

2014-15 Biennial Budget

Human Services

Change Item Title: Nursing Facility Rate Increase and Quality Add-On

Fiscal Impact (\$000s)	FY 2014	FY 2015	FY 2016	FY 2017
General Fund				
Expenditures	5,322	13,645	15,529	15,893
Revenues	0	0	0	0
xxx Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	5,322	13,645	15,529	15,893

Recommendation:

The Governor recommends that nursing facilities receive a general operating rate increase and a quality add-on increase to the operating rate in fiscal years (FY) 2014 and 2015. All of these increases would be effective October 1st of each fiscal year with the first increase effective October 1, 2013. Starting in FY16, nursing facilities will receive a quality add-on increase each year. This proposal invests \$18.967 million in FY14-15 and \$31.422 million in FY16-17.

Rationale/Background:

Most nursing facilities have not received operating rate increases over the last several years due to state budget constraints. The quality of services provided by long-term care providers is an ongoing concern both in institutional settings and home and community based services. Experience demonstrates that publicly reporting performance and providing even a small payment incentive for performance leads to quality improvement.

Proposal:

This proposal gives a general operating rate increase and creates a quality add-on increase to the operating rate for nursing facilities. The funds to pay the increases come from withholding the APS rate inflation allowed under Minnesota Statutes, chapter 256B.434, subdivision 4. The total dollars from the inflation withholding for FY14 and FY15 will be split equally between the general increase and the quality add-on. In FY16 and FY17, the total dollars from the inflation withholding will be used for quality add-ons. There is a separate proposal for the inflation suspension.

All facilities will receive a general operating rate increase beginning October 1, 2013, and October 1, 2014, of 1.09%. In addition, facilities can receive a quality add-on if they have made investments in quality reflected in six measures. The six quality measures are weighted as follows in determining a nursing facility's quality score:

- Minnesota Risk adjusted clinical quality indicators- 35 points
- Resident Quality of Life interview- 20 points
- Direct Care Staff Retention- 20 points
- Direct Care Staffing- 10 points
- Minnesota Department of Health Inspections- 10 points
- Temporary Staff Use: 10 points

The average quality add-on effective in FY14 and FY15 will be 1.08%; in FY16 and FY17 2.25%. These rate increases will become part of the nursing facilities' base. Quality add-on rate adjustments recognize achieved quality improvements and provide resources for further quality improvements.

Performance Measures:

Establishing a quality add-on will promote best practices and positive approaches in service delivery and provide the basis for provider incentives. This proposal will be successful if the Nursing Facility Quality of Life and/or Quality of Care measures tracked by the department improve.

Statutory Change: MS 256B.441; 256B.431; adds new subdivision

DHS Fiscal Detail for Budget Tracking

Net Impact by Fund (000's)	FY 2014	FY 2015	FY 14-15	FY 2016	FY 2017	FY 16-17

2014-15 Biennial Budget

Human Services

General Fund			5,322	13,645	18,967	15,529	15,893	31,422
HCAF								
Total All Funds			5,322	13,645	18,967	15,529	15,893	31,422
Budget Detail	BACT#	Description	FY 2014	FY 2015	FY 14-15	FY 2016	FY 2017	FY 16-17
GF	33	MA – LF rate incr.	2,661	6,823	9,484	0	0	0
GF	33	MA-LF-quality add	2,661	6,822	9,483	15,529	15,893	31,422
Requested FTE's								
GF								