DEPARTMENT OF SOCIAL SERVICES

REPORT ON CONNECTICUT NURSING HOME REBALANCING & EFFICIENCY PLANS

July 1, 2022

Background

The COVID-19 pandemic disproportionately impacted residents who live in long-term care settings. Nationally, nursing home residents are approximately 1% of the population but represented more than 40% of all COVID-19 related deaths in the United States by September 2020. In Connecticut, cumulative deaths among long-term care residents represented nearly three-quarters of all COVID-19 related deaths by July 30, 2020.[1] Since July 2020, the rate of infection and reported COVID-19 related deaths have decreased in Connecticut nursing homes. According to the Department of Public Health, between April 3, 2022 and May 1, 2022, Connecticut nursing homes reported 502 resident cases of COVID-19 and 7 resident deaths or a death-to-case ratio of 0.01.[2]

During the height of the public health emergency, nursing homes faced extraordinary challenges. In recognition of their efforts and to acknowledge the heroic work of frontline workers, the state committed to providing financial support to Connecticut nursing homes through both state and federal funding:

- Over $150 million in-kind support for COVID-19 testing and personal protective equipment

- $14.1 million paid to COVID recovery facilities ($600 per diem)

- $23.4 million for a 10% Medicaid rate increase for employee wages and staff retention bonuses from March to April 2020

- $48 million in Coronavirus Relief Fund grant payments from May to June 2020

- $21.3 million in Coronavirus Relief Fund grant payments from November to December 2020

- $18.8 million to support a 5% Medicaid rate increase from January to March 2021

- $14.1 million for a 5% Medicaid rate increase from April to June 2021

- $85.8 million for a 10% Medicaid rate increase from July 2021 to March 2022

- $19.1 million for a 10% Medicaid rate increase from April to May 2022

- $10 million in ARPA grant payments for June 2022

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[1] Mathematica Inc. *A Study of the COVID-19 Outbreak and Response in Connecticut Long-Term Care Facilities: Final Report.* (Princeton, NJ. September 30, 2020). https://www.mathematica.org/publications/fr-a-study-of-the-covid-19-outbreak-and-response-in-connecticut-long-term-care-facilities

[2] Connecticut Department of Public Health. https://data.ct.gov/stories/s/f8wz-xtcy

- $47.3 million for a 4.5% Medicaid rate increase to support wage enhancements for nursing home employees in fiscal year (FY) 2022

- $102.2 million for a 4.5% Medicaid rate increase for wage enhancement for nursing home employees in FY 2023

- $30.8 million to support health and pension enhancements in FY 2023

- $90 million to support a three-year phase-in to acuity-based Medicaid reimbursement effective July 1, 2022, which will provide rate predictability and support for nursing homes

On May 13, 2021, the Office of Policy and Management and the Department of Social Services (the Department) issued a joint letter to the nursing home industry outlining an extensive support package totaling almost $300 million in stabilization funding. This package included the above mentioned $85.8 million in 10% Medicaid rate increases (later extended an additional three months), 4.5% Medicaid rate increases for staff wage enhancements in both FYs 2022 and 2023, $22.8 million in benefit enhancements in FY 2023 (subsequently increased to $30.8 million), and $90 million to support the three-year transition to Medicaid acuity-based reimbursement.

In return for the almost $300 million support package, nursing homes were asked to submit an efficiency plan to the Department by April 1, 2022 which would address the following:

> *"Any nursing home that (1) does not reach 85% occupancy by April 1, 2022, (2) has excess beds in their region, or (3) determines the acuity-based payment system will result in substantial deterioration of the home's financial condition that may be expected to adversely affect resident care and the continued operation of the home, will be required to submit a plan to the Department of Social Services on efficiency, quality of care and consolidation of facilities. The review of such plans will include consideration of the need for nursing home beds within a 15-mile radius of the home. Nursing homes must then start acting on the plan within three months of approval."* [3]

The Department instructed nursing homes to include a description of how they would address the criteria above, and to provide documentation or support to describe their intended plan of action.[4] The Department encouraged nursing homes to submit plans that supported efficiency, quality and, when possible, consolidations. Following a review of the plans, the Department will either approve or deny plans or meet with the nursing homes to discuss plan modifications. Nursing homes are required to start acting on these plans within three months of Department approval.[5]

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[3] Department of Social Services. May 13, 2021. https://portal.ct.gov/-/media/Departments-and-Agencies/DSS/Medicaid-Nursing-Home-Reimbursement/OPM--DSS-Nursing-Home-Letter-to-Associations---5-13-21-5pm.pdf

[4] Department of Social Services. https://portal.ct.gov/dss/Health-And-Home-Care/Medicaid-Nursing-Home-Reimbursement/Medicaid-Nursing-Home-Reimbursement

[5] As the individual nursing home reports contain commercial or financial information given in confidence and not required by statute, individual reports are considered exempt from disclosure under Conn. Gen. Stat.§1-210(b)(5)(B).

1. Summary of April 1, 2022 Nursing Home Efficiency Plans

The Department received plans from 169 of the 195 nursing homes that accept Medicaid reimbursement; private pay nursing homes were not required to submit a plan. The Department of Public Health reports 208 nursing homes with active chronic & convalescent nursing home (CCNH) licenses[6] with an estimated 13 private pay nursing homes. No region of the state is without excess capacity, and therefore, the Department was anticipating plan submissions from all nursing homes that accept Medicaid reimbursement. While nursing home responses varied by facility and some included detailed information and transformative thinking about future sustainability and current consumer trends, the vast majority of nursing homes (over 60%) with lower occupancy rates (53 of 83 homes) have reported no action being taken. Similarly, the vast majority of nursing homes (over 70%) that identified excess beds in the area (76 of 103 homes) have reported no action being taken. The plans received by the Department were grouped into seven categories but could fall into one or more of the seven categories:
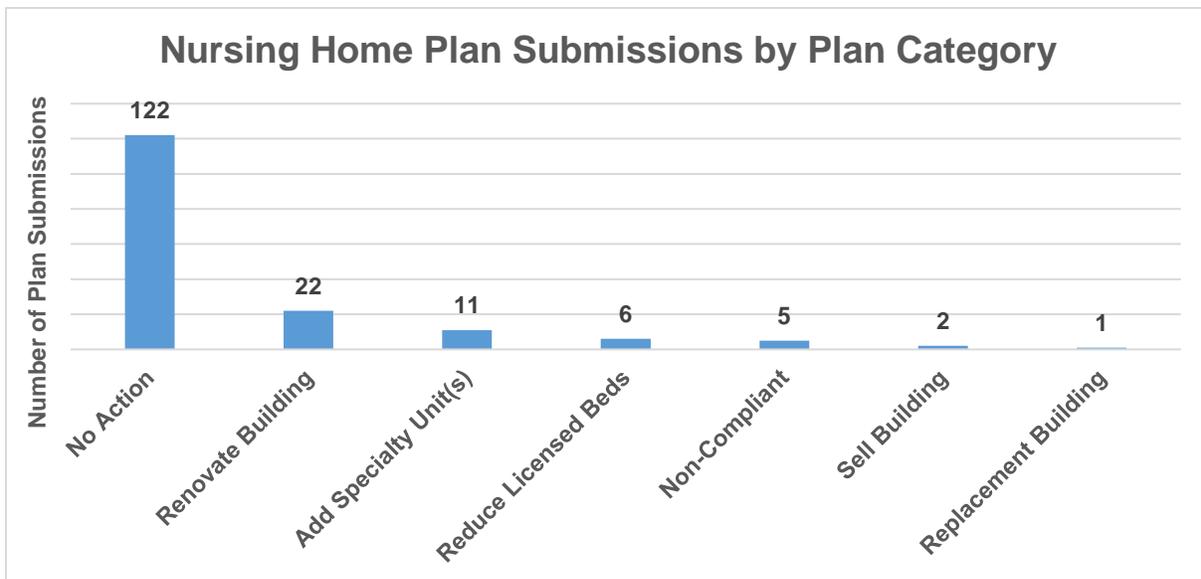
1. **No Action** – 122 nursing homes or 72% of the plans submitted proposed no action or no change to current operations or licensed bed capacity. These homes serve approximately 64% of nursing home residents and account for 52.6% of open or empty licensed nursing home beds statewide.

2. **Renovate Building** – 22 nursing homes indicated they are actively reviewing the possibility of undertaking a renovation project, are in process of submitting a Certificate of Need (CON) to the Department for renovation or are currently involved in an active renovation project. These homes serve approximately 9.5% of nursing home residents and account for 12% of open licensed nursing home beds statewide. Reasons for renovation projects varied from general improvement or modernization of physical plant space to attract new consumers, to the conversion of three- and four bed-rooms to single and double occupancy rooms which are more desirable to consumers. Three- and four-bed rooms do not meet infection prevention standards established by the Department of Public Health.

3. **Add Specialty Unit** – 11 nursing homes stated they are in discussions or in process of adding specialty units to increase occupancy and diversify services offered to the state's nursing home residents. These homes serve approximately 7.4% of nursing homes residents and account for 7.6% of the open licensed nursing home beds statewide. Specialty units identified within the plans range from dialysis treatment, ventilator units, and memory care units. Please note, plans indicated they were in the exploratory stages and had not yet committed to opening a specialty unit. Only one operator is actively engaged with the Department and has been approved to open two ventilator specialty units.

4. **Reduce Licensed Bed Capacity** – 6 nursing homes submitted licensed bed reduction plans. All six homes were below 85% occupancy as of March 2022. These homes serve approximately 3% of nursing home residents and account for approximately 319 empty beds or 6.4% of the total open beds statewide. Please note, five of the six homes had pending bed reductions submitted to the

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[6] Connecticut eLicense Web Portal Lookup. https://www.elicense.ct.gov/Lookup/LicenseLookup.aspx

Department prior to the April plan requirement, accounting for 124 beds or 39% of the state's 319 empty beds.

5. **Non-Compliant** – 5 nursing homes were non-compliant based on information contained within their plan. Non-compliance is defined as not addressing at least one of the three conditions outlined in the May 2021 letter. Please note, the majority of plans did not address all three conditions and therefore, the Department defined non-compliance as not addressing at least one of the required conditions. The five homes determined to be non-compliant serve approximately 2.1% of nursing home residents and account for 5.7% of the open or empty licensed nursing home beds statewide. Nursing homes considered non-complaint risk recoupment of funding supports outlined in the May 13, 2021 industry letter. The Department will review each case of non-compliance and issue individual recoupment decisions to nursing homes at a later date.

6. **Sell Building** – 2 nursing homes indicated they will be selling and are currently exploring sale options. These homes serve approximately 0.7% of nursing home residents and account for 2.1% of the open licensed nursing home beds statewide.

7. **Replacement Building** – 1 nursing home indicated plans to build a replacement facility. This home serves approximately 0.8% of nursing home residents and accounts for 0.2% of open licensed nursing home beds statewide. Please note, this home submitted a letter of intent to the Department regarding a renovation plan prior to the April plan submission.

Nursing Home Plan Submissions by Plan Category

Category	Number of Plan Submissions
No Action	122
Renovate Building	22
Add Specialty Unit(s)	11
Reduce Licensed Beds	6
Non-Compliant	5
Sell Building	2
Replacement Building	1

A total of 51 nursing homes indicated the main barrier to increasing resident census is the national shortage of health care workers and 4 homes cited direct competition with other sectors of the health care industry, such as hospitals, in hiring and/or retaining staff. The most challenging issue cited for hiring and retaining workers is the ability to hire skilled labor, such as registered nurses, and excessive staffing costs charged by temporary staffing agencies.

In response to the staffing crisis, 20 nursing homes outlined strategies to attract workers, such as expanding community marketing, outreach and development of in-house staff training programs, increased internet presence to attract workers, partnership with local schools to hire and train workers, and expanded participation in job fairs to recruit workers. Several nursing homes discussed involvement with paid Certified Nurse Aid (CNA) training programs to attract qualified workers. It should be noted that the enacted budget does include significant resources to build the health care workforce at every level, including resources for more faculty, expanded academic opportunities, and student loan repayment.

Twelve nursing homes believe that once the health care staffing crisis stabilizes, they will be able to increase occupancy and decrease dependency on temporary staffing agencies citing the potential for increased revenue when staffing agency costs decrease. Eleven nursing homes believe neighboring nursing homes will close within the next 18-36 months and anticipated increased occupancy by absorbing residents and staff from neighboring closed facilities.

2. Occupancy, Excess Beds, Acuity Reimbursement

Nursing homes were asked to address efficiency, quality of care, and consolidation within their plan submissions. Nursing homes further identified the inability to reach 85% occupancy by April 1, 2022 as problematic, citing excess beds within their regions, staffing shortages, and rising costs as prohibitive barriers in adequately addressing efficiency, quality, or consolidation.

- Of the 169 homes that submitted plans, 83 noted occupancy below 85%, and 85 homes reported occupancy above 85%. (Note one home did not comment on occupancy.) Homes with occupancy below 85% serve approximately 36.5% of nursing home residents and account for 59.6% of open licensed beds statewide.
- 103 nursing homes indicated excess beds within their region (defined as within a 15-mile radius).
- 8 nursing homes indicated the transition to acuity reimbursement taking place on July 1, 2022 will negatively impact the financial condition of their home. 40 submissions did not report on the impact of acuity and the remaining 121 nursing homes reported a positive impact to their Medicaid reimbursement under acuity-based reimbursement and the opportunity to serve higher-need residents.


Nursing Home Plan Submissions
(As Reported by the Nursing Homes)
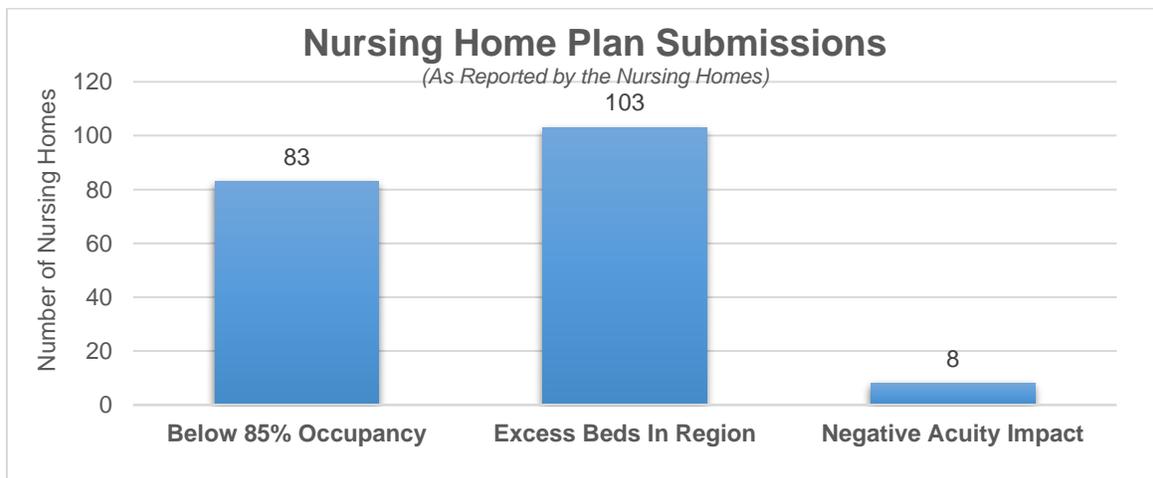
Nursing Home Occupancy and Quality

Occupancy percentages provide an important indicator for state Medicaid programs and federal regulation Title 2 CFR 200.446 specifically requires Medicaid programs to remove costs related to idle capacity or "empty space" as these costs are not directly related to patient care and therefore not reimbursable under Medicaid. Occupancy percentages are an important tool for Medicaid programs as reimbursement "must be consistent with efficiency, economy, and quality of care" as defined under 42 CFR § 447.204.[7] Connecticut's minimum occupancy percentage is 90% as approved by the Centers for Medicare and Medicaid Services (CMS). When costs related to empty space are not removed, the result is an artificial inflation of per-bed operation costs and less Medicaid money spent on direct patient care. When nursing homes reduce the number of beds for which they are licensed, but do not remove the costs associated with that empty space, the result is increased cost to the Medicaid program. To avoid this, when a nursing home delicenses beds, they must also:

- reduce fixed costs proportional to the number of beds that are being delicensed; and/or
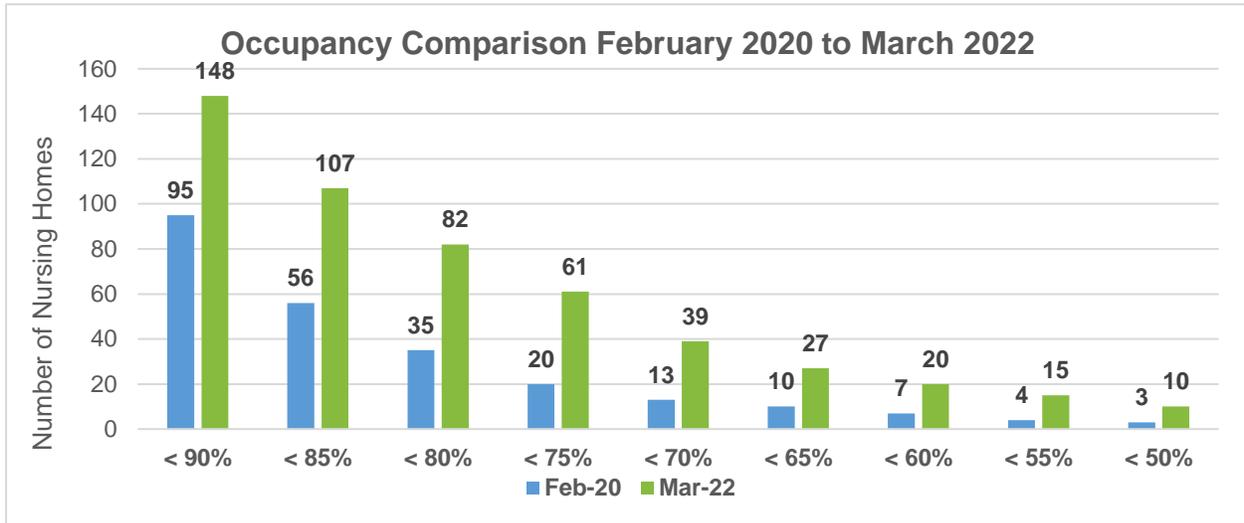- repurpose beds for unmet or underserved specialized needs; and/or
- close facilities

As of March 2022, statewide occupancy was 78.7% with 148 nursing homes below the 90% minimum occupancy standard. The statewide census has consistently remained between 77% and 79% since October 2020 and, pre-pandemic, Connecticut's occupancy rate was 88% (as of September 30, 2019). Nationally, the optimal occupancy rate is 95% according to CMS and, historically, Connecticut's occupancy standard was 95% until fiscal year 2014 when state legislation changed it to 90%.
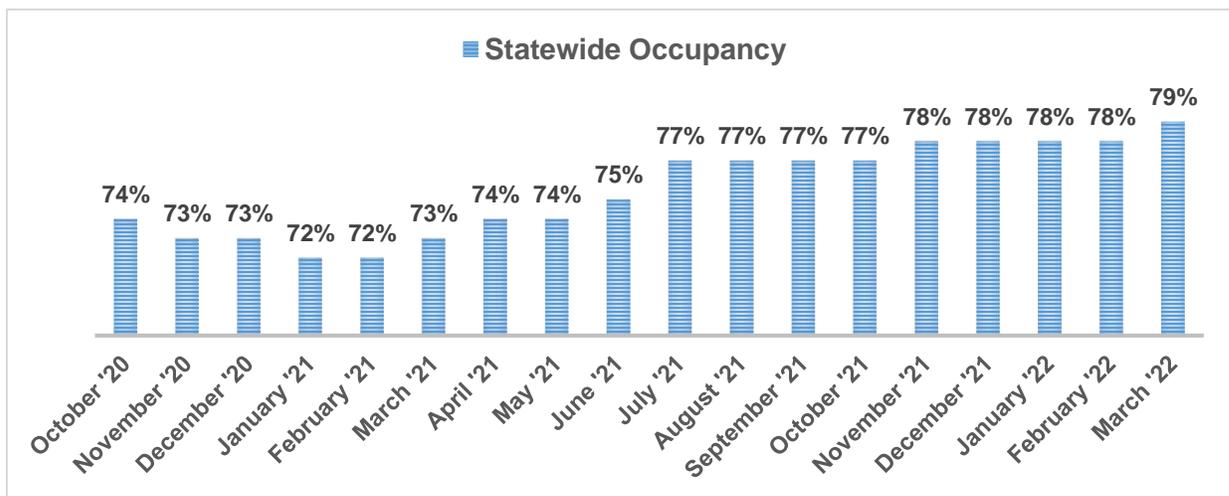
In March 2022, nursing homes served roughly 2,847 or 13.2% fewer residents when compared to February 2020 (pre-pandemic) when occupancy levels were 87.3% statewide. It is estimated that approximately 2,022 or 40.3% of the currently open nursing home beds would need to be filled to reach pre-pandemic February 2020 occupancy. If the state was to reach pre-pandemic occupancy February 2020 levels,

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[7] Code of Federal Regulations. Title 42 Chapter IV Subchapter C Part 447 Payments For Services. https://www.ecfr.gov/current/title-42/chapter-IV/subchapter-C/part-447

approximately 2,995 nursing homes beds would still remain open as excess capacity was a concern pre-pandemic as described in the Statewide Rebalancing Plan.

Occupancy Comparison February 2020 to March 2022

Occupancy	Feb-20	Mar-22
< 90%	95	148
< 85%	56	107
< 80%	35	82
< 75%	20	61
< 70%	13	39
< 65%	10	27
< 60%	7	20
< 55%	4	15
< 50%	3	10

(Y-axis: Number of Nursing Homes)

Connecticut, like all states, has been responding to major shifts in consumer demand by "rebalancing" spending toward alternative long-term services and supports (LTSS). Rebalancing refers to empowering genuine consumer choice by reducing reliance on institutional care and expanding access to home and community-based services (HCBS) to reflect consumer demand and preferences. A rebalanced LTSS system gives Medicaid members greater choice in where they live and from whom they receive services. It also delivers LTSS that are integrated, effective, efficient, and person-centered.

In 2019, Connecticut spent 52% of Medicaid LTSS on HCBS and 48% on institutional care. Recent Connecticut town-level data projects that by 2040, there will be a major increase in demand for and use of home care provided through Medicaid, from 67.6% of long-term care enrollees in 2017 to 82.3% by 2040. That projection was accelerated by the COVID-19 public health emergency and by 2021, 60% of Connecticut Medicaid LTSS spending was on HCBS and 40% on institutional care.[8] Consumers overwhelmingly wish to have meaningful choice in how they receive needed long-term services and supports. Connecticut has implemented diverse rebalancing strategies under its multi-million dollar federal Money Follows the Person grant and through state funding, which supported over 27,000 people on Medicaid HCBS "waivers". [9]

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[8] Department of Social Services. *Modernization of Connecticut Medicaid Nursing Facility Reimbursement: An Essential Component of Long-Term Services and Supports "Rebalancing"*. Forum for the Committees of Cognizance. February 6, 2020. https://portal.ct.gov/-/media/Departments-and-Agencies/DSS/Medicaid-Nursing-Home-Reimbursement/Nursing-Home-Forum-for-the-Committees-of-Cognizance-2620.pdf

[9] Department of Social Services. *Modernization of Connecticut Medicaid Nursing Facility Reimbursement: An Essential Component of Long-Term Services and Supports "Rebalancing"*. Forum for the Committees of Cognizance. February 6, 2020. https://portal.ct.gov/-/media/Departments-and-Agencies/DSS/Medicaid-Nursing-Home-Reimbursement/Nursing-Home-Forum-for-the-Committees-of-Cognizance-2620.pdf

The Department remains committed and guided by the comprehensive Strategic Rebalancing Plan with these key goals:

- improve effectiveness and efficiency of Connecticut's HCBS system;
- decrease hospital discharges to nursing facilities for those individuals requiring care after discharge;
- transition people from nursing homes to the community;
- build capacity in the community workforce sufficient to sustain rebalancing goals;
- increase availability of accessible housing and transportation; and
- adjust supply of institutional beds and community services and supports based on demand projections.[10]

According to the 2020 AARP Policy Institute State Scorecard on Long-Term Services, Connecticut ranked in the top quartile of states with successful discharge to the community from nursing homes and ranked in the second highest quartile for states with admission to nursing homes after hospital discharge .[11]

Of the April efficiency plans submitted to the Department, 83 nursing homes noted occupancy below 85% but, based on the Department's March 2022 monthly census report, 106 nursing homes were below 85% occupancy and account for 3,994 or 79.6% of the open beds statewide. The Department compared the February 2020 (pre-pandemic) and March 2022 monthly census reports[12] and found 43 nursing homes were below 85% occupancy pre-pandemic and remain below that level as of March 2022. These homes fell into the seven categories as shown below. Please note, a nursing home may fall into one or more of the seven categories.

1. **No Action** – 53 nursing homes noted no action will be taken. These homes account for 33.7% or approximately 1,691 open beds statewide as of March 2022; average occupancy rate of 71.8%.
2. **Renovate Building** – 15 nursing homes discussed renovation although it was not clear if renovations are in process or in the planning phase. These homes indicated a desire to update resident rooms, bathrooms, and recreation/eating areas in an effort to attract new consumers.
3. **Add Specialty Unit** – 8 nursing homes indicated they are working with local hospitals to establish pulmonary, cardiac, dementia / memory care, and dialysis specialty units. One home is currently in the process of building a 10-bed vent unit which has been approved by the Department. The remaining homes are in the discussion or planning stages.

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[10] Connecticut's plan 'Strategic Rebalancing Plan: A Plan to Rebalance Long-Term Services and Supports 2020 is found at the following link: https://portal.ct.gov/-/media/Departments-and-Agencies/DSS/Health-and-Home-Care/Medicaid-Long-Term-Care-Demand-Projections/strategic_rebalancing_plan-2020.pdf

[11] Alexis, Gualtieri, Harrell, Houser, Lingamfelter, Reinhard, Ujvari. (September 2020). Advancing Action: A State Scorecard on Long-Term Services and Supports for Older Adults, People with Physical Disabilities, and Family Caregivers. *AARP Policy Institute,* pp. 48. https://longtermscorecard.org/2020-scorecard/preface

[12] https://portal.ct.gov/DSS/Health-And-Home-Care/Medicaid-Nursing-Home-Reimbursement/Medicaid-Nursing-Home-Reimbursement/Nursing-Facility-Rates
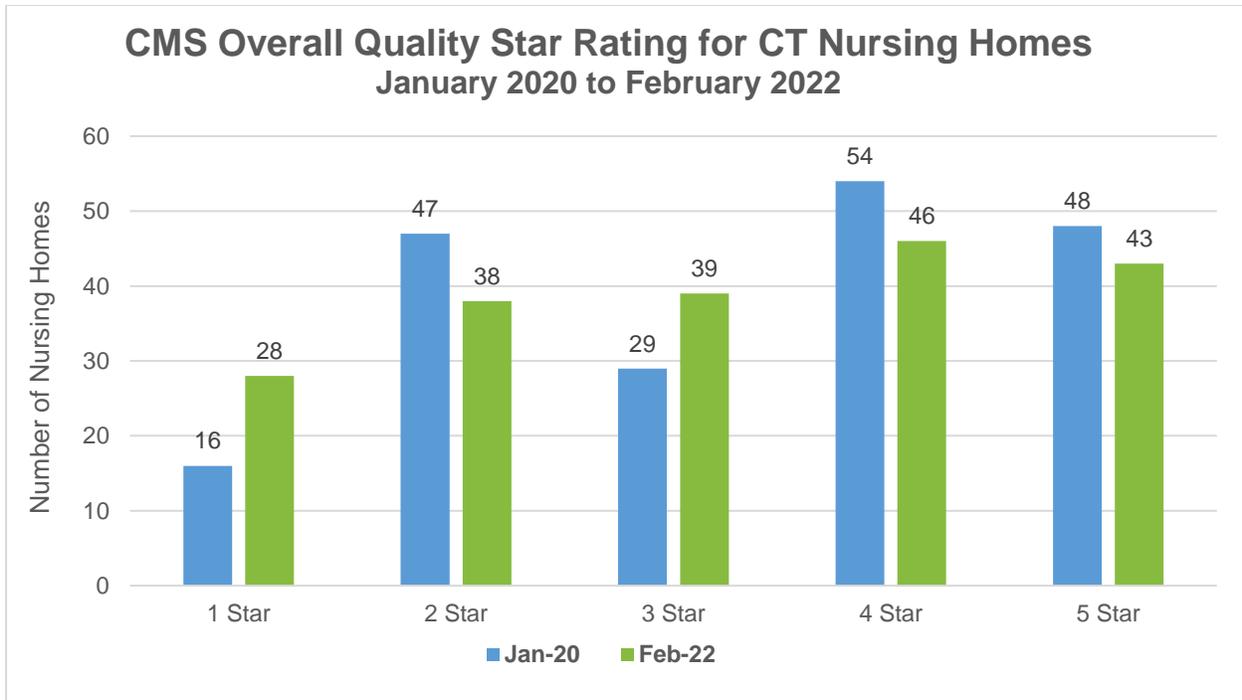
4. **Reduced Licensed Bed Capacity** – 4 nursing homes are in a planning phase to reduce licensed bed capacity. These homes serve 1.8% of nursing home residents and account for 4.6% of the open beds statewide.
5. **Non-Compliant** – 1 nursing home was non-compliant. This home has been closed for more than a year and has no residents.
6. **Sell Building** – 2 nursing homes are considering selling and note the impact of COVID-19 as the primary reason to sell.
7. **Replacement Building** – zero nursing homes fell into this category

Statewide Licensed Bed Count - February 2020 to March 2022
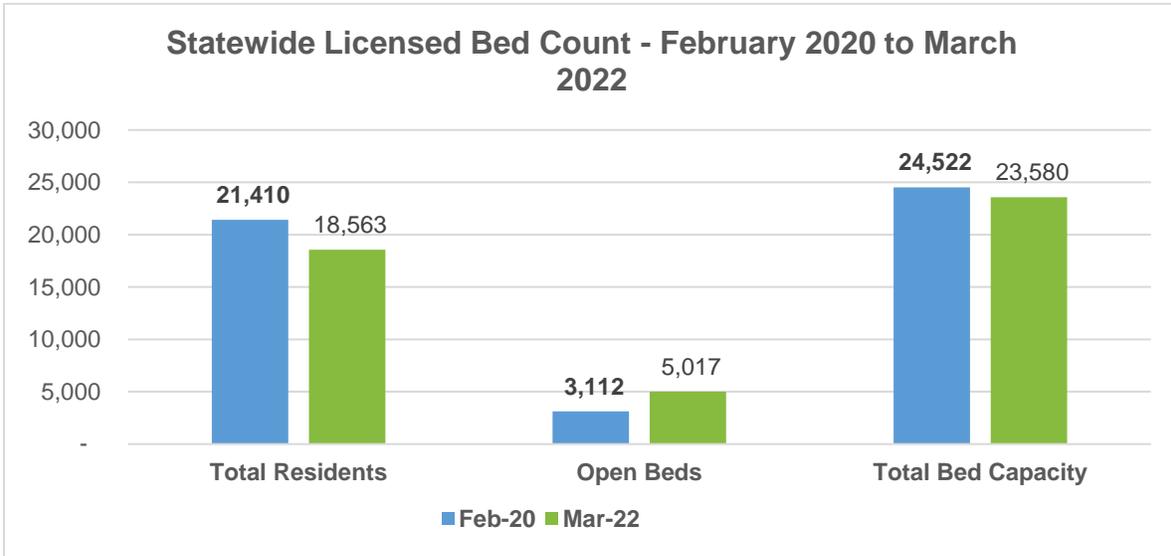
The Department received plans from 85 nursing homes that noted occupancy above 85% as of March 2022 and approximately 69 of these homes reported a stable position and no planned changes to facility operations or licensed bed capacity. Of the homes above 85% occupancy, 5 noted strong connections to the community and are four- and five-star rated facilities designated by the Centers for Medicare and Medicaid Services (CMS).

The CMS five-star quality rating system is used to measure the experience of nursing home residents and to assist consumers in making informed decisions regarding health care choice. The CMS system assigns nursing homes a rating of 1 to 5 stars with 5 being the highest. Ratings are released annually and reflect the experiences of people currently residing in the facility. The CMS rating is an important indicator on quality and care received within a nursing home.[13] Below is a look at the CMS Overall Quality Star Rating for Connecticut nursing homes comparing January 2020 (pre-pandemic) to February 2022.

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[13] https://www.medicare.gov/care-compare/

CMS Overall Quality Star Rating for CT Nursing Homes
January 2020 to February 2022

Number of Nursing Homes

Star	Jan-20	Feb-22
1 Star	16	28
2 Star	47	38
3 Star	29	39
4 Star	54	46
5 Star	48	43

■ Jan-20 ■ Feb-22

The five homes noting strong connections to the community with CMS four- and five-star ratings, cited in their plan submissions a desire to expand available services on their campuses to offer consumers a variety of continuum of care options. These homes indicated inclusion or expansion into assisted and independent living communities, residential care homes, and various programs to support outpatient need. The five homes also noted an expansion to community-based services such as life care at home, adult day care, meals on wheels, and staff training programs to offer in-home personal aid supports and in-home dementia care supports. The five homes also noted that by diversifying their service array, they will be able to expand revenue opportunities by accepting private pay, Medicare, commercial insurance, or grant supports resulting in less dependency on a single source of income and the ability to adapt more quickly during an economic downturn. Plans submitted by these five nursing homes also noted that by providing various services they will be able to offer consumer choice while supporting high-quality.

Quality is an important component to nursing home care and recognized by the Department as reflected by their intention to launch a value-based quality program in 2023 which will support nursing homes that provide quality care. The COVID-19 public health emergency highlighted the direct correlation between quality and the rate of COVID-19 infection in nursing homes. The Journal of the American Medical Directors' Association published a national report in July 2021 that concluded COVID-19 cases and death rates were "substantially higher among nursing homes with lower star ratings, suggesting that nursing homes with quality were less susceptible to the spread of COVID-19."[14]

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[14] Khairat, S., Zalla, L. C., Adler-Milstein, J., & Kistler, C. E. (2021). U.S. Nursing Home Quality Ratings Associated with COVID-19 Cases and Deaths. Journal of the American Medical Directors Association, 22(10), 2021–2025.e1. https://doi.org/10.1016/j.jamda.2021.07.034

To support quality improvements, the Department encouraged nursing homes to review need and examine excess bed capacity within their region. The Department received plans from 103 nursing homes that indicated excess beds in their region (defined as within a 15-mile radius). Approximately 54 of the 103 nursing homes were below 85% occupancy during March 2022 and 34 homes indicated no intention to make changes to operations. **Of the 103 nursing homes that <u>indicated excess beds in their region,</u> these homes fell into the seven categories as shown below**. Please note, a nursing home may fall into one or more of the seven categories.
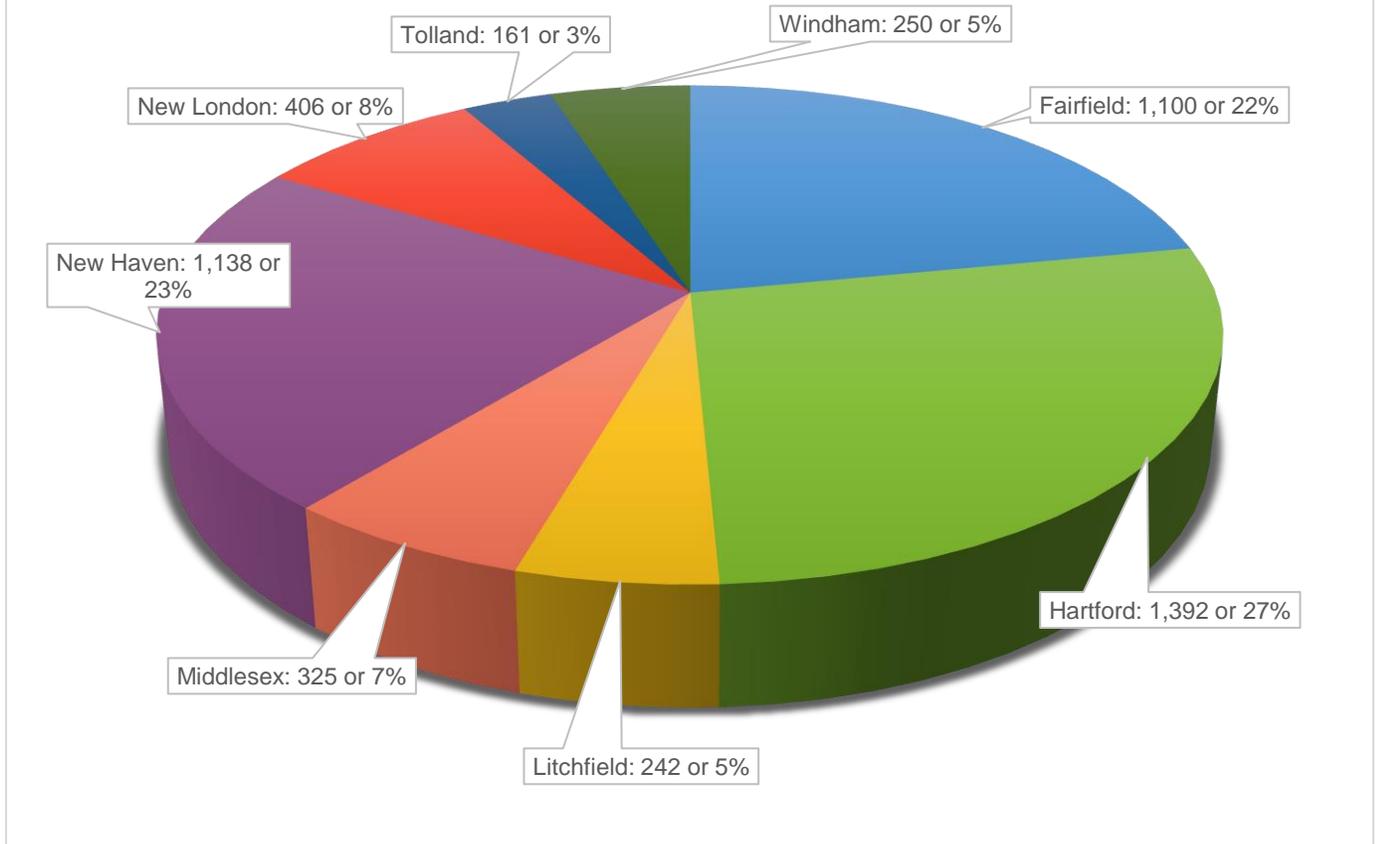
1. **No Action** – 76 nursing homes noted no need to take significant action, and 39 were below 85% occupancy during the month of March 2022 with an average occupancy of 68.1%.
2. **Renovate Building** – 17 nursing homes are in process or in active planning stages to renovate. These homes had an average occupancy of 73% with 11 homes below 85% occupancy as of March 2022.
3. **Add Specialty Unit** – 4 nursing homes are in process or in active planning stages to add specialty units to their service array. All four homes are below 85% occupancy as of March 2022 and had an average occupancy of 69.8%. Specialty units under consideration include memory care, dialysis, specialty stroke care, and congestive heart failure.
4. **Reduced Licensed Bed Capacity** – 2 nursing homes are exploring a reduced licensed bed capacity.
5. **Non-Compliant** – 1 nursing home was non-compliant. This home has been temporarily closed for more than a year. The facility hopes to reopen but did not provide information on an anticipated re-opening date.
6. **Sell Building** – 2 nursing homes indicated plans to sell their building and noted impact from the pandemic as a contributing factor for selling.
7. **Replacement Building** – 1 nursing home fell into this category and serves approximately 0.8% of nursing homes residents and accounts for 0.2% of open licensed nursing home beds statewide. Please note, this home submitted a letter of intent to the Department regarding a renovation plan prior to the April plan submission.

The Department conducted an analysis of open beds by county as of the March 2022 monthly census reports which are submitted by the nursing homes directly to the Department.[15]

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[15] https://portal.ct.gov/DSS/Health-And-Home-Care/Medicaid-Nursing-Home-Reimbursement/Medicaid-Nursing-Home-Reimbursement/Nursing-Facility-Rates

Open Nursing Home Beds by County - March 2022

Tolland: 161 or 3%

New London: 406 or 8%

Windham: 250 or 5%

Fairfield: 1,100 or 22%

New Haven: 1,138 or 23%

Hartford: 1,392 or 27%

Middlesex: 325 or 7%

Litchfield: 242 or 5%

Impact of Acuity Reimbursement Effective July 1, 2022

The Department received reports from 121 homes that stated the transition to acuity-based reimbursement, effective on July 1, 2022, will have a positive financial impact to their Medicaid reimbursement. These homes reported successful implementation of staff training programs to ensure staff are correctly reporting patient information within the Minimum Data Set (MDS) system. The MDS reporting system is a federally-required standardized assessment tool used to facilitate care management in nursing homes. MDS data is reported directly from the nursing home and establishes the Case Mix Index or CMI for each nursing home. The CMI assesses the resource need of nursing home residents and supports Medicaid acuity reimbursement by increasing the Medicaid payment to nursing homes when they care for residents with a higher resource need or greater CMI.

The Department received plans from 8 nursing homes who indicated they anticipate a negative financial impact under acuity reimbursement, and noted they are experiencing difficulty in hiring skilled staff to care for residents with more complex medical needs. Two of the 8 homes reported an inability to develop a staff training program to ensure staff are correctly reporting patient information within the MDS system. 40 plan submissions did not report on impact to their financial condition under acuity-based reimbursement.

The Department is transitioning to acuity-based reimbursement on July 1, 2022 and implementation of the new methodology will be ongoing as the Department works with stakeholders to monitor and develop a value-based component which will be implemented in 2023. Acuity-based reimbursement will aid the Department in its goals of:

- supporting a meaningful continuum of LTSS;
- modernizing Medicaid reimbursement;
- aligning payment with the acuity of residents; and
- preparing providers for value-based payment approaches.

Acuity-based reimbursement will be phased-in over three years to assist nursing homes with the transition and allow for predictability, and adjustment to business operations. Public Act 21-2, June special session, approved $45 million ($90 million including federal share) to support a three-year transition plan with a stop gain / stop loss mechanism to ensure that no nursing home will experience a decrease in their Medicaid rate in year one. Stakeholders are invited to visit the Department webpage for information regarding acuity reimbursement, notifications, and additional information: https://portal.ct.gov/DSS/Health-And-Home-Care/Medicaid-Nursing-Home-Reimbursement/Nursing-Home-Reimbursement-Acuity-Based-Methodology.

Selected Parameters	SFY 2023	SFY 2024	SFY 2025
Cost report year	2019	2019	2019
Case mix neutrality limit	0.75%	1.51%	2.27%
Stop gain	$6.50	$20	None
Stop loss	$0	$5	None

* Statewide average CMI from MDS records dated 1/1/2022 – 3/31/2022 will serve as the base from which the case mix neutrality limit will be applied

3. Recommendations and Next Steps

The majority of plan submissions did not identify pathways or procedures that would support long-term stability. Instead, the majority of plans requested continued or increased state financial support in addition to funding received since the start of the COVID-19 pandemic. The majority of plans also indicated difficulty in hiring staff due to the national health care staffing crisis and noted excessive charges by temporary staffing agencies and inability to pay high staffing agency costs over the long-term.

The Department will contact each home that submitted a plan to either approve, deny, or discuss modifications. The Department anticipates approving plans or requesting modification from nursing homes that spoke to renovation, reduced bed capacity, or diversification of services. Approval of an efficiency plan that requires a CON does not signal the Department's final decision regarding the CON as the CON process will be conducted separately and independently. The Department anticipates denying the majority of plans due to lack of substantive detail, lack of definitive process steps, and limited long-term rebalancing efforts. Homes that were identified as non-compliant with plan submissions will also be denied, and homes that did not submit a plan will be sent a formal notice.

The Department anticipates holding industry-wide stakeholder meetings and individual meetings with nursing homes to discuss rebalancing efforts and supportive paths forward for Connecticut nursing home residents.

Continued effort will be made by the Department to reach out to nursing homes and support those willing to rebalance, improve resident living space, delicense empty beds, and support a diverse array of care options for Connecticut's long-term care residents. As consumer demand continues to shift from nursing home care to care at home, the Department remains committed to supporting facilities willing to rebalance and improve quality. The Department is following the lead of approximately 30 other states by paying nursing homes under an acuity-based reimbursement method which recognizes the need to provide incentives for nursing homes that admit people with higher acuity and complex needs, promote provision of direct care reimbursement, and enhance quality of care through value-based purchasing.

In FY 2016, Medicaid programs nationally spent approximately $94 billion on HCBS compared to $72 billion on institutional care. The increasing proportion of spending on HCBS has been driven by concerns about the high cost of institutional care and preferences to live in the community. In 2019, Connecticut spent $3.2 billion on long-term care, reflecting 41% of overall Medicaid expenditures, 52% was spent on HCBS and 48% was spent on institutional care. A total of 46,194 HUSKY Health members received long-term services in 2019, 64% of whom received services in the community, and 36% of whom received institutional care.

Prior to the COVID-19 public health emergency, the Department anticipated a reduction of nearly 6,000 beds in nursing homes between 2017 and 2040. COVID-19 created short and long-term impacts on utilization and demand for nursing home services. Prior to COVID-19, the state did not anticipate the low level of utilization percentages until 2029 but COVID-19 accelerated the trend seven years sooner. Long-term care discussions with industry stakeholders will need to continue regarding rebalancing, consolidation, and alignment with consumer demand.