General Assembly

Raised Bill No. 328

February Session, 2026

LCO No. **1501**

Referred to Committee on HUMAN SERVICES

Introduced by:
(HS)

AN ACT REQUIRING NURSING HOMES TO SPEND EIGHTY PER CENT OF REVENUE ON DIRECT PATIENT CARE.

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

Section 1. Subsection (a) of section 17b-340d of the 2026 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2026*):

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

(1) Case-mix adjustments to the direct care component, which will be based on Minimum Data Set resident assessment data as well as cost data reported for the cost year ending September 30, 2019, shall be made effective beginning July 1, 2022, and updated every quarter thereafter. 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 comply with
28 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 be
32 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. On
39 or after October 1, 2026, the Department of Social Services may establish
40 a quality metrics program, within available appropriations designated
41 for such purpose, to provide payments to nursing home facilities (A) for
42 high-quality outcomes based on performance in the quality metrics
43 program, and (B) designed to incentivize the provision of high-quality
44 services to nursing home residents who are Medicaid beneficiaries, as
45 indicated in the individualized report issued to each nursing home
46 facility pursuant to the provisions of this subdivision. Such quality
47 metrics program shall evaluate nursing home facilities based on
48 national quality measures for nursing home facilities issued by the

49 Centers for Medicare and Medicaid Services and state-administered
50 consumer satisfaction measures. Such quality measures may be
51 weighted higher for desired outcomes, as determined by the
52 department. Not later than February 1, 2027, the department shall
53 submit a report, in accordance with the provisions of section 11-4a, to
54 the joint standing committees of the General Assembly having
55 cognizance of matters relating to appropriations and the budgets of state
56 agencies and human services on the implementation of the quality
57 metrics program.

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

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

82 "temporary nursing services agency" and "nursing personnel" have the
83 same meaning as provided in section 19a-118.

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

90 (6) On or after June 30, 2022, the commissioner may, in the
91 commissioner's discretion and within available appropriations, provide
92 pro rata fair rent increases to facilities which have documented fair rent
93 additions placed in service in the most recently filed cost report that are
94 not otherwise included in the rates issued. The commissioner may
95 provide, within available appropriations, pro rata fair rent increases,
96 which may, at the discretion of the commissioner, include increases for
97 facilities which have undergone a material change in circumstances
98 related to fair rent additions in the most recently filed cost report. The
99 commissioner may allow minimum fair rent as the basis upon which
100 reimbursement associated with improvements to real property is
101 added.

102 (7) For the purpose of determining allowable fair rent, a facility with
103 allowable fair rent less than the twenty-fifth percentile of the state-wide
104 allowable fair rent shall be reimbursed as having allowable fair rent
105 equal to the twenty-fifth percentile of the state-wide allowable fair rent.
106 Any facility with a rate of return on real property other than land in
107 excess of eleven per cent shall have such allowance revised to eleven per
108 cent. Any facility or its related realty affiliate which finances or
109 refinances debt through bonds issued by the Connecticut Health and
110 Education Facilities Authority shall report the terms and conditions of
111 such financing or refinancing to the Commissioner of Social Services not
112 later than thirty days after completing such financing or refinancing.
113 The commissioner may revise the facility's fair rent component of its rate

114 to reflect any financial benefit the facility or its related realty affiliate
115 received as a result of such financing or refinancing. The commissioner
116 shall determine allowable fair rent for real property other than land
117 based on the rate of return for the cost year in which such bonds were
118 issued. The financial benefit resulting from a facility financing or
119 refinancing debt through such bonds shall be shared between the state
120 and the facility to an extent determined by the commissioner on a case-
121 by-case basis and shall be reflected in an adjustment to the facility's
122 allowable fair rent.

123 (8) A facility shall receive cost efficiency adjustments for indirect costs
124 and for administrative and general costs if such costs are below the
125 state-wide median costs. The cost efficiency adjustments shall equal
126 twenty-five per cent of the difference between allowable reported costs
127 and the applicable median allowable cost established pursuant to
128 subdivision (4) of this subsection.

129 (9) On and after July 1, 2025, costs shall be rebased no more frequently
130 than every two years and no less frequently than every four years, as
131 determined by the commissioner. There shall be no inflation adjustment
132 during a year in which a facility's rates are rebased. The commissioner
133 shall determine whether and to what extent a change in ownership of a
134 facility shall occasion the rebasing of the facility's costs. There shall be
135 no rebasing for the fiscal year ending June 30, 2026.

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

139 (11) There shall be no increase to rates based on inflation or any
140 inflationary factor for the fiscal years ending June 30, 2022, and June 30,
141 2023, unless otherwise authorized under subdivision (1) of this
142 subsection. Notwithstanding section 17-311-52 of the regulations of
143 Connecticut state agencies, for the fiscal years ending June 30, 2024, June
144 30, 2025, June 30, 2026, and June 30, 2027, there shall be no inflationary

145 increases to rates beyond those already factored into the model for the
146 transition to an acuity-based reimbursement system. The commissioner
147 shall amend the Medicaid state plan to extend the case mix neutrality
148 limit as deemed necessary by the commissioner to remain within
149 available appropriations. The neutrality limit shall not decrease below
150 the limit in effect for the fiscal year ending June 30, 2025, but may be
151 otherwise adjusted as the commissioner deems necessary to remain
152 within available appropriations. Notwithstanding any other provisions
153 of this chapter, any subsequent increase to allowable operating costs,
154 excluding fair rent, shall be inflated by the gross domestic product
155 deflator when funding is specifically appropriated for such purposes in
156 the enacted budget. The rate of inflation shall be computed by
157 comparing the most recent rate year to the average of the gross domestic
158 product deflator for the previous four fiscal quarters ending March
159 thirty-first. Any increase to rates based on inflation shall be applied
160 prior to the application of any other budget adjustment factors that may
161 impact such rates.

162 (12) For the fiscal year beginning July 1, 2026, and each fiscal year
163 thereafter, the commissioner shall require a nursing home facility to
164 spend not less than eighty per cent of funding received from Medicaid,
165 Medicare and all other payment sources on direct care of residents,
166 provided the commissioner may adjust the percentage spent on direct
167 care for a nursing home facility with a capital improvement project or a
168 fair rent increase approved by the commissioner. For the fiscal year
169 beginning July 1, 2028, and each fiscal year thereafter, the commissioner
170 may decrease rates of Medicaid reimbursement for any nursing home
171 that does not comply with the provisions of this subdivision. For
172 purposes of this subdivision, (A) "direct care" means hands-on care
173 provided to a facility resident by nursing personnel, including, but not
174 limited to, assistance with feeding, bathing, toileting, dressing, lifting or
175 moving residents, medication administration and salary, fringe benefits
176 and supplies related to direct care; and (B) "nursing personnel" means
177 an advanced practice registered nurse, licensed pursuant to chapter 378,

178 a registered nurse or practical nurse, licensed pursuant to chapter 378,
179 or a nurse's aide, registered pursuant to chapter 378a.

180 **[**(12)**]** (13) For purposes of computing minimum allowable patient
181 days, utilization of a facility's certified beds shall be determined at a
182 minimum of ninety per cent of capacity, except for facilities that have
183 undergone a change in ownership, new facilities, and facilities which
184 are certified for additional beds which may be permitted a lower
185 occupancy rate for the first three months of operation after the effective
186 date of licensure.

187 **[**(13)**]** (14) Rates determined under this section shall comply with
188 federal laws and regulations.

189 **[**(14)**]** (15) The Commissioner of Social Services may authorize an
190 interim rate for a facility demonstrating circumstances particular to that
191 individual facility impacting facility finances or costs not reflected in the
192 underlying rates.

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

Statement of Purpose:

To require nursing homes to spend eighty per cent of revenue on direct patient care.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]