

Testimony on Solutions for Financial Challenges in Basic Care
House Appropriations-Human Resources Division
January 27, 2025
HB 1012

Chairman Nelson and members of the Committee. My name is Nikki Wegner, President of the North Dakota Long Term Care Association. We represent 53 of the 66 basic care facilities in North Dakota. Thank you for the opportunity to testify in support of HB 1012 with an amendment to address the financial challenges facing basic care providers.

Basic care facilities play a vital role in supporting older adults and individuals with disabilities by providing a cost-effective alternative to nursing facility care. There are **2,097** licensed beds with an average occupancy of **72%**. These facilities are ideal for individuals who need assistance with daily living activities but do not require intensive medical oversight.

Top Reasons for Admission:

1. **Needs Assistance with Instrumental Activities of Daily Living:** Tasks such as managing finances, housekeeping, and daily nutritious meals.
2. **Needs assistance with Activities of Daily Living:** Personal care to maintain hygiene and routine activities like bathing, dressing, and medication management.
3. **Need for Supervision:** Ensuring safety and providing oversight for individuals with cognitive or physical limitations.

Basic care facilities are congregate residential settings providing 24-hour staffing. They are a critical component of the long term care continuum, providing quality support in a cost-effective and compassionate manner.

The age of basic care residents ranges from 27 to 104 years, with an average age of 79. Women make up 50% of basic care residents, compared to 64% in nursing facilities. Additionally, 60% of residents experience some level of cognitive impairment, and 30% have a mental health diagnosis.

Persistent financial shortfalls threaten the sustainability of these essential services. In 2024, basic care facilities received an average rate of **\$164.76** per resident per day, while the average cost of care was **\$247.89**, creating a significant shortfall of **\$83.13** per resident daily.

Basic Care Average Costs and State Reimbursement Rates

\$	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024
Average Cost	\$121.64	\$130.52	\$124.52	\$133.92	\$149.25	\$167.29	\$247.89
Average Rate	\$117.13	\$123.80	\$122.83	\$129.12	\$137.56	\$161.25	\$164.76
Difference	-\$4.51	-\$6.72	-\$1.69	-\$4.80	-\$8.69	-\$6.04	-\$83.13

These ongoing losses, compounded over the past seven years, are placing an unsustainable strain on providers. Without adequate funding adjustments, facilities will face increasing challenges in continuing to serve residents who rely on the program. Investing in this program is not just necessary, it is critical to ensure the long-term viability of basic care in North Dakota.

Today, I will outline three critical solutions to stabilize and strengthen the basic care system, however first I will give you some background.

Background

In the 2023 session you approved \$600,000 for a study of the basic care payment system. We were counting on that study to bring forward recommendations for addressing the payment shortfalls and implementing vital improvements. As shared with many of you during the interim, the study failed to address the payment deficiencies or provide solutions. Therefore, we are returning to request your support for urgent relief for basic care providers to ensure continued care for almost over 1,000 North Dakotans each year.

The study was intended to address:

- How property would be reimbursed.
- The process of establishing annual inflationary adjustments.
- Determine how the operating margin should be calculated.

Our solutions below begin to address these issues. Much work still needs to continue so we'd further recommend you add language to HB 1012, directing the department to work with basic care providers and the association to bring forth payment solutions to the 2027 legislative session.

Attached please see a proposed amendment, solutions for stabilizing basic care payments. Let me explain the three solutions in the amendment:

1. Implement Annual Inflat

For the rate year beginning July 1, 2025, the department shall increase rates and limits four percent for inflation. For the rate year beginning July 1, 2026, the department shall increase rates and limits three percent for inflation.

Rationale: Inflationary adjustments of 1.5% provided in the Armstrong Budget is inadequate for addressing chronic labor shortages, low wages, and the cost of food and medical supplies.

Estimated Cost: \$2.72 million additional state general funds

2. Continue the \$5/Day Add-On for Basic Care

The Department shall provide a rate increase in the amount of five dollars per day for the period beginning July 1, 2025 and ending June 30, 2027.

Rationale: Until a comprehensive property component system, such as a fair rental value system, can be implemented, the \$5/day add-on remains essential. This temporary measure provides critical relief for providers who are chronically underfunded, allowing them to sustain operations and meet the needs of their residents.

This add-on has proven to be an effective stopgap and should remain in place until a permanent solution is developed.

Estimated Cost: \$2.68 million for the biennium in state general funds.

3. Expand the 3% Operating Margin Across All Rate Components

For the rate year beginning July 1, 2025, the department shall provide an operating margin of three percent based on all the rate components except property.

Rationale:

Currently, the 3% operating margin is not applied across all rate components, leaving critical cost areas, such as food, utilities, and other operational needs, not allowed in the calculation. The average operating margin is \$1.90, leaving minimal revenue to address critical needs such as wage increases, enhanced activity programming, and expanded food options to meet residents' preferences. Additionally, there is a two-year delay before providers are reimbursed for their costs. Expanding the margin to cover these other components is vital.

We recognize that North Dakota Department of Health and Human Services may need to request a Medicaid State Plan Amendment from the Centers for Medicare and Medicaid Services, potentially putting federal funds for basic care at risk. To mitigate this concern, we propose using state

general funds to implement the expanded margin, ensuring continued compliance with federal guidelines while supporting our providers.

Estimated Cost: \$1.12 million of state general funds for the biennium.

Total for the biennium: \$6.52 million

Conclusion

Together, these three features contained in the amendment represent a pragmatic and necessary approach to addressing the financial challenges faced by basic care providers. By aligning reimbursement rates with actual costs, expanding operating margins, and continuing targeted relief measures, we can ensure the long-term viability of basic care services in North Dakota.

I urge this committee to prioritize these solutions to safeguard access to quality care for residents who need a little assistance in a cost-effective environment. Thank you for your time and consideration. I am happy to answer any questions you may have.

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