

**Testimony on Solutions for Financial Challenges in
Adult Residential/Specialized Basic Care
Senate Human Services Committee
January 28, 2025
SB 2271**

Chair Lee and members of the Senate Human Services Committee. My name is Nikki Wegner, President of the North Dakota Long Term Care Association. We represent 10 of North Dakota's 18 specialized basic care facilities, also known as adult residential facilities. Thank you for the opportunity to testify on the financial challenges these providers face and the proposed solutions to address these disparities. These facilities are a critical part of the care continuum, offering essential support to individuals living with dementia and acquired brain injuries in a cost-effective setting with specially trained staff.

Adult Residential Care provides 24-hour support for individuals with chronic moderate to severe memory loss or significant emotional, behavioral, or cognitive impairments. These programs offer assistance with:

- **Activities of Daily Living:** Tasks like toileting, dressing, and bathing.
- **Instrumental Activities of Daily Living:** Managing finances, medications, and transportation.
- **Enrichment Activities:** Therapeutic, social, and recreational programming to enhance quality of life.

To qualify for adult residential care, individuals must screen in need for skilled nursing care. This service is a cost-effective alternative to placement in a nursing facility, where the cost of care would be significantly higher. The average cost to Medicaid for an individual in nursing facility care is **\$135,686** per year versus **\$29,333** per individual per year in adult residential. By providing a structured yet less intensive medical environment, adult residential care not only reduces financial burdens but also fosters the individual's independence and quality of life. It is specifically designed to maintain or improve the recipient's functional abilities while ensuring their unique medical, emotional, and social needs are met. This being said,

the \$29,333 is not adequate to provide the complex care that these individuals require.

Financial Challenges and Proposed Solutions

Adult residential facilities have long faced financial disparities due to historical rate compression, rising operational costs, and limited opportunities to invest in their services. In the slide below, shared by ND Department of Health and Human Services, you can see the disparity between the adult residential program versus other similar services that provide complex care for individuals who screen in need for nursing facility level of care.

Cost driver #1

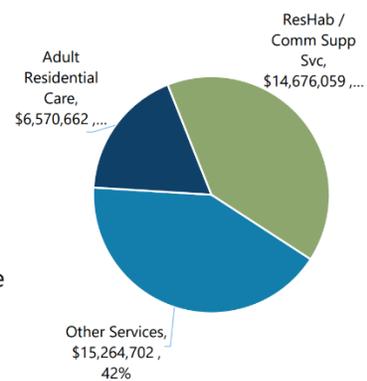
24-hour delivery of complex cares

Adult Residential Care

- 24-hour residential services for individual with memory impairment or traumatic brain injury.
- Individuals have a daily need for a safe supervised structured environment, personal care, and medication supports.
- In SFY 24 **29%** (224) of waiver participants were enrolled in this service.
- Average cost per person per year = **\$29,333**

Residential Habilitation and Community Support Svcs

- Up to 24-hour all inclusive supports for individuals who meet a nursing facility level of care and require daily services.
- Service requires providers to have a nurse and a care coordinator with a minimum of a 4-year degree.
- In SFY 24 **16%** (121) of waiver participants are enrolled in this service.
- Average cost per person per year = **\$121,290**



16% of waiver participants account for 40% of the cost of care

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Shared by Nancy Nikolas-Maier in House Appropriations-Human Resource Division 1-23-25

The proposed multi-step solution offers a comprehensive approach to stabilizing and strengthening this essential care model:

1. Proposed Inflation Effective July 1, 2025

The first step in addressing these disparities is to apply a 4% inflation to adult residential rates beginning July 1, 2025. This adjustment will ensure rates reflect rising costs, providing immediate relief to facilities that have struggled under static reimbursement structures.

2. Reimbursement to Current Costs Starting January 1, 2026

Next, effective January 1, 2026, facilities to be reimbursed their current costs, based on simplified cost reports submitted by providers to the North Dakota Department of Health and Human Services (ND DHHS). This approach ensures reimbursement aligns with real operating expenses, creating a fairer and more sustainable financial foundation.

3. 5% Margin to Address Historical Challenges

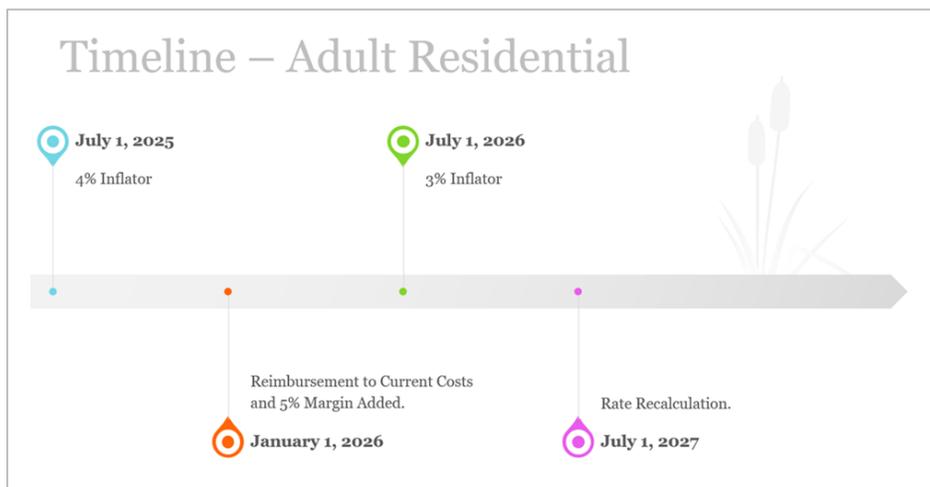
Then add a 5% margin on top of rates provides much-needed relief and acknowledges the financial constraints these facilities have faced. Many providers have not been able to invest adequately in their facilities due to rate compression and escalating costs. The 5% margin, translating to an approximately \$10/day add-on based on the current average rate of \$202, offers additional financial stability and flexibility.

4. Inflator Effective July 1, 2026

To keep pace with ongoing cost pressures, the proposal includes another 3% inflator effective July 1, 2026. This ensures that rates continue to reflect current financial realities and support the sustainability of these facilities.

5. Rate Recalculation for July 1, 2027 Implementation

The final step involves ND DHHS gathering simplified cost reports from providers by December 31, 2026. These reports will inform a comprehensive rate recalculation to be implemented on July 1, 2027, ensuring the reimbursement system remains accurate and adaptive to changing needs.



Closing

This multi-step proposal provides a thoughtful and structured approach to addressing the financial disparities in adult residential care. By aligning rates with real costs, adding a margin for relief, implementing inflators that reflect true costs, and a rate recalculation, we can ensure that these facilities remain a viable and sustainable option for North Dakotans who are in need of this level of care when they are living with dementia or acquired brain injury.

Chair Lee and members of the committee, I urge you to support this proposal to safeguard the future of adult residential care in North Dakota and ensure these providers can continue serving their communities effectively. Thank you for your time and consideration, and I am happy to answer any questions.

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