

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 232
Version: As introduced

DATE: February 12, 2015

Authors: Urdahl and others

Subject: Nursing Facility Rate Adjustment for Certain Facilities

Analyst: Danyell A. Punelli

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Overview

This bill provides for a nursing facility operating payment rate adjustment for low-rate facilities effective October 1, 2015.

Medical Assistance (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.

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.

Section

- 1** **Rate increase for low-rate facilities effective October 1, 2015.** Amends § 256B.441, by adding subd. 65. Effective October 1, 2015, increases operating payment rates of all nursing facilities for a RUGs rate with a weight of 1.00 by up to an unspecified percent, but not to exceed for the same RUGs weight, the rate of the facility at an unspecified percentile of all nursing facilities in the state. Specifies the percentage of the operating payment rate that must be case-mix adjusted.