

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Samuelson

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**Analyst:** Randall Chun, 651-296-8639

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### Overview

This amendment specifies the methodology for providing property rate adjustments for nursing facilities reimbursed under the alternative payment system. The amendment also requires all quarterly assessments to be used to determine resident case mix classifications for reimbursement, and requires the switch to all quarterly assessments to be done in a facility specific, budget neutral manner.

#### Section

- 1 Resident reimbursement classifications.** Amends § 144.0724, subd. 3. Corrects a reference to hemiplegia/hemiparesis in the section of law listing the nursing facility resident case-mix groups.
- 2 Resident assessment schedule.** Amends § 144.0724, subd. 4. Beginning October 1, 2006, requires all quarterly assessments to be used to determine resident case mix classifications for reimbursement.
- 3 Definitions.** Amends § 144A.071, subd. 1a. Updates language defining the completion date for a nursing facility construction project, by replacing references to the "certificate of occupancy" with references to "clearance for the construction project" and adding a reference to construction project assets.
- 4 Alternate rates for nursing facilities.** Amends § 256B.434, subd. 4. Strikes a provision that allows facilities reimbursed under the alternative payment system to receive property rate adjustments for building projects. (This provision is replaced by more detailed language added in § 256B.434, subd. 4f.)

## Section

- 5 Construction project rate adjustments effective October 1, 2006.** Amends § 256B.434, by adding subd. 4f. (a) Effective October 1, 2006, allows facilities reimbursed under the alternative payment system to receive a property rate adjustment for construction projects that exceed the minimum threshold of \$231,000 but do not exceed the maximum threshold of \$1.2 million. Specifies the requirements for counting capital assets purchased as construction costs. States that the definitions and methodologies that apply to moratorium exception projects and the cost-based (Rule 50) system are to be used unless specified otherwise, and also specifies the effective date of property rate adjustments.
- (b) Allows facilities that have not converted from Rule 50 to the alternative payment system by September 30, 2006 to request rate adjustments through that date.
- (c) Requires construction project rate adjustments for an individual facility to be at least 12 months apart.
- (d) Specifies that capacity days are to be computed as provided under Rule 50.
- (e) Provides the methodology to be used to determine the value of assets to be recognized, for total replacement and non-total replacement projects.
- (f) Provides the methodology to be used to determine allowable debt, for projects approved under the competitive moratorium exception process.
- (g) Provides the methodology to be used to determine allowable debt, for projects not approved through the competitive moratorium exception process.
- (h) Adds interest on debt related to financing or refinancing, and interest on debt incurred in establishing a debt reserve fund, to allowed interest expenses.
- (i) Provides the methodology for calculating the construction project rate adjustment. This adjustment is computed as: allowable assets minus average debt, multiplied by 5.66 percent and adding interest, and dividing this total by 95 percent of capacity days.
- (j) For projects that are not a total replacement, requires the amount calculated in paragraph (i) to be adjusted for nonreimbursable areas and added to the property-related per diem.
- (k) For total replacement projects, requires the amount calculated in paragraph (i) to become the new property per diem after being adjusted for nonreimbursable areas.
- (l) States that no additional equipment allowance is to be provided, since allowable equipment is included in construction project costs.
- (m) Allows construction project costs to be accumulated over two years, for inclusion in a future rate adjustment request.
- (n) For subsequent rate years, requires the property rate that results from this subdivision to

**Section**

be the rate that is adjusted by the alternative payment system inflation factor.

(o) Allows construction projects to be eligible for an equity incentive.

- 6** **Resident assessment schedule.** Amends § 256B.438, subd. 4. Requires the commissioner, effective October 1, 2006, to rebase payment rates in a facility specific, budget neutral manner, to account for the change to quarterly resident assessments for purposes of determining case mix classifications for reimbursement. Also makes a conforming change related to the switch to all quarterly assessments.