

1 Department of Human Services

2

3 Adopted Permanent Rules Relating to Determination of Payment

4 Rates for Intermediate Care Facilities for Persons With Mental

5 Retardation and Related Conditions

6

7 Rules as Adopted

8 9553.0050 DETERMINATION OF TOTAL OPERATING COST PAYMENT RATE.

9 Subpart 1. Establishment of allowable historical operating
10 cost per diem. The commissioner shall annually review and
11 adjust the operating costs incurred by the facility during the
12 reporting year preceding the rate year to determine the
13 facility's allowable historical operating costs. The review and
14 adjustment must comply with parts 9553.0010 to 9553.0080. Each
15 facility's allowable historical operating cost per diem shall be
16 established according to items A to F.

17 A. The total allowable historical operating cost per
18 diem shall be limited according to subitems (1) to (5).

19 (1) For the rate years beginning on or after
20 October 1, 1986, the administrative allowable historical
21 operating costs shall be limited as in units (a) to (g).

22 (a) to (e) [Unchanged.]

23 (f) For rate years beginning on or after
24 October 1, 1988, the commissioner shall increase the
25 administrative cost per licensed bed limit in unit (e) by
26 multiplying the limit established for the rate year beginning
27 October 1, 1987, by the percentage change in the all urban
28 consumer price index (CPI-U) for Minneapolis-Saint Paul as
29 published by the Bureau of Labor Statistics, United States
30 Department of Labor, between the two most recent Decembers
31 before the beginning of the rate year. The year 1967 is the
32 standard reference base period. The maximum administrative
33 allowable historical operating cost shall be the lesser of the
34 facility's administrative allowable historical operating cost or
35 the amount determined in this unit multiplied by the facility's

1 licensed beds.

2 (g) [Unchanged.]

3 (2) For the rate years beginning on or after
4 October 1, 1986, the allowable historical operating costs in the
5 maintenance operating cost category must not exceed the .
6 operating cost payment rate for the maintenance operating cost
7 category in effect during the reporting year times the prorated
8 resident days which correspond to those operating cost payment
9 rates paid during the reporting year.

10 (3) For the rate year beginning October 1, 1986,
11 the allowable historical operating costs in the administrative
12 operating cost category must not exceed the operating cost
13 payment rate for the administrative operating cost category in
14 effect during the reporting year times the prorated resident
15 days that correspond to those operating cost payment rates paid
16 during the reporting year. Except for the purpose of
17 calculating the efficiency incentive under subpart 2, item E,
18 this limit on administrative operating costs shall not be in
19 effect for rate years beginning on or after October 1, 1987.

20 (4) For the rate year beginning October 1, 1986,
21 and October 1, 1987, the facility's total operating cost payment
22 rate in effect during the reporting year must be adjusted for
23 reclassifications in accordance with part 9553.0040 and be
24 separated into program, maintenance, special, and administrative
25 operating cost payment rates according to units (a) to (c).

26 (a) to (c) [Unchanged.]

27 (5) The limits in subitems (2), (3), and (4)
28 shall not apply to a facility with a payment rate established
29 according to part 9553.0075, subparts 1 to 3.

30 B. to F. [Unchanged.]

31 **Subp. 2. Establishment of total operating cost payment**
32 **rate.** The total operating cost payment rate shall be
33 established according to items A to F.

34 A. The allowable historical operating cost per diems
35 determined according to subpart 1, items B to D, shall be
36 adjusted by the annualized percentage change in the all urban

1 consumer price index (CPI-U) for Minneapolis-Saint Paul as
 2 published by the Bureau of Labor Statistics, United States
 3 Department of Labor, between the two most recent Decembers
 4 before the beginning of the rate year. The year 1967 is the
 5 standard reference base period. For the rate year beginning
 6 October 1, 1986, the allowable certified audit cost per diem in
 7 subpart 1, item E, shall not be adjusted by the CPI-U.

8 B. to D. [Unchanged.]

9 E. If the reporting year's total operating cost
 10 excluding special operating costs, is less than the sum of the
 11 limits computed in subpart 1, item A, subitems (2), (3), and
 12 (4), the facility shall receive the difference divided by the
 13 greater of resident days or 85 percent of capacity days as an
 14 efficiency incentive, up to a maximum of \$2 per resident per
 15 day. A facility whose program allowable historical operating
 16 cost incurred during the reporting year is below the program
 17 historical operating cost limit established in subpart 1, item
 18 A, subitems (2), (3), and (4) is not eligible to receive the
 19 efficiency incentive. The efficiency incentive must not be
 20 adjusted as a result of a field audit.

21 F. [Unchanged.]

22 Subp. 3. [Unchanged.]

23 9553.0060 DETERMINATION OF PROPERTY RELATED PAYMENT RATE.

24 Subpart 1. to 4. [Unchanged.]

25 Subp. 5. Capital debt reduction allowance. A provider
 26 whose facility is not leased or a facility which is leased from
 27 a related organization shall receive a capital debt reduction
 28 allowance. The amount of the capital debt reduction allowance
 29 and the reduction of capital debt required must be determined
 30 according to items A to G:

31 A. The total amount of the capital debt reduction
 32 allowance and the portion of that amount which must be applied
 33 to reduce the provider's capital debt shall be determined
 34 according to the following table:

35	Percentage Of Equity	Total Capital Debt	Amount Which Must
36	In Capital Assets	Reduction Allowance	Be Applied To

1	Used By The Facility	Per Resident Day	Reduce Capital
2		(In Dollars)	Debt (In Dollars)
3	Less than 20.01	.50	.40
4	20.01 to 40.00	.50	0
5	40.01 to 60.00	.70	0
6	60.01 to 80.00	.90	0
7	80.01 to 100.00	1.10	0

8 B. to G. [Unchanged.]

9 Subp. 6. and 7. [Unchanged.]

10 9553.0061 LIFE SAFETY CODE ADJUSTMENT.

11 Subpart 1. Determination of adjustment. Adjustments to
 12 the special operating cost payment rate for actions taken to
 13 comply with the Code of Federal Regulations, title 42, section
 14 442.508, as amended through October 1, 1986, shall be determined
 15 under subparts 2 to 9.

16 Subp. 2. Conditions. The commissioner shall allow an
 17 adjustment to a facility's special operating cost payment rate
 18 when the state fire marshal has issued a statement of
 19 deficiencies to the facility under the Code of Federal
 20 Regulations, title 42, section 442.508, as amended through
 21 October 1, 1986, if the criteria in items A to D are met.

22 A. The physical plant for which the statement of
 23 deficiencies was issued has 16 or fewer licensed beds.

24 B. The commissioner has determined that the most
 25 programmatically sound and cost effective means of correcting
 26 the deficiencies is to modify the physical plant or add
 27 depreciable equipment.

28 C. The cost of the physical plant modification or
 29 additional depreciable equipment cannot be covered by
 30 reallocating facility staff and costs including funds
 31 accumulated in the facility's funded depreciation account and
 32 other savings or investment accounts of the provider.

33 D. The provider has complied with the requirements in
 34 subparts 3 and 4.

35 Subp. 3. Request for life safety code adjustment. The
 36 provider shall submit to the commissioner a written request for
 37 a life safety code adjustment to the special operating cost
 38 payment rate. The request must include:

39 A. a copy of the state fire marshal's statement of

1 deficiencies;

2 B. a copy of the facility's plan of correction
3 approved by the state fire marshal; and

4 C. a description of the type of physical plant
5 modifications or additional depreciable equipment required to
6 meet the approved plan of correction including the estimated
7 cost based on bids developed in accordance with subpart 4.

8 Subp. 4. Bid requirements. Bids must be obtained from
9 nonrelated organizations. Only the costs of items required to
10 correct the deficiencies may be included in a bid. Each bid
11 must include:

12 A. a detailed description of the physical plant
13 modifications needed to correct the deficiencies;

14 B. the cost of any depreciable equipment needed to
15 correct the deficiencies;

16 C. the cost of materials and labor; and

17 D. the name, address, and phone number of the bidder.

18 If the commissioner determines that the bid submitted by
19 the provider is excessive or includes items not required to
20 correct the deficiencies, the commissioner may require a second
21 bid and may recommend another organization that must supply the
22 bid. This subpart shall not apply to a facility that has
23 implemented a plan of correction before the effective date of
24 this part.

25 Subp. 5. Evaluation of documents submitted. The
26 commissioner shall evaluate the documents submitted under
27 subpart 3. If the commissioner determines that the plan of
28 correction is not programmatically sound or cost effective, the
29 commissioner may require the facility to submit an alternative
30 plan of correction to the state fire marshal for approval. If
31 the state fire marshal approves the alternative plan of
32 correction, the commissioner may require the facility to
33 resubmit bids under subpart 4.

34 Subp. 6. Computation of life safety code adjustment. If
35 the request meets the criteria in subparts 2 to 5, the
36 commissioner shall compute the life safety code adjustment to

1 the special operating cost payment rate under items A to E.

2 A. Upon completion of the physical plant
3 modifications and purchase of the additional depreciable
4 equipment, the facility shall submit copies of invoices showing
5 the total cost of the physical plant modifications and
6 additional depreciable equipment to the commissioner.

7 B. The commissioner shall allow the lesser of the
8 amount in item A or the final bid approved by the commissioner.
9 The amount allowed shall be reduced by 75 percent of the funded
10 depreciation that may be withdrawn for purchase or replacement
11 of capital assets or payment of capitalized repairs as
12 determined in part 9553.0060, subpart 1, item E, subitem (4),
13 and other savings or investment accounts of the provider or the
14 provider group.

15 C. If a facility is financed by the Minnesota Housing
16 Finance Agency, the facility must use amounts deposited in the
17 development cost escrow account required by the Minnesota
18 Housing Finance Agency to purchase physical plant modifications
19 or additional depreciable equipment allowed under this part.
20 The amount withdrawn from the development cost escrow account
21 must be reimbursed to the facility as provided in subpart 7.
22 The facility must use the reimbursement to replace the amount
23 withdrawn from the development cost escrow account as required
24 by the Minnesota Housing Finance Agency.

25 D. If the amount determined in item B is less than
26 \$500 per licensed bed, the amount must be divided by the
27 resident days from the cost report that was used to set the
28 facility's total payment rate in effect on the date the
29 statement of deficiencies was issued.

30 E. If the amount determined in item B is equal to or
31 greater than \$500 per licensed bed, the amount in excess of \$500
32 per licensed bed must be reimbursed during the rate year
33 following the rate year in which the statement of deficiencies
34 was issued. The amount in excess of \$500 per licensed bed must
35 be divided by the resident days from the cost report that was
36 used to set the facility's total payment rate for the rate year

1 following the rate year in which the statement of deficiencies
2 was issued.

3 Subp. 7. **Adjustment of special operating cost payment**
4 **rate.** If the amount in subpart 6, item B or C, is greater than
5 zero, the commissioner shall adjust the facility's special
6 operating cost payment rate under items A and B.

7 A. The per diem amount in subpart 6, item D, must be
8 added to the facility's special operating cost payment rate for
9 the rate year identified in subpart 6, item D, and will be
10 effective on the first day of that rate year.

11 B. The per diem amount in subpart 6, item E, must be
12 added to the facility's special operating cost payment rate for
13 the rate year identified in subpart 6, item E, and shall be
14 effective on the first day of that rate year.

15 Subp. 8. **Reimbursement limits.** If a life safety code
16 adjustment to the special operating cost payment rate is allowed
17 under this part, the cost of the physical plant modifications
18 and additional depreciable equipment allowed in subpart 6, item
19 B, must not be claimed for reimbursement under other provisions
20 of parts 9553.0010 to 9553.0080. The cost of the physical plant
21 modifications and additional depreciable equipment not allowed
22 under subpart 6, item B, shall be capitalized and depreciated in
23 accordance with part 9553.0060, subpart 1.

24 Subp. 9. **Changes in one-time adjustment.** If a facility
25 has been given a one-time adjustment under part 9553.0050,
26 subpart 3, and the commissioner determines under subpart 2, item
27 A, that the life safety code deficiency should be corrected
28 under this part, the facility's one-time adjustment or the
29 portion of that one-time adjustment that related to the life
30 safety code deficiency shall be subtracted from the facility's
31 total payment rate on the date the life safety code adjustment
32 under this part is effective. If more than 50 percent of the
33 one-time adjustment is subtracted from the facility's total
34 payment rate under this subpart, the facility may apply for
35 another one-time adjustment within the three-year period
36 established in part 9553.0050, subpart 3, item G.

1 9553.0075 RATE SETTING PROCEDURES FOR NEWLY CONSTRUCTED OR NEWLY
2 ESTABLISHED FACILITIES OR APPROVED CLASS A TO CLASS B
3 CONVERSIONS.

4 Subpart 1. Interim payment rate. A provider may request
5 an interim payment rate for a newly constructed or newly
6 established facility or for a facility converting more than 50
7 percent of its licensed beds from Class A beds to Class B beds
8 provided that the conversion is approved by the commissioner.
9 To receive an interim payment rate, the provider must submit a
10 projected cost report in compliance with parts 9553.0010 to
11 9553.0080 to the extent applicable, for the year in which the
12 provider plans to begin operation or plans to convert beds.
13 Parts 9553.0050, subpart 1, item A, subitems (2), (3), and (4);
14 subpart 2, item E; and subpart 3; and part 9553.0060, subpart 6
15 shall not apply to interim payment rates. The interim property
16 related payment rate must be determined using projected resident
17 days but not less than 80 percent of licensed capacity days.
18 The effective date of the interim payment rate for a newly
19 constructed or newly established facility must be the later of
20 the first day a medical assistance recipient resides in the
21 newly constructed or established bed or the date of medical
22 assistance program certification. The effective date of the
23 interim payment rate for a facility converting more than 50
24 percent of its licensed beds from Class A beds to Class B beds
25 must be the later of the date on which all the converted beds
26 are occupied by residents requiring a Class B bed as determined
27 by the commissioner or the date on which the beds are licensed
28 as Class B beds by the Minnesota Department of Health. Prior to
29 the effective date of the interim payment rate, the provider may
30 submit a request to update the interim rate. After the
31 effective date of the interim payment rate, no adjustments shall
32 be made in the interim payment rate until settle-up.

33 Subp. 2. Interim payment rate settle-up. The interim
34 payment rate must not be in effect more than 17 months. When
35 the interim payment rate begins between August 1 and December

1 31, the facility shall file settle-up cost reports for the
2 period from the beginning of the interim payment rate through
3 December 31 of the following year. When the interim payment
4 rate begins between January 1 and July 31, the facility shall
5 file settle-up cost reports for the period from the beginning of
6 the interim payment rate to the first December 31 following the
7 beginning of the interim payment rate.

8 A. [Unchanged.]

9 B. An interim payment rate established on or after
10 January 1, 1986, is subject to retroactive upward or downward
11 adjustment based on the settle-up cost report and in accordance
12 with parts 9553.0010 to 9553.0080 except that:

13 (1) part 9553.0050, subpart 1, item A, subitems
14 (2), (3), and (4); subpart 2, item E; and subpart 3; and part
15 9553.0060, subpart 6 do not apply;

16 (2) to (5) [Unchanged.]

17 Subp. 3. Total payment rate for nine-month period
18 following settle-up period. For the nine-month period following
19 the settle-up reporting period, the total payment rate must be
20 determined according to items A to C.

21 A. The allowable historical operating cost per diems
22 must be determined in accordance with parts 9553.0010 to
23 9553.0080 except that:

24 (1) part 9553.0050, subpart 1, item A, subitems
25 (2), (3), and (4); subpart 2, item E; and subpart 3; and part
26 9553.0060, subpart 6 do not apply;

27 (2) [Unchanged.]

28 (3) the allowable historical operating cost per
29 diems must be adjusted by multiplying those per diems by 9/12 of
30 the percentage change in the all urban consumer price index
31 (CPI/U) of Minneapolis/St. Paul as published by the Bureau of
32 Labor Statistics between the two most recent Decembers before
33 the beginning of the rate year, new series index (1967=100).

34 B. and C. [Unchanged.]

35 Subp. 4. [Unchanged.]