

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1090

Page 1, after line 14, insert:

“5. “Fair rental value” means the depreciated replacement value of the building, fixed equipment, moveable equipment, and land based on the facility’s effective age. The calculation of the fair rental value of the building and fixed equipment must include a location factor.

6. “Fair rental value rate” means the per diem rate calculated using the fair rental value and rental rate”

Page 1, line 15, replace “5.” with “7.”

Page 1, line 17, replace “6.” with “8.”

Page 1, line 20, replace “7.” with “9.”

Page 2, line 8, replace “8.” with “10.”

Page 2, line 14, replace “9.” with “11.”

Page 2, line 17, replace “10.” with “12.”

Page 2, after line 18, insert:

“13. “Margin cap” means a percentage of the price limit, that represents the maximum per diem amount that a nursing facility may receive if the facility has historical operating costs below the price limit.”

Page 2, line 19, replace “11.” with “14.”

Page 2, line 22, replace “12.” with “15.”

Page 2, line 24, replace “13.” with “16.”

Page 2, line 26, replace “14.” with “17.”

Page 2, line 27, replace “15.” with “18.”

Page 2, line 30, replace “16.” with “19.”

Page 3, line 5, replace “17.” with “20.”

Page 3, line 9, replace “18.” with “21.”

Page 3, line 12, replace “19.” with “22.”

Page 4, line 5, after “diems” insert “, increased by the market basket for skilled nursing facility before productivity assessment.”

Page 4, line 11, overstrike “may not fall below” and insert immediately thereafter “must be established using the same percentage of”

Page 4, line 11, overstrike “of the most recent cost report” and insert immediately thereafter “used to establish the limits for the June 30, 2020, base period”

Page 5, after line 24, insert:

- "7. The margin cap used for the rate year beginning 2022 price limits must be no less than three and forty-six hundredths percent.
8. The market basket for skilled nursing facility before productivity adjustment is the preferred index to adjust historical operating costs when a new base period is established and to adjust the price rate in subsequent years until a new base rate period is established.
9. For the rate years beginning 2022 and 2023, the department shall inform the nursing home of the operating rate using historical operating costs and the operating rate using price limits. The nursing home shall inform the department if they want to accept the operating rate using historical operating costs as the established rate."

Page 6, line 16, after "Establish" insert a period.

Page 6, line 30, after "2005" insert:

"The per bed property cost limitation must apply to construction or renovation projects currently in process or that have approved financing in place on or before December 31, 2021. The nursing home shall notify the department within thirty days of receiving financial approval for any construction or renovation projects that financing is in place on or before December 31, 2021"

Page 6, line 30, remove the overstrike over the period

Page 7, line 1, remove the overstrike over "3."

Page 7, line 4, after "2008" insert:

"The maximum allowable movable equipment replacement value per licensed bed must be fifteen thousand dollars when calculating the fair rental value"

Page 7, line 4, remove the overstrike over the period

Page 7, line 5, remove the overstrike over "4."

Page 7, line 7, after "passthrough" insert:

"The maximum allowable square footage per licensed bed must be nine hundred fifty square feet [88.26 square meters] when calculating the fair rental value.

5. The maximum allowable rental rate must be eight percent when calculating the fair rental value rate.
6. Effective with the 2023 rate year, the property rate component of the payment rate, exclusive of start-up and passthrough costs, must be the greater of the rate calculated using allowable property-related costs or the fair rental value rate. If the fair rental value rate is greater than the rate calculated using allowable property-related costs, the increase must be phased in over a four-year period.

7. Effective with the 2023 rate year, if the fair rental value rate is greater than the rate calculated using allowable property-related costs, the increase must be reserved for renovation or replacements that enhance the fair rental value. The increase must be reserved until a major renovation or construction is placed in service.
8. Effective with the 2023 and subsequent rate years, if the fair rental value rate is less than the rate calculated using allowable property-related costs, the department shall inform the nursing home of the property rate using allowable property-related costs and the fair rental value. Prior to the start of each rate year, the nursing home shall inform the department if they want to accept the property rate using allowable property-related costs as the established rate. The allowable property-related costs must be calculated using only the allowable depreciation on capital assets and interest on debt as of June 30, 2022, for all rate years. Once the fair rental value rate is equal to or greater than the rate calculated using allowable property-related costs, or the nursing home does not inform the department they want to accept the property rate using allowable property-related costs, the department no longer shall inform the nursing home of the property rate using allowable property-related costs and the rate must be calculated using the fair rental value methodology”

Page 7, line 7, remove the overstrike over the period

Renumber accordingly

Components of Price Model	Value	Included
Rebasing Frequency	2022 rates and 2024 rates	Yes, in HB 1090
Inflation Index	Skilled Market Basket	Yes, in amendment
Inflation Reduced for Facilities that Keep Cost-Based Operating Rate	Inflation would be reduced 0.5%	No
Margin Cap	No less than 3.46% for 2022 & 2023	Yes, in amendment
Price	120/120/110 of median	Yes, in amendment
Separate Price for Indirect Cost Category for Large and Small Facilities	Small is 55 beds or less	No
Education, Bad Debt, and Technology Pass Throughs	Not subject to limits	Currently in statute
Occupancy Limitation	90% occupancy	Currently in statute
Hold Harmless	Keep current cost-based operating rate for 2022 and 2023	Yes, in amendment

Components of FRV Model	Value	Included
Replacement Cost per Square Foot	RS Means Construction Cost Data Book	No
Location Factor	Minneapolis	Yes, in amendment (referenced in FRV definition)
Land Value	10% of Building Replacement Cost	No
Equipment	\$15,000 per bed	Yes, in amendment
Maximum square foot	950 sq. ft.	Yes, in amendment
Depreciation	2% annually	Yes, in amendment (referenced in FRV definition)
Replacement Cost Inflation Factor	2% annually	Yes, in amendment (referenced in FRV definition)
Maximum Effective Age	35 years	No
Rental Rate	8%	Yes, in amendment
Phase-in for Increase of FRV Rate greater than Current Property Rate	4 year phase-in	Yes, in amendment
Hold Harmless for Current Property Rate	Keep current cost-based property rate, identify crossover	Yes, in amendment
Hold Harmless for Future Renovation or Construction	Get cost-based property rate if approved financing by 12/31/21	Yes, in amendment
Length of Hold Harmless	Recommend 10 years with an exception policy	No
Property Increase must be used for Property-Related Costs	If FRV > Cost-based Rate	Yes, in amendment