

SENATE APPROPRIATIONS COMMITTEE HEARING  
THURSDAY, JANUARY 07, 2021  
SENATE BILL 2007

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Chairman Holmberg and members of the Committee, my name is Mark Johnson, Administrator of the North Dakota Veterans Home. Thank you for giving me the opportunity to address you on any bills being considered by the legislative assembly that may have an impact on our agency.

The only bill I am aware impacting the Veterans Home is the implementation of the new payment reform bill. Due to being a high cost facility, the Veterans Home along with 17 other nursing homes will be electing to be placed in the hold harmless category. This will allow us a two-year phase in period to blend into the new rate program without receiving a significant income loss. Rates calculated by a long term care specialists have the Veterans Home losing \$74,400 the first year and \$44,000 the second year of the nursing home reform payment program. More information is forth coming from the Department of Human Services regarding the payment program. I have enclosed a couple of informational sheets that explain the new rate program.

In conclusion, due to the pandemic and the payment reform bill. The North Dakota Veterans Home will need additional general fund dollars to operate in the next biennium. I encourage your support to fund the North Dakota Veterans Home budget. By doing so we will get through the pandemic and arrive at our new norm. What that will be at this time, is still up for debate.

If you have any questions at this time, I will be glad to try answer them.

Respectfully submitted

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# Nursing Home Payment Reform

## October 2020

### What are the parameters and new dollars requested for the recommended models?

NEW CARE MODEL		NEW PROPERTY MODEL	
Parameter	Recommendation	Parameter	Recommendation
Start date	January 1, 2022 (facility option to choose old rate).  If facilities choose old rate in 2022, they get inflation of 1.8% in 2023 and facilities choose new rate they get 2.3%.	Start Date	January 1, 2023 but all projects considered for hold harmless must have been approved for financing by 12/31/2021
Rebase in starting year (2022) using June 30, 2021 cost reports	Agree	Occupancy Limitation	Yes
Rebasing frequency	2, 2 year rebasing periods (for a total of 4 years). Reassess in 2025	RS Means	Yes
Inflation between rebasing years	Yes	Location Factor	Minneapolis
Inflation index	Skilled market basket (2019 was estimated at 2.6%)	Land	10%
Margin Cap	3.46%	Equipment	\$15,000 per bed
Hold Harmless for pricing model	Yes, until the first rebasing	Maximum square foot	950 sq. ft.
Length of hold harmless	Should end after 2023 rate year	Depreciation	2% annually
Different Price for Indirect Cost Category for small and large facilities	Agree	Replacement Cost Inflation Factor	2% annually
Total new Medicaid dollars	\$2.5 million in year 1; \$1.6 million in year 2. = ~\$4.1 million for biennium	Rental Rate	8%
		FRV average rate per day with phase-in for hold harmless	\$24.77
		Total new Medicaid dollars	\$0 in year 1; \$3.1 million in year 2= ~\$3.1 million for biennium

**Total new Medicaid dollars requested for the biennium \$7.2 million**

# Nursing Home Payment Reform

## October 2020

**Background:** During the 2019 legislative session, the Department of Human Services was asked to conduct a study that would investigate alternative ways to pay nursing homes in North Dakota Medicaid. North Dakota has rate equalization so private pay and Medicaid have the same rate. There are 79 nursing facilities in the State where approximately 2,600 Medicaid enrollees reside. Nursing facility residents constitute about 3.4% of the Medicaid population and account for about 21% of the overall expenditures.

### What are the benefits and costs of the new model?

#### CARE COSTS

- **What:** Each fall, nursing facilities submit their direct (e.g., nursing), other direct (e.g., laundry, food), and indirect costs for the prior state fiscal year. In rebasing years, a rate is set for each facility, adjusting for resident acuity.
- **Benefits:** There are maximum allowable prices set by the State for each cost category. Facilities with costs less than the price can retain 100% of the difference, not to exceed a margin of 3.46% of the price. Facilities will be rebased every 2 years (until year 4) and in the non-rebasing years will receive inflation.
- **Costs:** All aspects of the price-based model are budget neutral. However, funds to assist high cost facilities who likely will be above the set prices are available for 2 years.

Greater efficiency= Greater operating margin

#### PROPERTY COSTS

- **What:** Property rates are based on several factors; the main factors being effective age, rental rate, location, and square footage.
- **Benefits:** The new model incentivizes renovation, as opposed to new construction, which will extend the life of buildings and reduce the State's financial liability. Property rates are based on facility value not an accounting value which does not reward improvements and long-term ownership.
- **Costs:** Property rates will increase for those facilities whose current rate is less than the fair market value. Also, high cost facilities will receive time limited funds to assist them in the transition to the new model as it is likely their property costs will be above the limit.

Improves resident quality of life

**The new nursing home payment reform models: 1) incentivize operating efficiency, 2) promote building improvements, 3) reduce variation in rates, and 4) decrease the State's financial liability in the future.**

### Recommendation

The Department of Human Services and the North Dakota Long Term Care Association recommend the Legislature enact these new payment models in the 2021 session. The new care payment will start in 2022 and the new property payment will start in 2023.

## Veterans Home High Costs:

### VA Regulations:

- 1) Staffing requirements – 24 hour RN coverage
- 2) Building Requirements- VA dictates what we can do with our building
- 3) VA Reimbursement
- 4) Paying for Pharmacy
- 5) Paying for primary care
- 6) Paying for Psych services
- 7) Additional Social work staff
- 8) Transportation to the VA

### State Requirements:

- 1) NDIT services
  - a. Paying for access points
  - b. Brokerage Fees for hosting programs
  - c. Paying fees for each computer
  - d. Microsoft Productivity Charge 365
  - e. Technology Charges
  - f. ConnectND Hosting
  - g. Website Hosting
  - h. Disk Storage
  - i. Third Party fees for paying for DRN's service
    - i. Telephone
    - ii. Internet
    - iii. ITD services
- 2) Transportation (mileage and hourly fees paid for vans, car, truck and bus)
- 3) Buying programs – (due to legal requirements on contracts vendors shy away from doing business with the Veterans Home)