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HOUSE FILE No. 3636

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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; modifying the phase-in of rebased nursing facility
1.3 operating cost payment rates; amending Minnesota Statutes 2007 Supplement,
1.4 section 256B.441, subdivisions 1, 55.

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

1.6 Section 1. Minnesota Statutes 2007 Supplement, section 256B.441, subdivision 1,
1.7 is amended to read:

1.8 Subdivision 1. **Rebasing of nursing facility operating cost payment rates.** (a)
1.9 The commissioner shall rebase nursing facility operating cost payment rates to align
1.10 payments to facilities with the cost of providing care. The rebased operating cost payment
1.11 rates shall be calculated using the statistical and cost report filed by each nursing facility
1.12 for the report period ending one year prior to the rate year.

1.13 (b) The new operating cost payment rates based on this section shall take effect
1.14 beginning with the rate year beginning October 1, 2008, and shall be phased in over eight
1.15 rate years through October 1, 2015. For each year of the phase-in, the operating cost
1.16 payment rates shall be calculated using the statistical and cost report filed by each nursing
1.17 facility for the report period ending one year prior to the rate year.

1.18 (c) Operating cost payment rates shall be rebased on October 1, 2016, and every
1.19 two years after that date.

1.20 (d) Each cost reporting year shall begin on October 1 and end on the following
1.21 September 30. Beginning in 2006, a statistical and cost report shall be filed by each
1.22 nursing facility by January 15. Notice of rates shall be distributed by August 15 and the
1.23 rates shall go into effect on October 1 for one year.

2.1 (e) Effective October 1, 2014, property rates shall be rebased in accordance with
2.2 section 256B.431 and Minnesota Rules, chapter 9549. The commissioner shall determine
2.3 what the property payment rate for a nursing facility would be had the facility not had its
2.4 property rate determined under section 256B.434. The commissioner shall allow nursing
2.5 facilities to provide information affecting this rate determination that would have been
2.6 filed annually under Minnesota Rules, chapter 9549, and nursing facilities shall report
2.7 information necessary to determine allowable debt. The commissioner shall use this
2.8 information to determine the property payment rate.

2.9 Sec. 2. Minnesota Statutes 2007 Supplement, section 256B.441, subdivision 55,
2.10 is amended to read:

2.11 Subd. 55. **Phase-in of rebased operating cost payment rates.** (a) For the rate years
2.12 beginning October 1, 2008, to October 1, 2012, the operating cost payment rate calculated
2.13 under this section shall be phased in by blending the operating cost rate with the operating
2.14 cost payment rate determined under section 256B.434. For the rate year beginning
2.15 October 1, 2008, the operating cost payment rate for each facility shall be 13 percent of
2.16 the operating cost payment rate from this section, and 87 percent of the operating cost
2.17 payment rate from section 256B.434. For the rate year beginning October 1, 2009, the
2.18 operating cost payment rate for each facility shall be 14 percent of the operating cost
2.19 payment rate from this section, and 86 percent of the operating cost payment rate from
2.20 section 256B.434. For the rate year beginning October 1, 2010, the operating cost payment
2.21 rate for each facility shall be 14 percent of the operating cost payment rate from this
2.22 section, and 86 percent of the operating cost payment rate from section 256B.434. For the
2.23 rate year beginning October 1, 2011, the operating cost payment rate for each facility shall
2.24 be 31 percent of the operating cost payment rate from this section, and 69 percent of the
2.25 operating cost payment rate from section 256B.434. For the rate year beginning October 1,
2.26 2012, the operating cost payment rate for each facility shall be 48 percent of the operating
2.27 cost payment rate from this section, and 52 percent of the operating cost payment rate
2.28 from section 256B.434. For the rate year beginning October 1, 2013, the operating cost
2.29 payment rate for each facility shall be 65 percent of the operating cost payment rate from
2.30 this section, and 35 percent of the operating cost payment rate from section 256B.434. For
2.31 the rate year beginning October 1, 2014, the operating cost payment rate for each facility
2.32 shall be 82 percent of the operating cost payment rate from this section, and 18 percent
2.33 of the operating cost payment rate from section 256B.434. For the rate year beginning
2.34 October 1, 2015, the operating cost payment rate for each facility shall be the operating

3.1 cost payment rate determined under this section. The blending of operating cost payment
3.2 rates under this section shall be performed separately for each RUG's class.

3.3 (b) For the rate year beginning October 1, 2008, the commissioner shall apply limits
3.4 to the operating payment rate increases under paragraph (a) by creating a minimum
3.5 percentage increase and a maximum percentage increase.

3.6 (1) Each nursing facility that receives a blended October 1, 2008, operating payment
3.7 rate increase under paragraph (a) of less than one percent, when compared to its operating
3.8 payment rate on September 30, 2008, computed using rates with RUG's weight of 1.00,
3.9 shall receive a rate adjustment of one percent.

3.10 (2) The commissioner shall determine a maximum percentage increase that will
3.11 result in savings equal to the cost of allowing the minimum increase in clause (1). Nursing
3.12 facilities with a blended October 1, 2008, operating payment rate increase under paragraph
3.13 (a) greater than the maximum percentage increase determined by the commissioner, when
3.14 compared to its operating payment rate on September 30, 2008, computed using rates with
3.15 a RUG's weight of 1.00, shall receive the maximum percentage increase.

3.16 (3) Nursing facilities with a blended October 1, 2008, operating payment rate
3.17 increase under paragraph (a) greater than one percent and less than the maximum
3.18 percentage increase determined by the commissioner, when compared to its operating
3.19 payment rate on September 30, 2008, computed using rates with a RUG's weight of 1.00,
3.20 shall receive the blended October 1, 2008, operating payment rate increase determined
3.21 under paragraph (a).

3.22 ~~(b)~~ (c) A portion of the funds received under this subdivision that are in excess of
3.23 operating cost payment rates that a facility would have received under section 256B.434,
3.24 as determined in accordance with clauses (1) to (3), shall be subject to the requirements in
3.25 section 256B.434, subdivision 19, paragraphs (b) to (h).

3.26 (1) Determine the amount of additional funding available to a facility, which shall be
3.27 equal to total medical assistance resident days from the most recent reporting year times
3.28 the difference between the blended rate determined in paragraph (a) for the rate year being
3.29 computed and the blended rate for the prior year.

3.30 (2) Determine the portion of all operating costs, for the most recent reporting year,
3.31 that are compensation related. If this value exceeds 75 percent, use 75 percent.

3.32 (3) Subtract the amount determined in clause (2) from 75 percent.

3.33 (4) The portion of the fund received under this subdivision that shall be subject to
3.34 the requirements in section 256B.434, subdivision 19, paragraphs (b) to (h), shall equal
3.35 the amount determined in clause (1) times the amount determined in clause (3).