



**SB 2012**  
**House Appropriations Committee – Human Resources Division**  
**Rep. Jon Nelson, Chair**  
**March 22, 2023**

Good afternoon, Chairman Nelson and members of the committee. My name is Todd Schaffer and I serve as president/CEO of Sanford Health Bismarck. I am a life-long North Dakotan – I grew up in Carrington, completed a pharmacy degree at North Dakota State University and then a medical degree at the University of North Dakota. I worked as family medicine physician in my hometown of Carrington for 10 years before moving to Bismarck to join Sanford. I also serve as a colonel and State Surgeon for the North Dakota National Guard.

I am here today representing the Health Policy Consortium, a healthcare advocacy group that includes Trinity Health in Minot, Altru in Grand Forks and Sanford Health in Fargo and Bismarck. Collectively we provide 80 percent of the acute healthcare services in North Dakota.

We, the leaders of North Dakota’s four largest healthcare systems, are pleased to support SB 2012, the N.D. Department of Health and Human Services budget bill.

Let me begin by thanking each of you for your support and your leadership. North Dakota’s lawmakers are a frontrunner in making decisions important to providing uninterrupted care for the patients we serve. We raise up your decision to leverage federal funding for North Dakota’s Medicaid Expansion program. While other states struggle through hospital closures and shrinking access to care, North Dakota’s hospitals are supported by sound policy decisions and innovative financial investments.

As you know, North Dakota’s healthcare system has the unique challenge of delivering care in one of the most rural parts of the country. We provide the same advanced medical services offered in urban areas, competing for the same medical professionals and investing in the same technology—the two biggest drivers of healthcare costs—all while serving a smaller population. While we lack the advantage of economies of scale in urban areas, you have helped us maintain a healthy healthcare ecosystem and keep healthcare services close to home.

It is impossible to talk about the current state of healthcare without talking about the COVID-19 pandemic and its impact on North Dakota’s hospitals and health systems. Healthcare has sustained

three years of economic and organizational upheaval. The public health emergency tested healthcare systems across the country, causing some to ration services and others to close their doors.

***That didn't happen in North Dakota.***

With your support, North Dakota's medical community was prepared to meet the challenges in unprecedented and inspiring ways, standing up dedicated COVID care units, expanding intensive care capacity and collaborating with one another to ensure the communities we serve had access to high-quality care when it was needed most.

As we emerge from the pandemic, we are now faced with troubling financial challenges. Hospitals took on tremendous debt to take care of North Dakota patients during COVID surges—contract staffing rates that were triple the cost of regular staff and millions of dollars was spent on PPE and infection prevention infrastructure upgrades. While COVID-specific expenses were largely offset by federal funding, much of the new spending was not. And today, with federal COVID funding a thing of the past, hospitals continue to rely upon travel staff and face enormously inflated capital and supply costs with no ability to increase prices.<sup>1</sup>

Whereas North Dakota hospital margins historically have averaged 1 to 3 percent, this is not the case post-pandemic. Throughout 2022, North Dakota hospitals have seen operating expenses soar and revenues flatten, requiring hospital leaders to reduce costly contract staff, reduce services and delay much-needed capital investments.

Wearing my Sanford hat, I can speak directly to some of the changes we have made at Sanford to weather the post-COVID inflated costs of both labor and supplies. In addition to delaying construction projects which ultimately negatively impacts patient care, we have worked hard to streamline services and, last fall, made the very difficult decision to reduce our non-patient care workforce to reduce our operating costs. My colleagues have made similar reductions.

The national landscape is the same: rising supply and labor expenses contributed to negative year-over-year margins throughout 2022 and continue into 2023. Hospitals and health systems are predicted to face unsustainable, historically low margins for several months to come<sup>2</sup>, deficits that may take years to recover to pre-pandemic levels.

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<sup>1</sup> Medicare and Medicaid payments are set by federal and state government, respectively; private health insurance rates are established annually via contract negotiations. Payments from Medicare and North Dakota traditional Medicaid are lower than the cost of providing the care.

<sup>2</sup> KaufmanHall National Flash Report, <https://www.kaufmanhall.com/sites/default/files/2022-07/KH-NHFR-July-2022.pdf>

In January 2023, Becker's Health reported more than 200 hospitals in the U.S. are at immediate risk of closing because of financial losses and lack of financial reserves to sustain operations, according to a Center for Healthcare Quality and Payment Reform<sup>3</sup>. Another 431 hospitals are at high risk of closure.

On a positive note, states that expanded Medicaid—leveraging Medicaid Expansion's 90% federal match—continue to fare better than those that did not. Your decision to provide Medicaid Expansion reimbursement rates that cover the cost of care helps North Dakota hospitals recruit and retain workforce, invest in critically needed capital improvements and stand ready in the face of a worldwide pandemic.

### **Workforce**

The topic of workforce has been discussed most if not every day in your work this session. It is our biggest challenge. We appreciate your focus in this area, recognizing that solving North Dakota's workforce shortage is going to involve many levers.

As you know, North Dakota's hospitals are an incubator for creating tomorrow's workforce. Our organizations collectively provide thousands of hours of training in our clinics, hospitals and laboratories. At Sanford alone we train more than 300 residents and fellows every year, nearly 500 medical students and host 158,000 nursing clinical care hours. We are recruiting hundreds of international nurses and investing resources to help ensure each nurse and her family are supported in our communities. And we are partnering with higher education by providing staff and resources to create more lab, rad tech and nursing assistant programs.

### **Behavioral health**

Another important topic in this committee is the delivery of behavioral health services in North Dakota. We appreciate the State's leadership on this critical topic and appreciate the partnership opportunities the State has extended to North Dakota hospitals.

North Dakota hospitals are partnering with community services to provide prevention, intervention and treatment services. North Dakota's private health care sector helped more than 300,000 patients in 2022:

- Embedding behavioral health providers into primary care to give patients immediate access to intervention, counseling and education.
- Recognizing an increased number of babies born addicted to opioids and other drugs, hospitals support these high-risk pregnancies by placing behavioral health specialists in women's clinics and collaborating with medication assistance treatment programs.
- Leveraging telehealth to bring behavioral health specialists to patients in rural communities.

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<sup>3</sup> [https://chqpr.org/downloads/Rural\\_Hospitals\\_at\\_Risk\\_of\\_Closing.pdf](https://chqpr.org/downloads/Rural_Hospitals_at_Risk_of_Closing.pdf)

- Opioid prescribing stewardship: North Dakota healthcare providers have cut opioid prescribing in half in recent years. We educate our staff, patients and the communities we serve about addiction, working to remove stigma and barriers to care.
- Partnering with schools to bring behavioral health practitioners onsite to meet with children needing services.

In this committee last legislative session we were pleased to talk about our role in a school-based behavioral health program launched by the State's behavioral health division – a tiered system approach to helping students at high risk for behavioral health challenges. When the State and Simle Middle School Principal Russ Riehl invited us to be their provider partner we immediately said yes and have not looked back. We're grateful to be part of this successful program and have committed to growing with the program and scaling our small role to additional schools. We are now working with seven schools in the Bismarck school district, one in Wilton and just began conversations with Dickinson Public Schools where we plan to thee additional schools.

I'll close by bringing you back to Medicaid Expansion. I cannot overstate the stability Medicaid Expansion has provided. Leveraging Medicaid Expansion's 90 percent federal match to provide reimbursement rates that cover the cost of care is innovative and strategic. Without it, hospitals will need to reduce services, reduce staffing and, in some cases, close their doors.

On behalf of my colleagues, thank you for your support. HPC supports SB 2012 and encourages you, our state's policymakers, to engage North Dakota's healthcare leadership in your work to ensure access to affordable, high-quality care for your constituents. We could not continue to enhance healthcare in North Dakota without your leadership and support.

Thank you for your time, your service, and your consideration. I would be happy to answer any questions.

Sincerely,  
Todd Schaffer,  
President/CEO  
Sanford Health