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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1836**

March 8, 2007

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The bill was read for the first time and referred to the Committee on Finance

1.1 A bill for an act
1.2 relating to human services; providing a nursing facility rate increase for the
1.3 costs of code compliance; requiring reports; appropriating money; amending
1.4 Minnesota Statutes 2006, section 256B.434, subdivision 4.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2006, section 256B.434, subdivision 4, is amended to
1.7 read:

1.8 Subd. 4. **Alternate rates for nursing facilities.** (a) For nursing facilities which
1.9 have their payment rates determined under this section rather than section 256B.431, the
1.10 commissioner shall establish a rate under this subdivision. The nursing facility must enter
1.11 into a written contract with the commissioner.

1.12 (b) A nursing facility's case mix payment rate for the first rate year of a facility's
1.13 contract under this section is the payment rate the facility would have received under
1.14 section 256B.431.

1.15 (c) A nursing facility's case mix payment rates for the second and subsequent years
1.16 of a facility's contract under this section are the previous rate year's contract payment
1.17 rates plus an inflation adjustment and, for facilities reimbursed under this section or
1.18 section 256B.431, an adjustment to include the cost of any increase in Health Department
1.19 licensing fees for the facility taking effect on or after July 1, 2001. The index for the
1.20 inflation adjustment must be based on the change in the Consumer Price Index-All Items
1.21 (United States City average) (CPI-U) forecasted by the commissioner of finance's national
1.22 economic consultant, as forecasted in the fourth quarter of the calendar year preceding
1.23 the rate year. The inflation adjustment must be based on the 12-month period from the
1.24 midpoint of the previous rate year to the midpoint of the rate year for which the rate is

2.1 being determined. For the rate years beginning on July 1, 1999, July 1, 2000, July 1, 2001,
2.2 July 1, 2002, July 1, 2003, July 1, 2004, July 1, 2005, July 1, 2006, July 1, 2007, and July
2.3 1, 2008, this paragraph shall apply only to the property-related payment rate, except
2.4 that adjustments to include the cost of any increase in Health Department licensing fees
2.5 taking effect on or after July 1, 2001, shall be provided. Beginning in 2005, adjustment to
2.6 the property payment rate under this section and section 256B.431 shall be effective on
2.7 October 1. In determining the amount of the property-related payment rate adjustment
2.8 under this paragraph, the commissioner shall determine the proportion of the facility's
2.9 rates that are property-related based on the facility's most recent cost report.

2.10 (d) The commissioner shall develop additional incentive-based payments of up to
2.11 five percent above a facility's operating payment rate for achieving outcomes specified
2.12 in a contract. The commissioner may solicit contract amendments and implement those
2.13 which, on a competitive basis, best meet the state's policy objectives. The commissioner
2.14 shall limit the amount of any incentive payment and the number of contract amendments
2.15 under this paragraph to operate the incentive payments within funds appropriated for this
2.16 purpose. The contract amendments may specify various levels of payment for various
2.17 levels of performance. Incentive payments to facilities under this paragraph may be in the
2.18 form of time-limited rate adjustments or onetime supplemental payments. In establishing
2.19 the specified outcomes and related criteria, the commissioner shall consider the following
2.20 state policy objectives:

2.21 (1) successful diversion or discharge of residents to the residents' prior home or other
2.22 community-based alternatives;

2.23 (2) adoption of new technology to improve quality or efficiency;

2.24 (3) improved quality as measured in the Nursing Home Report Card;

2.25 (4) reduced acute care costs; and

2.26 (5) any additional outcomes proposed by a nursing facility that the commissioner
2.27 finds desirable.

2.28 (e) Notwithstanding the threshold in section 256B.431, subdivision 16, facilities
2.29 that take action to come into compliance with existing or expected requirements of
2.30 the federal certification standards, the life safety code, or other building codes may
2.31 receive reimbursement for the property, equipment, and technology costs associated with
2.32 compliance if all of the following circumstances are met:

2.33 (1) the expenses associated with compliance occurred on or after January 1, 2005;

2.34 (2) the costs were not otherwise reimbursed under section 144A.071, 144A.073,
2.35 or 256B.434, subdivision 4f; and

3.1 (3) the total allowable costs reported under this section are greater than \$50,000 but
3.2 less than the minimum threshold established under section 256B.431, subdivision 15,
3.3 paragraph (e), and subdivision 16.

3.4 The commissioner shall use funds appropriated for this purpose to calculate an average
3.5 per patient day increase for each nursing facility for the purposes of this paragraph
3.6 beginning October 1, 2007, and ending September 30, 2008. Payments to facilities under
3.7 this paragraph may be in the form of rate adjustments limited to one year or onetime
3.8 supplemental payments. Facilities shall report to the commissioner by December 31,
3.9 2008, on the use of these funds.

3.10 **Sec. 2. APPROPRIATION.**

3.11 \$6,000,000 is appropriated from the general fund to the commissioner of human
3.12 services for the biennium beginning July 1, 2007, for the purposes of section 1.