

9549.0020 DEFINITIONS.

Subpart 1. **Applicability.** As used in parts 9549.0010 to 9549.0080 the following terms have the meanings given them.

Subp. 2. **Actual allowable historical operating cost.** "Actual allowable historical operating cost" means the operating costs incurred by the nursing facility and allowed by the commissioner for the most recent reporting year.

Subp. 3. **Addition.** "Addition" means an extension, enlargement, or expansion of the nursing facility for the purpose of increasing the number of licensed beds or improving resident care.

Subp. 4. **Applicable credit.** "Applicable credit" means a receipt or expense reduction as a result of a purchase discount, rebate, refund, allowance, public grant, beauty shop income, guest meals income, adjustment for overcharges, insurance claims settlement, recovered bad debts, or any other adjustment or income reducing the costs claimed by a nursing facility.

Subp. 5. **Appraised value.** "Appraised value" means the value of the nursing facility buildings, attached fixtures, and land improvements used directly for resident care as determined under part 9549.0060.

Subp. 6. **Attached fixtures.** "Attached fixtures" means equipment used directly for resident care affixed to the building and not easily movable as specified in the fixed equipment table of the depreciation guidelines.

Subp. 7. **Buildings.** "Buildings" means the physical plant used directly for resident care and licensed under Minnesota Statutes, chapter 144A or Minnesota Statutes, sections 144.50 to 144.56, and auxiliary buildings in the nature of sheds, garages, and storage buildings located on the site if used directly for resident care. This definition does not include buildings or portions of buildings used by central, affiliated, or corporate offices.

Subp. 8. **Building capital allowance.** "Building capital allowance" means the component of the property-related payment rate which is denominated as a payment for the use of buildings, attached fixtures, and land improvements.

Subp. 9. **Capital assets.** "Capital assets" means a nursing facility's buildings, attached fixtures, land improvements, depreciable equipment, leasehold improvements, and all additions to or replacements of those assets used directly for resident care.

Subp. 10. **Commenced construction.** "Commenced construction" means the date on which a newly constructed nursing facility, or nursing facility with an increase in licensed beds of 50 percent or more, meets all the following conditions:

A. The final working drawings and specifications were approved by the commissioner of health.

- B. The construction contracts were let.
- C. A timely construction schedule was developed, stipulating dates for beginning, achieving various stages, and completing construction.
- D. All zoning and building permits have been issued.
- E. Financing for the project was secured as evidenced by the issuance of a binding letter of commitment by the financial institution, sale of bonds, or other similarly binding agreements.

Subp. 11. **Commissioner.** "Commissioner" means the commissioner of the Minnesota Department of Human Services.

Subp. 12. **Cost category.** "Cost category" means the classification or grouping of similar or related costs for purposes of reporting, audit, cost control, and the determination of cost limitations.

Subp. 13. **Cost report.** "Cost report" means the document and supporting material specified by the commissioner and prepared by the nursing facility. The cost report includes the statistical, financial, and other relevant information required in part 9549.0041 for rate determination.

Subp. 14. **Deletion.** "Deletion" means the sale, destruction, or dismantling of a nursing facility capital asset or a portion of a nursing facility capital asset without subsequent replacement.

Subp. 15. **Department.** "Department" means the Minnesota Department of Human Services.

Subp. 16. **Depreciated replacement cost method.** "Depreciated replacement cost method" means the method of property appraisal which determines the value of a capital asset by establishing the replacement cost new reduced by depreciation. As used in this subpart and part 9549.0060:

A. "Replacement cost new" means the amount required to obtain a new asset of equivalent utility to that which exists, but built at current prices, with modern materials and according to current standards, designs, and layout.

B. "Depreciation" means a loss of utility and hence value caused by deterioration or physical depreciation such as wear and tear, decay, dry rot, cracks, encrustations, or structural defects; and functional obsolescence such as poor plan, mechanical inadequacy or overadequacy, and functional inadequacy or overadequacy due to size, style, or age.

Subp. 17. **Depreciable equipment.** "Depreciable equipment" means the standard movable care equipment and support service equipment generally used in nursing facilities.

Depreciable equipment includes that equipment specified in the major movable equipment table of the depreciation guidelines.

Subp. 18. **Depreciation guidelines.** "Depreciation guidelines" means "The Estimated Useful Lives of Depreciable Hospital Assets," issued by the American Hospital Association, 840 North Lake Shore Drive, Chicago, Illinois 60611 (Chicago: 1983). Except as provided in part 9549.0030, subpart 4, the useful lives in the depreciation guidelines must not be used in the determination of the total payment rate. The depreciation guidelines are incorporated by reference and are available for reference at the Minnesota State Law Library, 25 Rev. Dr. Martin Luther King Jr. Blvd., Saint Paul, Minnesota 55155.

Subp. 19. **Desk audit.** "Desk audit" means the establishment of the payment rate based on the commissioner's review and analysis of required reports, supporting documentation, and work sheets submitted by the nursing facility.

Subp. 20. **Direct cost.** "Direct cost" means a cost that can be identified within a specific cost category without the use of allocation methods.

Subp. 21. **Equipment allowance.** "Equipment allowance" means the component of the property-related payment rate which is denominated as a payment for the use of depreciable equipment.

Subp. 22. **Field audit.** "Field audit" means the on-site examination, verification, and review of the financial records, statistical records, and related supporting documentation of the nursing facility and any related organization.

Subp. 23. **Fringe benefits.** "Fringe benefits" means workers' compensation insurance, group health or dental insurance, group life insurance, retirement benefits or plans, and an allowance for uniforms.

Subp. 24. **General and administrative costs.** "General and administrative costs" means the costs of administering the nursing facility as specified in part 9549.0040.

Subp. 25. **Historical operating costs.** "Historical operating costs" means the allowable operating costs incurred by the nursing facility during the reporting year immediately preceding the rate year for which the payment rate becomes effective, after the commissioner has reviewed those costs and determined them to be allowable costs under the medical assistance program, and after the commissioner has applied the limit on general and administrative costs.

Subp. 26. **Hospital-attached nursing facility.** "Hospital-attached nursing facility" means a nursing facility which is under common ownership and operation with a licensed hospital and shares with the hospital the cost of common service areas such as nursing, dietary, housekeeping, laundry, plant operations, or administrative services and which is required to use the stepdown method of allocation by the Medicare program, title XVIII of the Social Security Act, provided that the stepdown results in part of the cost of the shared

areas to be allocated between the hospital and the nursing facility, and that the stepdown numbers are the numbers used for Medicare reimbursement.

Subp. 27. **Indirect cost.** "Indirect cost" means a cost that is incurred for a common or joint purpose and is identified with more than one cost category but is not readily identified with a specific cost category.

Subp. 28. **Land improvement.** "Land improvement" means an improvement to the land surrounding the nursing facility directly used for resident care as specified in the land improvements table of the depreciation guidelines, if replacement of the land improvement is the responsibility of the nursing facility.

Subp. 29. **Medical assistance program.** "Medical assistance program" means the program which reimburses the cost of health care provided to eligible recipients pursuant to Minnesota Statutes, chapter 256B and United States Code, title 42, section 1396 et seq.

Subp. 30. **Necessary service.** "Necessary service" means a function pertinent to the nursing facility's operation which if not performed by the assigned individual would have required the nursing facility to employ or assign another individual to perform it.

Subp. 31. **Nursing facility.** "Nursing facility" means a facility licensed under Minnesota Statutes, chapter 144A or a boarding care facility licensed under Minnesota Statutes, sections 144.50 to 144.56.

Subp. 32. **Operating costs.** "Operating costs" means the costs of operating the nursing facility in compliance with licensure and certification standards. Operating cost categories are:

- A. nursing, including nurses and nursing assistants training;
- B. dietary;
- C. laundry and linen;
- D. housekeeping;
- E. plant operation and maintenance;
- F. other care-related services;
- G. general and administrative;
- H. payroll taxes, fringe benefits, and clerical training; and
- I. real estate taxes and actual special assessments paid.

Subp. 33. **Payroll taxes.** "Payroll taxes" means the employer's share of social security withholding taxes, governmentally required retirement contributions, and state and federal unemployment compensation taxes or costs.

Subp. 34. **Preopening costs.** "Preopening costs" means the operating costs incurred prior to the admission of a resident to a newly constructed nursing facility.

Subp. 35. **Private paying resident.** "Private paying resident" means a nursing facility resident who is not a medical assistance program recipient for the date of service and whose payment rate is not established by another third party, including the Veterans Administration or Medicare.

Subp. 36. **Rate year.** "Rate year" means the state of Minnesota's fiscal year for which a payment rate is effective, from July 1 through the following June 30.

Subp. 37. **Real estate taxes and special assessments.** "Real estate taxes and special assessments" means the real estate tax liability shown on the annual property tax statement of the nursing facility for the calendar year during which the rate year begins and the actual special assessments and related interest paid during the reporting year. The term does not include personnel costs or fees for late payment.

Subp. 38. **Related organization.** "Related organization" means a person that furnishes goods or services to a nursing facility and that is a close relative of a nursing facility, an affiliate of a nursing facility, a close relative of an affiliate of a nursing facility, or an affiliate of a close relative of an affiliate of a nursing facility. As used in this subpart:

A. An "affiliate" is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with another person.

B. A "person" is an individual, a corporation, a partnership, an association, a trust, an unincorporated organization, or a government or political subdivision.

C. A "close relative of an affiliate of a nursing facility" is an individual whose relationship by blood, marriage, or adoption to an individual who is an affiliate of a nursing facility is no more remote than first cousin.

D. "Control" including the terms "controlling," "controlled by," and "under common control with" is the possession, direct or indirect, of the power to direct or cause the direction of the management, operations, or policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

Subp. 39. **Repair.** "Repair" means the cost of labor and materials needed to restore an existing capital asset to sound condition after damage or malfunction or to maintain an existing capital asset in a usable condition.

Subp. 40. **Replacement.** "Replacement" means a renovation or substitution of an existing capital asset to improve its function or extend its useful life.

Subp. 41. **Reporting year.** "Reporting year" means the period from October 1 to September 30, immediately preceding the rate year, for which the nursing facility submits

its cost report, and which is the basis for the determination of the payment rate for the following rate year.

Subp. 42. **Resident day or actual resident day.** "Resident day" or "actual resident day" means a day for which nursing services are rendered and billable, or a day for which a bed is held and billed.

Subp. 43. **Top management personnel.** "Top management personnel" means owners, board members, corporate officers, general, regional, and district managers, administrators and the nursing facility administrator, according to Minnesota Statutes, section 144A.04, subdivision 5 and any other person performing the function of such personnel. Persons performing functions only as nursing facility department heads are not included in this definition.

Subp. 44. **Total payment rate.** "Total payment rate" means the addition of the operating cost payment rate, the property-related payment rate, and the real estate tax and special assessments payment rate as established by the commissioner to pay for the care of residents in nursing facilities.

Subp. 45. **Useful life.** "Useful life" means the length of time an asset is expected to provide economic service before needing replacement.

Subp. 46. **Utility vehicle.** "Utility vehicle" means a vehicle specially equipped for purposes of nursing facility operations and not readily adaptable to personal use.

Subp. 47. **Vested.** "Vested" means the existence of a legally fixed unconditional right to a present or future benefit.

Subp. 48. **Working capital debt.** "Working capital debt" means debt incurred to finance nursing facility operating costs. Working capital debt does not include debt incurred to acquire or refinance a capital asset.

Subp. 49. **Working capital interest expense.** "Working capital interest expense" means the interest expense incurred on working capital debt during the reporting year.

Statutory Authority: *MS s 256B.41 to 256B.502*

History: *9 SR 2659; L 1992 c 513 art 7 s 136*

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