



General Assembly

January Session, 2025

**Committee Bill No. 805**

LCO No. 3806



Referred to Committee on HUMAN SERVICES

Introduced by:  
(HS)

***AN ACT REQUIRING NURSING HOMES TO SPEND NOT LESS THAN EIGHTY PER CENT OF REVENUES ON DIRECT PATIENT CARE.***

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

1 Section 1. Subsection (a) of section 17b-340d of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July 1,*  
3 *2025*):

4 (a) The Commissioner of Social Services shall implement an acuity-  
5 based methodology for Medicaid reimbursement of nursing home  
6 services effective July 1, 2022. Notwithstanding section 17b-340, for the  
7 fiscal year ending June 30, 2023, and annually thereafter, the  
8 Commissioner of Social Services shall establish Medicaid rates paid to  
9 nursing home facilities based on cost years ending on September  
10 thirtieth in accordance with the following:

11 (1) Case-mix adjustments to the direct care component, which will be  
12 based on Minimum Data Set resident assessment data as well as cost  
13 data reported for the cost year ending September 30, 2019, shall be made  
14 effective beginning July 1, 2022, and updated every quarter thereafter.  
15 After modeling such case-mix adjustments, the Commissioner of Social

16 Services shall evaluate impact on a facility by facility basis and, not later  
17 than October 1, 2021, (A) make recommendations to the Secretary of the  
18 Office of Policy and Management, and (B) submit a report on the  
19 recommendations, in accordance with the provisions of section 11-4a, to  
20 the joint standing committees of the General Assembly having  
21 cognizance of matters relating to appropriations and the budgets of state  
22 agencies and human services on any adjustments needed to facilitate the  
23 transition to the new methodology on July 1, 2022. This evaluation may  
24 include a review of inflationary allowances, case mix and budget  
25 adjustment factors and stop loss and stop gain corridors and the ability  
26 to make such adjustments within available appropriations.

27 (2) Beginning July 1, 2022, facilities [will be required to] shall comply  
28 with collection and reporting of quality metrics as specified by the  
29 Department of Social Services, after consultation with the nursing home  
30 industry, consumers, employees and the Department of Public Health.  
31 Rate adjustments based on performance on quality metrics [will] shall  
32 be phased in, beginning July 1, 2022, with a period of reporting only.  
33 Effective July 1, 2023, the Department of Social Services shall issue  
34 individualized reports annually to each nursing home facility showing  
35 the impact to the Medicaid rate for such home based on the quality  
36 metrics program. A nursing home facility receiving an individualized  
37 quality metrics report may use such report to evaluate the impact of the  
38 quality metrics program on said facility's Medicaid reimbursement. Not  
39 later than June 30, 2025, the department shall submit a report, in  
40 accordance with the provisions of section 11-4a, to the joint standing  
41 committees of the General Assembly having cognizance of matters  
42 relating to appropriations and the budgets of state agencies and human  
43 services on the quality metrics program. Such report shall include  
44 information regarding individualized reports and the anticipated  
45 impact on nursing homes if the state were to implement a rate withhold  
46 on nursing homes that fail to meet certain quality metrics.

47 (3) Geographic peer groupings of facilities shall be established by the  
48 Department of Social Services pursuant to regulations adopted in  
49 accordance with subsection (b) of this section.

50 (4) Allowable costs shall be divided into the following five cost  
51 components: (A) Direct costs, which shall include salaries for nursing  
52 personnel, related fringe benefits and costs for nursing personnel  
53 supplied by a temporary nursing services agency; (B) indirect costs,  
54 which shall include professional fees, dietary expenses, housekeeping  
55 expenses, laundry expenses, supplies related to patient care, salaries for  
56 indirect care personnel and related fringe benefits; (C) fair rent, which  
57 shall be defined in regulations adopted in accordance with subsection  
58 (b) of this section; (D) capital-related costs, which shall include property  
59 taxes, insurance expenses, equipment leases and equipment  
60 depreciation; and (E) administrative and general costs, which shall  
61 include maintenance and operation of plant expenses, salaries for  
62 administrative and maintenance personnel and related fringe benefits.  
63 For (i) direct costs, the maximum cost shall be equal to one hundred  
64 thirty-five per cent of the median allowable cost of that peer grouping;  
65 (ii) indirect costs, the maximum cost shall be equal to one hundred  
66 fifteen per cent of the state-wide median allowable cost; (iii) fair rent,  
67 the amount shall be calculated utilizing the amount approved pursuant  
68 to section 17b-353; (iv) capital-related costs, there shall be no maximum;  
69 and (v) administrative and general costs, the maximum shall be equal to  
70 the state-wide median allowable cost. For purposes of this subdivision,  
71 "temporary nursing services agency" and "nursing personnel" have the  
72 same meaning as provided in section 19a-118.

73 (5) Costs in excess of the maximum amounts established under this  
74 subsection shall not be recognized as allowable costs, except that the  
75 commissioner may establish rates whereby allowable costs may exceed  
76 such maximum amounts for beds which are restricted to use by patients  
77 with acquired immune deficiency syndrome, traumatic brain injury or  
78 other specialized services.

79 (6) On or after June 30, 2022, the commissioner may, in the  
80 commissioner's discretion and within available appropriations, provide  
81 pro rata fair rent increases to facilities which have documented fair rent  
82 additions placed in service in the most recently filed cost report that are  
83 not otherwise included in the rates issued. The commissioner may

84 provide, within available appropriations, pro rata fair rent increases,  
85 which may, at the discretion of the commissioner, include increases for  
86 facilities which have undergone a material change in circumstances  
87 related to fair rent additions in the most recently filed cost report. The  
88 commissioner may allow minimum fair rent as the basis upon which  
89 reimbursement associated with improvements to real property is  
90 added.

91 (7) For the purpose of determining allowable fair rent, a facility with  
92 allowable fair rent less than the twenty-fifth percentile of the state-wide  
93 allowable fair rent shall be reimbursed as having allowable fair rent  
94 equal to the twenty-fifth percentile of the state-wide allowable fair rent.  
95 Any facility with a rate of return on real property other than land in  
96 excess of eleven per cent shall have such allowance revised to eleven per  
97 cent. Any facility or its related realty affiliate which finances or  
98 refinances debt through bonds issued by the Connecticut Health and  
99 Education Facilities Authority shall report the terms and conditions of  
100 such financing or refinancing to the Commissioner of Social Services not  
101 later than thirty days after completing such financing or refinancing.  
102 The commissioner may revise the facility's fair rent component of its rate  
103 to reflect any financial benefit the facility or its related realty affiliate  
104 received as a result of such financing or refinancing. The commissioner  
105 shall determine allowable fair rent for real property other than land  
106 based on the rate of return for the cost year in which such bonds were  
107 issued. The financial benefit resulting from a facility financing or  
108 refinancing debt through such bonds shall be shared between the state  
109 and the facility to an extent determined by the commissioner on a case-  
110 by-case basis and shall be reflected in an adjustment to the facility's  
111 allowable fair rent.

112 (8) A facility shall receive cost efficiency adjustments for indirect costs  
113 and for administrative and general costs if such costs are below the  
114 state-wide median costs. The cost efficiency adjustments shall equal  
115 twenty-five per cent of the difference between allowable reported costs  
116 and the applicable median allowable cost established pursuant to  
117 subdivision (4) of this subsection.

118       (9) On and after July 1, 2025, costs shall be rebased no more frequently  
119 than every two years and no less frequently than every four years, as  
120 determined by the commissioner. There shall be no inflation adjustment  
121 during a year in which a facility's rates are rebased. The commissioner  
122 shall determine whether and to what extent a change in ownership of a  
123 facility shall occasion the rebasing of the facility's costs.

124       (10) The method of establishing rates for new facilities shall be  
125 determined by the commissioner in accordance with the provisions of  
126 this subsection.

127       (11) There shall be no increase to rates based on inflation or any  
128 inflationary factor for the fiscal years ending June 30, 2022, and June 30,  
129 2023, unless otherwise authorized under subdivision (1) of this  
130 subsection. Notwithstanding section 17-311-52 of the regulations of  
131 Connecticut state agencies, for the fiscal years ending June 30, 2024, and  
132 June 30, 2025, there shall be no inflationary increases to rates beyond  
133 those already factored into the model for the transition to an acuity-  
134 based reimbursement system. Notwithstanding any other provisions of  
135 this chapter, any subsequent increase to allowable operating costs,  
136 excluding fair rent, shall be inflated by the gross domestic product  
137 deflator when funding is specifically appropriated for such purposes in  
138 the enacted budget. The rate of inflation shall be computed by  
139 comparing the most recent rate year to the average of the gross domestic  
140 product deflator for the previous four fiscal quarters ending March  
141 thirty-first. Any increase to rates based on inflation shall be applied  
142 prior to the application of any other budget adjustment factors that may  
143 impact such rates.

144       (12) For the fiscal year beginning July 1, 2025, and each fiscal year  
145 thereafter, the commissioner shall require a nursing home facility to  
146 spend not less than eighty per cent of funding received from Medicaid,  
147 Medicare and all other payment sources on direct care of residents,  
148 provided the commissioner may adjust the percentage spent on direct  
149 care for a nursing home facility with a capital improvement project or a  
150 fair rent increase approved by the commissioner. For the fiscal year

151 beginning July 1, 2027, and each fiscal year thereafter, the commissioner  
 152 may decrease rates of Medicaid reimbursement for any nursing home  
 153 that does not comply with the provisions of this subdivision. For  
 154 purposes of this subdivision, (A) "direct care" means hands-on care  
 155 provided to a facility resident by nursing personnel, including, but not  
 156 limited to, assistance with feeding, bathing, toileting, dressing, lifting or  
 157 moving residents, medication administration and salary, fringe benefits  
 158 and supplies related to direct care; and (B) "nursing personnel" means  
 159 an advanced practice registered nurse, licensed pursuant to chapter 378,  
 160 a registered nurse or practical nurse, licensed pursuant to chapter 378,  
 161 or a nurse's aide, registered pursuant to chapter 378a.

162 [(12)] (13) For purposes of computing minimum allowable patient  
 163 days, utilization of a facility's certified beds shall be determined at a  
 164 minimum of ninety per cent of capacity, except for facilities that have  
 165 undergone a change in ownership, new facilities, and facilities which  
 166 are certified for additional beds which may be permitted a lower  
 167 occupancy rate for the first three months of operation after the effective  
 168 date of licensure.

169 [(13)] (14) Rates determined under this section shall comply with  
 170 federal laws and regulations.

171 [(14)] (15) The Commissioner of Social Services may authorize an  
 172 interim rate for a facility demonstrating circumstances particular to that  
 173 individual facility impacting facility finances or costs not reflected in the  
 174 underlying rates.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2025	17b-340d(a)

**HS**      *Joint Favorable*