

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 721

**DATE:** March 2, 2007

**Version:** First engrossment

**Authors:** Fritz and others

**Subject:** Long-Term Care Initiatives

**Analyst:** Randall Chun, 651-296-8639

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd](http://www.house.mn/hrd).

---

### Section

#### **Article 1: Long-Term Care Initiatives**

#### **Overview**

This article provides rate increases to long-term care providers, requires the use of new nursing facility case mix indices, requires workforce initiatives, provides nursing facility employees with a temporary exemption from the requirement that MinnesotaCare enrollees have no access to employer-subsidized coverage, and requires a study of nursing facility rebasing. This article also provides nursing facility rate increases and makes other changes in nursing facility reimbursement.

**1 Long-term care workforce training and development.** Adds § 256.9755.

**Subd. 1. Access to standardized curriculum.** Requires the commissioner of human services, in cooperation with the Minnesota job skills partnership program, to subsidize student access to the health care core curriculum, using a sliding tuition scale.

**Subd. 2. Additional workforce initiatives.** Requires the commissioner to develop and implement initiatives to train and increase the supply of long-term caregivers who provide specialized care to persons with chronic care needs. Requires the commissioner to present to the legislature by January 15, 2008, a description of the

## Section

initiatives to be implemented and any necessary draft legislation.

**Subd. 3. Funding.** States that the subsidies and initiatives are funded using savings that result from nursing facility closures and downsizing.

- 2 **Contracts for services for ventilator-dependent persons and persons requiring other specialized services.** Amends § 256B.431, subd. 2e. Allows the commissioner to negotiate adjustments to the operating cost payment rate for nursing facilities that provide services for persons requiring complex clinical care. Provides an October 1, 2007, effective date.
- 3 **Payment during first 90 days.** Amends § 256B.431, subd. 32. Effective for admissions occurring on or after October 1, 2007, allows higher rates, set at 120 percent of a nursing facility's rate for each RUG class, to be paid for the first 60 calendar days following admission. (Under current law, this higher rate can be paid for 30 days.)
- 4 **Rate increases for October 1, 2007, and October 1, 2008.** Amends § 256B.434, by adding subd. 19. Requires the commissioner, for the rate years beginning October 1, 2007, and October 1, 2008, to make available to nursing facilities adjustments equal to 5 percent of the total operating payment rate. Requires 75 percent of the money from the adjustments to be used to increase wages and benefits and pay associated costs for all employees, except management fees, the administrator, and central office staff, to take effect on or after the effective date of each rate increase. Requires facilities to apply to the commissioner and present a plan for distribution of the funds. Specifies the procedures for plan submittal and review. Requires a copy of the approved plan to be made available to employees and specifies procedures for handling employee concerns.
- 5 **Funding for staff increases.** Amends § 256B.434, by adding subd. 20. Requires the commissioner, for the rate year beginning October 1, 2007, to make available to nursing facilities a rate adjustment equal to 1 percent of the total operating payment rate, to be used for wages, benefits, and associated costs for direct care employees hired on or after the effective date of the rate increase. Requires nursing facilities to apply for the increase, and directs the commissioner to give preference to nursing facilities with low ratios of direct care staff to residents or that demonstrate that an increase in staff will lead to a significant improvement in quality of care. Specifies requirements related to reporting and monitoring and allows the commissioner to recover money that is spent inappropriately.
- 6 **Adjustments for low-payment rate facilities.** Amends § 256B.434, by adding subd. 21. Requires the commissioner, for the rate years beginning October 1, 2007, and October 1, 2008, to adjust the operating payment rates of low-payment rate nursing facilities. Requires the commissioner to determine a value for an operating payment rate with a RUGS index of 1.00, such that increasing payment rates for facilities with rates below this value by 50 percent of the difference in the facility rate and the value determined, up to a maximum of 6 percent, does not exceed the amount appropriated. The commissioner is then directed to identify these facilities, and adjust their RUGS payment rates. Provides that this rate adjustment shall be added after any other rate adjustment effective on the same day.
- 7 **New case mix indices.** Amends § 256B.438, by adding subd. 8. (a) Effective with rates for the rate year beginning October 1, 2007, requires the commissioner to implement the case mix indices recommended by the time study authorized by the 2001 Legislature. Provides the methodology for implementing the new case mix indices.

(b) Requires the commissioner to adjust the October 1, 2007, operating rates calculated under paragraph (a), for nursing facilities estimated to receive a decrease in operating

## Section

revenue. Specifies the methodology to be used. The amount of the rate adjustment is the operating revenue obtained using the case mix indices in effect on September 30, 2007, for the rate year ending June 30, 2007, minus the operating revenue for that rate year obtained using the case mix indices to be used on October 1, 2007, divided by MA and private pay resident days. Provides that the interim rate adjustment is effective from October 1, 2007, through June 30, 2008, and is not part of the facility's operating payment rate after June 30, 2008. Requires the commissioner, by August 15, 2007, to provide nursing facilities estimated to experience a decrease in operating revenue with written notice that specifies the amount of the estimated decrease and the amount of the interim rate adjustment. Provides facilities with 30 days to decline the interim rate adjustment.

(c) Requires the commissioner to adjust the July 1, 2008, operating rates of facilities that received an interim rate adjustment under paragraph (b) and facilities that demonstrate a decrease in operating revenue from the implementation of new case mix indices. The operating rate adjustment is the difference in operating revenue under the old and new case mix system for the period October 1, 2007, through March 31, 2008, divided by total MA and private pay resident days. If this amount is greater than the amount estimated under paragraph (b), requires the commissioner to retroactively pay nursing homes the difference.

Provides an October 1, 2007, effective date.

- 8** **Rebasing.** Amends § 256b.441, subd. 1. Requires the commissioner to rebase nursing facility rates for the rate year beginning October 1, 2008, and collect all data necessary to do this. Requires facilities to submit this data in the form and manner specified by the commissioner. Requires the rebasing methodology to recognize increased expenses that are not reflected in current payments, and provides that the methodology shall not be constrained by a state budget neutrality factor or method. Eliminates language that requires the commissioner to establish a value-based nursing facility reimbursement system, and to complete the full phase-in of the system by October 1, 2011. Provides a July 1, 2007 effective date.
- 9** **Calculation of quality add-on.** Amends § 256B.441, subd. 46. For rates years beginning on or after October 1, 2007, sets the maximum quality add-on at 4 percent. Requires the commissioner to determine the add-on using the methodology used to calculate the one-time quality add-on provided for the rate year beginning October 1, 2006. Provides an October 1, 2007 effective date.
- 10** **ICF/MR rate increases October 1, 2007, and October 1, 2008.** Amends § 256B.5012, by adding subd. 7. Requires the commissioner, for the rate years beginning October 1, 2007, and October 1, 2008, to make available to ICFs/MR adjustments equal to 5 percent of the total operating payment rate. Requires 75 percent of the money from the adjustments to be used to increase wages and benefits and pay associated costs for all employees, except administrative and central office employees, to take effect on or after the effective date of each rate increase. Allows wage adjustments to vary based on merit, seniority, or other factors determined by the provider. Requires facilities to apply to the commissioner and present a plan for distribution of the funds. Specifies the procedures for plan submittal and review. Requires a copy of the approved plan to be made available to employees and specifies procedures for handling employee concerns.
- 11** **Employer-subsidized coverage.** Amends § 256L.07, subd. 2. For the period July 1, 2007, through June 30, 2008, exempts families and individuals from the requirement that

## Section

MinnesotaCare enrollees have no access to employer subsidized coverage, and no access through the current employer for 18 months prior to application or reapplication, if access to employer-subsidized coverage is through employment at a nursing facility that participates in MA. Requires the commissioner to present recommendations to the legislature by February 1, 2008, on whether this exemption should be continued and extended to include families and individuals with access to employer-subsidized coverage through other long-term care providers.

- 12 Community services provider rate increases.** Requires the commissioner of human services to increase reimbursement rates or rate limits, as applicable, by 5 percent for the rate periods beginning October 1, 2007, and October 1, 2008, for specified community-based providers and services. Requires 75 percent of the money from the adjustments to be used to increase wages and benefits and pay associated costs for all employees, except management fees, the administrator, and central office staff, and specifies other procedures for increases. Requires a copy of the provider's plan for complying with the 75 percent distribution requirement to be made available to employees and specifies procedures for handling employee concerns. Requires the commissioner and county agencies to implement the increases on the dates specified, and provides that the increases are effective on those dates, regardless of the client service authorization date or the terms of any provider contract, service agreement, or schedule.
- 13 Appropriation.** Appropriates money from the general fund to the commissioner of human services, for fiscal years 2008 and 2009, to provide rate adjustments to low-payment rate facilities.

## **Article 2: Nursing Home Moratorium; Property Reimbursement**

### **Overview**

This article adds an additional criterion to be used by the commissioner of health when reviewing moratorium exception proposals, modifies nursing facility property reimbursement methods, and provides funding for moratorium exception projects. Minnesota law imposes a moratorium on the licensure and certification of new nursing home beds and on construction projects that exceed a moratorium threshold of \$1,264,751 (this amount is adjusted annually). Projects that add nursing home beds or that exceed this moratorium threshold must either be authorized in statute or approved by the commissioner of health as part of a competitive moratorium exception proposal process.

In order for the cost of a construction project to be reflected in a facility's property rate, the cost of the project must be above a minimum threshold of \$247,197 (this amount is also adjusted annually). Projects with a cost below this threshold are not reflected in the property rate of a facility. In addition, the cost of construction projects is limited by replacement-costs-new per bed limits. These limits, adjusted annually, are upper limits on the cost of projects.

- 1 Criteria for review.** Amends § 144A.073, subd. 4. Adds the following as an additional criterion to be used by the commissioner of health in reviewing and ranking proposals under

## Section

the competitive nursing home moratorium exception process: the extent to which the applicant demonstrates the continuing need for nursing facility care in the community and adjoining communities. Provides a July 1, 2007, effective date.

- 2 **Allowable interest expense.** Amends § 256B.431, subd. 17a. Increases the allowable interest on debt related to the cost of a nursing facility purchasing or replacing depreciable equipment, excluding vehicles, from 6 to 10 percent. Provides an October 1, 2007, effective date.
- 3 **Replacement-costs-new per bed limit effective October 1, 2007.** Amends § 256B.431, subd. 17e. Effective October 1, 2007, increases the replacement-costs-new per bed limit from \$74,280 to \$165,000 per licensed bed in multiple-bed rooms, \$92,850 to \$195,000 per licensed bed in semiprivate rooms; and \$111,420 to \$225,000 per licensed bed in single rooms. This limit applies to total replacement projects for statutory or competitive moratorium exception projects and to building projects whose cost exceeds the minimum threshold but does not exceed the moratorium threshold.
- 4 **Reimbursement for mandatory property loss.** Amends § 256B.434, by adding subd. 19. Allows nursing facilities to be reimbursed for property, equipment, and technology costs related to complying with existing or expected requirements of federal certification standards, the life safety code, or other building codes, if: (1) the costs were incurred on or after January 1, 2005; (2) the costs are not otherwise reimbursed as part of a moratorium exception project; and (3) the total allowable cost reported during a reporting year exceeds \$50,000. (Under current law, these projects would not be reflected in a facility's property rate unless the project cost was above the minimum threshold of \$247,197.) Requires property rate increases to be calculated according to the formula used for construction projects that exceed the minimum threshold but do not exceed the moratorium threshold, except that equipment costs are to be depreciated using the American Hospital Association guidelines. Provides an October 1, 2007, effective date.
- 5 **Authorization for moratorium exception projects.** During FY 2008, allows the commissioner of health to approve moratorium exception projects for which the full annualized state share of MA costs does not exceed \$10 million. During FY 2009, allows the commissioner to approve moratorium projects for which the full annualized state share of MA costs does not exceed \$10 million less the amount approved during the first year. Provides a July 1, 2007, effective date.