

Minnesota Department of **Human Services**

January 7, 1997

Mr. Roger Brooks
Deputy Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Brooks:

Thank you for the opportunity to review and respond to your report, *Nursing Home Rates in the Upper Midwest*. Due to the complex nature of nursing facility rates, both in Minnesota and surrounding states, you and your staff had a difficult assignment producing this report. It is obvious from discussions with your staff, as well as the final product, that you were very thorough in your task. While the Department has no issue with the content of your report, I would like to comment on a couple of projects related to the purchasing of nursing facility care.

As you discuss in the report, the nursing facility alternative contract demonstration project, authorized by Minnesota Statutes, section 256B.434, is a step away from cost-based reimbursement in our move toward a purchasing approach to provide nursing facility level of care. Contract negotiations are currently underway for the third round of the selection process and 39 additional facilities are expected to finalize contracts this month.

Another important demonstration project in the area of financing and delivery of nursing facility level of care is the Minnesota Senior Health Options (MinSHO) project, previously known as the Long Term Care Options Project (LTCOP). The five-year project will facilitate the integration of primary, acute, and long term care services for persons over age 65 who are dually eligible for both Medicare and Medicaid. Minnesota has received federal waivers, the first of their kind, to implement this demonstration. The waivers allow us to combine the purchasing of both Medicare and Medicaid services into the same contract. We are working with contractors

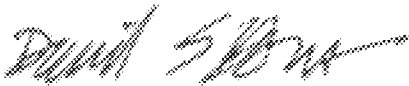
Mr. Roger Brooks

Page 2

January 7, 1997

capable of providing a full range of integrated primary, acute, and long term care services (both community and nursing facility services) on a capitated risk basis. The project builds on the current Prepaid Medical Assistance Program (PMAP). It is our hope that this project will reduce administrative complexity, provide a seamless point of entry for consumers, control overall cost growth, and create a single point of accountability for both costs and outcomes.

Sincerely,

A handwritten signature in black ink, appearing to read "David S. Doth". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David S. Doth
Commissioner