

1.1 moves to amend H.F. No. 828 as follows:

1.2 Page 1, after line 4, insert:

1.3 "Section 1. Minnesota Statutes 2010, section 256B.434, subdivision 4, is amended to
1.4 read:

1.5 Subd. 4. **Alternate rates for nursing facilities.** (a) For nursing facilities which
1.6 have their payment rates determined under this section rather than section 256B.431, the
1.7 commissioner shall establish a rate under this subdivision. The nursing facility must enter
1.8 into a written contract with the commissioner.

1.9 (b) A nursing facility's case mix payment rate for the first rate year of a facility's
1.10 contract under this section is the payment rate the facility would have received under
1.11 section 256B.431.

1.12 (c) A nursing facility's case mix payment rates for the second and subsequent years
1.13 of a facility's contract under this section are the previous rate year's contract payment
1.14 rates plus an inflation adjustment and, for facilities reimbursed under this section or
1.15 section 256B.431, an adjustment to include the cost of any increase in Health Department
1.16 licensing fees for the facility taking effect on or after July 1, 2001. The index for the
1.17 inflation adjustment must be based on the change in the Consumer Price Index-All Items
1.18 (United States City average) (CPI-U) forecasted by the commissioner of management and
1.19 budget's national economic consultant, as forecasted in the fourth quarter of the calendar
1.20 year preceding the rate year. The inflation adjustment must be based on the 12-month
1.21 period from the midpoint of the previous rate year to the midpoint of the rate year for
1.22 which the rate is being determined. For the rate years beginning on July 1, 1999, July 1,
1.23 2000, July 1, 2001, July 1, 2002, July 1, 2003, July 1, 2004, July 1, 2005, July 1, 2006,
1.24 July 1, 2007, July 1, 2008, October 1, 2009, and October 1, 2010, ~~October 1, 2011, and~~
1.25 ~~October 1, 2012~~; this paragraph shall apply only to the property-related payment rate;
1.26 ~~except that adjustments to include the cost of any increase in Health Department licensing~~
1.27 ~~fees taking effect on or after July 1, 2001, shall be provided.~~ For the rate years beginning

2.1 on October 1, 2011, and October 1, 2012, the rate adjustment under this paragraph shall
2.2 be suspended. Beginning in 2005, adjustment to the property payment rate under this
2.3 section and section 256B.431 shall be effective on October 1. In determining the amount
2.4 of the property-related payment rate adjustment under this paragraph, the commissioner
2.5 shall determine the proportion of the facility's rates that are property-related based on the
2.6 facility's most recent cost report.

2.7 (d) The commissioner shall develop additional incentive-based payments of up to
2.8 five percent above a facility's operating payment rate for achieving outcomes specified
2.9 in a contract. The commissioner may solicit contract amendments and implement those
2.10 which, on a competitive basis, best meet the state's policy objectives. The commissioner
2.11 shall limit the amount of any incentive payment and the number of contract amendments
2.12 under this paragraph to operate the incentive payments within funds appropriated for this
2.13 purpose. The contract amendments may specify various levels of payment for various
2.14 levels of performance. Incentive payments to facilities under this paragraph may be in the
2.15 form of time-limited rate adjustments or onetime supplemental payments. In establishing
2.16 the specified outcomes and related criteria, the commissioner shall consider the following
2.17 state policy objectives:

2.18 (1) successful diversion or discharge of residents to the residents' prior home or other
2.19 community-based alternatives;

2.20 (2) adoption of new technology to improve quality or efficiency;

2.21 (3) improved quality as measured in the Nursing Home Report Card;

2.22 (4) reduced acute care costs; and

2.23 (5) any additional outcomes proposed by a nursing facility that the commissioner
2.24 finds desirable.

2.25 (e) Notwithstanding the threshold in section 256B.431, subdivision 16, facilities that
2.26 take action to come into compliance with existing or pending requirements of the life
2.27 safety code provisions or federal regulations governing sprinkler systems must receive
2.28 reimbursement for the costs associated with compliance if all of the following conditions
2.29 are met:

2.30 (1) the expenses associated with compliance occurred on or after January 1, 2005,
2.31 and before December 31, 2008;

2.32 (2) the costs were not otherwise reimbursed under subdivision 4f or section
2.33 144A.071 or 144A.073; and

2.34 (3) the total allowable costs reported under this paragraph are less than the minimum
2.35 threshold established under section 256B.431, subdivision 15, paragraph (e), and
2.36 subdivision 16.

3.1 The commissioner shall use money appropriated for this purpose to provide to qualifying
3.2 nursing facilities a rate adjustment beginning October 1, 2007, and ending September 30,
3.3 2008. Nursing facilities that have spent money or anticipate the need to spend money
3.4 to satisfy the most recent life safety code requirements by (1) installing a sprinkler
3.5 system or (2) replacing all or portions of an existing sprinkler system may submit to the
3.6 commissioner by June 30, 2007, on a form provided by the commissioner the actual
3.7 costs of a completed project or the estimated costs, based on a project bid, of a planned
3.8 project. The commissioner shall calculate a rate adjustment equal to the allowable
3.9 costs of the project divided by the resident days reported for the report year ending
3.10 September 30, 2006. If the costs from all projects exceed the appropriation for this
3.11 purpose, the commissioner shall allocate the money appropriated on a pro rata basis
3.12 to the qualifying facilities by reducing the rate adjustment determined for each facility
3.13 by an equal percentage. Facilities that used estimated costs when requesting the rate
3.14 adjustment shall report to the commissioner by January 31, 2009, on the use of this
3.15 money on a form provided by the commissioner. If the nursing facility fails to provide
3.16 the report, the commissioner shall recoup the money paid to the facility for this purpose.
3.17 If the facility reports expenditures allowable under this subdivision that are less than
3.18 the amount received in the facility's annualized rate adjustment, the commissioner shall
3.19 recoup the difference.

3.20 Sec. 2. Minnesota Statutes 2010, section 256B.441, is amended by adding a
3.21 subdivision to read:

3.22 Subd. 60. **Rate increase for low-rate facilities.** (a) Effective October 1, 2011,
3.23 the commissioner shall adjust the operating payment rates of a nursing facility whose
3.24 operating payment rate on September 30, 2011, is greater than the 95th percentile of all
3.25 nursing facilities operating payment rates. The commissioner shall:

3.26 (1) array all operating payment rates in effect on September 30, 2011, at a case-mix
3.27 weight equal to 1.00 (DDF) from lowest to highest;

3.28 (2) determine the 95th percentile of the array in clause (1);

3.29 (3) compute a reduction amount if a facility's amount in clause (1) is greater than the
3.30 amount computed in clause (2) by subtracting a facility's DDF rate in clause (1) from the
3.31 amount computed in clause (2);

3.32 (4) compute the portion of each facility's DDF operating payment rate that is the
3.33 direct care per diem based on the rates in effect on September 30, 2011; and

3.34 (5) determine the change for all other case-mix levels, by multiplying the amount in
3.35 clause (3) by the percentage in clause (4) and by the corresponding case-mix weight for

4.1 each care level. Add to this product the non-direct care per diem portion of the amount
4.2 in clause (3).

4.3 (b) The total amount to be saved by the rate reductions will be computed. The
4.4 commissioner shall:

4.5 (1) for each facility receiving a rate change in paragraph (a), multiply each case-mix
4.6 level's rate change in paragraph (a), clause (5), by the corresponding case-mix resident
4.7 days from the most recent cost report that has been desk audited; and

4.8 (2) sum all the products computed in clause (1).

4.9 (c) The amount of total payment reductions computed in paragraph (b), clause
4.10 (2), shall be distributed to the facilities with the lowest DDF operating payment rates
4.11 determined in paragraph (a), clause (1). The commissioner shall:

4.12 (1) start with the facility or facilities with the lowest DDF operating payment rate
4.13 and compute the amount of a rate adjustment needed to make the DDF rate equal to the
4.14 DDF of the facility directly below it in the array;

4.15 (2) compute the rate increases for the other case-mix levels using the amount
4.16 computed in clause (1), and the process stated in paragraph (a), clauses (4) and (5);

4.17 (3) compute the total amount the lowest facilities will receive using the process
4.18 described in paragraph (b);

4.19 (4) compute the running total to be spent at all facilities receiving an increase under
4.20 this paragraph by summing each facility's amount computed in clause (3); and

4.21 (5) repeat the process in clauses (1) to (4) as long as the amount in clause (4) does
4.22 not exceed the amount in paragraph (b), clause (2)."

4.23 Renumber the sections in sequence and correct the internal references

4.24 Amend the title accordingly