Support S.F. 2168

Do Not Set Providers Up for Failure

The Residential Providers Association of Minnesota (RPAMN) is a non-profit trade association that represents small, residential customized living and waiver service providers in Minnesota.

RPAMN urges you to support S.F. 2168 (Fateh), as amended, to ensure small, culturally-specific providers are not disproportionately impacted and can continue to serve their communities.

Background

As of January 1, 2025, all providers delivering services reimbursed under the Disability Waiver Rate System (DWRS) are required to use a certain percentage of Medical Assistance (MA) dollars toward the wages and benefits of direct care workers. For residential providers, this requirement is 66%. However, this new mandate does not treat all residential providers equitably and uses a one-size-fits-all approach.

Problems

- The cost-reporting process is complicated and there are no statutory guidelines for providers to ensure it is done accurately. All providers, large and small, struggle to navigate the cost-reporting requirements with little to no guidance. This leads to inaccurate reporting and data—the same data used to determine the 66% requirement. RPAMN believes this data is not correct and must be re-examined.

- Minnesota is an outlier in its implementation of this kind of regulatory obligation. While a pass-through requirement is somewhat common in other states, in every other state RPAMN has reviewed, the obligations were tied to new funds appropriated through a significant rate increase. RPAMN believes Minnesota is the only state that has sought to regulate the entire Medicaid rate.

- Under current law, the 66% requirement for residential programs technically applies to assisted living providers licensed by the Minnesota Department of Health (under Chapter 144G) while relying on data and cost-reporting methodologies developed for home and community-based services (HCBS) services providers licensed by the Minnesota Department of Human Services (under Chapter 245D).

    - In doing so, it fails to account for the various assisted living licensing staff costs (ex. Licensed Assisted Living Director, Certified Food Protection Manager, etc.) that are not required of any other DWRS providers.

  - Further, reimbursement for assisted living providers providing customized living is based off of a completely separate statutory rate framework (Chapter 256S).

- Limited access to housing support contracts from counties is a significant barrier for many small providers. A requirement like this disproportionately impacts providers who do not have access to housing support contracts. Without access to housing support contracts, providers struggle to cover overhead costs and their dollars are stretched even further.

Solutions

S.F. 2168, as amended, would:

- Exempt assisted living providers providing customized living from this requirement.

- Delay the effective date of the pass-through requirement from January 1, 2025 to **January 1, 2029** to allow for significant administrative and legislative engagement as to the impact of the full-rate pass-through requirement on HCBS providers.

- Establish a multi-year process for clarifying the cost-reporting process in statute, collecting new and more accurate cost reporting data, and re-examining the thresholds outlined in the 2023 statute. Specifically, the legislation would:

  - Direct the Department of Human Services (DHS) to consult with stakeholders and make recommendations to the legislature in **February 2026** as to how to clarify cost reporting to promote more uniform and meaningful data collection.

  - Allow for the new cost-reporting data collection standards to go into effect for **calendar year 2026.**

  - Require DHS to collect 2026 cost-report data and consult with stakeholders regarding the data collected during the **2027 collection process** and the potential impact of a rate encumbrance on providers.

  - Require DHS to make recommendations to the legislature in **February 2028** for new or revised direct care staff requirement that could go into effect on January 1, 2029

Providers were left out of the discussion to implement this change and this bill would ensure they are included so that small, culturally specific providers are not set up to fail. RPAMN strongly believes that this process will result in a more accurate cost-reporting process and allow providers to continue to serve their communities.

Contact RPAMN with any questions at admin@rpamn.org