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Overview

This bill makes policy and technical changes to the nursing facility payment system called the value-based reimbursement (VBR) system.

The Medical Assistance (MA) program reimburses nursing facilities for services provided to low-income elderly and disabled persons who meet income and asset limits and other eligibility requirements. The Minnesota Department of Human Services (DHS) administers the MA reimbursement system for nursing facilities and establishes the reimbursement rates for each facility.

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

On January 1, 2016, DHS implemented a new reimbursement system, VBR. Under VBR, nursing facility operating payment rates are determined based on each facility's reported costs. A facility's operating rate reflects the costs it reported in its most recent cost report. Due to the timing of the cost reporting cycle, this means that there is at least a 15-month lag between when a facility accrues costs and when those costs are reflected in the facility's rate.

The VBR system assigns each facility a limit on its total care-related costs. This limit is tied to the facility's quality score; facilities with higher quality scores are assigned higher limits. DHS does not reimburse facilities for direct care or other care-related costs in excess of the facility's limit.

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Additionally, each facility in the state receives the same other operating rate. This rate is set at the other operating costs per resident day for the median facility in the seven-county metropolitan area.

The current VBR system does not include an inflationary adjustment, but facilities' rates increase over time as their costs increase.

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.

In addition to implementing a new payment system in 2016, the nursing facility payment language was recodified to reorganize the nursing facility payment and rates language for clarity and ease of use, remove obsolete language, use consistent terminology, and redraft language for clarity and consistency in some cases. Of particular note, the payment rate language was redrafted to be more transparent.

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- 1 Penalties for late or nonsubmission.** Amends § 144.0724, subd. 6. Expands the commissioner of human services' authority to reduce penalties incurred by a nursing facility for failure to complete or submit a case mix assessment. Makes this section effective the day following final enactment.
- 2 Bed layaway and delicensure.** Amends § 256B.431, subd. 30. Modifies the timing of property payment rate increases due to a bed layaway or delicensure. Updates a cross-reference.
- 3 Single-bed election.** Amends § 256B.431, by adding subd. 46. Allows a nursing facility to change its single-bed election for use in calculating capacity days for rates established on January 1 if the commissioner receives written notice from the nursing facility by August 15 of the preceding year.
- 4 Alternate rates for nursing facilities.** Amends § 256B.434, subd. 4. Limits an inflationary adjustment to the property payment rate for rate years beginning on and after January 1, 2018.
- 5 Administrative costs.** Amends § 256R.02, subd. 4. Clarifies the insurance costs that are included in the definition of "administrative costs."
- 6 Direct care costs.** Amends § 256R.02, subd. 17. Modifies the definition of "direct care costs" by adding costs for nurse consultants, pharmacy consultants, and medical directors. Requires that salaries and payroll taxes for nurse consultants who work out of a central office be allocated proportionately to the nursing facilities served by those consultants.
- 7 Employer health insurance costs.** Amends § 256R.02, subd. 18. Clarifies the definition of "employer health insurance costs."

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- 8 External fixed costs.** Amends § 256R.02, subd. 19. Modifies the definition of “external fixed costs” by adding rate adjustments for compensation-related costs for minimum wage changes and by clarifying the PERA costs that are included.
- 9 Fringe benefit costs.** Amends § 256R.02, subd. 22. Clarifies the definition of “fringe benefit costs.”
- 10 Raw food costs.** Amends § 256R.02, subd. 42. Includes the allocation of dietary credits in the definition of “raw food costs.”
- 11 Real estate taxes.** Amends § 256R.02, by adding subd. 42a. Defines “real estate taxes.”
- 12 Special assessments.** Amends § 256R.02, subd. 48a. Defines “special assessments.”
- 13 Therapy costs.** Amends § 256R.02, subd. 52. Clarifies the definition of “therapy costs.”
- 14 Criteria.** Amends § 256R.07, subd. 1. Makes conforming changes to cross-references.
- 15 Electronic signature.** Amends § 256R.07, by adding subd. 6. Allows the use of an electronic signature for documentation requiring a signature under the nursing facility payment system.
- 16 Bad debts.** Amends § 256R.10, by adding subd. 10. Lists the circumstances under which bad debts are allowable under VBR. Bad debts are included in the definition of “administrative costs.”
- 17 Extended record retention requirements.** Amends § 256R.13, subd. 4. Makes conforming changes to cross-references.
- 18 Biennial report.** Creates § 256R.18. Requires the commissioner to provide to the legislature a biennial report including:
- the impact of the quality adjusted care limits;
 - the ability of nursing facilities to retain employees, including whether rate increases are passed through to employees;
 - the efficacy of the critical access nursing facility program; and
 - the impact of payment rate limit reduction.
- Makes this section effective January 1, 2019.
- 19 Scholarships.** Amends § 256R.37. Removes the requirement that registered nurses and licensed practical nurses be newly hired and newly graduated in order to be eligible for a scholarship under VBR.
- 20 Definitions.** Amends § 256R.40, subd. 1. Modifies the definition of “completion of closure” for the purposes of the planned closure rate adjustment.
- 21 Planned closure rate adjustment.** Amends § 256R.40, subd. 5. Modifies the timing of the planned closure rate adjustment due to the closure of a facility. Adds language specifying the timing of a rate adjustment for a nursing facility that is closing operations.
- 22 Single-bed room incentive.** Amends § 256R.41. Modifies the timing of the single-bed room incentive due to the delicensure of beds.

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- 23** **Rate adjustment for critical access nursing facilities.** Amends § 256R.47. Extends the suspension of this program through December 31, 2019. The current suspension expires on December 31, 2017.
- 24** **Rate adjustments for compensation-related costs for minimum wage changes.** Amends § 256R.49. Makes rate increases provided under this section expire after two years. Removes language requiring the rate adjustment to be used to pay compensation costs for employees paid less than \$14 per hour. Allows rate adjustments to be made for minimum wage changes implemented in statute or by local ordinance. Modifies the formula for determining the rate adjustment.