

HF553 - 0 - "Noprft Nrsng Fac in Border Cities Rts"

Chief Author: **Jeff Backer**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/13/2015**
 Agency: Human Services Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	938	1,408	1,413	1,418	
Total	-	938	1,408	1,413	1,418	
Biennial Total			2,346		2,831	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	938	1,408	1,413	1,418	
Total	-	938	1,408	1,413	1,418	1,418
	Biennial Total		2,346			2,831
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	938	1,408	1,413	1,418	
Total	-	938	1,408	1,413	1,418	1,418
	Biennial Total		2,346			2,831
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-			-

Bill Description

This proposal is to provide Eventide Lutheran Home in Moorhead and St. Francis Home in Breckenridge an operating rate increase effective October 1, 2015, and annually thereafter. The proposed increase is to bring the operating rates up to median RUG's rate for the equivalent RUG's weight of the nonprofit nursing facilities located in adjacent cities in North Dakota. The operating payment rate with a weight of 1.0 will be computed by dividing the adjacent city's nursing facilities median operating payment rate with a weight of 1.02 by 1.02 (North Dakota does not have a rate with a weight of 1.0).

The bill also states that if in a given year rate equality is achieved under this subdivision, the facility shall not be eligible for other operating payment rate adjustments under this section, section 256B.434 or 256B.441. Basically, a facility that is eligible for a rate increase under this subdivision will not be eligible for other rate increase provided to other Minnesota facilities.

Assumptions

This proposal can be implemented within the existing administrative resources of the Department.

The effective date of the rate adjustments in this bill is October 1, 2015.

Minnesota's first fiscal year related to this bill ends on June 30, 2016.

Payment for services lags the provision of services by one month.

The costs/savings from the proposal are adjusted by forecasted changes in resident case-mix scores.

The state share of costs/savings is determined by amounts paid by other governmental units

- the base federal share is 50% of the total; a small amount of payments are eligible for higher federal rates
- the county share is estimated to be 2.3% of the non-federal share
- the state share is the total minus the federal share and the county share

The COLA & quality rate increase effective 10/1/2015 (MN Statute 256B.434, Subd. 19b) will not be repealed.

The number of Medicaid days will remain the same each year for this facility through FY2019.

Direct salary enhancement, case-mix direct rate, other direct rate, indirect rate and other direct/indirect enhancement are assumed to be the North Dakota operating rate components equivalent to Minnesota operating rate.

The bill states that the rates will be adjusted annually. To determine the rates, we used the January 1, 2015 information from the North Dakota Department of Human Services. At this time, we cannot project what rates will be in effect in future years for North Dakota. As a result, we are using January 1, 2015 data as our base.

Note: There is a technical change needed in the bill. The language on line 1.18 should say by 1.02 instead of by 102. The language as written does not give a result as intended for the rate at a weight of 1.02. This converts the North Dakota median operating rate to a Minnesota rate of 1.00. However, this language error does not impact the fiscal note because the Minnesota facilities did not have any resident days at the weight of 1.00 for September 30, 2013. It should be changed though because rates will be updated annually.

Expenditure and/or Revenue Formula

The calculations are based on the facilities' current operating rates and the Medicaid resident days on the 9/30/13 cost report. Information was obtained from the North Dakota Department of Human Services to determine the equivalent operating rates of nonprofit facilities in bordering cities; rates are effective January 1, 2015. In the case of St. Francis Home which is located in Breckinridge MN, only one nursing home in North Dakota is in a bordering city. For Eventide Home which is located in Moorhead MN, there are seven North Dakota nursing homes in bordering cities. The rate for each RUGs class for each Minnesota facility is determined by calculating the median of each RUGs class of the North Dakota rates.

To determine the increase, the current operating rates plus the 3.2% rate increase effective 10/1/15 (256B.434 subd. 19) was subtracted from the median operating rates of North Dakota facilities in adjacent cities. The 3.2% increase was not added to the North Dakota rates as language states the new rates are to be equal to the median of the North Dakota rates.

Total annual cost/(savings) in thousands	FY 2016	FY 2017	FY 2018	FY 2019
Operating rate increases	2,891	2,891	2,891	2,891
Case-mix acuity increase factor	0.33%	0.66%	0.99%	1.32%
Adjusted costs	2,900	2,910	2,919	2,929
SFY payment delay	1			
Projected MA costs/(savings)	1,939	2,909	2,918	2,928
Federal share	979	1,468	1,472	1,477
State budget	938	1,408	1,413	1,418
County share	22	33	33	33
MA Grants (state budget) BACT 33 LF	938	1,408	1,413	1,418
Administrative Costs	0	0	0	0
Total Costs/(Savings)	938	1,408	1,413	1,418

Fiscal Tracking Summary (\$000s)						
Fund	BACT	Description	FY2016	FY2017	FY2018	FY2019
GF	33		938	1,408	1,413	1,418

Fiscal Tracking Summary (\$000s)						
		Total Net Fiscal Impact	938	1,408	1,413	1,418
		Full Time Equivalents	0	0	0	0

Long-Term Fiscal Considerations

There will be ongoing costs into the future until the Minnesota rates are equivalent to the North Dakota rates. At this time, we do not know when that will occur.

Local Fiscal Impact

There is a county share associated with this bill. The aggregate county impact will be approximately \$33,000 per year.

References/Sources

DHS Nursing Facility rate files

2013 Nursing Facility Medicaid Cost Reports

North Dakota nursing facility rates

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