

HF702 - 0 - Nursing Facility Property Rate Increases Modified

Chief Author: **Greg Davids**
 Committee: **Human Services Finance And Policy**
 Date Completed: **3/16/2025 9:59:59 PM**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	1,038	1,062	1,085	
Total	-	-	1,038	1,062	1,085	
Biennial Total			1,038		2,147	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Kate Schiller **Date:** 3/16/2025 9:59:59 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	1,038	1,062	1,085	
Total		-	-	1,038	1,062	1,085
Biennial Total				1,038		2,147
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	1,038	1,062	1,085	
Total		-	-	1,038	1,062	1,085
Biennial Total				1,038		2,147
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill would continue a temporary property rate increase given in the 2024 legislative session (Chapter 125, Article 2, Section 14) that was originally going to expire on May 31, 2026. This would impact three nursing homes one in Ramsey County, one in St Louis County, and one in Fillmore County.

Assumptions

As noted above, this bill would remove the expiration date for a temporary property rate increase given to three nursing homes in the State of Minnesota. Removing this language would make these rate increases permanent, incurring additional costs to the state’s Medical Assistance program.

Effective Date: June 1, 2026.

Implementation Timing: These three nursing facilities are already receiving this temporary property rate increase and is already implemented. However, this means Medical Assistance and Private pay daily nursing facility payment rates will continue to be affected after the original expiration date of May 31, 2026. The payments for nursing facility services lags the provision of services by one month, thus a 30-day payment delay factor was used in this fiscal note.

Programs Impacted: This bill will impact the rates for both private pay and Medical Assistance (Long-Term Care Facilities). Rates will increase compared to current law, given that this bill repeals the expiration date included in the original language from 2024.

Rate Impact: The rate increase will be different per facility but will be on average for these three facilities an increase per resident day of \$9.01 for Calendar Year (CY) 2026, \$15.70 for CY2027, \$15.99 for CY2028, and \$16.35 for CY2029.

Managed Care Rate Impact: There will be a fiscal impact to managed care rates in FY2027, FY2028, and FY2029. These impacts are noted in the final tracking below.

External Considerations: Federal approval is needed to implement this bill. There are federal and county fiscal impacts associated with this bill and these amounts are shown in the table below. The state share of is determined by amounts paid by these other governmental units. Over this budget horizon, state share is forecasted to be approximately 46.20% of the cost, with federal share at 52.65% and county/local share at 1.15%.

Administrative Costs: This bill can be implemented with the existing Department staff resources.

Systems Costs: There are no systems costs associated with this bill.

Other Considerations: In accordance with current law, the Department used the current nursing facility payment system, Resource Utilization Groups Version IV (RUGS IV) in estimating this fiscal note and did not use the Patient-Driven Payment Model (PDPM).

Expenditure and/or Revenue Formula

Based on February 2025 Forecast	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Federal Share	53.18%	52.76%	52.65%	52.65%	52.65%
State share	45.70%	46.09%	46.20%	46.20%	46.20%
County Share	1.12%	1.15%	1.15%	1.15%	1.15%
	100.00%	100.00%	100.00%	100.00%	100.00%
FISCAL NOTE COMPUTATIONS					
Total Annual Costs/(Savings)	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Increase to Daily rates	\$ -	\$ 9.01	\$ 15.70	\$ 15.99	\$ 16.35
Impacted days	-	130,283	130,283	130,283	130,283
Total Annual Costs/(Savings) due to Daily Rate change	-	1,173,765	2,046,025	2,083,468	2,130,762
Increase/(Decrease) to Rate Add-on					
30 Day enhanced rate at .40% of total payments	\$ -	\$ 4,695	\$ 8,184	\$ 8,334	\$ 8,523
Private Room add-on at 4.63% total payments	\$ -	\$ 54,345	\$ 94,731	\$ 96,465	\$ 98,654
Leave Day at .03 % of total payments	\$ -	\$ 352	\$ 614	\$ 625	\$ 639
Costs/(Savings) due to Daily Rate Add-ons	\$ -	\$ 59,392	\$ 103,529	\$ 105,423	\$ 107,817
Total Annual Costs/(Savings)	\$ -	\$ 1,233,157	\$ 2,149,554	\$ 2,188,891	\$ 2,238,579
Total Annual Calendar Year Costs/(Savings) (in thousands)	\$ -	\$ 1,233	\$ 2,150	\$ 2,189	\$ 2,239
Conversion to State Fiscal Year (SFY) in thousands	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SFY payment delay	0.00%	0.00%	41.37%	41.37%	41.37%
Cost of Daily Rate Increases Fee-for-service		\$ -	\$ 2,122	\$ 2,166	\$ 2,210
Projected MA costs/(savings)		\$ -	\$ 2,122	\$ 2,166	\$ 2,210
Federal share		\$ -	\$ 1,117	\$ 1,140	\$ 1,163
State budget		\$ -	\$ 980	\$ 1,001	\$ 1,021
County share		\$ -	\$ 24	\$ 25	\$ 25
MA Grants (state budget) BACT 33 LF		\$ -	\$ 980	\$ 1,001	\$ 1,021
Total Costs/(Savings)	\$ -	\$ -	\$ 980	\$ 1,001	\$ 1,021
FMAP Percentage for FFS	53.18%	52.76%	52.65%	52.65%	52.65%
County percentages of the total for FFS	1.12%	1.15%	1.15%	1.15%	1.15%
	FY2025	FY 2026	FY 2027	FY 2028	FY 2029
Expenditures (Dollars in Thousands)					
Fund 100	\$ -	\$ -	\$ 1,038	\$ 1,062	\$ 1,085
Net Expenditures					
Fund 100	\$ -	\$ -	\$ 1,038	\$ 1,062	\$ 1,085
Total Cost to the State	\$ -	\$ -	\$ 1,038	\$ 1,062	\$ 1,085

Fiscal Tracking Summary (\$000's)							
Fund	BACT	Description	FY2025	FY2026	FY2027	FY2028	FY2029
GF	33 LF	MA NF Pymnt Sys Changes	0	0	980	1,001	1,021
GF	33	Elderly Managed Care Rates NF Add-on	0	0	58	61	64
		Total Net Fiscal Impact	0	0	1,038	1,062	1,085
		Full Time Equivalents	0	0	0	0	0

Long-Term Fiscal Considerations

Local Fiscal Impact

There will be an estimated cost to counties in the amount of \$24,000 in fiscal year 2027 and \$25,000 in fiscal year 2028 and beyond.

References/Sources

Agency Contact:

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