

HOUSE RESEARCH

Bill Summary

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Subject: Nursing Facility Rate Adjustment for Certain Facilities

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Overview

This bill provides for an adjustment to the MA nursing facility operating payment rates for certain facilities located in Otter Tail, Rock, Pipestone, and Nobles Counties.

MA reimburses nursing facilities for operating costs, external fixed costs, and property costs.

Operating costs include costs for nursing, social services activities, dietary, housekeeping, laundry, building maintenance, and administration; salaries and wages of persons performing these services; fringe benefits and payroll taxes; and other related costs such as costs for supplies, food, utilities, and consultants.

External fixed costs includes surcharges and fees; scholarships; planned closure rate adjustments; single-bed room incentives; property taxes and property insurance; and Public Employee Retirement Act costs.

Property costs include interest expense and return on equity.

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.

Section

Nursing facilities are reimbursed by MA on a resident-per-day basis. The nursing home reimbursement levels are adjusted under the Resource Utilization Groups (RUG) case-mix system to reflect the varying care needs of residents.

All applicants to nursing facilities are assessed upon admission and at least every 90 days thereafter and assigned to a case-mix classification based on the level of their dependence in activities of daily living, the severity of their cognitive and/or behavior management needs, 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 nondirect care-related components across all RUGs within a facility's rate set.

Under the old cost-based system, there were reimbursement limits based on three geographic, county-based groups—metro, rural, and deep rural. These limits continue to affect reimbursement rates under the current system since the initial contracts with nursing facilities were based on their reimbursement rates under the cost-based system. Under the partially rebased system, facilities are classified into three newly defined peer groups by county, with a limit placed on the total care-related per diem determined for each peer group. These peer groups are similar to, but not identical to, the old geographic groups.

Section

- 1** **Rate increase for certain facilities in Otter Tail, Rock, Pipestone, and Nobles Counties.** Amends § 256B.434, by adding subd. 4i. Increases operating payment rates for specified nursing facilities located in Otter Tail, Rock, Pipestone, and Nobles Counties to be equal, for a RUGS rate with a weight of 1.00, to the peer group one (metro peer group) median rate for the same RUGS weight. Specifies the percentage of the operating payment rate that must be case-mix adjusted. Requires any payments made to an employee's retirement account, limited to the contributions that public employers make under the Public Employees Retirement Association and calculated as costs divided by resident days, to be included in the external fixed portion of the rate. Requires all payment limits for these facilities to be equal to the payment limits for facilities in peer group one. Specifies how these facilities shall be treated if there are future changes to the nursing facility payment rates. Specifies that this provision only applies to an individual facility if it results in a rate increase for that facility.