

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 1725

(SENATE AUTHORS: HOFFMAN and Utke)

DATE	D-PG	OFFICIAL STATUS
02/20/2025	458	Introduction and first reading Referred to Human Services

1.1A bill for an act

1.2relating to human services; modifying elderly waiver rates and nursing facility

1.3reimbursement rates; amending Minnesota Statutes 2024, sections 256R.02,

1.4subdivision 19, by adding a subdivision; 256R.23, subdivisions 2, 3; 256R.24,

1.5subdivision 1; 256R.25; 256S.211, subdivisions 1, 2; 256S.213, subdivision 1;

1.6proposing coding for new law in Minnesota Statutes, chapter 256R.

1.7BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8Section 1. Minnesota Statutes 2024, section 256R.02, subdivision 19, is amended to read:

1.9Subd. 19. **External fixed costs.** "External fixed costs" means costs related to the nursing

1.10home surcharge under section 256.9657, subdivision 1; licensure fees under section 144.122;

1.11family advisory council fee under section 144A.33; scholarships under section 256R.37;

1.12planned closure rate adjustments under section 256R.40; consolidation rate adjustments

1.13under section 144A.071, subdivisions 4c, paragraph (a), clauses (5) and (6), and 4d;

1.14single-bed room incentives under section 256R.41; property taxes, special assessments, and

1.15payments in lieu of taxes; employer health insurance costs; quality improvement incentive

1.16payment rate adjustments under section 256R.39; performance-based incentive payments

1.17under section 256R.38; special dietary needs under section 256R.51; Public Employees

1.18Retirement Association employer costs; ~~and~~ border city rate adjustments under section

1.19256R.481; and the rate adjustment for nursing home wage standards under section 256R.495.

1.20EFFECTIVE DATE. This section is effective January 1, 2026, or upon federal approval,

1.21whichever is later, and applies retroactively to the rate year beginning January 1, 2026. The

1.22commissioner of human services shall notify the revisor of statutes when federal approval

1.23is obtained.

Sec. 2. Minnesota Statutes 2024, section 256R.02, is amended by adding a subdivision to read:

Subd. 25b. Known cost change factor. "Known cost change factor" means 1.00 plus the average amount of increase in minimum wages for nursing home employees approved by the Nursing Home Workforce Standards Board established under section 181.212 and taking effect within the previous 12 months.

EFFECTIVE DATE. This section is effective January 1, 2027, or upon federal approval, whichever is later, and applies retroactively to the rate year beginning January 1, 2027. The commissioner of human services shall notify the revisor of statutes when federal approval is obtained.

Sec. 3. Minnesota Statutes 2024, section 256R.23, subdivision 2, is amended to read:

Subd. 2. Calculation of direct care cost per standardized day. Each facility's direct care cost per standardized day is calculated as follows: (1) multiply the facility's direct care costs ~~divided~~ and the known cost change factor; and (2) divide the result of clause (1) by the sum of the facility's standardized days. A facility's direct care cost per standardized day is the facility's cost per day for direct care services associated with a case mix index of 1.00.

EFFECTIVE DATE. This section is effective January 1, 2027, or upon federal approval, whichever is later, and applies retroactively to the rate year beginning January 1, 2027. The commissioner of human services shall notify the revisor of statutes when federal approval is obtained.

Sec. 4. Minnesota Statutes 2024, section 256R.23, subdivision 3, is amended to read:

Subd. 3. Calculation of other care-related cost per resident day. Each facility's other care-related cost per resident day is ~~its~~ calculated as follows:

(1) multiply the facility's other care-related costs, ~~divided~~ and the known cost change factor; and

(2) divide the result of clause (1) by the sum of the facility's resident days.

EFFECTIVE DATE. This section is effective January 1, 2027, or upon federal approval, whichever is later, and applies retroactively to the rate year beginning January 1, 2027. The commissioner of human services shall notify the revisor of statutes when federal approval is obtained.

3.1 Sec. 5. Minnesota Statutes 2024, section 256R.24, subdivision 1, is amended to read:

3.2 Subdivision 1. **Determination of other operating cost per day.** Each facility's other
3.3 operating cost per day is ~~its~~ calculated as follows:

3.4 (1) multiply the facility's other operating costs ~~divided~~ and the known cost change factor;
3.5 and

3.6 (2) divide the result of clause (1) by the sum of the facility's resident days.

3.7 **EFFECTIVE DATE.** This section is effective January 1, 2027, or upon federal approval,
3.8 whichever is later, and applies retroactively to the rate year beginning January 1, 2027. The
3.9 commissioner of human services shall notify the revisor of statutes when federal approval
3.10 is obtained.

3.11 Sec. 6. Minnesota Statutes 2024, section 256R.25, is amended to read:

3.12 **256R.25 EXTERNAL FIXED COSTS PAYMENT RATE.**

3.13 (a) The payment rate for external fixed costs is the sum of the amounts in paragraphs
3.14 (b) to ~~(p)~~ (q).

3.15 (b) For a facility licensed as a nursing home, the portion related to the provider surcharge
3.16 under section 256.9657 is equal to \$8.86 per resident day. For a facility licensed as both a
3.17 nursing home and a boarding care home, the portion related to the provider surcharge under
3.18 section 256.9657 is equal to \$8.86 per resident day multiplied by the result of its number
3.19 of nursing home beds divided by its total number of licensed beds.

3.20 (c) The portion related to the licensure fee under section 144.122, paragraph (d), is the
3.21 amount of the fee divided by the sum of the facility's resident days.

3.22 (d) The portion related to development and education of resident and family advisory
3.23 councils under section 144A.33 is \$5 per resident day divided by 365.

3.24 (e) The portion related to scholarships is determined under section 256R.37.

3.25 (f) The portion related to planned closure rate adjustments is as determined under section
3.26 256R.40, subdivision 5, and Minnesota Statutes 2010, section 256B.436.

3.27 (g) The portion related to consolidation rate adjustments shall be as determined under
3.28 section 144A.071, subdivisions 4c, paragraph (a), clauses (5) and (6), and 4d.

3.29 (h) The portion related to single-bed room incentives is as determined under section
3.30 256R.41.

(i) The portions related to real estate taxes, special assessments, and payments made in lieu of real estate taxes directly identified or allocated to the nursing facility are the allowable amounts divided by the sum of the facility's resident days. Allowable costs under this paragraph for payments made by a nonprofit nursing facility that are in lieu of real estate taxes shall not exceed the amount which the nursing facility would have paid to a city or township and county for fire, police, sanitation services, and road maintenance costs had real estate taxes been levied on that property for those purposes.

(j) The portion related to employer health insurance costs is ~~the~~ calculated as follows:

(1) multiply the facility's allowable employer health insurance costs divided and the known cost change factor; and

(2) divide the result of clause (1) by the sum of the facility's resident days.

(k) The portion related to the Public Employees Retirement Association is the allowable costs divided by the sum of the facility's resident days.

(l) The portion related to quality improvement incentive payment rate adjustments is the amount determined under section 256R.39.

(m) The portion related to performance-based incentive payments is the amount determined under section 256R.38.

(n) The portion related to special dietary needs is the amount determined under section 256R.51.

(o) The portion related to the rate adjustments for border city facilities is the amount determined under section 256R.481.

(p) The portion related to the rate adjustment for critical access nursing facilities is the amount determined under section 256R.47.

(q) The portion related to the rate adjustment for nursing home wage standards is the amount determined under section 256R.495. This paragraph expires January 1, 2029.

EFFECTIVE DATE. The amendment to paragraph (a) and the new paragraph (q) are effective January 1, 2026, or upon federal approval, whichever is later, and apply retroactively to the rate year beginning January 1, 2026. The amendments to paragraph (j) are effective January 1, 2027, or upon federal approval, whichever is later, and apply retroactively to the rate year beginning January 1, 2027. The commissioner of human services shall notify the revisor of statutes when federal approval is obtained.

5.1 Sec. 7. **[256R.495] RATE ADJUSTMENT FOR NURSING HOME WAGE**
5.2 **STANDARDS.**

5.3 Subdivision 1. **Nursing facility rate adjustment.** Effective for the rate years beginning
5.4 January 1, 2026, and January 1, 2027, nursing facility rates under this chapter must include
5.5 a rate adjustment to pay for the nursing home wage standards promulgated by the Nursing
5.6 Home Workforce Standards Board and adopted as proposed on October 28, 2024. Each
5.7 nursing facility reimbursed under this chapter must report to the commissioner the wage
5.8 rate for every employee and contracted employees below the minimum wage standards
5.9 established by the board under section 181.212.

5.10 Subd. 2. **Application for January 1, 2026, and January 1, 2027, rate adjustments.** (a)
5.11 To receive a rate adjustment, a nursing facility must submit an application for each rate year
5.12 in which the rate adjustment under this section is in effect to the commissioner in a form
5.13 and manner determined by the commissioner. The application must include data for a period
5.14 beginning with the first pay period after July 1 of the year prior to the rate year in which
5.15 the rate adjustment takes effect, including at least three months of employee compensated
5.16 hours by wage rate, and a spending plan that describes how the funds from the rate adjustment
5.17 will be allocated for compensation to employees as defined by Minnesota Rules, part
5.18 5200.2060, that are paid less than the general wage standards defined in Minnesota Rules,
5.19 part 5200.2080, and the wage standards for certain positions defined by Minnesota Rules,
5.20 part 5200.2090. The application must be submitted by October 1 of the year prior to the
5.21 rate year in which the rate adjustment takes effect. The commissioner may request any
5.22 additional information needed to determine the rate adjustment within 20 calendar days of
5.23 receiving a completed application. The nursing facility must provide any additional
5.24 information requested by the commissioner within 20 calendar days of receiving a request
5.25 from the commissioner for additional information. The commissioner may waive the
5.26 deadlines in this subdivision under extraordinary circumstances.

5.27 (b) For a nursing facility in which employees are represented by an exclusive bargaining
5.28 representative, the commissioner shall approve an application submitted under this
5.29 subdivision only upon receipt of a letter of acceptance of the spending plan in regard to
5.30 members of the bargaining unit, signed by the exclusive bargaining agent and dated after
5.31 July 1 of the year prior to the rate year in which the rate adjustment takes effect. Upon
5.32 receipt of the letter of acceptance, the commissioner shall deem all requirements of this
5.33 paragraph met in regard to the members of the bargaining unit.

5.34 Subd. 3. **January 1, 2026, rate adjustment calculation.** Based on the application in
5.35 subdivision 2, the commissioner shall calculate the annualized compensation costs by adding

the totals of clauses (1) to (5). The result must be divided by the resident days from the most recently available cost report to determine a per diem amount, which must be included in the external fixed costs payment rate under section 256R.25:

(1) for all nursing home workers, the sum of the difference between \$19.00 and any hourly wage rate of less than \$19.00, multiplied by the number of compensated hours at that wage rate;

(2) for certified nursing assistants, the sum of the difference between \$22.50 and any hourly wage rate of less than \$22.50, multiplied by the number of compensated hours at that wage rate;

(3) for trained medication aides, the sum of the difference between \$23.50 and any hourly wage rate of less than \$23.50, multiplied by the number of compensated hours at that wage rate;

(4) for licensed practical nurses, the sum of the difference between \$27.00 and any hourly wage rate of less than \$27.00, multiplied by the number of compensated hours at that wage rate; and

(5) the sum of the employer's share of FICA taxes, Medicare taxes, state and federal unemployment taxes, workers' compensation, pensions, and contributions to employee retirement accounts attributable to the amounts in clauses (1) to (4).

Subd. 4. **January 1, 2027, rate adjustment calculation.** Based on the application in subdivision 2, the commissioner shall calculate the annualized compensation costs by adding the totals of clauses (1) to (5). The result must be divided by the resident days from the most recently available cost report to determine a per diem amount, which must be included in the external fixed costs payment rate under section 256R.25:

(1) for all nursing home workers, the sum of the difference between \$20.50 and any hourly wage rate of less than \$20.50, multiplied by the number of compensated hours at that wage rate;

(2) for certified nursing assistants, the sum of the difference between \$24.00 and any hourly wage rate of less than \$24.00, multiplied by the number of compensated hours at that wage rate;

(3) for trained medication aides, the sum of the difference between \$25.00 and any hourly wage rate of less than \$25.00, multiplied by the number of compensated hours at that wage rate;

(4) for licensed practical nurses, the sum of the difference between \$28.50 and any hourly wage rate of less than \$28.50, multiplied by the number of compensated hours at that wage rate; and

(5) the sum of the employer's share of FICA taxes, Medicare taxes, state and federal unemployment taxes, workers' compensation, pensions, and contributions to employee retirement accounts attributable to the amounts in clauses (1) to (4).

Subd. 5. **Rate adjustment timeline.** (a) For the rate year beginning January 1, 2026, nursing facilities that receive approval of the application in subdivision 2 must receive a rate adjustment according to subdivision 3. The rate adjustment must continue to be included in the external fixed costs payment rate under section 256R.25 until January 1, 2028.

(b) For the rate year beginning January 1, 2027, nursing facilities that receive approval of the application in subdivision 2 must receive a rate adjustment according to subdivision 4. The rate adjustment must continue to be included in the external fixed costs payment rate under section 256R.25 until January 1, 2029.

Subd. 6. **Expiration.** This section expires January 1, 2029.

EFFECTIVE DATE. This section is effective July 1, 2025, or upon federal approval, whichever is later. The commissioner of human services shall notify the revisor of statutes when federal approval is obtained.

Sec. 8. Minnesota Statutes 2024, section 256S.211, subdivision 1, is amended to read:

Subdivision 1. **Establishing base wages.** When establishing and updating the base wages according to section 256S.212, the commissioner shall use standard occupational classification (SOC) codes from the Bureau of Labor Statistics as defined in the edition of the Occupational Handbook published ~~immediately prior to January 1, 2019~~ most recently, using Minnesota-specific wages taken from job descriptions.

EFFECTIVE DATE. This section is effective January 1, 2026, or upon federal approval, whichever occurs later. The commissioner of human services shall notify the revisor of statutes when federal approval is obtained.

Sec. 9. Minnesota Statutes 2024, section 256S.211, subdivision 2, is amended to read:

Subd. 2. **Updating rates.** On January 1, ~~2024~~ 2026, and each January 1 thereafter, the commissioner shall update component rates and rates according to sections 256S.212 to 256S.215, using the data referenced in subdivision 1.

8.1 **EFFECTIVE DATE.** This section is effective January 1, 2026, or upon federal approval,
8.2 whichever occurs later. The commissioner of human services shall notify the revisor of
8.3 statutes when federal approval is obtained.

8.4 Sec. 10. Minnesota Statutes 2024, section 256S.213, subdivision 1, is amended to read:

8.5 Subdivision 1. **Payroll taxes and benefits factor.** (a) The payroll taxes and benefits
8.6 factor is the sum of net payroll taxes and benefits, divided by the sum of all salaries for all
8.7 nursing facilities on the most recent and available cost report.

8.8 (b) The commissioner must update the payroll taxes and benefits factor each January 1.

8.9 **EFFECTIVE DATE.** This section is effective January 1, 2026, or upon federal approval,
8.10 whichever occurs later. The commissioner of human services shall notify the revisor of
8.11 statutes when federal approval is obtained.