

OFFICE OF FISCAL ANALYSIS

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sHB-5561

AN ACT CONCERNING MEDICAID RATE INCREASES FOR CERTAIN PROVIDERS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Social Services, Dept.	GF - Cost	\$35.4 million	\$39.4 million
Social Services, Dept.	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in increased costs to the Department of Social Services (DSS) associated with increasing various provider rates under Medicaid, as described by relevant sections below.

Section 2 results in a cost to DSS of approximately \$350,000 in FY 27 and FY 28 due to excluding prevention services from the annual cap on Medicaid dental payments.

Section 3 may result in a cost to the extent that adding periodontal therapy to Medicaid nonemergency dental services for healthy adults expands coverage beyond current practice.

Section 5 results in a cost to increase Medicaid rates for services provided by a safety net pediatric dental clinic to not less than the rates for such services provided by a federally qualified health center (FQHC). The extent of the state cost is dependent on the Medicaid rates established and associated utilization. For context, the current average

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FQHC dental rate is \$204 per visit.

The bill also allows DSS to establish a supplemental payment pool to reimburse a safety net pediatric dental clinic for uncompensated care, resulting in a potential cost should DSS choose to fund such pool.

Section 7 results in a cost to increase Medicaid rates for optometrists to equal rates paid for ophthalmologists. Based on the average cost per unit of service, optometrist rates would increase from approximately \$42 per unit of service to \$98 per unit, resulting in increased state costs of approximately \$14.5 million in FY 27 and \$15.8 million in FY 28.

Section 8 results in a cost to increase Medicaid rates for services provided by a doula, psychologist, acupuncturist and an emergency room physician. The extent of the cost is based on the applied increases, which are not specified in the bill.

Section 9 requires DSS to annually increase the fee schedule for all home health services by 10% from 7/1/26 through 6/30/31, resulting in costs of approximately \$9 million in FY 27 and \$11.1 million in FY 28 growing to approximately \$16.2 million in FY 31.

This section also results in costs of approximately \$2.5 million in FY 27 and \$2.8 million in FY 28 due to prohibiting a reduction in home health rates for subsequent visits by the same psychiatric nurse to the same address to provide behavioral health services.

The bill results in additional costs associated with requiring rather than allowing DSS to increase payments for certain extraordinary costs, to the extent they would not have otherwise done so.

Section 10 results in costs of \$2.5 million in FY 27 and \$2.8 million in FY 28 due to increasing the fee schedule for homemaker-companion services by 13% in each year. The bill requires rates to be increased by 10% each year for FY 29 through FY 31, resulting in costs of approximately \$2.6 million in FY 29, \$3.1 million in FY 30 and \$3.7 million in FY 31.

This section results in additional costs of \$240,500 in FY 27 and \$285,700 in FY 28 due to increasing the fee schedule for meals on wheels providers by 4.9% in FY 27.

Section 11 results in a cost of \$506,900 in FY 27 and FY 28 to increase the Medicaid rate for Gaylord Specialty Care by two hundred six dollars per patient per day.

Section 12 prohibits DSS from taking certain actions related to the use of non-opioid drugs compared to opioid drugs for pain management or treatment. To the extent the provisions result in changes in utilization or use of specific drugs, DSS will experience a fiscal impact that cannot be determined at this time.

Section 13 allows DSS to require a practitioner prescribing an opioid drug to a Medicaid recipient, to complete training in effective pain management, as a condition of receiving the associated Medicaid payment. This may result in savings to the extent providers do not participate in the training and DSS chooses to withhold payment.

Section 14 results in a cost to increase Medicaid rates for providers of family planning services. The extent of the cost is dependent on the applied increase, which is not specified in the bill.

Section 15 results in a cost to annually increase rates for certain facilities beginning in FY 27. The extent of the cost is dependent on the base rates, as determined by the most recent cost report filed by a facility, and the most recent increase in the consumer price index for all urban consumers.

Section 18 results in a cost of approximately \$5.8 million in FY 27 and FY 28 associated with increasing certain rates in accordance with the Medicaid rate study supported by PA 23-186. Costs reflect increased rates for durable medical equipment and (\$2 million) and prosthetics

and orthotics (\$1.8 million).¹

The bill makes technical, conforming and other changes that have no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and Medicaid rate increases discussed above.

¹ While the bill requires that rates for supplies and complex rehabilitation technology be increased in accordance with the rates study, the benchmark summary analysis shows that (1) no net funding is needed to meet the study benchmarks for supplies, and (2) no specific reference is made to complex rehab technology.