

Testimony on Long-Term Care Facility Infrastructure Loan Fund
Senate Human Services Committee
March 19, 2025
HB 1619

Chair Lee and members of the Senate Human Services Committee. My name is Brad DeJong, CPA, Partner, with Eide Bailly, LLP. Thank you for the opportunity to testify in support of HB 1619, the proposed low interest loan program, and the critical need for infrastructure improvements in North Dakota's skilled nursing (SNFs) and basic care (BC) facilities.

I have worked in the healthcare industry for 32 years with a concentration in senior living and rural healthcare facilities and serve as Eide Bailly's Senior Living Service Director. As a financial advisor to the healthcare industry, I have worked with multiple facilities in the State assisting them with developing strategic plans to complete needed capital projects and related financial feasibility studies required to obtain needed debt funding to build replacement facilities and renovate existing facilities.

Several long-term care facilities in our State are no longer able to efficiently provide services to today's residents due to design and age and are in critical need for infrastructure updates to avoid failures that could lead to a closure of the facility. The infrastructure at these facilities is often located within areas of the buildings that make it impossible to update while continuing to provide care or are simply improperly designed to be retrofitted to allow for modern care delivery and resident comfort. The cost of renovation as a result, is often more costly than building a replacement facility specifically designed to meet today's

resident needs and allow for efficient staffing to deal with the shortage of care related employees in the State.

Over the last 5 years, we have seen an unprecedented increase in the cost of construction that has led to the doubling of the cost to complete major renovations or replacements based on current estimates provided from architects and contractors. Interest rates are also significantly higher today than they were 5 years ago. Also, the rate setting system for property related costs uses a set calculation based on a construction benchmark that has not doubled over the same period causing a deficiency in the payments provided to cover the costs incurred.

HB 1619 will provide facilities access to funding at rates significantly lower than what can be accessed through traditional debt financing options. This reduced interest rate will lower interest rates on related debt by an estimated 3.25% to 5.25% as compared to other options if it were at 1%.

HB 1619 will also reduce the annual interest expense a facility will recognize in setting rates that will lead to reductions in rates to both private pay residents and Medicaid covered residents. These reductions will also benefit the State by reducing its share of the Medicaid payments. On a \$10 million loan, interest expense recognized annually will decrease by an estimated \$524,000 as compared to traditional debt at current rates.

HB 1619 was originally introduced to provide \$100 million at 1% interest. With over 125 nursing homes and basic care facilities in the State, the need to restore this bill to \$100 million is requested to ensure multiple providers have access to the funds needed. With several facilities facing major projects and high costs of construction, the \$50 million would be depleted quickly. The State supported the hospital industry with a \$50 million 1% loan program previously and it has been very successful in supporting the upgrading of our State healthcare system. That program provided more than \$1 million per eligible facility, the \$100 million would still be short of that funding level, and one has to consider the cost to complete a project now are significantly higher than when that program was established.

Chairman Lee, members of the committee,

I urge your support for this program with a Do Pass to invest in the future of long-term care in North Dakota. Thank you for your time and consideration, and I am happy to answer any questions.

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