

**Testimony on Nursing and Basic Care Facility
Loan Guarantee Program
House Human Services Committee
January 28, 2025
HB 1550**

Chairman Ruby and members of the House Human Services Committee. My name is Brad DeJong, CPA, Partner, with Eide Bailly, LLP. Thank you for the opportunity to testify in support of HB 1550, the proposed \$100 million loan guarantee program for skilled nursing facilities (SNFs) and basic care (BC) facilities in North Dakota.

I have worked in the healthcare industry for 31 years with a concentration in senior living and rural healthcare facilities. As a financial business advisor to the healthcare industry, I have worked with multiple facilities in the State assisting them with developing strategic plans to complete needed capital projects and related financial forecasts required to obtain debt funding to build replacement facilities and renovate existing facilities.

Several long-term care facilities in our State are no longer able to efficiently provide services to today's residents due to design and age and are in critical need for infrastructure updates to avoid failures that could lead to a closure of the facility. The infrastructure at these facilities is often located within areas of the buildings that make it impossible to update while continuing to provide care or are simply improperly designed to be retrofitted to allow for modern care delivery and needs. The cost of renovation as a result, is often more costly than building a replacement facility specifically designed to meet today's resident needs and allow for efficient staffing to deal with the shortage of care related employees in the State.

Over the last 5 years, we have seen an unprecedented increase in the cost of construction that has led to the doubling of the cost to complete major renovations or facility replacements based on current estimates. Interest rates are also significantly higher today than they were 5 years ago. Our rate setting system is a set calculation that uses a construction benchmark that has not doubled over the same period causing a deficiency in the rate payments provided to cover the costs incurred to complete projects.

HB 1550 will provide facilities access to funding at rates significantly lower than what can be accessed through traditional debt financing options. With the Guarantee, facilities will be able to access debt at rates 2.5% to 4% lower than without it. The Guarantee will allow for additional access to financing necessary to fund planned projects and also allow facilities that don't have strong financial positions to access needed funding.

HB 1550 will also reduce the annual interest expense a facility will recognize in setting rates that will lead to reductions in rates to both private pay residents and Medicaid covered residents. These reductions will also benefit the State by reducing its share of the Medicaid payments.

Chairman Ruby, members of the committee, I urge your support with a Do Pass for this important initiative to strengthen the future of long term care in North Dakota. Thank you for your time and consideration, and I am happy to answer any questions.

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