

Bulletin

July 19, 2006

Minnesota Department of Human Services □ P.O. Box 64973 □ St. Paul, MN 55164-0973

OF INTEREST TO

- County Directors
- Social Services Supervisors and Staff
- Chairperson, Board of County Commissioners
- Chairperson, Human Services Board
- Facilities serving nursing home residents

ACTION/DUE DATE

Please read immediately.

Contains new property limits and threshold for rate year beginning October 1, 2006.

EXPERATION DATE

The policies in this bulletin are ineffective as of July 19, 2008

DHS Adjusts Nursing Home Property Limitations and Dollar Thresholds for 2006

TOPIC

2006 Adjustment to Limitations and Dollar Thresholds for Investment Per Bed, Moratorium Exceptions, Equity Incentives and Alternative Payment System Property Inflation Index.

PURPOSE

Announce limitations and dollar thresholds for the investment per bed limit, moratorium exceptions, equity incentives and alternative payment system property rate inflation index for nursing homes in 2006.

CONTACT

Nursing Facility Policy Center at (651) 431-2282, or by email at: DHS.LTCpolicycenter@state.mn.us

SIGNED

LOREN COLMAN
Assistant Commissioner
Continuing Care

Inflation Indices

Effective October 1, 2006, property rates will no longer be determined using the Rule 50 method. Nursing facilities reimbursed under the Alternative Payment System (APS) will be allowed property rate adjustments for building projects over the minimum threshold and under the maximum threshold, and for projects approved under the moratorium exception process. Language defining the method and procedures for building projects is found in Minnesota Statutes, section 256B.434, subdivision 4f. One of the procedures is to annually compute the amount of inflation that will be applied to several of the property-related components.

The index used for the below components necessary for determining a building project rate adjustment is the [Price Indexes for Private Fixed Investments in Structures, Special Care](#) published by the U.S. Bureau of Economic Analysis.

Replacement-Cost-New limits
Minimum threshold for building projects
Maximum threshold for building projects

The percentage change in the indices from the fourth quarter 2004 to the fourth quarter 2005 is the inflation factor to be used for the October 1, 2006 rate year. For this rate year, the inflation rate computed is 6.95%.

Replacement-Cost-New limits

Minnesota Statutes, section 256B.431, subdivision 17e. has a set of Replacement-Costs-New limits for facilities that completed a building project on or after July 1, 2001 and for total replacement projects completed after July 1, 1999. The limits for rates effective in the October 1, 2006 rate year are:

<u>Two or More Beds Per Room</u>	<u>Split-Double Rooms</u>	<u>Single Bedrooms</u>
\$101,806	\$127,260	\$152,710

These are last year's numbers of \$95,190, \$118,990, and \$142,786 increased by 6.95%.

Minimum and Maximum Project Threshold limits

Minnesota Statutes, section 256B.431 subdivision 15, paragraph (e) and subdivision 16 refer to the minimum value of assets a facility must add to have the additions considered a construction project under Minnesota Statutes, section 144A.071, subdivision 1a.

Minnesota Statutes, section 144A.071, subdivision 1, 2, and 4a refer to the maximum value of assets a facility can have recognized in rate setting for a construction project under 144A.071, subdivision 1a. that is not an exception to the moratorium under 144A.073.

The limits for rates effective during the October 1, 2006 rate year are:

<u>Minimum</u>	<u>Maximum</u>
<u>Threshold</u>	<u>Threshold</u>
\$247,197	\$1,264,751

These limits are the result of increasing the previous year's thresholds of \$231,133 and \$1,182,563 by 6.95%.

Equity Incentive

One of the components used in calculating the equity incentive factor is value two percentage points above the posted yield for standard conventional fixed rate mortgages of the Federal Home Loan Mortgage Corporation (Freddie Mac) as published in the Wall Street Journal. The rates for May 2005 through May 2006 are as follows:

<u>Month/Year</u>	<u>Freddie Mac Yield</u>	<u>Plus Two Points</u>
May 2005	5.51	7.51
June 2005	5.20	7.20
July 2005	5.43	7.43
August 2005	5.66	7.66
September 2005	5.49	7.49
October 2005	5.83	7.83
November 2005	6.07	8.07
December 2005	6.13	8.13
January 2006	5.97	7.97
February 2006	6.08	8.08
March 2006	6.08	8.08
April 2006	6.28	8.28
May 2006	6.43	8.43

Alternative Payment System Property Inflation Index

Minnesota Statutes, section 256B.434, subdivision 4, paragraph (c), allows for inflation to the property per diem for facilities reimbursed under the alternative payment system. It is based on the change in the Consumer Price Index-All Items (United States City average) as forecasted in the fourth quarter of the calendar year preceding the rate year. The inflation index is based on the 12-month period from the midpoint of the previous rate year to the midpoint of the rate year for which the rate is being determined. The inflation increase for the rate year beginning October 1, 2006 is 2.18%.

Note to counties

Only one copy of this bulletin is being sent to each county welfare/human services board since the content applies only to nursing homes.

Bulletin #06-62-02

July 19, 2006

Page 4

Special Needs

This information is available in other forms to people with disabilities by contacting us at (651) 431-2282. TDD users can call the Minnesota Relay at 711 or (800) 627-3529. For the Speech-to-Speech Relay, call (877) 627-3848.

DHS BULLETINS

Official versions of DHS Bulletins can be found at:

http://www.dhs.state.mn.us/main/groups/publications/documents/pub/dhs_id_000305.hcsp