CHAPTER 9500
DEPARTMENT OF HUMAN SERVICES
ASSISTANCE PAYMENTS PROGRAMS

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9500.1090 PURPOSE AND SCOPE.

Parts 9500 1090 to 9500 1140 establish a prospective payment system for inpatient hospital services provided under the medical assistance and general assistance medical care programs

Parts 9500.1090 to 9500 1140 are not applicable to inpatient hospital services provided by state-owned hospitals or to facilities of the Indian health service and facilities operated by a tribe or tribal organization under funding authorized by title I or III of the Indian Self-Determination and Education Assistance Act, Public Law Number 93-638, or by United States Code, title 25, chapter 14, subchapter II, sections 450f and 450n

If it is determined that any provision of parts 9500 1090 to 9500.1140 conflicts with requirements of the federal government with respect to federal financial participation in medical assistance, the federal requirements prevail

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1100 DEFINITIONS.

[For text of subps 1 to 5, see M R]

Subp 6. **Ancillary service.** "Ancillary service" means inpatient hospital services that include laboratory and blood, radiology, anesthesiology, electrocardiology, electroencephalography, pharmacy and intravenous therapy, delivery and labor room, operating and recovery room, emergency room and outpatient clinic, observation beds, respiratory therapy, physical therapy, occupational therapy, speech therapy, medical supplies, renal dialysis, and psychiatric and chemical dependency services customarily charged in addition to an accommodation service charge

[For text of subps 9 to 12a, see M R]

Subp 12b **City of the first class.** "City of the first class" means a city that has more than 100,000 inhabitants, provided that once a city is defined to be of the first class, it shall not be reclassified unless its population decreases by 25 percent from the census figures which last qualified the city for inclusion in the class.

Subp 14 **Commissioner.** "Commissioner" means the commissioner of the Department of Human Services or an authorized representative of the commissioner

Subp 16 **Cost-to-charge ratio.** "Cost-to-charge ratio" means a ratio of a hospital's inpatient hospital costs to its charges

[For text of subps 18 to 20f, see M R.]

Subp 20g **Additional DRG requirements.**

[For text of items A to E, see M R.]

F For payment of admissions that result from a home health nurse being unavailable, and physician orders from home remain in effect, the principal diagnosis will be identified as V58 89, other specified procedures and aftercare

[For text of item G, see M R]

[For text of subp 22, see M R]

Subp 25 **Hospital.** "Hospital" means a facility defined in Minnesota Statutes, section 144 696, subdivision 3, and licensed under Minnesota Statutes, sections 144.50 to 144 581, or an out-of-state facility licensed to provide acute care under the requirements of the state in which it is located

[For text of subp 26, see M R]

Subp 26a **Inpatient hospital costs.** "Inpatient hospital costs" means a hospital's base year inpatient hospital service costs determined allowable under the cost finding methods of Medicare, but not to include the medical assistance surcharge, without regard to adjustments in payments imposed by Medicare

[For text of subp 27, see M R]

Subp 28a **Local trade area hospital.** "Local trade area hospital" means a metropolitan statistical area hospital located outside Minnesota in a county contiguous to Minnesota that has 20 or more medical assistance admissions in the base year

Subp 28b **Long-term care hospital.** "Long-term care hospital" means a Minnesota hospital or a metropolitan statistical area hospital located outside Minnesota in a county contiguous to Minnesota that meets the requirements under Code of Federal Regulations, title 42, part 412, section 23(e).

Subp. 28c **Low volume local trade area hospital.** "Low volume local trade area hospital" means a metropolitan statistical area hospital located outside Minnesota in a county contiguous to Minnesota that has less than 20 medical assistance admissions in the base year.

Subp. 29. **Medical assistance.** "Medical assistance" means the program established under Title XIX of the Social Security Act and Minnesota Statutes, sections 256 9685 to 256 9695 and chapter 256B For purposes of parts 9500 1090 to 9500 1155, "medical assistance" includes general assistance medical care unless otherwise specifically stated

[For text of subps 31 to 33, see M R]

Subp 34. **Nonmetropolitan statistical area hospital.** "Nonmetropolitan statistical area hospital" means a Minnesota hospital not located in a metropolitan statistical area as determined by Medicare for the October 1 prior to the most current rebased rate year.

Subp 35 **Operating costs.** "Operating costs" means inpatient hospital costs excluding property costs

Subp 36. [Repealed, 26 SR 976]

Subp 37 **Out-of-area hospital.** "Out-of-area hospital" means a hospital located outside Minnesota that is not a local trade area hospital or a low volume local trade area hospital

[For text of subps 38 to 51, see M R]

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1105 BASIS OF PAYMENT FOR INPATIENT HOSPITAL SERVICES.

Subpart 1 **Reporting requirements.**

A No later than October 1 preceding a rebased rate year or 60 days from the department's request, whichever is later, a Minnesota and local trade area hospital must provide to the department complete, true, and authorized information as outlined in subitems (1) to (6). Information required m subitems (1) to (6) that is not provided in a timely manner will not be used in calculating the hospital's rates for that rate year and the following year if rebasing does not occur.

(1) The base year Medicare audited cost report of local trade area hospitals

(2) The decision on whether certified registered nurse anesthetist services are to be paid separately from parts 9500 1090 to 9500 1155. Once elected, the decision to be paid separately is irrevocable

(3) The elected outlier percentage for other than neonate and burn admissions to a minimum of 60 percent and a maximum of 80 percent The chosen percentage shall apply to all program and specialty groups of the hospital

(4) The most recent Medicare cost report submitted to Medicare by October 1 prior to a rebased rate year

(5) The data on low income utilization necessary to implement the disproportionate population adjustment

(6) The Medicare adjustments to prior base year data

B If Medicare does not require a hospital to file a complete cost report, that hospital must, no later than February 1 preceding a rebased rate year, provide true, complete, and authorized Medicare cost report data under the cost finding methods and allowable costs in effect during the base year

Subp 2 **Establishment of base years.**

A The base year for the 1993 rate year shall be each Minnesota and local trade area hospital's most recent Medicare cost reportmg period ending prior to September 1, 1988 If that cost reporting period is less than 12 months, it must be supplemented by information from the prior cost reporting period so that the base year is 12 months except for hospitals that closed durmg the base year

B The base year data will be moved forward three years beginning with the 1995 rate year The base year data will be moved forward every two years after 1995 or every one year if notice is provided at least six months prior to the rate year by the department. For long-term care hospitals that open after April 1, 1995, the base year is the year for which the hospital first filed a Medicare cost report as a long-term care hospital That base year shall remain until it falls withm the same period as other hospitals

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1110 DETERMINATION OF RELATIVE VALUES OF THE DIAGNOSTIC CATEGORIES.

Subpart 1 **Determination of relative values.** To determine the relative values of the diagnostic categories the department shall

A Select medical assistance claims for Minnesota and local trade area hospitals with admission dates from each hospital's base year

B Exclude the claims and charges in subitems (1) to (7)

(1) Medicare crossover claims,

(2) claims paid on a transfer rate per day according to part 9500 1128, subpart 2, item C,

(3) inpatient hospital services for which medical assistance payment was not made,

(4) inpatient hospital claims paid to a long-term care hospital,

(5) inpatient hospital services not covered by the medical assistance program on October 1 prior to a rebased rate year,

(6) inpatient hospital charges for noncovered days calculated as the ratio of noncovered days to total days multiplied by charges, and

(7) inpatient hospital services paid under part 9500 1128, subpart 2, item E

C Combine claims into the admission that generated the claim according to part 9500.1128, subpart 4

D Determine operating costs for each hospital admission in item C using each hospital's base year data accordmg to subitems (1) to (5).

[For text of subitem (1), see M R]

(2) Determine the operating cost of each ancillary service by multiplying the ancillary charges by that ancillary operatmg cost-to-charge ratio and add the products of all ancillary services. An ancillary operating cost-to-charge ratio will be adjusted for certified registered nurse anesthetist costs and charges accordmg to the hospital's election under part 9500 1105, subpart 1, item A, subitem (2)

[For text of subitem (3), see M R]

(4) Add subitems (1) to (3)

(5) Multiply the result of subitem (4) by the hospital cost mdex that corresponds to the hospital's fiscal year end in part 9500 1120, subpart 2, item B.

E Assign each admission and operatmg cost identified m item D, subitem (5), to the appropriate program or specialty group and diagnostic category accordmg to part 9500 1100, subparts 20a to 20e and 20g

F Determine the mean cost per admission within each program and the rehabilitation distinct part specialty group for the program and rehabilitation distinct part specialty group admissions identified in item E by dividing the sum of the operatmg costs by the total number of admissions.

G Determine the mean cost per admission within each program and rehabilitation distinct part specialty group diagnostic category identified in item E by dividing the sum of the operating costs in each diagnostic category by the total number of admissions in each diagnostic category

H Determine the relative value for each diagnostic category by dividing item G by the corresponding result of item F within each program and the rehabilitation distinct part specialty group and round the quotient to five decimal places.

I. Determine the mean length of stay within each program and rehabilitation distinct part diagnostic category identified m item E by dividing the total number of inpatient service days in each diagnostic category by the total number of admissions in that diagnostic category and round the quotient to two decimal places.

J Determine the day outlier trim point for each program and rehabilitation distinct part diagnostic category and round to whole days

Subp 2 **Redetermination of relative values.** The department shall reassign the program and specialty group diagnostic category composition m part 9500 1100, subparts 20a to 20g, after notice of the change in the State Register and a 30-day comment period The relative values in this part and adjusted base year operating costs in part 9500 1115 and 9500 1116 must be redetermined when changes are made to part 9500 1100, subparts 20a to 20g

Statutory Authority: *MS s 256.9685*

History: *26 SR 976*

9500.1115 DETERMINATION OF ADJUSTED BASE YEAR OPERATING COST PER ADMISSION AND PER DAY OUTLIER.

Subpart 1 **Adjusted base year operating cost per admission for Minnesota and local trade area hospitals.** The department will determine the adjusted base year

operating cost per admission by program and the rehabilitation distinct part specialty group for each Minnesota and local trade area hospital according to items A to D

A Determine and classify the operating cost for each admission according to part 9500 1110, subpart 1, items A to E

[For text of item B, see M R]

C For each admission, subtract item B from item A, and for each hospital, add the results within each program and the rehabilitation distinct part specialty group, and divide this amount by the number of admissions within each program and the rehabilitation distinct part specialty group

D Adjust item C for case mix accordmg to subitems (1) to (4).

(1) Multiply the hospital's number of admissions by program and the rehabilitation distinct part specialty group withm each diagnostic category by the relative value of that diagnostic category.

(2) Add together each of the products determmed in subitem (1)

(3) Divide the total from subitem (2) by the number of admissions and round that quotient to five decimal places.

(4) Divide the cost per admission as determined in item C by the quotient calculated in subitem (3) and round that amount to whole dollars

Subp. 2 **Adjusted base year operating cost per day outlier for Minnesota and local trade area hospitals.** The department will determine the adjusted base year operatmg cost per day outlier by program and the rehabilitation distmct part specialty group for each Mmnesota and local trade area hospital according to items A and B.

[For text of item A, see M R]

B Adjust item A for case mix accordmg to subitems (1) to (4)

(1) Multiply the hospital's number of outlier days by program and the rehabilitation distinct part specialty group within each diagnostic category by the relative value of that diagnostic category

[For text of subitems (2) to (4), see M.R]

Subp 3 **Out-of-area hospitals.** The department will determme the adjusted base year operatmg cost per admission and per day outlier by program for out-of-area hospitals according to items A to C

A Multiply each adjusted base year operatmg cost per admission and per day outlier for each Minnesota and local trade area hospital determmed in subparts 1 and 2 by the number of corresponding admissions or outlier days in that hospital's base year

[For text of items B and C, see M R]

Subp 4. **Minnesota metropolitan statistical area and local trade area hospitals that do not have five or more medical assistance admissions or five or more day outlier medical assistance admissions in the base year and low volume local trade area hospitals.** The department will determine the adjusted base year operating cost per admission or per day outlier by program according to items A to C

A. Multiply each adjusted base year cost per admission and per day outlier for each Minnesota metropolitan statistical area and local trade area hospital determined in subparts 1 and 2 by the number of corresponding admissions or outlier days in that hospital's base year.

B. Add the products calculated in item A

C Divide the total from item B by the total admissions or outher days for all Mmnesota metropolitan statistical area and local trade area hospitals and round that amount to whole dollars

Subp 5 **Nonmetropolitan statistical area hospitals that do not have five or more medical assistance admissions or five or more day outlier medical assistance admissions in the base year.** The department will determine the adjusted base year operatmg cost per admission or per day outlier by program for nonmetropolitan statistical area

hospitals by substituting nonmetropolitan statistical area hospitals terms and data for the metropolitan statistical area hospitals terms and data under subpart 4

Subp 5a. **Minnesota and local trade area hospitals that do not have five or more medical assistance rehabilitation distinct part specialty group admissions or five or more day outlier medical assistance rehabilitation distinct part specialty group admissions in the base year.** The department will determine the adjusted base year operating cost per admission or per day outlier for the rehabilitation distinct part specialty group for Minnesota and local trade area hospitals by substituting Minnesota and local trade area hospital terms and data for the metropolitan statistical area hospital terms and data under subpart 4

Subp 6 **Limitation on separate payment.** Out-of-area hospitals that have a rate established under subpart 3 may not have certified registered nurse anesthetists services paid separately from parts 9500 1090 to 9500 1155

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1116 DETERMINATION OF ADJUSTED BASE YEAR OPERATING COST PER DAY.

Subpart 1 **Neonatal transfers.**

A For Minnesota and local trade area hospitals, the department will determine the neonatal transfer adjusted base year operating cost per day for Minnesota and local trade area admissions that result from a transfer to a neonatal intensive care unit specialty group according to subitems (1) to (6)

(1) Determine the operatmg cost per day within each diagnostic category m part 9500 1100, subpart 20f, according to part 9500.1110, subpart 1, items A to E, and divide the total base year operating costs by the total corresponding mpatient hospital days for each admission.

(2) Determine relative values for each diagnostic category at part 9500 1100, subpart 20f, according to part 9500 1110, subpart 1, items F, G, and H, after substituting the term "day" for "admission "

(3) For each Minnesota and local trade area hospital that has admissions that result from a transfer to a neonatal intensive care unit specialty group, determine the operating cost for each admission according to part 9500 1110, subpart 1, items A to E.

(4) Add the results for each adinission in subitem (3)

(5) Divide the total from subitem (4) by the total corresponding mpatient hospital days for each admission in subitem (3).

(6) Adjust subitem (5) for case mix accordmg to part 9500.1115, subpart 1, item D, after substituting the term "day" for "admission."

B For Minnesota and local trade area hospitals that do not have five or more medical assistance neonatal transfer admissions to a neonatal intensive care unit specialty group m the base year, the department will determine the neonatal transfer adjusted base year operating cost per day for admissions that result from a transfer to a neonatal mtensive care unit according to subitems (1) to (3)

(1) Multiply each adjusted base year operating cost per day for each Minnesota and local trade area hospital determined in item A, subitem (6), by the number of corresponding days in the hospital's base year

(2) Add the products m subitem (1).

(3) Divide the total from subitem (2) by the total days for all Minnesota and local trade area hospitals and round that amount to whole dollars

Subp 2 **Long-term care hospital.**

A The department will determine the base year operating cost per day for a long-term care hospital for the rate year accordmg to subitems (1) and (2).

(1) Determine the operating cost per day according to part 9500 1110, subpart 1, items A to D, except that claims excluded in part 9500 1110, subpart 1, item B, subitems (2) and (4), will be included

(2) Divide the total base year operating costs for all admissions in subitem (1) by the total corresponding inpatient hospital days for all adinissions and round that amount to whole dollars

B For long-term care hospitals that do not have five or more medical assistance admissions in the base year, the department will determine a long-term care hospital operating cost per day according to subitems (1) to (3)

(1) Multiply each operating cost per day for each long-term care hospital as determined in item A, subitem (2), by the number of corresponding days in the hospital's base year

(2) Add the products in subitem (1)

(3) Divide the total from subitem (2) by the total days for all long-term care hospitals and round that amount to whole dollars

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1120 DETERMINATION OF HOSPITAL COST INDEX.

[For text of subpart 1, see M R]

Subp 2 **Determination of hospital cost index.** For the period from the midpoint of each hospital's base year to the midpoint of the rate year, or, when the base year is not rebased, from the midpomt of the prior rate year to the midpoint of the current rate year, the department shall determine the hospital cost index according to items A and B

A The commissioner shall obtain from Data Resources, Inc , the average annual historical and projected cost change estimates in a decimal format for the operating costs by applying the change in the Consumer Price Index - All Items (United States city average) (CPI-U) in the third quarter of the prior rate year

B Add one to the amounts in item A and multiply these amounts together. Round the result to three decimal places

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1121 DETERMINATION OF DISPROPORTIONATE POPULATION ADJUSTMENT.

Subpart 1 **Eligibility for disproportionate population adjustment.** To be eligible for a disproportionate population adjustment, a Minnesota or local trade area hospital must meet the requirements of item B under general assistance medical care and item A and item C, D, or E under medical assistance.

[For text of item A, see M R]

B The hospital has a base year days utilization rate of medical assistance inpatient days, including medical assistance inpatient days with another state but excluding general assistance medical care and Medicare crossovers, divided by total inpatient days that exceeds the arithmetic mean plus one standard deviation for Minnesota and local trade area hospitals The difference is added to one and rounded to four decimal places

C The hospital has a base year days utilization rate of medical assistance inpatient days, including medical assistance inpatient days with another state but excluding general assistance medical care and Medicare crossovers, divided by total inpatient days that exceeds the arithmetic mean for Minnesota and local trade area hospitals The difference is added to one and rounded to four decimal places

D. The hospital has a base year days utilization rate of medical assistance inpatient days, including medical assistance inpatient days with another state but

excluding general assistance medical care and Medicare crossovers, divided by total inpatient days that exceeds the arithmetic mean plus one standard deviation for Minnesota and local trade area hospitals The difference is multiplied by 1.1 and added to one and rounded to four decimal places.

E The hospital has a base year low-income utilization rate that exceeds 0.25. This rate is calculated by dividing medical assistance revenues, including medical assistance revenues with another state but excluding general assistance medical care, plus any cash subsidies received by the hospital directly from state and local government by total revenues plus the cash subsidies amount This rate is added to the quotient of inpatient "charity care" charges minus the cash subsidies divided by total inpatient charges The result is added to one and rounded to four decimal places For purposes of this part, "charity care" is care provided to individuals who have no source of payment from third-party or personal resources

[For text of subp 2, see M R]

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1122 DETERMINATION OF PROPERTY COST PER ADMISSION.

Subpart 1 **Minnesota and local trade area hospitals.** The department will determine the property cost per admission for each Minnesota and local trade area hospital according to items A to D

A Determine the property cost for each admission in part 9500.1110, subpart 1, item C, using each hospital's base year data according to subitems (1) to (4).

(1) Multiply the number of accommodation service inpatient days by that accommodation service property per diem and add the products

(2) Multiply each ancillary charge by that ancillary property cost-to-charge ratio and add the products

(3) Add subitems (1) and (2).

(4) Add the results of subitem (3) for all admissions for each hospital.

B Determine the property cost for each hospital admission in part 9500 1110, subpart 1, item C, using each hospital's base year data and recent year data from part 9500.1105, subpart 1, item A, subitem (4), according to subitems (1) to (4)

[For text of subitems (1) to (4), see M R]

[For text of item C, see M R]

D. Determine the property cost per admission by program and specialty group according to subitems (1) to (3)

[For text of subitems (1) and (2), see M R]

(3) Add the products withm each program and specialty group in subitem (2), divide the total by the number of corresponding admissions, and round the resulting amount to whole dollars

Subp 2 **Out-of-area hospitals.** The department will determine the property cost per admission by program for out-of-area hospitals according to items A to C

A. Multiply each property cost per admission for each Minnesota and local trade area hospital determined in subpart 1, item D, subitem (3), by the number of corresponding admissions in that hospital's base year.

[For text of items B and C, see M R]

Subp 3 **Minnesota metropolitan statistical area hospitals and local trade area hospitals that do not have five or more medical assistance admissions in the base year and low volume local trade area hospitals.** The department will determine the property cost per admission by program according to items A to C

A Multiply each property cost per admission for each Minnesota metropolitan statistical area hospital and local trade area hospital determined in subpart 1, item D, subitem (3), by the number of corresponding admissions in the hospital's base year

B Add the products in item A

C Divide the total from item B by the total admissions for all Minnesota metropolitan statistical area and local trade area hospitals and round the resulting amount to whole dollars

Subp 4 **Nonmetropolitan statistical area hospitals that do not have five or more medical assistance admissions in the base year.** The department will determine the property cost per admission by program for nonmetropolitan statistical area hospitals that do not have five or more medical assistance admissions in the base year by substituting nonmetropolitan statistical area hospitals terms and data for the metropolitan statistical area hospitals terms and data under subpart 3

Subp. 5 **Minnesota and local trade area hospitals that do not have five or more medical assistance rehabilitation distinct part specialty group admissions in the base year.** The department will determine the property cost per admission for the rehabilitation distinct part specialty group for Minnesota and local trade area hospitals that do not have five or more medical assistance admissions in the base year substituting Minnesota and local trade area hospital terms and data for the metropolitan statistical area hospital terms and data under subpart 3

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1123 DETERMINATION OF HOSPITAL PAYMENT ADJUSTMENT.

Minnesota and local trade area hospitals that do not meet the disproportionate population adjustment payment requirements under part 9500.1121, subpart 1, item A, will receive a hospital payment adjustment according to the amount determined in part 9500 1121, subpart 1, item C, D, or E, subject to part 9500 1121, subpart 2 For purposes of this part, medical assistance does not include general assistance medical care.

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1124 DETERMINATION OF PROPERTY COST PER DAY.

Subpart 1 **Neonatal transfers.**

A. For Minnesota and local trade area hospitals, the department will determine the property cost per day for neonatal transfer admissions that result from a transfer to a neonatal intensive care unit specialty group according to part 9500 1122, subpart 1, item D, after substituting the term "day" for "admission "

B For Minnesota and local trade area hospitals that do not have five or more medical assistance neonatal transfer admissions in the base year, the department will determine the neonatal transfer property cost per day for admissions in the base year according to part 9500 1122, subpart 3, after substituting the term "day" for "admission."

Subp 2 **Long-term care hospitals.**

A For long-term care hospitals, the department will determine the property cost per day according to subpart 1, item A, except that claims excluded in part 9500 1110, subpart 1, item B, subitems (2) and (4), will be included

B For long-term care hospitals that do not have five or more medical assistance long-term care hospital admissions in the base year, the department will determine a long-term care hospital property cost per day according to part 9500 1122, subpart 3, after substituting the term "day" for "admission."

Statutory Authority: *MS s 256 9685*

History: *26 SR 976, 26 SR 1000*

9500.1127 DETERMINATION OF SMALL RURAL PAYMENT ADJUSTMENT.

Subpart 1 **Eligibility for small rural payment adjustment of 20 percent.** A Minnesota hospital is eligible for a small rural payment adjustment of 20 percent increase to its payment rates, excluding Medicare crossovers, if it meets the requirements in items A to C For purposes of this subpart, medical assistance does not include general assistance medical care

A The hospital had 100 or fewer medical assistance annualized paid admissions, excluding Medicare crossovers, that were paid by March 1, 1988, for the period January 1, 1987, to June 30, 1987

B The hospital had 100 or fewer licensed beds on March 1, 1988

C The hospital is not located in a city of the first class.

Subp 2. **Eligibility for small rural payment adjustment of 15 percent.** A Minnesota hospital is eligible for a small rural payment adjustment of 15 percent increase to its payment rates, excluding Medicare crossovers, if it meets the requirements in items A to B For purposes of this subpart, medical assistance does not include general assistance medical care

A The hospital had more than 100 but fewer than 250 medical assistance annualized paid admissions, excluding Medicare crossovers, that were paid by March 1, 1988, for the period January 1, 1987, to June 30, 1987

B The hospital meets the requirements of subpart 1, items B and C

Subp 3 **Limitation of small rural payment adjustment.** A Minnesota hospital eligible for the small rural payment adjustment under subpart 1 or 2 that is also eligible for the disproportionate population adjustment under part 9500.1121 or the hospital payment adjustment under part 9500 1123, is eligible for payments under those parts plus any amount by which the small rural payment adjustment exceeds the adjustments under those parts

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1128 DETERMINATION OF PAYMENT RATES.

[For text of subpart 1, see M R.]

Subp 2 **Rate per admission.**

A Each admission is classified to the appropriate program or the rehabilitation distinct part specialty group and diagnostic category according to part 9500.1100, subparts 20a to 20g, and the rate per admission will be determined accordmg to subitems (1) and (2)

(1)	Medical Assistance Rate Per Admission	=	((Adjusted base year operatmg cost per admission multiplied by the relative value of the diagnostic category) plus the property cost per admission) and multiplied by the disproportionate population adjustment under part 9500 1121 or the hospital payment adjustment under part 9500 1123
(2)	General Assistance Medical Care Rate per Admission	=	(Adjusted base year operating cost per admission multiplied by the relative value of the diagnostic category and multiplied by the disproportionate population adjustment under part 9500 1121) plus the property cost per admission

B The day outlier rate is in addition to the rate per admission and will be determined by program or the rehabilitation distinct part specialty group as follows

(1) The rate per day for day outliers, as classified in item A, is determined as follows

Outlier Rate Per Day	=	Adjusted base year operatmg cost per day outlier multiplied by the relative value of the diagnostic category and multiplied by the disproportionate population adjustment under part 9500.1121 or the hospital payment adjustment under part 9500 1123

(2) The days of outlier status begin after the trim pomt for the appropriate diagnostic category and continue for the number of days a patient receives covered mpatient hospital services excluding days paid under item E

C Except for admissions subject to subpart 3, a transfer rate per day for both the hospital that transfers a patient and the hospital that admits the patient who is transferred will be determined as follows:

Transfer Rate Per Day	=	The rate per admission m item A divided by the arithmetic mean length of stay of the diagnostic category

(1) A hospital will not receive a transfer payment that exceeds the hospital's applicable rate per admission specified in item A unless that admission is a day outlier

(2) Except as applicable under subpart 4, rehabilitation hospitals and rehabilitation distinct parts are exempt from a transfer payment

(3) An admission that directly precedes an admission to a non-state-owned hospital that provides psychiatric inpatient hospital services to persons with serious and persistent mental illness who have been civilly committed or voluntarily hospitalized in lieu of commitment and that is paid according to a contracted rate per day with the department is exempt from a transfer payment

D An admission classified to DRGs 386 to 390 whose length of stay is less than 50 percent of the arithmetic mean length of stay for the diagnostic category the admission is classified to under part 9500 1100, subparts 20a to 20g, and whose age at the time of admission is equal to or greater than one year, will be paid according to item C.

E. For an admission whose length of stay exceeds 365 days, the payment for the mpatient hospital services provided beyond 365 days will be the charges for those mpatient hospital services multiplied by the hospital's operating cost-to-charge ratio for all admissions determined under part 9500 1110, subpart 1, item D, subitem (4), and multiplied by the disproportionate population adjustment under part 9500 1121 or the hospital payment adjustment under part 9500 1123. This item is not applicable to rate per day payments under subpart 3.

F For an admission that is classified to a diagnostic category that mcludes neonatal respiratory distress syndrome, the hospital must have a level II or level III nursery and the patient must receive treatment in that unit or payment will be made without regard to the respiratory distress syndrome condition

G A general assistance medical care admission classified to DRGs 424 to 432, 434, and 435 will be paid according to item C except that the per day rate will be multiplied by a factor of two

Subp 3 **Rate per day.**

A Admissions resultmg from a transfer to a neonatal mtensive care unit specialty group and classified to a diagnostic category in part 9500 1100, subpart 20f, will have rates determined according to subpart 2, item A, after substituting the word "day" for "admission."

B Admissions or transfers to a long-term care hospital will have rates determined according to subpart 2, item A, after substituting the word "day" for "admission," without regard to relative values

Subp. 4 **Readmissions.** An admission and readmission of the same patient to the same or a different hospital within 15 days, excluding the days of discharge and readmission, is eligible for payment accordmg to the criteria in parts 9505 0501 to 9505 0545.

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1129 PAYMENT LIMITATIONS.

[For text of subpart 1, see M R]

Subp 2 **Transfers.** A discharging hospital is not eligible for a transfer payment for services provided to a discharged patient if the admission to the discharging hospital was not due to an emergency, as defined in part 9505 0505, subpart 12, and the discharging hospital knew or had reason to know at the time of admission that the mpatient hospital services were outside the scope of the hospital's available services and the transfer to another hospital resulted because of the patient's need for those services

Statutory Authority: *MS s 256 9685*

History: *26 SR 976*

9500.1140 APPEALS.

[For text of subps 1 and 2, see M R]

Subp 3 **Case mix appeals.** A hospital may appeal a payment change that results from a difference m case mix between the base year and rate year The appeal must be received by the commissioner or postmarked no later than 120 days after the end of the appealed rate year A case mix appeal will apply to all medical assistance patients who received mpatient hospital services from the hospital for which the hospital received medical assistance payment excluding Medicare crossovers and the appeal is effective for the entire rate year A case mix appeal excludes medical assistance admissions whose payments have been made according to part 9500 1130, subpart 1b, item E. A case mix appeal excludes medical assistance admissions that have a relative value of zero for its DRG The results of case mix appeals do not automatically carry forward into later rate years Separate case mix appeals must be submitted for each rate year based on the change in the mix of cases for that particular rate year An adjustment will be made only to the extent that the need is attributable to circumstances that are separately identified by the hospital The hospital must demonstrate that the average acuity or length of stay of patients in each rate year appealed has increased or services have been added or discontinued accordmg to items A to J.

A The change must be measured by use of case mix indices derived usmg all DRGs Relative values for each DRG will be determined accordmg to part 9500 1110, subpart 1, by substituting DRG terms and data for diagnostic category terms and data DRG relative values will be determmed based on all programs and the rehabilitation distinct part specialty group Separate DRG relative values will be determined for transfers to the neonatal intensive care unit specialty group For each program and specialty group, make the determinations m subitems (1) to (6)

(1) Multiply the hospital's number of rate year admissions withm each DRG by the relative value of that DRG

(2) Add together each of the products determmed in subitem (1)

(3) Divide the total from subitem (2) by the hospital's number of rate year admissions and round the quotient to five decimal places

(4) Complete the functions in subitems (1) to (3) for the hospital's base year admissions determined in part 9500 1110, subpart 1, item C.

(5) Divide the quotient determined in subitem (3) by the quotient determined in subitem (4)

(6) Multiply subitem (5) by 100 and round the percentage to five decimal places

B The percentage change, in whole numbers, between the recalculated case mix indices under item A will be reduced by the change in indices as measured using diagnostic categories in part 9500 1100, subparts 20b to 20g. For each program and specialty group, make the determinations in subitems (1) to (8).

(1) Multiply the hospital's number of rate year admissions within each diagnostic category by the relative value of that diagnostic category as determined in part 9500 1100.

(2) Add together each of the products determined in subitem (1)

(3) Divide the total from subitem (2) by the hospital's number of rate year admissions and round the quotient to five decimal places.

(4) Complete the functions in subitems (1) to (3) for the hospital's base year admissions determined in part 9500.1110, subpart 1, item C.

(5) Divide the quotient determined in subitem (3) by the quotient determined in subitem (4).

(6) Multiply subitem (5) by 100 and round the percentage to five decimal places.

(7) Divide item A, subitem (6), by subitem (6)

(8) Multiply subitem (7) by 100 and round the percentage change to whole numbers.

C. Determine the payments made for admissions occurring during the appealed rate year under part 9500 1128 reduced by property payments made under parts 9500 1121, 9500 1122, 9500 1123, 9500 1124, and 9500.1126 for each program and specialty group

D Multiply item B, subitem (8), by item C for each program and specialty group.

E. Subtract item C from item D for each program and specialty group.

F Add the differences in item E.

G. Add the differences in item C

H Divide item F by item G If the quotient is less than positive 0 05 and more than negative 0.05, there can be no payment adjustment for a change in case mix.

I Subtract 0 05 from the quotient in item H if the quotient is positive or add 0 05 if the quotient is negative

J Multiply item G by item I. If the product is positive, there is an underpayment with that amount due the hospital If the product is negative, there is an overpayment with that amount due the department

[For text of subps 4 to 6, see M R.]

Statutory Authority: *MS s 256.9685*

History: *26 SR 976*

9500.1150 [Repealed, 26 SR 976]

9500.1155 [Repealed, 26 SR 976]

9500.4350 PURPOSE AND APPLICABILITY.

Parts 9500 4350 to 9500 4385 implement Mmnesota Statutes, section 256J 425, by specifying how certain provisions shall be applied to MFIP applicants and participants whose remaining eligibility and household composition are not specified in Minnesota Statutes, section 256J 425. Laws 2001 First Special Session chapter 9, article 10, section 65, authorizes the commissioner of human services to adopt exempt rules under Mmnesota Statutes, section 14 386. Parts 9500.4350 to 9500 4385 specify how to treat households when an adult participant received assistance in a state other than Mmnesota, or households who apply for MFIP assistance when they have less than 60 days of eligibility remaining Parts 9500 4350 to 9500 4385 also specify how extension provisions will be applied to households in which each adult participant qualifies for a different hardship extension or reaches the 60-month limit at a different time

Statutory Authority: *MS s 14 386*

History: *26 SR 1302*

This part is effective for two years and expires April 1, 2004

9500.4355 NOTICES FOR ASSISTANCE UNITS WITH LESS THAN 12 MONTHS OF MFIP ELIGIBILITY.

Counties must give the same monthly notice specified in Minnesota Statutes, section 256J 415, to MFIP applicants or participants who have less than 12 months remaining in the 60-month time limit as of July 1, 2001, or later because the assistance unit previously received TANF assistance in Minnesota or another state. This part does not apply to MFIP participants aged 60 or older

Statutory Authority: *MS s 14 386*

History: *26 SR 1302*

This part is effective for two years and expires April 1, 2004

9500.4360 CASE REVIEW FOR ASSISTANCE UNITS WITH LESS THAN 60 DAYS OF MFIP ELIGIBILITY REMAINING.

MFIP applicants who are determined eligible for assistance and who have less than 60 days remaining in the 60-month time limit must receive the case review specified in Minnesota Statutes, section 256J 42, subdivision 6, as part of the application process

Statutory Authority: *MS s 14 386*

History: *26 SR 1302*

This part is effective for two years and expires April 1, 2004

9500.4365 HARDSHIP EXTENSIONS; DETERMINING GENERAL ELIGIBILITY.

Subpart 1 **General requirements.** To be eligible for a hardship extension, an adult participant in an assistance unit that is subject to the time limit under Minnesota Statutes, section 256J.42, subdivision 1, and has received 60 counted months of assistance, must be in compliance m month 60. For purposes of determining eligibility for a hardship extension, a participant is m compliance in any month that the participant has not been sanctioned.

If an adult participant has reached month 60 and is in sanction in month 60, or in the month in which the participant requests a hardship extension, the county must review the sanction status and determme whether the sanction is appropriate or if a good cause exception exists under Mmnesota Statutes, section 256J 57 If the sanction was inappropriately applied or the participant is granted a good cause exception before the end of month 60 or the month of request for the hardship extension, the participant shall be considered for an extension.

Subp 2 **Provisions for two-parent assistance units.** When both adult participants m a two-parent MFIP assistance unit reach 60 months of assistance at the same time, each adult participant must meet a category of extension m addition to being in compliance in month 60 m order for the family to be approved for extended MFIP assistance

When one of the adult participants in a two-parent MFIP assistance unit reaches month 60 before the other, the participant who reaches month 60 first must qualify for a category of extension in addition to being in compliance in month 60 in order for the family to be approved for a hardship extension When the other adult participant reaches month 60, that participant must also be in comphance in month 60 and must qualify for a category of extension in order for the assistance unit to remain eligible for a hardship extension

Statutory Authority: *MS s 14 386*

History: *26 SR 1302*

This part is effective for two years and expires April 1, 2004

9500.4370 HARDSHIP EXTENSIONS FOR ASSISTANCE UNITS WITH LESS THAN 12 MONTHS OF MFIP ELIGIBILITY REMAINING.

To be eligible for a hardship extension under Minnesota Statutes, section 256J.425, subdivision 4, assistance units who are applying for and are eligible for MFIP, and have less than 12 months remaining in the 60-month time limit because the assistance unit has previously received TANF assistance in this or another state, must be in compliance for a minimum of ten of the 12 months immediately preceding month 61 on assistance If ten or fewer months remain at the time of the request for a hardship extension, the participant must be in compliance every month.

Statutory Authority: *MS s 14 386*

History: *26 SR 1302*

This part is effective for two years and expires April 1, 2004

9500.4375 ACCRUAL OF CERTAIN EXEMPT MONTHS.

Subpart 1 **Accrual under special medical criteria.** A participant who received TANF assistance that counted toward the federal 60-month time limit while the participant was exempt from employment and training services requirements under Minnesota Statutes, section 256J 56, paragraph (a), clause (7), and who is no longer eligible for assistance under a hardship extension under Minnesota Statutes, section 256J 425, subdivision 2, paragraph (a), clause (3), is eligible for assistance under a hardship extension for a period of time equal to the number of months that were counted toward the federal 60-month time limit while the participant was exempt under Minnesota Statutes, section 256J.56, paragraph (a), clause (7), from employment services. If, at month 60, the assistance unit requests to continue to receive MFIP and a child or adult in the household continues to meet the special medical criteria as outlined in Minnesota Statutes, section 256J 425, subdivision 2, paragraph (a), clause (3), the assistance unit must be granted a hardship extension Participants in this category are presumed to be prevented from obtaining and retaining employment When a child or adult who once met the special medical criteria no longer meets those criteria, the MFIP assistance unit may continue to receive MFIP assistance using the accrued months that were counted toward the federal 60-month limit prior to month 61 After the accrued months have been exhausted, the county agency must determine if the assistance unit is eligible for an extension under another extension category in Minnesota Statutes, section 256J 425, subdivision 2, 3, or 4.

Subp. 2 **Accrual under state time limit exemption.** An adult participant who received TANF assistance that counted toward the federal 60-month time limit while the participant met the state time limit exemption criteria under Minnesota Statutes, section 256J.42, subdivision 4 or 5, is eligible for assistance under a hardship extension for a period of time equal to the number of months that were counted toward the federal 60-month time limit while the participant met the state time limit exemption criteria under Minnesota Statutes, section 256J 42, subdivision 4 or 5 An assistance unit that has accrued months prior to month 61 under this subpart will continue to be eligible for MFIP using the accrued months beginning in month 61 even if the participant fits an extension category under Mmnesota Statutes, section 256J 425,

subdivision 2, 3, or 4, unless the participant meets an extension category under Minnesota Statutes, section 256J 425, subdivision 2, paragraph (a), clause (3)

Subp 3 **Pre-60 month policies for accrued months.** While receiving extended MFIP assistance under accrual provisions, a participant is subject to pre-60 month MFIP assistance policies unless the participant is a member of a two-parent family in which one parent is extended under Minnesota Statutes, section 256J 425, subdivision 3 or 4 For two-parent families in which one parent is extended under Minnesota Statutes, section 256J 425, subdivision 3 or 4, the sanction provisions in part 9500 4385, subpart 2, shall apply For the purpose of this subpart, pre-60 month policies include evaluating exemptions from employment services under Minnesota Statutes, section 256J 56, good cause exemptions under Minnesota Statutes, section 256J.57, and applying employment services sanction policies under Minnesota Statutes, section 256J 46

Statutory Authority: *MS s 14 386*

History: *26 SR 1302*

This part is effective for two years and expires April 1, 2004

9500.4380 EMPLOYED PARTICIPANTS.

Subpart 1 **Work requirements.** An assistance unit that is subject to the time limit under Minnesota Statutes, section 256J 42, subdivision 1, and has an adult participant who has received 60 months of assistance is eligible to receive assistance under a hardship extension if the adult participant reaching the 60-month limit belongs to one of the following units

A. a one-parent assistance unit in which the adult participant is participating in work activities for at least 30 hours per week, of which an average of at least 25 hours per week every month is spent participating in employment, or

B a two-parent assistance unit in which the adult participants are participating in work activities for at least 55 hours per week, of which an average of at least 45 hours per week every month is spent participating in employment If one parent in a two-parent assistance unit requests an extension for employed participants under this part and the other parent requests an extension under a different category, the parent requesting the extension for employed participants must be treated as a one-parent assistance unit for the purpose of meeting the work requirements under this part

Subp 2. **Definition of employment.** For purposes of this part, "employment" means

A unsubsidized employment under Minnesota Statutes, section 256J 49, subdivision 13, clause (1),

B subsidized employment under Minnesota Statutes, section 256J 49, subdivision 13, clause (2),

C on-the-job training under Minnesota Statutes, section 256J 49, subdivision 13, clause (4),

D. an apprenticeship under Minnesota Statutes, section 256J 49, subdivision 13, clause (19),

E supported work, which, for purposes of this part, means services supporting a participant on the job, which include, but are not limited to, supervision, job coaching, and subsidized wages,

F a combination of items A to E, and

G child care under Minnesota Statutes, section 256J 49, subdivision 13, clause (25), if it is in combination with paid employment

Subp 3 **Child protection plan hours.** If an adult participant is complying with a child protection plan under Minnesota Statutes, chapter 260C, the number of hours required under the child protection plan count toward the number of hours required under this part

Subp 4 **County responsibility for subsidized employment.** The county shall provide the opportunity for subsidized employment to participants needing that type of employment within available appropriations.

Subp 5 **Eligibility for hardship extension.** The policies in items A to D apply to employed participants in an assistance unit in which one or both parents have used 60 months of assistance

A The adult participant in a one-parent assistance unit or both adult participants in a two-parent assistant unit must be in comphance for at least ten of the 12 months immediately preceding month 61 on assistance

B. If only one adult participant in a two-parent assistance unit fails to be in compliance for ten of the 12 months immediately preceding month 61 on assistance, the county shall give the assistance unit the option of disqualifying the noncompliant participant effective in the 61st month If the noncompliant participant is disqualified, the assistance unit must be treated as a one-parent assistance unit for the purposes of meetmg the work requirements under this part and the assistance umt's MFIP grant shall be calculated usmg the shared household standard under Minnesota Statutes, section 256J 08, subdivision 82a.

C If one adult participant in a two-parent assistance unit requests a hardship extension for employed participants and is not in compliance for ten of the 12 months immediately preceding month 61 on assistance, and the other compliant participant quahfies for a different hardship extension category under Mmnesota Statutes, section 245J 425, subdivision 2 or 3, the county must give the assistance unit the option of disqualifying the noncompliant participant requestmg an employed hardship extension. If the noncompliant participant is disqualified effective in the 61st month, the assistance unit's MFIP grant must be calculated using the shared household standard under Minnesota Statutes, section 256J 08, subdivision 82a

D To be eligible for a hardship extension for employed participants m which only one participant in a two-parent assistance umt has used 60 months of assistance, only the participant who has used 60 months of assistance is required to be in compliance for at least ten of the 12 months immediately preceding month 61 on assistance If the participant who has used 60 months of assistance fails to be m compliance for at least ten of the 12 months immediately precedmg month 61 on assistance, the county must give the assistance unit the option of disqualifying the noncompliant participant requestmg an employed hardship extension If the noncompliant participant is disqualified, the assistance unit's MFIP grant shall be calculated usmg the shared household standard under Minnesota Statutes, section 256J 08, subdivision 82a. When the other adult participant reaches month 60, that participant must be m compliance for ten of the 12 months immediately precedmg month 61 in order for the family to qualify for a hardship extension for employed participants

Subp 6 **Employment plan.** The employment plan developed under Minnesota Statutes, section 256J 52, subdivision 5, for participants who are requesting an extension for employed participants must contam at least the minimum number of hours specified in Mmnesota Statutes, section 256J 425, subdivision 4, paragraph (a), for the purpose of meeting employment and work activities.

Subp. 7 **Failure to meet work requirements.** Adult participants who are granted an extension under subpart 1 and without a good cause exception under Minnesota Statutes, section 256J 57, fail to meet the requirements in subpart 1, shall be sanctioned or permanently disqualified under Minnesota Statutes, section 256J 425, subdivision 6. Good cause may only be granted for that portion of the month during which the good cause reason exists Participants must meet all remaining requirements m the approved employment plan or be subject to sanction or permanent disqualification

If noncompliance with an employment plan is due to the involuntary loss of employment, the participant is exempt from the hourly employment requirements under this part for one month. Participants must meet all remaining requirements m the approved employment plan or be subject to sanction or permanent disqualification This exemption is available to a one-parent assistance unit twice in a 12-month period, and to a two-parent assistance unit twice per parent in a 12-month period.

Statutory Authority: *MS s 14 386*

History: *26 SR 1302*

This part is effective for two years and expires April 1, 2004

9500.4385 SANCTIONS FOR EXTENDED CASES.

Subpart 1 **Sanctions for participants with a hardship extension that have used 60 months of assistance.** If a participant receiving a hardship extension under Minnesota Statutes, section 256J 425, subdivision 3 or 4, has used 60 months of assistance and is not in compliance with the employment and training service requirements in Minnesota Statutes, sections 256J 52 to 256J.55, the sanction policies in items A and B apply.

A. For a first occurrence of noncompliance, an assistance unit must be sanctioned under Minnesota Statutes, section 256J 46, subdivision 1, paragraph (d), clause (1). Prior to the imposition of a sanction, a county agency must provide a notice of intent to sanction under Minnesota Statutes, section 256J 57, subdivision 2, and, when applicable, a notice of adverse action as provided in Minnesota Statutes, section 256J 31. For a second or third occurrence of noncompliance, the assistance unit must be sanctioned according to Minnesota Statutes, section 256J.46, subdivision 1, paragraph (d), clause (2). For a fourth occurrence of noncompliance, the assistance unit is disqualified from MFIP assistance

B If a participant is determined to be out of compliance during an extension, the participant may claim a good cause exception under Minnesota Statutes, section 256J 57, but may not claim an exemption under Minnesota Statutes, section 256J 56. The county shall review the case file to determine if a good cause exception exists

Subp. 2 **Sanctions for two-parent families in which only one parent has used 60 months of assistance.** When a participant in a two-parent assistance unit who has not used 60 months of assistance is not in comphance, sanctions must be applied as specified in items A and B

A. A participant who is a member of a two-parent assistance unit receiving assistance under Minnesota Statutes, section 256J 425, subdivision 3 or 4, who has not used 60 months of assistance, and who is not in compliance with the employment and training service requirements in Minnesota Statutes, sections 256J 52 to 256J 55, is subject to the sanction policy in Minnesota Statutes, section 256J.425, subdivision 6

B. A participant who is a member of a two-parent assistance unit receiving assistance under Minnesota Statutes, section 256J 425, subdivision 2, who has not used 60 months of assistance, and who is not in compliance with the employment and training services requirements in Minnesota Statutes, sections 256J 52 to 256J 55, is subject to the sanction policy under Minnesota Statutes, section 256J 46.

Subp 3. **Sanctions for two-parent assistance units that are in sanction the 60th month.** Two-parent assistance units that are in sanction the 60th month in which only one parent has reached the 60th month must be treated as specified in items A and B.

A If the parent who has reached the 60th month is out of compliance in the 60th month, the case must be closed

B If only the parent who has not reached the 60th month is out of compliance and the other parent meets the requirements for an extension, the case may be extended.

C If a case extended under item B is extended under Minnesota Statutes, section 256J 425, subdivision 3 or 4, and either participant is out of compliance with the employment and training services requirements in Minnesota Statutes, sections 256J 52 to 256J 55, in the 61st month, the sanction in the 61st month is considered the first sanction for the purposes of applying the sanctions in Minnesota Statutes, section 256J.425, subdivision 6, except that the sanction amount shall be 30 percent. All other requirements in Minnesota Statutes, section 256J 46, subdivision 1, paragraph (d), clause (2), shall apply to this occurrence of noncompliance and the next two occurrences of noncomphance

Statutory Authority: *MS s 14 386*

History: *26 SR 1302*

This part is effective for two years and expires April 1, 2004