum shall be equal to one hundred
102 ten per cent of the state-wide median allowable
103 cost. For the fiscal year ending June 30, 1995,
104 per diem maximum allowable costs for each cost
105 component shall be as follows: For direct costs,
106 the maximum shall be equal to one hundred
107 thirty-five per cent of the median allowable cost
108 of that peer grouping; for indirect costs, the
109 maximum shall be equal to one hundred twenty per
110 cent of the state-wide median allowable cost; for
111 fair rent, the amount shall be calculated
112 utilizing the amount approved by the Office of
113 Health Care Access pursuant to section 19a-638;
114 for capital-related costs, there shall be no
115 maximum; and for administrative and general costs
116 the maximum shall be equal to one hundred five per
117 cent of the state-wide median allowable cost. For
118 the fiscal year ending June 30, 1996, and any

119 succeeding fiscal year, per diem maximum allowable
120 costs for each cost component shall be as follows:
121 For direct costs, the maximum shall be equal to
122 one hundred thirty-five per cent of the median
123 allowable cost of that peer grouping; for indirect
124 costs, the maximum shall be equal to one hundred
125 fifteen per cent of the state-wide median
126 allowable cost; for fair rent, the amount shall be
127 calculated utilizing the amount approved pursuant
128 to section 19a-638; for capital-related costs,
129 there shall be no maximum; and for administrative
130 and general costs the maximum shall be equal to
131 the state-wide median allowable cost. Costs in
132 excess of the maximum amounts established under
133 this subsection shall not be recognized as
134 allowable costs, except that the Commissioner of
135 Social Services (A) may allow costs in excess of
136 maximum amounts for any facility with patient days
137 covered by Medicare, including days requiring
138 coinsurance, in excess of twelve per cent of
139 annual patient days which also has patient days
140 covered by Medicaid in excess of fifty per cent of
141 annual patient days; (B) may establish a pilot
142 program whereby costs in excess of maximum amounts
143 shall be allowed for beds in a nursing home which
144 has a managed care program and is affiliated with
145 a hospital licensed under chapter 368v; and (C)
146 may establish rates whereby allowable costs may
147 exceed such maximum amounts for beds approved on
148 or after July 1, 1991, which are restricted to use
149 by patients with acquired immune deficiency
150 syndrome or traumatic brain injury.

151 (4) For the fiscal year ending June 30, 1992,
152 (A) no facility shall receive a rate that is less
153 than the rate it received for the rate year ending
154 June 30, 1991; (B) no facility whose rate, if
155 determined pursuant to this subsection, would
156 exceed one hundred twenty per cent of the
157 state-wide median rate, as determined pursuant to
158 this subsection, shall receive a rate which is
159 five and one-half per cent more than the rate it
160 received for the rate year ending June 30, 1991;
161 and (C) no facility whose rate, if determined
162 pursuant to this subsection, would be less than
163 one hundred twenty per cent of the state-wide
164 median rate, as determined pursuant to this
165 subsection, shall receive a rate which is six and
166 one-half per cent more than the rate it received

167 for the rate year ending June 30, 1991. For the
168 fiscal year ending June 30, 1993, no facility
169 shall receive a rate that is less than the rate it
170 received for the rate year ending June 30, 1992,
171 or six per cent more than the rate it received for
172 the rate year ending June 30, 1992. For the fiscal
173 year ending June 30, 1994, no facility shall
174 receive a rate that is less than the rate it
175 received for the rate year ending June 30, 1993,
176 or six per cent more than the rate it received for
177 the rate year ending June 30, 1993. For the fiscal
178 year ending June 30, 1995, no facility shall
179 receive a rate that is more than five per cent
180 less than the rate it received for the rate year
181 ending June 30, 1994, or six per cent more than
182 the rate it received for the rate year ending June
183 30, 1994. For the fiscal years ending June 30,
184 1996, and June 30, 1997, no facility shall receive
185 a rate that is more than three per cent more than
186 the rate it received for the prior rate year. For
187 the fiscal year ending June 30, 1998, a facility
188 shall receive a rate increase that is not more
189 than two per cent more than the rate that the
190 facility received in the prior year. For the
191 fiscal year ending June 30, 1999, a facility shall
192 receive a rate increase that is not more than
193 [two] THREE per cent more than the RATE THAT THE
194 facility received in the prior year and that is
195 not less than one per cent more than the RATE THAT
196 THE facility received in the prior year. FOR THE
197 FISCAL YEAR ENDING JUNE 30, 2000, AND ANY
198 SUCCEEDING FISCAL YEAR, NO FACILITY SHALL RECEIVE
199 A RATE THAT IS MORE THAN THE RATE IT RECEIVED IN
200 THE PRIOR YEAR INCREASED BY THE ANNUAL INCREASE IN
201 THE CONSUMER PRICE INDEX (ALL URBAN) FOR THE MOST
202 RECENT CALENDAR YEAR. The Commissioner of Social
203 Services may exclude fair rent from any rate
204 increase maximums established pursuant to this
205 subdivision for a facility which has undergone a
206 material change in circumstances related to fair
207 rent.

208 (5) For the purpose of determining allowable
209 fair rent, a facility with allowable fair rent
210 less than the twenty-fifth percentile of the
211 state-wide allowable fair rent shall be reimbursed
212 as having allowable fair rent equal to the
213 twenty-fifth percentile of the state-wide
214 allowable fair rent, provided for the fiscal years

215 ending June 30, 1996, and June 30, 1997, the
216 reimbursement may not exceed the twenty-fifth
217 percentile of the state-wide allowable fair rent
218 for the fiscal year ending June 30, 1995.
219 Beginning with the fiscal year ending June 30,
220 1996, any facility with a rate of return on real
221 property other than land in excess of eleven per
222 cent shall have such allowance revised to eleven
223 per cent. Any facility or its related realty
224 affiliate which finances or refinances debt
225 through bonds issued by the State of Connecticut
226 Health and Education Facilities Authority shall
227 report the terms and conditions of such financing
228 or refinancing to the Commissioner of Social
229 Services within thirty days of completing such
230 financing or refinancing. The Commissioner of
231 Social Services may revise the facility's fair
232 rent component of its rate to reflect any
233 financial benefit the facility or its related
234 realty affiliate received as a result of such
235 financing or refinancing, including but not
236 limited to, reductions in the amount of debt
237 service payments or period of debt repayment. The
238 commissioner shall allow actual debt service costs
239 for bonds issued by the State of Connecticut
240 Health and Educational Facilities Authority if
241 such costs do not exceed property costs allowed
242 pursuant to subsection (f) of section 17-311-52 of
243 the regulations of Connecticut state agencies,
244 provided the commissioner may allow higher debt
245 service costs for such bonds for good cause. For
246 facilities which first open on or after October 1,
247 1992, the commissioner shall determine allowable
248 fair rent for real property other than land based
249 on the rate of return for the cost year in which
250 such bonds were issued. The financial benefit
251 resulting from a facility financing or refinancing
252 debt through such bonds shall be shared between
253 the state and the facility to an extent determined
254 by the commissioner on a case-by-case basis and
255 shall be reflected in an adjustment to the
256 facility's allowable fair rent.

257 (6) A facility shall receive cost efficiency
258 adjustments for indirect costs and for
259 administrative and general costs if such costs are
260 below the state-wide median costs. The cost
261 efficiency adjustments shall equal twenty-five per
262 cent of the difference between allowable reported

263 costs and the applicable median allowable cost
264 established pursuant to this subdivision.

265 (7) For the fiscal year ending June 30, 1992,
266 allowable operating costs, excluding fair rent,
267 shall be inflated using the Regional Data
268 Resources Incorporated McGraw-Hill Health Care
269 Costs: Consumer Price Index (all urban)--All Items
270 minus one and one-half per cent. For the fiscal
271 year ending June 30, 1993, allowable operating
272 costs, excluding fair rent, shall be inflated
273 using the Regional Data Resources Incorporated
274 McGraw-Hill Health Care Costs: Consumer Price
275 Index (all urban)--All Items minus one and
276 three-quarters per cent. For the fiscal years
277 ending June 30, 1994, and June 30, 1995, allowable
278 operating costs, excluding fair rent, shall be
279 inflated using the Regional Data Resources
280 Incorporated McGraw-Hill Health Care Costs:
281 Consumer Price Index (all urban)--All Items minus
282 two per cent. For the fiscal year ending June 30,
283 1996, allowable operating costs, excluding fair
284 rent, shall be inflated using the Regional Data
285 Resources Incorporated McGraw-Hill Health Care
286 Costs: Consumer Price Index (all urban)--All Items
287 minus two and one-half per cent. For the fiscal
288 year ending June 30, 1997, allowable operating
289 costs, excluding fair rent, shall be inflated
290 using the Regional Data Resources Incorporated
291 McGraw-Hill Health Care Costs: Consumer Price
292 Index (all urban)--All Items minus three and
293 one-half per cent. For the fiscal year ending June
294 30, 1992, and any succeeding fiscal year,
295 allowable fair rent shall be those reported in the
296 annual report of long-term care facilities for the
297 cost year ending the immediately preceding
298 September thirtieth. The inflation index to be
299 used pursuant to this subsection shall be computed
300 to reflect inflation between the midpoint of the
301 cost year through the midpoint of the rate year.
302 The Department of Social Services shall study
303 methods of reimbursement for fair rent and shall
304 report its findings and recommendations to the
305 joint standing committee of the General Assembly
306 having cognizance of matters relating to human
307 services on or before January 15, 1993.

308 (8) On and after July 1, 1994, costs shall be
309 rebased no more frequently than every two years
310 and no less frequently than every four years, as

311 determined by the commissioner. The commissioner
312 shall determine whether and to what extent a
313 change in ownership of a facility shall occasion
314 the rebasing of the facility's costs.

315 (9) The method of establishing rates for new
316 facilities shall be determined by the commissioner
317 in accordance with the provisions of this
318 subsection.

319 (10) Rates determined under this section
320 shall comply with federal laws and regulations.

321 (11) For the fiscal year ending June 30,
322 1992, and any succeeding fiscal year, one-half of
323 the initial amount payable in June by the state to
324 a facility pursuant to this subsection shall be
325 paid to the facility in June and the balance of
326 such amount shall be paid in July.

327 (12) Notwithstanding the provisions of this
328 subsection, interim rates issued for facilities on
329 and after July 1, 1991, shall be subject to
330 applicable fiscal year cost component limitations
331 established pursuant to subdivision (3) of this
332 subsection.

333 (13) A chronic and convalescent nursing home
334 having an ownership affiliation with and operated
335 at the same location as a chronic disease hospital
336 may request that the commissioner approve an
337 exception to applicable rate-setting provisions
338 for chronic and convalescent nursing homes and
339 establish a rate for the fiscal years ending June
340 30, 1992, and June 30, 1993, in accordance with
341 regulations in effect June 30, 1991. Any such rate
342 shall not exceed one hundred sixty-five per cent
343 of the median rate established for chronic and
344 convalescent nursing homes established under this
345 section for the applicable fiscal year.

346 (14) For the fiscal year ending June 30,
347 1994, and any succeeding fiscal year, for purposes
348 of computing minimum allowable patient days,
349 utilization of a facility's certified beds shall
350 be determined at a minimum of ninety-five per cent
351 of capacity, except for new facilities and
352 facilities which are certified for additional beds
353 which may be permitted a lower occupancy rate for
354 the first three months of operation after the
355 effective date of licensure.

356 Sec. 2. This act shall take effect July 1,
357 1998.

358 HS	COMMITTEE VOTE: YEA 16 NAY 0	JF	C/R	APP
359 APP	COMMITTEE VOTE: YEA 49 NAY 0	JF		

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF 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 HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER HB 5050

STATE IMPACT Implements a Provision in the Budget, see explanation below

MUNICIPAL IMPACT None

STATE AGENCY(S) Department of Social Services

EXPLANATION OF ESTIMATES:

The increase in the allowable nursing home rate from 2% to 3% will result in a cost of approximately \$9.2 million in FY99. Funding for this increase is included in the Medicaid account in sHB 5021 (An Act Making Adjustments to the State Budget for the Biennium Ending June, 30, 1999). The state would be eligible for Federal funds participation (FFP) at 50% under the Medicaid program.

The impact of this bill on subsequent years is dependent upon the level of the increase in the consumer price index. Each percentage increase given the nursing homes will cost approximately \$9.5 million.

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OLR BILL ANALYSIS

HB 5050

AN ACT CONCERNING THE MEDICAID RATE FOR NURSING FACILITIES

SUMMARY: This bill requires the Department of Social Services commissioner to increase a nursing home's Medicaid rate by 1 to 3% rather than by 1 to 2% above

the rate it received in the preceding fiscal year beginning with the rate period ending June 30, 1999. After FY 1998-99, the bill limits nursing home rate increases to increases in the annual All Urban Consumer Price Index (CPI) for the most recent calendar year. The CPI is a measure of the average change in prices over time in a fixed "market basket" of goods and services purchased either by urban wage earners and clerical workers or by all urban consumers.

EFFECTIVE DATE: July 1, 1998

COMMITTEE ACTION

Human Services Committee

Joint Favorable Report
Yea 16 Nay 0

Appropriations Committee

Joint Favorable Report
Yea 49 Nay 0