

HOUSE RESEARCH

Bill Summary

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Subject: Adjusting MA Payment Rates for Certain Nursing Facilities

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Overview

This bill provides for an operating payment rate adjustment for certain low-payment nursing facilities.

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. Nursing facilities receive higher levels of reimbursement for residents who need more care and lower levels of reimbursement for residents who need less care. This creates an incentive for nursing facilities to admit individuals who most need nursing facility care.

Nursing facilities are reimbursed by Medical Assistance (MA) on a resident-per-day basis. The nursing home reimbursement levels are adjusted under the Resource Utilization Groups (RUGS) case-mix system to reflect the varying care needs of residents. RUGS classifies nursing facility residents into 34 groups based on information collected using the federally required minimum data set. (However, as of October 1, 2010, the number of RUGS increased from 34 groups to 48 groups due to federal changes.) The RUGS case-mix reimbursement system for nursing homes is described in Minnesota Statutes, sections 144.0724 and 256B.438.

All applicants to nursing facilities are screened and assigned to a case-mix classification based on the level of their dependence in activities of daily living (ADL), the severity of their disabilities, and the complexity of their nursing needs. Each case-mix classification is assigned a case-mix weight, with the lowest level of care receiving the lowest weight and the highest level of care receiving the highest weight. Reimbursement for care-related costs for each classification is proportional to the case-mix weight; per diem reimbursement for nursing care is therefore lowest for the case-mix classification needing the lowest level of care and highest for the case-mix classification needing the highest level of care. Rates are the same for all noncare-related components across all RUGS groups within a facility's rate set.

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Adjustment for low-payment rate facilities. Amends § 256B.434, by adding subd. 22. Paragraph (a) requires the commissioner to adjust operating payment rates for low-payment nursing facilities reimbursed through MA and licensed by the Department of Health.

Paragraph (b) requires the commissioner to determine a value for an operating payment rate with a RUGS's index of 1.00, such that the cost to increase operating payment rates up to a certain threshold does not exceed the amount appropriated for this purpose.

Paragraph (c) requires the commissioner to identify all nursing facilities with operating payment rates with a RUGS's index equal to 1.00 on September 30, 2011, that are less than the value determined in paragraph (b).

Paragraph (d) requires the commissioner to provide each nursing facility identified in paragraph (c) with an increase in their operating payment rate up to a certain threshold.

Paragraph (e) requires the commissioner to apportion the amount of the rate adjustment computed in paragraph (d) between case mix and noncase mix per diems in proportion to the amounts in effect in each eligible facility on September 30, 2011. Requires the commissioner to multiply the case mix portion by the RUGS's indices and add the noncase mix portion to that product to determine the other RUGS's operating payment rates.

- 2** **Appropriation.** Appropriates \$4.5 million in fiscal year 2012 and \$4.5 million in fiscal year 2013 from the general fund to the commissioner of human services to provide payment rate adjustments to low-payment rate nursing facilities.