

BlumShapiro

Accounting Tax Business Consulting

October 5, 2010

To Whom It May Concern:

This letter is being written to address questions and concerns related to Blum Shapiro's role in The Connecticut Regional Institute for the 21st Century (CRI-21) study that looks at the future of Long Term Care (LTC) in the state. We feel it is critically important to correct any misperceptions about the conclusions of the study or where we stand as a firm on the findings. Also, we understand that some individuals may be using the report out of context and not in the proper perspective.

First and foremost, we want to stress Blum Shapiro is committed to the success and growth of Connecticut's LTC industry. We also want to emphasize that we see significant opportunities for all segments of the industry in the years ahead.

Because of our active role in the industry, we believe it is our responsibility to participate in identifying those trends that will determine its future success. Toward that end, it is clear that we must recognize demographic trends and fiscal realities are on the verge of dramatically changing our current business environment:

- During the next 15 years, the number of people over 65 years of age will increase by 40% due to the aging of the baby boom generation.
- At the same time, adults between the ages of 18 and 64 who pay for care for family members will actually decrease by 5%.
- Even with increased reliance on Home and Community Based Services (HCBS), the need for nursing facility care will rise significantly during the next 20 years.
- The state of CT in its own report (The Long-Term Care Plan) has called for a rebalancing of the LTC system citing results in other states that can't be ignored.
- Under the current system the government is severely under funding payment for care, which is not only unsustainable but is also expected to get worse.
- Politicians in Washington are increasingly calling for reform of programs like Medicaid and Medicare that are on the verge of insolvency.

To address a major misperception that we have heard, the report does not say that the State of Connecticut could save \$900 million today or in State Fiscal Year 2011 by rebalancing the system between Facility Based Services (FBS) and HCBS. What it says is that rebalancing could slow the growth of Medicaid spending in the future. Using information included in the Connecticut Long-Term Care Needs Assessment performed by the University of Connecticut Health Center (in which they state the "...estimates are highly speculative...") and the Long-Term Care Plan issued by the Connecticut Long-Term Care Planning Committee, the projected Connecticut Medicaid Long-Term Care Expenditures could be \$900 million less in the State

Fiscal Year 2025 if we rebalanced. It should be noted that even with the rebalancing, the Medicaid program would be spending \$2.4 billion more for FBS services in 2025 which is double the current costs. Additionally, the report states that the average cost numbers (between FBS and HCBS) do not take acuity into account. Clearly there are many different initiatives underway that will impact the system and spending in the future.

The overall recommendations of the report are that the Governor and legislature must:

1. Make Connecticut's long term care system a priority, and provide strong leadership in addressing the challenges of the future.
2. Create a strategy and align the long term care system.
3. Consolidate and integrate state long term care functions.

We are committed to finding opportunities for our client partners in this changing environment that offer growth opportunities for both the FBS and HCBS segments in what will inevitably be a more balanced and compatible LTC business environment.

We hope the information above helps to clear up any confusion that may have been caused by the issuance of this report. We would welcome the opportunity to discuss the report with anyone who may have been misled by others misrepresenting the report's findings and recommendations. Also, we would welcome the opportunity to meet with legislative leaders, the Governor or anyone else that might be part of deliberations regarding the future of LTC.

Regards,

A handwritten signature in black ink, appearing to read "Darrell Pataska". The signature is fluid and cursive, with a prominent initial "D".

Darrell Pataska, CPA
Partner

Blum, Shapiro & Company, P.C.

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