Summary of Governor Dayton’s Budget Proposal Related to Senior Care Services

**Increased Spending Increased Revenue.** Governor Dayton’s proposed budget includes an increase of $1 billion in state spending, along with an increase of $2.1 billion in tax revenue, primarily from higher income taxes on wealthy households and a broadening of the sales tax base. The $1.1 billion difference between proposed revenue and spending increases closes the projected budget deficit.

**Increased Spending for Senior Care.** The budget includes spending increases for Older Adult Services providers. The proposed increases are short of the 5% per year that the Aging Services and the Long Term Care Imperative is seeking, particularly for the Elderly Waiver (EW) program where the Governor did not include a proposal for across the board increases.

**Legislature Has Not Yet Endorsed.** While the Governor’s party controls both bodies of the legislature, it is not clear that the Legislature will fully endorse the Governor’s plan. This is especially true of some of the revenue proposals made by the Governor, such as the sales tax on business services which has proven controversial. The Legislature may also have additional spending priorities.

**Details Still Emerging. Policy Bills Still Coming.** The actual legislative language to implement these proposals is not available yet, so the details of how all of these will work are not yet clear. In addition, the various state departments will later introduce policy bills that are budget-neutral, and we expect to see some significant proposals in those bills, including a major revision to home care rules.
Care Center Rate Adjustment

- **Budget Neutral Proposal.** Technically, there was an APS COLA included in the forecast, meaning that if lawmakers failed to act this year, there would be automatic increases provided under current law. The forecast also allowed for inflationary increases to property rates. *In reality, these mechanisms have been suspended for years, and there is no intent to allow those mechanisms to kick in this year.* This year, the budget proposes to suspend those increases and use the same amount of money to provide other rate increases.

- **COLA and Quality Incentive.** Care centers would receive a base rate increase as well as a pay for performance component based on scores on the nursing home report card
  - Report card items to be used in determining the formula for the pay for performance portion of the increase are: resident quality of life score, quality indicators, staff retention, pool use and MDH survey results
  - Pay for performance portion of increase becomes part of the rate base for the next year
  - For the years beginning October 1, 2013 and 2014, the proposed base rate adjustment is 1.1%, and an equal amount of funding is divided between care centers using a pay for performance formula
  - In 2013, average facility receives 2.2% increase, while lowest increase is 1.1% and highest possible is 3.7%

- **Future Years More Fully Dependent on Pay for Performance.** For 2015 and 2016, the budget proposes that all of the funding go through a pay for performance formula, with an average increase of 2.25%

HCBS Funding

- **No Base Rate Increase.** For any HCBS waiver programs, including EW which has had double digit cuts in recent years

- **Does Not Restore 2013 Cuts.** Budget does not restore the temporary 1.67% rate to long-term care services, including EW, effective from July 1 to December 31 of this year

- **Small Grant Program Established for ALL HCBS Providers.** $6.6 million in funding proposed for upcoming biennium, but this is for all waiver programs and funds a “two-year planning period” and a PIPP type program

- **Future Increases Tied to New HCBS Report Card.** Funding increases for these programs tied to instituting pay for performance and is primarily deferred into the biennium beginning on July 1, 2015.
  - DHS will develop and implement a report card for all HCBS programs and use those results to determine payment increases in future years
  - Funding of $100 million in the next biennium, but this is for all waiver programs and includes the cost of instituting a report card
  - Unclear what average increase would be in 2015 and 2016, but if all funding was available for rate adjustments maximum would be only 1.7%

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Additional Budget Proposals Impacting Care Centers

- The budget proposes $2.3 million in savings by reinstating the Planned Closure Rate Adjustment (PCRA) program for nursing facility beds
- The budget proposes $153 thousand in savings from “enhanced audit activities” of nursing facilities; the budget also includes additional proposals for expanded auditing and fraud prevention activities across all of Medical Assistance.

Additional Budget Proposals Impacting Elderly Waiver Providers

- Removes the requirement that EW recipients on ventilators must first stay in a nursing facility for 30 days before being eligible for a higher EW rate. This is budget neutral.
- Study the “critical access” needs of older adults and people with disabilities.
- Pays for benefit called “Individual Community Living Support” through the AC and EW programs to provide a “bundle” of services that help clients stay in their own homes longer. Estimated to create $3.4 million in savings.
- The PCA program would be replaced with “Community First Services and Supports” at a savings of about $1 million.
- Anticipates federal match on the Alternative Care and Essential Community Supports programs ($21 million in savings)
- New program that provides intensive support to reduce “unnecessary” hospital admissions among individuals on MA waiver programs ($800 in savings)

Home Care and HCBS Licensing Changes

- Revision of the home care licensing requirements. Includes new license fee schedule for home care providers. The fees are intended to support additional home care surveyors.
- Funds implementation the 245D licensing standards for HCBS waiver programs. Would cover training and education for providers and lead agencies. Includes a new fee structure to cover the costs of licensing HCBS services under 245D as required by the federal Medicaid program.
Regulatory Changes

- **Creation of a statewide common entry point to report vulnerable adult abuse.** Additional efforts at raising awareness of vulnerable adult issues and improving government response.

- **The “first contact” model** is implemented statewide, the **pre-admission screening program is expanded** to include all nursing facility residents and the population served by the **Return to Community program is increased**.

- **Institutes fees for the review of blueprints** prior to construction or major renovation of health care facilities.

- The budget recommends additional screenings consistent with federal waiver provider enrollment requirements, such as additional **FBI checks for high risk providers**. This fee, which is set by the federal government, will be paid by all newly enrolled Medicaid providers at the time of enrollment and is intended to prevent fraudulent or illegitimate providers from enrolling in the Medicaid program.