STATE OF CONNECTICUT

DEPARTMENT OF SOCIAL SERVICES

Deidre S. Gifford, MD, MPH
Commissioner

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Governor

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OFFICE OF THE COMMISSIONER

July 7, 2022

Matt Barrett, President/CEO
CAHCF/CCAL
213 Court Street
Middletown, CT 06457

Mag Morelli, President
Leading Age Connecticut
110 Barnes Road
Wallingford, CT 06492

Dear Mr. Barrett and Ms. Morelli,

Thank you for your leadership and ongoing support in the care of Connecticut nursing facility residents. We share your commitment to ensuring consumers have quality care options that meet their needs and preferences. As the industry continues to right-size to align with changing consumer demands and preferences, we also understand that there is a common objective to help high quality nursing homes remain sustainable. You have raised complex and ongoing challenges experienced by nursing homes related to the national healthcare staffing shortage, inflation increases, low occupancy, and the continued impacts resulting from the COVID-19 public health emergency. As a result of the impact of the pandemic, this is a transformative time – an opportunity for the industry to become stronger through improved quality of care and greater alignment with consumer preferences. We also appreciate the open and honest dialogue with you and your membership and wish to invite continued discussions as we collectively work to support Connecticut nursing home residents. The State has made unprecedented financial supports available to the industry including, but not limited to, over $30.8 million to support health and pension enhancements, over $102.2 million for a 4.5% Medicaid rate increase for wage enhancement for nursing home employees, over $85.5 million for a 10% Medicaid rate increase from July 2021 to May 2022, and over $90.0 million to support a three-year phase-in to acuity-based Medicaid reimbursement effective July 1, 2022.

In addition to these financial investments to shore up the nursing home industry and employees, the State has also put in place bold initiatives to tackle the broader challenges in workforce

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development and recruitment for health care professionals. Currently, plans are underway to implement a $35 million investment to address the state's workforce shortage in nursing and social work through three strategic pillars:

1. Tuition assistance to incentivize low-income and minority students to enter accelerated and cost-effective nursing, social work, and psychiatric nurse practitioner programs.
2. Recruitment and retention of faculty to rapidly expand seat capacity and train the next generation of nursing and behavioral health workers.
3. Innovative programs to promote partnerships between healthcare employers and institutions of higher education to accelerate entrance into in-demand nursing and behavioral health careers. Innovation is particularly critical to stabilize the field as the demand continues to outweigh supply, and cost to educate the healthcare workforce increases.

The Departments of Public Health and Social Services are also working to implement new legislation, supported with leadership from the nursing home industry, nursing home workers, and consumers, to bring greater transparency and oversight of temporary nursing services agencies. Under Public Act 22-57, DPH will establish an annual registration system for temporary nursing services agencies. Those agencies will also submit reports including itemized revenues and costs, average number of nurses employed, average fees charged, and state of residency of nursing personnel. Based on data collected by DPH, DSS plans to evaluate and make recommendations concerning the rates temporary nursing services agencies charge nursing homes.

The Department has also considered, in collaboration with the Office of Policy and Management, the three policy requests you raised and provides our feedback to each: (1) rebasing Medicaid rates to state fiscal year 2022, (2) increasing payments to homes for labor-related expenses, and (3) modifying the minimum occupancy threshold. While some of our goals are aligned, the Department believes the long-term vision for workforce development, combined with ongoing engagement with nursing homes on their efficiency plans is the best path forward.

At the highest level, the Department shares your interest in reducing the excess bed capacity that exists across the state. According to the May 2022 census, nursing homes report a statewide occupancy of 80.68% – compared to the historically more typical rate of 87% as of January 2020 – and over 4,400 open beds statewide. Reduction in empty space reduces not only the nursing homes' costs, but also better targets Medicaid spend. As you stated in your letter to the Department, reductions in licensed beds "will save considerable Medicaid dollars in a rightsized/rebalance LTSS system where more and more recipients are served in less costly home and community-based environments." Further, the Department remains committed to rebalancing and is supportive of greater efficiency, improved quality of care, consolidation, and expansion of services for complex needs such as neuro-rehab, bariatric, or other conditions that can be supported in the nursing home setting. Finally, the Department is interested in ensuring that Medicaid residents receive high-quality care that is economic and efficient. Starting in July 2023, the Department will launch its value-based reimbursement program that will provide financial incentives for all homes to boost their quality. As detailed below, however, we cannot support the Association's asks as written.

Rebasing Medicaid rates and increasing payments to homes for labor-related costs.
As previously mentioned, the state has made unprecedented federal and state financial supports available to nursing homes to help mitigate cost increases and support employee wages. The Department looks forward to continuing to work with the industry to meet our shared goals of a healthier, right-sized nursing home sector that will provide high quality care well into the future. The Department is committed to rebasing as evidenced by our agreement with your earlier request to rebase to the 2019 cost year for fiscal year 2023. We will certainly explore future rebasing – including the updated labor costs – after we have had the opportunity to fully vet a cost year and understand the fiscal impact of such a rebasing.

Modifying the minimum occupancy threshold.
We do not support lowering the minimum occupancy threshold from 90% to 85%. Weakening this standard would mean using state resources to pay for excess capacity at nursing homes. We do not believe that using taxpayer dollars to pay for excess capacity at private facilities is a wise use of state dollars. However, we are potentially open to making technical revisions to the timing of how delicensing beds interacts with our minimum occupancy threshold. We are also open to discussing ways in which high occupancy, high quality homes could be supported in fiscal year 2023 as we fully transition to the new acuity and quality-based payment system. We look forward to discussing these ideas with you in the coming weeks.

In conclusion, we appreciate the honest and frank discussions we have had. We share many of the same goals and believe that the unprecedented financial support that the Administration has provided the industry presents an opportunity to transform. We also believe that our quality payment program, starting July 2023, will give all homes financial incentives to provide high quality care. In the months ahead, we look forward to working with you to continue the transformation in our nursing home industry.

Sincerely,

Deidre S. Gifford

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