

Members of the Joint Appropriations Committee

District 31 legislators are requesting your consideration in bill draft of SB 2403 of an Interim bridge loan for a hospital in our district. The Jacobson Memorial Hospital, in Elgin ND, has experienced a perfect storm of mismanagement from several different administrations, wrong timing of modernized patient care, billing practices and revenue cycle operations that have created a debt load that has made profitable operations unobtainable.

We totally understand that this special session intent was to work the Federal Rural Health Transformation Program, and this type of bill should be introduced in a regular session. Unfortunately, the financial situation that they find themselves in has made this special session most likely their only hope.

The questions that need to be answered is how they got into such Deir Straights so quickly and can their new business plan make the Jacobson Memorial Hospital a viable Health Care System now and well into the future. The answers to these questions will be discussed with further testimony from the Hospital Team.

When this financial issue became apparent, a team of experts was established to suggest the best solution possible. That included Board members from the hospital, COO Kristen Heid, Tim Blasl from the ND Hospital Association, Calvin Hullet from the Bank of ND, and two well respected Administrators, Kurt Waldbillig (Sakakawea Medical Center) and Darrold Bertsch (Retired CEO/CFO) of an Independent Financial Assessment and Advisement Team. This team, with countless meeting and financial reviews, did advise and implement a variety of changes and improvements to their business model. Most of the restructuring of the business model was done over the past few months with most of the suggested improvement already in place. These implemented improvements will restructure a business plan that will provide a profitable market plan but does not address the debt structure and unpaid expenses in the short term. With the outstanding debt load of unpaid bills and a 7% interest rate on the loans has made recovery unattainable. That is when they asked Rep. Dawson Holle, Rep Karen Rohr and me to see if there was some help that the state could provide. SB 2403 is an attempt at that help.

We believe that if the state could provide an interim bridge loan, that debt could be serviced, and a profitable business plan would be in place. It was suggested by the

Bank of ND to look at amending a current Medical Facility Infrastructure Loan Program rather than creating a new loan program. The bill draft before you does just that. Sub section 5 provides the details on how an application, a review process by the bank, and the details of the loan. This loan is up to \$5 million per nonprofit facility of a population of under 2500 people for 11-year period with only the interest being charged the first year. This bill includes a very short window for applications and the program ends June 30, 2027. We had discussion of should a program continue in the future, but we believe that if that would happen, it needs to be discussed and initiated in a regular session. Of course, we don't create legislation for one hospital or for 1 district so this bill does open it to any hospital in the state that is struggling with severe financial trouble. I did ask Legislative Council on the best place to get funding from and they suggested that with a large amount of turn back funds, that the general fund may be the best place. This bill does suggest \$10m that would be available on a first come first served approach with any unused money going back to the general fund. Any amount that would be used as a bridge loan, those payment amount would be returned to the Medical Facility Infrastructure Loan fund. The expiration date is needed to handle the loan requirements until completed and for audit clarification.

A couple of points that I would like to stress is the if our District would lose this Hospital and Clinics, that the immediate and long-term negative effects to Elgin and surrounding community would be devastating. The effect on school funding, nursing homes, local tax base, and the viability of an Advance Care Ambulance Service could be in jeopardy. If the hospital would close, it very likely that not only the Grant County Ambulance Service would not survive which would most likely make the surrounding ambulance services also in jeopardy providing very limited ambulance service between Mandan and Mott.

The Emergency Response Service Committee is tasked with finding ways for the state to incentivize volunteerism for EMS. I have spent a fair amount of time with ambulances and fire departments in my district to see what would provide incentives for people to volunteer for these services. I can honestly say that in this area, it is vital to have Jacobson Memorial Hospital open. In my opinion, if Elgin Hospital were to close it may cost lives. I wish that I did not have to introduce this bill, but this bill may be Jacobson Memorial Hospital last hope, and I hope you can support it. I would be happy to walk through any of the enclosed information and

there many of the planning team behind that would provide more information if need. With that, I will stand for any questions.

Senator Don Schaible District 31