

**Fifty-fifth Legislative Assembly, State of North Dakota, begun in the  
Capitol in the City of Bismarck, on Monday, the sixth day of January,  
one thousand nine hundred and ninety-seven**

HOUSE BILL NO. 1335  
(Representatives Nicholas, Grumbo)  
(Senators Krauter, Thane)

AN ACT to amend and reenact section 50-24.4-15 of the North Dakota Century Code, relating to recapture of depreciation in setting nursing home rates.

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

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

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

1. Recognize to the extent allowed by federal rules the valuation basis of assets acquired in a bona fide transaction as an ongoing operation after July 1, 1985, limited to the lowest of:
  - a. Purchase price paid by the purchaser;
  - b. Fair market value at the time of sale;
  - c. Seller's cost basis, increased by one-half of the increase in the consumer price index for all urban consumers (United States city average) from the date of acquisition by the seller to the date of acquisition by the buyer, less accumulated depreciation, ~~plus recaptured depreciation~~; or
  - d. Seller's cost basis, increased by one-half of the increase in the Dodge construction index from the date of acquisition by the seller to the date of acquisition by the buyer, less accumulated depreciation, ~~plus recaptured depreciation~~.
2. Recognize depreciation on land improvements, buildings, and fixed equipment acquired, as an ongoing operation over the estimated useful remaining life of the asset as determined by a qualified appraiser.
3. Recognize depreciation on movable equipment acquired as an ongoing operation after August 1, 1995, over a composite remaining useful life.
4. ~~Provide, upon the sale of a facility after August 1, 1995, for the recapture of depreciation paid after June 1, 1984, on behalf of medical assistance recipients to the extent the sale price of the facility exceeds the facility's undepreciated value except:~~
  - a. ~~If the facility has been owned twenty years or longer there may be no recapture of depreciation; or~~
  - b. ~~If the facility has been owned more than ten years but fewer than twenty years the depreciation recapture amount must be reduced by ten percent times the number of years the facility is owned after the tenth year.~~
5. Provide for an interest expense limitation determined by the department and established by rule.

- ~~6.~~ 5. Establish a per bed property cost limitation considering single and double occupancy construction. Property costs incurred or related to projects having received state health council certificate of need approval prior to July 1, 1994, are not subject to this limitation.
- ~~7.~~ 6. Recognize increased lease costs of a nursing home operator to the extent the lessor has incurred increased costs related to the ownership of the facility, the increased costs are charged to the lessee, and the increased costs would be allowable had they been incurred directly by the lessee.

\_\_\_\_\_  
Speaker of the House

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President of the Senate

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Chief Clerk of the House

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Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Fifty-fifth Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1335.

House Vote:      Yeas    94      Nays    0      Absent    3

Senate Vote:    Yeas    47      Nays    0      Absent    2

\_\_\_\_\_  
Chief Clerk of the House

Received by the Governor at \_\_\_\_\_ M. on \_\_\_\_\_, 1997.

Approved at \_\_\_\_\_ M. on \_\_\_\_\_, 1997.

\_\_\_\_\_  
Governor

Filed in this office this \_\_\_\_\_ day of \_\_\_\_\_, 1997,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State