

HOUSE RESEARCH

Bill Summary

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Subject: Rate Increases for Long-Term Care Providers

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Overview

This bill increases payment rates for nursing facilities, ICFs/MR, and community-based providers. The bill also establishes a fourth income tax bracket and requires this revenue to be deposited into a long-term care payment account, and used to fund increases in provider payment rates.

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- 1** **Rate increases for October 1, 2007, and October 1, 2008.** Amends § 256B.434, by adding subd. 4i. (a) Requires the commissioner to make available to nursing facilities an adjustment equal to seven percent of the total operating payment rate for the rate period beginning October 1, 2007, and an adjustment equal to six percent for the rate period beginning October 1, 2008.
- (b) Requires 75 percent of the adjustment to be used to increase wages and benefits and pay associated costs for all employees, except management fees, the administrator, and central office staff, and further requires that the increases be implemented on or after the effective date of the rate increase.
- (c) Requires facilities to apply for the rate adjustment to the commissioner and to submit a plan for distributing the funds. Specifies timelines and review and approval procedures.
- (d) Requires a copy of the approved distribution plan to be made available to employees and specifies the procedures for employees to follow to resolve problems related to

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implementation of the increases.

2 Rate increase for nursing facilities. Amends § 256B.434, by adding subd. 4j. Effective October 1, 2007, requires operating payment rates of nursing facilities to be increased to the geographic group III median rate, if this would result in a rate increase. Specifies the procedures for implementing this increase.

3 ICF/MR rate increases October 1, 2007, and October 1, 2008. Amends § 256B.5012, by adding subd. 7. (a) Requires the commissioner to make available to ICFs/MR an adjustment equal to seven percent of the total operating payment rate for the rate period beginning October 1, 2007, and an adjustment equal to six percent for the rate period beginning October 1, 2008.

(b) Requires 75 percent of the adjustment to be used to increase wages and benefits and pay associated costs for all employees, except administrative and central office employees, and further requires that the increases be implemented on or after the effective date of the rate increase. Allows the wage adjustment to vary based on merit, seniority, or other factors.

(c) Specifies the procedures for calculating the adjustment.

(d) Provides that facilities whose payment rates are governed by closure agreement, receivership agreements, or interim rate setting are not eligible for an adjustment.

(e) Requires facilities to apply to the commissioner for the rate adjustment and to submit a plan for distributing the funds. Specifies timelines and review and approval procedures.

(f) Requires a copy of the approved distribution plan to be made available to employees and specifies the procedures for employees to follow to resolve problems related to implementation of the increases.

4 Schedule of rate for individuals, estates, and trusts. Amends § 290.06, subd. 2c. Establishes a new fourth income tax bracket of 9.8 percent and makes corresponding changes in existing brackets. Provides that the section is effective for taxable years beginning after December 31, 2006, and requires adjustment of the tax rates.

5 Inflation adjustment of brackets. Amends § 290.06, subd. 2d. Makes a conforming change to section 4, adjusting the brackets for inflation.

6 Distribution of revenues. Amends § 290.62. Requires the estimated revenue from sections 4 and 5 to be deposited in a long-term care payment account, to be used to fund increases in long-term care provider rates.

7 Community service provider rate. (a) Requires the commissioner of human services to increase reimbursement rates or rate limits for specified community-based providers, by seven percent for the rate period beginning October 1, 2007, and by six percent for the rate period beginning October 1, 2008.

(b) Lists eligible providers.

(c) Requires 75 percent of the adjustment to be used to increase wages and benefits and pay associated costs for all employees, except management fees, the administrator, and central office staff.

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(d) Specifies procedures for providing increases to public employees. Also requires that increases be implemented on or after the first day of the rate period.

(e) Requires a copy of the approved distribution plan to be made available to employees and specifies the procedures for employees to follow to resolve problems related to implementation of the increases.

8 **Appropriation.** Annually appropriates from the long-term care payment rate account to the commissioner of human services, beginning October 1, 2007 and each July 1 thereafter, an amount sufficient to fund the long-term care provider rate increases.