March 5, 2020

DHS Commissioner Jodi Harpstead
MDH Commissioner Jan Malcolm

Dear Blue Ribbon Commission Co-Chairs:

As unions representing over 10,000 Minnesota nursing home workers, we encourage the Minnesota HHS Blue Ribbon Commission to drop consideration of the cuts to nursing home reimbursement rates as proposed in the Value-Based Reimbursement in Nursing Facilities priority strategy.

In 2015, the Minnesota Legislature made a historic bi-partisan investment in our nursing homes. This investment reversed decades of underfunding and inequitable rates. Before the new value-based reimbursement system (VBR) passed, the workforce shortage was chronic and there were huge funding disparities between Greater Minnesota and the Metro. Since VBR passed, workers have made real wage gains, but low unemployment means we continue to see serious staffing shortages. Since VBR has passed, regional disparities have narrowed little, if at all, because many rural homes are unable to find the cash to fund upfront wage increases, while waiting around 18 months for their reimbursement rate to increase. We oppose rolling back the current VBR system until we reach the original goal of well-staffed nursing homes funded equitably across the state.

While this strategy is labeled under “evidence-based strategies”, most of the savings likely come, not from targeted efficiencies, but from simply capping the growth of the other operating price and the property rate. We share concerns that recent increases may be excessive and funding unnecessary administrative costs, but we think this calls for better transparency and regulation before we implement a flat cap. A flat cap does not by itself promote greater efficiency and ignores the fact that we need to make up for decades of under-investment.

An effective value-based reimbursement system could be an evidenced based way to save money through better, more efficient, care, but we don’t think this strategy meets that goal. First, we prefer an adequately funded system to an inadequately funded system with an effective value-based component. Instead of intentionally making current funding inadequate in order to make
the value-based limit effective, we prefer to let homes continue growing towards the current limit. Again, Minnesota nursing home workers are making up for years of under-investment, so, instead of halting that progress, we should wait to see if the growth over the next few years starts to bring the quality limit into play. Second, the evidence so far is mixed, at best, whether this proposed change will improve quality and efficiency. Simply changing the quality system after just a few years is likely to deter operators from relying on any reward for quality. More importantly, there is little academic study of the current system and results from other systems in Minnesota and other states are mixed, at best.

Finally, further work on this strategy is not an effective use of the Commission’s time. This issue was fully thrashed out by the Legislature and the Executive. This Commission is unlikely to add to those debates. If these proposals were not included in last year’s budget, they are almost certainly not going to be adopted by the legislature. Instead we should focus on proposals that have some chance of getting enacted.

Sincerely yours,

Ethan Vogel, AFSCME Council 5
Rick Varco, SEIU Healthcare Minnesota
Bernie Hesse, UFCW Local 1189
Bob Ryan, USW District 11