

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 2708

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DATE	D-PG	OFFICIAL STATUS
03/14/2016	5035	Introduction and first reading Referred to Health, Human Services and Housing
03/31/2016	5398a	Comm report: To pass as amended and re-refer to Finance

A bill for an act

relating to human services; creating alternative residential placement options and modified payment methods and rates for patients with complex and serious medical and behavioral health conditions to reduce unnecessary hospitalization, excessive lengths of stay, and higher rates of readmission after discharge; appropriating money; amending Minnesota Statutes 2014, sections 144A.071, subdivision 4c; 256.969, by adding a subdivision; 256.9693; 256B.0755, by adding a subdivision; 256B.441, by adding a subdivision.

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

Section 1. Minnesota Statutes 2014, section 144A.071, subdivision 4c, is amended to read:

Subd. 4c. **Exceptions for replacement beds after June 30, 2003.** (a) The commissioner of health, in coordination with the commissioner of human services, may approve the renovation, replacement, upgrading, or relocation of a nursing home or boarding care home, under the following conditions:

(1) to license and certify an 80-bed city-owned facility in Nicollet County to be constructed on the site of a new city-owned hospital to replace an existing 85-bed facility attached to a hospital that is also being replaced. The threshold allowed for this project under section 144A.073 shall be the maximum amount available to pay the additional medical assistance costs of the new facility;

(2) to license and certify 29 beds to be added to an existing 69-bed facility in St. Louis County, provided that the 29 beds must be transferred from active or layaway status at an existing facility in St. Louis County that had 235 beds on April 1, 2003.

The licensed capacity at the 235-bed facility must be reduced to 206 beds, but the payment rate at that facility shall not be adjusted as a result of this transfer. The operating payment rate of the facility adding beds after completion of this project shall be the same as it was

2.1 on the day prior to the day the beds are licensed and certified. This project shall not
2.2 proceed unless it is approved and financed under the provisions of section 144A.073;

2.3 (3) to license and certify a new 60-bed facility in Austin, provided that: (i) 45 of
2.4 the new beds are transferred from a 45-bed facility in Austin under common ownership
2.5 that is closed and 15 of the new beds are transferred from a 182-bed facility in Albert Lea
2.6 under common ownership; (ii) the commissioner of human services is authorized by the
2.7 2004 legislature to negotiate budget-neutral planned nursing facility closures; and (iii)
2.8 money is available from planned closures of facilities under common ownership to make
2.9 implementation of this clause budget-neutral to the state. The bed capacity of the Albert
2.10 Lea facility shall be reduced to 167 beds following the transfer. Of the 60 beds at the
2.11 new facility, 20 beds shall be used for a special care unit for persons with Alzheimer's
2.12 disease or related dementias;

2.13 (4) to license and certify up to 80 beds transferred from an existing state-owned
2.14 nursing facility in Cass County to a new facility located on the grounds of the
2.15 Ah-Gwah-Ching campus. The operating cost payment rates for the new facility shall be
2.16 determined based on the interim and settle-up payment provisions of Minnesota Rules,
2.17 part 9549.0057, and the reimbursement provisions of section 256B.431. The property
2.18 payment rate for the first three years of operation shall be \$35 per day. For subsequent
2.19 years, the property payment rate of \$35 per day shall be adjusted for inflation as provided
2.20 in section 256B.434, subdivision 4, paragraph (c), as long as the facility has a contract
2.21 under section 256B.434;

2.22 (5) to initiate a pilot program to license and certify up to 80 beds transferred from
2.23 an existing county-owned nursing facility in Steele County relocated to the site of a new
2.24 acute care facility as part of the county's Communities for a Lifetime comprehensive plan
2.25 to create innovative responses to the aging of its population. Upon relocation to the new
2.26 site, the nursing facility shall delicense 28 beds. The property payment rate for the first
2.27 three years of operation of the new facility shall be increased by an amount as calculated
2.28 according to items (i) to (v):

2.29 (i) compute the estimated decrease in medical assistance residents served by the
2.30 nursing facility by multiplying the decrease in licensed beds by the historical percentage
2.31 of medical assistance resident days;

2.32 (ii) compute the annual savings to the medical assistance program from the
2.33 delicensure of 28 beds by multiplying the anticipated decrease in medical assistance
2.34 residents, determined in item (i), by the existing facility's weighted average payment rate
2.35 multiplied by 365;

3.1 (iii) compute the anticipated annual costs for community-based services by
3.2 multiplying the anticipated decrease in medical assistance residents served by the nursing
3.3 facility, determined in item (i), by the average monthly elderly waiver service costs for
3.4 individuals in Steele County multiplied by 12;

3.5 (iv) subtract the amount in item (iii) from the amount in item (ii);

3.6 (v) divide the amount in item (iv) by an amount equal to the relocated nursing
3.7 facility's occupancy factor under section 256B.431, subdivision 3f, paragraph (c),
3.8 multiplied by the historical percentage of medical assistance resident days.

3.9 For subsequent years, the adjusted property payment rate shall be adjusted for
3.10 inflation as provided in section 256B.434, subdivision 4, paragraph (c), as long as the
3.11 facility has a contract under section 256B.434; and

3.12 (6) to consolidate and relocate nursing facility beds to a new site in Goodhue County
3.13 and to integrate these services with other community-based programs and services under a
3.14 communities for a lifetime pilot program and comprehensive plan to create innovative
3.15 responses to the aging of its population. Eighty beds in the city of Red Wing shall be
3.16 transferred from the downsizing and relocation of an existing 84-bed, hospital-owned
3.17 nursing facility and the entire closure or downsizing of beds from a 65-bed nonprofit
3.18 nursing facility in the community resulting in the delicensure of 69 beds in the two
3.19 existing facilities. Notwithstanding the carryforward of the approval authority in section
3.20 144A.073, subdivision 11, the funding approved in April 2009 by the commissioner of
3.21 health for a project in Goodhue County shall not carry forward. The closure of the 69 beds
3.22 shall not be eligible for a planned closure rate adjustment under section 256B.437. The
3.23 construction project permitted in this clause shall not be eligible for a threshold project
3.24 rate adjustment under section 256B.434, subdivision 4f. The property payment rate for
3.25 the first three years of operation of the new facility shall be increased by an amount as
3.26 calculated according to items (i) to (vi):

3.27 (i) compute the estimated decrease in medical assistance residents served by both
3.28 nursing facilities by multiplying the difference between the occupied beds of the two
3.29 nursing facilities for the reporting year ending September 30, 2009, and the projected
3.30 occupancy of the facility at 95 percent occupancy by the historical percentage of medical
3.31 assistance resident days;

3.32 (ii) compute the annual savings to the medical assistance program from the
3.33 delicensure by multiplying the anticipated decrease in the medical assistance residents,
3.34 determined in item (i), by the hospital-owned nursing facility weighted average payment
3.35 rate multiplied by 365;

4.1 (iii) compute the anticipated annual costs for community-based services by
4.2 multiplying the anticipated decrease in medical assistance residents served by the
4.3 facilities, determined in item (i), by the average monthly elderly waiver service costs for
4.4 individuals in Goodhue County multiplied by 12;

4.5 (iv) subtract the amount in item (iii) from the amount in item (ii);

4.6 (v) multiply the amount in item (iv) by 48.5 percent; and

4.7 (vi) divide the difference of the amount in item (iv) and the amount in item (v) by an
4.8 amount equal to the relocated nursing facility's occupancy factor under section 256B.431,
4.9 subdivision 3f, paragraph (c), multiplied by the historical percentage of medical assistance
4.10 resident days.

4.11 For subsequent years, the adjusted property payment rate shall be adjusted for
4.12 inflation as provided in section 256B.434, subdivision 4, paragraph (c), as long as the
4.13 facility has a contract under section 256B.434.

4.14 (b) Projects approved under this subdivision shall be treated in a manner equivalent
4.15 to projects approved under subdivision 4a.

4.16 (c) The commissioner of health, in coordination with the commissioner of human
4.17 services, may approve the renovation, replacement, upgrading, or relocation of a nursing
4.18 home or boarding care home to establish new or replacement beds in a unit within a
4.19 nursing facility to be used for the care of patients committed to the commissioner of
4.20 human services and who have complex co-occurring chronic medical conditions and
4.21 serious mental illness or substance abuse conditions after discharge from a hospital when
4.22 the commissioners of health and of human services have determined that:

4.23 (1) there are inadequate options available within the community or region to provide
4.24 subacute, transitional care, or residential outpatient options for these patients; and

4.25 (2) the lack of available placement options is resulting in poorer treatment outcomes
4.26 and higher total costs of care for these patients because of higher rates of admission to
4.27 hospital inpatient and emergency department services, longer lengths of inpatient hospital
4.28 stays, and increased risks of readmission after a discharge.

4.29 Sec. 2. Minnesota Statutes 2014, section 256.969, is amended by adding a subdivision
4.30 to read:

4.31 **Subd. 31. Hospital rates for certain patients committed to the commissioner.**

4.32 (a) The commissioner shall provide an additional payment for inpatient hospital services
4.33 provided to a patient who is committed to the commissioner and either:

5.1 (1) is eligible and appropriate for admission to a state-operated inpatient facility for
 5.2 treatment of serious psychiatric or substance abuse disorders but is placed in a community
 5.3 hospital due to lack of available beds at a state-operated inpatient facility; or

5.4 (2) remains in the inpatient community hospital after no longer needing a hospital
 5.5 level of care for the treatment of serious psychiatric or substance abuse disorders because
 5.6 of the lack of any available, safe, and suitable placement in residential or community
 5.7 settings after discharge from the hospital.

5.8 (b) The commissioner shall establish the amount of the additional hospital inpatient
 5.9 payment rate to be paid under this subdivision by:

5.10 (1) requesting applications for the additional payment from community hospitals.
 5.11 Applications must include documentation of the hospital's total number of inpatient days
 5.12 servicing patients who no longer needed a hospital level of care but could not be discharged
 5.13 because of the lack of availability of placements as provided in paragraph (a);

5.14 (2) determining a per-day additional hospital inpatient payment rate amount by
 5.15 dividing the amount of the annual appropriation provided for purposes of this subdivision
 5.16 by the total annual number of inpatient days reported by all eligible hospitals under
 5.17 clause (1); and

5.18 (3) establishing an add-on payment rate for each hospital eligible for the additional
 5.19 payment based on each hospital's ratio of its total reported inpatient days to the total
 5.20 inpatient days reported by all eligible hospitals.

5.21 Sec. 3. Minnesota Statutes 2014, section 256.9693, is amended to read:

5.22 **256.9693 INPATIENT TREATMENT FOR MENTAL ILLNESS.**

5.23 (a) The commissioner shall establish a continuing care benefit program for persons
 5.24 with mental illness in which persons with mental illness may obtain acute care hospital
 5.25 inpatient treatment for mental illness for up to 45 days beyond that allowed by section
 5.26 256.969. The commissioner may authorize additional days beyond 45 based on an
 5.27 individual review of medical necessity. Persons with mental illness who are eligible for
 5.28 medical assistance may obtain inpatient treatment under this program in hospital beds for
 5.29 which the commissioner contracts under this section. The commissioner may selectively
 5.30 contract with hospitals to provide this benefit through competitive bidding when reasonable
 5.31 geographic access by recipients can be assured. Payments under this section shall not
 5.32 affect payments under section 256.969. The commissioner may contract externally with
 5.33 a utilization review organization to authorize persons with mental illness to access the
 5.34 continuing care benefit program. The commissioner, as part of the contracts with hospitals,
 5.35 shall establish admission criteria to allow persons with mental illness to access the

6.1 continuing care benefit program. If a court orders acute care hospital inpatient treatment
 6.2 for mental illness for a person, the person may obtain the treatment under the continuing
 6.3 care benefit program. The commissioner shall not require, as part of the admission criteria,
 6.4 any commitment or petition under chapter 253B as a condition of accessing the program.
 6.5 This benefit is not available for people who are also eligible for Medicare and who have
 6.6 not exhausted their annual or lifetime inpatient psychiatric benefit under Medicare.

6.7 (b) If a recipient is enrolled in a prepaid managed care plan or county-based
 6.8 purchasing plan, this program is included in the plan's plans' coverage. Plans must use
 6.9 the same admission criteria for the continuing care benefit program as is used in the
 6.10 commissioner's contracts with hospitals.

6.11 Sec. 4. Minnesota Statutes 2014, section 256B.0755, is amended by adding a
 6.12 subdivision to read:

6.13 Subd. 8. **Prototype demonstration projects for small high-cost populations.** The
 6.14 commissioner may authorize small demonstration projects under this section to test new
 6.15 interventions that will improve treatment outcomes and reduce the total cost of care for
 6.16 small populations of high-cost patients who:

6.17 (1) have complex and serious medical and behavioral health conditions; and

6.18 (2) are at high risk of recurring admissions to inpatient and emergency services,
 6.19 extensive lengths of inpatient stays due to a lack of appropriate placements upon
 6.20 discharge, and high rates of readmission after discharge.

6.21 Projects approved under this subdivision must test innovative new strategies to improve
 6.22 treatment outcomes and reduce total costs of care that, if effective, could be expanded to
 6.23 and replicated in other regions and with other high-risk, high-cost populations.

6.24 Sec. 5. Minnesota Statutes 2014, section 256B.441, is amended by adding a
 6.25 subdivision to read:

6.26 Subd. 68. **Rate adjustment for committed patients.** The commissioner of human
 6.27 services shall establish a higher payment rate for payments to nursing facilities for patients
 6.28 committed to the commissioner and admitted to a special nursing facility or unit within
 6.29 a nursing facility that accepts patients with complex co-occurring chronic medical
 6.30 conditions and serious mental illness or substance abuse conditions after discharge from a
 6.31 hospital when no other appropriate subacute, transitional care, or residential outpatient
 6.32 options are available for placement upon hospital discharge. The payment rate must be
 6.33 sufficient to cover the additional costs of the program and to create an adequate incentive
 6.34 for nursing facility providers to develop or offer placement options for these patients.

7.1 Sec. 6. **APPROPRIATIONS.**

7.2 (a) \$..... is appropriated in fiscal year 2017 from the general fund to the
7.3 commissioner of human services to be used as follows:

7.4 (1) \$3,000,000 for additional inpatient hospital payments under section 2.

7.5 (2) \$..... for committed patients under section 5.

7.6 (b) \$..... is added to the base.