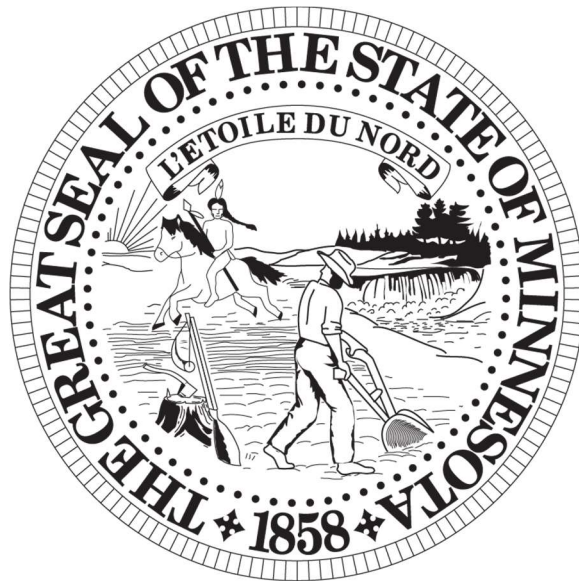


MINNESOTA FINANCIALLY DISTRESSED NURSING FACILITY LOAN PROGRAM

Program Overview



This document describes the Minnesota Financially Distressed Nursing Facility Loan Program, including information on who may apply, loan funding and payments, the application process and eligibility criteria for selection, and other information that will help applicants plan and submit a competitive loan application.

The purpose of this document is to provide an overview of the program and is a request for interested nursing facilities and board and care homes to submit the attached “Loan Application Form”.

Contents

1. Program Purpose and Overview
2. Loan Funding
3. Loan Payments
4. Eligibility Criteria
5. Application Review Process
6. Instructions to Complete Intent to Apply

1. Program Purpose and Overview

The Minnesota Legislature made available a one-time authorization of \$100 million as loan disbursement funds to support Minnesota’s nursing facilities and board and care homes under the FY 2023 enacted budget. The primary purpose of the loan program is to provide no-interest operating loans to nursing facilities and board and care homes in severe financial distress so that they maintain operations and vital services for their communities. “Nursing facility” means a facility with a medical assistance provider agreement that is licensed as a nursing home or boarding care according to [Minnesota Statutes section 256R.02, subdivision 33](#). An operating loan is a loan to finance the facility’s everyday operations. These loans are not intended to be used to buy long-term assets or investments and are, instead, used to provide the working capital that covers short-term operational needs.

The Nursing Facility Rates and Policy Division (NFRP) administers the loan program on behalf of the Minnesota Department of Human Services (DHS). The Commissioner of DHS evaluates all loans on a competitive basis and awards loans to successful applicants from available appropriations. The commissioner’s decisions are final and not subject to appeal.

2. Loan Funding

Currently there is \$100 million available for loan disbursements to nursing facilities and board and care homes. Additional rounds of loan applications may be available in following years depending on demand and availability of funds. In 2024, successful loan applicants may receive a loan disbursement as:

- A lump sum payment or
- On an agreed-upon disbursement schedule.

Please note that in the first round of loan disbursements, a line of credit will not be available.

The terms and conditions of the loan agreement awarded to nursing facilities and board and care homes will be outlined in an Alternative Payment Systems (APS) contract amendment. DHS has the authority to negotiate amendments to APS contracts. See [Minnesota Statute Section 256R.55, subdivision 4](#). The contract amendment will include the amount and schedule of the loan disbursement and repayment terms.

3. Loan Payments

Loan payments will not begin until 18 months after the first disbursement date. The repayment term must not exceed 72 months. Loan payments must be made in monthly installments that are due on the 15th of the month until the loan has been paid back in its entirety.

If a borrower does not repay the loan back in a timely fashion, a late fee of .01% shall be charged to the original loan amount each month that the payment is past due. Please note that this late fee is not an allowable cost on the facility's cost report according to [Minnesota Statutes section 256R.02, subdivision 5 and Minnesota Statutes section 256R.55, subdivision 6](#).

If a borrower is more than two months delinquent in repaying the loan back in a timely fashion, the commissioner may:

- withhold some or all of the amount of the delinquent loan payment, together with any penalties due and owing on those amounts, from any money DHS owes the borrower;
- withhold future contractual payments from any money the commissioner owes the borrower as those contractual payments become due and owing;
- continue to withhold until the commissioner determines there is no longer any need to do so.

When the commissioner intends to withhold monies from the borrower, the commissioner shall provide the borrower with prior notice by mail, facsimile, or e-mail at least 10 business days before the date of the first payment period for which the withholding begins. The borrower is deemed to have received the notice as of the date of mailing or receipt of the facsimile or electronic notice.

The notice to withhold monies shall state:

- the amount of the delinquent contractual payment;
- the amount of the withholding per payment period;
- the date on which the withholding is to begin;
- whether the commissioner intends to withhold future installments of the facility's contractual payments; and
- other contents as the commissioner deems appropriate.

The commissioner or the commissioner's designee may enter into written settlements with a facility to resolve disputes and other matters involving unpaid loan payments or future loan payments.

Please note that all unpaid loans, plus any accrued penalties shall be considered overpayments according to [Minnesota Statutes section 256B.0641, subdivision 1](#).

If the facility is sold, transferred, or reorganized, the current owner of the facility or boarding care home is liable for the overpayment owed by the former owner under this loan program. See [Minnesota Statute Section 256R.55, subd. 7\(e\)](#).

If an owner of a nursing facility has an existing APS agreement with DHS for a loan under this program, this should be disclosed to any potential buyer of the facility. Per the APS contract, sale of a nursing home requires a 30-day notice to DHS. The APS contract prohibits the facility from assigning or transferring any rights or obligations under the contract without prior consent of the State. A new APS contract must be put in place with the new owner if the old owner intends to assign the obligations of the unpaid loan under this program to the new owner. The new owner will have the obligation to pay any unpaid loans, plus any accrued penalties and subsequent reporting to the State as to uses of the loan proceeds. Or the old owner has the option to pay any outstanding loan repayments, plus any accrued penalties to the State in full prior to the change in ownership.

4. Eligibility Criteria

The loan program is open to all licensed nursing facilities and board and care homes as described in Section 1 of this document.

An eligible applicant will be asked to demonstrate all of the following in the loan application:

1. The total net income of the facility is not generating sufficient income to cover the facility's operating expenses. Supporting documentation includes a proforma or projected income statement.
2. The facility is at risk of closure. Examples include a facility that has received a notice of foreclosure and/or default on existing loans, and collection notices from vendors.
3. Additional operating revenue is necessary to either preserve access to facility services within the community or support people with complex, high-acuity needs. Examples include the facility has a wait list for admissions, nearby hospitals having trouble discharging patients due to lack of available beds, low utilization of home and community-based services, or the facility serves a special population such as post-acute care, dementia care, or behavioral health needs.

Only one active loan issued under this program per nursing facility or board and care home is allowed. Once a loan is approved for a nursing facility or board or care home, an owner cannot apply for a second loan for the same facility. Owners whose applications were not approved for a loan may reapply in a future round of applications.

Loans to chain organizations are allowed so long as the owner(s) identify the amounts of monies to be

allocated to each nursing facility or board and care home and explains the reasons why the loan is needed.

5. Application Review Process

The detailed loan application is attached to this document. The purpose of the application is to collect information about the loan applicant, facility and its owners, the loan request, existing indebtedness, information about current or previous financing, and certain other topics that are required for submitting applications for the Financially Distressed Loan Program. Submission of the requested information is required by the Nursing Facility Rates & Policy Division to determine eligibility for financial assistance. Failure to submit the required information would affect that determination. DHS reserves the right to request additional information.

Each completed application will be reviewed by individuals with expertise in health care finance, reimbursement, and health care programs. The application will be analyzed to determine whether it meets the loan program's eligibility criteria.

Approved loans will be made at the commissioner's discretion. Loan funds allocated under this loan program are subject to audit to determine whether the funds were spent as authorized.

6. Instructions for Submitting the Loan Application Form

The completed Application Form must be submitted to DHS as an email attachment by midnight on **Thursday, April 18, 2024**. The email address for submission is DHS.NFRP.CostReport@state.mn.us

The Minnesota Department of Human Services (DHS) is not planning to make the data in the submitted loan applications publicly available. DHS anticipates receiving requests from legislators or others asking which facilities received a loan, the amount of the loan, and total disbursement of loan proceeds used from the legislative appropriation. This information would be considered public. However, if DHS receives a request for other data in the loan applications pursuant to the Minnesota Government Data Practices Act, DHS will work internally to determine on a case-by-case basis what information must be publicly released based on the content of the information request.

NFRP is anticipating review of the applications will occur throughout April and May 2024 with subsequent loan disbursements to successful applicants thereafter.

If you have questions about how to complete Application Form, please email NFRP at: DHS.NFRP.CostReport@state.mn.us