

From: Senator Sean Cleary, District 35 — Bismarck, Bill Sponsor

To: Chairwoman Lee and Members of the Senate Committee on Human Services

Date: January 28, 2025

Subject: Testimony in Support of SB 2271: Addressing Financial Challenges for Adult Residential Care Facilities

Dear Chair Lee and Members of the Committee,

Thank you for the opportunity to present SB 2271, which addresses funding challenges for Adult Residential Care (ARC) facilities in North Dakota.

Purpose of the Bill -- This bill provides financial relief and establishes a long-term plan to sustain ARC facilities that deliver specialized care for individuals with dementia and brain injuries—offering a cost-effective option to skilled nursing services.

Current System and Challenges -- Current ARC rates do not reflect today's costs. Providers struggle to cover rising expenses for care, staffing, food, and regulatory compliance. They face growing financial strain with fewer private-pay residents available to offset funding gaps. According to the Longterm Care Association, on average, care costs \$202.80 per resident per day, while the reimbursement rate from the state is only \$162.04.

Proposed Solution

This bill uses a multi-step approach to address funding disparities and ensure sustainability:

1. Across-the-Board Rate Increases:

- 4% increase on July 1, 2025.
- 3% increase on July 1, 2026.

2. Mid-Year Rate Recalculation:

- ARC providers submit simplified cost reports by October 31, 2025.
- DHHS recalculates rates, adding a 5% operating margin, with new rates implemented January 1, 2026.

3. Comprehensive Rate Review:

- Providers submit cost reports by December 31, 2026.
- DHHS recalculates rates for implementation on July 1, 2027, as part of the 2027-2029 biennial budget.

Anticipated Impact

This proposal will help ARC providers to pay competitive wages, comply with regulations, and meet rising costs. Immediate relief combined with planned reviews will sustainably fund these services for North Dakota's elderly and disabled populations.

Conclusion

Thank you for your time and consideration. I respectfully request a "Do-Pass" recommendation for this bill. I am happy to answer any questions or provide additional information. Representatives from the Longterm Care Association are here as well to provide further supportive testimony.

Sincerely,

Sean

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