

**HF1824 - 0 - "Nursing Facility Rate Increase Rochester"**

Chief Author: **Tina Liebling**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **04/13/2015**  
 Lead Agency: **Human Services Dept**  
 Other Agencies:  
     Nursing Home Admin Board

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) Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Human Services Dept</b>					
<b>General Fund</b>	-	642	960	961	961
<b>State Total</b>					
<b>General Fund</b>	-	642	960	961	961
<b>Total</b>	-	<b>642</b>	<b>960</b>	<b>961</b>	<b>961</b>
<b>Biennial Total</b>			<b>1,602</b>		<b>1,922</b>

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

**Lead 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: 04/13/2015  
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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>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>		<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
<b>Human Services Dept</b>						
General Fund	-	642	960	961	961	
<b>Total</b>	<b>-</b>	<b>642</b>	<b>960</b>	<b>961</b>	<b>961</b>	<b>961</b>
	<b>Biennial Total</b>		<b>1,602</b>			<b>1,922</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Human Services Dept						
General Fund	-	642	960	961	961	
<b>Total</b>	<b>-</b>	<b>642</b>	<b>960</b>	<b>961</b>	<b>961</b>	<b>961</b>
	<b>Biennial Total</b>		<b>1,602</b>			<b>1,922</b>
<b>2 - Revenues, Transfers In*</b>						
Human Services Dept						
General Fund	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Biennial Total</b>		<b>-</b>			<b>-</b>

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Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

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<b>Total</b>	-	<b>642</b>	<b>960</b>	<b>961</b>	<b>961</b>	<b>961</b>
<b>Biennial Total</b>			<b>1,602</b>			<b>1,922</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: 4/13/2015 8:25:19 PM  
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### State Cost (Savings) Calculation Details

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Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	642	960	961	961	961
<b>Total</b>		<b>-</b>	<b>642</b>	<b>960</b>	<b>961</b>	<b>961</b>
<b>Biennial Total</b>				<b>1,602</b>		<b>1,922</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	642	960	961	961	961
<b>Total</b>		<b>-</b>	<b>642</b>	<b>960</b>	<b>961</b>	<b>961</b>
<b>Biennial Total</b>				<b>1,602</b>		<b>1,922</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 an operating rate increase to the nursing facilities (NFs) located in the city of Rochester or within 30 miles of the city of Rochester. This rate 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 NFs in Peer Group 1. Other rates will be adjusted based on facility-specific case-mix percentages.

### 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 number of nursing facilities that this bill applies to is 16. However, one of these facilities will not receive a rate increase under this proposal because their current DDF rate exceeds the median operating rate of Peer group 1. The rates for this facility is held harmless per the language in the bill. The bill states that this subdivision only applies to an individual facility if it results in a rate increase for that facility.

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

The number of Medicaid days will remain the same each year for this facility through FY2019.

### Expenditure and/or Revenue Formula

The calculations are based on each facility's current operating rate and resident days on the 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 (used 1/1/12 RUGs IV conversion). The 3.2% rate increase currently in law (256B.434, Subd. 19b) is added to the operating rates after calculating the proposed rate increase. 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 cost. Amounts for each RUGS class were summed to determine the total cost.

Total annual cost/(savings) in thousands	FY 2016	FY 2017	FY 2018	FY 2019
Operating rate increases	\$ 1,986	\$ 1,986	\$ 1,986	\$ 1,986
SFY payment delay	66.85%			
Projected MA costs/(savings)	\$ 1,328	\$ 1,986	\$ 1,986	\$ 1,986
Federal share	\$ 671	\$ 1,003	\$ 1,002	\$ 1,002
State budget	\$ 642	\$ 960	\$ 961	\$ 961
County share	\$ 15	\$ 23	\$ 23	\$ 23
MA Grants (state budget) BACT 33 LF	\$ 642	\$ 960	\$ 961	\$ 961
Administrative Costs	\$ -	\$ -	\$ -	\$ -
Total Costs/(Savings)	\$ 642	\$ 960	\$ 961	\$ 961

Fiscal Tracking Summary (\$000s)						
Fund	BACT	Description	FY2016	FY2017	FY2018	FY2019
GF	33 LF	NF operating rate increases	642	960	961	961
		<b>Total Net Fiscal Impact</b>	<b>642</b>	<b>960</b>	<b>961</b>	<b>961</b>
		<b>Full Time Equivalents</b>				

**Long-Term Fiscal Considerations**

The additional spending is ongoing after FY 2019.

**Local Fiscal Impact**

There is a county share associated with this bill. The aggregate county impact will be approximately \$23,000 per year starting in FY 2017.

**References/Sources**

DHS Nursing Facility rate files

2013 Nursing Facility Medicaid Cost Reports

February 2015 forecast

HF1824 bill language (as introduced)

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Chief Author: **Tina Liebling**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **04/13/2015**  
 Agency: **Nursing Home Admin Board**

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

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<b>State Cost (Savings)</b>	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

<b>Full Time Equivalent Positions (FTE)</b>	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
<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: Brian McLafferty      Date: 3/25/2015 11:36:11 AM  
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	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

### Bill Description

HF 1824 Rate increase for nursing facilities in Rochester and surrounding areas.

### Assumptions

This bill provides a dedicated rate increase for specific facilities in a specific geographic area and would not have a fiscal impact on the Administrators license or on the Board of Examiners for Nursing Home Administrators.

### Expenditure and/or Revenue Formula

No Impact

### Long-Term Fiscal Considerations

No Impact

### Local Fiscal Impact

No Impact

### References/Sources

#### Agency Contact:

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Date: 3/25/2015 9:12:12 AM

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