Testimony on Long-Term Care Facility Infrastructure Loan Fund
House Human Services Committee
January 28, 2025
HB 1619

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 1619, the proposed $100 million low interest loan program, and the critical need for infrastructure improvements in North Dakota's skilled nursing (SNFs) and basic care (BC) facilities.

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 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 in setting base value that has not doubled over the same period causing a deficiency in the payments provided to cover the costs incurred.

HB 1619 will provide facilities access to funding at rates significantly lower than what can be accessed through traditional debt financing options. This reduced interest rate will lower interest rates on related debt by an estimated 3.25% to 5.25% as compared to other options. The reduced rate will increase access to as much as $2.9 to $3.4 million in additional debt financing on large projects.

HB 1619 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. On a $10 million loan, interest expense recognized annually will decrease by an estimated $524,000 annually as compared to traditional debt at current rates.

Chairman Ruby, members of the committee, I urge your support for this program with a Do Pass to invest in 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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