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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-EIGHTH SESSION

**H. F. No. 2885**

03/10/2014 Authored by Fritz, McNamar, Savick, Radinovich, Ward, J.E., and others  
The bill was read for the first time and referred to the Committee on Health and Human Services Policy  
03/17/2014 By motion, recalled and re-referred to the Committee on Health and Human Services Finance  
03/21/2014 Adoption of Report: Amended and re-referred to the Committee on Labor, Workplace and Regulated Industries

1.1 A bill for an act  
1.2 relating to human services; providing a nursing facility rate adjustment;  
1.3 amending Minnesota Statutes 2012, section 256B.441, by adding a subdivision;  
1.4 Minnesota Statutes 2013 Supplement, section 256B.441, subdivision 53.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2013 Supplement, section 256B.441, subdivision 53,  
1.7 is amended to read:

1.8 Subd. 53. **Calculation of payment rate for external fixed costs.** The commissioner  
1.9 shall calculate a payment rate for external fixed costs.

1.10 (a) For a facility licensed as a nursing home, the portion related to section 256.9657  
1.11 shall be equal to \$8.86. For a facility licensed as both a nursing home and a boarding care  
1.12 home, the portion related to section 256.9657 shall be equal to \$8.86 multiplied by the  
1.13 result of its number of nursing home beds divided by its total number of licensed beds.

1.14 (b) The portion related to the licensure fee under section 144.122, paragraph (d),  
1.15 shall be the amount of the fee divided by actual resident days.

1.16 (c) The portion related to scholarships shall be determined under section 256B.431,  
1.17 subdivision 36.

1.18 (d) Until September 30, 2013, the portion related to long-term care consultation shall  
1.19 be determined according to section 256B.0911, subdivision 6.

1.20 (e) The portion related to development and education of resident and family advisory  
1.21 councils under section 144A.33 shall be \$5 divided by 365.

1.22 (f) The portion related to planned closure rate adjustments shall be as determined  
1.23 under section 256B.437, subdivision 6, and Minnesota Statutes 2010, section 256B.436.  
1.24 Planned closure rate adjustments that take effect before October 1, 2014, shall no longer

2.1 be included in the payment rate for external fixed costs beginning October 1, 2016.  
 2.2 Planned closure rate adjustments that take effect on or after October 1, 2014, shall no  
 2.3 longer be included in the payment rate for external fixed costs beginning on October 1 of  
 2.4 the first year not less than two years after their effective date.

2.5 (g) The portions related to property insurance, real estate taxes, special assessments,  
 2.6 and payments made in lieu of real estate taxes directly identified or allocated to the nursing  
 2.7 facility shall be the actual amounts divided by actual resident days.

2.8 (h) The portion related to the Public Employees Retirement Association shall be  
 2.9 actual costs divided by resident days.

2.10 (i) The single bed room incentives shall be as determined under section 256B.431,  
 2.11 subdivision 42. Single bed room incentives that take effect before October 1, 2014, shall  
 2.12 no longer be included in the payment rate for external fixed costs beginning October 1,  
 2.13 2016. Single bed room incentives that take effect on or after October 1, 2014, shall no  
 2.14 longer be included in the payment rate for external fixed costs beginning on October 1 of  
 2.15 the first year not less than two years after their effective date.

2.16 (j) The portion related to the rate adjustment as provided in subdivision 64.

2.17 (k) The payment rate for external fixed costs shall be the sum of the amounts in  
 2.18 paragraphs (a) to ~~(i)~~ (j).

2.19 Sec. 2. Minnesota Statutes 2012, section 256B.441, is amended by adding a  
 2.20 subdivision to read:

2.21 Subd. 64. **Rate adjustment for compensation-related costs.** (a) Total payment  
 2.22 rates of all nursing facilities that are reimbursed under this section or section 256B.434  
 2.23 shall be increased effective October 1, 2014, to address compensation costs for nursing  
 2.24 facility employees paid less than \$14 per hour.

2.25 (b) Based on the application in paragraph (d), the commissioner shall calculate  
 2.26 the annualized compensation costs by adding the totals of clauses (1), (2), and (3). The  
 2.27 result must be divided by the resident days from the most recently available cost report to  
 2.28 determine a per diem amount, which must be included in the external fixed-cost portion of  
 2.29 the total payment rate under subdivision 53:

2.30 (1) the sum of the difference between \$9.50 and any hourly wage rate of less than  
 2.31 \$9.50, multiplied by the number of compensated hours at that wage rate;

2.32 (2) the sum of items (i) to (viii):

2.33 (i) for all compensated hours from \$8 to \$8.49 per hour, the number of compensated  
 2.34 hours is multiplied by \$0.13;

3.1 (ii) for all compensated hours from \$8.50 to \$8.99 per hour, the number of  
3.2 compensated hours is multiplied by \$0.25;

3.3 (iii) for all compensated hours from \$9 to \$9.49 per hour, the number of compensated  
3.4 hours is multiplied by \$0.38;

3.5 (iv) for all compensated hours from \$9.50 to \$10.49 per hour, the number of  
3.6 compensated hours is multiplied by \$0.50;

3.7 (v) for all compensated hours from \$10.50 to \$10.99 per hour, the number of  
3.8 compensated hours is multiplied by \$0.40;

3.9 (vi) for all compensated hours from \$11 to \$11.49 per hour, the number of  
3.10 compensated hours is multiplied by \$0.30;

3.11 (vii) for all compensated hours from \$11.50 to \$11.99 per hour, the number of  
3.12 compensated hours is multiplied by \$0.20; and

3.13 (viii) for all compensated hours from \$12 to \$13 per hour, the number of  
3.14 compensated hours is multiplied by \$0.10; and

3.15 (3) the sum of the employer's share of FICA taxes, Medicare taxes, state and federal  
3.16 unemployment taxes, workers' compensation, pensions, and contributions to employee  
3.17 retirement accounts attributable to the amounts in clauses (1) and (2).

3.18 (c) For the rate year beginning October 1, 2014, nursing facilities that receive  
3.19 approval of the application in paragraph (d) must receive a rate adjustment according to  
3.20 paragraph (b). The rate adjustment must be used to pay compensation costs for nursing  
3.21 facility employees paid less than \$14 per hour. The rate adjustment must continue to be  
3.22 included in the total payment rate in subsequent years.

3.23 (d) To receive a rate adjustment, nursing facilities must submit an application to the  
3.24 commissioner in a form and manner determined by the commissioner. The application  
3.25 shall include data for a period beginning with the first pay period after January 1, 2015,  
3.26 including at least three months of employee compensated hours by wage rate, and a  
3.27 spending plan that describes how the funds from the rate adjustment will be allocated  
3.28 for compensation to employees paid less than \$14 per hour. The application must  
3.29 be submitted by December 31, 2014. The commissioner may request any additional  
3.30 information needed to determine the rate adjustment within three weeks of receiving  
3.31 a complete application. The nursing facility must provide any additional information  
3.32 requested by the commissioner by March 31, 2015. The commissioner may waive the  
3.33 deadlines in this subdivision under extraordinary circumstances.

3.34 (e) For nursing facilities in which employees are represented by an exclusive  
3.35 bargaining representative, the commissioner shall approve the application submitted under  
3.36 this subdivision only upon receipt of a letter of acceptance of the spending plan in regard

4.1 to members of the bargaining unit, signed by the exclusive bargaining agent and dated  
4.2 after May 31, 2014. Upon receipt of the letter of acceptance, the commissioner shall  
4.3 deem all requirements of this subdivision as having been met in regard to the members of  
4.4 the bargaining unit.