

Heaton
Brunkhorst
Smith

HSB 258

APPROPRIATIONS

SU^r JED by
SF 0740

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON MILLAGE)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the senior living program including provisions
2 relating to and making appropriations from the senior living
3 trust fund to the department of elder affairs and the
4 department of human services, and including effective date and
5 retroactive applicability provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. DEPARTMENT OF ELDER AFFAIRS APPROPRIATION.

2 There is appropriated from the senior living trust fund
3 created in section 249H.4 to the department of elder affairs
4 for the fiscal year beginning July 1, 2001, and ending June
5 30, 2002, the following amount, or so much thereof as is
6 necessary, to be used for the purpose designated:

7 For the development of a comprehensive senior living
8 program, including program administration and costs associated
9 with implementation, salaries, support, maintenance, and
10 miscellaneous purposes:

11 \$ 5,285,426

12 Of the funds appropriated in this section, \$100,000 shall
13 be used by the department to fund recruitment and retention
14 strategies to provide additional training and support for
15 certified nurse aides, employed by nursing facilities, as a
16 means of reducing staff turnover. The department shall
17 contract with an agency or organization whose primary purpose
18 is the improvement of the nurse aide profession through the
19 provision of continuing education, support and empowerment
20 programs, and career opportunities within the field of nurse
21 assisting, with the goal of the further stabilization of the
22 nurse aide workforce and the reduction of nurse aide turnover.

23 Sec. 2. DEPARTMENT OF HUMAN SERVICES APPROPRIATION. There
24 is appropriated from the senior living trust fund created in
25 section 249H.4 to the department of human services for the
26 fiscal year beginning July 1, 2001, and ending June 30, 2002,
27 the following amounts, or so much thereof as is necessary, to
28 be used for the purposes designated:

29 1. To provide grants to nursing facilities for conversion
30 to assisted living programs or to provide long-term care
31 alternatives and to provide grants to long-term care providers
32 for development of long-term care alternatives:

33 \$ 20,000,000

34 2. To supplement the medical assistance appropriation and
35 to provide reimbursement for health care services and rent

1 expenses to eligible persons through the home and community-
2 based services waiver and the state supplementary assistance
3 program, including program administration and data system
4 costs associated with implementation, salaries, support,
5 maintenance, and miscellaneous purposes:

6 \$ 1,733,406

7 3. To implement nursing facility provider reimbursement
8 based upon a case-mix reimbursement methodology:

9 \$ 24,750,000

10 a. In order to carry out the purposes of this subsection,
11 the department shall transfer funds appropriated in this
12 section to supplement other appropriations to the department
13 of human services.

14 b. Notwithstanding section 8.33, moneys appropriated under
15 this subsection that remain unencumbered or unobligated at the
16 close of the fiscal year shall be retained in the senior
17 living trust fund.

18 Sec. 3. MODIFIED PRICE-BASED CASE-MIX REIMBURSEMENT --
19 NURSING FACILITIES.

20 1. Beginning July 1, 2001, the department of human
21 services shall reimburse nursing facilities under the medical
22 assistance program in accordance with a phased-in, modified
23 price-based case-mix reimbursement system that includes a
24 case-mix adjusted component and a non-case-mix adjusted
25 component.

26 2. The modified price-based case-mix reimbursement rate
27 shall be phased in over a three-year period.

28 a. For the fiscal year beginning July 1, 2001, and ending
29 June 30, 2002, 66.67 percent of a facility's reimbursement
30 rate shall be computed based on the current rate and 33.33
31 percent shall be computed based on the modified price-based
32 case-mix reimbursement rate. The current rate portion shall
33 be calculated from the cost reports submitted by nursing
34 facilities for the period ending on or before December 31,
35 2000, plus an inflation factor of 6.21 percent, with a maximum

1 current rate portion of \$94.00.

2 b. For the fiscal year beginning July 1, 2002, and ending
3 June 30, 2003, 33.33 percent of a facility's reimbursement
4 rate shall be computed based on the current rate and 66.67
5 percent shall be computed based on the modified price-based
6 case-mix reimbursement rate. The current rate portion shall
7 be calculated from the current rate for the previous state
8 fiscal year, plus an additional inflation factor based on
9 HCFA/SNF index, with an estimated maximum current rate portion
10 of \$97.47.

11 c. For the fiscal year beginning July 1, 2003, and ending
12 June 30, 2004, and thereafter, 100 percent of a facility's
13 reimbursement rate shall be computed based on the modified
14 price-based case-mix reimbursement rate.

15 3. Modified price-based case-mix reimbursement rate
16 calculation.

17 a. The department of human services shall determine the
18 statewide median of nursing facility costs as follows:

19 (1) For the fiscal period beginning July 1, 2001, and
20 ending June 30, 2003, the department shall determine the
21 statewide median of nursing facility costs based upon each
22 facility's actual costs taken from the most recent cost
23 reports, submitted by the nursing facility for the period
24 ending on or before December 31, 2000, subject to certain
25 existing limitations and adjustments. These costs shall be
26 inflated forward to July 1, 2001, by using the midpoint of
27 each cost report and applying the HCFA/SNF index.

28 (2) Beginning July 1, 2003, and every other fiscal year
29 thereafter beginning on July 1 of the respective state fiscal
30 year, the department shall recalculate the statewide median of
31 nursing facility costs based upon the most recent cost reports
32 submitted by the nursing facility for the period ending on or
33 before December 31 of the previous calendar year and shall
34 inflate these costs forward to the beginning of the state
35 fiscal year by using the midpoint of each cost report and

1 applying the HCFA/SNF index.

2 b. Beginning July 1, 2003, and thereafter, an occupancy
3 factor of 85 percent shall be applied when calculating the
4 nondirect care cost component of the modified price-based
5 case-mix reimbursement rate. The occupancy factor shall not
6 apply to support care costs.

7 c. The modified price-based case-mix reimbursement rate
8 paid to nursing facilities shall be calculated using the
9 statewide median cost as adjusted to reflect the case mix of
10 the medical assistance residents in the nursing facility.

11 d. (1) The department of human services shall use the
12 resource utilization groups-III (RUG-III), version 5.12b, 34
13 group, index maximizer model as the resident classification
14 system to determine a nursing facility's case-mix index, based
15 on data from the minimum data set (MDS) submitted by each
16 facility. Standard version 5.12b, 34 group case-mix indices,
17 developed by HCFA, shall be the basis for calculating the
18 average case-mix index and shall be used to adjust the direct-
19 care component in the determination of the rate ceiling and
20 the modified price-based case-mix reimbursement rate.

21 (2) The department of human services shall determine and
22 adjust each facility's case-mix index on a quarterly basis. A
23 separate calculation shall be made to determine the average
24 case-mix index for a facilitywide case-mix index, and a case-
25 mix index for the medical assistance residents of the nursing
26 facility using the minimum data set (MDS) report submitted by
27 the facility for the previous quarter, which reflects the
28 residents in the facility on the last day of the previous
29 calendar quarter.

30 e. The department shall calculate the rate ceiling for the
31 direct-care cost component at 120 percent of the median of
32 case-mix adjusted costs. Nursing facilities with case-mix
33 adjusted costs at 95 percent of the median or greater, shall
34 receive an amount equal to their costs not to exceed 120
35 percent of the median. Nursing facilities with case-mix

1 adjusted costs below 95 percent of the median shall receive an
2 excess payment allowance by having their payment rate for the
3 direct-care cost component calculated as their case-mix
4 adjusted cost plus 100 percent of the difference between 95
5 percent of the median and their case-mix adjusted cost, not to
6 exceed 10 percent of their case-mix adjusted costs.

7 f. The department shall calculate the rate ceiling for the
8 nondirect care cost component at 110 percent of the median of
9 non-case-mix adjusted costs. Nursing facilities with non-
10 case-mix adjusted costs at 96 percent of the median or greater
11 shall receive an amount equal to their costs not to exceed 110
12 percent of the median. Nursing facilities with non-case-mix
13 adjusted costs below 96 percent of the median shall receive an
14 excess payment allowance that is their costs plus 65 percent
15 of the difference between 96 percent of the median and their
16 non-case-mix adjusted costs, not to exceed 8 percent of their
17 non-case-mix adjusted costs.

18 g. The department shall apply the geographic wage index
19 adjustment annually to the case-mix adjusted component of the
20 modified price-based case-mix reimbursement rate for nursing
21 facilities located in standard metropolitan statistical area
22 counties in Iowa identified by HCFA. This rate shall be
23 calculated using the case-mix adjusted costs of the nursing
24 facility, not to exceed \$8 per patient day. A nursing
25 facility may request an exception to application of the
26 geographic wage index based upon a reasonable demonstration of
27 wages, location, or total cost. A request for an exception
28 shall be submitted to the department of human services within
29 30 days of receipt of notification by the nursing facility of
30 the new reimbursement rate. The exception request shall
31 include an explanation of the circumstances and supporting
32 data.

33 h. For the purpose of determining the median applicable to
34 Medicare-certified hospital-based skilled nursing facilities,
35 the department shall treat such facilities as a separate peer

1 group.

2 i. The modified price-based case-mix reimbursement rate
3 for state-operated nursing facilities and special population
4 nursing facilities shall be the average allowable per diem
5 costs, adjusted for inflation, based on the most current
6 financial and statistical report. Special population nursing
7 facilities enrolled on or after June 1, 1993, shall have a
8 rate ceiling equal to the rate ceiling for Medicare-certified
9 hospital-based nursing facilities.

10 4. ACCOUNTABILITY MEASURES.

11 a. It is the intent of the general assembly that the
12 department of human services initiate a system to measure a
13 variety of elements to determine a nursing facility's capacity
14 to provide quality of life and appropriate access to medical
15 assistance program beneficiaries in a cost-effective manner.
16 Beginning July 1, 2001, the department shall implement a
17 process to collect data for these measurements and shall
18 develop procedures to increase nursing facility reimbursements
19 based upon a nursing facility's achievement of multiple
20 favorable outcomes as determined by these measurements. Any
21 increased reimbursement shall not exceed 3 percent of the
22 calculation of the modified price-based case-mix reimbursement
23 rate. The increased reimbursement shall be included in the
24 calculation of nursing facility modified price-based payment
25 rates beginning July 1, 2002, with the exception of Medicare-
26 certified hospital-based nursing facilities, state-operated
27 nursing facilities, and special population nursing facilities.

28 b. It is the intent of the general assembly that increases
29 in payments to nursing facilities under the case-mix adjusted
30 component shall be used for the provision of direct care. The
31 department shall compile and provide a detailed analysis to
32 demonstrate growth of direct care costs, increased acuity, and
33 care needs of residents. The department shall also provide
34 analysis of cost reports submitted by providers and the
35 resulting desk review and field audit adjustments to

1 reclassify and amend provider cost and statistical data. The
2 results of these analyses shall be submitted to the general
3 assembly for evaluation to determine payment levels following
4 the transition funding period.

5 5. As used in this section:

6 a. "Case-mix" means a measure of the intensity of care and
7 services used by similar residents in a facility.

8 b. "Case-mix adjusted costs" means specified costs
9 adjusted for acuity by the case-mix index. Costs subject to
10 adjustment are the salaries and benefits of registered nurses,
11 licensed practical nurses, certified nursing assistants,
12 rehabilitation nurses, and contracted nursing services.

13 c. "Case-mix index" means a numeric score within a
14 specific range that identifies the relative resources used by
15 similar residents and represents the average resource
16 consumption across a population or sample.

17 d. "Excess payment allowance" means an amount stated as a
18 percentage that is calculated as a percent of the difference
19 between the excess payment ceiling and a nursing facility's
20 costs.

21 e. "Excess payment ceiling" or "profit ceiling" means an
22 amount stated in terms of per patient day that is calculated
23 as a percent of the median.

24 f. "Facilitywide average case-mix index" is a simple
25 average, carried to four decimal places, of all resident case-
26 mix indices based on the last day of each calendar quarter.

27 g. "Geographic wage index" means an annual calculation of
28 the average difference between the hospital-based rural wage
29 index for Iowa and Iowa hospital-based standard metropolitan
30 statistical area wage indices as published by HCFA each July.
31 The wage factor shall be revised when the skilled nursing
32 facility wage indices are released by HCFA.

33 h. "HCFA" means the health care financing administration
34 of the United States department of health and human services.

35 i. "HCFA/SNF index" means the HCFA total skilled nursing

1 facility market basket index published by data resources, inc.
2 The HCFA/SNF index listed in the latest available quarterly
3 publication prior to the July 1 rate setting shall be used to
4 determine the inflation factor which shall be applied based
5 upon the midpoint of the cost report period.

6 j. "Median" means the median cost calculated by using a
7 weighting method based upon total patient days of each nursing
8 facility.

9 k. "Medicaid" or "medical assistance" means medical
10 assistance as defined in section 249A.2.

11 l. "Medicaid average case-mix index" means the simple
12 average, carried to four decimal places, of all resident case-
13 mix indices where Medicaid is known to be the per diem payor
14 source on the last day of the calendar quarter.

15 m. "Medicare" means the federal Medicare program
16 established by Title XVIII of the federal Social Security Act.

17 n. "Minimum data set" or "MDS" means the federally
18 required resident assessment tool. Information from the MDS
19 is used by the department to determine the facility's case-mix
20 index.

21 o. "Non-case-mix adjusted costs" means an amount stated in
22 terms of per patient day that is calculated using allowable
23 costs from the cost reports of facilities, divided by the
24 allowable patient days for the cost report period, and
25 beginning July 1, 2003, patient days as modified pursuant to
26 subsection 3, paragraph "b". Non-case-mix adjusted costs
27 include all allowable costs less case-mix adjusted costs.

28 p. "Nursing facility" means a skilled nursing facility
29 certified under both the federal Medicaid program and the
30 federal Medicare program, and a nursing facility certified
31 under the federal Medicaid program.

32 q. "Rate ceiling" or "upper payment limit" means a maximum
33 rate amount stated in terms of per patient day that is
34 calculated as a percent of the median.

35 r. "Special population nursing facility" means a skilled

1 nursing facility the resident population of which is either of
2 the following:

3 (1) One hundred percent of the residents of the nursing
4 facility is under the age of 22 and require the skilled level
5 of care.

6 (2) Seventy percent of the residents served requires the
7 skilled level of care for neurological disorders.

8 6. The department of human services may adopt rules under
9 section 17A.4, subsection 2, and section 17A.5, subsection 2,
10 paragraph "b", to implement this section. The rules shall
11 become effective immediately upon filing, unless the effective
12 date is delayed by the administrative rules review committee,
13 notwithstanding section 17A.4, subsection 5, and section
14 17A.8, subsection 9, or a later effective date is specified in
15 the rules. Any rules adopted in accordance with this section
16 shall not take effect before the rules are reviewed by the
17 administrative rules review committee. Any rules adopted in
18 accordance with the provisions of this section shall also be
19 published as notice of intended action as provided in section
20 17A.4.

21 Sec. 4. NURSING FACILITY CONVERSION GRANTS. The nursing
22 facility conversion grants awarded on or after July 1, 2000,
23 may be used to convert all or a portion of the licensed
24 nursing facility to a certified assisted-living program. The
25 conversion program shall provide a service delivery package
26 that is affordable for those individuals eligible for services
27 under the medical assistance home and community-based services
28 waiver program applicable to a minimum of 40 percent of the
29 units. The reimbursement rates for the costs paid under the
30 medical assistance program apply only to those clients
31 participating in the medical assistance program. The
32 department of human services shall adjust the criteria for
33 eligibility for conversion grants to allow a licensed nursing
34 facility that has been an approved provider under the medical
35 assistance program for a two-year period to apply for a

1 conversion grant beginning July 1, 2001.

2 Sec. 5. Section 249H.6, subsection 1, paragraphs a and b,
3 Code 2001, are amended to read as follows:

4 a. A licensed nursing facility that has been an approved
5 provider under the medical assistance program for the ~~three-~~
6 year two-year period prior to application for the grant. The
7 grant awarded may be used to convert all or a portion of the
8 licensed nursing facility to a certified assisted-living
9 program and may be used for capital or one-time expenditures,
10 including but not limited to start-up expenses, training
11 expenses, and operating losses for the first year of operation
12 following conversion associated with the nursing facility
13 conversion.

14 b. A long-term care provider or a licensed nursing
15 facility that has been an approved provider under the medical
16 assistance program for the ~~three-year~~ two-year period prior to
17 application for the grant or a provider that will meet
18 applicable medical assistance provider requirements as
19 specified in subsection 2, paragraph "c" or "d". The grant
20 awarded may be used for capital or one-time expenditures,
21 including but not limited to start-up expenses, training
22 expenses, and operating losses for the first year of operation
23 for long-term care service development.

24 Sec. 6. EFFECTIVE DATE -- RETROACTIVE APPLICABILITY. The
25 provision of the section of this Act relating to nursing
26 facility conversion grants awarded on or after July 1, 2000,
27 being deemed of immediate importance, takes effect upon
28 enactment and is retroactively applicable to July 1, 2000.

29 EXPLANATION

30 This bill makes appropriations from the senior living trust
31 fund to the department of elder affairs and department of
32 human services. The appropriation to the department of human
33 services includes funding for grants to provide assisted
34 living or long-term care alternatives; for supplementation of
35 the medical assistance appropriation and to provide funding

1 for reimbursement of health care services and rent expenses
2 provided to persons through the home and community-based
3 services waiver and the state supplementary assistance
4 program; and funding for reimbursement of nursing facility
5 providers under a case-mix reimbursement methodology.

6 The bill establishes the modified price-based case-mix
7 reimbursement formula to be used. The bill also amends
8 current Code language to allow nursing facilities that have
9 been approved providers under the medical assistance program
10 for a two-year period, rather than the current three-year
11 period, to apply for nursing facility conversion grants under
12 the senior living program.

13 The bill provides that the provision of the bill relating
14 to nursing facility conversion grants awarded on or after July
15 1, 2000, takes effect upon enactment and is retroactively
16 applicable to July 1, 2000.

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REPRINTED

*4/30/01 Dependent - Place on
substituted Business Calendar*

APR 27 2001
APPROPRIATIONS CALENDAR

HOUSE FILE 740
BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO HSB 258)

Passed House, Date ^(P 1695) 5/11/01 Passed Senate, Date 5/3/01 (P. 1488)
Vote: Ayes 94 Nays 4 Vote: Ayes 50 Nays 0
Approved June 1, 2001
[Signatures]

A BILL FOR

1 An Act relating to the senior living program including provisions
2 relating to and making appropriations from the senior living
3 trust fund to the department of elder affairs and the
4 department of human services, and including effective date and
5 retroactive applicability provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 740

1 Section 1. DEPARTMENT OF ELDER AFFAIRS APPROPRIATION.

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3 created in section 249H.4 to the department of elder affairs
4 for the fiscal year beginning July 1, 2001, and ending June
5 30, 2002, the following amount, or so much thereof as is
6 necessary, to be used for the purpose designated:

7 For the development of a comprehensive senior living
8 program, including program administration and costs associated
9 with implementation, salaries, support, maintenance, and
10 miscellaneous purposes:

11 \$ 5,285,426

12 Of the funds appropriated in this section, \$100,000 shall
13 be used by the department to fund recruitment and retention
14 strategies to provide additional training and support for
15 certified nurse aides, employed by nursing facilities, as a
16 means of reducing staff turnover. The department shall
17 contract with an agency or organization whose primary purpose
18 is the improvement of the nurse aide profession through the
19 provision of continuing education, support and empowerment
20 programs, and career opportunities within the field of nurse
21 assisting, with the goal of the further stabilization of the
22 nurse aide workforce and the reduction of nurse aide turnover.

23 Sec. 2. DEPARTMENT OF HUMAN SERVICES APPROPRIATION. There
24 is appropriated from the senior living trust fund created in
25 section 249H.4 to the department of human services for the
26 fiscal year beginning July 1, 2001, and ending June 30, 2002,
27 the following amounts, or so much thereof as is necessary, to
28 be used for the purposes designated:

29 1. To provide grants to nursing facilities for conversion
30 to assisted living programs or to provide long-term care
31 alternatives and to provide grants to long-term care providers
32 for development of long-term care alternatives:

33 \$ 20,000,000

34 2. To supplement the medical assistance appropriation and
35 to provide reimbursement for health care services and rent

1 expenses to eligible persons through the home and community-
2 based services waiver and the state supplementary assistance
3 program, including program administration and data system
4 costs associated with implementation, salaries, support,
5 maintenance, and miscellaneous purposes:

6 \$ 1,733,406

7 3. To implement nursing facility provider reimbursement
8 based upon a case-mix reimbursement methodology:

9 \$ 24,750,000

10 a. In order to carry out the purposes of this subsection,
11 the department shall transfer funds appropriated in this
12 section to supplement other appropriations to the department
13 of human services.

14 b. Notwithstanding section 8.33, moneys appropriated under
15 this subsection that remain unencumbered or unobligated at the
16 close of the fiscal year shall be retained in the senior
17 living trust fund.

18 Sec. 3. MODIFIED PRICE-BASED CASE-MIX REIMBURSEMENT --
19 NURSING FACILITIES.

20 1. Beginning July 1, 2001, the department of human
21 services shall reimburse nursing facilities under the medical
22 assistance program in accordance with a phased-in, modified
23 price-based case-mix reimbursement system that includes a
24 case-mix adjusted component and a non-case-mix adjusted
25 component.

26 2. The modified price-based case-mix reimbursement rate
27 shall be phased in over a three-year period.

28 a. For the fiscal year beginning July 1, 2001, and ending
29 June 30, 2002, 66.67 percent of a facility's reimbursement
30 rate shall be computed based on the current rate and 33.33
31 percent shall be computed based on the modified price-based
32 case-mix reimbursement rate. The current rate portion shall
33 be calculated from the cost reports submitted by nursing
34 facilities for the period ending on or before December 31,
35 2000, plus an inflation factor of 6.21 percent, with a maximum

1 current rate portion of \$94.00.

2 b. For the fiscal year beginning July 1, 2002, and ending
3 June 30, 2003, 33.33 percent of a facility's reimbursement
4 rate shall be computed based on the current rate and 66.67
5 percent shall be computed based on the modified price-based
6 case-mix reimbursement rate. The current rate portion shall
7 be calculated from the current rate for the previous state
8 fiscal year, plus an additional inflation factor based on
9 HCFA/SNF index, with an estimated maximum current rate portion
10 of \$97.47.

11 c. For the fiscal year beginning July 1, 2003, and ending
12 June 30, 2004, and thereafter, 100 percent of a facility's
13 reimbursement rate shall be computed based on the modified
14 price-based case-mix reimbursement rate.

15 3. Modified price-based case-mix reimbursement rate
16 calculation.

17 a. The department of human services shall determine the
18 statewide median of nursing facility costs as follows:

19 (1) For the fiscal period beginning July 1, 2001, and
20 ending June 30, 2003, the department shall determine the
21 statewide median of nursing facility costs based upon each
22 facility's actual costs taken from the most recent cost
23 reports, submitted by the nursing facility for the period
24 ending on or before December 31, 2000, subject to certain
25 existing limitations and adjustments. These costs shall be
26 inflated forward to July 1, 2001, by using the midpoint of
27 each cost report and applying the HCFA/SNF index.

28 (2) Beginning July 1, 2003, and every other fiscal year
29 thereafter beginning on July 1 of the respective state fiscal
30 year, the department shall recalculate the statewide median of
31 nursing facility costs based upon the most recent cost reports
32 submitted by the nursing facility for the period ending on or
33 before December 31 of the previous calendar year and shall
34 inflate these costs forward to the beginning of the state
35 fiscal year by using the midpoint of each cost report and

1 applying the HCFA/SNF index.

2 b. Beginning July 1, 2003, and thereafter, an occupancy
3 factor of 85 percent shall be applied when calculating the
4 nondirect care cost component of the modified price-based
5 case-mix reimbursement rate. The occupancy factor shall not
6 apply to support care costs.

7 c. The modified price-based case-mix reimbursement rate
8 paid to nursing facilities shall be calculated using the
9 statewide median cost as adjusted to reflect the case mix of
10 the medical assistance residents in the nursing facility.

11 d. (1) The department of human services shall use the
12 resource utilization groups-III (RUG-III), version 5.12b, 34
13 group, index maximizer model as the resident classification
14 system to determine a nursing facility's case-mix index, based
15 on data from the minimum data set (MDS) submitted by each
16 facility. Standard version 5.12b, 34 group case-mix indices,
17 developed by HCFA, shall be the basis for calculating the
18 average case-mix index and shall be used to adjust the direct-
19 care component in the determination of the rate ceiling and
20 the modified price-based case-mix reimbursement rate.

21 (2) The department of human services shall determine and
22 adjust each facility's case-mix index on a quarterly basis. A
23 separate calculation shall be made to determine the average
24 case-mix index for a facilitywide case-mix index, and a case-
25 mix index for the medical assistance residents of the nursing
26 facility using the minimum data set (MDS) report submitted by
27 the facility for the previous quarter, which reflects the
28 residents in the facility on the last day of the previous
29 calendar quarter.

30 e. The department shall calculate the rate ceiling for the
31 direct-care cost component at 120 percent of the median of
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33 adjusted costs at 95 percent of the median or greater, shall
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35 percent of the median. Nursing facilities with case-mix

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2 excess payment allowance by having their payment rate for the
3 direct-care cost component calculated as their case-mix
4 adjusted cost plus 100 percent of the difference between 95
5 percent of the median and their case-mix adjusted cost, not to
6 exceed 10 percent of their case-mix adjusted costs.

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8 nondirect care cost component at 110 percent of the median of
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12 percent of the median. Nursing facilities with non-case-mix
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15 of the difference between 96 percent of the median and their
16 non-case-mix adjusted costs, not to exceed 8 percent of their
17 non-case-mix adjusted costs.

18 g. The department shall apply the geographic wage index
19 adjustment annually to the case-mix adjusted component of the
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22 counties in Iowa identified by HCFA. This rate shall be
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30 the new reimbursement rate. The exception request shall
31 include an explanation of the circumstances and supporting
32 data.

33 h. For the purpose of determining the median applicable to
34 Medicare-certified hospital-based skilled nursing facilities,
35 the department shall treat such facilities as a separate peer

1 group.

2 i. The modified price-based case-mix reimbursement rate
3 for state-operated nursing facilities and special population
4 nursing facilities shall be the average allowable per diem
5 costs, adjusted for inflation, based on the most current
6 financial and statistical report. Special population nursing
7 facilities enrolled on or after June 1, 1993, shall have a
8 rate ceiling equal to the rate ceiling for Medicare-certified
9 hospital-based nursing facilities.

10 4. ACCOUNTABILITY MEASURES.

11 a. It is the intent of the general assembly that the
12 department of human services initiate a system to measure a
13 variety of elements to determine a nursing facility's capacity
14 to provide quality of life and appropriate access to medical
15 assistance program beneficiaries in a cost-effective manner.
16 Beginning July 1, 2001, the department shall implement a
17 process to collect data for these measurements and shall
18 develop procedures to increase nursing facility reimbursements
19 based upon a nursing facility's achievement of multiple
20 favorable outcomes as determined by these measurements. Any
21 increased reimbursement shall not exceed 3 percent of the
22 calculation of the modified price-based case-mix reimbursement
23 rate. The increased reimbursement shall be included in the
24 calculation of nursing facility modified price-based payment
25 rates beginning July 1, 2002, with the exception of Medicare-
26 certified hospital-based nursing facilities, state-operated
27 nursing facilities, and special population nursing facilities.

28 b. It is the intent of the general assembly that increases
29 in payments to nursing facilities under the case-mix adjusted
30 component shall be used for the provision of direct care. The
31 department shall compile and provide a detailed analysis to
32 demonstrate growth of direct care costs, increased acuity, and
33 care needs of residents. The department shall also provide
34 analysis of cost reports submitted by providers and the
35 resulting desk review and field audit adjustments to

1 reclassify and amend provider cost and statistical data. The
2 results of these analyses shall be submitted to the general
3 assembly for evaluation to determine payment levels following
4 the transition funding period.

5 5. As used in this section:

6 a. "Case-mix" means a measure of the intensity of care and
7 services used by similar residents in a facility.

8 b. "Case-mix adjusted costs" means specified costs
9 adjusted for acuity by the case-mix index. Costs subject to
10 adjustment are the salaries and benefits of registered nurses,
11 licensed practical nurses, certified nursing assistants,
12 rehabilitation nurses, and contracted nursing services.

13 c. "Case-mix index" means a numeric score within a
14 specific range that identifies the relative resources used by
15 similar residents and represents the average resource
16 consumption across a population or sample.

17 d. "Excess payment allowance" means an amount stated as a
18 percentage that is calculated as a percent of the difference
19 between the excess payment ceiling and a nursing facility's
20 costs.

21 e. "Excess payment ceiling" or "profit ceiling" means an
22 amount stated in terms of per patient day that is calculated
23 as a percent of the median.

24 f. "Facilitywide average case-mix index" is a simple
25 average, carried to four decimal places, of all resident case-
26 mix indices based on the last day of each calendar quarter.

27 g. "Geographic wage index" means an annual calculation of
28 the average difference between the hospital-based rural wage
29 index for Iowa and Iowa hospital-based standard metropolitan
30 statistical area wage indices as published by HCFA each July.
31 The wage factor shall be revised when the skilled nursing
32 facility wage indices are released by HCFA.

33 h. "HCFA" means the health care financing administration
34 of the United States department of health and human services.

35 i. "HCFA/SNF index" means the HCFA total skilled nursing

1 facility market basket index published by data resources, inc.
2 The HCFA/SNF index listed in the latest available quarterly
3 publication prior to the July 1 rate setting shall be used to
4 determine the inflation factor which shall be applied based
5 upon the midpoint of the cost report period.

6 j. "Median" means the median cost calculated by using a
7 weighting method based upon total patient days of each nursing
8 facility.

9 k. "Medicaid" or "medical assistance" means medical
10 assistance as defined in section 249A.2.

11 l. "Medicaid average case-mix index" means the simple
12 average, carried to four decimal places, of all resident case-
13 mix indices where Medicaid is known to be the per diem payor
14 source on the last day of the calendar quarter.

15 m. "Medicare" means the federal Medicare program
16 established by Title XVIII of the federal Social Security Act.

17 n. "Minimum data set" or "MDS" means the federally
18 required resident assessment tool. Information from the MDS
19 is used by the department to determine the facility's case-mix
20 index.

21 o. "Non-case-mix adjusted costs" means an amount stated in
22 terms of per patient day that is calculated using allowable
23 costs from the cost reports of facilities, divided by the
24 allowable patient days for the cost report period, and
25 beginning July 1, 2003, patient days as modified pursuant to
26 subsection 3, paragraph "b". Non-case-mix adjusted costs
27 include all allowable costs less case-mix adjusted costs.

28 p. "Nursing facility" means a skilled nursing facility
29 certified under both the federal Medicaid program and the
30 federal Medicare program, and a nursing facility certified
31 under the federal Medicaid program.

32 q. "Rate ceiling" or "upper payment limit" means a maximum
33 rate amount stated in terms of per patient day that is
34 calculated as a percent of the median.

35 r. "Special population nursing facility" means a skilled

1 nursing facility the resident population of which is either of
2 the following:

3 (1) One hundred percent of the residents of the nursing
4 facility is under the age of 22 and require the skilled level
5 of care.

6 (2) Seventy percent of the residents served requires the
7 skilled level of care for neurological disorders.

8 6. The department of human services may adopt rules under
9 section 17A.4, subsection 2, and section 17A.5, subsection 2,
10 paragraph "b", to implement this section. The rules shall
11 become effective immediately upon filing, unless the effective
12 date is delayed by the administrative rules review committee,
13 notwithstanding section 17A.4, subsection 5, and section
14 17A.8, subsection 9, or a later effective date is specified in
15 the rules. Any rules adopted in accordance with this section
16 shall not take effect before the rules are reviewed by the
17 administrative rules review committee. Any rules adopted in
18 accordance with the provisions of this section shall also be
19 published as notice of intended action as provided in section
20 17A.4.

21 Sec. 4. NURSING FACILITY CONVERSION GRANTS. The nursing
22 facility conversion grants awarded on or after July 1, 2000,
23 may be used to convert all or a portion of the licensed
24 nursing facility to a certified assisted-living program. The
25 conversion program shall provide a service delivery package
26 that is affordable for those individuals eligible for services
27 under the medical assistance home and community-based services
28 waiver program applicable to a minimum of 40 percent of the
29 units. The reimbursement rates for the costs paid under the
30 medical assistance program apply only to those clients
31 participating in the medical assistance program. The
32 department of human services shall adjust the criteria for
33 eligibility for conversion grants to allow a licensed nursing
34 facility that has been an approved provider under the medical
35 assistance program for a two-year period to apply for a

1 conversion grant beginning July 1, 2001.

2 Sec. 5. Section 249H.6, subsection 1, paragraphs a and b,
3 Code 2001, are amended to read as follows:

4 a. A licensed nursing facility that has been an approved
5 provider under the medical assistance program for the ~~three-~~
6 year two-year period prior to application for the grant. The
7 grant awarded may be used to convert all or a portion of the
8 licensed nursing facility to a certified assisted-living
9 program and may be used for capital or one-time expenditures,
10 including but not limited to start-up expenses, training
11 expenses, and operating losses for the first year of operation
12 following conversion associated with the nursing facility
13 conversion.

14 b. A long-term care provider or a licensed nursing
15 facility that has been an approved provider under the medical
16 assistance program for the ~~three-year~~ two-year period prior to
17 application for the grant or a provider that will meet
18 applicable medical assistance provider requirements as
19 specified in subsection 2, paragraph "c" or "d". The grant
20 awarded may be used for capital or one-time expenditures,
21 including but not limited to start-up expenses, training
22 expenses, and operating losses for the first year of operation
23 for long-term care service development.

24 Sec. 6. EFFECTIVE DATE -- RETROACTIVE APPLICABILITY. The
25 provision of the section of this Act relating to nursing
26 facility conversion grants awarded on or after July 1, 2000,
27 being deemed of immediate importance, takes effect upon
28 enactment and is retroactively applicable to July 1, 2000.

29 EXPLANATION

30 This bill makes appropriations from the senior living trust
31 fund to the department of elder affairs and department of
32 human services. The appropriation to the department of human
33 services includes funding for grants to provide assisted
34 living or long-term care alternatives; for supplementation of
35 the medical assistance appropriation and to provide funding

1 for reimbursement of health care services and rent expenses
2 provided to persons through the home and community-based
3 services waiver and the state supplementary assistance
4 program; and funding for reimbursement of nursing facility
5 providers under a case-mix reimbursement methodology.

6 The bill establishes the modified price-based case-mix
7 reimbursement formula to be used. The bill also amends
8 current Code language to allow nursing facilities that have
9 been approved providers under the medical assistance program
10 for a two-year period, rather than the current three-year
11 period, to apply for nursing facility conversion grants under
12 the senior living program.

13 The bill provides that the provision of the bill relating
14 to nursing facility conversion grants awarded on or after July
15 1, 2000, takes effect upon enactment and is retroactively
16 applicable to July 1, 2000.

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HOUSE FILE 740

H-1746

- 1 Amend House File 740 as follows:
- 2 1. Page 5, by striking lines 18 through 32, and
- 3 inserting the following:
- 4 "g. The department shall not apply a geographic
- 5 wage index adjustment in determining the modified
- 6 price-based case-mix reimbursement rate for nursing
- 7 facilities."
- 8 2. Page 7, by striking lines 31 and 32.

By OSTERHAUS of Jackson

H-1746 FILED APRIL 27, 2001

Lost
5/1/01 (P. 1687)

HOUSE FILE 740

H-1747

- 1 Amend House File 740 as follows:
- 2 1. Page 1, line 11, by striking the figure
- 3 "5,285,426" and inserting the following:
- 4 "10,285,426".
- 5 2. Page 1, line 33, by striking the figure
- 6 "20,000,000" and inserting the following:
- 7 "15,000,000".

By OSTERHAUS of Jackson

H-1747 FILED APRIL 27, 2001

Lost
4/30/01
(P. 1641)

HOUSE FILE 740

H-1755

1 Amend House File 740 as follows:

2 1. Page 1, line 10, by inserting after the word
3 "purposes" the following: ", and for not more than
4 the following full-time equivalent positions".

5 2. Page 1, by inserting after line 11, the
6 following:

7 FTEs 8.00"

8 3. Page 1, line 12, by striking the word "Of" and
9 inserting the following: "1. Of".

10 4. Page 1, by inserting after line 22, the
11 following:

12 "2. Of the funds appropriated in this section,
13 \$255,800 shall be used by the department to fund
14 strategies for dependent adult abuse detection,
15 training, and services.

16 3. The funds appropriated under this section shall
17 be used in accordance with any regulations,
18 requirements, or guidelines of the health care
19 financing administration of the United States
20 department of health and human services applicable to
21 the senior living program."

22 5. Page 2, line 5, by inserting after the word
23 "purposes" the following: ", and for not more than
24 the following full-time equivalent positions".

25 6. Page 2, by inserting after line 6, the
26 following:

27 FTEs 5.00"

28 7. Page 2, by inserting after line 17, the
29 following:

30 "Sec. __. CONVERSION GRANT PROJECTS -- RULES --
31 INTENT.

32 1. The department of human services shall adopt
33 rules that provide that beginning with applications
34 for conversion grants received on or after July 1,
35 2001, the department shall give greater weight in the
36 scoring methodology to nursing facility conversion
37 projects that are primarily the renovation and
38 remodeling of the existing nursing facility structure
39 and give less weight to conversion projects that are
40 primarily new construction. The department of human
41 services shall encourage cooperative efforts between
42 the department of inspections and appeals, the state
43 fire marshal and the grant applicant to promote the
44 acceptance of nursing facility conversion projects
45 that are primarily renovation and remodeling of the
46 existing nursing facility structure.

47 2. It is the intent of the general assembly that
48 the department of elder affairs certify all assisted
49 living programs established through nursing facility
50 conversion grants. The department of elder affairs

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Page 2

1 shall consult with conversion grant applicants and
2 recipients to establish and monitor occupancy
3 agreements and assisted living program residents shall
4 be allowed access to third-party payors. The
5 department of elder affairs shall allow grant
6 recipients to revise and modify occupancy agreements
7 to reflect rates that are affordable, as defined in
8 section 249H.3, during the ten-year period of
9 operation following the awarding of the grant by the
10 department of human services."

11 8. Page 3, line 1, by inserting after the figure
12 "94.00." the following: "A nursing facility shall not
13 receive a reimbursement rate under this paragraph that
14 is less than the rate received on June 30, 2001, plus
15 an inflation factor of 6.21 percent. For the purposes
16 of this calculation, any excess payment allowance
17 received by the facility shall not be considered part
18 of the reimbursement rate."

19 9. Page 3, line 10, by inserting after the figure
20 "97.47." the following: "A nursing facility shall not
21 receive a reimbursement rate under this paragraph that
22 is less than the rate received on June 30, 2002, plus
23 an inflation factor based on the HCFA/SNF index. For
24 the purposes of this calculation, any excess payment
25 allowance received by the facility shall not be
26 considered part of the reimbursement rate."

27 10. Page 5, line 6, by striking the word "their"
28 and inserting the following: "the median of".

29 11. Page 5, line 16, by striking the word "their"
30 and inserting the following: "the median of".

31 12. Page 6, line 23, by striking the word "rate"
32 and inserting the following: "median".

33 13. Page 10, by inserting after line 1, the
34 following:

35 "Sec. ____ . Section 249H.3, subsection 1, Code
36 2001, is amended to read as follows:

37 1. "Affordable" means rates for payment of room,
38 board, amenities, and medical and health services
39 which do not exceed the rates established for
40 providers of medical and health services under the
41 medical assistance program with eligibility for an
42 individual equal to the eligibility for medical
43 assistance pursuant to section 249A.3 may be
44 purchased, in conjunction with third-party payors, by
45 seniors with low and moderate incomes in the market
46 area of the providers of such services. In relation
47 to services provided by a provider of services under a
48 home and community-based waiver, "affordable" means
49 that the total monthly cost of the home and community-
50 based waiver services provided does not exceed the

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Page 3

~~1 cost for that level of care as established by rule by~~
~~2 the department of human services, pursuant to chapter~~
~~3 17A, in consultation with the department of elder~~
~~4 affairs."~~

5 14. By renumbering as necessary.

By HEATON of Henry

H-1755 FILED APRIL 30, 2001

Adopted
4-30-01
(P. 1640)

HOUSE FILE 740

H-1764

1 Amend House File 740 as follows:

2 1. By striking page 2, line 18, through page 10,
3 line 28, and inserting the following:

4 "Sec. ____ . MODIFIED PRICE-BASED CASE-MIX
5 REIMBURSEMENT -- NURSING FACILITIES.

6 1. Beginning July 1, 2001, the department of human
7 services shall reimburse nursing facilities under the
8 medical assistance program in accordance with a
9 phased-in, modified price-based case-mix reimbursement
10 system that includes a case-mix adjusted component and
11 a non-case-mix adjusted component.

12 2. The modified price-based case-mix reimbursement
13 rate shall be phased in over a three-year period.

14 a. For the fiscal year beginning July 1, 2001, and
15 ending June 30, 2002, 66.67 percent of a facility's
16 reimbursement rate shall be computed based on the
17 current rate effective June 30, 2001, and 33.33
18 percent shall be computed based on the modified price-
19 based case-mix reimbursement rate. The current rate
20 portion shall be increased by an inflation allowance
21 of 6.21 percent, with a maximum reimbursement rate of
22 \$94.00.

23 b. For the fiscal year beginning July 1, 2002, and
24 ending June 30, 2003, 33.33 percent of a facility's
25 reimbursement rate shall be computed based on the
26 current rate effective June 30, 2001, and 66.67
27 percent shall be computed based on the modified price-
28 based case-mix reimbursement rate. The current rate
29 portion shall be increased by an inflation allowance
30 of 9.21 percent with a maximum reimbursement rate of
31 \$97.47.

32 c. For the fiscal year beginning July 1, 2003, and
33 ending June 30, 2004, and thereafter, 100 percent of a
34 facility's reimbursement rate shall be computed based
35 on the modified price-based case-mix reimbursement
36 rate.

37 3. Modified price-based case-mix reimbursement
38 rate calculation.

39 a. The department of human services shall
40 determine the statewide median of nursing facility
41 costs as follows:

42 (1) For the fiscal period beginning July 1, 2001,
43 and ending June 30, 2003, the department shall
44 determine the statewide median of nursing facility
45 costs based upon each facility's actual costs taken
46 from the most recent cost reports, submitted by the
47 nursing facility for the period ending on or before
48 December 31, 2000, subject to certain existing
49 limitations and adjustments. These costs shall be
50 inflated forward to July 1, 2001, by using the

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1 midpoint of each cost report and applying the HCFA/SNF
2 index.

3 (2) Beginning July 1, 2003, and every second state
4 fiscal year thereafter beginning on July 1 of the
5 respective state fiscal year, the department shall
6 recalculate the statewide median of nursing facility
7 costs based upon the most recent cost reports
8 submitted by the nursing facility for the period
9 ending on or before December 31 of the previous
10 calendar year and shall inflate these costs forward to
11 the beginning of the state fiscal year, by using the
12 midpoint of each cost report and applying the HCFA/SNF
13 index.

14 b. Beginning July 1, 2002, and thereafter, the
15 occupancy factor shall be increased to 85 percent when
16 calculating the nondirect care cost component of the
17 modified price-based case-mix reimbursement rate. The
18 occupancy factor shall not apply to support care
19 costs.

20 c. The modified price-based case-mix reimbursement
21 rate paid to nursing facilities shall be calculated
22 using the statewide median cost as adjusted to reflect
23 the case mix of the medical assistance residents in
24 the nursing facility.

25 d. (1) The department of human services shall use
26 the resource utilization groups-III (RUG-III), version
27 5.12b, 34 group, index maximizer model as the resident
28 classification system to determine a nursing
29 facility's case-mix index, based on data from the
30 minimum data set (MDS) submitted by each facility.
31 Standard version 5.12b, 34 group case-mix indices,
32 developed by HCFA, shall be the basis for calculating
33 the average case-mix index and shall be used to adjust
34 the direct-care component in the determination of the
35 modified price-based case-mix reimbursement rate.

36 (2) The department of human services shall
37 determine and adjust each facility's case-mix index on
38 a quarterly basis. A separate calculation shall be
39 made to determine the average case-mix index for a
40 facilitywide case-mix index, and a case-mix index for
41 the medical assistance residents of the nursing
42 facility using the minimum data set (MDS) report
43 submitted by the facility for the previous quarter,
44 which reflects the residents in the facility on the
45 last day of the previous calendar quarter.

46 e. The department shall calculate the rate ceiling
47 for the direct-care cost component at 110 percent of
48 the median of case-mix adjusted costs. Nursing
49 facilities with direct care case-mix adjusted costs at
50 100 percent of the median or greater, shall receive an

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Page 3

1 amount equal to their costs not to exceed 110 percent
2 of the median. Nursing facilities with case-mix
3 adjusted costs below 100 percent of the median shall
4 receive a profit add-on payment by having their
5 payment rate for the direct-care cost component
6 calculated as their allowable case-mix adjusted cost
7 plus 50 percent of the difference between 100 percent
8 of the median and their allowable case-mix adjusted
9 cost, not to exceed 10 percent of the median of case-
10 mix adjusted costs.

11 f. The department shall calculate the rate ceiling
12 for the nondirect care cost component at 100 percent
13 of the median of non-case-mix adjusted costs. Nursing
14 facilities with non-case-mix adjusted costs at 95
15 percent of the median or greater shall receive an
16 amount equal to their costs not to exceed 100 percent
17 of the median. Nursing facilities with non-case-mix
18 adjusted costs below 95 percent of the median shall
19 receive a profit add-on payment that is their costs
20 plus 50 percent of the difference between 95 percent
21 of the median and their non-case-mix adjusted costs,
22 not to exceed 15 percent of the median of non-case-mix
23 adjusted costs.

24 g. The department shall apply the geographic wage
25 index adjustment annually to the case-mix adjusted
26 component of the modified price-based case-mix
27 reimbursement rate for the nursing facilities located
28 in standard metropolitan statistical area counties in
29 Iowa identified by HCFA. This rate shall be
30 calculated using the case-mix adjusted costs of the
31 nursing facility, not to exceed \$8 per patient day. A
32 nursing facility may request an exception to
33 application of the geographic wage index based upon a
34 reasonable demonstration of wages, location, and total
35 cost. A request for an exception shall be submitted
36 to the department of human services within 30 days of
37 receipt of notification by the nursing facility of the
38 new reimbursement rate. The exception request shall
39 include an explanation of the circumstances and
40 supporting data.

41 h. For the purpose of determining the median
42 applicable to Medicare-certified hospital-based
43 skilled nursing facilities, the department shall treat
44 such facilities as a separate peer group.

45 i. The modified price-based case-mix reimbursement
46 rate for state-operated nursing facilities and special
47 population nursing facilities shall be the average
48 allowable per diem costs, adjusted for inflation,
49 based on the most current financial and statistical
50 report. Special population nursing facilities

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Page 4

1 enrolled on or after June 1, 1993, shall have a rate
2 ceiling equal to the rate ceiling for Medicare-
3 certified hospital-based nursing facilities.

4 4. a. ACCOUNTABILITY MEASURES.

5 It is the intent of the general assembly that the
6 department of human services initiate a system to
7 measure a variety of elements to determine a nursing
8 facility's capacity to provide quality of life and
9 appropriate access to medical assistance program
10 beneficiaries in a cost-effective manner. Beginning
11 July 1, 2001, the department shall implement a process
12 to collect data for these measurements and shall
13 develop procedures to increase nursing facility
14 reimbursements based upon a nursing facility's
15 achievement of multiple favorable outcomes as
16 determined by these measurements. Any increased
17 reimbursement shall not exceed 3 percent of the
18 calculation of the modified price-based case-mix
19 reimbursement median. The increased reimbursement
20 shall be included in the calculation of nursing
21 facility modified price-based payment rates beginning
22 July 1, 2002, with the exception of Medicare-certified
23 hospital-based nursing facilities, state-operated
24 nursing facilities, and special population nursing
25 facilities.

26 b. It is the intent of the general assembly that
27 increases in payments to nursing facilities under the
28 case-mix adjusted component shall be used for the
29 provision of direct care. The department shall
30 compile and provide a detailed analysis to demonstrate
31 growth of direct care costs, increased acuity, and
32 care needs of residents. The department shall also
33 provide analysis of cost reports submitted by
34 providers and the resulting desk review and field
35 audit adjustments to reclassify and amend provider
36 cost and statistical data. The results of these
37 analyses shall be submitted to the general assembly
38 for evaluation to determine payment levels following
39 the transition funding period.

40 5. As used in this section:

41 a. "Case-mix" means a measure of the intensity of
42 care and services used by similar residents in a
43 facility.

44 b. "Case-mix adjusted costs" means specified costs
45 adjusted for acuity by the case-mix index. Costs
46 subject to adjustment are the salaries and benefits of
47 registered nurses, licensed practical nurses,
48 certified nursing assistants, rehabilitation nurses,
49 and contracted nursing services.

50 c. "Case-mix index" means a numeric score within a

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Page 5

1 specific range that identifies the relative resources
2 used by similar residents and represents the average
3 resource consumption across a population or sample.

4 d. "Facilitywide average case-mix index" is a
5 simple average, carried to four decimal places, of all
6 resident case-mix indices based on the last day of
7 each calendar quarter.

8 e. "Geographic wage index" means an annual
9 calculation of the average difference between the Iowa
10 hospital-based rural wage index and Iowa hospital-
11 based standard metropolitan statistical area wage
12 indices as published by HCFA each July. The wage
13 factor shall be revised when the skilled nursing
14 facility wage indices are released by HCFA.

15 f. "HCFA" means the health care financing
16 administration of the United States department of
17 health and human services.

18 g. "HCFA/SNF index" means the HCFA total skilled
19 nursing facility market basket index published by data
20 resources, inc. The HCFA/SNF index listed in the
21 latest available quarterly publication prior to the
22 July 1 rate setting shall be used to determine the
23 inflation factor which shall be applied based upon the
24 midpoint of the cost report period.

25 h. "Median" means the median cost calculated by
26 using a weighting method based upon total patient days
27 of each nursing facility.

28 i. "Medicaid" or "medical assistance" means
29 medical assistance as defined in section 249A.2.

30 j. "Medicaid average case-mix index" means the
31 simple average, carried to four decimal places, of all
32 resident case-mix indices where Medicaid is known to
33 be the per diem payor source on the last day of the
34 calendar quarter.

35 k. "Medicare" means the federal Medicare program
36 established by Title XVIII of the federal Social
37 Security Act.

38 l. "Minimum data set" or "MDS" means the federally
39 required resident assessment tool. Information from
40 the MDS is used by the department to determine the
41 facility's case-mix index.

42 m. "Non-case-mix adjusted costs" means an amount
43 stated in terms of per patient day that is calculated
44 using allowable costs from the cost reports of
45 facilities, divided by the allowable patient days for
46 the cost report period, and beginning July 1, 2003,
47 patient days as modified pursuant to subsection 3,
48 paragraph "b". Non-case-mix adjusted costs include
49 all allowable costs less case-mix adjusted costs.

50 n. "Nursing facility" means a skilled nursing

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1 facility certified under both the federal Medicaid
2 program and the federal Medicare program, and a
3 nursing facility certified under the federal Medicaid
4 program.

5 o. "Rate ceiling" or "upper payment limit" means a
6 maximum rate amount stated in terms of per patient day
7 that is calculated as a percent of the median.

8 p. "Special population nursing facility" means a
9 skilled nursing facility the resident population of
10 which is either of the following:

11 (1) One hundred percent of the residents of the
12 nursing facility is under the age of 22 and require
13 the skilled level of care.

14 (2) Seventy percent of the residents served
15 require the skilled level of care for neurological
16 disorders.

17 6. The department of human services may adopt
18 rules under section 17A.4, subsection 2, and section
19 17A.5, subsection 2, paragraph "b", to implement this
20 section. The rules shall become effective immediately
21 upon filing, unless the effective date is delayed by
22 the administrative rules review committee,
23 notwithstanding section 17A.4, subsection 5, and
24 section 17A.8, subsection 9, or a later effective date
25 is specified in the rules. Any rules adopted in
26 accordance with this section shall not take effect
27 before the rules are reviewed by the administrative
28 rules review committee. Any rules adopted in
29 accordance with the provisions of this section shall
30 also be published as notice of intended action as
31 provided in section 17A.4.

32 Sec. ____ . NURSING FACILITY CONVERSION GRANTS. The
33 nursing facility conversion grants awarded on or after
34 July 1, 2000, may be used to convert all or a portion
35 of the licensed nursing facility to a certified
36 assisted-living program. All converted units of
37 assisted living shall be affordable, as defined in
38 section 249H.3, to persons with low or moderate
39 incomes. Grant recipients shall maintain a minimum
40 medical assistance client base participation rate of
41 40 percent, subject to demand for participation by
42 individuals eligible for medical assistance. The
43 department of human services shall adjust the criteria
44 for eligibility for conversion grants to allow a
45 licensed nursing facility that has been an approved
46 provider under the medical assistance program for a
47 three-year period to apply for a conversion grant
48 beginning July 1, 2001."

49 2. Title page, by striking lines 4 and 5, and
50 inserting the following: "department of human

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Page 7

1 services."

2 3. By renumbering as necessary.

By OSTERHAUS of Jackson**H-1764** FILED APRIL 30, 2001*Lost 5/1/01 (p. 1695)***HOUSE FILE 740****H-1765**

1 Amend House File 740 as follows:

2 1. Page 6, line 30, by inserting after the word

3 "care" the following: "with an emphasis on

4 compensation to direct care workers".

By SMITH of Marshall**H-1765** FILED APRIL 30, 2001*adopted
5/1/01 (p. 1687)***HOUSE FILE 740****H-1772**1 Amend the amendment, H-1764, to House File 740 as
2 follows:3 1. Page 3, by striking lines 24 through 40, and
4 inserting the following:5 "g. The department shall not apply a geographic
6 wage index adjustment in determining the modified
7 price-based case-mix reimbursement rate for nursing
8 facilities."9 2. Page 5, by striking lines 12 through 14, and
10 inserting the following: "indices as published by
11 HCFA each July."**By** OSTERHAUS of Jackson**H-1772** FILED APRIL 30, 2001*Adopted
5/1/01
(p. 1694)*

5/3/01 Do Pass

HOUSE FILE 740
BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO HSB 258)

(As Amended and Passed by the House May 1, 2001)

Re Passed House, Date 5/3/01 (p.1824) Passed Senate, Date 5/3/01 (p.1488)
Vote: Ayes 86 Nays 7 Vote: Ayes 50 Nays 0
Approved June 1, 2001
Stem
Veto

A BILL FOR

1 An Act relating to the senior living program including provisions
2 relating to and making appropriations from the senior living
3 trust fund to the department of elder affairs and the
4 department of human services, and including effective date and
5 retroactive applicability provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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House Amendments _____

1 Section 1. DEPARTMENT OF ELDER AFFAIRS APPROPRIATION.

2 There is appropriated from the senior living trust fund
3 created in section 249H.4 to the department of elder affairs
4 for the fiscal year beginning July 1, 2001, and ending June
5 30, 2002, the following amount, or so much thereof as is
6 necessary, to be used for the purpose designated:

7 For the development of a comprehensive senior living
8 program, including program administration and costs associated
9 with implementation, salaries, support, maintenance, and
10 miscellaneous purposes, and for not more than the following
11 full-time equivalent positions:

| | | |
|----------|------|-----------|
| 12 | \$ | 5,285,426 |
| 13 | FTEs | 8.00 |

14 1. Of the funds appropriated in this section, \$100,000
15 shall be used by the department to fund recruitment and
16 retention strategies to provide additional training and
17 support for certified nurse aides, employed by nursing
18 facilities, as a means of reducing staff turnover. The
19 department shall contract with an agency or organization whose
20 primary purpose is the improvement of the nurse aide
21 profession through the provision of continuing education,
22 support and empowerment programs, and career opportunities
23 within the field of nurse assisting, with the goal of the
24 further stabilization of the nurse aide workforce and the
25 reduction of nurse aide turnover.

26 2. Of the funds appropriated in this section, \$255,800
27 shall be used by the department to fund strategies for
28 dependent adult abuse detection, training, and services.

29 3. The funds appropriated under this section shall be used
30 in accordance with any regulations, requirements, or
31 guidelines of the health care financing administration of the
32 United States department of health and human services
33 applicable to the senior living program.

34 Sec. 2. DEPARTMENT OF HUMAN SERVICES APPROPRIATION. There
35 is appropriated from the senior living trust fund created in

1 section 249H.4 to the department of human services for the
2 fiscal year beginning July 1, 2001, and ending June 30, 2002,
3 the following amounts, or so much thereof as is necessary, to
4 be used for the purposes designated:

5 1. To provide grants to nursing facilities for conversion
6 to assisted living programs or to provide long-term care
7 alternatives and to provide grants to long-term care providers
8 for development of long-term care alternatives:

9 \$ 20,000,000

10 2. To supplement the medical assistance appropriation and
11 to provide reimbursement for health care services and rent
12 expenses to eligible persons through the home and community-
13 based services waiver and the state supplementary assistance
14 program, including program administration and data system
15 costs associated with implementation, salaries, support,
16 maintenance, and miscellaneous purposes, and for not more than
17 the following full-time equivalent positions:

18 \$ 1,733,406

19 FTEs 5.00

20 3. To implement nursing facility provider reimbursement
21 based upon a case-mix reimbursement methodology:

22 \$ 24,750,000

23 a. In order to carry out the purposes of this subsection,
24 the department shall transfer funds appropriated in this
25 section to supplement other appropriations to the department
26 of human services.

27 b. Notwithstanding section 8.33, moneys appropriated under
28 this subsection that remain unencumbered or unobligated at the
29 close of the fiscal year shall be retained in the senior
30 living trust fund.

31 Sec. 3. CONVERSION GRANT PROJECTS -- RULES -- INTENT.

32 1. The department of human services shall adopt rules that
33 provide that beginning with applications for conversion grants
34 received on or after July 1, 2001, the department shall give
35 greater weight in the scoring methodology to nursing facility

1 conversion projects that are primarily the renovation and
2 remodeling of the existing nursing facility structure and give
3 less weight to conversion projects that are primarily new
4 construction. The department of human services shall
5 encourage cooperative efforts between the department of
6 inspections and appeals, the state fire marshal and the grant
7 applicant to promote the acceptance of nursing facility
8 conversion projects that are primarily renovation and
9 remodeling of the existing nursing facility structure.

10 2. It is the intent of the general assembly that the
11 department of elder affairs certify all assisted living
12 programs established through nursing facility conversion
13 grants. The department of elder affairs shall consult with
14 conversion grant applicants and recipients to establish and
15 monitor occupancy agreements and assisted living program
16 residents shall be allowed access to third-party payors. The
17 department of elder affairs shall allow grant recipients to
18 revise and modify occupancy agreements to reflect rates that
19 are affordable, as defined in section 249H.3, during the ten-
20 year period of operation following the awarding of the grant
21 by the department of human services.

22 Sec. 4. MODIFIED PRICE-BASED CASE-MIX REIMBURSEMENT --
23 NURSING FACILITIES.

24 1. Beginning July 1, 2001, the department of human
25 services shall reimburse nursing facilities under the medical
26 assistance program in accordance with a phased-in, modified
27 price-based case-mix reimbursement system that includes a
28 case-mix adjusted component and a non-case-mix adjusted
29 component.

30 2. The modified price-based case-mix reimbursement rate
31 shall be phased in over a three-year period.

32 a. For the fiscal year beginning July 1, 2001, and ending
33 June 30, 2002, 66.67 percent of a facility's reimbursement
34 rate shall be computed based on the current rate and 33.33
35 percent shall be computed based on the modified price-based

1 case-mix reimbursement rate. The current rate portion shall
2 be calculated from the cost reports submitted by nursing
3 facilities for the period ending on or before December 31,
4 2000, plus an inflation factor of 6.21 percent, with a maximum
5 current rate portion of \$94.00. A nursing facility shall not
6 receive a reimbursement rate under this paragraph that is less
7 than the rate received on June 30, 2001, plus an inflation
8 factor of 6.21 percent. For the purposes of this calculation,
9 any excess payment allowance received by the facility shall
10 not be considered part of the reimbursement rate.

11 b. For the fiscal year beginning July 1, 2002, and ending
12 June 30, 2003, 33.33 percent of a facility's reimbursement
13 rate shall be computed based on the current rate and 66.67
14 percent shall be computed based on the modified price-based
15 case-mix reimbursement rate. The current rate portion shall
16 be calculated from the current rate for the previous state
17 fiscal year, plus an additional inflation factor based on
18 HCFA/SNF index, with an estimated maximum current rate portion
19 of \$97.47. A nursing facility shall not receive a
20 reimbursement rate under this paragraph that is less than the
21 rate received on June 30, 2002, plus an inflation factor based
22 on the HCFA/SNF index. For the purposes of this calculation,
23 any excess payment allowance received by the facility shall
24 not be considered part of the reimbursement rate.

25 c. For the fiscal year beginning July 1, 2003, and ending
26 June 30, 2004, and thereafter, 100 percent of a facility's
27 reimbursement rate shall be computed based on the modified
28 price-based case-mix reimbursement rate.

29 3. Modified price-based case-mix reimbursement rate
30 calculation.

31 a. The department of human services shall determine the
32 statewide median of nursing facility costs as follows:

33 (1) For the fiscal period beginning July 1, 2001, and
34 ending June 30, 2003, the department shall determine the
35 statewide median of nursing facility costs based upon each

1 facility's actual costs taken from the most recent cost
2 reports, submitted by the nursing facility for the period
3 ending on or before December 31, 2000, subject to certain
4 existing limitations and adjustments. These costs shall be
5 inflated forward to July 1, 2001, by using the midpoint of
6 each cost report and applying the HCFA/SNF index.

7 (2) Beginning July 1, 2003, and every other fiscal year
8 thereafter beginning on July 1 of the respective state fiscal
9 year, the department shall recalculate the statewide median of
10 nursing facility costs based upon the most recent cost reports
11 submitted by the nursing facility for the period ending on or
12 before December 31 of the previous calendar year and shall
13 inflate these costs forward to the beginning of the state
14 fiscal year by using the midpoint of each cost report and
15 applying the HCFA/SNF index.

16 b. Beginning July 1, 2003, and thereafter, an occupancy
17 factor of 85 percent shall be applied when calculating the
18 nondirect care cost component of the modified price-based
19 case-mix reimbursement rate. The occupancy factor shall not
20 apply to support care costs.

21 c. The modified price-based case-mix reimbursement rate
22 paid to nursing facilities shall be calculated using the
23 statewide median cost as adjusted to reflect the case mix of
24 the medical assistance residents in the nursing facility.

25 d. (1) The department of human services shall use the
26 resource utilization groups-III (RUG-III), version 5.12b, 34
27 group, index maximizer model as the resident classification
28 system to determine a nursing facility's case-mix index, based
29 on data from the minimum data set (MDS) submitted by each
30 facility. Standard version 5.12b, 34 group case-mix indices,
31 developed by HCFA, shall be the basis for calculating the
32 average case-mix index and shall be used to adjust the direct-
33 care component in the determination of the rate ceiling and
34 the modified price-based case-mix reimbursement rate.

35 (2) The department of human services shall determine and

1 adjust each facility's case-mix index on a quarterly basis. A
2 separate calculation shall be made to determine the average
3 case-mix index for a facilitywide case-mix index, and a case-
4 mix index for the medical assistance residents of the nursing
5 facility using the minimum data set (MDS) report submitted by
6 the facility for the previous quarter, which reflects the
7 residents in the facility on the last day of the previous
8 calendar quarter.

9 e. The department shall calculate the rate ceiling for the
10 direct-care cost component at 120 percent of the median of
11 case-mix adjusted costs. Nursing facilities with case-mix
12 adjusted costs at 95 percent of the median or greater, shall
13 receive an amount equal to their costs not to exceed 120
14 percent of the median. Nursing facilities with case-mix
15 adjusted costs below 95 percent of the median shall receive an
16 excess payment allowance by having their payment rate for the
17 direct-care cost component calculated as their case-mix
18 adjusted cost plus 100 percent of the difference between 95
19 percent of the median and their case-mix adjusted cost, not to
20 exceed 10 percent of the median of case-mix adjusted costs.

21 f. The department shall calculate the rate ceiling for the
22 nondirect care cost component at 110 percent of the median of
23 non-case-mix adjusted costs. Nursing facilities with non-
24 case-mix adjusted costs at 96 percent of the median or greater
25 shall receive an amount equal to their costs not to exceed 110
26 percent of the median. Nursing facilities with non-case-mix
27 adjusted costs below 96 percent of the median shall receive an
28 excess payment allowance that is their costs plus 65 percent
29 of the difference between 96 percent of the median and their
30 non-case-mix adjusted costs, not to exceed 8 percent of the
31 median of non-case-mix adjusted costs.

32 g. The department shall apply the geographic wage index
33 adjustment annually to the case-mix adjusted component of the
34 modified price-based case-mix reimbursement rate for nursing
35 facilities located in standard metropolitan statistical area

1 counties in Iowa identified by HCFA. This rate shall be
2 calculated using the case-mix adjusted costs of the nursing
3 facility, not to exceed \$8 per patient day. A nursing
4 facility may request an exception to application of the
5 geographic wage index based upon a reasonable demonstration of
6 wages, location, or total cost. A request for an exception
7 shall be submitted to the department of human services within
8 30 days of receipt of notification by the nursing facility of
9 the new reimbursement rate. The exception request shall
10 include an explanation of the circumstances and supporting
11 data.

12 h. For the purpose of determining the median applicable to
13 Medicare-certified hospital-based skilled nursing facilities,
14 the department shall treat such facilities as a separate peer
15 group.

16 i. The modified price-based case-mix reimbursement rate
17 for state-operated nursing facilities and special population
18 nursing facilities shall be the average allowable per diem
19 costs, adjusted for inflation, based on the most current
20 financial and statistical report. Special population nursing
21 facilities enrolled on or after June 1, 1993, shall have a
22 rate ceiling equal to the rate ceiling for Medicare-certified
23 hospital-based nursing facilities.

24 4. ACCOUNTABILITY MEASURES.

25 a. It is the intent of the general assembly that the
26 department of human services initiate a system to measure a
27 variety of elements to determine a nursing facility's capacity
28 to provide quality of life and appropriate access to medical
29 assistance program beneficiaries in a cost-effective manner.
30 Beginning July 1, 2001, the department shall implement a
31 process to collect data for these measurements and shall
32 develop procedures to increase nursing facility reimbursements
33 based upon a nursing facility's achievement of multiple
34 favorable outcomes as determined by these measurements. Any
35 increased reimbursement shall not exceed 3 percent of the

1 calculation of the modified price-based case-mix reimbursement
2 median. The increased reimbursement shall be included in the
3 calculation of nursing facility modified price-based payment
4 rates beginning July 1, 2002, with the exception of Medicare-
5 certified hospital-based nursing facilities, state-operated
6 nursing facilities, and special population nursing facilities.

7 b. It is the intent of the general assembly that increases
8 in payments to nursing facilities under the case-mix adjusted
9 component shall be used for the provision of direct care with
10 an emphasis on compensation to direct care workers. The
11 department shall compile and provide a detailed analysis to
12 demonstrate growth of direct care costs, increased acuity, and
13 care needs of residents. The department shall also provide
14 analysis of cost reports submitted by providers and the
15 resulting desk review and field audit adjustments to
16 reclassify and amend provider cost and statistical data. The
17 results of these analyses shall be submitted to the general
18 assembly for evaluation to determine payment levels following
19 the transition funding period.

20 5. As used in this section:

21 a. "Case-mix" means a measure of the intensity of care and
22 services used by similar residents in a facility.

23 b. "Case-mix adjusted costs" means specified costs
24 adjusted for acuity by the case-mix index. Costs subject to
25 adjustment are the salaries and benefits of registered nurses,
26 licensed practical nurses, certified nursing assistants,
27 rehabilitation nurses, and contracted nursing services.

28 c. "Case-mix index" means a numeric score within a
29 specific range that identifies the relative resources used by
30 similar residents and represents the average resource
31 consumption across a population or sample.

32 d. "Excess payment allowance" means an amount stated as a
33 percentage that is calculated as a percent of the difference
34 between the excess payment ceiling and a nursing facility's
35 costs.

1 e. "Excess payment ceiling" or "profit ceiling" means an
2 amount stated in terms of per patient day that is calculated
3 as a percent of the median.

4 f. "Facilitywide average case-mix index" is a simple
5 average, carried to four decimal places, of all resident case-
6 mix indices based on the last day of each calendar quarter.

7 g. "Geographic wage index" means an annual calculation of
8 the average difference between the hospital-based rural wage
9 index for Iowa and Iowa hospital-based standard metropolitan
10 statistical area wage indices as published by HCFA each July.
11 The wage factor shall be revised when the skilled nursing
12 facility wage indices are released by HCFA.

13 h. "HCFA" means the health care financing administration
14 of the United States department of health and human services.

15 i. "HCFA/SNF index" means the HCFA total skilled nursing
16 facility market basket index published by data resources, inc.
17 The HCFA/SNF index listed in the latest available quarterly
18 publication prior to the July 1 rate setting shall be used to
19 determine the inflation factor which shall be applied based
20 upon the midpoint of the cost report period.

21 j. "Median" means the median cost calculated by using a
22 weighting method based upon total patient days of each nursing
23 facility.

24 k. "Medicaid" or "medical assistance" means medical
25 assistance as defined in section 249A.2.

26 l. "Medicaid average case-mix index" means the simple
27 average, carried to four decimal places, of all resident case-
28 mix indices where Medicaid is known to be the per diem payor
29 source on the last day of the calendar quarter.

30 m. "Medicare" means the federal Medicare program
31 established by Title XVIII of the federal Social Security Act.

32 n. "Minimum data set" or "MDS" means the federally
33 required resident assessment tool. Information from the MDS
34 is used by the department to determine the facility's case-mix
35 index.

1 o. "Non-case-mix adjusted costs" means an amount stated in
2 terms of per patient day that is calculated using allowable
3 costs from the cost reports of facilities, divided by the
4 allowable patient days for the cost report period, and
5 beginning July 1, 2003, patient days as modified pursuant to
6 subsection 3, paragraph "b". Non-case-mix adjusted costs
7 include all allowable costs less case-mix adjusted costs.

8 p. "Nursing facility" means a skilled nursing facility
9 certified under both the federal Medicaid program and the
10 federal Medicare program, and a nursing facility certified
11 under the federal Medicaid program.

12 q. "Rate ceiling" or "upper payment limit" means a maximum
13 rate amount stated in terms of per patient day that is
14 calculated as a percent of the median.

15 r. "Special population nursing facility" means a skilled
16 nursing facility the resident population of which is either of
17 the following:

18 (1) One hundred percent of the residents of the nursing
19 facility is under the age of 22 and require the skilled level
20 of care.

21 (2) Seventy percent of the residents served requires the
22 skilled level of care for neurological disorders.

23 6. The department of human services may adopt rules under
24 section 17A.4, subsection 2, and section 17A.5, subsection 2,
25 paragraph "b", to implement this section. The rules shall
26 become effective immediately upon filing, unless the effective
27 date is delayed by the administrative rules review committee,
28 notwithstanding section 17A.4, subsection 5, and section
29 17A.8, subsection 9, or a later effective date is specified in
30 the rules. Any rules adopted in accordance with this section
31 shall not take effect before the rules are reviewed by the
32 administrative rules review committee. Any rules adopted in
33 accordance with the provisions of this section shall also be
34 published as notice of intended action as provided in section
35 17A.4.

1 Sec. 5. NURSING FACILITY CONVERSION GRANTS. The nursing
2 facility conversion grants awarded on or after July 1, 2000,
3 may be used to convert all or a portion of the licensed
4 nursing facility to a certified assisted-living program. The
5 conversion program shall provide a service delivery package
6 that is affordable for those individuals eligible for services
7 under the medical assistance home and community-based services
8 waiver program applicable to a minimum of 40 percent of the
9 units. The reimbursement rates for the costs paid under the
10 medical assistance program apply only to those clients
11 participating in the medical assistance program. The
12 department of human services shall adjust the criteria for
13 eligibility for conversion grants to allow a licensed nursing
14 facility that has been an approved provider under the medical
15 assistance program for a two-year period to apply for a
16 conversion grant beginning July 1, 2001.

17 Sec. 6. Section 249H.3, subsection 1, Code 2001, is
18 amended to read as follows:

19 1. "Affordable" means rates for payment of room, board,
20 amenities, and medical and health services which do-not-exceed
21 the-rates-established-for-providers-of-medical-and-health
22 services-under-the-medical-assistance-program-with-eligibility
23 for-an-individual-equal-to-the-eligibility-for-medical
24 assistance-pursuant-to-section-249A-3 may be purchased, in
25 conjunction with third-party payors, by seniors with low and
26 moderate incomes in the market area of the providers of such
27 services. In-relation-to-services-provided-by-a-provider-of
28 services-under-a-home-and-community-based-waiver, "affordable"
29 means-that-the-total-monthly-cost-of-the-home-and-community-
30 based-waiver-services-provided-does-not-exceed-the-cost-for
31 that-level-of-care-as-established-by-rule-by-the-department-of
32 human-services, pursuant-to-chapter-17A, in-consultation-with
33 the-department-of-elder-affairs.

34 Sec. 7. Section 249H.6, subsection 1, paragraphs a and b,
35 Code 2001, are amended to read as follows:

1 a. A licensed nursing facility that has been an approved
2 provider under the medical assistance program for the ~~three-~~
3 ~~year~~ two-year period prior to application for the grant. The
4 grant awarded may be used to convert all or a portion of the
5 licensed nursing facility to a certified assisted-living
6 program and may be used for capital or one-time expenditures,
7 including but not limited to start-up expenses, training
8 expenses, and operating losses for the first year of operation
9 following conversion associated with the nursing facility
10 conversion.

11 b. A long-term care provider or a licensed nursing
12 facility that has been an approved provider under the medical
13 assistance program for the ~~three-year~~ two-year period prior to
14 application for the grant or a provider that will meet
15 applicable medical assistance provider requirements as
16 specified in subsection 2, paragraph "c" or "d". The grant
17 awarded may be used for capital or one-time expenditures,
18 including but not limited to start-up expenses, training
19 expenses, and operating losses for the first year of operation
20 for long-term care service development.

21 Sec. 8. EFFECTIVE DATE -- RETROACTIVE APPLICABILITY. The
22 provision of the section of this Act relating to nursing
23 facility conversion grants awarded on or after July 1, 2000,
24 being deemed of immediate importance, takes effect upon
25 enactment and is retroactively applicable to July 1, 2000.

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HOUSE FILE 740

S-3622

- 1 Amend House File 740, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 5, line 16, by striking the figure "2003"
- 4 and inserting the following: "2002".

By JOHNIE HAMMOND

S-3622 FILED MAY 3, 2001

LOST (p.1488)

HOUSE FILE 740**S-3624**

1 Amend House File 740 as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 6, line 20, by inserting after the word
4 "costs." the following: "Any excess payment allowance
5 realized from the direct care cost component of the
6 modified price-based case-mix reimbursement shall be
7 expended to increase the compensation of direct care
8 workers or to increase the ratio of direct care
9 workers to residents."
10 2. Page 6, line 31, by inserting after the word
11 "costs." the following: "Any excess payment allowance
12 realized from the nondirect care cost component of the
13 modified price-based case-mix reimbursement shall be
14 used to fund quality of life improvements."

By JOHNIE HAMMOND

S-3624 FILED MAY 3, 2001

ADOPTED (p.1488)

HOUSE FILE 740**S-3625**

1 Amend House File 740, as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 11, line 2, by striking the figure "2000"
4 and inserting the following: "2001".
5 2. Page 12, by striking lines 21 through 25.
6 3. Title page, by striking lines 4 and 5, and
7 inserting the following: "department of human
8 services."
9 4. By renumbering as necessary.

By JOHNIE HAMMOND
MAGGIE TINSMAN

S-3625 FILED MAY 3, 2001

ADOPTED (p.1488)

HOUSE FILE 740**S-3636**

1 Amend House File 740 as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 6, line 20, by inserting after the word
4 "costs." the following: "The department of human
5 services shall implement a new monitoring and
6 reporting system to assess compliance with the
7 provisions of this paragraph."
8 2. Page 6, line 31, by inserting after the word
9 "costs." the following: "The department of human
10 services shall implement a new monitoring and
11 reporting system to assess compliance with the
12 provisions of this paragraph."

By JACK HOLVECK

S-3636 FILED MAY 3, 2001

ADOPTED (p.1488)

SENATE AMENDMENT TO HOUSE FILE 740

H-1979

- 1 Amend House File 740 as amended, passed, and
2 reprinted by the House, as follows:
- 3 1. Page 6, line 20, by inserting after the word
4 "costs." the following: "Any excess payment allowance
5 realized from the direct care cost component of the
6 modified price-based case-mix reimbursement shall be
7 expended to increase the compensation of direct care
8 workers or to increase the ratio of direct care
9 workers to residents."
- 10 2. Page 6, line 20, by inserting after the word
11 "costs." the following: "The department of human
12 services shall implement a new monitoring and
13 reporting system to assess compliance with the
14 provisions of this paragraph."
- 15 3. Page 6, line 31, by inserting after the word
16 "costs." the following: "Any excess payment allowance
17 realized from the nondirect care cost component of the
18 modified price-based case-mix reimbursement shall be
19 used to fund quality of life improvements."
- 20 4. Page 6, line 31, by inserting after the word
21 "costs." the following: "The department of human
22 services shall implement a new monitoring and
23 reporting system to assess compliance with the
24 provisions of this paragraph."
- 25 5. Page 11, line 2, by striking the figure "2000"
26 and inserting the following: "2001".
- 27 6. Page 12, by striking lines 21 through 25.
- 28 7. Title page, by striking lines 4 and 5, and
29 inserting the following: "department of human
30 services."
- 31 8. By renumbering, relettering, or redesignating
32 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-1979 FILED MAY 3, 2001

Concurred (p. 1823)



THOMAS J. VILSACK
GOVERNOR

OFFICE OF THE GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

June 1, 2001

The Honorable Chester Culver
Secretary of State
State Capitol Building
LOCAL

RECEIVED
JUN 04 2001
LEGISLATIVE SERVICE
BUREAU

Dear Mr. Secretary:

I hereby transmit House File 740, an Act relating to the senior living program including provisions relating to and making appropriations from the senior living trust fund to the department of elder affairs and the department of human services.

The senior living trust appropriations bill is an important measure for thousands of Iowans. It will allow many elderly Iowans and people with special needs to have access to options for care other than nursing homes. This bill provides funding for converting nursing facilities to assisted living programs and other alternatives for long-term care as well as providing funds for adult daycare programs.

I am pleased that the bill also provides funding to develop a dependent adult abuse program. All too often, we ignore the fact that abuse of vulnerable adults does occur. The program funded by this bill will increase Iowans' knowledge of the existence of adult dependent abuse and provide training and support to communities for improved detection of dependent adult abuse.

The bill also provides funding to increase pay for long-term care staff that take care of our elderly and disabled every day and it includes funding to pay for improvements to nursing home facilities that will improve the quality of life for its residents. There is also funding to support recruitment and training for certified nurse aides.

While supportive of many of the provisions in this bill, there are several provisions that will negatively impact the ability to effectively administer the trust and provide services in the most effective manner. Therefore, I am unable to approve House File 740 in its entirety.

House File 740 is, therefore, signed on this date with the following exceptions, which I hereby disapprove.



I am unable to approve the item designated as Section 3, subsection 1 in its entirety. The proposed language would require the department to focus nursing facility conversion grant awards on renovation of existing facilities. The focus should be on providing the appropriate services for persons in need in the most cost effective manner, whether that be renovation of existing structures or new construction.

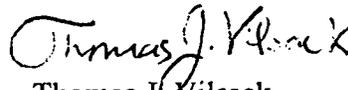
I am unable to approve the item designated as Section 4, subsection 3(b) in its entirety. The proposed language would require the state to continue to pay for empty nursing home beds at a time when funding for many services has been cut. This is not wise use of taxpayers' money.

I am unable to approve the designated portion of Section 4, subsection 3(g). This language is flawed, in that it allows a nursing home to receive an exception to the application of the geographic wage index based upon a reasonable demonstration of wages, location, or total cost. The word "or" should be "and". This technical error will be clarified by the department through the rulemaking process.

I am unable to approve the item designated as Section 6 in its entirety. This section changes the definition of the term "affordable". The application of this definition expands the scope of the population served by these funds and would, in effect, use dollars that were intended to benefit Medicaid eligible people to subsidize those not eligible for Medicaid. This does not seem justifiable at a time when resources are limited.

For the above reasons, I hereby respectfully approve House File 740 with the exceptions noted above.

Sincerely,



Thomas J. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House

HOUSE FILE 740

AN ACT

RELATING TO THE SENIOR LIVING PROGRAM INCLUDING PROVISIONS RELATING TO AND MAKING APPROPRIATIONS FROM THE SENIOR LIVING TRUST FUND TO THE DEPARTMENT OF ELDER AFFAIRS AND THE DEPARTMENT OF HUMAN SERVICES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. DEPARTMENT OF ELDER AFFAIRS APPROPRIATION.

There is appropriated from the senior living trust fund created in section 249H.4 to the department of elder affairs for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount, or so much thereof as is necessary, to be used for the purpose designated:

For the development of a comprehensive senior living program, including program administration and costs associated with implementation, salaries, support, maintenance, and miscellaneous purposes, and for not more than the following full-time equivalent positions:

..... \$ 5,285,426
..... FTEs 8.00

1. Of the funds appropriated in this section, \$100,000 shall be used by the department to fund recruitment and retention strategies to provide additional training and support for certified nurse aides, employed by nursing facilities, as a means of reducing staff turnover. The department shall contract with an agency or organization whose primary purpose is the improvement of the nurse aide profession through the provision of continuing education, support and empowerment programs, and career opportunities within the field of nurse assisting, with the goal of the further stabilization of the nurse aide workforce and the reduction of nurse aide turnover.

2. Of the funds appropriated in this section, \$255,800 shall be used by the department to fund strategies for dependent adult abuse detection, training, and services.

3. The funds appropriated under this section shall be used in accordance with any regulations, requirements, or guidelines of the health care financing administration of the United States department of health and human services applicable to the senior living program.

Sec. 2. DEPARTMENT OF HUMAN SERVICES APPROPRIATION. There is appropriated from the senior living trust fund created in section 249H.4 to the department of human services for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amounts, or so much thereof as is necessary, to be used for the purposes designated:

1. To provide grants to nursing facilities for conversion to assisted living programs or to provide long-term care alternatives and to provide grants to long-term care providers for development of long-term care alternatives:
..... \$ 20,000,000

2. To supplement the medical assistance appropriation and to provide reimbursement for health care services and rent expenses to eligible persons through the home and community-based services waiver and the state supplementary assistance program, including program administration and data system costs associated with implementation, salaries, support, maintenance, and miscellaneous purposes, and for not more than the following full-time equivalent positions:
..... \$ 1,733,406
..... FTEs 5.00

3. To implement nursing facility provider reimbursement based upon a case-mix reimbursement methodology:
..... \$ 24,750,000

a. In order to carry out the purposes of this subsection, the department shall transfer funds appropriated in this section to supplement other appropriations to the department of human services.

b. Notwithstanding section 8.33, moneys appropriated under this subsection that remain unencumbered or unobligated at the close of the fiscal year shall be retained in the senior living trust fund.

Sec. 3. CONVERSION GRANT PROJECTS -- RULES -- INTENT.

1. The department of human services shall adopt rules that provide that beginning with applications for conversion grants received on or after July 1, 2001, the department shall give greater weight in the scoring methodology to nursing facility conversion projects that are primarily the renovation and remodeling of the existing nursing facility structure and give less weight to conversion projects that are primarily new construction. The department of human services shall encourage cooperative efforts between the department of inspections and appeals, the state fire marshal and the grant applicant to promote the acceptance of nursing facility conversion projects that are primarily renovation and remodeling of the existing nursing facility structure.

2. It is the intent of the general assembly that the department of elder affairs certify all assisted living programs established through nursing facility conversion grants. The department of elder affairs shall consult with conversion grant applicants and recipients to establish and monitor occupancy agreements and assisted living program residents shall be allowed access to third-party payors. The department of elder affairs shall allow grant recipients to revise and modify occupancy agreements to reflect rates that are affordable, as defined in section 249H.3, during the ten-year period of operation following the awarding of the grant by the department of human services.

Sec. 4. MODIFIED PRICE-BASED CASE-MIX REIMBURSEMENT -- NURSING FACILITIES.

1. Beginning July 1, 2001, the department of human services shall reimburse nursing facilities under the medical assistance program in accordance with a phased-in, modified

price-based case-mix reimbursement system that includes a case-mix adjusted component and a non-case-mix adjusted component.

2. The modified price-based case-mix reimbursement rate shall be phased in over a three-year period.

a. For the fiscal year beginning July 1, 2001, and ending June 30, 2002, 66.67 percent of a facility's reimbursement rate shall be computed based on the current rate and 33.33 percent shall be computed based on the modified price-based case-mix reimbursement rate. The current rate portion shall be calculated from the cost reports submitted by nursing facilities for the period ending on or before December 31, 2000, plus an inflation factor of 6.21 percent, with a maximum current rate portion of \$94.00. A nursing facility shall not receive a reimbursement rate under this paragraph that is less than the rate received on June 30, 2001, plus an inflation factor of 6.21 percent. For the purposes of this calculation, any excess payment allowance received by the facility shall not be considered part of the reimbursement rate.

b. For the fiscal year beginning July 1, 2002, and ending June 30, 2003, 33.33 percent of a facility's reimbursement rate shall be computed based on the current rate and 66.67 percent shall be computed based on the modified price-based case-mix reimbursement rate. The current rate portion shall be calculated from the current rate for the previous state fiscal year, plus an additional inflation factor based on HCFA/SNF index, with an estimated maximum current rate portion of \$97.47. A nursing facility shall not receive a reimbursement rate under this paragraph that is less than the rate received on June 30, 2002, plus an inflation factor based on the HCFA/SNF index. For the purposes of this calculation, any excess payment allowance received by the facility shall not be considered part of the reimbursement rate.

c. For the fiscal year beginning July 1, 2003, and ending June 30, 2004, and thereafter, 100 percent of a facility's

reimbursement rate shall be computed based on the modified price-based case-mix reimbursement rate.

3. Modified price-based case-mix reimbursement rate calculation.

a. The department of human services shall determine the statewide median of nursing facility costs as follows:

(1) For the fiscal period beginning July 1, 2001, and ending June 30, 2003, the department shall determine the statewide median of nursing facility costs based upon each facility's actual costs taken from the most recent cost reports, submitted by the nursing facility for the period ending on or before December 31, 2000, subject to certain existing limitations and adjustments. These costs shall be inflated forward to July 1, 2001, by using the midpoint of each cost report and applying the HCFA/SNF index.

(2) Beginning July 1, 2003, and every other fiscal year thereafter beginning on July 1 of the respective state fiscal year, the department shall recalculate the statewide median of nursing facility costs based upon the most recent cost reports submitted by the nursing facility for the period ending on or before December 31 of the previous calendar year and shall inflate these costs forward to the beginning of the state fiscal year by using the midpoint of each cost report and applying the HCFA/SNF index.

b. Beginning July 1, 2003, and thereafter, an occupancy factor of 85 percent shall be applied when calculating the nondirect care cost component of the modified price-based case-mix reimbursement rate. The occupancy factor shall not apply to support care costs.

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c. The modified price-based case-mix reimbursement rate paid to nursing facilities shall be calculated using the statewide median cost as adjusted to reflect the case mix of the medical assistance residents in the nursing facility.

d. (1) The department of human services shall use the resource utilization groups-III (RUG-III), version 5.12b, 34

group, index maximizer model as the resident classification system to determine a nursing facility's case-mix index, based on data from the minimum data set (MDS) submitted by each facility. Standard version 5.12b, 34 group case-mix indices, developed by HCFA, shall be the basis for calculating the average case-mix index and shall be used to adjust the direct-care component in the determination of the rate ceiling and the modified price-based case-mix reimbursement rate.

(2) The department of human services shall determine and adjust each facility's case-mix index on a quarterly basis. A separate calculation shall be made to determine the average case-mix index for a facilitywide case-mix index, and a case-mix index for the medical assistance residents of the nursing facility using the minimum data set (MDS) report submitted by the facility for the previous quarter, which reflects the residents in the facility on the last day of the previous calendar quarter.

e. The department shall calculate the rate ceiling for the direct-care cost component at 120 percent of the median of case-mix adjusted costs. Nursing facilities with case-mix adjusted costs at 95 percent of the median or greater, shall receive an amount equal to their costs not to exceed 120 percent of the median. Nursing facilities with case-mix adjusted costs below 95 percent of the median shall receive an excess payment allowance by having their payment rate for the direct-care cost component calculated as their case-mix adjusted cost plus 100 percent of the difference between 95 percent of the median and their case-mix adjusted cost, not to exceed 10 percent of the median of case-mix adjusted costs. Any excess payment allowance realized from the direct care cost component of the modified price-based case-mix reimbursement shall be expended to increase the compensation of direct care workers or to increase the ratio of direct care workers to residents. The department of human services shall implement a new monitoring and reporting system to assess compliance with the provisions of this paragraph.

f. The department shall calculate the rate ceiling for the nondirect care cost component at 110 percent of the median of non-case-mix adjusted costs. Nursing facilities with non-case-mix adjusted costs at 96 percent of the median or greater shall receive an amount equal to their costs not to exceed 110 percent of the median. Nursing facilities with non-case-mix adjusted costs below 96 percent of the median shall receive an excess payment allowance that is their costs plus 65 percent of the difference between 96 percent of the median and their non-case-mix adjusted costs, not to exceed 8 percent of the median of non-case-mix adjusted costs. Any excess payment allowance realized from the nondirect care cost component of the modified price-based case-mix reimbursement shall be used to fund quality of life improvements. The department of human services shall implement a new monitoring and reporting system to assess compliance with the provisions of this paragraph.

g. The department shall apply the geographic wage index adjustment annually to the case-mix adjusted component of the modified price-based case-mix reimbursement rate for nursing facilities located in standard metropolitan statistical area counties in Iowa identified by HCFA. This rate shall be calculated using the case-mix adjusted costs of the nursing facility, not to exceed \$8 per patient day. A nursing facility may request an exception to application of the geographic wage index based upon a reasonable demonstration of wages, location, or total cost. A request for an exception shall be submitted to the department of human services within 30 days of receipt of notification by the nursing facility of the new reimbursement rate. The exception request shall include an explanation of the circumstances and supporting data.

h. For the purpose of determining the median applicable to Medicare-certified hospital-based skilled nursing facilities, the department shall treat such facilities as a separate peer group.

i. The modified price-based case-mix reimbursement rate for state-operated nursing facilities and special population nursing facilities shall be the average allowable per diem costs, adjusted for inflation, based on the most current financial and statistical report. Special population nursing facilities enrolled on or after June 1, 1993, shall have a rate ceiling equal to the rate ceiling for Medicare-certified hospital-based nursing facilities.

4. ACCOUNTABILITY MEASURES.

a. It is the intent of the general assembly that the department of human services initiate a system to measure a variety of elements to determine a nursing facility's capacity to provide quality of life and appropriate access to medical assistance program beneficiaries in a cost-effective manner. Beginning July 1, 2001, the department shall implement a process to collect data for these measurements and shall develop procedures to increase nursing facility reimbursements based upon a nursing facility's achievement of multiple favorable outcomes as determined by these measurements. Any increased reimbursement shall not exceed 3 percent of the calculation of the modified price-based case-mix reimbursement median. The increased reimbursement shall be included in the calculation of nursing facility modified price-based payment rates beginning July 1, 2002, with the exception of Medicare-certified hospital-based nursing facilities, state-operated nursing facilities, and special population nursing facilities.

b. It is the intent of the general assembly that increases in payments to nursing facilities under the case-mix adjusted component shall be used for the provision of direct care with an emphasis on compensation to direct care workers. The department shall compile and provide a detailed analysis to demonstrate growth of direct care costs, increased acuity, and care needs of residents. The department shall also provide analysis of cost reports submitted by providers and the resulting desk review and field audit adjustments to

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reclassify and amend provider cost and statistical data. The results of these analyses shall be submitted to the general assembly for evaluation to determine payment levels following the transition funding period.

5. As used in this section:

a. "Case-mix" means a measure of the intensity of care and services used by similar residents in a facility.

b. "Case-mix adjusted costs" means specified costs adjusted for acuity by the case-mix index. Costs subject to adjustment are the salaries and benefits of registered nurses, licensed practical nurses, certified nursing assistants, rehabilitation nurses, and contracted nursing services.

c. "Case-mix index" means a numeric score within a specific range that identifies the relative resources used by similar residents and represents the average resource consumption across a population or sample.

d. "Excess payment allowance" means an amount stated as a percentage that is calculated as a percent of the difference between the excess payment ceiling and a nursing facility's costs.

e. "Excess payment ceiling" or "profit ceiling" means an amount stated in terms of per patient day that is calculated as a percent of the median.

f. "Facilitywide average case-mix index" is a simple average, carried to four decimal places, of all resident case-mix indices based on the last day of each calendar quarter.

g. "Geographic wage index" means an annual calculation of the average difference between the hospital-based rural wage index for Iowa and Iowa hospital-based standard metropolitan statistical area wage indices as published by HCFA each July. The wage factor shall be revised when the skilled nursing facility wage indices are released by HCFA.

h. "HCFA" means the health care financing administration of the United States department of health and human services.

i. "HCFA/SNF index" means the HCFA total skilled nursing facility market basket index published by data resources, inc. The HCFA/SNF index listed in the latest available quarterly publication prior to the July 1 rate setting shall be used to determine the inflation factor which shall be applied based upon the midpoint of the cost report period.

j. "Median" means the median cost calculated by using a weighting method based upon total patient days of each nursing facility.

k. "Medicaid" or "medical assistance" means medical assistance as defined in section 249A.2.

l. "Medicaid average case-mix index" means the simple average, carried to four decimal places, of all resident case-mix indices where Medicaid is known to be the per diem payor source on the last day of the calendar quarter.

m. "Medicare" means the federal Medicare program established by Title XVIII of the federal Social Security Act.

n. "Minimum data set" or "MDS" means the federally required resident assessment tool. Information from the MDS is used by the department to determine the facility's case-mix index.

o. "Non-case-mix adjusted costs" means an amount stated in terms of per patient day that is calculated using allowable costs from the cost reports of facilities, divided by the allowable patient days for the cost report period, and beginning July 1, 2003, patient days as modified pursuant to subsection 3, paragraph "b". Non-case-mix adjusted costs include all allowable costs less case-mix adjusted costs.

p. "Nursing facility" means a skilled nursing facility certified under both the federal Medicaid program and the federal Medicare program, and a nursing facility certified under the federal Medicaid program.

q. "Rate ceiling" or "upper payment limit" means a maximum rate amount stated in terms of per patient day that is calculated as a percent of the median.

r. "Special population nursing facility" means a skilled nursing facility the resident population of which is either of the following:

(1) One hundred percent of the residents of the nursing facility is under the age of 22 and require the skilled level of care.

(2) Seventy percent of the residents served requires the skilled level of care for neurological disorders.

6. The department of human services may adopt rules under section 17A.4, subsection 2, and section 17A.5, subsection 2, paragraph "b", to implement this section. The rules shall become effective immediately upon filing, unless the effective date is delayed by the administrative rules review committee, notwithstanding section 17A.4, subsection 5, and section 17A.8, subsection 9, or a later effective date is specified in the rules. Any rules adopted in accordance with this section shall not take effect before the rules are reviewed by the administrative rules review committee. Any rules adopted in accordance with the provisions of this section shall also be published as notice of intended action as provided in section 17A.4.

Sec. 5. NURSING FACILITY CONVERSION GRANTS. The nursing facility conversion grants awarded on or after July 1, 2001, may be used to convert all or a portion of the licensed nursing facility to a certified assisted-living program. The conversion program shall provide a service delivery package that is affordable for those individuals eligible for services under the medical assistance home and community-based services waiver program applicable to a minimum of 40 percent of the units. The reimbursement rates for the costs paid under the medical assistance program apply only to those clients participating in the medical assistance program. The department of human services shall adjust the criteria for eligibility for conversion grants to allow a licensed nursing facility that has been an approved provider under the medical

assistance program for a two-year period to apply for a conversion grant beginning July 1, 2001.

Sec. 6. Section 249H.3, subsection 1, Code 2001, is amended to read as follows:

1. "Affordable" means rates for payment of room, board, amenities, and medical and health services which do not exceed the rates established for providers of medical and health services under the medical assistance program with eligibility for an individual equal to the eligibility for medical assistance pursuant to section 249A.3 may be purchased, in conjunction with third-party payors, by seniors with low and moderate incomes in the market area of the providers of such services. In relation to services provided by a provider of services under a home and community-based waiver, "affordable" means that the total monthly cost of the home and community-based waiver services provided does not exceed the cost for that level of care as established by rule by the department of human services pursuant to chapter 17A, in consultation with the department of elder affairs.

Sec. 7. Section 249H.6, subsection 1, paragraphs a and b, Code 2001, are amended to read as follows:

a. A licensed nursing facility that has been an approved provider under the medical assistance program for the three-year two-year period prior to application for the grant. The grant awarded may be used to convert all or a portion of the licensed nursing facility to a certified assisted-living program and may be used for capital or one-time expenditures, including but not limited to start-up expenses, training expenses, and operating losses for the first year of operation following conversion associated with the nursing facility conversion.

b. A long-term care provider or a licensed nursing facility that has been an approved provider under the medical assistance program for the three-year two-year period prior to application for the grant or a provider that will meet

applicable medical assistance provider requirements as specified in subsection 2, paragraph "c" or "d". The grant awarded may be used for capital or one-time expenditures, including but not limited to start-up expenses, training expenses, and operating losses for the first year of operation for long-term care service development.

BRENT SIEGRIST
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 740, Seventy-ninth General Assembly.

Item Approved
Approved June 1, 2001

MARGARET THOMSON
Chief Clerk of the House

THOMAS J. VILSACK
Governor