

**House Appropriations Committee
SB 2345**

November 9, 2021

Good afternoon Representative Delzer and members of House Appropriations Committee. My name is Shelly Peterson, President of the North Dakota Long Term Care Association. I am here today to ask you for your continued support of SB 2345 and subsection 28 to help nursing facilities, basic care, and assisted living recover from the devastating impact from COVID-19.

We appreciate the support you gave last month in getting long term care a part of what we know now as SB 2345.

The American Rescue Plan Act provides eligibility to nursing facilities and other congregate care settings, (i.e. basic care and assisted living), for funding. COVID-19 has devastated the long term care community, with 57% continuing to operate at a loss today. Revenue losses have been tremendous. Occupancy has still not recovered, and staff have become scarce. In the most recent 30 days, 60% of nursing homes have stopped admissions.

You might expect when occupancy is down, that expenditures are also down. However, just the opposite has occurred. Facilities are spending more. The top expenditure is additional pay for staffing, overtime, hero pay, pay for working in COVID units, hiring contract staff at exorbitant prices and paying for personal protective equipment. Staff are still masking 24/7, just like we did in the beginning days of the pandemic. All of our measures to protect residents and staff have cost millions of

dollars beyond our rate structure. We are not asking for money to increase wages, we are asking for funding to help us cover the costs that we have already incurred as we had insufficient revenue to pay for them. We continue to incur significant losses due to declines in occupancy and increased expenditures related to staffing needs and PPE.

Federal support and funding to basic care and assisted living has been little to non-existent. Nursing facilities have received some provider relief funds, at the most covering about 3-5% of our revenue losses.

Nursing Facilities:

Nursing facilities have experienced severe impacts to cash flows due to the significant decline in occupancy based on the 2021 and 2020 Department of Human Services Nursing Facility Cost Report data. The Cost Reports show that 73 of 76 facilities saw occupancy declines, with a range of no impact to well over a 50% decline in occupancy. Using the occupancy data from the Cost Reports and the rates as set by the State for rate years 2020 and 2021, the decline in days multiplied by the applicable case mix adjusted average rate for each facility shows that resident related revenues have declined by an estimated \$62.2 million in the current year cost report period. During this time, facilities have noted that expenditures did not decline as they were required to maintain staffing levels to deal with significant sick leave and quarantine days, staff overtime, incur significant contracted nursing costs due to staffing shortages, and the increased infection control costs. Provider Relief Funds received have helped facilities deal with a portion of the loss, but these funds for most only covers 3-5% of the impact, facilities with over 5% declines are losing financial stability as operating cash funds are depleted. Cash flow losses will continue through December 31, 2021 for facilities that continue to have reduced occupancy and continue to face

severe staffing shortages. These reductions in cash flow are leading to issues at facilities which are leading to decisions to close, severely decreasing capacity for others, and financing operations using lines of credit. Subsection 28 provides \$20.8 million for nursing facilities.

Basic Care:

Basic Care Facilities have seen occupancy declines directly related to Covid-19. Of the 39 facilities that provided occupancy data, 27 of them saw declines in occupancy, 17 had declines over 5%, and 16 had declines over 10%. These declines in occupancy lead directly to reductions in revenues and cash flows as facilities are not able to adjust rates for Medicaid residents during any rate year. The reporting facilities lost an estimated revenue and cash flow of \$4.1 million. The impact to all 61 basic care facilities is estimated to be \$5.4 million. During this time, facilities are seeing expenditures remain consistent with prior years as they deal with limited available staff, quarantine leaves, and increased infection control expenditures. The lost revenues and decreased cash flow have resulted in facilities depleting operating cash to levels that are unsustainable and requiring the facilities to obtain lines of credit, consider closing, and delaying payments for services. Subsection 28 provides \$2.95 million for basic care facilities.

Assisted Living:

We surveyed assisted living facilities to estimate the impact to their business. Average unrecovered costs for the sample were \$31,200 per facility. Using this as a baseline, the total estimated impact for the 74 assisted living facilities in 2020 is \$2.3 million dollars. Subsection 28 provides \$1.25 million for assisted living facilities.

Summary: We ask for your support of \$25 million of one-time funding to basic care, assisted living and nursing facilities to help them recover. This funding will not impact future costs reports and is a one-time infusion of funds. Only those impacted will receive relief. Those without impact will not be eligible. Distribution would be through the Department of Human Services.

This concludes my testimony, and I would be happy to answer any questions you may have.

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