House of Representatives

General Assembly

File No. 416

February Session, 2026

Substitute House Bill No. 5358

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 THE REBASING OF RATES OF REIMBURSEMENT FOR CERTAIN RESIDENTIAL FACILITIES.

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

Section 1. Subsections (a) and (b) of section 17b-244 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2026*):

(a) The room and board component of the rates to be paid by the state to private facilities and facilities operated by regional education service centers which are licensed to provide residential care pursuant to section 17a-227, but not certified to participate in the Title XIX Medicaid program as intermediate care facilities for individuals with intellectual disabilities, shall be determined annually by the Commissioner of Social Services, except that rates effective April 30, 1989, shall remain in effect through October 31, 1989. Any facility with real property other than land placed in service prior to July 1, 1991, shall, for the fiscal year ending June 30, 1995, receive a rate of return on real property equal to the average of the rates of return applied to real property other than land placed in service for the five years preceding July 1, 1993. For the fiscal year ending June 30, 1996, and any succeeding fiscal year, the rate of return on real property for property items shall be revised every five years. The commissioner shall, upon submission of a request by such facility, allow actual debt service, comprised of principal and interest, on the loan or loans in lieu of property costs allowed pursuant to section 17-313b-5 of the regulations of Connecticut state agencies, whether actual debt service is higher or lower than such allowed property costs, provided such debt service terms and amounts are reasonable in relation to the useful life and the base value of the property. In the case of facilities financed through the Connecticut Housing Finance Authority, the commissioner shall allow actual debt service, comprised of principal, interest and a reasonable repair and replacement reserve on the loan or loans in lieu of property costs allowed pursuant to section 17-313b-5 of the regulations of Connecticut state agencies, whether actual debt service is higher or lower than such allowed property costs, provided such debt service terms and amounts are determined by the commissioner at the time the loan is entered into to be reasonable in relation to the useful life and base value of the property. The commissioner may allow fees associated with mortgage refinancing provided such refinancing will result in state reimbursement savings, after comparing costs over the terms of the existing proposed loans. For the fiscal year ending June 30, 1992, the inflation factor used to determine rates shall be one-half of the gross national product percentage increase for the period between the midpoint of the cost year through the midpoint of the rate year. For fiscal year ending June 30, 1993, the inflation factor used to determine rates shall be two-thirds of the gross national product percentage increase from the midpoint of the cost year to the midpoint of the rate year. For the fiscal years ending June 30, 1996, and June 30, 1997, no inflation factor shall be applied in determining rates. The Commissioner of Social Services shall prescribe uniform forms on which such facilities shall report their costs. Such rates shall be determined on the basis of a reasonable payment for necessary services. Any increase in grants, gifts, fund-raising or endowment income used for the payment of operating costs by a private facility in the fiscal year ending June 30, 1992, shall be excluded by the commissioner from the income of the facility in determining the rates to be paid to the facility for the fiscal year ending June 30, 1993, provided any operating costs funded by such increase shall not obligate the state to increase expenditures in subsequent fiscal years. Nothing contained in this section shall authorize a payment by the state to any such facility in excess of the charges made by the facility for comparable services to the general public. The service component of the rates to be paid by the state to private facilities and facilities operated by regional education service centers which are licensed to provide residential care pursuant to section 17a-227, but not certified to participate in the Title XIX Medicaid programs as intermediate care facilities for individuals with intellectual disabilities, shall be determined annually by the Commissioner of Developmental Services in accordance with section 17b-244a. For the fiscal year ending June 30, 2008, no facility shall receive a rate that is more than two per cent greater than the rate in effect for the facility on June 30, 2007, except any facility that would have been issued a lower rate effective July 1, 2007, due to interim rate status or agreement with the department, shall be issued such lower rate effective July 1, 2007. For the fiscal year ending June 30, 2009, no facility shall receive a rate that is more than two per cent greater than the rate in effect for the facility on June 30, 2008, except any facility that would have been issued a lower rate effective July 1, 2008, due to interim rate status or agreement with the department, shall be issued such lower rate effective July 1, 2008. 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 that (1) the rate paid to a facility may be higher than the rate paid to the facility for the period ending June 30, 2009, if a capital improvement required by the Commissioner of Developmental Services for the health or safety of the residents was made to the facility during the fiscal years ending June 30, 2010, or June 30, 2011, and (2) any facility that would have been issued a lower rate for the fiscal year ending June 30, 2010, or June 30, 2011, due to interim rate status or agreement with the department, shall be issued such lower rate. 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 (A) the rate paid to a facility may be higher than the rate paid to the facility for the period ending June 30, 2011, if a capital improvement required by the Commissioner of Developmental Services for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2012, and (B) 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 department, shall be issued such lower rate. Any facility that has a significant decrease in land and building costs shall receive a reduced rate to reflect such decrease in land and building costs. The rate paid to a facility may be increased if a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2014, or June 30, 2015, only to the extent such increases are within available appropriations. 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 rate paid to a facility may be higher than the rate paid to the facility for the period ending June 30, 2015, if a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2016, or June 30, 2017, to the extent such rate increases are within available appropriations. 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 years ending June 30, 2018, and June 30, 2019, rates shall not exceed those in effect for the period ending June 30, 2017, except the rate paid to a facility may be higher than the rate paid to the facility for the period ending June 30, 2017, if a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2018, or June 30, 2019, to the extent such rate increases are within available appropriations. For the fiscal years ending June 30, 2020, and June 30, 2021, rates shall not exceed those in effect for the fiscal year ending June 30, 2019, except the rate paid to a facility may be higher than the rate paid to the facility for the fiscal year ending June 30, 2019, if a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2020, or June 30, 2021, to the extent such rate increases are within available appropriations. For the fiscal years 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, or if a rate adjustment for a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2022, or June 30, 2023. For the fiscal year ending June 30, 2024, rates shall not exceed those in effect for the fiscal year ending June 30, 2023, except the rate paid to a facility may be higher than the rate paid to the facility for the fiscal year ending June 30, 2023, if a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2024, to the extent such rate increases are within available appropriations. <u>On or after July 1, 2026, costs shall be rebased every two years. For the fiscal year ending June 30, 2027, rates shall not be rebased. Rebasing shall be based on the cost report period ending June thirtieth, as filed with the department, from the two years prior to the year in which the rebasing occurs. There shall be no inflationary increase to rates during a year in which rebasing occurs. Any increase to rates based on inflation shall be applied prior to</u>

the application of any other budget adjustment factors that may impact such rates. Notwithstanding any other provisions of this chapter or section 17-313b-5 of the regulations of Connecticut state agencies, any subsequent increase to allowable operating costs, excluding fair rent, shall be inflated by the gross domestic product deflator. 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.

(b) Notwithstanding the provisions of subsection (a) of this section, state rates of payment for the fiscal years ending June 30, 2018, June 30, 2019, June 30, 2020, and June 30, 2021, for residential care homes and community living arrangements that receive the flat rate for residential services under section 17-311-54 of the regulations of Connecticut state agencies shall be set in accordance with section 298 of public act 19-117. For the fiscal years 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. 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. 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. 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.

Sec. 2. Subdivision (1) of subsection (h) of section 17b-340 of the 2026 supplement to the general statutes, as amended by section 64 of public act 26-1, is repealed and the following is substituted in lieu thereof (*Effective July 1, 2026*):

(h) (1) For the fiscal year ending June 30, 1993, any intermediate care facility for individuals with intellectual disabilities with an operating cost component of its rate in excess of one hundred forty 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 intermediate care facility for individuals with intellectual disabilities with an operating cost component of its rate that is less than one hundred forty 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 thirty 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 forty per cent of the median of operating cost components in effect January 1, 1992. Any facility with real property other than land placed in service prior to October 1, 1991, shall, for the fiscal year ending June 30, 1995, receive a rate of return on real property equal to the average of the rates of return applied to real property other than land placed in service for the five years preceding October 1, 1993. For the fiscal year ending June 30, 1996, and any succeeding fiscal year, the rate of return on real property for property items shall be revised every five years. The commissioner shall, upon submission of a request, allow actual debt service, comprised of principal and interest, in excess of property costs allowed pursuant to section 17-311-52 of the regulations of Connecticut state agencies, provided such debt service terms and amounts are reasonable in relation to the useful life and the base value of the property. For the fiscal year ending June 30, 1995, 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. 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, no rate shall exceed three hundred seventy-five dollars per day unless the commissioner, in consultation with the Commissioner of Developmental Services, determines after a review of program and management costs, that a rate in excess of this amount is necessary for care and treatment of facility residents. For the fiscal year ending June

30, 2002, rate period, the Commissioner of Social Services shall increase the inflation adjustment for rates made in accordance with subsection (p) of section 17-311-52 of the regulations of Connecticut state agencies to update allowable fiscal year 2000 costs to include a three and one-half per cent inflation factor. For the fiscal year ending June 30, 2003, rate period, the commissioner shall increase the inflation adjustment for rates made in accordance with subsection (p) of section 17-311-52 of the regulations of Connecticut state agencies to update allowable fiscal year 2001 costs to include a one and one-half per cent inflation factor, except that such increase shall be effective November 1, 2002, and such facility rate in effect for the fiscal year ending June 30, 2002, shall be paid for services provided until October 31, 2002, except any facility that would have been issued a lower rate effective July 1, 2002, than for the fiscal year ending June 30, 2002, due to interim rate status or agreement with the department shall be issued such lower rate effective July 1, 2002, and have such rate updated effective November 1, 2002, in accordance with applicable statutes and regulations. For the fiscal year ending June 30, 2004, rates in effect for the period ending June 30, 2003, shall remain in effect, except any facility that would have been issued a lower rate effective July 1, 2003, than for the fiscal year ending June 30, 2003, due to interim rate status or agreement with the department shall be issued such lower rate effective July 1, 2003. For the fiscal year ending June 30, 2005, rates in effect for the period ending June 30, 2004, shall remain in effect until September 30, 2004. Effective October 1, 2004, each facility shall receive a rate that is five per cent greater than the rate in effect September 30, 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 four 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 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: (A) The federal financial participation matching funds associated with the rate increase are no longer available; or (B) 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 three per cent greater than the rate in effect for the facility on September 30, 2006, except 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 year ending June 30, 2008, each facility shall receive a rate that is two and nine-tenths per cent greater than the rate in effect for the period ending June 30, 2007, except any facility that would have been issued a lower rate effective July 1, 2007, than for the rate period ending June 30, 2007, due to interim rate status, or agreement with the department, shall be issued such lower rate effective July 1, 2007. For the fiscal year ending June 30, 2009, rates in effect for the period ending June 30, 2008, shall remain in effect until June 30, 2009, except any facility that would have been issued a lower rate for the fiscal year ending June 30, 2009, due to interim rate status or agreement with the department, shall be issued such lower rate. 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. 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 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 department, shall be issued such lower rate. For the fiscal years ending June 30, 2014, and

June 30, 2015, rates shall not exceed those in effect for the period ending June 30, 2013, except the rate paid to a facility may be higher than the rate paid to the facility for the period ending June 30, 2013, if a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2014, or June 30, 2015, to the extent such rate increases are within available appropriations. 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 department, shall be issued such lower rate. 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 rate paid to a facility may be higher than the rate paid to the facility for the period ending June 30, 2015, if a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2016, or June 30, 2017, to the extent such rate increases are within available appropriations. 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 years ending June 30, 2018, and June 30, 2019, rates shall not exceed those in effect for the period ending June 30, 2017, except the rate paid to a facility may be higher than the rate paid to the facility for the period ending June 30, 2017, if a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2018, or June 30, 2019, only to the extent such rate increases are within available appropriations. For the fiscal years ending June 30, 2020, and June 30, 2021, rates shall not exceed those in effect for the fiscal year ending June 30, 2019, except the rate paid to a facility may be higher than the rate paid to the facility for the fiscal year ending June 30, 2019, if a capital improvement approved by the Department of Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents was made to the facility during the fiscal year ending June 30, 2020, or June 30, 2021, only to the extent such rate increases are within available appropriations. For the fiscal year ending June 30, 2022, rates shall not exceed those in effect for the fiscal year ending June 30, 2021, except 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, rates shall not exceed those in effect for the fiscal year ending June 30, 2022, 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, 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 Developmental Services, in consultation with 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. There shall be no increase to rates based on inflation or any inflationary factor for the fiscal years ending June 30, 2022, and June 30, 2023. 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. 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. 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 June 30, 2022, and with the addition of a two per cent adjustment factor. No facility shall receive a rate less than the rate in effect for the fiscal year ending June 30, 2023. For the fiscal year ending June 30, 2024, the minimum per diem, per bed rate shall remain at five hundred one dollars for a residential facility licensed pursuant to section 17a-227 and certified to participate in the Title XIX Medicaid program as an intermediate care facility for individuals with intellectual disability. There shall be no increase to rates based on any inflationary factor for the fiscal year ending June 30, 2024. For the fiscal year ending June 30, 2024, and each subsequent fiscal year, 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 years that are not otherwise included in rates issued. For the fiscal year ending June 30, 2025, the department shall determine facility rates based upon 2023 cost report filings subject to the provisions of this section, adjusted to reflect any rate increases provided after the cost report ending June 30, 2023. A facility may receive a rate that is less than the rate in effect for the fiscal year ending June 30, 2024, but shall not receive a rate less than the minimum per diem, per bed rate. For the fiscal year ending June 30, 2025, the minimum per diem, per bed rate shall remain at five hundred one dollars for a residential facility licensed pursuant to section 17a-227 and certified to participate in the Title XIX Medicaid program as an intermediate care facility for individuals with intellectual disability. There shall be no increase to rates based on any inflationary factor for the fiscal year ending June 30, 2025. For the fiscal year ending June 30, 2026, the department shall determine facility rates based upon 2024 cost report filings subject to the provisions of this section, adjusted to reflect any rate increases provided after the cost report ending June 30, 2024. Additionally, the facility shall receive a rate that is three and four-tenths per cent greater than the calculated rate, except that any facility that would have been issued a lower rate effective July 1, 2025, due to interim rate status, or agreement with the department, shall be issued such lower rate effective July 1, 2025. For the fiscal year ending June 30, 2026, there shall be no minimum per diem, per bed rate for a residential facility licensed pursuant to section 17a-227 and certified to participate in the Title XIX Medicaid program as an intermediate care facility for individuals with intellectual disability. There shall be no increase to rates based on any inflationary factor for the fiscal year ending June 30, 2026. For the fiscal year ending June 30, 2027, each facility shall receive a rate that is five and eight-tenths per cent greater than the rate in effect for the period ending June 30, 2026, except that any facility that would have been issued a lower rate effective July 1, 2026, than the rate for the period ending June 30, 2027, due to interim rate status, or agreement with the department, shall be issued such lower rate effective July 1, 2026. On or after July 1, 2027, costs shall be rebased every two years. Rebasing will be based on the cost report period ending September thirtieth, as filed with the department, from the two years prior to the year in which the rebasing occurs. There shall be no inflationary increase to rates during a year in which rebasing occurs. 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. For the fiscal year ending June 30, 2028, the issued rate shall be adjusted to reflect any rate increases provided after the cost report period ending June 30, 2026, and each facility shall receive a rate that is six and three-tenths per cent greater than the calculated rate, [in effect for the period ending June 30, 2027,] except that any facility that would have been issued a lower rate effective July 1, 2027, than the rate for the period ending June 30, 2027, due to interim rate status, or agreement with the department, shall be issued such lower rate effective July 1, 2027. Effective January 1, 2028, each facility shall receive a rate that is six and three-tenths per cent greater than the rate in effect for the period ending December 31, 2027, except that any facility that would have been issued a lower rate effective January 1, 2028, than the rate for the period ending December 31, 2027, due to interim rate status, or agreement with the department, shall be issued such lower rate effective January 1, 2028. 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

Developmental Services, in consultation with 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 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 Developmental Services, in consultation with the Department of Social Services, for the health or safety of the residents during the fiscal year ending June 30, 2026, or June 30, 2027, only to the extent such rate increases are within available appropriations. Any facility that has a significant decrease in land and building costs shall receive a reduced rate to reflect such decrease in land and building costs. For the fiscal years ending June 30, 2012, June 30, 2013, June 30, 2014, June 30, 2015, June 30, 2016, June 30, 2017, June 30, 2018, June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022, June 30, 2023, June 30, 2024, June 30, 2025, June 30, 2026, and June 30, 2027, 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. The Department of Social Services shall amend the regulations of Connecticut state agencies to allow for the waiver of the separate inflation cost limitation on direct care costs when rebasing rates for intermediate care facilities for individuals with intellectual disabilities after the fiscal year ending June 30, 2027. **[**Notwithstanding the provisions of this section, the Commissioner of Social Services may, within available appropriations, increase or decrease rates issued to intermediate care facilities for individuals with intellectual disabilities to reflect a reduction in available appropriations as provided in subsection (a) of this section.**]** For the fiscal years ending June 30, 2014, and June 30, 2015, the commissioner shall not consider rebasing in determining rates. Notwithstanding the provisions of this subsection, effective July 1, 2021, and July 1, 2022, the commissioner shall, within available appropriations, increase rates for the purpose of wage and benefit enhancements for employees of intermediate care facilities. Facilities that receive a rate adjustment for the purpose of wage and benefit enhancements but do not provide increases in employee salaries as described in this subsection on or before July 31, 2021, and July 31, 2022, respectively, may be subject to a rate decrease in the same amount as the adjustment by the commissioner.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2026*	17b-244(a) and (b)
Sec. 2	*July 1, 2026*	17b-340(h)(1)

HS *Joint Favorable Subst.*

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	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 establishing rebasing requirements for certain community living arrangements (CLAs), community companion homes (CCHs), and intermediate care facilities (ICFs). The extent of the cost will be based on cost reports from the two years prior to the year in which the rebasing occurs.[1] The bill prohibits inflationary rate increases during a year in which rates are rebased and requires such increase to be applied before applying any other budget adjustment factors impacting rates.

The bill also specifies (for CLAs, CCHs, and certain residential care homes) that subsequent increases to allowable operating costs must be inflated by the gross domestic product (GDP) deflator. To the extent this changes the inflationary factor that would have otherwise been applied, the state will experience a fiscal impact.

The bill also removes a provision allowing DSS to increase or decrease rates issued to ICFs to reflect a reduction in related available

[1] For context, the state cost to rebase ICF rates to reflect 2024 cost reports was approximately $2 million.

appropriations, which results in a fiscal impact to the extent this prohibits DSS from making rate adjustments that would have otherwise occurred.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to related cost reports and inflationary adjustments.

OLR Bill Analysis
sHB 5358

AN ACT CONCERNING THE REBASING OF RATES OF REIMBURSEMENT FOR CERTAIN RESIDENTIAL FACILITIES.

SUMMARY

This bill requires the Department of Social Services (DSS) to rebase rates every two years for (1) community living arrangements (CLAs) and community companion homes (CCHs) that serve people with intellectual disabilities, Prader-Willi Syndrome, or autism spectrum disorders and (2) intermediate care facilities for individuals with intellectual disabilities (ICF-IIDs). Generally, "rebasing" is periodically reviewing facility costs and adjusting state reimbursements.

The rebasing requirement starts July 1, 2026, for CLAs and CCHs, and July 1, 2027, for ICF-IIDs. The bill sets requirements for inflationary adjustments for these facilities and makes other changes to DSS's rate setting process.

It applies similar requirements for calculating inflationary increases to CLAs and CCHs that choose to be reimbursed through a flat per diem rate. This provision also applies for residential care homes (RCHs) that are reimbursed this way.

EFFECTIVE DATE: July 1, 2026

CLAS, CCHS, AND CERTAIN RCHS

For CLAs and CCHs, DSS must rebase rates every two years, starting July 1, 2026, and not rebase for FY 27. To do this, the bill requires the department to use cost reports (for the report period ending June 30) from the two years before the rebasing occurs.

The bill prohibits any inflationary rate increase during a year when DSS rebases rates. It requires any inflationary rate increase to be applied before applying any other budget adjustment factors impacting rates. Any subsequent increase to allowable operating costs (other than fair rent) must be inflated by the gross domestic product (GDP) deflator, and DSS must compute the inflation rate by comparing the most recent rate year to the average GDP deflator for the last four fiscal quarters ending March 31. The bill's provisions on subsequent inflationary adjustments apply regardless of other laws on reimbursement for long-term care facilities or state regulations on CLA reimbursement rates (Conn. Agencies Regs., § 17-313b-5).

Facilities Reimbursed Through a Flat Rate

State regulations allow CLAs, CCHs, and RCHs to choose to be paid through a flat per diem rate (Conn. Agencies Regs., § 17-311-54). The bill sets similar requirements for inflationary adjustments to these rates. For increases to allowable operating costs (other than fair rent), the bill requires DSS to use the GDP deflator and compute and apply the inflationary increases as described above.

ICF-IIDS

For ICF-IIDs, the bill requires DSS to rebase every two years, starting July 1, 2027, based on cost reports (for the period ending September 30) for the two years before the year when rebasing occurs.

The bill prohibits inflationary rate increases for a year when DSS rebases rates. It requires the department to apply inflationary rate increases before any other budget factors that may impact rates.

The bill eliminates the DSS commissioner's general authority to change ICF-IID rates to reflect a reduction in available appropriations, though it retains various provisions allowing her to adjust rates in other circumstances.

FY 28 Rates

For FY 28 rates for ICF-IIDs, current law requires DSS to set rates at 6.3% higher than FY 27 rates. The bill additionally requires DSS to adjust the issued FY 28 rate to reflect any rate increases provided after the cost report period ending June 30, 2026. It requires the increase to be 6.3%

higher than the calculated rate, rather than the FY 27 rate. The bill maintains an exception for facilities that would have been issued a lower rate for FY 28 than for FY 27 due to interim rate status or an agreement with DSS, requiring these facilities be issued the lower rate for FY 28.

BACKGROUND

Related Bill

sHB 5357, favorably reported by the Human Services Committee, makes various changes affecting RCH rates.

COMMITTEE ACTION

Human Services Committee

Joint Favorable Substitute
Yea 22 Nay 1 (03/19/2026)