

## Internal memo

**Date:** Nov. 1, 2024

**To:** Waivers and Variances Workgroup

**From:** Leah Solo

### RE: Possible waiver and variance application elements, evaluation criteria, board process

The Waivers and Variances Workgroup has so far identified three issues to address:

1. Determining elements of an applications that nursing homes would submit to the board.
  - a. We have determined some elements with consensus and some without, listed below.
2. Creating criteria for evaluating the applications and identifying other data that would help determine if a nursing home is at risk of closure or receivership.
  - a. We have determined some of this, but have a ways to go.
  - b. One option we are exploring is if a certified public accounting (CPA) firm could help give us benchmarks.
3. Deciding on a logistical process, including a timeline, for determining if a waiver or variance should be granted.
  - a. We have yet to begin this conversation.

If the board is going to have a process laid out for a Jan. 1, 2025, implementation of holiday pay, the workgroup needs to make significant progress on these items at the Nov. 7 meeting.

#### Elements with consensus

Grouping	Details	Evaluation
Statement of need	<p>The nursing home must describe:</p> <ul style="list-style-type: none"> <li>• the kind of variance or waiver needed;</li> <li>• why it is needed; and</li> <li>• how long the Nursing Home Workforce Standards Board (NHWSB) standards need to be waived.</li> </ul> <p>An attestation the NHWSB standards puts them at risk of closure or receivership should also be included.</p>	<p>Attestation should be signed by two representatives of the organization and could be specifically noted one should be the nursing administrator and one from the board, executive leaders or elected leaders.</p>
The nursing home's plan to come into compliance, because this must be a	<p>What will the nursing home do to be able to follow the NHWSB minimum wages? For example, would it cut administrative costs, renegotiate the terms of its building lease or obtain multiple bids for employee</p>	<p>Are the strategies ones that will help it increase revenue and decrease cost? How does the amount it is asking to be waived compare with the amount it thinks it can save or grow in revenue</p>

temporary waiver or variance	group health insurance to find a more cost-effective plan?	with the timeline it has laid out to come into compliance?
Operating budget	Current year and projection for next year could be required.  If there is a parent organization, statements for the facility and the parent organization should be included.	
Cost of implementation of NHWSB standards	This could be included in one of the other statements, such as the statement of need.  Should the board provide a spreadsheet and parameters for this? For instance, whether wage compression could be included?	If the board provides a template spreadsheet, it could easily determine if the entered data seems reasonable.
Other documentation judged relevant by the nursing home	Could include notice of foreclosure, default on loans or collection notices from vendors.	

### To be determined elements

Though we have consensus on some of the items above, we still have outstanding questions on several pieces. Some of the outstanding questions are the following.

1. Who will evaluate the financial documents?
2. What are we getting out of each financial statement in terms of whether the minimum standards set by the board would or would not cause a risk of closure or receivership?
3. Can the state compel private entities to spend money that is not from Medicare or Medicaid on wages or other benefits for workers?
4. How would we determine if a nursing home has additional revenue or savings that could help bridge the gap?
5. How can we make this application easier and more streamlined for nursing homes so we are asking for items we will use and are easy to produce?

Grouping	Details	Evaluation
Financial statements	<p>This could include:</p> <ul style="list-style-type: none"> <li>• working trial balance (current year-to-date); and</li> <li>• outstanding accounts payable listing, and cash-flow statement (current, past two years).</li> </ul> <p>This could also include audited financial statements or working trial balances for every organization (including, but not limited to, the parent organization if one exists) with which the facility conducts</p>	Potentially use information from CPA firm to evaluate how far the particular nursing facility is from what is considered good practice.

	business and is owned in whole or in part by an individual or entity that has an ownership interest in the facility for the past two years.	
Current ratios along with supporting documentation	<p>This could include:</p> <ul style="list-style-type: none"> <li>• days in accounts receivable;</li> <li>• days outstanding in accounts payable;</li> <li>• days of cash on hand;</li> <li>• debt to equity;</li> <li>• working capital ratio; and</li> <li>• net profit margin.</li> </ul> <p>For chain organizations or organizations with a parent company, the ratios and documentation should be provided for both the individual nursing homes applying for a waiver and the parent organization.</p> <p>The board should discuss and determine how current and recent this data should be, giving direction to the nursing home in the application form and directions?</p>	Potentially use information from CPA firm to evaluate how far the particular nursing facility is from what is considered good practice.
Projected cashflow statement	<p>For at least 24 months.</p> <p>If there is a parent organization, statements for the facility and the parent organization should be included.</p>	Compare with the cost of implementation.

## Next steps on developing the applications

As the workgroup moves forward on developing the waiver and variance process, some questions about the elements of the application to consider are:

- What elements will be most useful for the board to evaluate if the nursing home is at risk of closure or receivership?
- What will the board have capacity to evaluate?
- Can we minimize the difficulty in submitting an application while also ensuring the board has the most accurate picture of the nursing home's risk of closure or receivership?

## Evaluation criteria for granting a waiver or variance

As the board examines applications, it will need to have criteria for whether the facility is granted a waiver or variance. A possible means of evaluating applications would be to develop a point or rating system, assigning value to each element and then coordinating what sum total of points would qualify for a waiver or variance. Here are some possible elements to be rated.

## 1. Evaluating the application

- Have all parts of the application been submitted?
- Do their financials put them in a situation that is at risk for closure or receivership with the added cost of the NHWSB standards?
  - At what point is an applicant considered “at risk of closure or receivership”?
- How did the applicant prove its financial distress? What documents show the applicant is at risk of closure and receivership, and how close to closure or receivership is it?
  - Are there other alternatives to bridge the gap besides a waiver or variance, such as a financially stable parent organization?
  - Are there other options, such as renegotiation with related parties, that could change its financial situation?
- Is there a rate increase or other solution on the horizon?

## 2. Evaluating the requested variance or waiver

- Does the request meet the need? Is it too much waived or varied, or too little?

## 3. Evaluating the timeline

- Is there a reasonable plan to come into compliance with the NHWSB standards?
- What do we expect the rates to do in the near future?

## 4. Potentially relevant information to which the board already has access

- Has it applied for or been granted status as a critical access nursing facility?
- Has it applied for or been granted a Distressed Nursing Home Loan?
  - If it received that loan, was part of the loan to be able to pay for the NHWSB standards?
  - If it received that loan, what was the amount and timeline for the loan?
- Is it operating under any financial penalties based on its inability to comply with regulations?
- Does it receive any rate add-ons in excess of their cost-based value-based reimbursement rates?

## 5. Determining the type of waiver or variance

- The board will be able to waive or vary in a number of ways.
  - The minimum wage could be made less for one or more wages.
  - The timeline could be extended so the minimum wages do not go into effect until later.
  - The standards could be completely waived.

## Board process for evaluating applications

Below are some options for the board to consider in how it structures its process and timeline for making its determinations on granting waivers and variances.

### 1. Some options for the board to structure the process

- The board could look through applications all together in an open meeting.
- The board could assign staff members to evaluate the applications.
- The board could appoint a subgroup of the board to examine applications and make a recommendation to the full board.
- There could be a combination of any of the above.

### 2. Potential timeline options for the process

- Initial opportunity to apply: As the implementation for the first two sets of standards approach, the board may want to consider a more structured timeline for evaluating requests for waivers and variances. It could look like the following.
    - June 1, 2025: Initial call out to nursing homes, “If you would like to be considered for a waiver or variance from minimum-wage standards set to be implemented Jan. 1, 2026, submit your application by July 1, 2025.”
    - July 1 through Aug. 1, 2025: Initial evaluation.
    - Aug. 1 through Sept. 1, 2025: Appeal opportunity.
    - Sept. 1 through Oct. 1, 2025: Final determinations.
    - Jan. 1, 2026: Waivers in place.
  - Ongoing process: Similar to the process for applying to be certified as a worker organization, applications will be accepted on a rolling basis and reviewed at least quarterly. This means, typically, an organizations application should be reviewed and granted or rejected within a set number of days of receipt of all required application materials in a form or manner as required by the board.
- 3. Questions identified regarding the creation of a process for a change in status of a waiver or variance**
- What would grounds be for extending a waiver or variance?
  - What would grounds be for revoking a waiver or variance?
  - What would the process be for ensuring order in letting a waiver or variance expire? Would there need to be notification to workers of the new expected minimum wages?

## Data issues to explore

A couple of issues with data have been named in discussion. The board may want to understand these as it moves forward on waivers and variances.

- Can the Department of Human Services (DHS) or the Minnesota Department of Health (MDH) share any of the data they already have about nursing homes that might be at risk of closure or receivership? This could include applications for waivers or applications for the loan program, for example. If the board were to pursue these types of items, the board would need to be specific in order for staff members to work out what could or could not be shared.
- With industry employers and employees at the table, do we need to do anything with protecting financial statements and such from any risk of violation of anti-trust law? Should employers not be able to see the financial data of other nursing homes?
- What data can or should be kept private? How is that handled in open meetings?

## Focus on financials

The workgroup has discussed whether the board should consider factors outside of financials, as that has been the focus so far.

Looking at the statute directing the board to establish a process for waivers and variances, it becomes clear why the workgroup has focused on financials. The statute reads:

181.213, subdivision 4. **Variance and waiver.** The board shall adopt procedures for considering temporary variances and waivers of the established standards for individual nursing homes based on the board's evaluation of the risk of closure or receivership under section [144A.15](#), due to compliance with all or part of an applicable standard.

Of the factors listed in Minnesota Statutes 144A.15, subd. (1), as grounds for a petition of receivership, the most likely factor a nursing home would cite as the reason it is at risk of receivership as a result of the standards is "a pattern of failure to meet ongoing financial obligations such as failing to pay for food, pharmaceuticals, personnel or required insurance," Minnesota Statutes 144A.15, subd. 1(4). It is currently unclear how the standards adopted by the board would affect any other risk factors for receivership or closure, hence the focus on financials.

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