

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1824  
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**Subject:** Nursing Facility Payment Rates for Certain Facilities

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### Overview

This bill provides an MA operating payment rate adjustment for nursing facilities located in the city of Rochester or within 30 miles of the city of Rochester.

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** **Rate increase for facilities in Rochester and surrounding area.** Amends § 256B.434, by adding subd. 19c. Effective October 1, 2015, increases the operating payment rates of nursing facilities located in the city of Rochester and the surrounding area to be equal, for a RUGS rate with a weight of 1.00, to the peer group one median rate for the same RUGS weight. Adds this increase to the rates before any other operating payment rate adjustments effective on October 1, 2015, are computed. Specifies the percentage of the operating payment rates that must be case-mix adjusted. Only applies this subdivision to an individual facility if it results in a rate increase for that facility.