

**HF730 - 0 - "Nursing Fac Operating Rates Modified"**

Chief Author: **Bob Barrett**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **03/25/2015**  
 Agency: Human Services Dept

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

<b>State Cost (Savings)</b>	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
<b>General Fund</b>	-	845	1,268	1,273	1,277	
<b>Total</b>	-	<b>845</b>	<b>1,268</b>	<b>1,273</b>	<b>1,277</b>	
<b>Biennial Total</b>			<b>2,113</b>		<b>2,550</b>	

<b>Full Time Equivalent Positions (FTE)</b>	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.

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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	-	845	1,268	1,273	1,277	1,277
<b>Total</b>	<b>-</b>	<b>845</b>	<b>1,268</b>	<b>1,273</b>	<b>1,277</b>	<b>1,277</b>
<b>Biennial Total</b>			<b>2,113</b>			<b>2,550</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	845	1,268	1,273	1,277	1,277
<b>Total</b>	<b>-</b>	<b>845</b>	<b>1,268</b>	<b>1,273</b>	<b>1,277</b>	<b>1,277</b>
<b>Biennial Total</b>			<b>2,113</b>			<b>2,550</b>
<b>2 - Revenues, Transfers In*</b>						
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>

### Bill Description

This proposal is to provide nursing facilities (NF) in Mille Lacs, Isanti, Chisago, and Kanabec Counties an operating rate increase. The increase is proposed to be linked to the median operating rate of the case-mix with a weight of 1.0 (DDF) of all NFs in Geographic Group III.

### Assumptions

The Nursing Facility Rates and Policy Division used the following assumptions and computations to approximate the fiscal impact of this bill.

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 costs/savings from the proposal are adjusted by forecasted changes in resident case-mix scores.

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 nine. However, one of these NFs (Mille Lacs Health System) will incur a rate decrease under this proposal instead of a rate increase because their current DDF rate exceeds the median DDF operating rate of Geographic Group III and the current bill language does not include a hold-harmless provision.

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 each of these facilities through FY2019.

**Expenditure and/or Revenue Formula**

The proposed increase is to bring the operating rate of the case-mix rate with a weight of 1.0 (DDF) up to the median of Geographic Group III; \$147.66. The case-mix rates other than DDF are to be 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 effective October 1, 2015 (256B.434, Subd. 19b) is added to the operating rates after calculating the proposed rate increase. A portion of this rate increase (.8%) is due to the quality incentive program (QIIP) which is effective October 1, 2015. Not all nursing facilities will be guaranteed this increase their increase will be dependent upon their Nursing Facility report card quality score. However, the .8% increase is the average base for nursing facilities for QIIP. The calculations are based on each facility's current operating rate and resident days on the 9/30/13 cost report.

Total annual cost/(savings) in thousands	FY 2016	FY 2017	FY 2018	FY 2019
Operating rate increases	\$ 2,605	\$ 2,605	\$ 2,605	\$ 2,605
Case-mix acuity increase factor	0.3300%	0.6610%	0.9933%	1.3233%
Adjusted costs	\$ 2,613	\$ 2,622	\$ 2,631	\$ 2,639
SFY payment delay	<u>66.85%</u>			
Projected MA costs/(savings)	\$ 1,747	\$ 2,621	\$ 2,630	\$ 2,638
Federal share	\$ 882	\$ 1,323	\$ 1,327	\$ 1,331
State budget	\$ 845	\$ 1,268	\$ 1,273	\$ 1,277
County share	\$ 20	\$ 30	\$ 30	\$ 30
MA Grants (state budget) <b>BACT 33 LF</b>	\$ 845	\$ 1,268	\$ 1,273	\$ 1,277
Administrative Costs	\$ -	\$ -	\$ -	\$ -
Total Costs/(Savings)	<u>\$ 845</u>	<u>\$ 1,268</u>	<u>\$ 1,273</u>	<u>\$ 1,277</u>

Fiscal Tracking Summary (\$000s)						
Description	Fund	BACT	FY2016	FY2017	FY2018	FY2019
NF operating rate increases	GF	33 LF	845	1,268	1,273	1,277
<b>Total Net Fiscal Impact</b>			<b>845</b>	<b>1,268</b>	<b>1,273</b>	<b>1,277</b>
<b>Full Time Equivalents</b>			NA	NA	NA	NA

**Long-Term Fiscal Considerations**

The additional spending in ongoing after FY 2019.

**Local Fiscal Impact**

There is a county share associated with this bill. The aggregate county impact will be approximately \$30,000 per year starting in FY 2017.

**References/Sources**

DHS Nursing Facility rate files

2013 Nursing Facility Medicaid Cost Reports

February 2015 forecast

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