

Sixty-fourth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1234

Introduced by

Representatives Weisz, Porter

1 A BILL for an Act to amend and reenact section 50-24.4-15 of the North Dakota Century Code,
2 relating to nursing home rate determination; and to provide an effective date.

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

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

6 **50-24.4-15. Property-related costs.**

- 7 1. The department shall include in the ratesetting system for nursing homes a payment
8 mechanism for the use of real and personal property which provides for depreciation
9 and related interest costs. The property cost payment mechanism must:
- 10 a. Recognize the valuation basis of assets acquired in a bona fide transaction as an
11 ongoing operation after July 1, 1985, limited to the lowest of:
- 12 (1) Purchase price paid by the purchaser;
13 (2) Fair market value at the time of sale; or
14 (3) Seller's cost basis, increased by one-half of the increase in the consumer
15 price index for all urban consumers (United States city average) from the
16 date of acquisition by the seller to the date of acquisition by the buyer, less
17 accumulated depreciation.
- 18 b. Recognize depreciation on land improvements, buildings, and fixed equipment
19 acquired, as an ongoing operation over the estimated useful remaining life of the
20 asset as determined by a qualified appraiser.
- 21 c. Recognize depreciation on movable equipment acquired as an ongoing operation
22 after August 1, 1995, over a composite remaining useful life.
- 23 d. Provide for an interest expense limitation determined by the department and
24 established by rule.

e. Establish a per bed property cost limitation considering single and double occupancy construction. The double room limit after June 30, 2015, is one hundred thirty eight thousand and the single room limit is two hundred seven thousand. These amounts are inflated each succeeding year by the consumer price index.

f. 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.

g. Recognize any mandated costs, fees, or other moneys paid to the attorney general through transactions under sections 10-33-144 through 10-33-149.

2. For rate years beginning after December 31, 2003, the limitations of paragraph 3 of subdivision a of subsection 1 do not apply to the valuation basis of assets purchased between July 1, 1985, and July 1, 2000. The provisions of this subsection may not be applied retroactively to any rate year before July 1, 2005.

3. For rate years beginning after December 31, 2007, the limitations of subdivision e of subsection 1 do not apply to the valuation basis of assets acquired as a result of a natural disaster before December 31, 2006. The provisions of this subsection may not be applied retroactively to any rate year before January 1, 2008. The property rate must be calculated based on ninety percent occupancy and must take into account the occupancy rate of the facility and the number of licensed beds. A facility with ninety percent occupancy is entitled to receive one hundred percent of the property rate. For an occupancy rate less than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate, reduced by two additional percentage points for every percent under ninety percent of occupancy rate down to seventy percent of occupancy for that facility. For an occupancy rate greater than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate increased by one additional percentage point for every percent over ninety percent occupancy up to ninety-five percent of occupancy for that facility. The department shall round partial occupancy percentage points of less than one-half down to the nearest full percentage point and shall round partial occupancy percentage points of one-half

1 or greater up to the nearest full percentage point. For purposes of this section.
2 "property costs" means those costs identified by the department in the cost category
3 for allowable real property costs.

4 **SECTION 2. EFFECTIVE DATE.** This Act is effective for rate years beginning after
5 December 31, 2016.