

HF162 - 1E - "Rate Increase for Certain Nursing Fac"

Chief Author: **Bud Nornes**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **04/01/2015**  
 Agency: Human Services Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	731	1,094	1,357	1,381	
<b>Total</b>	-	<b>731</b>	<b>1,094</b>	<b>1,357</b>	<b>1,381</b>	
<b>Biennial Total</b>			<b>1,825</b>		<b>2,738</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**Executive Budget Officer's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Susan Earle      Date: 4/1/2015 11:32:32 AM  
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## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	731	1,094	1,357	1,381	
<b>Total</b>	<b>-</b>	<b>731</b>	<b>1,094</b>	<b>1,357</b>	<b>1,381</b>	
<b>Biennial Total</b>			<b>1,825</b>		<b>2,738</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	731	1,094	1,357	1,381	
<b>Total</b>	<b>-</b>	<b>731</b>	<b>1,094</b>	<b>1,357</b>	<b>1,381</b>	
<b>Biennial Total</b>			<b>1,825</b>		<b>2,738</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Biennial Total</b>			<b>-</b>		<b>-</b>	

## Bill Description

This proposal is to give certain NFs in Nobles, Otter Tail, Pipestone and Rock counties an operating rate increase. The increase is proposed to be linked to the median operating rate of the case-mix rate with a weight of 1.0 (DDF) of all nursing facilities (NFs) in Peer Group 1. Additionally, facilities can receive an increase to the external fixed portion of the rates for the employer portion of employee pension costs up to amount allowed by Public Employees Retirement Association; 7.5% of salaries for 2015. This proposal was amended from the original bill to include two more facilities.

## Assumptions

This proposal can be implemented within the existing administrative resources of the Department.

The effective date of the rate adjustments in this bill is October 1, 2015.

Minnesota's first fiscal year related to this bill ends on June 30, 2016.

Payment for services lags the provision of services by one month.

The state share of costs/savings is determined by amounts paid by other governmental units:

- the base federal share is 50% of the total; a small amount of payments are eligible for higher federal rates;
- the county share is estimated to be 2.3% of the non-federal share;
- the state share is the total minus the federal share and the county share.

The COLA rate increase effective 10/1/2015 (MN Statute 256B.434, Subd. 19b) and the minimum wage rate increase (MN Statute 256B.441, Subd. 64) will not be repealed.

The number of Medicaid days will remain the same each year for each of these facilities through FY 2019.

Ten nursing facilities that will receive a rate increase if this bill becomes law.

## Expenditure and/or Revenue Formula

The calculations are based on each facility's current operating rate and the Medicaid days on their 9/30/13 cost report. The median RUGS operating rate with a weight of 1.00 (DDF) for Peer Group 1 was multiplied by the current percentage of the DDF operating rate of each facility to establish an operating rate target for these facilities. The case-mix rates other than DDF are computed by multiplying the DDF target rate by the percentage of each facility's rates that are case-mix adjusted and the corresponding case-mix weight and then adding the non-case-mix portion of the target rate. The difference between the proposed and the current rate was multiplied by the Medicaid (MA) days (based upon the 9/30/13 cost reports) for each RUGS class to determine the MA cost. Amounts for each RUGS class were summed to determine the total estimated cost of this proposal.

For FY2016 and FY2017, pension costs reported on the 9/30/13 cost reports were used to calculate pension costs for this fiscal note. These cost reports did not include significant pension costs for facilities for FY 2016 and FY 2017. The cost reports are used as the basis for determining future rates for pensions. Facilities can receive an increase for the employer portion of the employee pension costs up to the amount allowed by the Public Employees Retirement Association; 7.5% of salaries for 2015. For FY2018 and FY2019, the assumption is that facilities will increase to the maximum allowable for pensions reported on the 9/30/13 cost report. The pension amount in the current rate is determined by projecting historical data using 9/30/13 costs and is subtracted before determining the increased cost. One facility (Parkview Manor) does not include any additional expense for pension as they are required to pay PERA and therefore already receive the 7.5% of salaries fully reimbursed through external fixed rates.

**Dollars in Thousands (\$000s)**

Total annual cost/(savings)	FY 2016	FY 2017	FY 2018	FY 2019
Operating rate increases	\$ 2,262	\$ 2,262	\$ 2,852	\$ 2,852
SFY payment delay	66.85%			
Projected MA costs/(savings)	\$ 1,512	\$ 2,262	\$ 2,803	\$ 2,852
Federal share	\$ 764	\$ 1,142	\$ 1,414	\$ 1,439
State budget	\$ 731	\$ 1,094	\$ 1,357	\$ 1,381
County share	\$ 17	\$ 26	\$ 32	\$ 32
MA Grants (state budget) BACT 33 LF	\$ 731	\$ 1,094	\$ 1,357	\$ 1,381
Administrative Costs	\$ -	\$ -	\$ -	\$ -
Total Costs/(Savings)	\$ 731	\$ 1,094	\$ 1,357	\$ 1,381

Fiscal Tracking Summary (\$000s)						
Fund	BACT	Description	FY2016	FY2017	FY2018	FY2019
100	33	NF operating rate increases	731	1,094	1,357	1,381
		<b>Total Net Fiscal Impact</b>	731	1,094	1,357	1,381

Fiscal Tracking Summary (\$000s)						
		Full Time Equivalents				

**Long-Term Fiscal Considerations**

This is an ongoing rate adjustment.

**Local Fiscal Impact**

There is a county share associated with this bill. The aggregate county impact will be approximately \$32,000 per year starting in FY 2018.

**References/Sources**

Nursing facility 2013 Medicaid Cost Reports and DHS nursing facility rate files.

Minnesota Statutes

HF 0162 1E bill language

February forecast

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