

Fifty-fifth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1335

Introduced by

Representatives Nicholas, Grumbo

Senators Krauter, Thane

1 A BILL for an Act to amend and reenact section 50-24.4-15 of the North Dakota Century Code,
2 relating to recapture of depreciation in setting nursing home rates.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 50-24.4-15 of the 1995 Supplement to the North
5 Dakota Century Code is amended and reenacted as follows:

6 **50-24.4-15. Property-related costs.** The department shall include in the ratesetting
7 system for nursing homes a payment mechanism for the use of real and personal property
8 which provides for depreciation and related interest costs. The property cost payment
9 mechanism must:

- 10 1. Recognize to the extent allowed by federal rules the valuation basis of assets
11 acquired in a bona fide transaction as an ongoing operation after July 1, 1985,
12 limited to the lowest of:
- 13 a. Purchase price paid by the purchaser;
 - 14 b. Fair market value at the time of sale;
 - 15 c. Seller's cost basis, increased by one-half of the increase in the consumer
16 price index for all urban consumers (United States city average) from the date
17 of acquisition by the seller to the date of acquisition by the buyer, less
18 accumulated depreciation, ~~plus recaptured depreciation~~; or
 - 19 d. Seller's cost basis, increased by one-half of the increase in the Dodge
20 construction index from the date of acquisition by the seller to the date of
21 acquisition by the buyer, less accumulated depreciation, ~~plus recaptured~~
22 ~~depreciation.~~

- 1 2. Recognize depreciation on land improvements, buildings, and fixed equipment
- 2 acquired, as an ongoing operation over the estimated useful remaining life of the
- 3 asset as determined by a qualified appraiser.
- 4 3. Recognize depreciation on movable equipment acquired as an ongoing operation
- 5 after August 1, 1995, over a composite remaining useful life.
- 6 4. ~~Provide, upon the sale of a facility after August 1, 1995, for the recapture of~~
- 7 ~~depreciation paid after June 1, 1984, on behalf of medical assistance recipients to~~
- 8 ~~the extent the sale price of the facility exceeds the facility's undepreciated value~~
- 9 ~~except:~~
- 10 a. ~~If the facility has been owned twenty years or longer there may be no~~
- 11 ~~recapture of depreciation; or~~
- 12 b. ~~If the facility has been owned more than ten years but fewer than twenty years~~
- 13 ~~the depreciation recapture amount must be reduced by ten percent times the~~
- 14 ~~number of years the facility is owned after the tenth year.~~
- 15 5. Provide for an interest expense limitation determined by the department and
- 16 established by rule.
- 17 6. 5. Establish a per bed property cost limitation considering single and double
- 18 occupancy construction. Property costs incurred or related to projects having
- 19 received state health council certificate of need approval prior to July 1, 1994, are
- 20 not subject to this limitation.
- 21 7. 6. Recognize increased lease costs of a nursing home operator to the extent the
- 22 lessor has incurred increased costs related to the ownership of the facility, the
- 23 increased costs are charged to the lessee, and the increased costs would be
- 24 allowable had they been incurred directly by the lessee.