

**Fifty-eighth Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 7, 2003**

HOUSE BILL NO. 1268
(Representatives Devlin, Nicholas, Wald)
(Senators Nichols, Thane, Wardner)

AN ACT to amend and reenact section 50-24.4-15 of the North Dakota Century Code, relating to nursing home rates for property-related costs for reimbursements; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

50-24.4-15. Property-related costs.

1. 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. ~~a.~~ 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.~~ (1) Purchase price paid by the purchaser;
 - ~~b.~~ (2) Fair market value at the time of sale;
 - ~~c.~~ (3) 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; ~~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.
 2. b. 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. c. Recognize depreciation on movable equipment acquired as an ongoing operation after August 1, 1995, over a composite remaining useful life.
 4. d. Provide for an interest expense limitation determined by the department and established by rule.
 5. e. 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.~~
 6. 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.

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 the effective date of this Act.

SECTION 2. EFFECTIVE DATE. This Act becomes effective on July 1, 2005.

Speaker of the House

President of the Senate

Chief Clerk of the House

Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Fifty-eighth Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1268.

House Vote: Yeas 89 Nays 0 Absent 5

Senate Vote: Yeas 41 Nays 0 Absent 6

Chief Clerk of the House

Received by the Governor at _____ M. on _____, 2003.

Approved at _____ M. on _____, 2003.

Governor

Filed in this office this _____ day of _____, 2003,

at _____ o'clock _____ M.

Secretary of State