

Bulletin

September 26, 2008

Minnesota Department of Human Services □ P.O. Box 64973 □ St. Paul, MN 55155

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 thresholds for rate year beginning October 1, 2008.

EXPIRATION DATE

The figures in this bulletin are effective through September 30, 2009

DHS Adjusts Nursing Home Property Limitations and Dollar Thresholds for 2008

TOPIC

2008 Adjustments 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 2008.

CONTACT

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SIGNED

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Inflation Indices

Nursing facilities reimbursed under the Alternative Payment System (APS) are 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 components listed below, which are 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 2006 to the fourth quarter 2007 is the inflation factor to be used for the October 1, 2008, rate year. For this rate year, the inflation rate computed is 3.73%.

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, 2008 rate year are:

<u>Two or More Beds Per Room</u>	<u>Split-Double Rooms</u>	<u>Single Bedrooms</u>
\$112,732	\$140,917	\$169,099

These are last year's numbers of \$108,678, \$135,850, and \$163,018 increased by 3.73%.

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 Minnesota Statutes, section 144A.071, subdivision 1a. that is not an exception to the moratorium under Minnesota Statutes, section 144A.073.

The limits for rates effective during the October 1, 2008, rate year are:

<u>Minimum</u> <u>Threshold</u>	<u>Maximum</u> <u>Threshold</u>
\$273,726	\$1,400,482

These limits are the result of increasing the previous year's thresholds of \$263,883 and \$1,350,122 by 3.73%.

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 2007 through May 2008 are as follows:

<u>Month/Year</u>	<u>Freddie Mac Yield</u>	<u>Plus Two Points</u>
May 2007	6.05	8.05
June 2007	6.34	8.34
July 2007	6.46	8.46
August 2007	6.48	8.48
September 2007	6.28	8.28
October 2007	6.19	8.19
November 2007	6.02	8.02
December 2007	5.7	7.7
January 2008	5.68	7.68
February 2008	5.4	7.4
March 2008	5.76	7.76
April 2008	5.64	7.64
May 2008	5.59	7.79

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, 2008, is 1.96%.

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.

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