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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3055

03/14/2016 Authored by Dean, M.; McDonald; Hoppe; Loeffler and Zerwas

The bill was read for the first time and referred to the Committee on Health and Human Services Reform

1.1 A bill for an act  
1.2 relating to human services; creating alternative residential placement options  
1.3 and modified payment methods and rates for patients with complex and serious  
1.4 medical and behavioral health conditions to reduce unnecessary hospitalization,  
1.5 excessive lengths of stay, and higher rates of readmission after discharge;  
1.6 appropriating money; amending Minnesota Statutes 2014, sections 256.969,  
1.7 by adding a subdivision; 256B.0755, by adding a subdivision; 256B.431, by  
1.8 adding a subdivision; Minnesota Statutes 2015 Supplement, section 144A.071,  
1.9 subdivision 4a.

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

1.11 Section 1. Minnesota Statutes 2015 Supplement, section 144A.071, subdivision 4a,  
1.12 is amended to read:

1.13 Subd. 4a. **Exceptions for replacement beds.** It is in the best interest of the state  
1.14 to ensure that nursing homes and boarding care homes continue to meet the physical  
1.15 plant licensing and certification requirements by permitting certain construction projects.  
1.16 Facilities should be maintained in condition to satisfy the physical and emotional needs  
1.17 of residents while allowing the state to maintain control over nursing home expenditure  
1.18 growth.

1.19 The commissioner of health in coordination with the commissioner of human  
1.20 services, may approve the renovation, replacement, upgrading, or relocation of a nursing  
1.21 home or boarding care home, under the following conditions:

1.22 (a) to license or certify beds in a new facility constructed to replace a facility or to  
1.23 make repairs in an existing facility that was destroyed or damaged after June 30, 1987, by  
1.24 fire, lightning, or other hazard provided:

1.25 (i) destruction was not caused by the intentional act of or at the direction of a  
1.26 controlling person of the facility;

2.1 (ii) at the time the facility was destroyed or damaged the controlling persons of the  
2.2 facility maintained insurance coverage for the type of hazard that occurred in an amount  
2.3 that a reasonable person would conclude was adequate;

2.4 (iii) the net proceeds from an insurance settlement for the damages caused by the  
2.5 hazard are applied to the cost of the new facility or repairs;

2.6 (iv) the number of licensed and certified beds in the new facility does not exceed the  
2.7 number of licensed and certified beds in the destroyed facility; and

2.8 (v) the commissioner determines that the replacement beds are needed to prevent an  
2.9 inadequate supply of beds.

2.10 Project construction costs incurred for repairs authorized under this clause shall not be  
2.11 considered in the dollar threshold amount defined in subdivision 2;

2.12 (b) to license or certify beds that are moved from one location to another within a  
2.13 nursing home facility, provided the total costs of remodeling performed in conjunction  
2.14 with the relocation of beds does not exceed \$1,000,000;

2.15 (c) to license or certify beds in a project recommended for approval under section  
2.16 144A.073;

2.17 (d) to license or certify beds that are moved from an existing state nursing home to  
2.18 a different state facility, provided there is no net increase in the number of state nursing  
2.19 home beds;

2.20 (e) to certify and license as nursing home beds boarding care beds in a certified  
2.21 boarding care facility if the beds meet the standards for nursing home licensure, or in a  
2.22 facility that was granted an exception to the moratorium under section 144A.073, and if  
2.23 the cost of any remodeling of the facility does not exceed \$1,000,000. If boarding care  
2.24 beds are licensed as nursing home beds, the number of boarding care beds in the facility  
2.25 must not increase beyond the number remaining at the time of the upgrade in licensure.  
2.26 The provisions contained in section 144A.073 regarding the upgrading of the facilities  
2.27 do not apply to facilities that satisfy these requirements;

2.28 (f) to license and certify up to 40 beds transferred from an existing facility owned and  
2.29 operated by the Amherst H. Wilder Foundation in the city of St. Paul to a new unit at the  
2.30 same location as the existing facility that will serve persons with Alzheimer's disease and  
2.31 other related disorders. The transfer of beds may occur gradually or in stages, provided  
2.32 the total number of beds transferred does not exceed 40. At the time of licensure and  
2.33 certification of a bed or beds in the new unit, the commissioner of health shall delicense  
2.34 and decertify the same number of beds in the existing facility. As a condition of receiving  
2.35 a license or certification under this clause, the facility must make a written commitment

3.1 to the commissioner of human services that it will not seek to receive an increase in its  
3.2 property-related payment rate as a result of the transfers allowed under this paragraph;

3.3 (g) to license and certify nursing home beds to replace currently licensed and certified  
3.4 boarding care beds which may be located either in a remodeled or renovated boarding care  
3.5 or nursing home facility or in a remodeled, renovated, newly constructed, or replacement  
3.6 nursing home facility within the identifiable complex of health care facilities in which the  
3.7 currently licensed boarding care beds are presently located, provided that the number of  
3.8 boarding care beds in the facility or complex are decreased by the number to be licensed  
3.9 as nursing home beds and further provided that, if the total costs of new construction,  
3.10 replacement, remodeling, or renovation exceed ten percent of the appraised value of  
3.11 the facility or \$200,000, whichever is less, the facility makes a written commitment to  
3.12 the commissioner of human services that it will not seek to receive an increase in its  
3.13 property-related payment rate by reason of the new construction, replacement, remodeling,  
3.14 or renovation. The provisions contained in section 144A.073 regarding the upgrading of  
3.15 facilities do not apply to facilities that satisfy these requirements;

3.16 (h) to license as a nursing home and certify as a nursing facility a facility that is  
3.17 licensed as a boarding care facility but not certified under the medical assistance program,  
3.18 but only if the commissioner of human services certifies to the commissioner of health that  
3.19 licensing the facility as a nursing home and certifying the facility as a nursing facility will  
3.20 result in a net annual savings to the state general fund of \$200,000 or more;

3.21 (i) to certify, after September 30, 1992, and prior to July 1, 1993, existing nursing  
3.22 home beds in a facility that was licensed and in operation prior to January 1, 1992;

3.23 (j) to license and certify new nursing home beds to replace beds in a facility acquired  
3.24 by the Minneapolis Community Development Agency as part of redevelopment activities  
3.25 in a city of the first class, provided the new facility is located within three miles of the site  
3.26 of the old facility. Operating and property costs for the new facility must be determined  
3.27 and allowed under section 256B.431 or 256B.434;

3.28 (k) to license and certify up to 20 new nursing home beds in a community-operated  
3.29 hospital and attached convalescent and nursing care facility with 40 beds on April 21,  
3.30 1991, that suspended operation of the hospital in April 1986. The commissioner of human  
3.31 services shall provide the facility with the same per diem property-related payment rate  
3.32 for each additional licensed and certified bed as it will receive for its existing 40 beds;

3.33 (l) to license or certify beds in renovation, replacement, or upgrading projects as  
3.34 defined in section 144A.073, subdivision 1, so long as the cumulative total costs of the  
3.35 facility's remodeling projects do not exceed \$1,000,000;

4.1 (m) to license and certify beds that are moved from one location to another for the  
4.2 purposes of converting up to five four-bed wards to single or double occupancy rooms  
4.3 in a nursing home that, as of January 1, 1993, was county-owned and had a licensed  
4.4 capacity of 115 beds;

4.5 (n) to allow a facility that on April 16, 1993, was a 106-bed licensed and certified  
4.6 nursing facility located in Minneapolis to layaway all of its licensed and certified nursing  
4.7 home beds. These beds may be relicensed and recertified in a newly constructed teaching  
4.8 nursing home facility affiliated with a teaching hospital upon approval by the legislature.  
4.9 The proposal must be developed in consultation with the interagency committee on  
4.10 long-term care planning. The beds on layaway status shall have the same status as  
4.11 voluntarily delicensed and decertified beds, except that beds on layaway status remain  
4.12 subject to the surcharge in section 256.9657. This layaway provision expires July 1, 1998;

4.13 (o) to allow a project which will be completed in conjunction with an approved  
4.14 moratorium exception project for a nursing home in southern Cass County and which is  
4.15 directly related to that portion of the facility that must be repaired, renovated, or replaced,  
4.16 to correct an emergency plumbing problem for which a state correction order has been  
4.17 issued and which must be corrected by August 31, 1993;

4.18 (p) to allow a facility that on April 16, 1993, was a 368-bed licensed and certified  
4.19 nursing facility located in Minneapolis to layaway, upon 30 days prior written notice to  
4.20 the commissioner, up to 30 of the facility's licensed and certified beds by converting  
4.21 three-bed wards to single or double occupancy. Beds on layaway status shall have the  
4.22 same status as voluntarily delicensed and decertified beds except that beds on layaway  
4.23 status remain subject to the surcharge in section 256.9657, remain subject to the license  
4.24 application and renewal fees under section 144A.07 and shall be subject to a \$100 per bed  
4.25 reactivation fee. In addition, at any time within three years of the effective date of the  
4.26 layaway, the beds on layaway status may be:

4.27 (1) relicensed and recertified upon relocation and reactivation of some or all of  
4.28 the beds to an existing licensed and certified facility or facilities located in Pine River,  
4.29 Brainerd, or International Falls; provided that the total project construction costs related to  
4.30 the relocation of beds from layaway status for any facility receiving relocated beds may  
4.31 not exceed the dollar threshold provided in subdivision 2 unless the construction project  
4.32 has been approved through the moratorium exception process under section 144A.073;

4.33 (2) relicensed and recertified, upon reactivation of some or all of the beds within the  
4.34 facility which placed the beds in layaway status, if the commissioner has determined a  
4.35 need for the reactivation of the beds on layaway status.

5.1 The property-related payment rate of a facility placing beds on layaway status  
5.2 must be adjusted by the incremental change in its rental per diem after recalculating the  
5.3 rental per diem as provided in section 256B.431, subdivision 3a, paragraph (c). The  
5.4 property-related payment rate for a facility relicensing and recertifying beds from layaway  
5.5 status must be adjusted by the incremental change in its rental per diem after recalculating  
5.6 its rental per diem using the number of beds after the relicensing to establish the facility's  
5.7 capacity day divisor, which shall be effective the first day of the month following the  
5.8 month in which the relicensing and recertification became effective. Any beds remaining  
5.9 on layaway status more than three years after the date the layaway status became effective  
5.10 must be removed from layaway status and immediately delicensed and decertified;

5.11 (q) to license and certify beds in a renovation and remodeling project to convert 12  
5.12 four-bed wards into 24 two-bed rooms, expand space, and add improvements in a nursing  
5.13 home that, as of January 1, 1994, met the following conditions: the nursing home was  
5.14 located in Ramsey County; had a licensed capacity of 154 beds; and had been ranked  
5.15 among the top 15 applicants by the 1993 moratorium exceptions advisory review panel.  
5.16 The total project construction cost estimate for this project must not exceed the cost  
5.17 estimate submitted in connection with the 1993 moratorium exception process;

5.18 (r) to license and certify up to 117 beds that are relocated from a licensed and certified  
5.19 138-bed nursing facility located in St. Paul to a hospital with 130 licensed hospital beds  
5.20 located in South St. Paul, provided that the nursing facility and hospital are owned by the  
5.21 same or a related organization and that prior to the date the relocation is completed the  
5.22 hospital ceases operation of its inpatient hospital services at that hospital. After relocation,  
5.23 the nursing facility's status shall be the same as it was prior to relocation. The nursing  
5.24 facility's property-related payment rate resulting from the project authorized in this  
5.25 paragraph shall become effective no earlier than April 1, 1996. For purposes of calculating  
5.26 the incremental change in the facility's rental per diem resulting from this project, the  
5.27 allowable appraised value of the nursing facility portion of the existing health care facility  
5.28 physical plant prior to the renovation and relocation may not exceed \$2,490,000;

5.29 (s) to license and certify two beds in a facility to replace beds that were voluntarily  
5.30 delicensed and decertified on June 28, 1991;

5.31 (t) to allow 16 licensed and certified beds located on July 1, 1994, in a 142-bed  
5.32 nursing home and 21-bed boarding care home facility in Minneapolis, notwithstanding  
5.33 the licensure and certification after July 1, 1995, of the Minneapolis facility as a 147-bed  
5.34 nursing home facility after completion of a construction project approved in 1993 under  
5.35 section 144A.073, to be laid away upon 30 days' prior written notice to the commissioner.  
5.36 Beds on layaway status shall have the same status as voluntarily delicensed or decertified

6.1 beds except that they shall remain subject to the surcharge in section 256.9657. The  
6.2 16 beds on layaway status may be relicensed as nursing home beds and recertified at  
6.3 any time within five years of the effective date of the layaway upon relocation of some  
6.4 or all of the beds to a licensed and certified facility located in Watertown, provided that  
6.5 the total project construction costs related to the relocation of beds from layaway status  
6.6 for the Watertown facility may not exceed the dollar threshold provided in subdivision  
6.7 2 unless the construction project has been approved through the moratorium exception  
6.8 process under section 144A.073.

6.9 The property-related payment rate of the facility placing beds on layaway status must  
6.10 be adjusted by the incremental change in its rental per diem after recalculating the rental per  
6.11 diem as provided in section 256B.431, subdivision 3a, paragraph (c). The property-related  
6.12 payment rate for the facility relicensing and recertifying beds from layaway status must be  
6.13 adjusted by the incremental change in its rental per diem after recalculating its rental per  
6.14 diem using the number of beds after the relicensing to establish the facility's capacity day  
6.15 divisor, which shall be effective the first day of the month following the month in which  
6.16 the relicensing and recertification became effective. Any beds remaining on layaway  
6.17 status more than five years after the date the layaway status became effective must be  
6.18 removed from layaway status and immediately delicensed and decertified;

6.19 (u) to license and certify beds that are moved within an existing area of a facility or  
6.20 to a newly constructed addition which is built for the purpose of eliminating three- and  
6.21 four-bed rooms and adding space for dining, lounge areas, bathing rooms, and ancillary  
6.22 service areas in a nursing home that, as of January 1, 1995, was located in Fridley and had  
6.23 a licensed capacity of 129 beds;

6.24 (v) to relocate 36 beds in Crow Wing County and four beds from Hennepin County  
6.25 to a 160-bed facility in Crow Wing County, provided all the affected beds are under  
6.26 common ownership;

6.27 (w) to license and certify a total replacement project of up to 49 beds located in  
6.28 Norman County that are relocated from a nursing home destroyed by flood and whose  
6.29 residents were relocated to other nursing homes. The operating cost payment rates for  
6.30 the new nursing facility shall be determined based on the interim and settle-up payment  
6.31 provisions of Minnesota Rules, part 9549.0057, and the reimbursement provisions of  
6.32 section 256B.431. Property-related reimbursement rates shall be determined under section  
6.33 256B.431, taking into account any federal or state flood-related loans or grants provided  
6.34 to the facility;

6.35 (x) to license and certify to the licensee of a nursing home in Polk County that was  
6.36 destroyed by flood in 1997 replacement projects with a total of up to 129 beds, with at

7.1 least 25 beds to be located in Polk County and up to 104 beds distributed among up to  
7.2 three other counties. These beds may only be distributed to counties with fewer than the  
7.3 median number of age intensity adjusted beds per thousand, as most recently published by  
7.4 the commissioner of human services. If the licensee chooses to distribute beds outside  
7.5 of Polk County under this paragraph, prior to distributing the beds, the commissioner of  
7.6 health must approve the location in which the licensee plans to distribute the beds. The  
7.7 commissioner of health shall consult with the commissioner of human services prior to  
7.8 approving the location of the proposed beds. The licensee may combine these beds with  
7.9 beds relocated from other nursing facilities as provided in section 144A.073, subdivision  
7.10 3c. The operating payment rates for the new nursing facilities shall be determined based on  
7.11 the interim and settle-up payment provisions of section 256B.431, 256B.434, or 256B.441  
7.12 or Minnesota Rules, parts 9549.0010 to 9549.0080. Property-related reimbursement rates  
7.13 shall be determined under section 256B.431, 256B.434, or 256B.441. If the replacement  
7.14 beds permitted under this paragraph are combined with beds from other nursing facilities,  
7.15 the rates shall be calculated as the weighted average of rates determined as provided in  
7.16 this paragraph and section 256B.441, subdivision 60;

7.17 (y) to license and certify beds in a renovation and remodeling project to convert 13  
7.18 three-bed wards into 13 two-bed rooms and 13 single-bed rooms, expand space, and  
7.19 add improvements in a nursing home that, as of January 1, 1994, met the following  
7.20 conditions: the nursing home was located in Ramsey County, was not owned by a hospital  
7.21 corporation, had a licensed capacity of 64 beds, and had been ranked among the top 15  
7.22 applicants by the 1993 moratorium exceptions advisory review panel. The total project  
7.23 construction cost estimate for this project must not exceed the cost estimate submitted in  
7.24 connection with the 1993 moratorium exception process;

7.25 (z) to license and certify up to 150 nursing home beds to replace an existing 285  
7.26 bed nursing facility located in St. Paul. The replacement project shall include both the  
7.27 renovation of existing buildings and the construction of new facilities at the existing  
7.28 site. The reduction in the licensed capacity of the existing facility shall occur during the  
7.29 construction project as beds are taken out of service due to the construction process. Prior  
7.30 to the start of the construction process, the facility shall provide written information to the  
7.31 commissioner of health describing the process for bed reduction, plans for the relocation  
7.32 of residents, and the estimated construction schedule. The relocation of residents shall be  
7.33 in accordance with the provisions of law and rule;

7.34 (aa) to allow the commissioner of human services to license an additional 36 beds  
7.35 to provide residential services for the physically disabled under Minnesota Rules, parts

8.1 9570.2000 to 9570.3400, in a 198-bed nursing home located in Red Wing, provided that  
8.2 the total number of licensed and certified beds at the facility does not increase;

8.3 (bb) to license and certify a new facility in St. Louis County with 44 beds  
8.4 constructed to replace an existing facility in St. Louis County with 31 beds, which has  
8.5 resident rooms on two separate floors and an antiquated elevator that creates safety  
8.6 concerns for residents and prevents nonambulatory residents from residing on the second  
8.7 floor. The project shall include the elimination of three- and four-bed rooms;

8.8 (cc) to license and certify four beds in a 16-bed certified boarding care home in  
8.9 Minneapolis to replace beds that were voluntarily delicensed and decertified on or  
8.10 before March 31, 1992. The licensure and certification is conditional upon the facility  
8.11 periodically assessing and adjusting its resident mix and other factors which may  
8.12 contribute to a potential institution for mental disease declaration. The commissioner of  
8.13 human services shall retain the authority to audit the facility at any time and shall require  
8.14 the facility to comply with any requirements necessary to prevent an institution for mental  
8.15 disease declaration, including delicensure and decertification of beds, if necessary;

8.16 (dd) to license and certify 72 beds in an existing facility in Mille Lacs County with  
8.17 80 beds as part of a renovation project. The renovation must include construction of  
8.18 an addition to accommodate ten residents with beginning and midstage dementia in a  
8.19 self-contained living unit; creation of three resident households where dining, activities,  
8.20 and support spaces are located near resident living quarters; designation of four beds  
8.21 for rehabilitation in a self-contained area; designation of 30 private rooms; and other  
8.22 improvements;

8.23 (ee) to license and certify beds in a facility that has undergone replacement or  
8.24 remodeling as part of a planned closure under section 256B.437;

8.25 (ff) to license and certify a total replacement project of up to 124 beds located  
8.26 in Wilkin County that are in need of relocation from a nursing home significantly  
8.27 damaged by flood. The operating cost payment rates for the new nursing facility shall be  
8.28 determined based on the interim and settle-up payment provisions of Minnesota Rules,  
8.29 part 9549.0057, and the reimbursement provisions of section 256B.431. Property-related  
8.30 reimbursement rates shall be determined under section 256B.431, taking into account any  
8.31 federal or state flood-related loans or grants provided to the facility;

8.32 (gg) to allow the commissioner of human services to license an additional nine beds  
8.33 to provide residential services for the physically disabled under Minnesota Rules, parts  
8.34 9570.2000 to 9570.3400, in a 240-bed nursing home located in Duluth, provided that the  
8.35 total number of licensed and certified beds at the facility does not increase;



9.1 (hh) to license and certify up to 120 new nursing facility beds to replace beds in a  
 9.2 facility in Anoka County, which was licensed for 98 beds as of July 1, 2000, provided the  
 9.3 new facility is located within four miles of the existing facility and is in Anoka County.

9.4 Operating and property rates shall be determined and allowed under section 256B.431 and  
 9.5 Minnesota Rules, parts 9549.0010 to 9549.0080, or section 256B.434 or 256B.441; ~~or~~

9.6 (ii) to transfer up to 98 beds of a 129-licensed bed facility located in Anoka County  
 9.7 that, as of March 25, 2001, is in the active process of closing, to a 122-licensed bed nonprofit  
 9.8 nursing facility located in the city of Columbia Heights or its affiliate. The transfer is  
 9.9 effective when the receiving facility notifies the commissioner in writing of the number of  
 9.10 beds accepted. The commissioner shall place all transferred beds on layaway status held in  
 9.11 the name of the receiving facility. The layaway adjustment provisions of section 256B.431,  
 9.12 subdivision 30, do not apply to this layaway. The receiving facility may only remove the  
 9.13 beds from layaway for recertification and relicensure at the receiving facility's current  
 9.14 site, or at a newly constructed facility located in Anoka County. The receiving facility  
 9.15 must receive statutory authorization before removing these beds from layaway status, or  
 9.16 may remove these beds from layaway status if removal from layaway status is part of a  
 9.17 moratorium exception project approved by the commissioner under section 144A.073; or

9.18 (jj) to establish new or replacement beds in a unit within a nursing facility to be  
 9.19 used for patients with complex co-occurring chronic medical conditions and serious  
 9.20 mental illness or substance abuse conditions after discharge from a hospital when the  
 9.21 commissioners of health and human services have determined that:

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

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

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

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

9.31 (a) The commissioner shall provide an additional payment for inpatient hospital services  
 9.32 provided to a patient who:

9.33 (1) is committed to the commissioner and eligible and appropriate for admission  
 9.34 to a state-operated inpatient facility for treatment of serious psychiatric or substance  
 9.35 abuse disorders;

10.1 (2) is placed in a community hospital due to lack of available beds at a state-operated  
 10.2 inpatient facility;

10.3 (3) has co-occurring serious dementia requiring a high level of supervision or  
 10.4 complex chronic medical conditions requiring ongoing medical treatment; or

10.5 (4) remains in the inpatient community hospital after no longer needing a hospital  
 10.6 level of care because of the lack of any available, safe, and suitable placement in  
 10.7 residential or community settings after discharge from the hospital.

10.8 (b) The commissioner shall establish the amount of the additional hospital inpatient  
 10.9 payment rate to be paid under this subdivision as follows:

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

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

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

10.21 Sec. 3. Minnesota Statutes 2014, section 256B.0755, is amended by adding a  
 10.22 subdivision to read:

10.23 Subd. 8. **Prototype demonstration projects.** (a) The commissioner may authorize  
 10.24 small demonstration projects under this section to test new interventions that will improve  
 10.25 treatment outcomes and reduce the total cost of care for small populations of high-cost  
 10.26 patients who:

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

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

10.31 (b) Projects approved under this subdivision must test innovative new strategies to  
 10.32 improve treatment outcomes and reduce total costs of care that, if effective, could be  
 10.33 expanded and replicated to other regions and high-risk, high-cost populations.

11.1 Sec. 4. Minnesota Statutes 2014, section 256B.431, is amended by adding a  
11.2 subdivision to read:

11.3 Subd. 46. **Payment for subacute services for residents with complex**  
11.4 **co-occurring chronic medical conditions and serious mental illness or substance abuse**  
11.5 **conditions.** The commissioner of human services shall establish a higher payment rate  
11.6 for payments to nursing facilities for patients admitted to a special nursing facility or unit  
11.7 within a nursing facility that accepts patients with complex co-occurring chronic medical  
11.8 conditions and serious mental illness or substance abuse conditions after discharge from a  
11.9 hospital when no other appropriate subacute, transitional care, or residential outpatient  
11.10 options are available for placement upon hospital discharge. The payment rate must be  
11.11 sufficient to cover the additional costs of the program and to create an adequate incentive  
11.12 for nursing facility providers to develop or offer placement options for these patients.

11.13 Sec. 5. **APPROPRIATIONS.**

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

11.16 (1) \$3,000,000 for additional inpatient hospital payments under section 2.

11.17 (2) \$..... for enhanced nursing facility payments for subacute services under  
11.18 section 4.

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