

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1221  
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**Subject:** Nursing Facility Property Rate Adjustment for Certain Facilities

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### Overview

This bill provides property rate increases to facilities with at least 120 active beds, but not more than 160 active beds, as of January 1, 2015, and that have projects approved in 2015 or 2016 under the nursing facility moratorium exception process.

MA reimburses nursing facilities for operating costs, external fixed costs, and property costs.

**Operating costs** include costs for nursing, social services activities, dietary, housekeeping, laundry, building maintenance, and administration; salaries and wages of persons performing these services; fringe benefits and payroll taxes; and other related costs such as costs for supplies, food, utilities, and consultants.

**External fixed costs** includes surcharges and fees; scholarships; planned closure rate adjustments; single-bed room incentives; property taxes and property insurance; and Public Employee Retirement Act costs.

**Property costs** include interest expense and return on equity.

Reimbursement rates are facility- and resident-specific. Rates vary with the facility's historical costs, with the amount of care needed by a resident (as measured by a case-mix classification), and reflect any statutory facility-specific rate adjustments authorized by the legislature.

## Section

Nursing facilities are reimbursed by MA on a resident-per-day basis. The nursing home reimbursement levels are adjusted under the Resource Utilization Groups (RUG) case-mix system to reflect the varying care needs of residents.

All applicants to nursing facilities are assessed upon admission and at least every 90 days thereafter and assigned to a case-mix classification based on the level of their dependence in activities of daily living, the severity of their cognitive and/or behavior management needs, and the complexity of their nursing needs. Each case-mix classification is assigned a case-mix weight, with the lowest level of care receiving the lowest weight and the highest level of care receiving the highest weight. Reimbursement for care-related costs for each classification is proportional to the case-mix weight; per-diem reimbursement for nursing care is therefore lowest for the case-mix classification needing the lowest level of care and highest for the case-mix classification needing the highest level of care. Rates are the same for all nondirect care-related components across all RUGs within a facility's rate set.

Under the old cost-based system, there were reimbursement limits based on three geographic, county-based groups—metro, rural, and deep rural. These limits continue to affect reimbursement rates under the current system since the initial contracts with nursing facilities were based on their reimbursement rates under the cost-based system. Under the partially rebased system, facilities are classified into three newly defined peer groups by county, with a limit placed on the total care-related per diem determined for each peer group. These peer groups are similar to, but not identical to, the old geographic groups.

## Section

**1 Construction project rate adjustments for certain nursing facilities.** Amends § 256B.434, by adding subd. 4i. Paragraph (a) provides property rate increases to nursing facilities with more than 120 active beds as of January 1, 2015, and with construction projects approved in 2015 or 2016 under the nursing facility moratorium exception process.

In addition to property rate adjustments they would normally receive under section 256B.434, subdivision 4f, facilities with 120 to 149 active beds will receive an additional property rate adjustment of \$4. Facilities with between 150 and 160 beds will receive an additional \$12.50 property rate adjustment.

Paragraph (b) specifies that money available from canceled moratorium exception projects shall be used to reduce the fiscal impact of the increases allowed under paragraph (a).