

**256B.440 RECOMMENDATION FOR A NEW REIMBURSEMENT SYSTEM.**

Subdivision 1. **In general.** The commissioner shall present to the legislature, by January 15, 2005, a recommendation to establish a new nursing facility reimbursement system that provides facility-specific, prospective payment rates for nursing facilities participating in the medical assistance program. The rates shall be determined using a statistical and cost report filed by each nursing facility. The total payment rate shall be composed of four rate components: direct-care services, support services, external fixed, and property-related costs. The payment rate shall be derived from statistical measures of actual costs incurred in the operation of nursing facilities. From this cost basis, the components of the total payment rate shall be adjusted for quality of services provided, actual costs of operation of each facility, geographic variation in labor costs, rental value, and resident acuity.

Subd. 2. **Recommendation for establishment beginning October 1, 2006.** The recommendation in subdivision 1 shall provide for the establishment of all or part of a nursing facility's rates under the new nursing facility reimbursement system beginning on October 1, 2006. Rates shall be rebased annually. Effective January 1, 2005, each cost reporting year shall begin on January 1 and end on the following December 31. A cost report shall be filed by each nursing facility by March 31. Notice of rates shall be distributed by August 1 and the rates shall go into effect on October 1 for one year.

Subd. 3. **Reporting of baseline statistical and cost information.** (a) Nursing facilities shall file a baseline statistical and cost report on or before August 31, 2004, for the reporting period ending either September 30, 2003, or December 31, 2003. After July 1, 2004, the report required under Minnesota Rules, part 9549.0041, subpart 1, shall no longer be required. For the period between January 1, 2004, and December 31, 2004, the commissioner may collect statistical and cost information from facilities in no greater detail than items collected from facilities under section 256B.431 or 256B.434, whichever is applicable, for the year ending September 30, 2003.

(b) All nursing facilities shall provide information to the commissioner in the form and manner specified by the commissioner. The commissioner shall consult with stakeholders in developing the baseline statistical and cost report that will be used to collect all data necessary to develop and model the new nursing facility reimbursement system.

(c) Nursing facilities shall report as costs of the nursing facility only costs directly related to the operation of the nursing facility. The facility shall not include costs that are separately reimbursed by residents, medical assistance, or other payors. The commissioner may grant to facilities one extension of up to ten days for the filing of this report, if the extension is requested by August 1. The commissioner may require facilities to submit separately, in the form and

manner specified by the commissioner, documentation of statistical and cost information included in the report, in order to ensure accuracy in modeling payment rates and to perform audit and appeal review functions under this section. Facilities shall retain all records necessary to document statistical and cost information provided in the report for a period of no less than seven years.

(d) The commissioner may reject a report filed by a nursing facility under this section if the commissioner determines that the report has been filed in a form that is incomplete or inaccurate and the information is insufficient to model accurate payment rates. If a report is rejected or is not submitted in a timely manner, the commissioner shall reduce payments to a nursing facility to 85 percent of amounts due until the information is completely and accurately filed. The reinstatement of withheld payments shall be retroactive for no more than 90 days. A nursing facility whose report is rejected shall be given notice of the rejection, the reasons for the rejection, and an opportunity to correct the report prior to any payment reduction. A nursing facility that does not submit a report shall be given a prior written notice of the payment reduction.

(e) The commissioner shall use the baseline statistical and cost report data to model and simulate the new nursing facility reimbursement system. Modeling shall be done using both budget neutrality and additional funding assumptions.

(f) The data set in which statistical and cost reports are compiled shall, upon request, be released by the commissioner, once it has been used for statistical analyses for purposes of modeling rate setting.

(g) The commissioner shall determine, in consultation with stakeholders and experts, methods that shall be used to integrate quality measures into the new nursing facility reimbursement system. For the modeling and simulations of the baseline data, the quality measures shall include, at a minimum:

- (1) direct care hours per standardized resident day;
- (2) staff turnover;
- (3) staff retention;
- (4) use of pool staff;
- (5) proportion of beds in single-bed rooms;
- (6) quality indicators from the minimum data set; and
- (7) survey deficiencies.

If data analysis of the modeling and simulations indicates that revisions, deletions, or additional indicators are needed, those modifications shall be made prior to the initial rate year. The quality

measures used to determine a component of the payment rates shall be established for a rate year using data submitted in the statistical and cost report from the associated reporting year, and using data from other sources related to the reporting year.

**History:** *2004 c 194 s 3*