

Testimony on Solutions for Financial Challenges in Basic Care
Senate Appropriations-Human Resources Division
March 17, 2025
HB 1012

Chairman Dever 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 engrossed HB 1012 and specifically with the House approved amendment related to basic care providers. I will also be proposing a couple of additional solutions to address the financial challenges faced by these providers.

Basic care facilities are congregate residential settings providing 24-hour staffing. They are a critical component of the long term care continuum supporting older adults and individuals with disabilities by providing a cost-effective alternative to nursing facility care for those who require some support but not intensive medical oversight. There are **2,097** licensed beds with an average occupancy of **72%**. **Seventy-four percent** of the people who call basic care home, are using **Medicaid** as the payor source. For many of these individuals, they have chosen to live in these communal settings for the safety net it offers, for the social opportunities, and for the sense of community.

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.

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.

Our consultant with Eide Bailly, Brad DeJong will go deeper into the cost report data in just a moment.

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. So, we are coming back to you again to request interim relief for basic care providers who provide care to over 1,000 North Dakotans can continue. The study was intended to address:

- How property would be reimbursed.
- The process of establishing annual inflationary adjustments.
- Determine how the sustainable 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 and study the HCBS delivery system for basic care.

2025 Payment requests:

1. Improve Annual Inflatons

Provide a 4% inflationary adjustment on July 1, 2025, rates and 3% inflationary adjustment on July 1, 2026

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. The House improved it to 2%, which we appreciate, but it is still under the cost of care.

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

Continue the 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 some relief for providers who are chronically underfunded.

3. Expand the 3% Margin Across All Rate Components

Beginning July 1, 2025, provide a sustainable margin of three percent based on all the rate components except property.

Rationale:

Currently, the 3% 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 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. 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.

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 and expanding the margin 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.

I recognize the committee's challenging task of deciding how to balance funding between residential care and community-based services. However, residential care remains an indispensable part of our healthcare system and will always be needed, especially as North Dakota's aging population continues to grow faster than our available workforce can support. The system is not yet prepared for a full shift to a community-based model. The infrastructure to support such a transition simply isn't in place, and as experts like Sarah Aker and Nancy Nikolas-Maier have emphasized, we are still in the study phase, with only preliminary conversations underway about moving basic care to a home and community-based approach. Rushing this process could jeopardize the well-being of vulnerable North Dakotans who depend on these services. We need more time to collaborate with the Department of Health and Human Services and stakeholders, plan carefully, and implement a thoughtful, safe, and effective strategy that ensures quality care continues uninterrupted. I respectfully urge the committee to prioritize the solutions I have outlined today, ensuring stability now while we build a sustainable, long-term solution that serves all North Dakotans well.

Thank you for your time and consideration. I am happy to answer any questions you may have. Then I would like to introduce you to Brad DeJong, a consultant from Eide Bailly who will dig into basic care costs to help you make an informed decision about the provider inflator.

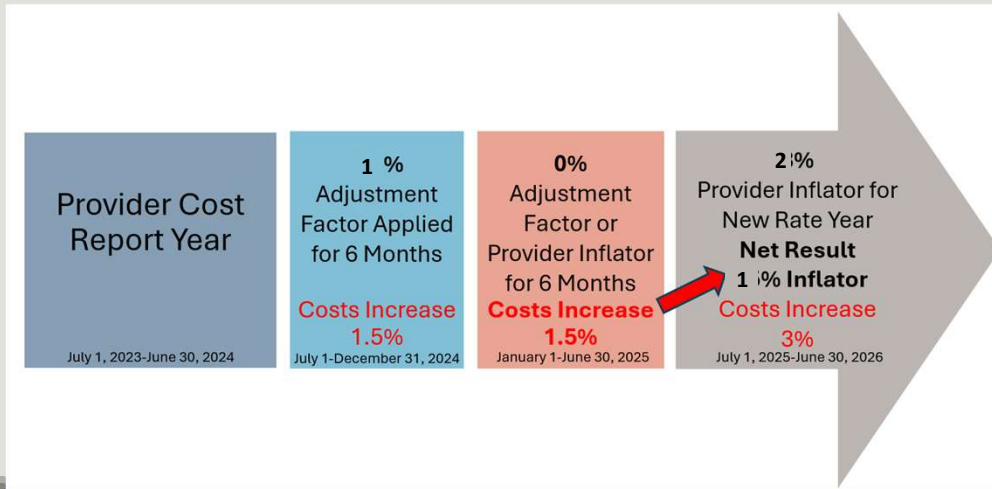
Nikki Wegner MS, OTR/L, President
North Dakota Long Term Care Association
1900 North 11th Street
Bismarck, ND 58501
(701) 222-0660
nikki@ndltca.org

NDLTCA Basic Care Data
Impact of Inflation Adjustment and Margin Changes
Rate Year 2025

Legislative Inflation Factor	2.0% 3.0%	2% Legislative Inflation		3% Legislative Inflation			
		25-26 Rate Year	26-27 Rate Year	25-26 Rate Year	26-27 Rate Year		
		Direct Limit	\$ 78.45	\$ 80.02	Direct Limit	\$ 79.22	\$ 81.59
Actual Inflation Factor	2.5% 3.0%	Indirect Limit	\$ 64.05	\$ 65.33	Indirect Limit	\$ 64.67	\$ 66.61

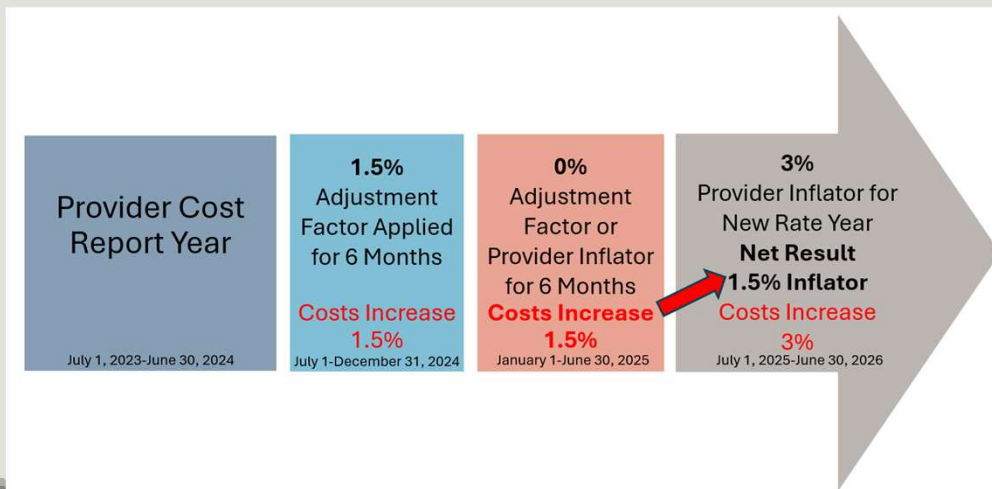
	Tufte Manor		Golden Manor		Good Samaritan Society - Fargo		The Terrace	
	2% Legislative Inflation	3% Legislative Inflation	2% Legislative Inflation	3% Legislative Inflation	2% Legislative Inflation	3% Legislative Inflation	2% Legislative Inflation	3% Legislative Inflation
Beds	70		25		83		40	
Resident Days	23,888		8,530		23,477		13,515	
In-House Days	23,084		8,454		22,729		13,289	
Average Occupied Beds	65.4		23.4		64.3		37.0	
Occupancy %	93.5%		93.5%		77.5%		92.6%	
Total Rate per Day 7/1/25 to 6/30/26	\$ 168.21	\$ 169.14	\$ 144.14	\$ 145.49	\$ 125.59	\$ 126.52	\$ 150.45	\$ 151.84
Total Annual Projected Revenue	\$ 4,018,291	\$ 4,040,492	\$ 1,229,539	\$ 1,241,024	\$ 2,948,587	\$ 2,970,264	\$ 2,033,361	\$ 2,052,071
Inflated Cost Per Day 7/1/25 to 6/30/26 at 2.5% Actual inflation	175.22	175.22	144.89	144.89	126.17	126.17	150.97	150.97
Total Annual Projected Expense	\$ 4,185,743	\$ 4,185,743	\$ 1,235,940	\$ 1,235,940	\$ 2,962,140	\$ 2,962,140	\$ 2,040,378	\$ 2,040,378
Revenue In Excess of (Less Than)								
Cost Per Day	\$ (7.01)	\$ (6.08)	\$ (0.75)	\$ 0.60	\$ (0.58)	\$ 0.35	\$ (0.52)	\$ 0.87
Total Gain (Loss)	\$ (167,452)	\$ (145,251)	\$ (17,925)	\$ 14,240	\$ (13,790)	\$ 8,266	\$ (12,404)	\$ 20,667
Margin	-4.17%	-3.59%	-1.46%	1.15%	-0.47%	0.28%	-0.61%	1.01%
Inflated Cost Per Day 7/1/25 to 6/30/26 at 3% Actual inflation	176.85	176.85	146.26	146.26	127.11	127.11	152.38	152.38
Total Annual Projected Expense	\$ 4,224,554	\$ 4,224,554	\$ 1,247,620	\$ 1,247,620	\$ 2,984,179	\$ 2,984,179	\$ 2,059,400	\$ 2,059,400
Revenue In Excess of (Less Than)								
Cost Per Day	\$ (8.63)	\$ (7.71)	\$ (2.12)	\$ (0.77)	\$ (1.52)	\$ (0.59)	\$ (1.93)	\$ (0.54)
Total Annual Projected Loss	\$ (206,263)	\$ (184,062)	\$ (50,636)	\$ (18,472)	\$ (36,215)	\$ (14,159)	\$ (46,025)	\$ (12,955)
Margin	-5.13%	-4.56%	-4.12%	-1.49%	-1.23%	-0.48%	-2.26%	-0.63%
3% Margin on Indirect, Food, Utilities and Other Costs	\$ 2.58	\$ 2.58	\$ 2.47	\$ 2.49	\$ 1.76	\$ 1.77	\$ 2.29	\$ 2.31
Additional Annual Revenue	\$ 61,574	\$ 61,574	\$ 21,086	\$ 21,235	\$ 41,326	\$ 41,637	\$ 31,002	\$ 31,225
Total Gain (Loss) at 2.5% Inflation	\$ (105,879)	\$ (83,677)	\$ 3,162	\$ 35,474	\$ 27,536	\$ 49,903	\$ 18,598	\$ 51,892
Margin	-2.63%	-2.07%	0.26%	2.86%	0.93%	1.68%	0.91%	2.53%
Impact of change by one resident daily	\$ 61,398		\$ 52,612		\$ 45,842		\$ 54,915	

2% Adjustment Factor, Cost Increase, and Provider Inflator – Net Result is a 1% Provider Inflator



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3% Adjustment Factor, Cost Increase, and Provider Inflator – Net Result is a 1.5% Provider Inflator



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The Issue Can Be Solved Through Administrative Code

We would propose the following change:

75-02-07.1-21. Adjustment factor for direct care, indirect care, and food and plant costs.

1. The adjustment factor will be applied to adjust historical costs. The adjustment factor will be used to adjust direct care, indirect care, and food and plant costs, exclusive of bad debt expense.
2. Costs for the report year will be adjusted to **June thirtieth of the next report year** using:
 - a. The increase, if any, in the consumer price index, urban wage earners and clerical workers, all items, United States city average, over the period ending December thirty-first of the report year, and beginning on **January first of the report year** at the end of the month within which the report period ends.
 - b. The increase, if any, identified in subsection a of this section shall be applied prior to any application of the adjustment factor.