2013 SENATE HUMAN SERVICES

SB 2187

2013 SENATE STANDING COMMITTEE MINUTES

Senate Human Services Committee
Red River Room, State Capitol

SB 2187
1/22/13
Job Number 17513

☐ Conference Committee

Committee Clerk Signature: Kari Kuhn

Explanation or reason for introduction of bill/resolution:

Relating to a Bank of North Dakota medical facility infrastructure loan program.

Minutes: Attached testimony

Chairman Lee opened the hearing on SB 2187.

Senator J. Lee introduced SB 2187 to the committee.

Sen. Anderson asked if there would be a fiscal note from the Bank of ND showing how much profit they don't make when loaning money for 1%.

Sen. J. Lee couldn't specifically answer his question but said it seemed to be the choice for legislators about how the state's citizens are best served.

John Vastag, Executive Director for the Health Policy Consortium, presented a copy of the study commissioned by the Consortium on what was happening with health care throughout ND.
See attached testimony #1 of study.
Ends at 8:50

Sen. Dever was confused with the bill description and asked what the difference was between the new and the old.

Mr. Vastag referred that question to Legislative Council.

Craig Lambert, President of HPC, CEO at Sanford, ER physician, spoke about the difficulties of accessing capital for expansion. Access to capital is probably one of the biggest issues they face in ND.

Discussion followed on the wage pressure and rate settings being factors in access to capital. Attracting and keeping good workers is about salaries but also about the environmental care which is dependent on access to capital.

Sen Dever asked how the sum of 150 million dollars was arrived at and if he thought it would address the need adequately in the oil patch.

Mr. Lambert replied that it's a starting point. He said they are 20 years behind being reimbursed and it will go very quickly. It's a small amount considering where they are at from a health care infrastructure standpoint in playing catch up.

Ron Ness, North Dakota Petroleum Council, testified in strong support.

Andy Peterson, Greater ND Chamber, spoke in support.

There was no further testimony.

The hearing on SB 2187 was closed.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Human Services Committee
Red River Room, State Capitol

SB 2187
1/22/13
Job Number 17547

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Relating to a Bank of North Dakota medical facility infrastructure loan program.

Minutes:

Chairman J. Lee opened discussion on SB 2187.

Sen. Anderson moved a Do Pass and rerefer to Appropriations.

Sen. Larsen seconded the motion.

Discussion followed that this bill does not spend 150 million dollars. It is being taken off the table out of the surplus and will be restored some time in the future.

Roll call vote 5-0-0. Carrier is Sen. Anderson.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Human Services Committee
Red River Room, State Capitol

SB 2187
1/23/13
Job Number 17568

☐ Conference Committee

Committee Clerk Signature:

Explanation or reason for introduction of bill/resolution:

Relating to a Bank of North Dakota medical facility infrastructure loan program.

Minutes: Attachments

Chairman Lee called the committee to order to discuss **SB 2187**.

Senator Anderson moved to reconsider their earlier vote of Do Pass and rerefer to Appropriations in order to consider an amendment.

Senator Axness seconded the motion.

Motion carried on a verbal vote of the committee.

Sen. J. Lee recognized the Bank of ND for the purpose of an amendment.

Bob Humann, Senior VP of lending for the Bank of ND, proposed an amendment and explained its purpose. (Attachment #2) (Meter 01:20)

Meter 4:21 - Discussion on where the 1% goes. These are not loans that are funded by the BND through the BND assets. They are loans funded out of strategic investment and improvement funds. Those funds are handled separately.

There is also a ½% service fee for administrating the fund that comes from the borrower.

Sen. Dever moved to adopt the amendment proposed by the BND.

Seconded by **Sen. Larsen**.

Roll call vote 5-0-0. Amendment adopted.

Sen. Dever moved a **Do Pass as amended and rerefer to appropriations.**

Sen. Larsen seconded the motion. **Roll call vote 5-0-0. Carrier is Sen. Anderson.**

FISCAL NOTE
Requested by Legislative Council
01/24/2013

Amendment to: SB 2187

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

All costs to administer and audit the proposed Medical Facility Infrastructure Loan Program will be paid out of the program fund and there will not be any fiscal impact to the General Fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Robert A. Humann
Agency: Bank of North Dakota
Telephone: 328.5703
Date Prepared: 01/24/2013

13.0505.01001
Title.02000

Adopted by the Human Services Committee

January 23, 2013

1-24-13

PROPOSED AMENDMENTS TO SENATE BILL NO. 2187

Page 1, line 4, remove "and"

Page 1, line 9, after "**appropriation**" insert "**- Audit and costs of administration**"

Page 2, after line 21, insert:

"7. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

8. The industrial commission is responsible for contracting with a certified public accounting firm to audit the medical facility infrastructure fund as necessary. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund."

Page 2, line 24, after "~~**appropriat**~~ " insert "**- Audit and costs of administration**"

Page 2, line 25, remove the overstrike over "~~1.~~"

Page 2, line 30, after the overstruck period insert "Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section."

Page 3, line 1, remove the overstrike over "~~2.~~"

Page 4, after line 2, insert:

"3. The industrial commission is responsible for contracting with a certified public accounting firm to audit the medical facility infrastructure fund as necessary. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund."

Renumber accordingly

Date: 1/22/13
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2187

Senate Human Services Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☑ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☑ Rerefer to Appropriations ☐ Reconsider

Motion Made By Sen. Anderson Seconded By Sen. Larsen

Senators	Yes	No	Senator	Yes	No
Chariman Judy Lee	✓		Senator Tyler Axness	✓	
Vice Chairman Oley Larsen	✓				
Senator Dick Dever	✓				
Senator Howard Anderson, Jr.	✓				

Total (Yes) 5 No 0

Absent 0

Floor Assignment Sen. Anderson

If the vote is on an amendment, briefly indicate intent:

Date: 1/23/13
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2187

Senate Human Services Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☑ Reconsider

Motion Made By Sen. Anderson Seconded By Sen. Axness

Senators	Yes	No	Senator	Yes	No
Chariman Judy Lee			Senator Tyler Axness		
Vice Chairman Oley Larsen					
Senator Dick Dever					
Senator Howard Anderson, Jr.					

Passed on voice vote

Total (Yes) 5 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1/23/13
Roll Call Vote #: 2

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2187

Senate Human Services Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☑ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Sen. Dever Seconded By Sen. Larsen

Senators	Yes	No	Senator	Yes	No
Chariman Judy Lee	✓		Senator Tyler Axness	✓	
Vice Chairman Oley Larsen	✓				
Senator Dick Dever	✓				
Senator Howard Anderson, Jr.	✓				

Total (Yes) 5 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1/23/13
Roll Call Vote #: 3

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2187

Senate Human Services Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☑ Do Pass ☐ Do Not Pass ☑ Amended ☐ Adopt Amendment
☑ Rerefer to Appropriations ☐ Reconsider

Motion Made By Sen. Dever Seconded By Sen. Larsen

Senators	Yes	No	Senator	Yes	No
Chariman Judy Lee	✓		Senator Tyler Axness	✓	
Vice Chairman Oley Larsen	✓				
Senator Dick Dever	✓				
Senator Howard Anderson, Jr.	✓				

Total (Yes) 5 No 0

Absent 0

Floor Assignment Sen. Anderson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2187: Human Services Committee (Sen. J. Lee, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2187 was placed on the Sixth order on the calendar.

Page 1, line 4, remove "and"

Page 1, line 9, after "appropriation" insert "**- Audit and costs of administration**"

Page 2, after line 21, insert:

"7. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

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Page 2, line 25, remove the overstrike over "~~1.~~"

Page 2, line 30, after the overstruck period insert "Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section."

Page 3, line 1, remove the overstrike over "~~2.~~"

Page 4, after line 2, insert:

"3. The industrial commission is responsible for contracting with a certified public accounting firm to audit the medical facility infrastructure fund as necessary. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund."

Renumber accordingly

2013 SENATE APPROPRIATIONS

SB 2187

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2187
January 31, 2013
Job # 18075

☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

A bill relating to the medical facility infrastructure loan program

Minutes: Testimony attached # 1-3

Chairman Holmberg opened the hearing on SB 2187. All committee members were present except **Senator Robinson**.

Legislative Council - Adam Mathiak
OMB - Joe Morrissette

Chairman Holmberg: SB 2187 is a re-referral from the Human Services committee.

Senator Judy Lee, District 13, West Fargo
Chairman, Senate Human Services Committee and Bill Sponsor

One member from her committee said he likes this bill because the money gets paid back. There are several medical facilities in this state that are struggling. They need to expand their facilities and it's hard to get access to capital. This would set up a medical facility loan infrastructure loan fund. It could only lend 75% of the value -that would be the maximum, or $20M, whichever is less. It would have an interest rate of 1% amortized over 25 years and it's for not for profit organizations. We've heard from many facilities that not only need expanding space, but in some cases, may have issues with asbestos or something else and they are just not able to find the dollars to do what has to be done in order to upgrade their facility. We have to have these critical access hospitals although it doesn't say that it's limited to critical access.

Jennifer Clark, Legislative Council
Testimony attached # 1 (Grindberg amendment 13.0505.02001)
I'm here, because when Senator Grindberg brought his amendments up, I reviewed the bill and it came to my attention that we engrossed that over in Senator Lee's committee. We made a mistake so I'm using his amendments as a vehicle to fix that. If you don't move forward on his amendments, I would encourage you or I could draft you a set that would do the fix. I don't need to address Senator Grindberg's changes if I could tell you the housekeeping I'm doing on this. (Chairman Holmberg said to proceed.)

The nature of the hiccup that happened here is that section one and section two of this bill are both the same section of century code. Section one is creating it today. Section two is amending it in the future. The nuance of that means that if you make any changes in section one, you also need to make them in section two. We didn't do that. We're doing it here.
The first 1,2,3 entries are the substantive one. Everything on pages three through five is housekeeping. If you want to look and see what Senator Grindberg's amendment would look like all put together, that new bill subsection three (down on the 2nd half) - that's what his section would look like all put together because we have to incorporate that into section two.

Senator Warner asked to explain page 2 -line 7 which has the phrase "prospective payment system hospitals" because he didn't remember seeing that phrase before.

Jennifer Clark: I can't tell exactly what that means in the world of hospital billing.

Chairman Holmberg: The committee is understanding why this particular set of amendments is before us.

(5:44) **John Vastag, Executive Director, Health Policy Consortium (Lobbyist # 94)**
Testified in favor of SB 2187
Testimony attached # 2
Testimony attached # 3 - Pushing the Limits 8-23-12

Senator Warner: PPS - Prospective Payment Hospitals - they are paid on a different payment system. In essence, they are the six big hospitals in the state: Trinity, St. A's, Altru, etc.

(12:52) **V.Chairman Bowman:** How many people go into hospitals in an emergency situation and how many don't pay, putting hospitals in a tremendous financial crisis?

John Vastag: Yes, we discussed that. In the study (attachment #3) you will find a section on bad debt. .

Senator Kilzer: How in the world do you think you'll be able to pay back this loan? The critical access hospitals were here last session and received a considerable amount of an outright grant because we were told that quite a few of them would be going under. That was largely the fault of Medicare that they were going under. I don't see any improvement at all about Medicare reimbursement, particularly to critical access hospitals. On the PPS side, I don't see anything bright in the future there either.
ObamaCare relied on $716B cut in Medicare reimbursement for medical providers and that has not been lessened. A further question - How can you repay this? In a few decades from now, will you be asking forgiveness of this loan?

John Vastag: No, I don't think we'll be back in 20 years asking forgiveness for the loan. One of the criteria to accept the loan is that they have to present a very solid business plan. Otherwise it would not get approved. They would have to have a repayment structure in that business plan.

(16:09) **Senator Warner**: Receiving trauma patients in oil producing counties - would that include all six of the PPS's?

John Vastag: Yes, because all six currently receive trauma patients from out west.

Senator Warner: And is this level three? Answer: Level two.

Senator Warner: Most of the questions refer to trauma - are there limitations within the loan program which limits them to construction of trauma related facilities? Could you build a cancer treatment center with money from this?

John Vastag: The funds could be used to build any infrastructure. The majority would go to build primary care access because that's the real issue out there. The problem is two-fold - one, we have primary care access of new clinics so more patients can go to the clinics instead of the ERs, and two, to enhance the emergency room trauma services departments within existing facilities.

Senator Warner: The limiter to receiving trauma patients refers only to the PPS hospitals? Answer: Yes.

(18:00) **Senator Carlisle:** We have some large capitalization banks in this state, why wouldn't you go to them? You said they have to have a good business plan.

John Vastag: Even though the facility may have a sound business plan, with the current reimbursement systems as they are, they could get a loan, but it would be at a much higher percentage. This would make it very difficult for them to carry this out. The ideal situation is by accessing a portion of what they need at a lower interest rate, they will be able to access more capital for that project. The purpose of the low interest loan is that it would help them get over the bridge.

John Vastag stated that **Ron Ness** from ND Petroleum Council strongly supports this bill also.

Bill Shalhoob - GNDC Greater ND Chamber (Lobbyist #113)
Testified in favor of SB 2187
No written testimony.
We also support this bill and think it would be a good step that could be taken that would help with some of the critical care problems that exist in the state. We're also supporting the study of that because it looks like we're headed down a road and we're wondering where the end game is also in terms of repayment. That's why we really need to look at these issues. The 1% loan is probably a quarter of what of that percentage you'd pay in the open market today - even for bonding which I think is around 4-4.5% for items that are not covered by property tax and the guaranteed revenue stream from it. We would urge strong consideration of this as a way to help us dig out from underneath a problem we seem to have developed.

Senator Warner: (asked question of **Karlene Fine**) The bank is not going to make any money on this loan, but normally, it would take more than 1% to actually do the paperwork -

the mechanical aspects of handling a loan for 25 years. In your opinion, is the 1% adequate so that the bank doesn't actually show a loss in its operations by handling loans of this nature?

Karlene Fine: Referred the question to **Bob Humann** from the Bank of ND who was here. There had been discussion about some amendments on the bill to cover administrative fees.

Chairman Holmberg in testimony, the discussion was that the sponsors had worked with significant input from OMB and the staff of BND. Does OMB support the bill? Joe Morrissette said Pam is in the room and will answer.

Bob Humann: Sr. VP of Lending for Bank of ND -
We did a fiscal note on this and how we proposed this to the Senate Veteran's Affairs Committee is that, basically, if it's a one percent interest rate, we'd end up taking half of it and the other half would go into the fund. We feel that we can administer the loans for just the half percent and cover our costs with our existing staff and existing systems. If we had to add new staff, it would be a different story. These are going to be some pretty large loans. We did propose some amendments to the previous committee that there would be an administrative fee for the Bank of ND for this fund and there would also be an annual audit on this fund. Those were the two changes we proposed and they were both adopted.

Pam Sharp: OMB - OMBs involvement in this is that we were part of the committee that Mr. Vastag mentioned. We gave them some history on how other revolving loans were structured and how they might structure a revolving loan fund. We helped them get in contact with the Bank of ND and gave them some direction on how they could put the bill together. I'm neutral on the bill. It was not included in the governor's budget. The time line for this was at tail end of the governor's budget so it was not even something we were considering at the time.

(25:50) **Senator Carlisle**: (question for Mr. Vastag) Sanford is already committed out of Dickinson for about $20M? and that includes their financing package? Answer: Yes.

Chairman Holmberg closed the hearing on SB 2187.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2187 subcommittee
February 4, 2013
Job # 18256

☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

A bill relating to the medical facility infrastructure loan program

Minutes: Testimony attached # 1

Legislative Council - Sheila M. Sandness
OMB - Laney Herauf

Senator Kilzer opened the subcommittee hearing on SB 2030. **Senator Grindberg** and **Senator Mathern** were present.

Senator Kilzer said this is a stand-alone bill that requests loan of $150M for hospitals. Start by asking **Senator Grindberg** about his proposed amendments 13.0505.02001 - attachment #1.

Senator Mathern wondered how this fit in with the statewide plan and any connection with SB 2004 with the Department of Health.

John Vastag - Health Policy Consortium - He represents Trinity, Altru and Sanford Health systems. This bill came out of the oil impact study done by the Health Policy Consortium as an independent study. The goal was to look at the impact of health care within oil producing counties. We came back last fall with three recommendations and this was one of the recommendations. A large number of facilities out there have done a great job of expanding hours and trying to create more access, the reality of the fact is that we can't begin to keep up with the demand. We're seeing a lot of folks end up in ER that don't really need to be in ER. What the intent of this low interest loan would be to allow those facilities to access the needed capital to create some infrastructure and add some services to the facilities. They could go to their local banks to get it, but it would be a much higher rate and would be a program that would not be sustainable for them. This low interest loan program would be the same as the one currently modeled for IT. That is a $5M low interest loan through BND that started in 2009. You renewed it last year and it's going very well with folks paying it back very timely. We need to create some more access at the primary care level.

Senator Mathern: How does this fit in with statewide health care planning? How does this proposal fit in with sustainability and general planning for the state of ND in health care facilities?

Discussion on how the bill was formed and the makeup of the policy consortium.

Discussed Senator Grindberg's bill SB 2169

Senator Kilzer asked about 75-25 or 90-10.

John Vastag: The loan would be the lesser of $20M or 75% of the project with a 25 year payback. You could loan no more than 75% of the project or $20M cap. If Dan at Watford City wants to build $50M hospital, he wouldn't be able to get $50M, he'd get $20M cap. Another example, in the bill you will see that it is designed for the critical access hospitals and the PPS hospitals that take trauma patients which in essence would be all six because they are all taking trauma patients in the west now. Mayville is a critical access would not technically be eligible.

Senator Grinberg: Bob Humann - why can't you make a loan now?

Bob Humann, VP, Bank of ND: They want better terms. Discussed terms.

Senator Grinberg: We have advisory board for the legacy fund. There's no reason BND borrow $200M out from Legacy fund in a low risk portfolio, pay the Legacy Fund at 1% and turn around and assess a loan program to the hospitals for 2%.

Discussed loans, financing of health care, Medicare population, reimbursement, finding workers.

Senator Kilzer was concerned that hospitals would be able to cost shift to third party payers much longer. Who's stuck if the whole thing goes under? Answer - the state.

Senator Kilzer wanted to know why the study focused on hospitals instead of clinics. If patients are going to avoid the ER, why not build up clinics? You didn't talk about that too much in the report, the financing or bad debt.

John Vastag: This bill is inclusive for clinics too.

Craig Lambrecht, MD, President of Sanford - Answered questions on the ability of larger hospitals in the state to absorb large debt. He said they have to ask themselves if this is humanitarian aid or is it development aid. You'll find that some of the smaller hospitals are going to have a hard time meeting eligibility requirements because they have problems with workers, turnover, and older facilities. If you finance Watford because they're not making it, and then CHI moves in, what happens to that market share when the proforma looks like they might make it if we give them $20M for a hospital?

Talked about the smaller and larger hospitals getting loans and taking on risk, reimbursement from the federal government, insurance companies. Sanford is at risk for losing $100M. A lot of things happen when you have to face $100M cuts. Sanford has no intention of borrowing on program. This is more like impending doom for the smaller facilities because they will not get access to capital. He came from Wishek and the days of having a hospital, a clinic, a nursing home and having all the providers in the workforce aren't reality, but it's a difficult discussion to have because folks want everything now and local.

Senator Kilzer thanked him.

Craig Lambrecht added that every community is going to have to have skin in the game. If you're looking for investment from the state, for CHI, for Sanford, there has to be skin in the game. Otherwise there is a glide path. We've got financing and we can check out. That's the worst case scenario. You build it, you can't support it, you can't sustain it, and who's got responsibility. The care we deliver has to change inpatient/outpatient.

They will meet again.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2187 subcommittee
February 7, 2013
Job # 18538

☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

A bill relating to the medical facility infrastructure loan program

Minutes:

Legislative Council - Adam Mathiak
OMB - Pam Sharp

Senator Kilzer opened the subcommittee hearing on SB 2187. **Senator Grindberg** and **Senator Mathern** were present.

Senator Mathern - I was wondering if we should have some sort of reporting requirement. I am supportive of the loan fund. I'm disappointed that the Health Council hasn't been here to say this fits into a plan. If that's not the case maybe we should put some language in this bill to make sure there is at least that kind of communication.

Senator Grindberg - My sense is that there are two or three other bills that have revolving loans with cities for $200 million and I'm a sponsor of a bill for $150 million revolving loan fund for water projects. There is $150 million here. I think it's important that we keep this bill alive but I'm not comfortable with $150 million yet knowing at the end of the session we are going to put the final pieces of the puzzle together. I was glad to hear Craig from Sanford said they don't plan to use this.

Senator Kilzer - We certainly have noticed that the state health council has not been here. We haven't heard from them. There hasn't been that much interest on the hospital side of it. I would have a question of Legislative Council about the ability of health facilities, both clinics and hospitals to access some of these other funds that are supposed to be helping critical needs. Are there things in the governor's budget?

Pam Sharp, OMB - There aren't any, there's not anything else in the governor's budget that addresses this need. Probably what you are referring to is the oil impact fund and could they go to the oil impact fund but I don't believe, they would have to; it's got to be a political subdivision that goes to the oil impact fund.

Senator Kilzer - It would have to be county, a city, or park district, etc. I've expressed myself before about repayment of this debt. How much does critical access want this time?

Jerry Jurena, North Dakota Hospital Association, (Lobbyist # 120) - It depends on the facility. I have 2 administrators here from the west. They are looking at a project to rebuild their hospital, roughly $50 million. Dickinson hospital which is already in progress and there hospital is roughly about $100 million. We have a number of other facilities that are looking at remodeling their ER and facilities and these are anywhere from $10-20 million. We polled the 12 hospitals west of highway 83 we found that there was a need of about $165 million for either full replacement or partial remodeling of their ER's.

Senator Mathern - Is there someone from health council here?

Jerry Jurena - I am.

Senator Mathern - Do they have a position on this?

Jerry Jurena - It has not been brought before the council.

Senator Mathern - Why wouldn't this be brought before the health council?

Jerry Jurena - We take a look at some of the things that are going on in the west, the rise of chlamydia. Some of the health issues out there but we do not get in to the infrastructure part of operations.

Senator Mathern - Does anybody look at infrastructure?

Jerry Jurena - Not at the hospitals, no sir.

Senator Grindberg - The State Chamber is doing a study.

Senator Mathern - I'd be willing to work on an amendment.

Pam Sharp - There was a committee that came with this concept. They supported it, but were just a working group, no formal committee. OMB with several other agencies was involved. (9:10) It was a working group to see what to do with health issues in the western part of the state.

Senator Kilzer - I'm not real enthused with this bill at $150 million. I asked the question to Eric Hardmeyer about who is on the hook. I don't see how it's going to be repaid. There is 2 big items; the biggest of all is the Obama care and the $716 billion of Medicare cuts that are coming. The second thing is the bad debt that these hospitals are getting now and they are asking for money at the present time. So I don't see how they are going to get out of the red. This will end up being an unfunded liability to the state of $150 million. We already have well over a billion dollars of unfunded liability in the various pension plans and maybe some other things we don't know about. As a free standing bill I'm not enthused about giving it a do pass. I would much rather go along with Senator Grindberg in keeping it alive for the present time and then somewhere along the line put it in to the Health Department

bill or something. This is really Industrial Commission the way it sounds. Both of those entities should have a general idea of what would be feasible. I'm disappointed if this need isn't addressed in any of the governor's suggestions. Obviously he either rejected it in his budget or else didn't think of it or something. (11:54)

Pam Sharp - The meeting I went to was at the very end of when we had already pretty much finalized the budget so it wasn't anything that was ever brought to the governor's office as a potential thing to include in the budget.

Senator Kilzer - I'm not willing to put a do pass on it and bring it to the committee.

Senator Grindberg - I'm not going to vote for $150 million. I would be comfortable with keeping this alive at a $10 million figure for discussion purposes but there are too many variable yet. I agree wholeheartedly about ability to pay.

Jerry Jurena - Would it be permissible to put a hold on it and give the committee time to put amendments on it so it wouldn't be an unfunded liability? That it is targeted strictly to facilities that are now operating and struggling in the west? We could work with the Bank of North Dakota we could bring some people in and restructure it a little differently.

Senator Kilzer - I'm willing to listen to that. There are prime sponsors on here that you could work with and present it to us next week.

Senator Mathern - I would hope with the sentiment expressed, the amendments coming back and maybe some discussion between now and next Wednesday or whenever we meet we can have a bill that we can bring to committee.

Senator Kilzer - How much further do we want to put in specifics? You mentioned a figure of $10 million.

Senator Grindberg - It's a number off the top of my head to keep the bill alive.

Senator Mathern - I'd like to keep the entire amount but have some conditions that are comfortable with the committee.

Senator Grindberg - We are going to get to day 77 and there's only going to be so much money left.

Pam Sharp - The governor proposed in $200 million for school construction revolving. I think we had projected right around $700 million at the end of this biennium in that fund that would be available to appropriate.

Senator Mathern - I think that would be part of the wording of that amendment you just talked about. That it relates to those other conditions.

Senator Grindberg - There is a lot more thought process that has to go in to this. Do we want to spend the Improvement Fund? I would advocate no. What is projected when we come back in 2 years?

Senator Kilzer - I'm willing to go along with Senator Grindberg to keep it alive. My other alternative is to recommend a do not pass on the bill. We need to be in communication with our leadership and the governor's office about this.

Senator Kilzer - We will meet with more materials next Wednesday.

Senator Kilzer closed the hearing on SB 2187.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2187
February 13, 2013
Job # 18889

☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

A bill relating to the medical facility infrastructure loan program.

Minutes:
Legislative Council - Becky J. Keller
OMB - Laney Herauf

Senator Kilzer opened the subcommittee hearing on SB 2030. **Senator Grindberg** and **Senator Mathern** were present.

Senator Kilzer - Any new comments from committee members?

Senator Mathern - I hope we have some new amendments to look at. Senator Judy Lee has some amendments?

Senator Kilzer - I expressed my concerns about 2 things, both related to the ability of the medical facilities to ever pay back this loan. The number one thing is bad debt, and the number two thing is the Obama care reducing Medicare by $716 billion in order to finance the affordability act or whatever. Most of us recognize that hospitals do have a problem and it isn't going to go away and there is an acute phase to the problem. Committee members would like to keep the bill alive. What I would propose is an amendment that would change the $150 million to $12 million and keep it at 75% loan and 25% down payment. The interest payments are as they are in the original bill and also to have a maximum amount for one institution set at $3 million or I'd be willing to let that be $4 million but with a total of $12 million there would be 3 or 4 facilities could use the money.

Senator Grinberg - I will support your amendment, but there are too many moving parts.

Senator Mathern - Can Senator Lee make comments or suggestions she may have?

Senator Judy Lee, District 13 - I don't have any sterling ideas but what I would like to suggest is that it's very important to keep this bill alive. There is a critical need for this funding. The serious request that was made to us by hospital CEO's was their access to capital is so challenging. Quite frankly the $12 million won't even work for one facility in most cases, but if it's a placeholder so Appropriations can see where this fits in, that would be okay. There is a payback to this. We spent a fair amount of time in our committee talking

about this. We really felt it was very important part of being able to have access to high quality 21st century health care around the area. (6:06)

Senator Kilzer - Do you have an amendment?

Senator Judy Lee - I do not; I didn't know I was supposed to.

Senator Grinberg - Just have Council draft it.

Senator J. Lee - We had one that we added that included to request the Bank of North Dakota for the cost of administration and audit to be covered but aside from that, just a technical amendment really.

Senator Kilzer - I'm sure in the end we all agree to keep the bill alive. This will be paired up in conference committee with the critical access hospital bill.

Senator Mathern - I really do believe the need is so much greater now. I understand the concept of keeping the bill alive but there is also a concept of making sure that we send it over to the House with negotiating room. I don't see the House moving ahead with a $150 million bill. With this small amount of money, they might just approve it. We need to be looking at a negotiating position.

Senator Grinberg - What needs to happen is discussion at leadership levels in both the House and Senate. (9:54) We need sustainable balance.

Senator Grinberg moved the amendment.

Senator Kilzer closed the hearing on SB 2187.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2187 subcommittee
February 15, 2013
Job # 19017

☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

A bill relating to the medical facility infrastructure loan program.

Minutes: Testimony attached # 1-2

Legislative Council - Becky J. Keller
OMB - Laney Herauf

Senator Kilzer opened the subcommittee hearing on SB 2187. **Senator Grindberg** and **Senator Mathern** were present.

Senator Kilzer reviewed amendment 13.0505.02002. See attachment #1.
In reference to page 2 line 10 "replace 20 with 3 and replace 75 with 25" he asked if they really intended to replace 75 with 25.

Senator Mathern presented amendment 13.0505.02004 for the subcommittee to consider as another way of looking at it. See attachment #2.
(01:47) This amendment would make the amount of money available at the smaller critical access care hospital and clinic projects through a low interest loan. It would have better negotiating terms with the House on the bigger concerns with the oil patch and fields. These amendments were reviewed with the hospital association representatives.

Senator Kilzer Have you looked at the other bill in the House regarding critical access hospitals.

Senator Mathern said he had not.

Senator Kilzer What did the hospital association say when you showed them your proposed amendment?

Senator Mathern They were supportive. There's not enough money to get into the big projects. A general concern was there are about 7-8 shovel ready projects ready right now that could proceed. It would meet the need.

Senator Mathern moved to adopt the amendment 13.0505.02004

Senator Grinberg seconded for discussion purposes.

Senator Mathern pointed out a technical correction pertaining to the issue of oil producing. There was also clarification that it limits the loans to facilities that are designated as critical access hospitals or medical clinics. It takes out the larger hospitals and reduces the amount to $75M. It's still a loan program.

Senator Mathern - yes Senator Grinberg - no Senator Kilzer - no

Motion fails.

Senator Grinberg said that Senator Mathern's amendment focused on where the need is. This is not the last that we'll hear of this bill. We have to have a strategy on the SIFF fund. The time to get serious is after crossover. Whether this bill goes to the house and gets defeated, we're going to be front and center. This will be a priority, just how do we shake it out.

Senator Kilzer moved Amendment 13.0505.02002

Second by Senator Grinberg.

Senator Kilzer asked for discussion and if there was comfort with page 2, line 10.

Senator Mathern I will oppose the motion just in the terms of the change but will be supporting the bill in terms of keeping the bill alive.

(11:27) Discussion followed on the meaning of the 25%.

A vote on Amendment 13.0505.02002

Senator Kilzer - yes Senator Grinberg - yes Senator Mathern - no

Senator Kilzer the bill before us - no other amendments?

Senator Mathern moved a do pass as amended.

Senator Grinberg seconded the motion.

A roll call vote was taken. Yea: 3 Nay: 0 Absent: 0

Senator Kilzer will carry this to the committee.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2187
February 18, 2013
Job # 19079

☐ Conference Committee

Committee Clerk Signature Roxi Laning

Explanation or reason for introduction of bill/resolution:

A bill relating to the medical facility infrastructure loan program

Minutes:

Senator Kilzer moved a do pass on the amendment. 13.0505.02002

Seconded by **Senator Wanzek**.

Senator Mathern - In the subcommittee I offered an alternative amendment which would have brought this down to $75 million instead of the $150 million because I believe the $75 million is needed, and it would also restrict it to clearly refer only to critical access hospitals and clinics. I think those 2 facilities would really help, especially in the oil patch. However, that amendment was not accepted in the subcommittee and I think we are going to be moving up before the legislative session is over. As an alternative to keep this bill alive I support this committee's amendment.

Senator Warner - I will probably resist this amendment and I will vote for the bill regardless of the amendment but I have a real concern. It seems like there were 12 parties tussling for money on this. One was the oil impact counties and facilities and the other one is the trauma facilities in which pretty much makes it a statewide issue for larger hospitals. (2:07)

Senator Mathern - I just thought I would note that that was part of the committee discussion. The amendment that I had offered would have essentially made the money go to the oil impacted areas. My intent was to support the bill and I do not support the amendment.

V.Chairman Grinberg - I concur with your assessment. I know there are some various approaches here and when Senator Mathern offered his amendment, I wanted a smaller dollar amount but I'm with you. This should be a program for the northwest where the demands are huge. I'm not interested in spreading money around for the big hospitals where the demand really rifles our efforts to help in an area that really needs

it. I'm going to forward an email that I received over the weekend that will illustrate some of the pension funds that we have under management. When you see the one sheet, just imagine where it says XYZ investment company, imagine Bank of North Dakota under the portfolio of the legacy fund. There is no reason in my opinion why we cannot have a discussion and I hope we do in this committee because there are other bills with the same concept. There is water, infrastructure for cities, and I think it totals over a billion dollars. The governor projected $750 million left at the end of the 2015 biennium in the SIFF fund. If we use all that up in revolving loan funds we will have nothing in the SIFF fund at the ending fund balance. My point is, there is no reason why we, in a very low risk environment have the legacy fund invest, pick a number, $350-400 million, make the Bank of North Dakota responsible for at 2%, the bank gets a percent, so it's a 2% loan rather than 1% and still very low but we've got to use that capital to North Dakota's advantage and that's what this discussion should be about and I just don't know how we are going to get there yet. I think as an Appropriations Committee are going to be front and center on all these revolving loan funds and we will have something to say at the end of the session.

Senator Warner - I concur entirely with Senator Grindberg's assessment. I think the legacy fund can be utilized. It can be leveraged much more efficiently than it is for the benefit of North Dakota while still maintaining the integrity of the voter's intent when they set it up.

Senator Kilzer - All in favor of the 2002 amendment - voice vote carried.

Senator Kilzer - Then we have a technical corrections amendment that came from the auditor's office and that is 13.0505.02001.

Senator Grindberg - I would move that amendment.

Seconded by **Senator Kilzer**.

Senator Grindberg - This is making the language consistent with the audit functions if the bill passes and that came from auditor.

Voice vote carried.

Senator Kilzer moved a Do Pass as Amended on SB 2187.

Seconded by **Senator Mathern**.

A roll call vote was taken. Yea: 13 Nay: 0 Absent: 0. Senator Grindberg will carry the bill. The hearing was closed on SB 2187.

13.0505.02006
Title.03000

Prepared by the Legislative Council staff for
Senate Appropriations Committee
February 18, 2013

2-19-13

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2187

Page 2, line 10, replace "twenty" with "three"

Page 2, line 10, replace "seventy-five" with "twenty-five"

Page 2, line 26, remove "industrial commission is responsible for contracting with a certified public"

Page 2, line 27, remove "accounting firm to audit the"

Page 2, line 27, replace "as necessary" with "must be audited in accordance with section 6-09-29"

Page 3, line 1, removed the underscore from "**- Audit**"

Page 3, line 2, remove the underscore from "**and costs of administration**"

Page 3, line 8, remove "Funds in the"

Page 3, remove lines 9 through 12

Page 3, line 13, overstrike "2."

Page 3, line 30, replace "~~twenty~~" with "~~three~~"

Page 3, line 30, replace "~~seventy-five~~" with "~~twenty-five~~"

Page 4, replace lines 14 through 17 with:

"~~7.~~2. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

~~8.~~3. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund."

Page 4, line 20, replace "$150,000,000" with "$12,000,000"

Page 5, line 1, replace "Sections 1 and" with "Section"

Page 5, line 1, remove the second "and"

Page 5, line 1, replace "are" with "is"

Page 5, line 2, replace "are" with "is"

Renumber accordingly

13.0505.07000

FISCAL NOTE
Requested by Legislative Council
01/24/2013

Amendment to: SB 2187

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

All costs to administer and audit the proposed Medical Facility Infrastructure Loan Program will be paid out of the program fund and there will not be any fiscal impact to the General Fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Robert A. Humann
Agency: Bank of North Dakota
Telephone: 328.5703
Date Prepared: 01/24/2013

Date: 2-18-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2187

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 13.0505.02002

Action Taken DPA.

Motion Made By _____ Seconded By _____

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg			Senator Tim Mathern		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		
Senator Karen Krebsbach					
Senator Robert Erbele					
Senator Terry Wanzek					
Senator Ron Carlisle					
Senator Gary Lee					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2-18-13

Roll Call Vote # 2

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2187

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number .02001 technical

Action Taken Do Pass

Motion Made By Grindberg Seconded By Kilzer

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg			Senator Tim Mathern		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		
Senator Karen Krebsbach					
Senator Robert Erbele					
Senator Terry Wanzek					
Senator Ron Carlisle					
Senator Gary Lee					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

voice - Carried

Date: 2-18-13

Roll Call Vote # 3

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2187

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as Amended

Motion Made By Kilzer Seconded By Mathern Wanzek

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 13 No 0

Absent

Floor Assignment Grindberg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2187, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2187 was placed on the Sixth order on the calendar.

Page 2, line 10, replace "twenty" with "three"

Page 2, line 10, replace "seventy-five" with "twenty-five"

Page 2, line 26, remove "industrial commission is responsible for contracting with a certified public"

Page 2, line 27, remove "accounting firm to audit the"

Page 2, line 27, replace "as necessary" with "must be audited in accordance with section 6-09-29"

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Page 4, replace lines 14 through 17 with:

"~~7.~~2. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

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Page 5, line 1, replace "Sections 1 and" with "Section"

Page 5, line 1, remove the second "and"

Page 5, line 1, replace "are" with "is"

Page 5, line 2, replace "are" with "is"

Renumber accordingly

2013 HOUSE HUMAN SERVICES

SB 2187

2013 HOUSE STANDING COMMITTEE MINUTES

House Human Services Committee
Fort Union Room, State Capitol

SB 2187
March 12, 2013
Job # 19776

☐ Conference Committee

Committee Clerk Signature Jeanette Cook

Explanation or reason for introduction of bill/resolution:

Relating to Bank of ND medical facility infrastructure loan program; provide an effective date and an expiration date.

Minutes: *Attachments 1-6*

Chairman Weisz opened the hearing on SB 2187.

Sen. Judy Lee: Introduced and supported the bill. It is a loan program for small hospitals, particularly critical access hospitals, to help them to improve their facilities. This is a loan program that is run through the Bank of North Dakota and is for low interest loans. It is not a grant, and it will get paid back.

2:53
Chairman Weisz: Do you know what the vote was in the Senate?

Sen. J. Lee: No, but I can get that for you.

Rep. Laning: 44-2.

Rep. Porter: We had a bill a couple of sessions ago that was similar. That bill was looking at rural health. We didn't have the neck down on the non-profit side. We wanted to be able to help a dentist that needed help going into rural North Dakota, the rural ambulance service, or a stand-alone physician to expand. Was there any discussion in allowing that kind of expansion inside of this, so it is not just inside of that hospital structure, but inside health care in rural North Dakota?

Sen. J. Lee: We did not talk about expanding it. We would recognize those as additional needs. Emergency rooms that need additional space would be an example of what we had in mind. If this were to be expanded, we would need to add additional funds.

7:45
Chairman Weisz: Did your committee discuss why it had to be a one million dollar project?

Sen. J. Lee: We were looking at larger projects. There is a great difficulty in ND for these institutions to access money for these projects. It is intended to look at those bigger projects.

John Vastag, **Executive Director for the Health Policy Consortium**, testified in support of the bill. (See Testimony #1) (Also passed around a handout, See Handout #2)

15:29
Chairman Weisz: Based on your suggested amendment you are looking at a maximum of $10 million. That would be a $40 million project?

John Vastag: The total package would be $75 million with a maximum individual loan to an individual facility of $10 million. Yes, the project could be $40 million or more, but it would cap out at $10 million on that type of project.

Chairman Weisz: The smallest loan would $250,000; the project size has a minimum of $250,000, correct?

John Vastag: Correct.

Rep. Laning: Wouldn't 75% be from the loan program?

John Vastag: It should be that 75% would be from the loan program.

Chairman Weisz: That's not what the language says. It says the maximum loan would be $2.5 million on a $10 million loan. That is 25% not, 75%.

John Vastag: It was designed for 75% to come from loan, and 25% coming from other sources.

Representative Oversen: The amendment from the Senate was to change 75% to 25%.

Chairman Weisz: It was amended.

John Vastag: The original intent of the bill was for 75% to come from loan, and 25% coming from other sources. It started out with $150 million.

Rep. Mooney: Do we want to put it back to the 75/25 as originally intended?

John Vastag: It would be wonderful if you did that.

Chairman Weisz: Assuming the $12 million stayed, would you want it still want it to be 75%? You will go through the money faster, and it will limit the number of projects.

John Vastag: If it stays at $12 million, we looked at the prospect of using those dollars to buy down interest rates at local banks. In that case we would want to limit it to about $3,000,000 per loan.

20:58
Andy Peterson, Greater North Dakota Chamber of Commerce, and also representing the North Dakota Petroleum Council, testified in support of the bill. We recognize the needs out there. This is not just an oil country issue, it is a statewide issue. Last summer we participated in a project called 2020 and Beyond. It was about where North Dakota needs to be in the year 2020 and beyond that. Some of the issues that came up were child care, housing, and health care. These issues came up in all parts of the state. Heath care, especially in the rural areas, is becoming a great concern.

24:09
Jerry E. Jurena, President of ND Hospital Association, testified in support of the bill. (See Testimony #3) (Handed out testimony from Daniel Kelly, CEO McKenzie County Health Care System. See Testimony #4)

Rep. Porter: In the first part of the session we had a discussion about the bad debt situation, negative cash flows, and the crisis side of oil impacted rural health facilities. Based on that conversation, what would they use to pay these loans back? How would they qualify with a negative cash flow?

Jerry E. Jurena: There are a number of processes. They would go to their communities and ask for tax support. They could maybe make it work with and a low interest loan program. Also with the increase volume of services they have, there are reimbursements in Medicare and Medicaid for the construction process in the billing process.

Rep. Mooney: This bill does not limit to just western part of state does it, and are you finding out that there is a need in non-oil impact areas of North Dakota as well?

Jerry E. Jurena: There is need to capital dollars no matter what part of the state you are in. This is specifically for the oil producing counties of the state.

30:20
Darrold Bertsch, CEO of Sakakawea Medical Center in Beulah, testified in support of the bill. (See Testimony #5) We will also be doing a renovation to our emergency room.
42(Also handed out testimony of **Becky Hansen CEO of Southwest Healthcare Services in Bowman**. See Testimony #6)

33:00
Chairman Weisz requested that Senator J. Lee answer a question. We had a discussion about the 75% that was dropped to 25%. From your committee's perspective if the number stayed at $12 million, would you still want that percent to go to 75%?

Sen. J. Lee: We felt strongly that 25% was not going to be adequate for the facilities that need it. It is the access to larger amounts of capital is the need here. It does have to be repayable, and they have to be able to demonstrate that their business plan is workable. We did not favor that change in the policy committee.

Chairman Weisz: Sheldon Wolf, (Director of Health Information Technology of North Dakota) can you give us an update on how the HIT loan program worked that went through the Bank of North Dakota? In some ways this is the same.

Sheldon Wolf: Director of Health Information Technology of North Dakota: The loan program that you are referring to is the Health Information Technology Loan Fund. Two biennia ago $5 million dollars went into that fund. Last biennium there was another $5 million added. We loan that out with a ten year payback period, with 1%. It has been working very well. We have over $10 million dollars loaned out, and the money is coming in. We are currently sitting on about $500,000 in a revolving loan fund. It is open through the end of this week. A lot of the critical access hospitals and clinics have received the money to meet meaningful use. A couple of the facilities that we loaned money to were the first in the state to meet meaningful use requirements. It has worked out very well. In some of the cases, when they meet meaningful use the federal government provides them with additional money. Then they can use that money to pay their loan back.
On page 2, line 7, it indicates the big hospitals, is that what is meant?

Bob Humann: Senior Vice President of Lending, Bank of ND: We have been working with this group and trying to craft a program that would work for them. If you look at some of the numbers that have been presented, 25% is not going to meet their needs. I recommend that this be raised back up to $75 million and raising the dollar amount back to $10 million. I would also recommend that the percentage of the project cost be looked at. It really limits the amount of loan dollars that the facilities are able to tap. Our role would be to approve these applications and to service the loans over the twenty-five year period.

Chairman Weisz: Would you require a lead lender on each of these?

Bob Humann: There would not be a lead lender the way this is put together.

Rep. Laning: Would the bank consider up to $75 million of loan funds?

Bob Humaan: We could come up with $75 million dollars. We would not want to lock the interest rate at 1% for twenty-five years. Eventually the interest rates are going to climb, and we are not going to be able to generate any profits at 1%. The medical infrastructure would be a fund that the bank would administer, that would off balance (inaudible) of the bank. The reason for that is that some of these will be riskier loans. Repayment might be tough until we see some changes in the way the medical providers are reimbursed. It is a matter if the legislature wants to take $75 million out of the SIIF and make it available for medical infrastructure.

Rep. Silbernagel: If you had a pool fund of $75 million with a maximum of $10 million per project, and a 50/50 split, would that be more appropriate to meeting some of those project needs?

Bob Humann: It would be. You do have a number of facilities that will not even get to the $10 million figure. The larger ones will have to come up with some way to come up with the additional funding.

Rep. Fehr: If we stay with the current version of funding 25%, wouldn't there have to be a lead lender?

Bob Humann: It depends on the scenario. If it is $10 million per project that they can finance 75% of the project, they then would only have to come up with 25%. If a borrower needed $15 million dollars, and the maximum they can get from the program is $10 million, they would have to borrow the additional $5 million dollars if they couldn't come up with it. In a lot of cases there may be more than one lender. Most of the ones that we see in these projects will be bonding versus a lead lender. Bank of North Dakota has the ability to not use a lead lender with these special funds as long as they are put together by the legislature. There are other funds like this where the applications are made directly to the bank.

Rep. Fehr: If we leave this at 25% won't there be a lead lender.

Chairman Weisz: They don't require a lead lender, but there might be one for this loan program.

Bob Humann: That is correct. If you are going to look at additional dollars ($75 million), it makes more sense to change the percentage of the project costs so that you tap into more of these facilities so you can spread the money out more. If you use fewer dollars, then you will want to do less of the project costs. It will put more financial burden on the hospitals to come up with more of the project costs.

Rep. Mooney: What is a SIIF fund?

Bob Humann: That is Strategic Improvement and Investment Fund that is administered by the former State Land Department.

There was no further testimony on SB 2187.
The hearing was closed on SB 2187.

2013 HOUSE STANDING COMMITTEE MINUTES

House Human Services Committee
Fort Union Room, State Capitol

SB 2187
April 1, 2013
Job #20731

☐ Conference Committee

Committee Clerk Signature Vicky Crabtree

Explanation or reason for introduction of bill/resolution:

Relating to Bank of ND medical facility infrastructure loan program and provide an expiration and effective date.

Minutes: See Handout #1

Chairman Weisz: Let's take up 2187. (See Handout #1) (Chairman Weisz explained the amendments.)

2:52
Vice-Chair Hofstad: I move the amendments.

Rep. Fehr: Second.

VOICE VOTE: MOTION CARRIED.

Rep. Porter: The portion of the amendment that takes the PPS system hospitals out; Ward County is oil producing county and Trinity Medical Center is a PPS hospital. Even though they are hit with trauma patients in a high demand services they are taken out of this because of that. The critical access hospitals already get 100% based on their billable charges back from the main insurance components and then they dump these trauma patients on the level II hospitals that have no choice, but to take them. They have a more difficult time because of how the flow of patients goes, more than the critical access hospitals. I don't think it is a very fair bill.

Chairman Weisz: The bill does not exclude them, but they wouldn't have a priority.

Rep. Porter: The whole component of the trauma system and patients is where it should make them a priority because of that.

Rep. Oversen: I move a Do Pass as Amended and re-referred to Appropriations.

Rep. Fehr: Second.

ROLL CALL VOTE: 11 y 2 n 0 absent

Bill Carrier: Rep. Anderson

13.0505.07000

FISCAL NOTE
Requested by Legislative Council
01/24/2013

Amendment to: SB 2187

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

All costs to administer and audit the proposed Medical Facility Infrastructure Loan Program will be paid out of the program fund and there will not be any fiscal impact to the General Fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Robert A. Humann
Agency: Bank of North Dakota
Telephone: 328.5703
Date Prepared: 01/24/2013

13.0505.03002
Title.04000

Adopted by the Human Services Committee

April 1, 2013

TK 4/2/13

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2187

Page 2, line 7, remove "and to applicants that are prospective payment system hospitals that receive"

Page 2, line 8, remove "trauma patients from oil producing counties"

Page 2, line 10, replace "three" with "fifteen"

Page 2, line 10, replace "twenty-five" with "seventy-five"

Page 4, line 21, replace "$12,000,000" with "$100,000,000"

Page 4, line 30, replace "2017" with "2013"

Renumber accordingly

Date: 4-1-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2187

House Human Services Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Hofstad Seconded By Rep. Fehr

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN WEISZ			REP. MOONEY		
VICE-CHAIRMAN HOFSTAD			REP. MUSCHA		
REP. ANDERSON			REP. OVERSEN		
REP. DAMSCHEN					
REP. FEHR					
REP. KIEFERT					
REP. LANING					
REP. LOOYSEN					
REP. PORTER					
REP. SILBERNAGEL					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

See ATTACHMENT #1

Voice Vote
Motion Carried

Date: 4-1-13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2187

House Human Services Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment
☒ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. OVERSEN Seconded By Rep. Fehr

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN WEISZ	✓		REP. MOONEY	✓	
VICE-CHAIRMAN HOFSTAD		✓	REP. MUSCHA	✓	
REP. ANDERSON	✓		REP. OVERSEN	✓	
REP. DAMSCHEN		✓			
REP. FEHR	✓				
REP. KIEFERT	✓				
REP. LANING	✓				
REP. LOOYSEN	✓				
REP. PORTER	✓				
REP. SILBERNAGEL	✓				

Total (Yes) 11 No 2

Absent 0

Floor Assignment Rep. ANDERSON

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2187, as reengrossed: Human Services Committee (Rep. Weisz, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (11 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed SB 2187 was placed on the Sixth order on the calendar.

Page 2, line 7, remove "and to applicants that are prospective payment system hospitals that receive"

Page 2, line 8, remove "trauma patients from oil producing counties"

Page 2, line 10, replace "three" with "fifteen"

Page 2, line 10, replace "twenty-five" with "seventy-five"

Page 4, line 21, replace "$12,000,000" with "$100,000,000"

Page 4, line 30, replace "2017" with "2013"

Renumber accordingly

2013 HOUSE APPROPRIATIONS

SB 2187

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

SB 2187
4/4/13
Job #20902

☐ Conference Committee

Committee Clerk Signature Mary Brucker

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact section 6-09-47 of the North Dakota Century Code, relating to a Bank of North Dakota medical facility infrastructure loan program; to amend and reenact section 6-09-47 of the North Dakota Century Code, relating to the medical facility infrastructure loan program; to provide for transfer; to provide an appropriation; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

Minutes: *Attached amendments .03003 #1.*

Rep. Robin Weisz, District 14: Introduced the bill. This bill helps finance hospital construction programs especially in the oil impacted counties. This is administered to the Bank of North Dakota. There is a 1% interest rate that would allow a maximum of $15 million or 75% of the program cost. The construction has to be for 30 years; it's supposed to have a minimum of a 30 year life with a 25 year loan repayment program. The money comes out of the strategic investment and improvements fund; the repayment goes back into this fund including the interest paid on the project. There is a procedure set up that indicates the parties have to do construction within two years. The governor is supposed to establish a task force to review the loan applications and make recommendations to the bank. I think the bill provides a fair amount of protection for the bank and for the state.

02:50
Chairman Delzer: Your loan repayment comes back to the SIF (strategic investment fund) where the money originally comes from? What does the bank get for processing these loans?

Rep. Weisz: The bank is able to take appropriate administration fees.

Rep. Skarphol: Page 4 lines 16-18.

Rep. Weisz: Those costs will be deducted and the principal and interest of any payments back then would go into the fund.

Chairman Delzer: Did you ask the bank what they normally take?

Rep. Weisz: We did not. My understanding is the fees would be minimal.

Chairman Delzer: The question is whether or not the SIF would ever get its money back totally if the 1% is not enough to cover the bank fees.

Rep. Weisz: They indicated the 1% covers the bank fees, but it doesn't cover the risk. A question was asked if the bank should just loan the money and the bank said that at 1% it wasn't going to cover the risk plus their fees.

Chairman Delzer: Is there any security required for these loans?

Rep. Weisz: That would be established by the rules that are set up here by the bank.

Chairman Delzer: How did you come up with the 15M and 75%? The 75% seems a little high to me with a 1% loan.

Rep. Weisz: The Senate had come to similar numbers. After discussion with the hospitals, it became apparent you had to have it to make enough difference between getting a 4% loan and a 1% loan. At least you have a 25% equity stake in there.

Chairman Delzer: Are these first mortgages, or can they borrow the 25% from a local bank if they can talk them into it then borrow this 75% from this fund?

Rep. Weisz: These are not loan guarantees; in reality, they are a first mortgage. If they can go out and borrow the balance they would be free to do so.

Chairman Delzer: There's nothing in the bill that says it needs to be a first mortgage on the facility.

Rep. Weisz: No there isn't but I can't imagine that a bank would do that. This isn't a loan guarantee so they are not backing a loan through a principal lending. There is no primary lender required under this bill.

Chairman Delzer: I know you are kind of mirroring the school financing one; did you do any checking on whether there is any security there? Representative Sanford, you've been part of one of these loans so was there any security in that process when you borrowed from that coal severance?

Rep. Sanford: There was and that is you have an approved mill levy either through a building fund or through your general fund that the bank uses as security for that.

Chairman Delzer: For the school that would be the case, but for a hospital there isn't any taxing authority that I'm aware of.

Rep. Weisz: The bank indicated they would use those same requirements, there would have to be a source of repayment. In most cases it would require a mill levy or some other source of funds.

Rep. Kempenich: In most cases the communities are already committing local tax dollars to help run these. It wouldn't be a new concept to them. Usually it's part of the sales tax they collect. Just about every community has some type of local tax match.

Rep. Skarphol: The original coal tax school loan program only let schools borrow whatever revenue they were receiving in coal taxes would cover the cost of the loan. The coal taxes that community was collecting went to repay the loan until a loan was repaid. That was the original design of the coal tax repayment program.

Chairman Delzer: We changed that a few biennia ago and expanded that statewide I believe.

Rep. Skarphol: As I read this, an entity can borrow up to $15M as a maximum?

Rep. Weisz: Correct.

Chairman Delzer: Do you feel those numbers are pretty solid and this committee should not deal with them; the maximum and the percentage?

Rep. Weisz: I think the maximum has some room; if you get a number too low it won't be worth it to apply to this program. It has to be a level effective for a wide range of projects. We had lots of discussion on the 75%; the committee believed that level gives them that ability to cash-flow that construction, expansion, or remodel.

11:20
Chairman Delzer: In your discussion, how many entities were there acting like they wanted to get something from this?

Rep. Weisz: There were 6 or 7 that would be applying tomorrow if this went into effect.

Chairman Delzer: This is keyed for the western part of the state, or not?

Rep. Weisz: It's statewide, but priority must be given to oil producing counties.

Chairman Delzer: Is there anything that says there's a certain date to apply then they are all looked at competitively or is it a first come?

Rep. Weisz: It would be first come first served.

Chairman Delzer: Was there much discussion about a window of time to review these?

Rep. Weisz: No, the majority of the need is in the oil producing counties for expansion and remodeling. It is open to facilities that have a need in the other counties.

Chairman Delzer: Is there a sunset? I see in here that it's continually appropriated. To me, that means it might last longer than two years?

Rep. Weisz: The appropriation is good from July 1 2013 to 2015. The effective date or the terms of the program goes through 2043, so that's covering, in essence, the loan repayment program. By 2017, any funds remaining unspent have to go back into the strategic investment fund.

Chairman Delzer: You did that so that there would be two years from July 1, 2015 which is the end date of your appropriation?

Rep. Weisz: They have until 2015 to get the loan, and 2017 to do the building. After that, the money goes back in the SIF and is gone.

Chairman Delzer: Do they just need to be under construction, or completed before they get the money?

Rep. Weisz: I would assume they'll get the money once it's approved before they start construction. The recipient of the loan must complete the construction within 24 months of approval of the loan. Failure to comply could result in forfeiture of the entire loan received. This is to make sure that once you get the loan you can't just sit on it and years down the road you start the construction.

Rep. Kempenich: They can't invest the funds?

Rep. Weisz: Right.

Rep. Skarphol: What if a facility wants to do a $25M project? They can borrow $15M here; if the other $10M is borrowed from a local bank then there is no definition of the position of the Bank of North Dakota with regard to that. With a local bank you would also want first position.

Rep. Weisz: I would assume that.

Rep. Glassheim: Going back to the oil producing counties on page 2 at the top, this says the criteria must give priority so does that mean the only way to get the money is to be in an oil producing county?

Rep. Weisz: The bill is intended to be primarily for oil producing counties. If the funds aren't all allocated, it doesn't eliminate someone from elsewhere in the state that meets the criteria to qualify. It's not exclusive.

Rep. Kreidt: Regarding the financing, if you are looking at a $25M project and secure $15M of it, you'd probably have to do a municipal bond to do the rest of that project. You probably wouldn't find a bank that would borrow you $10M.

Rep. Kempenich: min 20:00 If it cashflows at $25M and they want more then the community will have to get involved because if there's a bank in front of the state the state is going to know that up front and look at it accordingly. If this piece is in front of a bank it's going to be the same conversation. I don't think there would be a conflict if someone gets

behind on it because this is going to be a key piece in getting any of these projects off the ground. A private bank loan is going to probably be the last step.

Chairman Delzer: The way this is set up, does the bank have the authority to reject the loan if the task force approves the loan?

Rep. Weisz: I believe under the language I would say they would.

Rep. Skarphol: Page 2 line 12 it says must provide a repayment schedule no longer than 25 years. While there is an oil county connection on a task force there is really no provision that requires there be any preference given to oil counties that I can see in the bill. The only connection I see is that there must be a member from the oil producing counties in the state.

Rep. Weisz: On page 2 lines 5 and 6 states they must give priority to applicants that are located in oil producing counties.

Rep. Nelson: min 23:00. With cost reimbursement for hospitals, this is a tool that could be used by hospitals across the state because with the level of reimbursement in many cases you're looking at Medicaid reimbursement that is 60-80% of your business model. With a new facility or part of a facility the depreciation that is no longer being used in an older facility can now be used and your reimbursement model goes up and that's what cashflows these projects. I think we're over thinking this.

Rep. Weisz: Distributed amendments .03003 and reviewed. See attached amendments #1. We're taking this money out of the $200M pool that is also being used for school construction programs. It's saying that if there is $100M then it will go for this.

Chairman Delzer: That's part of that fund being set up in 1319.

Rep. Weisz: Correct.

Chairman Delzer: You're trying to protect us so that it isn't $200M and $100M for this. What about putting in a reporting requirement to the budget section or to the next legislative session?

Rep. Weisz: We would be fine with that.

Chairman Delzer: Further questions? Thank you.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

SB 2187
4/5/13
Job #20944

☐ Conference Committee

Committee Clerk Signature Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to create and enact section 6-09-47 of the North Dakota Century Code, relating to a Bank of North Dakota medical facility infrastructure loan program; to amend and reenact section 6-09-47 of the North Dakota Century Code, relating to the medical facility infrastructure loan program; to provide for transfer; to provide an appropriation; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

Minutes: *Attached amendments .03003 and .03004*

Chairman Delzer: This bill deals with loans. With the way the house brought amendments in we have a new bill that creates a loan program with a maximum of $15 million or 75% of the project for hospitals. It's supposed to be in essence for hospital buildings and in the oil field. There may be some concerns on the language in the bill that looks at them doing these one at a time as compared to a time frame and approval at a certain time. This is my concern. If you do them one at a time it's a first come first serve so you don't have the essence of whether you're going out to the area that seems to be going through the growth on the emergency rooms and things as compared to the rest of the state. We may need to have discussion on whether or not we think 75% of the total project is right. I guess the $15 million is the maximum of both. What are your wishes?

Rep. Kempenich: This is an issue. It's targeted at smaller communities; the way it is worded, the $15M will be the key to getting it started. I don't think banks or anybody else will get involved and it's going to be more of what the local community does with it. I think that will be the driving force. It's either going to be used or it's going to go back. I don't think there is a lot of grey area in how it's going to get used.

Chairman Delzer: We did have an amendment offered by the policy committee that deals with the language to put in there that makes sure this was part of the $200M that resides in 1319 instead of on top of that. I know I couldn't support the bill without that being part of it.

Rep. Kempenich moved amendment .03003.

Chairman Delzer: The amendment puts the contingent word in there that says it has to be part of the $200M that currently resides in 1319. They could only have $100M of that

$200M for the school loan program along with the $50M that resides in the coal severance fund so there would be $150 for schools and $100M for this hospital. I've got a note on here to report to the budget section on the usage of this money.

Rep. Kempenich: Also amend to include a requirement to report to the next legislative assembly.

Rep. Kreidt: Seconded.

Rep. Wieland: I'd like to know what communities realistically expect to use these funds.

Chairman Delzer: I think Tioga might be one, Watford City, and Bowman is in the process of building one already.

Rep. Wieland: There is going to have to be money in those communities to make this work.

Chairman Delzer: We don't want to open this up as a hearing but, Jerry, do you have those communities you think are most likely to do this?

Jerry Jurena, President of the Hospital Association: Watford City, Tioga, Stanley, Bowman, Hazen are four of the six that said they would like money for projects.

Chairman Delzer: Is that money for projects for expansion of their emergency room or are they totally rebuilding their hospitals?

Jerry Jurena: Bowman and Watford City are looking at total projects; new hospitals.

Chairman Delzer: We may want to consider that. In discussion the other day Rep. Nelson said the keys to this from the hospital standpoint is the depreciation goes back into this so they kind of get paid back.

Rep. Monson: I see a minimum of $1M in here for the project but I'm not finding a maximum.

Chairman Delzer: Do not exceed the lesser of $15M or 75% of the actual cost of the project.

VOICE VOTE: MOTION CARRIES TO ACCEPT AMENDMENT .03003.

Rep. Kempenich: Made a motion for a Do Pass as Amended.

Rep. Sanford: Seconded.

Rep. Bellew: Why does this need to be a continuing appropriation?

Chairman Delzer: You would need this continuing appropriation because this is a loan project that allows them to loan this money and have the money come back in and returned

to the SIF fund which is a 30 year payback. The loan would be there as long as there is money to loan. The money does not come back to this same fund. The return money all goes back to the SIF fund so it should be capped at $100M. When $100M runs out it is not a revolving loan; it should be a solid loan fund of $100M. The expiration date in section 4 of this act is through 2017 which is another reason you would need the continuing appropriation to get away from the return language. It needs to be 2017 because they figure it would take almost a year and a half to design these and get the application through then they had two years to start the project after that which puts it with an effective date of July 31, 2017. The loan program would be limited to the $100M to July 31, 2017 that they would have to be completed on the project.

ROLL CALL VOTE: 15 YES 5 NO 2 ABSENT
MOTION CARRIES AS A DO PASS AS AMENDED.

Rep. Kempenich will carry this bill.

13.0505.07000

FISCAL NOTE
Requested by Legislative Council
01/24/2013

Amendment to: SB 2187

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

All costs to administer and audit the proposed Medical Facility Infrastructure Loan Program will be paid out of the program fund and there will not be any fiscal impact to the General Fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Robert A. Humann
Agency: Bank of North Dakota
Telephone: 328.5703
Date Prepared: 01/24/2013

VR
4/8/13
1 of 2

13.0505.03004
Title.05000
Fiscal No. 1

Prepared by the Legislative Council staff for
House Appropriations
April 5, 2013

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2187

In lieu of the amendments adopted by the House as printed on page 1175 of the House Journal, Reengrossed Senate Bill No. 2187 is amended as follows:

Page 1, line 4, replace "an" with "a contingent"

Page 1, line 5, after the second semicolon insert "to provide for a report;"

Page 2, line 7, remove "and to applicants that are prospective payment system hospitals that receive"

Page 2, line 8, remove "trauma patients from oil-producing counties"

Page 2, line 10, replace "three" with "fifteen"

Page 2, line 10, replace "twenty-five" with "seventy-five"

Page 3, line 23, remove "~~and to applicants that are prospective payment system hospitals that receive trauma patients from oil-producing counties~~"

Page 3, line 26, replace "~~three~~" with "~~fifteen~~"

Page 3, line 26, replace "~~twenty-five~~" with "~~seventy-five~~"

Page 4, line 19, after "**3.**" insert "**CONTINGENT**"

Page 4, line 19, replace "There" with "If the board of university and school lands confirms that it will authorize no more than $100,000,000 from the strategic investment and improvements fund to provide school construction projects under section 15.1-36-02, there"

Page 4, line 21, replace "$12,000,000" with "$100,000,000"

Page 4, line 28, replace "30" with "31"

Page 4, after line 29, insert:

"**SECTION 5. REPORT TO SIXTY-FOURTH LEGISLATIVE ASSEMBLY.** The Bank of North Dakota shall report to the sixty-fourth legislative assembly on the status of the loan program provided for in this Act."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2187 - Bank of North Dakota - House Action

	Executive Budget	Senate Version	House Changes	House Version
Medical facility infrastructure loans		$12,000,000	$88,000,000	$100,000,000
Total all funds	$0	$12,000,000	$88,000,000	$100,000,000
Less estimated income	0	12,000,000	88,000,000	100,000,000
General fund	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adds Funding for Loans[1]	Total House Changes
Medical facility infrastructure loans	$88,000,000	$88,000,000
Total all funds	$88,000,000	$88,000,000
Less estimated income	88,000,000	88,000,000
General fund	$0	$0
FTE	0.00	0.00

[1] This amendment increases the funding for medical facility infrastructure loans from $12 million to $100 million, all of which is from the strategic investment and improvements fund. The funding is contingent on the Department of Trust Lands confirming that it will authorize no more than $100 million from the strategic investment and improvements fund for school construction project loans.

This amendment also requires the Bank of North Dakota to report on the status of the medical facility infrastructure loan program to the 64th Legislative Assembly.

Date: 4/5/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2187

House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number .03003

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Kempenich Seconded By Rep. Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

.03003 plus a reporting requirement - to next legislative assembly

voice vote carries

Date: 4/5/13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2187

House Appropriations / Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 13.0505.03004

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Kempenich Seconded By Rep. Sanford

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Rep. Streyle		X
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew		X	Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch		X			
Rep. Grande	X		Rep. Boe		
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson		X	Rep. Williams		
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 15 No 5

Absent 2

Floor Assignment Rep. Kempenich

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2187, as reengrossed and amended: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 5 NAYS, 2 ABSENT AND NOT VOTING). Reengrossed SB 2187, as amended, was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the House as printed on page 1175 of the House Journal, Reengrossed Senate Bill No. 2187 is amended as follows:

Page 1, line 4, replace "an" with "a contingent"

Page 1, line 5, after the second semicolon insert "to provide for a report;"

Page 2, line 7, remove "and to applicants that are prospective payment system hospitals that receive"

Page 2, line 8, remove "trauma patients from oil-producing counties"

Page 2, line 10, replace "three" with "fifteen"

Page 2, line 10, replace "twenty-five" with "seventy-five"

Page 3, line 23, remove "~~and to applicants that are prospective payment system hospitals that receive trauma patients from oil-producing counties~~"

Page 3, line 26, replace "~~three~~" with "~~fifteen~~"

Page 3, line 26, replace "~~twenty-five~~" with "~~seventy-five~~"

Page 4, line 19, after "**3.**" insert "**CONTINGENT**"

Page 4, line 19, replace "There" with "If the board of university and school lands confirms that it will authorize no more than $100,000,000 from the strategic investment and improvements fund to provide school construction projects under section 15.1-36-02, there"

Page 4, line 21, replace "$12,000,000" with "$100,000,000"

Page 4, line 28, replace "30" with "31"

Page 4, after line 29, insert:

"**SECTION 5. REPORT TO SIXTY-FOURTH LEGISLATIVE ASSEMBLY.** The Bank of North Dakota shall report to the sixty-fourth legislative assembly on the status of the loan program provided for in this Act."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2187 - Bank of North Dakota - House Action

	Executive Budget	Senate Version	House Changes	House Version
Medical facility infrastructure loans		$12,000,000	$88,000,000	$100,000,000
Total all funds	$0	$12,000,000	$88,000,000	$100,000,000
Less estimated income	0	12,000,000	88,000,000	100,000,000
General fund	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adds Funding for Loans[1]	Total House Changes
Medical facility infrastructure loans	$88,000,000	$88,000,000
Total all funds	$88,000,000	$88,000,000
Less estimated income	88,000,000	88,000,000
General fund	$0	$0
FTE	0.00	0.00

[1] This amendment increases the funding for medical facility infrastructure loans from $12 million to $100 million, all of which is from the strategic investment and improvements fund. The funding is contingent on the Department of Trust Lands confirming that it will authorize no more than $100 million from the strategic investment and improvements fund for school construction project loans.

This amendment also requires the Bank of North Dakota to report on the status of the medical facility infrastructure loan program to the 64th Legislative Assembly.

2013 CONFERENCE COMMITTEE

SB 2187

2013 SENATE STANDING COMMITTEE MINUTES

Senate Human Services Committee
Red River Room, State Capitol

SB 2187
4/16/13
21177

☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Relating to a Bank of ND medical facility infrastructure loan program, and to provide an appropriation, an effective date, and expiration date.

Minutes: You may make reference to "attached testimony."

Sen. Anderson, Sen. Larsen, Sen. Axness are present
Rep. Weisz, Rep. Anderson, Rep. Muscha are present

Sen. Anderson opens Conference Committee for SB 2187

Rep. Weisz explains the amendments put on by the House.

Sen. Anderson asks for clarification on language within SB 2187.

Bob Human chief lending officer for the Bank of North Dakota is recognized. Explains to the committee proposed amendments to the committee.
Rep. Weisz asks if the amendment is adopted is there a problem with section 5. **Sen. Larsen** asks about other projects, and how the money will be spent.

John Walsted from Legislative council is recognized and clarifies what the amendment. **Mr. Walsted** shares with the committee his concerns with appropriation section within SB 2187. **Rep. Weisz** explains the intent.

There is a discussion about the amendments at this time and adjuring at this time.

Sen. Anderson closes the conference committee.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Human Services Committee
Red River Room, State Capitol

SB 2187
4/26/13
21549

☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Relating to a Bank of ND medical facility infrastructure loan program, and to provide an appropriation, an effective date, and expiration date.

Minutes:

Sens. Anderson, Larsen, Axness are present
Reps. Weisz, Anderson, Muscha are present

Sen. Anderson opens the conference committee on SB 2187

Sen. Anderson discusses proposed amendment and SB 1319

Rep. Wiez clarifies the language is written and SB 1319.

Sen. Larsen asks clarification on funding.

The committee discusses funding.

Rep. Wiez motions House Recede from House amendments and further amends.

Rep. Anderson Seconds

There is a discussion on holding the bill until HB 1319 is passed.

6 yes
0 no
0 absent.

Senate Carrier Sen. Anderson

House Carrier Rep. Weisz

2013 SENATE STANDING COMMITTEE MINUTES

Senate Human Services Committee
Red River Room, State Capitol

SB 2187
4/30/13
21627

☒ Conference Committee

Committee Clerk Signature Kristen Brosseau

Explanation or reason for introduction of bill/resolution:

Relating to a Bank of ND medical facility infrastructure loan program, and to provide an appropriation, an effective date, and an expiration date.

Minutes:

You may make reference to "attached testimony."

Sen. Anderson, Larsen, Axness are present
Rep. Wiesz, Anderson, Muscha are present

Sen. Anderson opens the conference committee on SB 2187

Sen. Anderson discusses reconsideration of amendment .03007

Rep. Wiesz motions to reconsider amendment .03007

Sen. Larsen seconds

6 yes, 0 no, 0 absent

The motion carries

Rep. Wiesz motions hose recede from House amendments and amend.

Sen. Larsen seconds.

Rep. Wiesz clarifies the new amendments. (.03008)

Rep. Anderson asks **Rep. Wiesz** if there is an estimate of any funding left.

Inaudible:
6 yes
0 no
0 absent

The motion carries

Sen. Anderson closes the conference committee on SB 2187

13.0505.07000

FISCAL NOTE
Requested by Legislative Council
01/24/2013

Amendment to: SB 2187

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

All costs to administer and audit the proposed Medical Facility Infrastructure Loan Program will be paid out of the program fund and there will not be any fiscal impact to the General Fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Robert A. Humann
Agency: Bank of North Dakota
Telephone: 328.5703
Date Prepared: 01/24/2013

13.0505.03007
Title.06000

Prepared by the Legislative Council staff for
Senator Anderson
April 17, 2013

4-29-13
1 of 3

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2187

That the House recede from its amendments as printed on pages 1208 and 1209 of the Senate Journal and pages 1268 and 1269 of the House Journal and that Reengrossed Senate Bill No. 2187 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 6-09-47 of the North Dakota Century Code, relating to a Bank of North Dakota medical facility infrastructure loan program; to provide for a report; to provide for a transfer; to provide a contingent appropriation; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 6-09-47 of the North Dakota Century Code is created and enacted as follows:

6-09-47. (Effective through July 31, 2017) Medical facility infrastructure loan program - Continuing appropriation - Audit and costs of administration.

1. The Bank of North Dakota shall administer a loan program to provide loans to medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state. The construction project may include land purchases and may include purchase, lease, erection, or improvement of any structure or facility to the extent the governing board of the health care facility has the authority to authorize such activity.

2. In order to be eligible under this loan program, the applicant must be the governing board of the health care facility which shall submit an application to the Bank. The application must:

   a. Detail the proposed construction project, which must be a project of at least one million dollars and which is expected to be utilized for at least thirty years;

   b. Demonstrate the need and long-term viability of the construction project; and

   c. Include financial information as the Bank may determine appropriate to determine eligibility, such as whether there are alternative financing methods.

3. The governor shall establish a task force to review loan applications under this section and to make recommendations to the Bank on the loan applications. The task force must include representation of medical providers and medical facilities from the oil-producing counties in the state. The task force shall work with the Bank to establish criteria for eligibility for a loan under the program. The criteria established by the task force and

the Bank must give priority to applicants that are located in oil-producing counties.

4. A loan provided under this section:

   a. May not exceed the lesser of fifteen million dollars or seventy-five percent of the actual cost of the project;

   b. Must have an interest rate equal to one percent; and

   c. Must provide a repayment schedule of no longer than twenty-five years.

5. A recipient of a loan under this section shall complete the financed construction project within twenty-four months of approval of the loan. Failure to comply with this subsection may result in forfeiture of the entire loan received under this section.

6. The medical facility infrastructure fund is a special fund in the state treasury. All moneys in the medical facility infrastructure fund are appropriated to the Bank on a continuing basis for the purpose of providing loans under this section.

7. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

8. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund.

9. The Bank shall deposit loan repayment funds in the medical facility infrastructure fund. After deduction of fees and costs as provided in this section, the Bank shall make an annual transfer of repayment funds deposited in the medical facility infrastructure fund to the state treasurer for deposit in the strategic investment and improvements fund.

(Effective August 1, 2017, through July 31, 2043) Medical facility infrastructure loan program - Continuing appropriation - Audit and costs of administration.

1. The Bank of North Dakota shall service loans made under the medical facility infrastructure loan program. The repayment schedule of these loans may not exceed twenty-five years.

2. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

3. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund.

4. The Bank shall deposit loan repayment funds in the medical facility infrastructure fund. After deduction of fees and costs as provided in this section, the Bank shall make an annual transfer of repayment funds deposited in the medical facility infrastructure fund to the state treasurer for deposit in the strategic investment and improvements fund.

SECTION 2. CONTINGENT APPROPRIATION - TRANSFER. There is appropriated out of any moneys in the strategic investment and improvements fund in the state treasury, not otherwise appropriated, the lesser of the sums of $100,000,000 or the amount determined by subtracting from $200,000,000 the amount authorized to provide school construction loans under section 15.1 36 02, as amended by House Bill No. 1319, as approved by the sixty third legislative assembly, or so much of the sum as may be necessary, to the medical facility infrastructure fund for use by the Bank of North Dakota to provide medical facility infrastructure loans under section 1 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 3. BALANCE TRANSFER. The Bank of North Dakota shall transfer any balance remaining in the medical facility infrastructure fund on July 31, 2017, to the state treasurer for deposit in the strategic investment and improvements fund.

SECTION 4. REPORT TO SIXTY-FOURTH LEGISLATIVE ASSEMBLY. The Bank of North Dakota shall report to the sixty-fourth legislative assembly on the status of the loan program provided for in this Act.

SECTION 5. EXPIRATION DATE. Section 4 of this Act is effective through July 31, 2017, and is thereafter ineffective."

Renumber accordingly

13.0505.03008
Title.07000

Prepared by the Legislative Council staff for
Representative Weisz
April 30, 2013

4-30-13
1 of 3

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2187

That the House recede from its amendments as printed on pages 1208 and 1209 of the Senate Journal and pages 1268 and 1269 of the House Journal and that Reengrossed Senate Bill No. 2187 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 6-09-47 of the North Dakota Century Code, relating to a Bank of North Dakota medical facility infrastructure loan program; to provide for a report; to provide for a transfer; to provide a contingent appropriation; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 6-09-47 of the North Dakota Century Code is created and enacted as follows:

6-09-47. (Effective through July 31, 2017) Medical facility infrastructure loan program - Continuing appropriation - Audit and costs of administration.

1. The Bank of North Dakota shall administer a loan program to provide loans to medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state. The construction project may include land purchases and may include purchase, lease, erection, or improvement of any structure or facility to the extent the governing board of the health care facility has the authority to authorize such activity.

2. In order to be eligible under this loan program, the applicant must be the governing board of the health care facility which shall submit an application to the Bank. The application must:

   a. Detail the proposed construction project, which must be a project of at least one million dollars and which is expected to be utilized for at least thirty years;

   b. Demonstrate the need and long-term viability of the construction project; and

   c. Include financial information as the Bank may determine appropriate to determine eligibility, such as whether there are alternative financing methods.

3. The governor shall establish a task force to review loan applications under this section and to make recommendations to the Bank on the loan applications. The task force must include representation of medical providers and medical facilities from the oil-producing counties in the state. The task force shall work with the Bank to establish criteria for eligibility for a loan under the program. The criteria established by the task force and

the Bank must give priority to applicants that are located in oil-producing counties.

4. A loan provided under this section:

   a. May not exceed the lesser of fifteen million dollars or seventy-five percent of the actual cost of the project;

   b. Must have an interest rate equal to one percent; and

   c. Must provide a repayment schedule of no longer than twenty-five years.

5. A recipient of a loan under this section shall complete the financed construction project within twenty-four months of approval of the loan. Failure to comply with this subsection may result in forfeiture of the entire loan received under this section.

6. The medical facility infrastructure fund is a special fund in the state treasury. All moneys in the medical facility infrastructure fund are appropriated to the Bank on a continuing basis for the purpose of providing loans under this section.

7. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

8. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund.

9. The Bank shall deposit loan repayment funds in the medical facility infrastructure fund. After deduction of fees and costs as provided in this section, the Bank shall make an annual transfer of repayment funds deposited in the medical facility infrastructure fund to the state treasurer for deposit in the strategic investment and improvements fund.

(Effective August 1, 2017, through July 31, 2043) Medical facility infrastructure loan program - Continuing appropriation - Audit and costs of administration.

1. The Bank of North Dakota shall service loans made under the medical facility infrastructure loan program. The repayment schedule of these loans may not exceed twenty-five years.

2. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

3. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund.

4. The Bank shall deposit loan repayment funds in the medical facility infrastructure fund. After deduction of fees and costs as provided in this section, the Bank shall make an annual transfer of repayment funds deposited in the medical facility infrastructure fund to the state treasurer for deposit in the strategic investment and improvements fund.

SECTION 2. APPROPRIATION - TRANSFER. There is appropriated out of any moneys in the strategic investment and improvements fund in the state treasury, not otherwise appropriated, the sum of $50,000,000, or so much of the sum as may be necessary, to the medical facility infrastructure fund for use by the Bank of North Dakota to provide medical facility infrastructure loans under section 1 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015. In addition, any amount authorized by the state board of university and school lands under House Bill No. 1319, as enacted by the sixty-third legislative assembly, after December 31, 2014, as uncommitted school construction loans shall be transferred to the medical facility infrastructure fund and is appropriated for the purpose of loans by the Bank of North Dakota to provide medical facility infrastructure loans under section 1 of this Act.

SECTION 3. BALANCE TRANSFER. The Bank of North Dakota shall transfer any balance remaining in the medical facility infrastructure fund on July 31, 2017, to the state treasurer for deposit in the strategic investment and improvements fund.

SECTION 4. REPORT TO LEGISLATIVE ASSEMBLY. The Bank of North Dakota shall report to the sixty-fourth and sixty-fifth legislative assemblies on the status of the loan program provided for in this Act."

Renumber accordingly

Date 4/16/13

Roll Call Vote # _____

2013 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2187 as (re) engrossed

Senate Human Services Committee

Action Taken

- ☐ SENATE accede to House Amendments
- ☐ SENATE accede to House Amendments and further amend
- ☐ HOUSE recede from House amendments
- ☒ HOUSE recede from House amendments and amend as follows
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Weisz Seconded by: Rep Anderson

Senators	4/16	4/26		Yes	No	Representatives	4/16	4/26		Yes	No
Sen. Anderson	✓	✓		X		Rep. Weisz	✓	✓		X	
Sen. Larsen	✓	✓		X		Rep. ~~Larson~~ Anderson	✓	✓		X	
Sen. Axness	✓	✓		X		Rep. Muscha	✓	✓		X	
Total Senate Vote						Total Rep. Vote					

Vote Count Yes: 6 No: — Absent: —

Senate Carrier Sen Anderson House Carrier Rep Weisz

LC Number 13.0505 . 03007 of amendment

LC Number _____ . _____ of engrossment

Anderson

Date 4/30/13

Roll Call Vote # 1

2013 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2187 as (re) engrossed

Senate Human Services Committee Reconsider

Action Taken

- ☐ SENATE accede to House Amendments
- ☐ SENATE accede to House Amendments and further amend
- ☐ HOUSE recede from House amendments
- ☐ HOUSE recede from House amendments and amend as follows
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Rep Wiesz Seconded by: Sen Larsen

Senators	4/30			Yes	No	Representatives	4/30			Yes	No
Sen. Anderson	✓			✓		Rep. Wiesz	✓			✓	
Sen. Larsen	✓			✓		Rep. Anderson	✓			✓	
Sen. Axness	✓			✓		Rep. Muscha	✓			✓	
Total Senate Vote						Total Rep. Vote					

Vote Count Yes: 6 No: — Absent: —

Senate Carrier _____ House Carrier _____

LC Number 13.0505 . 03007 of amendment

LC Number _____ . _____ of engrossment

Date 4-30-13

Roll Call Vote # 2

2013 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2187 as (re) engrossed

Senate Human Services Committee

Action Taken

- ☐ SENATE accede to House Amendments
- ☐ SENATE accede to House Amendments and further amend
- ☐ HOUSE recede from House amendments
- ☑ HOUSE recede from House amendments and amend as follows
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Rep Wiesz Seconded by: Sen Larsen

Senators				Yes	No	Representatives				Yes	No
Sen. Anderson				✓		Rep. Wiesz				✓	
Sen. Larsen				✓		Rep. Anderson				✓	
Sen. Axness				✓		Rep. Muscha				✓	
Total Senate Vote						Total Rep. Vote					

Vote Count Yes: 6 No: 0 Absent: —

Senate Carrier Sen Anderson House Carrier Rep Wiesz

LC Number 13.0505 . 03008 of amendment

LC Number _____ . _____ of engrossment

REPORT OF CONFERENCE COMMITTEE

SB 2187, as reengrossed: Your conference committee (Sens. Anderson, Larsen, Axness and Reps. Weisz, Anderson, Muscha) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1268-1269, adopt amendments as follows, and place SB 2187 on the Seventh order:

That the House recede from its amendments as printed on pages 1208 and 1209 of the Senate Journal and pages 1268 and 1269 of the House Journal and that Reengrossed Senate Bill No. 2187 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 6-09-47 of the North Dakota Century Code, relating to a Bank of North Dakota medical facility infrastructure loan program; to provide for a report; to provide for a transfer; to provide a contingent appropriation; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 6-09-47 of the North Dakota Century Code is created and enacted as follows:

6-09-47. (Effective through July 31, 2017) Medical facility infrastructure loan program - Continuing appropriation - Audit and costs of administration.

1. The Bank of North Dakota shall administer a loan program to provide loans to medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state. The construction project may include land purchases and may include purchase, lease, erection, or improvement of any structure or facility to the extent the governing board of the health care facility has the authority to authorize such activity.

2. In order to be eligible under this loan program, the applicant must be the governing board of the health care facility which shall submit an application to the Bank. The application must:

   a. Detail the proposed construction project, which must be a project of at least one million dollars and which is expected to be utilized for at least thirty years;

   b. Demonstrate the need and long-term viability of the construction project; and

   c. Include financial information as the Bank may determine appropriate to determine eligibility, such as whether there are alternative financing methods.

3. The governor shall establish a task force to review loan applications under this section and to make recommendations to the Bank on the loan applications. The task force must include representation of medical providers and medical facilities from the oil-producing counties in the state. The task force shall work with the Bank to establish criteria for eligibility for a loan under the program. The criteria established by the task force and the Bank must give priority to applicants that are located in oil-producing counties.

4. A loan provided under this section:

   a. May not exceed the lesser of fifteen million dollars or seventy-five percent of the actual cost of the project;

b. Must have an interest rate equal to one percent; and

c. Must provide a repayment schedule of no longer than twenty-five years.

5. A recipient of a loan under this section shall complete the financed construction project within twenty-four months of approval of the loan. Failure to comply with this subsection may result in forfeiture of the entire loan received under this section.

6. The medical facility infrastructure fund is a special fund in the state treasury. All moneys in the medical facility infrastructure fund are appropriated to the Bank on a continuing basis for the purpose of providing loans under this section.

7. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

8. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund.

9. The Bank shall deposit loan repayment funds in the medical facility infrastructure fund. After deduction of fees and costs as provided in this section, the Bank shall make an annual transfer of repayment funds deposited in the medical facility infrastructure fund to the state treasurer for deposit in the strategic investment and improvements fund.

(Effective August 1, 2017, through July 31, 2043) Medical facility infrastructure loan program - Continuing appropriation - Audit and costs of administration.

1. The Bank of North Dakota shall service loans made under the medical facility infrastructure loan program. The repayment schedule of these loans may not exceed twenty-five years.

2. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

3. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund.

4. The Bank shall deposit loan repayment funds in the medical facility infrastructure fund. After deduction of fees and costs as provided in this section, the Bank shall make an annual transfer of repayment funds deposited in the medical facility infrastructure fund to the state treasurer for deposit in the strategic investment and improvements fund.

SECTION 2. APPROPRIATION - TRANSFER. There is appropriated out of any moneys in the strategic investment and improvements fund in the state treasury, not otherwise appropriated, the sum of $50,000,000, or so much of the sum as may be necessary, to the medical facility infrastructure fund for use by the Bank of North Dakota to provide medical facility infrastructure loans under section 1 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015. In addition, any amount authorized by the state board of university and school lands under House Bill No. 1319, as enacted by the sixty-third legislative assembly, after December 31,

2014, as uncommitted school construction loans shall be transferred to the medical facility infrastructure fund and is appropriated for the purpose of loans by the Bank of North Dakota to provide medical facility infrastructure loans under section 1 of this Act.

SECTION 3. BALANCE TRANSFER. The Bank of North Dakota shall transfer any balance remaining in the medical facility infrastructure fund on July 31, 2017, to the state treasurer for deposit in the strategic investment and improvements fund.

SECTION 4. REPORT TO LEGISLATIVE ASSEMBLY. The Bank of North Dakota shall report to the sixty-fourth and sixty-fifth legislative assemblies on the status of the loan program provided for in this Act."

Renumber accordingly

Reengrossed SB 2187 was placed on the Seventh order of business on the calendar.

2013 TESTIMONY

SB 2187

Attachment #1

Pushing the Limits: The Impact of the Oil Boom on Health Care in Western North Dakota

August 23, 2012

HIMLE RAPP & COMPANY

COMMUNICATIONS
REPUTATION
CRISIS
PUBLIC AFFAIRS

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Introduction

Across western North Dakota, an oil boom is in full swing, prompted by horizontal drilling and hydraulic fracturing to extract oil resources trapped within the Bakken Formation. More than 200 oil rigs are currently at work in North Dakota. Oil output has more than doubled in two years and jumped five-fold since 2006. North Dakota recently surpassed Alaska as the nation's second-largest oil producer and accounts for about 10 percent of U.S. crude production. The oil boom has been good for North Dakota, creating an unprecedented budget surplus, low unemployment figures and significant wealth for the state at a time when many other states are struggling with budget deficits.

The oil boom has also presented several challenges, including housing shortages, an explosion of heavy truck traffic and competition for human resources. It is also threatening to overwhelm the state's health care infrastructure which was not designed to accommodate such a rapid increase in population.

The Health Policy Consortium (HPC), in cooperation with health care providers across North Dakota, engaged Himle Rapp & Company to conduct qualitative and quantitative research on the impact of the oil boom on health care facilities and providers in western North Dakota. The goal of the research is to capture the scope of the problem and develop valuable recommendations to present to policymakers and others regarding the health care issues facing North Dakota.

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Executive Summary

Technological advancements for oil extraction and the ensuing development of the Bakken Region is causing rapid population growth in many western North Dakota communities. Small hospitals and clinics have traditionally served the health care needs of residents in these affected communities. While providing high quality health care, two-thirds of the smaller facilities located in rural areas of the state report operating losses in two of the last three years. Until the beginning of the oil boom, these facilities were not poised for rapid expansion to accommodate an influx of new residents.

Population growth over the last few years is straining the health care system in western North Dakota. Absent a coordinated, comprehensive response to current and future challenges, continued population growth will jeopardize existing access to quality health care services in many communities.

Staff Recruitment and Workforce Development
Health care is a labor-intensive industry, meaning labor expenses typically far outweigh capital expenses. Hospitals and clinics in the Bakken Region have redoubled their efforts at staff recruitment to meet the growing demand for patient care. Despite their best efforts, external obstacles such as lack of available or affordable housing and daycare combined with hyper-competitive wages available in other industries are limiting hospitals' ability to attract new staff. Retention of existing employees has become a growing challenge as the situation is placing unprecedented demands on the existing workforce.

Capacity for Care Delivery
The influx of new residents has resulted in a growing number of new patients seeking primary care services in clinic settings. Existing capacity has not kept pace with the rate of population growth and clinics are no longer able to satisfy skyrocketing patient demand. Difficulty accessing clinical care in a timely fashion is prompting patients to seek care in the emergency room for what would otherwise be a routine checkup. This, combined with an increase in traffic accidents and other trauma, is overwhelming emergency rooms that are simply not equipped to handle the volume of patients they are currently receiving.

Financial Viability
A multitude of factors have negatively impacted the financial health of many hospitals and clinics, threatening their long-term viability. Facilities that have historically operated on slim margins in rural communities are having difficulty accessing capital on the private market to fund necessary expansion and renovation of facilities. Bad debt levels have grown at a staggering rate as hospitals are seeing more uninsured patients who are either unwilling or unable to pay their bills. Finally, competition from all economic sectors is driving up costs for services and workforce, placing additional pressure on stressed budgets.

Growing Public Health Concerns
The oil boom and accompanying population growth has created new public health concerns in western North Dakota that have exacerbated the strain on the existing health care infrastructure. For example, there has been a dramatic increase in the incidence of sexually transmitted diseases, which is creating additional demand for primary care services. Further, rising numbers of traffic accidents and incidences of violence resulting in trauma have caused an unprecedented number of emergency room visits at affected facilities.

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To address the primary challenges for health care delivery identified through this study, policymakers will need to consider innovative programs to improve access to capital for the health care industry. Potential solutions include expanding the oil impact grant program and/or establishing a streamlined, low-or no-interest loan program for capital projects. Coordinating recommended solutions for the remaining challenges would best be accomplished through an active task force involving health care providers, policymakers, oil industry representatives and other business leaders.

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General Observations

1. **The oil boom is good for North Dakota.**
   Despite numerous challenges presented by the oil boom, health care providers in North Dakota overwhelmingly agreed that the oil boom has had a positive impact on the state economy.
   - The oil boom has created many high-paying jobs, produced record-setting employment figures and produced significant wealth for many land and business owners.
   - Tax revenues on oil production have positioned North Dakota as one of few states with a significant budget surplus during a time when the rest of the country is suffering from high unemployment rates and budget deficits.

2. **Hospitals and clinics in western North Dakota are significantly strained by the demand from the growing population.**
   - Quality health care is still being delivered, but access to care is deteriorating and facilities cannot sustain continued pressure.
   - Patient demand for services has dramatically increased over the past 24 months.
   - The incoming workforce is presenting unique and severe health issues.

> *"It [the oil boom] has resulted in surplus funds, bringing attention and employment to North Dakota, long-term benefit. It's an enviable position. The issue is that it caught us off guard. The economy is great; the oil boom is wonderful – very positive. But rapid progress has a price. There are bad sides to it such as ER issues and bad debt for hospitals."*
>
> *- Dean Mattern, CEO*
> *Garrison Memorial Hospital, Garrison*

3. **Hospitals and clinics in North Dakota are not structured to accommodate an increase in demand this quickly.**
   The biggest challenge for those impacted by the oil industry's rapid growth is to find resources and solutions required to keep pace with demand. The oil boom has greatly accelerated the need for health care infrastructure and most rural hospitals have the need for immediate expansion of both infrastructure and capacity to provide care.

4. **Immediate and short-term challenges must be addressed to maintain high-quality health care.**
   North Dakota hospitals and clinics are facing numerous immediate and short-term challenges, including financial, housing and staffing crises. In addition, heath care providers are straining to provide primary, urgent and emergency care efficiently due to the growth in demand.

5. **Hospitals are balancing long-term planning against uncertain future growth.**
   Although sources predict the oil boom could continue for another 30 years, most hospital administrators are uncertain of the future rate of growth in their areas. Planning for the contingencies that come with growth and contraction is critical to the success of the hospitals and clinics – and for the health of North Dakotans.

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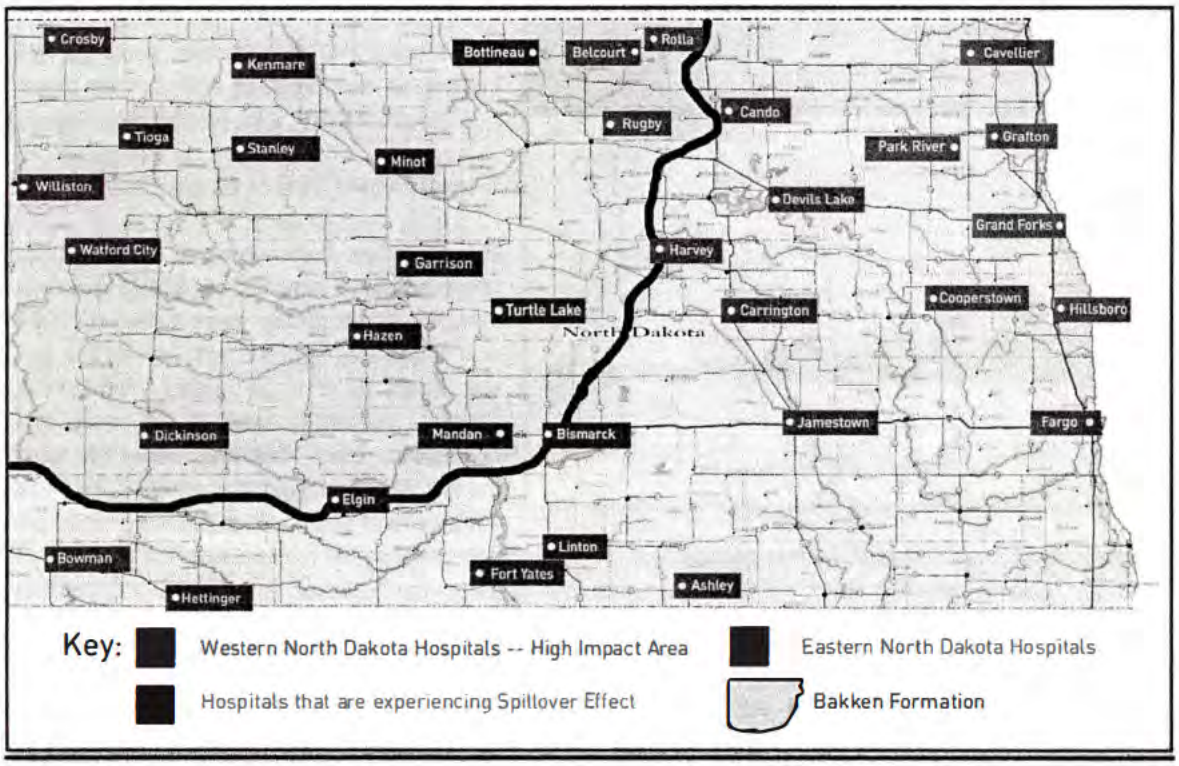
Geography of the Oil Boom

There are two primary categories of facilities that have been most affected by the oil boom. The first category includes facilities located within the Bakken Formation that are directly impacted by the population growth and subsequent rise in demand for care services. Hospitals and clinics located in Williston, Watford City, Tioga, Stanley, Dickinson and Minot are experiencing the greatest impacts. Most facilities in these service areas are struggling to manage and care for the growing population.

In some areas, including the Tioga service area, the population has more than tripled due to the influx of oil workers and "crew camps," which, in turn, has caused the demand for health care to skyrocket. Williston has experienced similarly staggering population growth, but is fortunate to have a $30 million expansion underway. Administrators in Williston were able to secure needed capital and already had the infrastructure in place to satisfy the growing demand. They are also benefitting from oil industry assistance.

A second group of facilities exist on the border of the Bakken Formation and are experiencing a spillover effect. Many hospitals and clinics on the fringe of the oil development are currently managing demand, but are braced for a dramatic increase and see the need to problem-solve now. For example, Garrison and Crosby are experiencing some of the strain and tightness on housing, but not to the extent that Tioga and Watford City are experiencing. Bottineau is targeted as the next area for drilling and is currently experiencing moderate impact and expects to experience a significant increase in demand for service in the very near future.

NORTH DAKOTA



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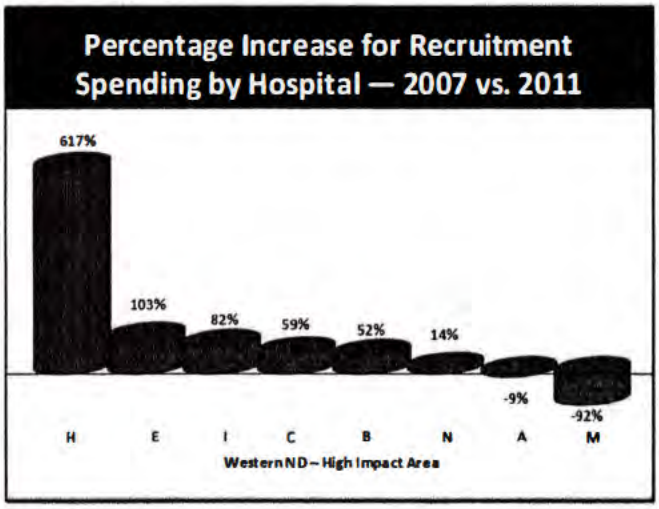
Recruitment and Workforce Development

Unprecedented population growth in western North Dakota is generating unprecedented demands on the existing health care workforce. Despite aggressive and innovative approaches to recruit physicians and support staff, hospitals and clinics are unable to recruit or retain the staff necessary to meet increased patient demand. Several obstacles are hampering existing recruitment efforts and this problem is perpetuating the strain on existing clinical capacity and contributing to rising costs as outlined in later sections of this report.

> *"In Bismarck, we're seeing direct impact from the energy industry's rapid growth. In addition to increased demand for services, we're faced with growing staffing shortages. In 2007, we averaged about 80 openings at any given time. In 2012, we've had as many as 200 openings at one time."*
>
> *- Dr. Craig Lambrecht, President and CEO*
> *Sanford Medical Center Bismarck, Bismarck*

Recruiting and retaining quality physicians has traditionally been a challenge for hospitals in rural communities. According to the American Hospital Association, approximately 23 percent of the population in the United States resides in non-metropolitan areas, while only 13 percent of physicians practice in these same areas, resulting in a highly competitive recruiting environment.

A majority of hospitals and clinics throughout North Dakota are investing more resources than ever to recruit and retain mid- (primarily RNs) and entry-level staff (maintenance, CNAs, dietary, housekeeping) with little success. The cost of these practices include not only dollars spent recruiting and retaining staff but also time and energy invested in training and orienting new staff.



Data collected for this report revealed that the impact on recruitment costs is not limited to the western half of the state. Compared to 2007, the percentage change in recruitment expenses at hospitals in western North Dakota ranged from (-92%) to 617%, compared with a range of 126% to 287% for their eastern counterparts. (One hospital reported a 40,000 percent increase in recruiting costs between 2007 and 2011. This figure is not included in the side chart as it is an outlier.) While the trend in recruiting costs is not uniformly consistent (two facilities reduced such expenses), the dramatic increase in costs at a majority of the facilities demonstrates the significance of this challenge. Survey respondents reported that the level of competition for doctors, in particular, has increased dramatically. For example, one hospital reported paying a $100,000 incentive for a single physician to relocate to western North Dakota.

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Hospitals and clinics have altered recruiting and retention activities by:

- Increasing wages
- Securing/offering housing (when available)
- Advertising nationally and internationally, instead of locally or regionally
- Using social media to reach prospective staff in new ways
- Working with staffing agencies to help access new employee pools, especially in areas of high unemployment around the U.S.

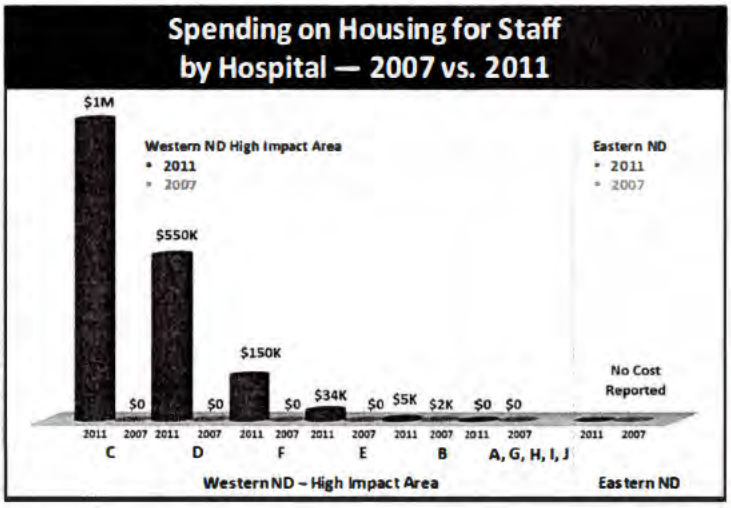
> *"We are trying to recruit aggressively to avoid hiring traveling staff, sign on bonuses and wage increases. We have expanded our advertising to now include areas outside of the region. We also are using social media and a national list serve, but when we find someone who is interested, housing is an issue."*
>
> *— Gary Miller, President & CEO*
> *St. Alexius Medical Center, Bismarck*

- Working with education programs in North Dakota and other areas to recruit newly-trained and homegrown professionals
- Recruiting family members of current employees, who already have a place to live, to circumvent the housing issue
- Recruiting doctors through the National Health Service Corps, a U.S. Department of Human Services program committed to improving access to health care in medically underserved regions
- Offering numerous accommodations including:
  - *Sign-on bonuses*
  - *Retention bonuses*
  - *Flexible scheduling*
  - *Generous benefit packages*
  - *Relocation packages*
  - *Student loan repayment assistance*

The limited success of such exhaustive efforts is the likely result of several common obstacles.

Lack of Affordable Housing

Respondents nearly unanimously voiced that the lack of affordable housing is the primary obstacle for recruiting and retaining employees, and the situation has worsened in the past 12 to 18 months. This conundrum exists for all staff, including medical staff, nursing staff and front-line, entry-level positions such as housekeeping, dietary and maintenance workers. Prospective employees either cannot afford to live in the oil impacted areas or housing is simply not available.



Currently, there are thousands of housing units being built in western North Dakota - apartments, townhouses and single-family homes. The construction phase will be complete in most areas in approximately 18 months, but this is

> *"I'm in a position to take care of people, not in a position to be a landlord. But we are doing whatever we can to help out staff and the community with housing."*
>
> *- Reed Reyman, President and CEO*
> *St. Joseph's Hospital, Dickinson*

not soon enough for the hospitals and clinics in communities who need housing now. Many also note that when new housing is built and available, it is not affordable.

Without available housing now, hospitals and clinics are not able to recruit or retain staff to meet the demand. There is nearly unanimous agreement that the housing crisis is preventing hospitals and clinics from hiring the staff necessary to support expanding operations to meet the demand for care.

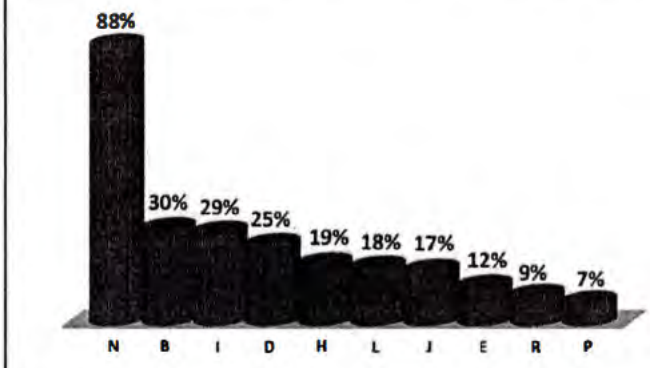
Many respondents report that once they successfully recruit an employee, they often cannot complete the hire because the employee is unable to secure housing.

Hospitals and clinics have attempted to address the housing shortage with numerous short-term solutions, creating additional financial burden for facilities. Many hospitals have taken a proactive approach and are buying and building housing themselves. Others reported spending time fostering relationships with building owners to reserve housing for incoming staff. Some hospitals have been able to purchase and/or subsidize housing for staff, while others have converted existing hospital structures into housing. Facilities in larger communities, such as Williston, are able to lease housing to secure it and sub-lease it to employees without absorbing additional expense. Others report that even though they have yet to purchase properties, the option is under consideration. These efforts are costing hospitals and clinics significant time and money while providing little short-term relief. Many smaller facilities with fewer resources have no existing options available to address the housing crisis.

Hyper-Competitive Wages

One of the largest financial burdens for hospitals and clinics regarding workforce has been the need to increase wages. Over the past four years, wages for nurses and support staff at hospitals in western North Dakota have increased at a rate of 24 - 29 percent on average, compared to 10 - 12 percent for their eastern counterparts. Ballooning wages have a direct impact on hospital finances. Despite system-wide wage increases, health care remains at a significant disadvantage among other employers in oil-producing communities.

Percentage Increase in Nurse and Support Staff Wages by Hospital — 2007 vs. 2011



Even with increasing wages, employees most often report that they leave their positions in health care for more money elsewhere or because they no longer have to work due to oil revenue. The biggest competitor for front-line staff comes from the oil industry and corollary businesses that have opened to cater to the oil industry (restaurants, hotels, convenience stores, etc.) Many administrators noted that they are unable to pay a competitive wage when compared to other employers because they are limited

by their inability to increase prices for health services, while more conventional businesses are not constricted in this way.

Availability and Affordability of Daycare

The lack of affordable and available daycare is another issue for North Dakota hospitals that is having a direct impact on recruiting and retaining staff. Because daycare services are not available for staff, additional employees are leaving their positions in health care, or decreasing their hours to care for their child/children. In many situations it is more cost-effective for the employee to stay at home to care for their children than to pay for a daycare provider. This situation often prevents prospective staff from relocating for employment in the oil impacted areas and is perpetuating the staffing shortage.

Deteriorating Working Conditions

Working Conditions are Worsening and are Further Impacting Staffing Challenges.

> *"We are short-staffed every day. That causes stress and burn out."*
> *- Dr. Scott Knutson, Assistant Medical Director, Emergency Trauma Center Trinity Health, Minot*

Staff burnout due to increased workload.
The majority of respondents report that their staff members are feeling the strain of the population boom. Staff at all levels is being asked to do more and wear more "hats" to address the demand for care, including administrative work and training new employees. Adding to employee burnout are longer hours, increased caseloads and more responsibility for staff across-the-board.

Increased safety and security concerns.
Many respondents mentioned the need for increased security measures in their facilities to protect patients and staff. Hospital administrators have included increased security measures to accommodate concerns. Some administrators are taking proactive steps by limiting hospital entrances after regular work hours, installing security cameras throughout the facility and inviting police to have a presence in the emergency room to address increased traffic in facilities. Ensuring staff and patient safety has required considerable time, energy and expense, adding significant stress to hospital employees.

> *"Part-time staff is being asked to do more and they are burned out. Morale is low. Staff wants more money. I've heard 'My son graduated from high school and makes more in the oil field than I do as an RN' from more than one employee."*
> *- Shawn Smothers, Administrator Trinity Kenmare Community Hospital*

The staffing crisis is impacting morale.
There are substantial organizational costs associated with this situation. Higher turnover has greatly impacted the morale of entire hospital and clinic staffs, and many organizations reported making increased efforts to maintain positive work environments. Many are attempting to boost morale by giving "atta boys" to long-time staff and hosting employee recognition events and gatherings. However, administrators are quick to recognize that these gestures are simply not enough to sustain employee morale in the long-term.

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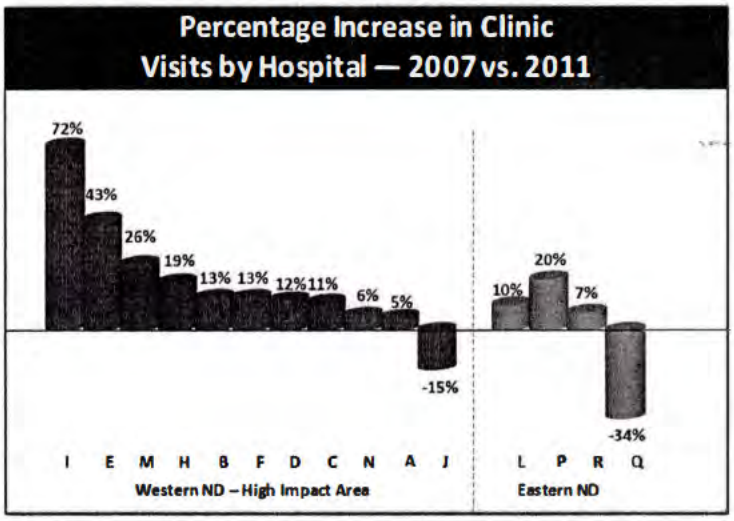
Capacity for Care Delivery

The delivery of health care services is being impacted by the population explosion and most hospitals and clinics do not have the clinical capacity – or the emergency room capacity – to handle the increased demand. Populations in western North Dakota's hub health care communities – Williston, Dickinson, Watford City and Minot – are projected to increase nearly 60 percent between now and 2020. Collectively, these four communities are estimated to have nearly 100,000 residents (crew camps included); city planners estimate that number will jump to 155,000 residents by 2020.

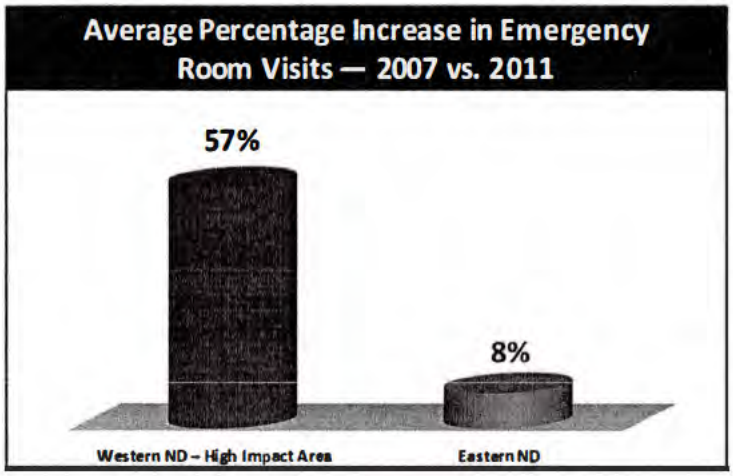
Primary Care Clinics



Many clinics in the oil impact area are operating at or above full capacity. From 2007 to 2011, clinic visits in western North Dakota increased at an average rate of 13 percent, compared to less than 1 percent in the eastern half of the state. While this increase is notably higher for facilities in the oil impact area, this statistic is likely an incomplete measure of the actual demand for clinic services. Waiting periods for clinic appointments in this area can be as long as three weeks and many patients are unable to visit the clinic during normal business hours. Clinics are too short-staffed to offer extended hours, causing patients to turn to the emergency room as an available alternative – driving up costs for what would otherwise be routine physician visits.

Hospitals and clinics are streamlining workflow and clinic operations to become as efficient as possible. However, such efforts can only accomplish so much. Clinics will need to invest capital in expanded facilities and work to recruit additional staff to fully meet the growing demand for services.

Emergency Rooms



A variety of factors are combining to overwhelm hospital emergency rooms in western North Dakota, including higher instances of trauma injuries and a growing trend of patients seeking care for routine illnesses in emergency rooms rather than in a clinic setting.

For example, Watford City has a one-room emergency department and one lightly-equipped procedure room, yet is regularly receiving

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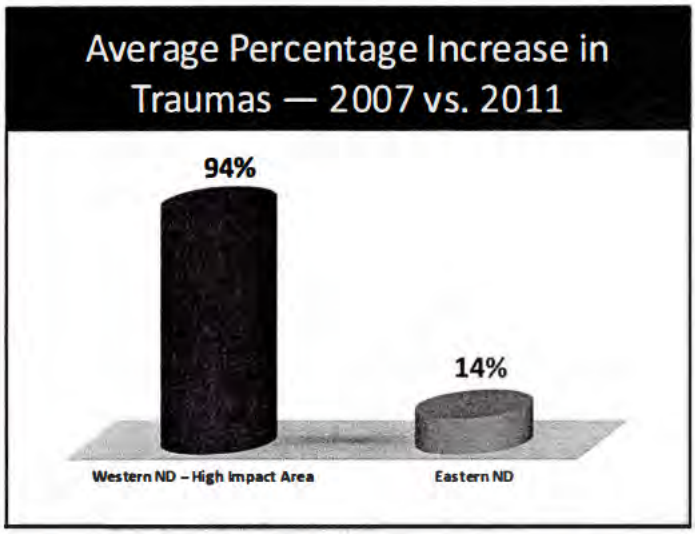
multiple traumas at the same time. Recently, this hospital admitted 26 patients in one day, including two car accidents with a total of six seriously injured patients. The facility simply cannot sustain this kind of demand with existing infrastructure and staff.

Emergency rooms are not only experiencing an overall increase in visits but are also experiencing an increase in the severity of injuries proximately caused by the oil industry. In the heart of the oil impacted areas, hospitals are seeing more work-related traumas, including smashed hands and other crushing-type injuries. Due to increases in traffic patterns throughout western North Dakota — largely attributed to the oil boom — all hospitals reported seeing substantial increases in the number of automobile accident injuries. These patients typically require emergency room attention and injuries are more severe and much more frequent than prior to the boom.



As mentioned above, patients not wanting to wait for a clinic visit, are routinely over-utilizing and misusing emergency rooms for non-emergency injuries and ailments. Some of the misuse is occurring because clinic appointments are not available for weeks and patients do not want to wait for care. Some of the misuse can be attributed to clinic hours — and not being open after typical work hours when the patients can access them. Other instances of misuse occur because patients cannot pay for the services they need and will go to emergency rooms knowing they cannot be turned away due to federal regulations requiring hospitals to administer emergency room care. This situation serves to exacerbate capacity and staffing issues and adds to mounting financial problems for affected hospitals.

"There's a population explosion in the Tioga region. The man [crew] camps in this service area are twice the size of the city. There are 2,500 people in the man camps and the population of Tioga is less than 2,000. There's a drastic increase in ER visits. In 2007, we had 600 visits. In 2012, we expect more than 2,000."

- Randall Pederson, CEO
Tioga Medical Center, Tioga

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Financial Impacts of the Oil Boom

Insufficient Capital

There is an immediate need for infrastructure expansion, but hospitals and clinics cannot access the capital required to build and renovate. Hospital administrators most often cited infrastructure issues within emergency rooms and clinics as the major challenge caused by the oil boom. However, in the same context, many administrators also mentioned that their facility is aged and the need to build new buildings outweighs the benefits of renovating existing structures.

Access to capital is the primary challenge to meeting patient demand.

Rural hospitals and clinics consistently operate on razor-thin budgets with narrow margins, highlighted by two-thirds of critical-access facilities located in rural North Dakota reporting losses in two of the last three years, making capital projects difficult to undertake. Further complicating this problem, hospitals and clinics are finding major issues in securing capital from outside sources, which is required to undertake much-needed projects. This is impacting future planning.

- Most hospitals lack the ability to self-finance. Because the growth has been so rapid, hospitals and clinics in western North Dakota do not have extensive credit histories to support large funding requests and cannot satisfy the stringent demands of financiers.

- Many facilities, particularly in the more rural areas, are aged. The condition of the hospitals not only puts patient care at risk but it also puts at risk the financial stability of the hospital and jeopardizes bond ratings. Bond ratings have a direct impact on the ability to secure capital.

> *"We are trying to address the needs for our own little community as best as we can. It is getting tough. It would be great if we had something like a loan program to get capital for hospitals at a reasonable interest rate a pool of funds that hospitals in North Dakota could draw from. We need capital funding for projects for infrastructure improvements."*
>
> *- Randall Pederson, CEO*
> *Tioga Medical Center, Tioga*

- For those still in the planning stage, financing problems are causing projects to stall or preventing them from moving into action altogether.

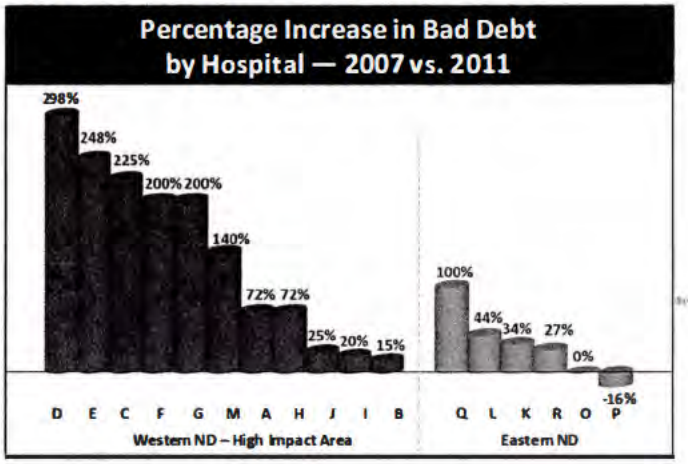
- Current funding mechanisms take too long. Numerous expansion projects are in the process of being funded by USDA Rural Development funds, as it is one of the primary funding sources available to the hospitals in rural western North Dakota. This process was repeatedly described as lengthy and burdensome. Some hospitals report that the USDA process takes years to complete – and requires significant staff time to prepare the documentation required by the application.

- Creative solutions are limited. One hospital is considering a community-wide capital campaign. Some facilities are trying to absorb costs internally, while others are seeking funding through their hospital foundations.

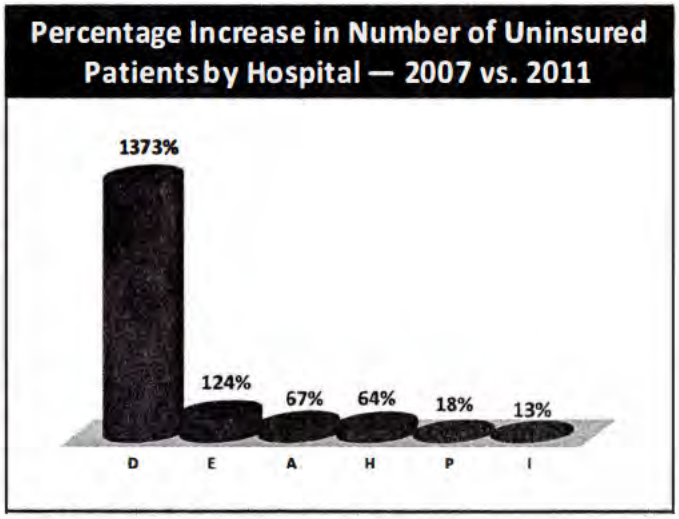
- One exception is the community of Williston, which has been able to manage the demand in a much different way than smaller surrounding communities and has a $30 million expansion underway. Administrators were able to secure capital from a variety of funding sources, including significant oil company investment, to make their expansion possible. In addition, Williston was well-positioned, as they had existing infrastructure in place to accommodate much of the growth.

Bad Debt

Levels of bad debt are rapidly increasing across-the-board in western North Dakota at a staggering average rate of 138 percent over the last four years. This unprecedented increase in bad debt is jeopardizing the financial viability of many hospitals in western North Dakota and is not sustainable in the long-term.



Several factors are contributing to this rise in bad debt. Increasingly, hospitals are seeing uninsured patients who are either unable to pay or do not pay their bills. Furthermore, due to the transient nature of the incoming population, many new patients lack stable addresses and hospitals are having difficulty locating current addresses to send bills to patients, resulting in increased nonpayment and increases in bad debt.



Hospitals have a limited ability to raise fees for services provided because they are bound by the state's Medicaid reimbursement rate for services. To aide revenue flow and alleviate some of the bad debt, some administrators mentioned the need to increase Medicaid reimbursement rates to bring more revenue into the system to offset the rise in bad debt.

Rising Costs

Population growth and rapid development of North Dakota's oil fields have resulted in rising costs for hospitals and clinics in a variety of ways.

- **Hospitals and clinics are paying high premiums for services in western North Dakota.** Many administrators report that their costs are unexpectedly increasing simply due to their geography. They report that bids for construction services are approximately 30 percent higher in the oil impacted areas than in eastern North Dakota because of the high demand.

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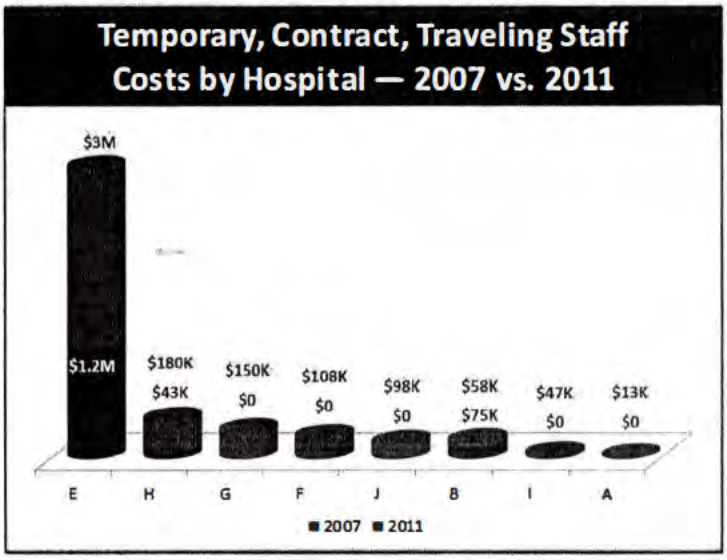
- **Workforce costs are significant.**
  As previously mentioned, hospitals and clinics are incurring significant expense to recruit and retain staff. Health care is a labor-intensive industry and stiff competition for both medical and entry-level staff is driving up wage and salary expenses across the board.

- **Temporary solutions to staffing needs are too expensive to sustain.**
  Although contract staff is helping hospitals meet the increased demand for care, all agree this solution is too expensive to sustain long-term. Almost all hospitals are currently utilizing contract staff to some degree. In 2011, seven critical access hospitals in western North Dakota increased annual expenses for temporary, contract and traveling staff by a combined total of $536,000, compared to 2007. These added expenses are in addition to the enhanced recruitment efforts and salary increases cited above.



  While temporary staff helps satisfy the growing need for patient care in the short-term, it is a less than ideal solution that is expensive and unsustainable in the long-term. In addition to cost, several respondents indicated additional issues with temporary staff, such as:
  - They are often double the cost of a regular full-time employee.
  - They are often of subpar caliber.
  - They are not vested in patient care, the community or the success of the organization, like permanent employees.

> *"Contract costs are up 300 to 400 percent. Contract staff has negative financial consequences. Contract workers also do not understand our mission and vision. They are not vested; not committed to the community or to the organization. They just want their paycheck."*
>
> *- John Kutch, President and CEO*
> *Trinity Health, Minot*

#1

Public Health Concerns

Major public health concerns are emerging and the need for more preventive health care is evident. This is particularly true in oil impacted communities where there has been a significant change in public health concerns, including an increase in sexually transmitted diseases, traffic accidents, drug and alcohol-related injuries, and increased incidents of violence, including domestic and sexual assaults. These digressions in public health have caused a direct impact on demand and capacity for area hospitals and clinics.

Sexually transmitted diseases are on the rise.
Many hospitals and clinics in western North Dakota have seen an increase in sexually transmitted diseases. North Dakota Department of Health data shows a 24 percent increase in Chlamydia cases and a 14 percent increase in Gonorrhea cases in the most highly impacted counties in the western portion of the state. Many administrators see the increase as a direct result of the rise in prostitution caused by the boom. The increase in STD cases has a direct impact on patient demand for clinical visits.

Traffic accidents are on the rise.
Another emerging public health concern is the dramatic rise in traffic accidents caused by increased truck traffic related to the oil boom. The Rural Transportation Safety and Security Center at North Dakota State University reports that traffic accidents increased 33 percent in the high impact area between 2007 and 2010. Research also indicates that the accidents are increasingly involving oversize and overweight trucks. The number of oversize and overweight trucks using roads in the oil impacted areas has more than doubled over the past three years, creating a dangerous situation on the roads. In response to this growing concern, the North Dakota Department of Transportation, the North Dakota Petroleum Council and the North Dakota Highway Patrol are banding together to create a road safety campaign, *ProgressZone*, to address this issue.

Increasing traffic accidents and the severity of related injuries were also mentioned earlier in this report when evaluating the increase in trauma cases in western North Dakota hospitals. As previously cited, the increase in traffic accidents and resulting injuries are having a direct impact on the ability to provide emergency care to accident victims.

Communities are experiencing increased incidents of violence.
Communities in western North Dakota are facing a significant increase in incidents of violent crime including robberies, rape, assaults and thefts, due in large part to the population explosion. Pharmacy burglaries and drug and alcohol-related crimes are also reportedly on the rise in the high impact area. Recent media articles also report widespread and increased incidents of prostitution. Violent crime in Williston alone tripled in 2010. In Dickinson, the average number of assaults from 2008 to 2010 was more than five times the average from 1999 through 2007. Felony cases in the Southwest Judicial District, which includes the communities of Dickinson, Hettinger and Bowman, soared 85 percent from 2006 to 2011. This increase in violent crime in the high impact area has an impact on hospital capacity to provide trauma care.

Some hospitals are taking a proactive approach to dealing with the increase of domestic and sexual assaults in their communities. In Minot, a new effort to treat and address the increase in sexual assaults is underway. The community hospital helped establish the Sexual Assault Nurse Examiners (SANE) training program to treat and talk with victims of sexual assault. Programs such as SANE, while effective and necessary to support victims of sexual assault, stretch staff to take on increased responsibilities.

#1

Conclusions

1. The financial stability of many hospitals and clinics is at risk.

- The financial health of these organizations is suffering because of the dramatic rise in bad debt, aged infrastructure, excessive costs associated with doing business and the lack of access to capital for facility improvements. While these are not uncommon challenges for rural health care providers across the country, the corresponding rise in demand for patient care elevates the situation in North Dakota to a genuine crisis.
- Financial instability risks degradation of current bond ratings, which would mean higher borrowing rates — jeopardizing the ability to secure capital for much-needed expansion and improvement projects.

2. Continued pressure on the hospitals and clinics will impact patient care if not addressed.

- The inability to expand or build infrastructure necessary to meet demand will negatively impact patient care.
- Providers are being stretched beyond their limits, as evidenced by the dramatic increase in traumas and emergency room visits, as well as the difficulty in recruiting more providers to the area. These challenges are creating distortions that will impact patient care, both directly and indirectly.

> *"Health care is the number one employer in the state of North Dakota and it is not earmarked to receive any funding from the Legacy Fund that is set aside from the oil impact. Will it take a casualty for the eyes to become wide open? No hospital has closed. Will it take the threat of closure to increase the seriousness?"*
>
> *- Jodi Atkinson, CEO*
> *St. Andrew's Health Center, Botttineau*

- If not addressed soon, the factors contributing to financial instability may force hospitals and clinics to make drastic decisions about services they offer to patients.
- The housing crisis, if not properly addressed, will leave hospitals without necessary staff to provide care to patients.

3. Solutions need to be coordinated and comprehensive.

- The current financial instability at hospitals and clinics in North Dakota necessitates comprehensive, system-wide solutions.
- Providers are attempting to coordinate responses to these challenges, including sharing information about best practices to address existing challenges (i.e. collections practices to mitigate the increase in bad debt) and developing strategies to achieve greater operational efficiencies (i.e. innovative ideas for recruiting and retaining staff).
- Hospitals and clinics along with a broad coalition of partners, including patients, policymakers, the oil industry and other business leaders, must work together to solve these challenges. Each entity has a vested interest in having a robust and healthy workforce to maintain the state economy and overall health of North Dakotans.

#1

Potential Solutions

Overcoming the challenges outlined above will require consensus on solutions and a partnership between patients, health care providers, policymakers, oil industry leaders and other business leaders in North Dakota. The following proposed solutions merit consideration by all parties involved:

1. Expand and restructure the Energy Infrastructure and Oil Impact Grant Program to better meet growing needs.

- Additional funds could be appropriated for the Energy Infrastructure and Oil Impact Grant Program and dedicated to assisting hospitals and clinics in oil impacted regions. Currently, the funding available is inadequate to cover increasing needs of health care providers. Hospital administrators fully understand there is not enough funding to address every need, but request that grant amounts be increased to satisfy more needs of the provider community.

- Funding is currently unavailable for hospitals and clinics unless they partner with a governmental entity. Eliminating the partnership requirement would remove an unnecessary burden for health care facilities. Expanding eligibility for Oil Impact Grants to allow hospitals and clinics to become eligible without a partner would improve access to capital to better meet the growing demand for health care.

- Funding associated with Oil Impact Grants is currently only available for one-time expenditures. Hospitals and clinics need help with one-time and reoccurring expenses to address issues of infrastructure, staffing and workforce. Expanding the grant program to include recurring expenses better serves the health care community and makes more expenditures eligible for grant assistance.

2. Encourage capital flow through state financed low- or no-interest loan programs.

- The State of North Dakota could create a dedicated fund with sufficient resources to establish a low- or no-interest loan program to support existing health care facilities' capital needs for both the short- and long-term.

- City and county governments in western North Dakota are restricted in their ability to issue debt or act as the issuer of debt due to existing bonds and debt loads. Establishing a state low-interest loan fund would reduce burdens on health care providers and government entities to provide access to capital to meet short-term and long-term needs.

- Many hospitals need access to funding in the short-term to cover increases in operating expenses and manage this transition period. Because the need is immediate, application processes for loans to address short-term needs should be quick and not overly burdensome.

- Some hospitals and clinics need to expand or build new facilities to meet patient demand for health services and care for an increasing population base. The state could facilitate responsible planning and expansion to meet patient needs by providing hospitals and clinics access to long-term loans for capital projects at low interest rates.

#1

3. Convene a Governor's task force to actively manage challenges and find solutions.

- A task force focusing on health care in western North Dakota should be commissioned and appointed by the governor. Suggested task force members include:
    - Administrators from hospitals and health systems throughout North Dakota ;
    - Representatives from the oil industry, with a focus on developing partnerships with the health care industry and rural communities; and
    - Representatives from other stakeholder organizations including the long-term care industry, EMS professionals, elected officials and business leaders.

- The task force would assist the governor in setting parameters for low- or no-interest loan programs and the expansion/restructuring of Oil Impact Grants.

- The task force would provide ongoing advice to the governor as health care needs of the population in western North Dakota continue to evolve.

#1

Methodology

The Health Policy Consortium engaged Himle Rapp & Company, Inc. to conduct research to assess the comprehensive impacts the oil boom is having on hospitals and clinics in western North Dakota. The goal of this research is to capture the scope of the problem and develop valuable recommendations to present to policymakers and others regarding the issues stakeholders are facing. Successful completion of this project would not have been possible without the participation and assistance of the North Dakota Hospital Association (NDHA), many of NDHA's member hospitals and the North Dakota Medical Association.

Research Methodology

The research was conducted using two methodologies and numerous outside resources:

1. **In-Depth Phone Interviews**
   Twenty-two interviews were conducted with opinion leaders in the health care industry and key stakeholders in western North Dakota. The interviews were conducted from June 11 - 29, 2012. The interviews addressed a number of issues facing area hospitals and clinics, including infrastructure and capacity strain, the cost of care, workforce, housing, and current and future solutions.

   Interviewees included hospital administrators in western North Dakota and other stakeholders, including providers, emergency medical services professionals and leaders from business and health care associations.
2. **Online Survey**
   A wider, statewide group of hospital administrators completed an online survey and provided statistical data to further assess the impact. Although hospitals in western North Dakota were the primary focus, hospitals and clinics in the eastern part of North Dakota were included to provide valuable comparison data. Data is compiled and reported by region and without specific attribution to hospitals in order to maintain confidentiality.
3. **Other Resources**
   Other sources of information accessed during this research include:
   - *First Biennial Report: Health Issues for the State of North Dakota*, University of North Dakota School of Medicine & Health Sciences (2011).
   - *NDHA Oil Impact Survey*, North Dakota Hospital Association (April 2012).
   - *The Impact of Oil and Energy Development on Out-of-Hospital Emergency Medical Services*, SafeTouch Solutions, LLP (June 2011).
   - *ND Petroleum Council Survey Results*, North Dakota Petroleum Council (March 2012).
   - *ND Health Care Emergency Preparedness Conference Presentation*, Tom Nehring, Division of EMS & Trauma, North Dakota Department of Health (2012).
   - *Trendwatch: The Opportunities and Challenges for Rural Hospitals in an Era of Health Reform*, American Hospital Association (April 2011).
   - *North Dakota Critical Access Hospital Annual Financial Analysis*, North Dakota Hospital Association and Darrold Bertsch, CEO, Sakakawea Medical Center (2009 – 2011).
   - *ND Traffic Safety: Oil Counties*, Rural Transportation Safety and Security Center, North Dakota State University (Summer 2011).
   - Sexually Transmitted Disease Data, North Dakota Department of Health, http://www.ndhealth.gov/STD/Data/STDData.htm (2007, 2011).
   - Recent media articles.

NDLA, S HMS - Herrick, Kari

From: Lee, Judy E.
Sent: Tuesday, January 22, 2013 6:08 PM
To: NDLA, S HMS - Herrick, Kari
Subject: FW: SB 2128 Update on Foreclosure by Advertisement

Kari -
Please put a copy of Eric's message in each book.

Senator Judy Lee
1822 Brentwood Court
West Fargo, ND 58078
home phone: 701 282-6512
e-mail: jlee@nd.gov

From: Hardmeyer, Eric A.
Sent: Tuesday, January 22, 2013 2:04 PM
To: Lee, Judy E.
Subject: RE: SB 2128 Update on Foreclosure by Advertisement

Senator Lee, you're welcome. In addition we are working on amendments to SB 2187, the Medical facility loan program heard this morning. We think there should be two parts to the amendment, one that provides BND a fee to cover our costs to administer the program and the second to provide for an audit of the program to ensure good governance. We have also provided for a means to pay for that cost of the audit. You should have the amendment by tomorrow and we will work on a fiscal note. Eric

Eric Hardmeyer
President
Bank of North Dakota
PO Box 5509
Bismarck, ND 58506-5509
ehardmeyer@nd.gov

From: Lee, Judy E.
Sent: Tuesday, January 22, 2013 1:46 PM
To: Hardmeyer, Eric A.
Subject: RE: SB 2128 Update on Foreclosure by Advertisement

Thank you for your information! I will share it with other members of the Political Subdivisions committee.

Senator Judy Lee
1822 Brentwood Court
West Fargo, ND 58078
home phone: 701-282-6512

e-mail: jlee@nd.gov

From: Hardmeyer, Eric A.
Sent: Tuesday, January 22, 2013 11:21 AM
To: Lee, Judy E.
Subject: FW: SB 2128 Update on Foreclosure by Advertisement
Importance: High

Senator Lee,

We are aware this bill will be heard and voted on the Senate Floor this afternoon.

The Bank's legal counsel has advised that the issue of foreclosure by advertisement only applies to BND Farm Real Estate loans – it does not apply to Residential Real Estate loans. It is worthy to note that foreclosures on farm real estate has significantly declined with BND in recent years.

Our legal counsel has also advised that the option of foreclosure by advertisement is not exclusive to BND as a State Agency but is extended to all State Agencies holding mortgages on real property containing a power of sale clause.

In addition, BND is willing to use the foreclosure procedures as traditionally handled by the banking industry and can accomplish this through Bank policy.

We do appreciate your reviewing this legislation with us and please advise us of any questions you may have.

Eric Hardmeyer
President
Bank of North Dakota
PO Box 5509
Bismarck, ND 58506-5509
ehardmeyer@nd.gov

From: Benson, Stan D.
Sent: Tuesday, January 22, 2013 11:03 AM
To: Hardmeyer, Eric A.
Subject: SB 2128 Update on Foreclosure by Advertisement
Importance: High

Stan Benson
Director of Credit Standards & Review
Bank of North Dakota
328.5682

1-23-13 Attachment #2

PROPOSED AMENDMENTS TO SENATE BILL NO. 2187

Page 1, line 9, after "**appropriation**" insert "**Audit and costs of administration**"

Page 2, after line 21, insert:

"7. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

8. The industrial commission is responsible for contracting with a certified public accounting firm to audit the medical facility infrastructure fund as necessary. The cost of the audit, and any other actual costs incurred by the Bank on behalf of the fund must be paid for by the fund."

Page 2, line 24, remove the overstrike over "-", and after "~~appropriati~~ " insert "**Audit and costs of administration**"

Page 2, line 25, remove the overstrike over "~~1~~"

Page 3, line 30, after the period insert "Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section."

Page 4, after line 2, insert:

"2. The industrial commission is responsible for contracting with a certified public accounting firm to audit the medical facility infrastructure fund as necessary. The cost of the audit, and any other actual costs incurred by the Bank on behalf of the fund must be paid for by the fund."

Renumber accordingly

13.0505.02001
Title.

Prepared by the Legislative Council staff for
Senator Grindberg
January 30, 2013

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2187

Page 2, line 26, remove "industrial commission is responsible for contracting with a certified public"

Page 2, line 27, remove "accounting firm to audit the"

Page 2, line 27, replace "as necessary" with "must be audited in accordance with section 6-09-29"

Page 3, line 1, removed the underscore from "**- Audit**"

Page 3, line 2, remove the underscore from "**and costs of administration**"

Page 3, line 8, remove "Funds in the"

Page 3, remove lines 9 through 12

Page 3, line 13, overstrike "2."

Page 4, replace lines 14 through 17 with:

"~~7.~~ 2. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

~~8.~~ 3. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund."

Page 5, line 1, replace "Sections 1 and" with "Section"

Page 5, line 1, remove the second "and"

Page 5, line 1, replace "are" with "is"

Page 5, line 2, replace "are" with "is"

Renumber accordingly

Testimony

Senate Bill 2187

Senate Appropriations

Thursday, January 31, 2013

Good Morning Chairman Holmberg and members of the Senate Appropriations Committee. For the record, my name is John Vastag and I serve as the Executive Director for the Health Policy Consortium which is made up of Trinity Health Systems, Altru Health Systems, and Sanford Health Systems throughout ND.

I am before you today in support of SB 2187 and to give you some background on how this particular bill came about.

December 9, 2011—Governor Dalrymple attended our quarterly HPC meeting in Grand Forks. While there he listened to concerns from our members that the oil development was having on their day to day operations.

The governor encouraged the members of HPC to think outside the box and to consider applying for funds through the Land Grant Fund program. Med Center One attempted to work with the political subdivisions in Dickinson to secure funding for their new clinic. They were unsuccessful in finding a political subdivision to coordinate the application with.

We had one request for the governor, to host a joint meeting with representatives from the oil industry and the health care industry.

On January 23, 2012 the governor was gracious enough to host the joint oil industry/health care meeting. The meeting was attended by representatives from a broad spectrum of the healthcare industry, the insurance industry, and the oil industry. There was an excellent exchange of information, however it was concluded that although there was a lot of information, there was no formal data to support the concerns noted.

The Health Policy Consortium indicated they would check with their members to have an Oil Impact Study completed. At their January meeting, the members of HPC unanimously agreed to pay for the study.

The Oil Impact Study was completed during the late spring and over the summer of 2012.

On September 26, 2012 representatives from HPC, NDHA, and the Oil Industry presented the findings of the study to the Lt. Governor, the Governor's Chief of Staff and the Governor's Health Policy Advisor.

The Governor's Chief of Staff recommended that we convene a larger group to discuss the findings and potential solutions to the challenges noted in the study.

On October 26, 2012 an Oil Impact meeting was held in Bismarck with the following in attendance: Oil Industry representatives, Health Care representatives, representatives from a majority of the departments within State government such as WSI, DHS,DOH, OMB and others.

Although the study contained three recommendations, the major focus was on the low interest loan program.

For most service oriented industries, the increase in demand has made a significant positive impact to their bottom line. That is not necessarily the case for the healthcare industry. In fact it has proven to be just the opposite. A combination of being under reimbursed by Medicare for nearly twenty years, combined with a significant influx of patients who do not necessarily pay their bills timely has caused the financial statements of the local healthcare facilities to be less than desirable for local lending institutions to provide loans at rates the facilities can effectively mange.

The facilities are having to spend whatever reserves they may have on increased staffing costs, contract staff, housing and increased costs of supplies and materials.

Prior to the last Oil Impact meeting, NDHA conducted a survey that indicated there were eleven facilities that had "shovel ready" projects totaling $160--$200 million.

Therefore the bill before you was developed with significant input from OMB and the staff at the bank of North Dakota. The original daft had a 60-40 split with a 20 year payback. After receiving feedback from the interested facilities, they felt the split was too high and the payback period too short. Therefore, the original draft was amended to a 75-25 split with a 25 year payback.

The net result of this is that it has created an access issue. Although the facilities have done a very good job of expanding their service hours to evenings and week-ends, they simply cannot keep up with the demand

in their current infrastructures. Thus their patients are unwilling to wait several days or weeks to for an appointment and go to the ER's because they know they have to be seen.

This creates two problems, 1) It takes up precious ER time for services that do not necessarily require ER services, and 2) it costs all of us more money to provide those services in ER.

Therefore in order to improve the access issues currently facing the facilities, they need to expand their infrastructure so they can provide more space for more practitioners to see more patients.

Therefore, I strongly encourage you to support SB 2187 with a DO PASS recommendation.

Thank you for your time and I would be happy to answer any questions the committee may have.

Respectfully;

John P Vastag

John Vastag

John Vastag
SB 2187
1-31-13

3

Pushing the Limits: The Impact of the Oil Boom on Health Care in Western North Dakota

August 23, 2012

HIMLE RAPP & COMPANY

COMMUNICATIONS
REPUTATION
CRISIS
PUBLIC AFFAIRS

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Introduction

Across western North Dakota, an oil boom is in full swing, prompted by horizontal drilling and hydraulic fracturing to extract oil resources trapped within the Bakken Formation. More than 200 oil rigs are currently at work in North Dakota. Oil output has more than doubled in two years and jumped five-fold since 2006. North Dakota recently surpassed Alaska as the nation's second-largest oil producer and accounts for about 10 percent of U.S. crude production. The oil boom has been good for North Dakota, creating an unprecedented budget surplus, low unemployment figures and significant wealth for the state at a time when many other states are struggling with budget deficits.

The oil boom has also presented several challenges, including housing shortages, an explosion of heavy truck traffic and competition for human resources. It is also threatening to overwhelm the state's health care infrastructure which was not designed to accommodate such a rapid increase in population.

The Health Policy Consortium (HPC), in cooperation with health care providers across North Dakota, engaged Himle Rapp & Company to conduct qualitative and quantitative research on the impact of the oil boom on health care facilities and providers in western North Dakota. The goal of the research is to capture the scope of the problem and develop valuable recommendations to present to policymakers and others regarding the health care issues facing North Dakota.

Executive Summary

Technological advancements for oil extraction and the ensuing development of the Bakken Region is causing rapid population growth in many western North Dakota communities. Small hospitals and clinics have traditionally served the health care needs of residents in these affected communities. While providing high quality health care, two-thirds of the smaller facilities located in rural areas of the state report operating losses in two of the last three years. Until the beginning of the oil boom, these facilities were not poised for rapid expansion to accommodate an influx of new residents.

Population growth over the last few years is straining the health care system in western North Dakota. Absent a coordinated, comprehensive response to current and future challenges, continued population growth will jeopardize existing access to quality health care services in many communities.

Staff Recruitment and Workforce Development
Health care is a labor-intensive industry, meaning labor expenses typically far outweigh capital expenses. Hospitals and clinics in the Bakken Region have redoubled their efforts at staff recruitment to meet the growing demand for patient care. Despite their best efforts, external obstacles such as lack of available or affordable housing and daycare combined with hyper-competitive wages available in other industries are limiting hospitals' ability to attract new staff. Retention of existing employees has become a growing challenge as the situation is placing unprecedented demands on the existing workforce.

Capacity for Care Delivery
The influx of new residents has resulted in a growing number of new patients seeking primary care services in clinic settings. Existing capacity has not kept pace with the rate of population growth and clinics are no longer able to satisfy skyrocketing patient demand. Difficulty accessing clinical care in a timely fashion is prompting patients to seek care in the emergency room for what would otherwise be a routine checkup. This, combined with an increase in traffic accidents and other trauma, is overwhelming emergency rooms that are simply not equipped to handle the volume of patients they are currently receiving.

Financial Viability
A multitude of factors have negatively impacted the financial health of many hospitals and clinics, threatening their long-term viability. Facilities that have historically operated on slim margins in rural communities are having difficulty accessing capital on the private market to fund necessary expansion and renovation of facilities. Bad debt levels have grown at a staggering rate as hospitals are seeing more uninsured patients who are either unwilling or unable to pay their bills. Finally, competition from all economic sectors is driving up costs for services and workforce, placing additional pressure on stressed budgets.

Growing Public Health Concerns
The oil boom and accompanying population growth has created new public health concerns in western North Dakota that have exacerbated the strain on the existing health care infrastructure. For example, there has been a dramatic increase in the incidence of sexually transmitted diseases, which is creating additional demand for primary care services. Further, rising numbers of traffic accidents and incidences of violence resulting in trauma have caused an unprecedented number of emergency room visits at affected facilities.

To address the primary challenges for health care delivery identified through this study, policymakers will need to consider innovative programs to improve access to capital for the health care industry. Potential solutions include expanding the oil impact grant program and/or establishing a streamlined, low-or no-interest loan program for capital projects. Coordinating recommended solutions for the remaining challenges would best be accomplished through an active task force involving health care providers, policymakers, oil industry representatives and other business leaders.

General Observations

1. **The oil boom is good for North Dakota.**
   Despite numerous challenges presented by the oil boom, health care providers in North Dakota overwhelmingly agreed that the oil boom has had a positive impact on the state economy.
   - The oil boom has created many high-paying jobs, produced record-setting employment figures and produced significant wealth for many land and business owners.
   - Tax revenues on oil production have positioned North Dakota as one of few states with a significant budget surplus during a time when the rest of the country is suffering from high unemployment rates and budget deficits.

2. **Hospitals and clinics in western North Dakota are significantly strained by the demand from the growing population.**
   - Quality health care is still being delivered, but access to care is deteriorating and facilities cannot sustain continued pressure.
   - Patient demand for services has dramatically increased over the past 24 months.
   - The incoming workforce is presenting unique and severe health issues.

> *"It [the oil boom] has resulted in surplus funds, bringing attention and employment to North Dakota, long-term benefit. It's an enviable position. The issue is that it caught us off guard. The economy is great; the oil boom is wonderful – very positive. But rapid progress has a price. There are bad sides to it such as ER issues and bad debt for hospitals."*
>
> *- Dean Mattern, CEO*
> *Garrison Memorial Hospital, Garrison*

3. **Hospitals and clinics in North Dakota are not structured to accommodate an increase in demand this quickly.**
   The biggest challenge for those impacted by the oil industry's rapid growth is to find resources and solutions required to keep pace with demand. The oil boom has greatly accelerated the need for health care infrastructure and most rural hospitals have the need for immediate expansion of both infrastructure and capacity to provide care.

4. **Immediate and short-term challenges must be addressed to maintain high-quality health care.**
   North Dakota hospitals and clinics are facing numerous immediate and short-term challenges, including financial, housing and staffing crises. In addition, heath care providers are straining to provide primary, urgent and emergency care efficiently due to the growth in demand.

5. **Hospitals are balancing long-term planning against uncertain future growth.**
   Although sources predict the oil boom could continue for another 30 years, most hospital administrators are uncertain of the future rate of growth in their areas. Planning for the contingencies that come with growth and contraction is critical to the success of the hospitals and clinics – and for the health of North Dakotans.

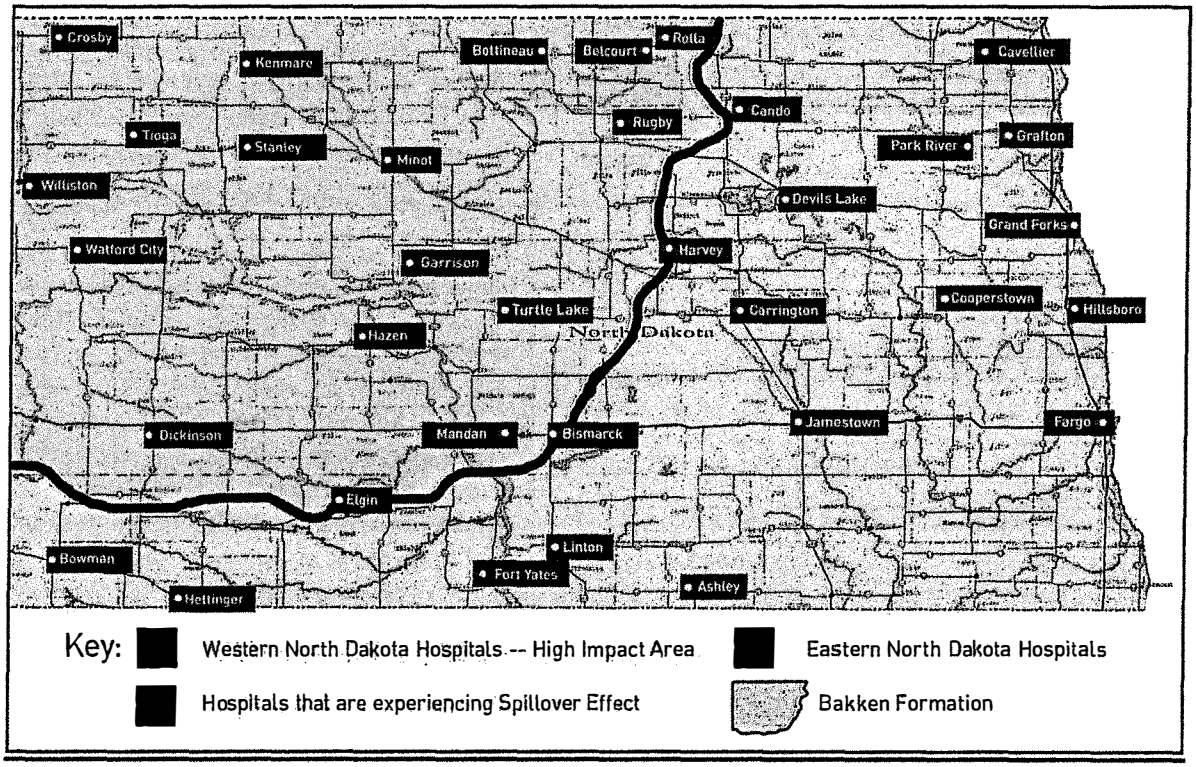
Geography of the Oil Boom

There are two primary categories of facilities that have been most affected by the oil boom. The first category includes facilities located within the Bakken Formation that are directly impacted by the population growth and subsequent rise in demand for care services. Hospitals and clinics located in Williston, Watford City, Tioga, Stanley, Dickinson and Minot are experiencing the greatest impacts. Most facilities in these service areas are struggling to manage and care for the growing population.

In some areas, including the Tioga service area, the population has more than tripled due to the influx of oil workers and "crew camps," which, in turn, has caused the demand for health care to skyrocket. Williston has experienced similarly staggering population growth, but is fortunate to have a $30 million expansion underway. Administrators in Williston were able to secure needed capital and already had the infrastructure in place to satisfy the growing demand. They are also benefitting from oil industry assistance.

A second group of facilities exist on the border of the Bakken Formation and are experiencing a spillover effect. Many hospitals and clinics on the fringe of the oil development are currently managing demand, but are braced for a dramatic increase and see the need to problem-solve now. For example, Garrison and Crosby are experiencing some of the strain and tightness on housing, but not to the extent that Tioga and Watford City are experiencing. Bottineau is targeted as the next area for drilling and is currently experiencing moderate impact and expects to experience a significant increase in demand for service in the very near future.

NORTH DAKOTA



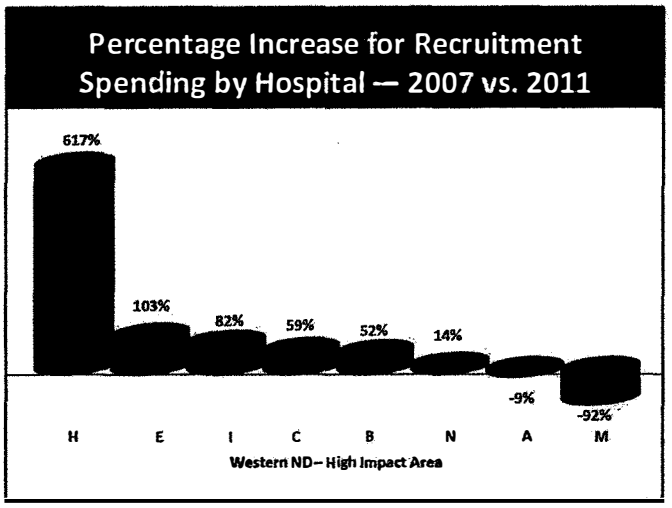
Recruitment and Workforce Development

Unprecedented population growth in western North Dakota is generating unprecedented demands on the existing health care workforce. Despite aggressive and innovative approaches to recruit physicians and support staff, hospitals and clinics are unable to recruit or retain the staff necessary to meet increased patient demand. Several obstacles are hampering existing recruitment efforts and this problem is perpetuating the strain on existing clinical capacity and contributing to rising costs as outlined in later sections of this report.

> *"In Bismarck, we're seeing direct impact from the energy industry's rapid growth. In addition to increased demand for services, we're faced with growing staffing shortages. In 2007, we averaged about 80 openings at any given time. In 2012, we've had as many as 200 openings at one time."*
>
> *- Dr. Craig Lambrecht, President and CEO*
> *Sanford Medical Center Bismarck, Bismarck*

Recruiting and retaining quality physicians has traditionally been a challenge for hospitals in rural communities. According to the American Hospital Association, approximately 23 percent of the population in the United States resides in non metropolitan areas, while only 13 percent of physicians practice in these same areas, resulting in a highly competitive recruiting environment.

A majority of hospitals and clinics throughout North Dakota are investing more resources than ever to recruit and retain mid- (primarily RNs) and entry-level staff (maintenance, CNAs, dietary, housekeeping) with little success. The cost of these practices include not only dollars spent recruiting and retaining staff but also time and energy invested in training and orienting new staff.



Data collected for this report revealed that the impact on recruitment costs is not limited to the western half of the state. Compared to 2007, the percentage change in recruitment expenses at hospitals in western North Dakota ranged from (-92%) to 617%, compared with a range of 126% to 287% for their eastern counterparts. (One hospital reported a 40,000 percent increase in recruiting costs between 2007 and 2011. This figure is not included in the side chart as it is an outlier.) While the trend in recruiting costs is not uniformly consistent (two facilities reduced such expenses), the dramatic increase in costs at a majority of the facilities demonstrates the significance of this challenge. Survey respondents reported that the level of competition for doctors, in particular, has increased dramatically. For example, one hospital reported paying a $100,000 incentive for a single physician to relocate to western North Dakota.

Hospitals and clinics have altered recruiting and retention activities by:

- Increasing wages
- Securing/offering housing (when available)
- Advertising nationally and internationally, instead of locally or regionally
- Using social media to reach prospective staff in new ways
- Working with staffing agencies to help access new employee pools, especially in areas of high unemployment around the U.S.

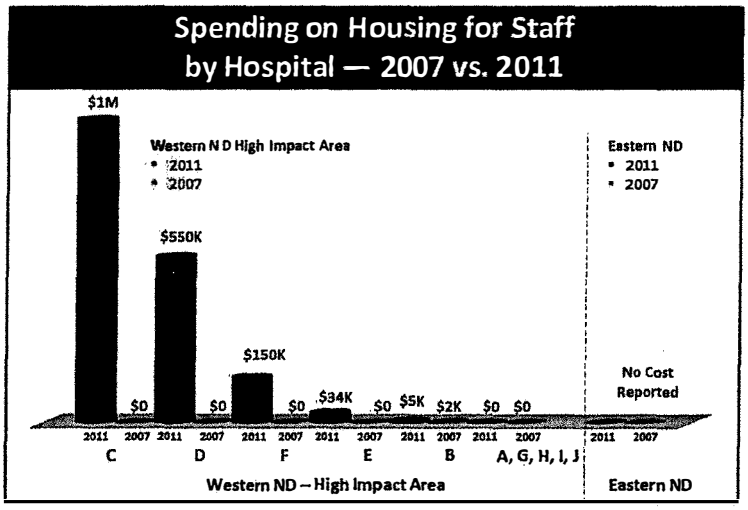
> *"We are trying to recruit aggressively to avoid hiring traveling staff, sign on bonuses and wage increases. We have expanded our advertising to now include areas outside of the region. We also are using social media and a national list serve, but when we find someone who is interested, housing is an issue."*
>
> *— Gary Miller, President & CEO*
> *St. Alexius Medical Center, Bismarck*

- Working with education programs in North Dakota and other areas to recruit newly-trained and homegrown professionals
- Recruiting family members of current employees, who already have a place to live, to circumvent the housing issue
- Recruiting doctors through the National Health Service Corps, a U.S. Department of Human Services program committed to improving access to health care in medically underserved regions
- Offering numerous accommodations including:
  - *Sign-on bonuses*
  - *Retention bonuses*
  - *Flexible scheduling*
  - *Generous benefit packages*
  - *Relocation packages*
  - *Student loan repayment assistance*

The limited success of such exhaustive efforts is the likely result of several common obstacles.

Lack of Affordable Housing

Respondents nearly unanimously voiced that the lack of affordable housing is the primary obstacle for recruiting and retaining employees, and the situation has worsened in the past 12 to 18 months. This conundrum exists for all staff, including medical staff, nursing staff and front-line, entry-level positions such as housekeeping, dietary and maintenance workers. Prospective employees either cannot afford to live in the oil impacted areas or housing is simply not available.



Currently, there are thousands of housing units being built in western North Dakota - apartments, townhouses and single-family homes. The construction phase will be complete in most areas in approximately 18 months, but this is

> *"I'm in a position to take care of people, not in a position to be a landlord. But we are doing whatever we can to help out staff and the community with housing."*
>
> *- Reed Reyman, President and CEO*
> *St. Joseph's Hospital, Dickinson*

not soon enough for the hospitals and clinics in communities who need housing now. Many also note that when new housing is built and available, it is not affordable.

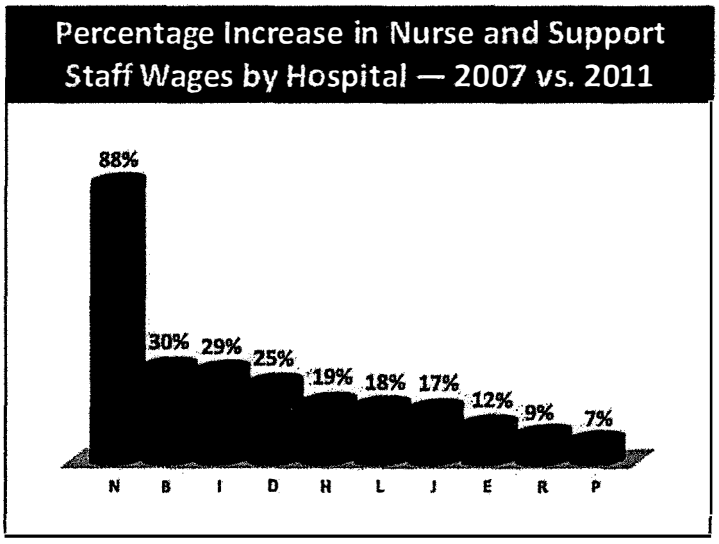
Without available housing now, hospitals and clinics are not able to recruit or retain staff to meet the demand. There is nearly unanimous agreement that the housing crisis is preventing hospitals and clinics from hiring the staff necessary to support expanding operations to meet the demand for care.

Many respondents report that once they successfully recruit an employee, they often cannot complete the hire because the employee is unable to secure housing.

Hospitals and clinics have attempted to address the housing shortage with numerous short-term solutions, creating additional financial burden for facilities. Many hospitals have taken a proactive approach and are buying and building housing themselves. Others reported spending time fostering relationships with building owners to reserve housing for incoming staff. Some hospitals have been able to purchase and/or subsidize housing for staff, while others have converted existing hospital structures into housing. Facilities in larger communities, such as Williston, are able to lease housing to secure it and sub-lease it to employees without absorbing additional expense. Others report that even though they have yet to purchase properties, the option is under consideration. These efforts are costing hospitals and clinics significant time and money while providing little short-term relief. Many smaller facilities with fewer resources have no existing options available to address the housing crisis.

Hyper-Competitive Wages

One of the largest financial burdens for hospitals and clinics regarding workforce has been the need to increase wages. Over the past four years, wages for nurses and support staff at hospitals in western North Dakota have increased at a rate of 24 - 29 percent on average, compared to 10 - 12 percent for their eastern counterparts. Ballooning wages have a direct impact on hospital finances. Despite system-wide wage increases, health care remains at a significant disadvantage among other employers in oil-producing communities.



Even with increasing wages, employees most often report that they leave their positions in health care for more money elsewhere or because they no longer have to work due to oil revenue. The biggest competitor for front-line staff comes from the oil industry and corollary businesses that have opened to cater to the oil industry (restaurants, hotels, convenience stores, etc.) Many administrators noted that they are unable to pay a competitive wage when compared to other employers because they are limited

by their inability to increase prices for health services, while more conventional businesses are not constricted in this way.

Availability and Affordability of Daycare

The lack of affordable and available daycare is another issue for North Dakota hospitals that is having a direct impact on recruiting and retaining staff. Because daycare services are not available for staff, additional employees are leaving their positions in health care, or decreasing their hours to care for their child/children. In many situations it is more cost-effective for the employee to stay at home to care for their children than to pay for a daycare provider. This situation often prevents prospective staff from relocating for employment in the oil impacted areas and is perpetuating the staffing shortage.

Deteriorating Working Conditions

Working Conditions are Worsening and are Further Impacting Staffing Challenges.

> *"We are short-staffed every day. That causes stress and burn out."*
>
> *- Dr. Scott Knutson, Assistant Medical Director, Emergency Trauma Center Trinity Health, Minot*

Staff burnout due to increased workload.
The majority of respondents report that their staff members are feeling the strain of the population boom. Staff at all levels is being asked to do more and wear more "hats" to address the demand for care, including administrative work and training new employees. Adding to employee burnout are longer hours, increased caseloads and more responsibility for staff across-the-board.

Increased safety and security concerns.
Many respondents mentioned the need for increased security measures in their facilities to protect patients and staff. Hospital administrators have included increased security measures to accommodate concerns. Some administrators are taking proactive steps by limiting hospital entrances after regular work hours, installing security cameras throughout the facility and inviting police to have a presence in the emergency room to address increased traffic in facilities. Ensuring staff and patient safety has required considerable time, energy and expense, adding significant stress to hospital employees.

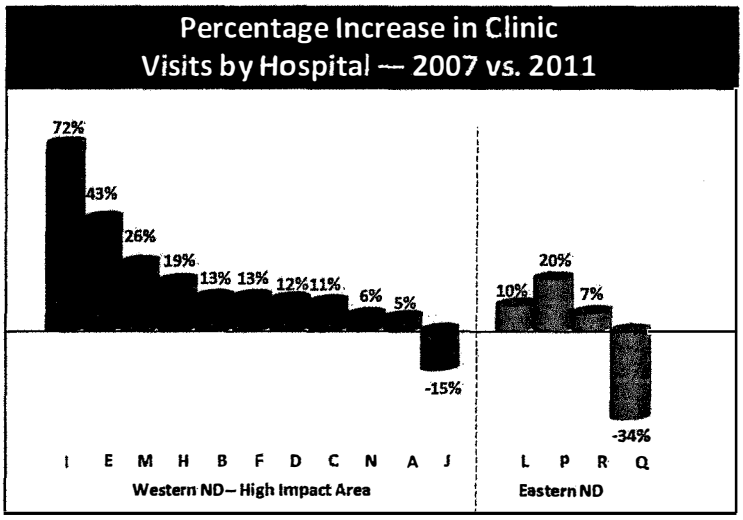
> *"Part-time staff is being asked to do more and they are burned out. Morale is low. Staff wants more money. I've heard 'My son graduated from high school and makes more in the oil field than I do as an RN' from more than one employee."*
>
> *- Shawn Smothers, Administrator Trinity Kenmare Community Hospital*

The staffing crisis is impacting morale.
There are substantial organizational costs associated with this situation. Higher turnover has greatly impacted the morale of entire hospital and clinic staffs, and many organizations reported making increased efforts to maintain positive work environments. Many are attempting to boost morale by giving "atta boys" to long-time staff and hosting employee recognition events and gatherings. However, administrators are quick to recognize that these gestures are simply not enough to sustain employee morale in the long-term.

Capacity for Care Delivery

The delivery of health care services is being impacted by the population explosion and most hospitals and clinics do not have the clinical capacity – or the emergency room capacity – to handle the increased demand. Populations in western North Dakota's hub health care communities – Williston, Dickinson, Watford City and Minot – are projected to increase nearly 60 percent between now and 2020. Collectively, these four communities are estimated to have nearly 100,000 residents (crew camps included); city planners estimate that number will jump to 155,000 residents by 2020.

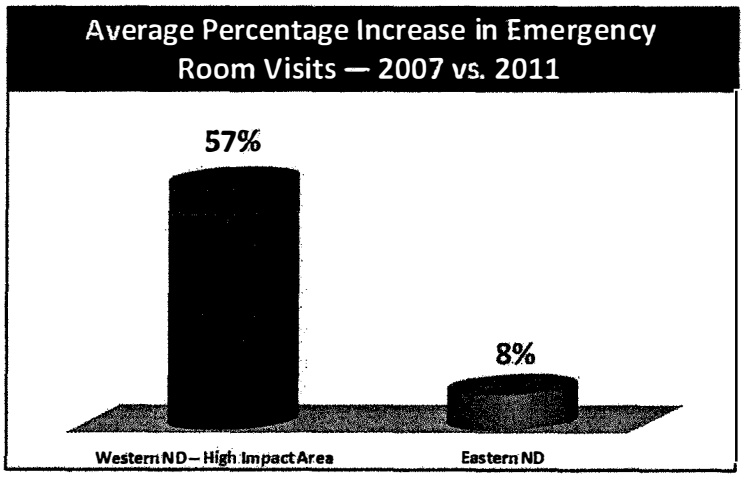
Primary Care Clinics



Many clinics in the oil impact area are operating at or above full capacity. From 2007 to 2011, clinic visits in western North Dakota increased at an average rate of 13 percent, compared to less than 1 percent in the eastern half of the state. While this increase is notably higher for facilities in the oil impact area, this statistic is likely an incomplete measure of the actual demand for clinic services. Waiting periods for clinic appointments in this area can be as long as three weeks and many patients are unable to visit the clinic during normal business hours. Clinics are too short-staffed to offer extended hours, causing patients to turn to the emergency room as an available alternative – driving up costs for what would otherwise be routine physician visits.

Hospitals and clinics are streamlining workflow and clinic operations to become as efficient as possible. However, such efforts can only accomplish so much. Clinics will need to invest capital in expanded facilities and work to recruit additional staff to fully meet the growing demand for services.

Emergency Rooms

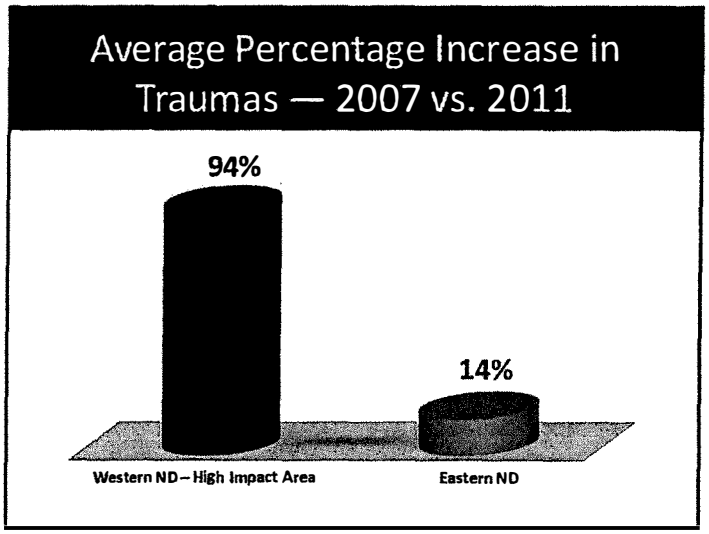


A variety of factors are combining to overwhelm hospital emergency rooms in western North Dakota, including higher instances of trauma injuries and a growing trend of patients seeking care for routine illnesses in emergency rooms rather than in a clinic setting.

For example, Watford City has a one-room emergency department and one lightly-equipped procedure room, yet is regularly receiving

multiple traumas at the same time. Recently, this hospital admitted 26 patients in one day, including two car accidents with a total of six seriously injured patients. The facility simply cannot sustain this kind of demand with existing infrastructure and staff.

Emergency rooms are not only experiencing an overall increase in visits but are also experiencing an increase in the severity of injuries proximately caused by the oil industry. In the heart of the oil impacted areas, hospitals are seeing more work-related traumas, including smashed hands and other crushing-type injuries. Due to increases in traffic patterns throughout western North Dakota — largely attributed to the oil boom — all hospitals reported seeing substantial increases in the number of automobile accident injuries. These patients typically require emergency room attention and injuries are more severe and much more frequent than prior to the boom.



As mentioned above, patients not wanting to wait for a clinic visit, are routinely over-utilizing and misusing emergency rooms for non-emergency injuries and ailments. Some of the misuse is occurring because clinic appointments are not available for weeks and patients do not want to wait for care. Some of the misuse can be attributed to clinic hours — and not being open after typical work hours when the patients can access them. Other instances of misuse occur because patients cannot pay for the services they need and will go to emergency rooms knowing they cannot be turned away due to federal regulations requiring hospitals to administer emergency room care. This situation serves to exacerbate capacity and staffing issues and adds to mounting financial problems for affected hospitals.

"There's a population explosion in the Tioga region. The man [crew] camps in this service area are twice the size of the city. There are 2,500 people in the man camps and the population of Tioga is less than 2,000. There's a drastic increase in ER visits. In 2007, we had 600 visits. In 2012, we expect more than 2,000."

- Randall Pederson, CEO
Tioga Medical Center, Tioga

Insufficient Capital

There is an immediate need for infrastructure expansion, but hospitals and clinics cannot access the capital required to build and renovate. Hospital administrators most often cited infrastructure issues within emergency rooms and clinics as the major challenge caused by the oil boom. However, in the same context, many administrators also mentioned that their facility is aged and the need to build new buildings outweighs the benefits of renovating existing structures.

Access to capital is the primary challenge to meeting patient demand.

Rural hospitals and clinics consistently operate on razor-thin budgets with narrow margins, highlighted by two-thirds of critical-access facilities located in rural North Dakota reporting losses in two of the last three years, making capital projects difficult to undertake. Further complicating this problem, hospitals and clinics are finding major issues in securing capital from outside sources, which is required to undertake much-needed projects. This is impacting future planning.

- Most hospitals lack the ability to self-finance. Because the growth has been so rapid, hospitals and clinics in western North Dakota do not have extensive credit histories to support large funding requests and cannot satisfy the stringent demands of financiers.

- Many facilities, particularly in the more rural areas, are aged. The condition of the hospitals not only puts patient care at risk but it also puts at risk the financial stability of the hospital and jeopardizes bond ratings. Bond ratings have a direct impact on the ability to secure capital.

> *"We are trying to address the needs for our own little community as best as we can. It is getting tough. It would be great if we had something like a loan program to get capital for hospitals at a reasonable interest rate – a pool of funds that hospitals in North Dakota could draw from. We need capital funding for projects for infrastructure improvements."*
>
> *- Randall Pederson, CEO*
> *Tioga Medical Center, Tioga*

- For those still in the planning stage, financing problems are causing projects to stall or preventing them from moving into action altogether.

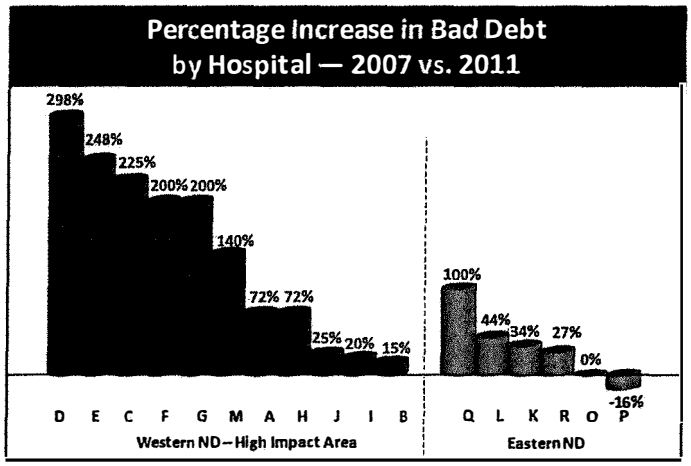
- Current funding mechanisms take too long. Numerous expansion projects are in the process of being funded by USDA Rural Development funds, as it is one of the primary funding sources available to the hospitals in rural western North Dakota. This process was repeatedly described as lengthy and burdensome. Some hospitals report that the USDA process takes years to complete – and requires significant staff time to prepare the documentation required by the application.

- Creative solutions are limited. One hospital is considering a community-wide capital campaign. Some facilities are trying to absorb costs internally, while others are seeking funding through their hospital foundations.

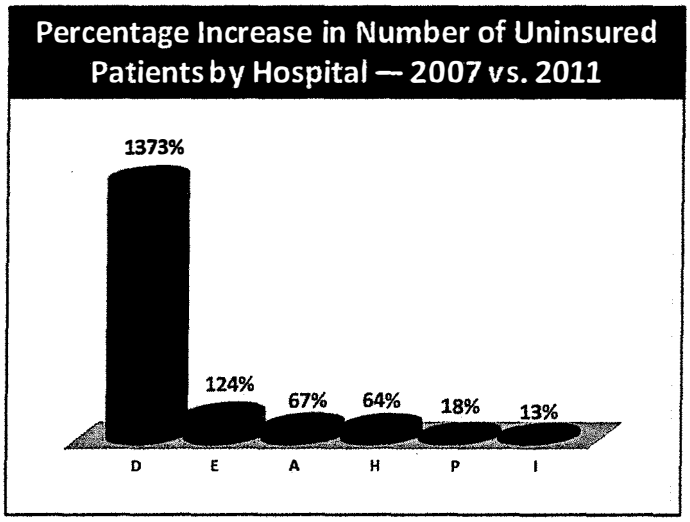
- One exception is the community of Williston, which has been able to manage the demand in a much different way than smaller surrounding communities and has a $30 million expansion underway. Administrators were able to secure capital from a variety of funding sources, including significant oil company investment, to make their expansion possible. In addition, Williston was well-positioned, as they had existing infrastructure in place to accommodate much of the growth.

Bad Debt

Levels of bad debt are rapidly increasing across-the-board in western North Dakota at a staggering average rate of 138 percent over the last four years. This unprecedented increase in bad debt is jeopardizing the financial viability of many hospitals in western North Dakota and is not sustainable in the long-term.



Several factors are contributing to this rise in bad debt. Increasingly, hospitals are seeing uninsured patients who are either unable to pay or do not pay their bills. Furthermore, due to the transient nature of the incoming population, many new patients lack stable addresses and hospitals are having difficulty locating current addresses to send bills to patients, resulting in increased nonpayment and increases in bad debt.



Hospitals have a limited ability to raise fees for services provided because they are bound by the state's Medicaid reimbursement rate for services. To aide revenue flow and alleviate some of the bad debt, some administrators mentioned the need to increase Medicaid reimbursement rates to bring more revenue into the system to offset the rise in bad debt.

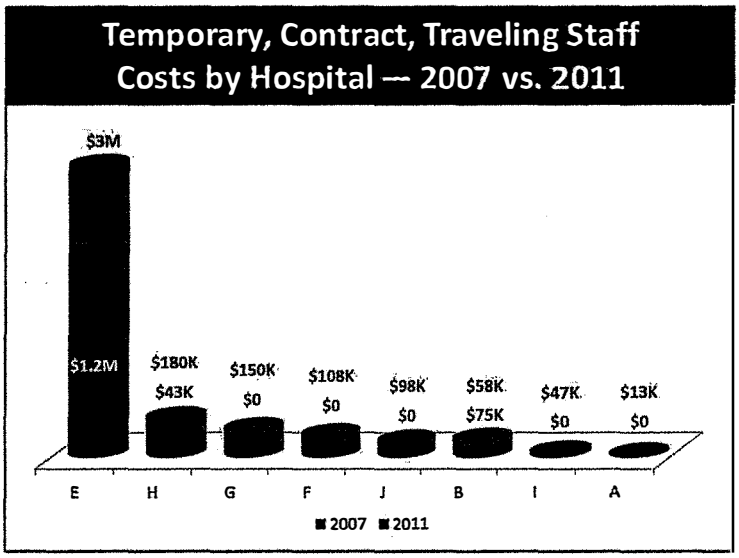
Rising Costs

Population growth and rapid development of North Dakota's oil fields have resulted in rising costs for hospitals and clinics in a variety of ways.

- **Hospitals and clinics are paying high premiums for services in western North Dakota.** Many administrators report that their costs are unexpectedly increasing simply due to their geography. They report that bids for construction services are approximately 30 percent higher in the oil impacted areas than in eastern North Dakota because of the high demand.

- **Workforce costs are significant.**
  As previously mentioned, hospitals and clinics are incurring significant expense to recruit and retain staff. Health care is a labor-intensive industry and stiff competition for both medical and entry-level staff is driving up wage and salary expenses across the board.

- **Temporary solutions to staffing needs are too expensive to sustain.**
  Although contract staff is helping hospitals meet the increased demand for care, all agree this solution is too expensive to sustain long-term. Almost all hospitals are currently utilizing contract staff to some degree. In 2011, seven critical access hospitals in western North Dakota increased annual expenses for temporary, contract and traveling staff by a combined total of $536,000, compared to 2007. These added expenses are in addition to the enhanced recruitment efforts and salary increases cited above.



  While temporary staff helps satisfy the growing need for patient care in the short-term, it is a less than ideal solution that is expensive and unsustainable in the long-term. In addition to cost, several respondents indicated additional issues with temporary staff, such as:
  - They are often double the cost of a regular full-time employee.
  - They are often of subpar caliber.
  - They are not vested in patient care, the community or the success of the organization, like permanent employees.

"Contract costs are up 300 to 400 percent. Contract staff has negative financial consequences. Contract workers also do not understand our mission and vision. They are not vested; not committed to the community or to the organization. They just want their paycheck."

- John Kutch, President and CEO
Trinity Health, Minot

Public Health Concerns

Major public health concerns are emerging and the need for more preventive health care is evident. This is particularly true in oil impacted communities where there has been a significant change in public health concerns, including an increase in sexually transmitted diseases, traffic accidents, drug and alcohol-related injuries, and increased incidents of violence, including domestic and sexual assaults. These digressions in public health have caused a direct impact on demand and capacity for area hospitals and clinics.

Sexually transmitted diseases are on the rise.
Many hospitals and clinics in western North Dakota have seen an increase in sexually transmitted diseases. North Dakota Department of Health data shows a 24 percent increase in Chlamydia cases and a 14 percent increase in Gonorrhea cases in the most highly impacted counties in the western portion of the state. Many administrators see the increase as a direct result of the rise in prostitution caused by the boom. The increase in STD cases has a direct impact on patient demand for clinical visits.

Traffic accidents are on the rise.
Another emerging public health concern is the dramatic rise in traffic accidents caused by increased truck traffic related to the oil boom. The Rural Transportation Safety and Security Center at North Dakota State University reports that traffic accidents increased 33 percent in the high impact area between 2007 and 2010. Research also indicates that the accidents are increasingly involving oversize and overweight trucks. The number of oversize and overweight trucks using roads in the oil impacted areas has more than doubled over the past three years, creating a dangerous situation on the roads. In response to this growing concern, the North Dakota Department of Transportation, the North Dakota Petroleum Council and the North Dakota Highway Patrol are banding together to create a road safety campaign, *ProgressZone*, to address this issue.

Increasing traffic accidents and the severity of related injuries were also mentioned earlier in this report when evaluating the increase in trauma cases in western North Dakota hospitals. As previously cited, the increase in traffic accidents and resulting injuries are having a direct impact on the ability to provide emergency care to accident victims.

Communities are experiencing increased incidents of violence.
Communities in western North Dakota are facing a significant increase in incidents of violent crime including robberies, rape, assaults and thefts, due in large part to the population explosion. Pharmacy burglaries and drug and alcohol-related crimes are also reportedly on the rise in the high impact area. Recent media articles also report widespread and increased incidents of prostitution. Violent crime in Williston alone tripled in 2010. In Dickinson, the average number of assaults from 2008 to 2010 was more than five times the average from 1999 through 2007. Felony cases in the Southwest Judicial District, which includes the communities of Dickinson, Hettinger and Bowman, soared 85 percent from 2006 to 2011. This increase in violent crime in the high impact area has an impact on hospital capacity to provide trauma care.

Some hospitals are taking a proactive approach to dealing with the increase of domestic and sexual assaults in their communities. In Minot, a new effort to treat and address the increase in sexual assaults is underway. The community hospital helped establish the Sexual Assault Nurse Examiners (SANE) training program to treat and talk with victims of sexual assault. Programs such as SANE, while effective and necessary to support victims of sexual assault, stretch staff to take on increased responsibilities.

Conclusions

1. The financial stability of many hospitals and clinics is at risk.

- The financial health of these organizations is suffering because of the dramatic rise in bad debt, aged infrastructure, excessive costs associated with doing business and the lack of access to capital for facility improvements. While these are not uncommon challenges for rural health care providers across the country, the corresponding rise in demand for patient care elevates the situation in North Dakota to a genuine crisis.
- Financial instability risks degradation of current bond ratings, which would mean higher borrowing rates — jeopardizing the ability to secure capital for much-needed expansion and improvement projects.

2. Continued pressure on the hospitals and clinics will impact patient care if not addressed.

- The inability to expand or build infrastructure necessary to meet demand will negatively impact patient care.
- Providers are being stretched beyond their limits, as evidenced by the dramatic increase in traumas and emergency room visits, as well as the difficulty in recruiting more providers to the area. These challenges are creating distortions that will impact patient care, both directly and indirectly.

> *"Health care is the number one employer in the state of North Dakota and it is not earmarked to receive any funding from the Legacy Fund that is set aside from the oil impact. Will it take a casualty for the eyes to become wide open? No hospital has closed. Will it take the threat of closure to increase the seriousness?"*
>
> *- Jodi Atkinson, CEO*
> *St. Andrew's Health Center, Botttineau*

- If not addressed soon, the factors contributing to financial instability may force hospitals and clinics to make drastic decisions about services they offer to patients.
- The housing crisis, if not properly addressed, will leave hospitals without necessary staff to provide care to patients.

3. Solutions need to be coordinated and comprehensive.

- The current financial instability at hospitals and clinics in North Dakota necessitates comprehensive, system-wide solutions.
- Providers are attempting to coordinate responses to these challenges, including sharing information about best practices to address existing challenges (i.e. collections practices to mitigate the increase in bad debt) and developing strategies to achieve greater operational efficiencies (i.e. innovative ideas for recruiting and retaining staff).
- Hospitals and clinics along with a broad coalition of partners, including patients, policymakers, the oil industry and other business leaders, must work together to solve these challenges. Each entity has a vested interest in having a robust and healthy workforce to maintain the state economy and overall health of North Dakotans.

Potential Solutions

Overcoming the challenges outlined above will require consensus on solutions and a partnership between patients, health care providers, policymakers, oil industry leaders and other business leaders in North Dakota. The following proposed solutions merit consideration by all parties involved:

1. Expand and restructure the Energy Infrastructure and Oil Impact Grant Program to better meet growing needs.

- Additional funds could be appropriated for the Energy Infrastructure and Oil Impact Grant Program and dedicated to assisting hospitals and clinics in oil impacted regions. Currently, the funding available is inadequate to cover increasing needs of health care providers. Hospital administrators fully understand there is not enough funding to address every need, but request that grant amounts be increased to satisfy more needs of the provider community.

- Funding is currently unavailable for hospitals and clinics unless they partner with a governmental entity. Eliminating the partnership requirement would remove an unnecessary burden for health care facilities. Expanding eligibility for Oil Impact Grants to allow hospitals and clinics to become eligible without a partner would improve access to capital to better meet the growing demand for health care.

- Funding associated with Oil Impact Grants is currently only available for one-time expenditures. Hospitals and clinics need help with one-time and reoccurring expenses to address issues of infrastructure, staffing and workforce. Expanding the grant program to include recurring expenses better serves the health care community and makes more expenditures eligible for grant assistance.

2. Encourage capital flow through state financed low- or no-interest loan programs.

- The State of North Dakota could create a dedicated fund with sufficient resources to establish a low- or no-interest loan program to support existing health care facilities' capital needs for both the short- and long-term.

- City and county governments in western North Dakota are restricted in their ability to issue debt or act as the issuer of debt due to existing bonds and debt loads. Establishing a state low-interest loan fund would reduce burdens on health care providers and government entities to provide access to capital to meet short-term and long-term needs.

- Many hospitals need access to funding in the short-term to cover increases in operating expenses and manage this transition period. Because the need is immediate, application processes for loans to address short-term needs should be quick and not overly burdensome.

- Some hospitals and clinics need to expand or build new facilities to meet patient demand for health services and care for an increasing population base. The state could facilitate responsible planning and expansion to meet patient needs by providing hospitals and clinics access to long-term loans for capital projects at low interest rates.

3. Convene a Governor's task force to actively manage challenges and find solutions.

- A task force focusing on health care in western North Dakota should be commissioned and appointed by the governor. Suggested task force members include:
    - Administrators from hospitals and health systems throughout North Dakota ;
    - Representatives from the oil industry, with a focus on developing partnerships with the health care industry and rural communities; and
    - Representatives from other stakeholder organizations including the long-term care industry, EMS professionals, elected officials and business leaders.

- The task force would assist the governor in setting parameters for low- or no-interest loan programs and the expansion/restructuring of Oil Impact Grants.

- The task force would provide ongoing advice to the governor as health care needs of the population in western North Dakota continue to evolve.

Methodology

The Health Policy Consortium engaged Himle Rapp & Company, Inc. to conduct research to assess the comprehensive impacts the oil boom is having on hospitals and clinics in western North Dakota. The goal of this research is to capture the scope of the problem and develop valuable recommendations to present to policymakers and others regarding the issues stakeholders are facing. Successful completion of this project would not have been possible without the participation and assistance of the North Dakota Hospital Association (NDHA), many of NDHA's member hospitals and the North Dakota Medical Association.

Research Methodology

The research was conducted using two methodologies and numerous outside resources:

1. **In-Depth Phone Interviews**
   Twenty-two interviews were conducted with opinion leaders in the health care industry and key stakeholders in western North Dakota. The interviews were conducted from June 11 - 29, 2012. The interviews addressed a number of issues facing area hospitals and clinics, including infrastructure and capacity strain, the cost of care, workforce, housing, and current and future solutions.

   Interviewees included hospital administrators in western North Dakota and other stakeholders, including providers, emergency medical services professionals and leaders from business and health care associations.
2. **Online Survey**
   A wider, statewide group of hospital administrators completed an online survey and provided statistical data to further assess the impact. Although hospitals in western North Dakota were the primary focus, hospitals and clinics in the eastern part of North Dakota were included to provide valuable comparison data. Data is compiled and reported by region and without specific attribution to hospitals in order to maintain confidentiality.
3. **Other Resources**
   Other sources of information accessed during this research include:
   - *First Biennial Report: Health Issues for the State of North Dakota*, University of North Dakota School of Medicine & Health Sciences (2011).
   - *NDHA Oil Impact Survey*, North Dakota Hospital Association (April 2012).
   - *The Impact of Oil and Energy Development on Out-of-Hospital Emergency Medical Services*, SafeTouch Solutions, LLP (June 2011).
   - *ND Petroleum Council Survey Results*, North Dakota Petroleum Council (March 2012).
   - *ND Health Care Emergency Preparedness Conference Presentation*, Tom Nehring, Division of EMS & Trauma, North Dakota Department of Health (2012).
   - *Trendwatch: The Opportunities and Challenges for Rural Hospitals in an Era of Health Reform*, American Hospital Association (April 2011).
   - *North Dakota Critical Access Hospital Annual Financial Analysis*, North Dakota Hospital Association and Darrold Bertsch, CEO, Sakakawea Medical Center (2009 – 2011).
   - *ND Traffic Safety: Oil Counties*, Rural Transportation Safety and Security Center, North Dakota State University (Summer 2011).
   - Sexually Transmitted Disease Data, North Dakota Department of Health, http://www.ndhealth.gov/STD/Data/STDData.htm (2007, 2011).
   - Recent media articles.

Senator Grindberg
SB 2187 subcommittee 2-4-13 #1

13.0505.02001
Title.

Prepared by the Legislative Council staff for
Senator Grindberg
January 30, 2013

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2187

Page 2, line 26, remove "industrial commission is responsible for contracting with a certified public"

Page 2, line 27, remove "accounting firm to audit the"

Page 2, line 27, replace "as necessary" with "must be audited in accordance with section 6-09-29"

Page 3, line 1, removed the underscore from "**- Audit**"

Page 3, line 2, remove the underscore from "**and costs of administration**"

Page 3, line 8, remove "Funds in the"

Page 3, remove lines 9 through 12

Page 3, line 13, overstrike "2."

Page 4, replace lines 14 through 17 with:

"~~7.~~2. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

~~8.~~3. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund."

Page 5, line 1, replace "Sections 1 and" with "Section"

Page 5, line 1, remove the second "and"

Page 5, line 1, replace "are" with "is"

Page 5, line 2, replace "are" with "is"

Renumber accordingly

Jerry Jurena

From: Tim Blasl
Sent: Tuesday, February 05, 2013 2:36 PM
To: John Vastag
Cc: Jerry Jurena
Subject: Per request

John,

Is this the information you were looking for? The $165 million request was related to building projects in the west. This was done in October 2012. I'm not sure if things have changed.

This amount is only building costs. Does not include costs for recruitment, training, contracted labor, etc.

Tim

Hospital	
Trinity Kenmare Hospital	0
St Joseph Hospital	100,000,000
Mercy Medical Center - Williston	0
Garrison Memorial Hospital	3,000,000
St. Andrews Health Center	400,000
Sakakawea Medical Center	7,000,000
Mountrail County Medical Center	1,000,000
Tioga Medical Center	7,000,000
Southwest Healthcare Services	12,000,000
St Luke's Hospital	0
McKenzie County Healthcare Systems	35,000,000
Total	165,400,000

funding secured - CHI

65.4 million

Bowman - Now 30 million

Watford City - Now 55 million

13.0505.02002
Title.

Prepared by the Legislative Council staff for
Senator Kilzer
February 13, 2013

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2187

Page 2, line 10, replace "twenty" with "three"

Page 2, line 10, replace "seventy-five" with "twenty-five"

Page 4, line 20, replace "$150,000,000" with "$12,000,000"

Renumber accordingly

13.0505.02004
Title.

Prepared by the Legislative Council staff for
Senator Mathern
February 14, 2013

2

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2187

Page 2, line 3, remove "oil"

Page 2, line 4, replace "producing" with "oil-producing"

Page 2, line 6, after "must" insert "limit loans to facilities designated as critical access hospitals or medical clinics and"

Page 2, line 6, replace "oil producing" with "oil-producing"

Page 2, line 7, remove "and to applicants that are prospective payment system hospitals that receive"

Page 2, line 8, remove "trauma patients from oil producing counties"

Page 4, line 20, replace "$150,000,000" with "$75,000,000"

Renumber accordingly

#1

Testimony

Senate Bill 2187

House Human Services

Tuesday, March 12, 2013

Good Morning Chairman Weisz and members of the House Human Services Committee. For the record, my name is John Vastag and I serve as the Executive Director for the Health Policy Consortium which is made up of Trinity Health Systems, Altru Health Systems, and Sanford Health Systems throughout ND.

I am before you today in support of SB 2187 and to give you some background on how this particular bill came about.

December 9, 2011—Governor Dalrymple attended our quarterly HPC meeting in Grand Forks. While there he listened to concerns from our members that the oil development was having on their day to day operations.

The governor encouraged the members of HPC to think outside the box and to consider applying for funds through the Land Grant Fund program. Med Center One attempted to work with the political subdivisions in Dickinson to secure funding for their new clinic. They were unsuccessful in finding a political subdivision to coordinate the application with.

We had one request for the governor, to host a joint meeting with representatives from the oil industry and the health care industry.

On January 23, 2012 the governor was gracious enough to host the joint oil industry/health care meeting. The meeting was attended by representatives from a broad spectrum of the healthcare industry, the insurance industry, and the oil industry. There was an excellent exchange of information, however it was concluded that although there was a lot of information, there was no formal data to support the concerns noted.

The Health Policy Consortium indicated they would check with their members to have an Oil Impact Study completed. At their January meeting, the members of HPC unanimously agreed to pay for the study.

The Oil Impact Study an independent study conducted by Himle/Rapp was completed during the late spring and over the summer of 2012.

On September 26, 2012 representatives from HPC, NDHA, and the Oil Industry presented the findings of the study to the Lt. Governor, the Governor's Chief of Staff and the Governor's Health Policy Advisor.

The Governor's Chief of Staff recommended that we convene a larger group to discuss the findings and potential solutions to the challenges noted in the study.

On October 26, 2012 an Oil Impact meeting was held in Bismarck with the following in attendance: Oil Industry representatives, Health Care representatives, representatives from a majority of the departments within State government such as WSI, DHS,DOH, OMB and others.

Although the study contained three recommendations, the major focus was on the low interest loan program.

For most service oriented industries, the increase in demand has made a significant positive impact to their bottom line. That is not necessarily the case for the healthcare industry. In fact it has proven to be just the opposite. A combination of being under reimbursed by Medicare for nearly twenty years, combined with a significant influx of patients who do not necessarily pay their bills timely has caused the financial statements of the local healthcare facilities to be less than desirable for local lending institutions to provide loans at rates the facilities can effectively mange.

The facilities are having to spend whatever reserves they may have on increased staffing costs, contract staff, housing and increased costs of supplies and materials.

Prior to the last Oil Impact meeting, NDHA conducted a survey that indicated there were eleven facilities that had "shovel ready" projects totaling $160--$200 million.

Therefore the bill before you was developed with significant technical support from OMB and the staff at the bank of North Dakota. The original daft had a 60-40 split with a 20 year payback. After receiving feedback from the interested facilities, they felt the split was too high and the payback period too short. Therefore, the original draft was amended to a 75-25 split with a 25 year payback.

The Senate Appropriations Committee reduced the amount to 12 million with a maximum loan amount of 3 million. This amount is not sufficient to meet the current needs in western North Dakota.

The net result of the increase in population in western North Dakota is that is it has created an access issue. Although the facilities have done a very good job of expanding their service hours to evenings and week-ends, they simply cannot keep up with the demand in their current infrastructures. Thus their patients are unwilling to wait several days or weeks to for an appointment and go to the ER's because they know they have to be seen.

This creates two problems, 1) It takes up precious ER time for services that do not necessarily require ER services, and 2) it costs all of us more money to provide those services in ER.

Therefore in order to improve the access issues currently facing the facilities, they need to expand their infrastructure so they can provide more space for more practitioners to see more patients.

Therefore, I strongly encourage you to support the proposed amendment for $75 million and a maximum loan amount of $10 million and give the amended version of SB 2187 a DO PASS recommendation.

Thank you for your time and I would be happy to answer any questions the committee may have.

Respectfully;

John Vantag

Pushing the Limits: The Impact of the Oil Boom on Health Care in Western North Dakota

August 23, 2012

HIMLE RAPP & COMPANY

COMMUNICATIONS
REPUTATION
CRISIS
PUBLIC AFFAIRS

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Introduction

Across western North Dakota, an oil boom is in full swing, prompted by horizontal drilling and hydraulic fracturing to extract oil resources trapped within the Bakken Formation. More than 200 oil rigs are currently at work in North Dakota. Oil output has more than doubled in two years and jumped five-fold since 2006. **North Dakota recently surpassed Alaska as the nation's second**-largest oil producer and accounts for about 10 percent of U.S. crude production. The oil boom has been good for North Dakota, creating an unprecedented budget surplus, low unemployment figures and significant wealth for the state at a time when many other states are struggling with budget deficits.

The oil boom has also presented several challenges, including housing shortages, an explosion of heavy truck traffic and competition for human resources. It is also **threatening to overwhelm the state's health** care infrastructure which was not designed to accommodate such a rapid increase in population.

The Health Policy Consortium (HPC), in cooperation with health care providers across North Dakota, engaged Himle Rapp & Company to conduct qualitative and quantitative research on the impact of the oil boom on health care facilities and providers in western North Dakota. The goal of the research is to capture the scope of the problem and develop valuable recommendations to present to policymakers and others regarding the health care issues facing North Dakota.

Executive Summary

Technological advancements for oil extraction and the ensuing development of the Bakken Region is causing rapid population growth in many western North Dakota communities. Small hospitals and clinics have traditionally served the health care needs of residents in these affected communities. While providing high quality health care, two-thirds of the smaller facilities located in rural areas of the state report operating losses in two of the last three years. Until the beginning of the oil boom, these facilities were not poised for rapid expansion to accommodate an influx of new residents.

Population growth over the last few years is straining the health care system in western North Dakota. Absent a coordinated, comprehensive response to current and future challenges, continued population growth will jeopardize existing access to quality health care services in many communities.

Staff Recruitment and Workforce Development
Health care is a labor-intensive industry, meaning labor expenses typically far outweigh capital expenses. Hospitals and clinics in the Bakken Region have redoubled their efforts at staff recruitment to meet the growing demand for patient care. Despite their best efforts, external obstacles such as lack of available or affordable housing and daycare combined with hyper-competitive wages available in other industries are limiting hospitals' ability to attract new staff. Retention of existing employees has become a growing challenge as the situation is placing unprecedented demands on the existing workforce.

Capacity for Care Delivery
The influx of new residents has resulted in a growing number of new patients seeking primary care services in clinic settings. Existing capacity has not kept pace with the rate of population growth and clinics are no longer able to satisfy skyrocketing patient demand. Difficulty accessing clinical care in a timely fashion is prompting patients to seek care in the emergency room for what would otherwise be a routine checkup. This, combined with an increase in traffic accidents and other trauma, is overwhelming emergency rooms that are simply not equipped to handle the volume of patients they are currently receiving.

Financial Viability
A multitude of factors have negatively impacted the financial health of many hospitals and clinics, threatening their long-term viability. Facilities that have historically operated on slim margins in rural communities are having difficulty accessing capital on the private market to fund necessary expansion and renovation of facilities. Bad debt levels have grown at a staggering rate as hospitals are seeing more uninsured patients who are either unwilling or unable to pay their bills. Finally, competition from all economic sectors is driving up costs for services and workforce, placing additional pressure on stressed budgets.

Growing Public Health Concerns
The oil boom and accompanying population growth has created new public health concerns in western North Dakota that have exacerbated the strain on the existing health care infrastructure. For example, there has been a dramatic increase in the incidence of sexually transmitted diseases, which is creating additional demand for primary care services. Further, rising numbers of traffic accidents and incidences of violence resulting in trauma have caused an unprecedented number of emergency room visits at affected facilities.

To address the primary challenges for health care delivery identified through this study, policymakers will need to consider innovative programs to improve access to capital for the health care industry. Potential solutions include expanding the oil impact grant program and/or establishing a streamlined, low-or no-interest loan program for capital projects. Coordinating recommended solutions for the remaining challenges would best be accomplished through an active task force involving health care providers, policymakers, oil industry representatives and other business leaders.

General Observations

1. **The oil boom is good for North Dakota.**
   Despite numerous challenges presented by the oil boom, health care providers in North Dakota overwhelmingly agreed that the oil boom has had a positive impact on the state economy.
   - The oil boom has created many high-paying jobs, produced record-setting employment figures and produced significant wealth for many land and business owners.
   - Tax revenues on oil production have positioned North Dakota as one of few states with a significant budget surplus during a time when the rest of the country is suffering from high unemployment rates and budget deficits.

2. **Hospitals and clinics in western North Dakota are significantly strained by the demand from the growing population.**
   - Quality health care is still being delivered, but access to care is deteriorating and facilities cannot sustain continued pressure.
   - Patient demand for services has dramatically increased over the past 24 months.
   - The incoming workforce is presenting unique and severe health issues.

> *"It [the oil boom] has resulted in surplus funds, bringing attention and employment to North Dakota, long-term benefit. It's an enviable position. The issue is that it caught us off guard. The economy is great; the oil boom is wonderful – very positive. But rapid progress has a price. There are bad sides to it such as ER issues and bad debt for hospitals."*
>
> *Dean Mattern, CEO*
> *Garrison Memorial Hospital, Garrison*

3. **Hospitals and clinics in North Dakota are not structured to accommodate an increase in demand this quickly.**
   The biggest challenge for those impacted by the oil industry's rapid growth is to find resources and solutions required to keep pace with demand. The oil boom has greatly accelerated the need for health care infrastructure and most rural hospitals have the need for immediate expansion of both infrastructure and capacity to provide care.

4. **Immediate and short-term challenges must be addressed to maintain high-quality health care.**
   North Dakota hospitals and clinics are facing numerous immediate and short-term challenges, including financial, housing and staffing crises. In addition, heath care providers are straining to provide primary, urgent and emergency care efficiently due to the growth in demand.

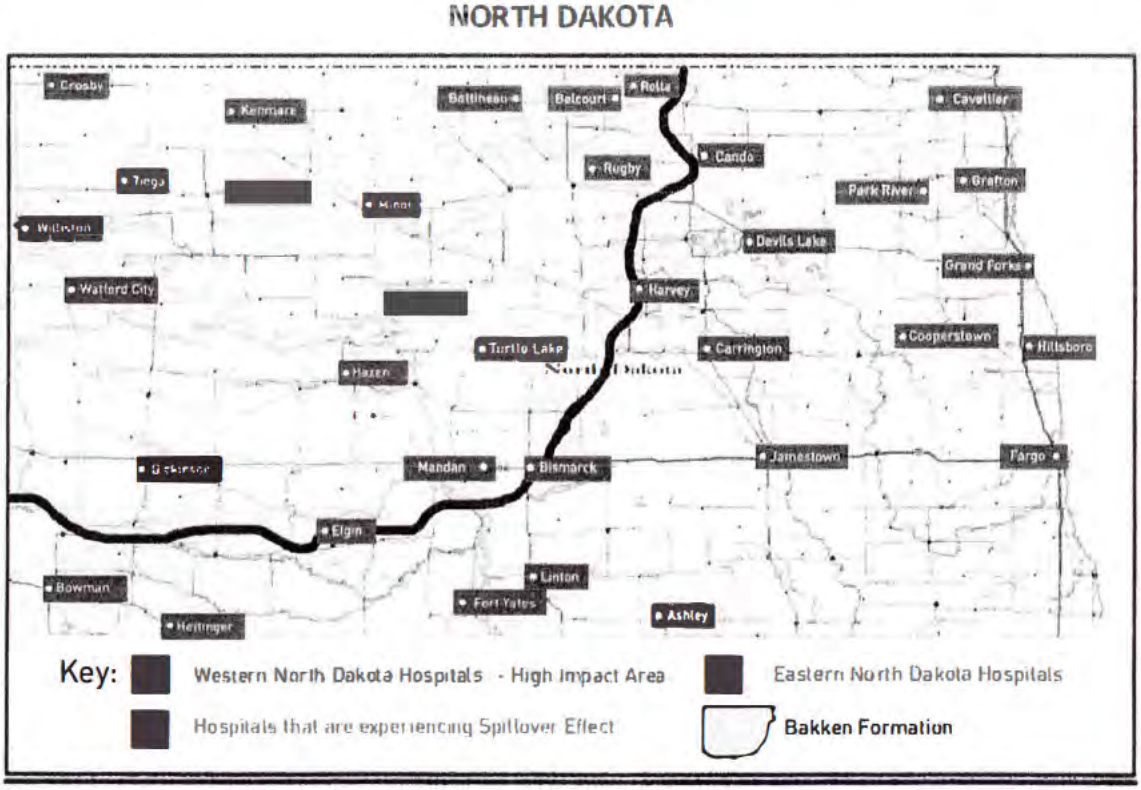
5. **Hospitals are balancing long-term planning against uncertain future growth.**
   Although sources predict the oil boom could continue for another 30 years, most hospital administrators are uncertain of the future rate of growth in their areas. Planning for the contingencies that come with growth and contraction is critical to the success of the hospitals and clinics – and for the health of North Dakotans.

Geography of the Oil Boom

There are two primary categories of facilities that have been most affected by the oil boom. The first category includes facilities located within the Bakken Formation that are directly impacted by the population growth and subsequent rise in demand for care services. Hospitals and clinics located in Williston, Watford City, Tioga, Stanley, Dickinson and Minot are experiencing the greatest impacts. Most facilities in these service areas are struggling to manage and care for the growing population.

In some areas, including the Tioga service area, the population has more than tripled due to the influx of oil workers and "crew camps," which, in turn, has caused the demand for health care to skyrocket. Williston has experienced similarly staggering population growth, but is fortunate to have a $30 million expansion underway. Administrators in Williston were able to secure needed capital and already had the infrastructure in place to satisfy the growing demand. They are also benefitting from oil industry assistance.

A second group of facilities exist on the border of the Bakken Formation and are experiencing a spillover effect. Many hospitals and clinics on the fringe of the oil development are currently managing demand, but are braced for a dramatic increase and see the need to problem-solve now. For example, Garrison and Crosby are experiencing some of the strain and tightness on housing, but not to the extent that Tioga and Watford City are experiencing. Bottineau is targeted as the next area for drilling and is currently experiencing moderate impact and expects to experience a significant increase in demand for service in the very near future.



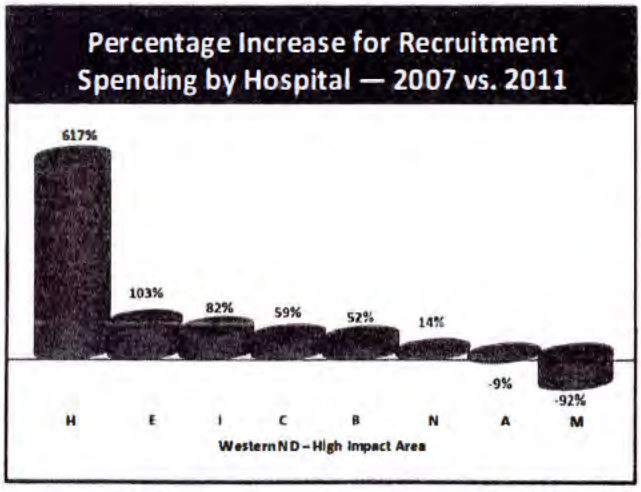
Recruitment and Workforce Development

Unprecedented population growth in western North Dakota is generating unprecedented demands on the existing health care workforce. Despite aggressive and innovative approaches to recruit physicians and support staff, hospitals and clinics are unable to recruit or retain the staff necessary to meet increased patient demand. Several obstacles are hampering existing recruitment efforts and this problem is perpetuating the strain on existing clinical capacity and contributing to rising costs as outlined in later sections of this report.

> *"In Bismarck, we're seeing direct impact from the energy industry's rapid growth. In addition to increased demand for services, we're faced with growing staffing shortages. In 2007, we averaged about 80 openings at any given time. In 2012, we've had as many as 200 openings at one time."*
>
> *- Dr. Craig Lambrecht, President and CEO Sanford Medical Center Bismarck, Bismarck*

Recruiting and retaining quality physicians has traditionally been a challenge for hospitals in rural communities. According to the American Hospital Association, approximately 23 percent of the population in the United States resides in non-metropolitan areas, while only 13 percent of physicians practice in these same areas, resulting in a highly competitive recruiting environment.

A majority of hospitals and clinics throughout North Dakota are investing more resources than ever to recruit and retain mid- (primarily RNs) and entry-level staff (maintenance, CNAs, dietary, housekeeping) with little success. The cost of these practices include not only dollars spent recruiting and retaining staff but also time and energy invested in training and orienting new staff.



Data collected for this report revealed that the impact on recruitment costs is not limited to the western half of the state. Compared to 2007, the percentage change in recruitment expenses at hospitals in western North Dakota ranged from (-92%) to 617%, compared with a range of 126% to 287% for their eastern counterparts. (One hospital reported a 40,000 percent increase in recruiting costs between 2007 and 2011. This figure is not included in the side chart as it is an outlier.) While the trend in recruiting costs is not uniformly consistent (two facilities reduced such expenses), the dramatic increase in costs at a majority of the facilities demonstrates the significance of this challenge. Survey respondents reported that the level of competition for doctors, in particular, has increased dramatically. For example, one hospital reported paying a $100,000 incentive for a single physician to relocate to western North Dakota.

Hospitals and clinics have altered recruiting and retention activities by:

- Increasing wages
- Securing/offering housing (when available)
- Advertising nationally and internationally, instead of locally or regionally
- Using social media to reach prospective staff in new ways
- Working with staffing agencies to help access new employee pools, especially in areas of high unemployment around the U.S.

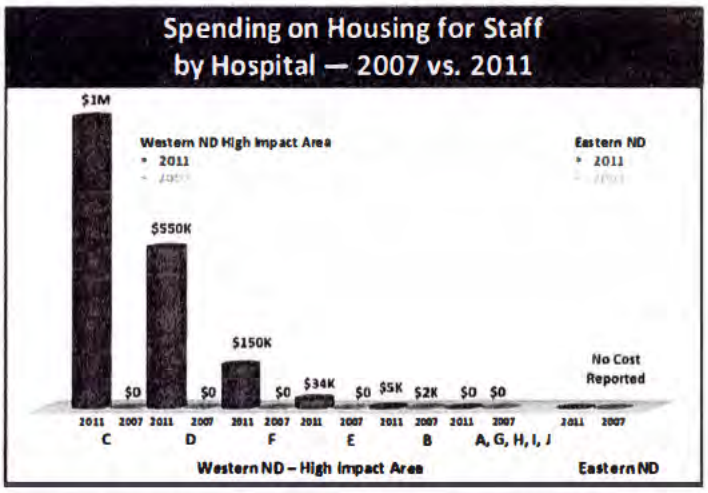
> *"We are trying to recruit aggressively to avoid hiring traveling staff, sign on bonuses and wage increases. We have expanded our advertising to now include areas outside of the region. We also are using social media and a national list serve, but when we find someone who is interested, housing is an issue."*
>
> *— Gary Miller, President & CEO*
> *St. Alexius Medical Center, Bismarck*

- Working with education programs in North Dakota and other areas to recruit newly-trained and homegrown professionals
- Recruiting family members of current employees, who already have a place to live, to circumvent the housing issue
- Recruiting doctors through the National Health Service Corps, a U.S. Department of Human Services program committed to improving access to health care in medically underserved regions
- Offering numerous accommodations including:
  - *Sign-on bonuses*
  - *Retention bonuses*
  - *Flexible scheduling*
  - *Generous benefit packages*
  - *Relocation packages*
  - *Student loan repayment assistance*

The limited success of such exhaustive efforts is the likely result of several common obstacles.

Lack of Affordable Housing

Respondents nearly unanimously voiced that the lack of affordable housing is the primary obstacle for recruiting and retaining employees, and the situation has worsened in the past 12 to 18 months. This conundrum exists for all staff, including medical staff, nursing staff and front-line, entry-level positions such as housekeeping, dietary and maintenance workers. Prospective employees either cannot afford to live in the oil impacted areas or housing is simply not available.



Currently, there are thousands of housing units being built in western North Dakota - apartments, townhouses and single-family homes. The construction phase will be complete in most areas in approximately 18 months, but this is

> *"I'm in a position to take care of people, not in a position to be a landlord. But we are doing whatever we can to help out staff and the community with housing."*
>
> *- Reed Reyman, President and CEO*
> *St. Joseph's Hospital, Dickinson*

not soon enough for the hospitals and clinics in communities who need housing now. Many also note that when new housing is built and available, it is not affordable.

Without available housing now, hospitals and clinics are not able to recruit or retain staff to meet the demand. There is nearly unanimous agreement that the housing crisis is preventing hospitals and clinics from hiring the staff necessary to support expanding operations to meet the demand for care.

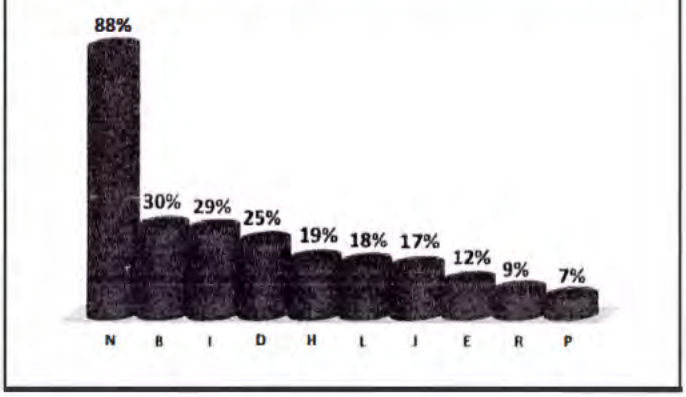
Many respondents report that once they successfully recruit an employee, they often cannot complete the hire because the employee is unable to secure housing.

Hospitals and clinics have attempted to address the housing shortage with numerous short-term solutions, creating additional financial burden for facilities. Many hospitals have taken a proactive approach and are buying and building housing themselves. Others reported spending time fostering relationships with building owners to reserve housing for incoming staff. Some hospitals have been able to purchase and/or subsidize housing for staff, while others have converted existing hospital structures into housing. Facilities in larger communities, such as Williston, are able to lease housing to secure it and sub-lease it to employees without absorbing additional expense. Others report that even though they have yet to purchase properties, the option is under consideration. These efforts are costing hospitals and clinics significant time and money while providing little short-term relief. Many smaller facilities with fewer resources have no existing options available to address the housing crisis.

Hyper-Competitive Wages

One of the largest financial burdens for hospitals and clinics regarding workforce has been the need to increase wages. Over the past four years, wages for nurses and support staff at hospitals in western North Dakota have increased at a rate of 24 - 29 percent on average, compared to 10 - 12 percent for their eastern counterparts. Ballooning wages have a direct impact on hospital finances. Despite system-wide wage increases, health care remains at a significant disadvantage among other employers in oil-producing communities.

Percentage Increase in Nurse and Support Staff Wages by Hospital — 2007 vs. 2011



Even with increasing wages, employees most often report that they leave their positions in health care for more money elsewhere or because they no longer have to work due to oil revenue. The biggest competitor for front-line staff comes from the oil industry and corollary businesses that have opened to cater to the oil industry (restaurants, hotels, convenience stores, etc.) Many administrators noted that they are unable to pay a competitive wage when compared to other employers because they are limited

by their inability to increase prices for health services, while more conventional businesses are not constricted in this way.

Availability and Affordability of Daycare

The lack of affordable and available daycare is another issue for North Dakota hospitals that is having a direct impact on recruiting and retaining staff. Because daycare services are not available for staff, additional employees are leaving their positions in health care, or decreasing their hours to care for their child/children. In many situations it is more cost-effective for the employee to stay at home to care for their children than to pay for a daycare provider. This situation often prevents prospective staff from relocating for employment in the oil impacted areas and is perpetuating the staffing shortage.

Deteriorating Working Conditions

Working Conditions are Worsening and are Further Impacting Staffing Challenges.

> *"We are short-staffed every day. That causes stress and burn out."*
> *- Dr. Scott Knutson, Assistant Medical Director, Emergency Trauma Center Trinity Health, Minot*

Staff burnout due to increased workload.
The majority of respondents report that their staff members are feeling the strain of the population boom. Staff at all levels is being asked to do more and wear more "hats" to address the demand for care, including administrative work and training new employees. Adding to employee burnout are longer hours, increased caseloads and more responsibility for staff across-the-board.

Increased safety and security concerns.
Many respondents mentioned the need for increased security measures in their facilities to protect patients and staff. Hospital administrators have included increased security measures to accommodate concerns. Some administrators are taking proactive steps by limiting hospital entrances after regular work hours, installing security cameras throughout the facility and inviting police to have a presence in the emergency room to address increased traffic in facilities. Ensuring staff and patient safety has required considerable time, energy and expense, adding significant stress to hospital employees.

> *"Part-time staff is being asked to do more and they are burned out. Morale is low. Staff wants more money. I've heard 'My son graduated from high school and makes more in the oil field than I do as an RN' from more than one employee."*
> *- Shawn Smothers, Administrator Trinity Kenmare Community Hospital*

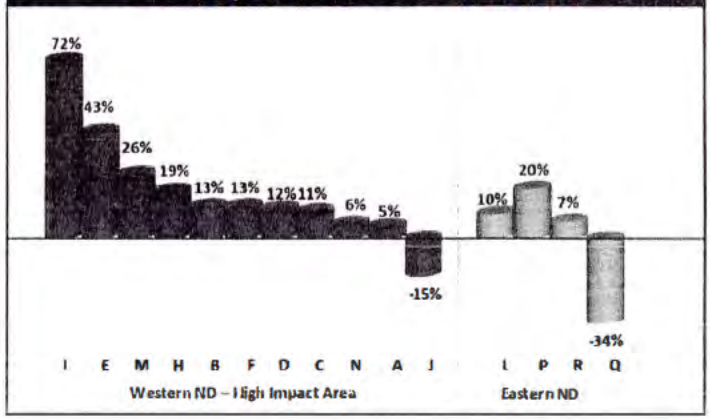
The staffing crisis is impacting morale.
There are substantial organizational costs associated with this situation. Higher turnover has greatly impacted the morale of entire hospital and clinic staffs, and many organizations reported making increased efforts to maintain positive work environments. Many are attempting to boost morale by giving "atta boys" to long-time staff and hosting employee recognition events and gatherings. However, administrators are quick to recognize that these gestures are simply not enough to sustain employee morale in the long-term.

Capacity for Care Delivery

The delivery of health care services is being impacted by the population explosion and most hospitals and clinics do not have the clinical capacity – or the emergency room capacity – to handle the increased demand. **Populations in western North Dakota's hub health care communities** – Williston, Dickinson, Watford City and Minot – are projected to increase nearly 60 percent between now and 2020. Collectively, these four communities are estimated to have nearly 100,000 residents (crew camps included); city planners estimate that number will jump to 155,000 residents by 2020.

Primary Care Clinics

Percentage Increase in Clinic Visits by Hospital — 2007 vs. 2011

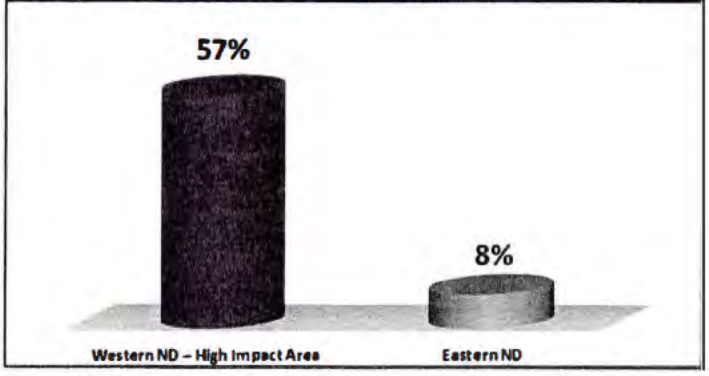


Many clinics in the oil impact area are operating at or above full capacity. From 2007 to 2011, clinic visits in western North Dakota increased at an average rate of 13 percent, compared to less than 1 percent in the eastern half of the state. While this increase is notably higher for facilities in the oil impact area, this statistic is likely an incomplete measure of the actual demand for clinic services. Waiting periods for clinic appointments in this area can be as long as three weeks and many patients are unable to visit the clinic during normal business hours. Clinics are too short-staffed to offer extended hours, causing patients to turn to the emergency room as an available alternative – driving up costs for what would otherwise be routine physician visits.

Hospitals and clinics are streamlining workflow and clinic operations to become as efficient as possible. However, such efforts can only accomplish so much. Clinics will need to invest capital in expanded facilities and work to recruit additional staff to fully meet the growing demand for services.

Emergency Rooms

Average Percentage Increase in Emergency Room Visits — 2007 vs. 2011

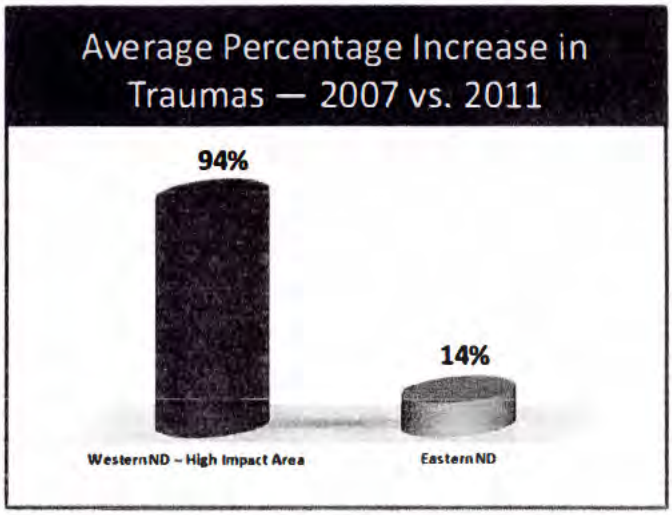


A variety of factors are combining to overwhelm hospital emergency rooms in western North Dakota, including higher instances of trauma injuries and a growing trend of patients seeking care for routine illnesses in emergency rooms rather than in a clinic setting.

For example, Watford City has a one-room emergency department and one lightly-equipped procedure room, yet is regularly receiving

multiple traumas at the same time. Recently, this hospital admitted 26 patients in one day, including two car accidents with a total of six seriously injured patients. The facility simply cannot sustain this kind of demand with existing infrastructure and staff.

Emergency rooms are not only experiencing an overall increase in visits but are also experiencing an increase in the severity of injuries proximately caused by the oil industry. In the heart of the oil impacted areas, hospitals are seeing more work-related traumas, including smashed hands and other crushing-type injuries. Due to increases in traffic patterns throughout western North Dakota — largely attributed to the oil boom — all hospitals reported seeing substantial increases in the number of automobile accident injuries. These patients typically require emergency room attention and injuries are more severe and much more frequent than prior to the boom.



As mentioned above, patients not wanting to wait for a clinic visit, are routinely over-utilizing and misusing emergency rooms for non-emergency injuries and ailments. Some of the misuse is occurring because clinic appointments are not available for weeks and patients do not want to wait for care. Some of the misuse can be attributed to clinic hours — and not being open after typical work hours when the patients can access them. Other instances of misuse occur because patients cannot pay for the services they need and will go to emergency rooms knowing they cannot be turned away due to federal regulations requiring hospitals to administer emergency room care. This situation serves to exacerbate capacity and staffing issues and adds to mounting financial problems for affected hospitals.

"There's a population explosion in the Tioga region. The man [crew] camps in this service area are twice the size of the city. There are 2,500 people in the man camps and the population of Tioga is less than 2,000. There's a drastic increase in ER visits. In 2007, we had 600 visits. In 2012, we expect more than 2,000."

- Randall Pederson, CEO
Tioga Medical Center, Tioga

Financial Impacts of the Oil Boom

Insufficient Capital

There is an immediate need for infrastructure expansion, but hospitals and clinics cannot access the capital required to build and renovate. Hospital administrators most often cited infrastructure issues within emergency rooms and clinics as the major challenge caused by the oil boom. However, in the same context, many administrators also mentioned that their facility is aged and the need to build new buildings outweighs the benefits of renovating existing structures.

Access to capital is the primary challenge to meeting patient demand.

Rural hospitals and clinics consistently operate on razor-thin budgets with narrow margins, highlighted by two-thirds of critical-access facilities located in rural North Dakota reporting losses in two of the last three years, making capital projects difficult to undertake. Further complicating this problem, hospitals and clinics are finding major issues in securing capital from outside sources, which is required to undertake much-needed projects. This is impacting future planning.

- Most hospitals lack the ability to self-finance. Because the growth has been so rapid, hospitals and clinics in western North Dakota do not have extensive credit histories to support large funding requests and cannot satisfy the stringent demands of financiers.

- Many facilities, particularly in the more rural areas, are aged. The condition of the hospitals not only puts patient care at risk but it also puts at risk the financial stability of the hospital and jeopardizes bond ratings. Bond ratings have a direct impact on the ability to secure capital.

> *"We are trying to address the needs for our own little community as best as we can. It is getting tough. It would be great if we had something like a loan program to get capital for hospitals at a reasonable interest rate – a pool of funds that hospitals in North Dakota could draw from. We need capital funding for projects for infrastructure improvements."*
>
> *- Randall Pederson, CEO*
> *Tioga Medical Center, Tioga*

- For those still in the planning stage, financing problems are causing projects to stall or preventing them from moving into action altogether.

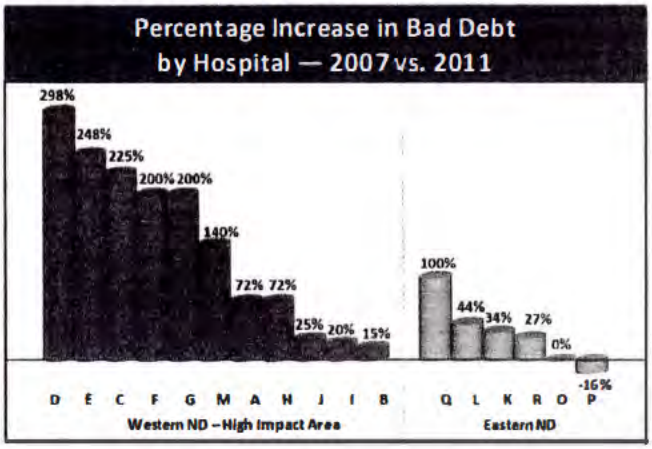
- Current funding mechanisms take too long. Numerous expansion projects are in the process of being funded by USDA Rural Development funds, as it is one of the primary funding sources available to the hospitals in rural western North Dakota. This process was repeatedly described as lengthy and burdensome. Some hospitals report that the USDA process takes years to complete – and requires significant staff time to prepare the documentation required by the application.

- Creative solutions are limited. One hospital is considering a community-wide capital campaign. Some facilities are trying to absorb costs internally, while others are seeking funding through their hospital foundations.

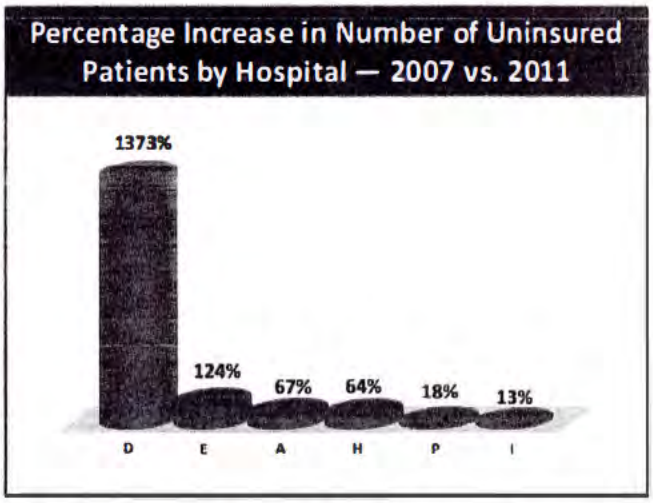
- One exception is the community of Williston, which has been able to manage the demand in a much different way than smaller surrounding communities and has a $30 million expansion underway. Administrators were able to secure capital from a variety of funding sources, including significant oil company investment, to make their expansion possible. In addition, Williston was well-positioned, as they had existing infrastructure in place to accommodate much of the growth.

Bad Debt

Levels of bad debt are rapidly increasing across-the-board in western North Dakota at a staggering average rate of 138 percent over the last four years. This unprecedented increase in bad debt is jeopardizing the financial viability of many hospitals in western North Dakota and is not sustainable in the long-term.



Several factors are contributing to this rise in bad debt. Increasingly, hospitals are seeing uninsured patients who are either unable to pay or do not pay their bills. Furthermore, due to the transient nature of the incoming population, many new patients lack stable addresses and hospitals are having difficulty locating current addresses to send bills to patients, resulting in increased nonpayment and increases in bad debt.



Hospitals have a limited ability to raise fees for services provided because they are bound by the state's Medicaid reimbursement rate for services. To aide revenue flow and alleviate some of the bad debt, some administrators mentioned the need to increase Medicaid reimbursement rates to bring more revenue into the system to offset the rise in bad debt.

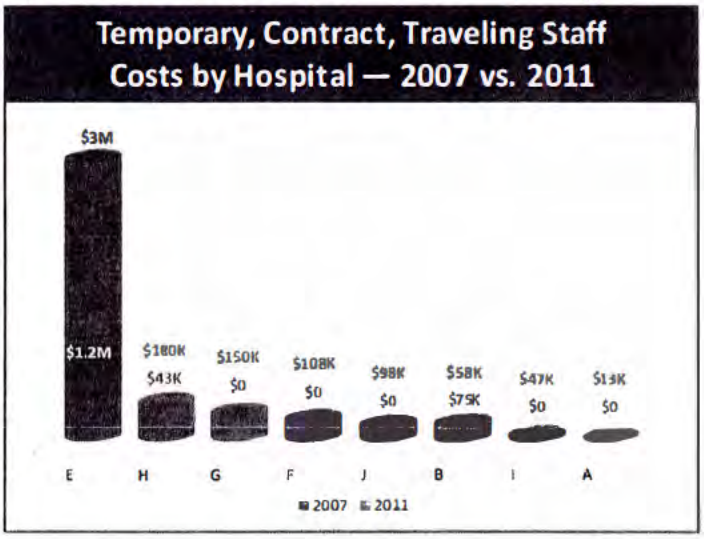
Rising Costs

Population growth and rapid development of North Dakota's oil fields have resulted in rising costs for hospitals and clinics in a variety of ways.

- **Hospitals and clinics are paying high premiums for services in western North Dakota.** Many administrators report that their costs are unexpectedly increasing simply due to their geography. They report that bids for construction services are approximately 30 percent higher in the oil impacted areas than in eastern North Dakota because of the high demand.

- **Workforce costs are significant.**
  As previously mentioned, hospitals and clinics are incurring significant expense to recruit and retain staff. Health care is a labor-intensive industry and stiff competition for both medical and entry-level staff is driving up wage and salary expenses across the board.

- **Temporary solutions to staffing needs are too expensive to sustain.**
  Although contract staff is helping hospitals meet the increased demand for care, all agree this solution is too expensive to sustain long-term. Almost all hospitals are currently utilizing contract staff to some degree. In 2011, seven critical access hospitals in western North Dakota increased annual expenses for temporary, contract and traveling staff by a combined total of $536,000, compared to 2007. These added expenses are in addition to the enhanced recruitment efforts and salary increases cited above.



  While temporary staff helps satisfy the growing need for patient care in the short-term, it is a less than ideal solution that is expensive and unsustainable in the long-term. In addition to cost, several respondents indicated additional issues with temporary staff, such as:
  - They are often double the cost of a regular full-time employee.
  - They are often of subpar caliber.
  - They are not vested in patient care, the community or the success of the organization, like permanent employees.

> *"Contract costs are up 300 to 400 percent. Contract staff has negative financial consequences. Contract workers also do not understand our mission and vision. They are not vested; not committed to the community or to the organization. They just want their paycheck."*
>
> *- John Kulch, President and CEO*
> *Trinity Health, Minot*

Public Health Concerns

Major public health concerns are emerging and the need for more preventive health care is evident. This is particularly true in oil impacted communities where there has been a significant change in public health concerns, including an increase in sexually transmitted diseases, traffic accidents, drug and alcohol-related injuries, and increased incidents of violence, including domestic and sexual assaults. These digressions in public health have caused a direct impact on demand and capacity for area hospitals and clinics.

Sexually transmitted diseases are on the rise.
Many hospitals and clinics in western North Dakota have seen an increase in sexually transmitted diseases. North Dakota Department of Health data shows a 24 percent increase in Chlamydia cases and a 14 percent increase in Gonorrhea cases in the most highly impacted counties in the western portion of the state. Many administrators see the increase as a direct result of the rise in prostitution caused by the boom. The increase in STD cases has a direct impact on patient demand for clinical visits.

Traffic accidents are on the rise.
Another emerging public health concern is the dramatic rise in traffic accidents caused by increased truck traffic related to the oil boom. The Rural Transportation Safety and Security Center at North Dakota State University reports that traffic accidents increased 33 percent in the high impact area between 2007 and 2010. Research also indicates that the accidents are increasingly involving oversize and overweight trucks. The number of oversize and overweight trucks using roads in the oil impacted areas has more than doubled over the past three years, creating a dangerous situation on the roads. In response to this growing concern, the North Dakota Department of Transportation, the North Dakota Petroleum Council and the North Dakota Highway Patrol are banding together to create a road safety campaign, *ProgressZone*, to address this issue.

Increasing traffic accidents and the severity of related injuries were also mentioned earlier in this report when evaluating the increase in trauma cases in western North Dakota hospitals. As previously cited, the increase in traffic accidents and resulting injuries are having a direct impact on the ability to provide emergency care to accident victims.

Communities are experiencing increased incidents of violence.
Communities in western North Dakota are facing a significant increase in incidents of violent crime including robberies, rape, assaults and thefts, due in large part to the population explosion. Pharmacy burglaries and drug and alcohol-related crimes are also reportedly on the rise in the high impact area. Recent media articles also report widespread and increased incidents of prostitution. Violent crime in Williston alone tripled in 2010. In Dickinson, the average number of assaults from 2008 to 2010 was more than five times the average from 1999 through 2007. Felony cases in the Southwest Judicial District, which includes the communities of Dickinson, Hettinger and Bowman, soared 85 percent from 2006 to 2011. This increase in violent crime in the high impact area has an impact on hospital capacity to provide trauma care.

Some hospitals are taking a proactive approach to dealing with the increase of domestic and sexual assaults in their communities. In Minot, a new effort to treat and address the increase in sexual assaults is underway. The community hospital helped establish the Sexual Assault Nurse Examiners (SANE) training program to treat and talk with victims of sexual assault. Programs such as SANE, while effective and necessary to support victims of sexual assault, stretch staff to take on increased responsibilities.

Conclusions

1. The financial stability of many hospitals and clinics is at risk.

- The financial health of these organizations is suffering because of the dramatic rise in bad debt, aged infrastructure, excessive costs associated with doing business and the lack of access to capital for facility improvements. While these are not uncommon challenges for rural health care providers across the country, the corresponding rise in demand for patient care elevates the situation in North Dakota to a genuine crisis.
- Financial instability risks degradation of current bond ratings, which would mean higher borrowing rates — jeopardizing the ability to secure capital for much-needed expansion and improvement projects.

2. Continued pressure on the hospitals and clinics will impact patient care if not addressed.

- The inability to expand or build infrastructure necessary to meet demand will negatively impact patient care.
- Providers are being stretched beyond their limits, as evidenced by the dramatic increase in traumas and emergency room visits, as well as the difficulty in recruiting more providers to the area. These challenges are creating distortions that will impact patient care, both directly and indirectly.

> *"Health care is the number one employer in the state of North Dakota and it is not earmarked to receive any funding from the Legacy Fund that is set aside from the oil impact. Will it take a casualty for the eyes to become wide open? No hospital has closed. Will it take the threat of closure to increase the seriousness?"*
>
> *Jodi Atkinson, CEO*
> *St. Andrew's Health Center, Bottineau*

- If not addressed soon, the factors contributing to financial instability may force hospitals and clinics to make drastic decisions about services they offer to patients.
- The housing crisis, if not properly addressed, will leave hospitals without necessary staff to provide care to patients.

3. Solutions need to be coordinated and comprehensive.

- The current financial instability at hospitals and clinics in North Dakota necessitates comprehensive, system-wide solutions.
- Providers are attempting to coordinate responses to these challenges, including sharing information about best practices to address existing challenges (i.e. collections practices to mitigate the increase in bad debt) and developing strategies to achieve greater operational efficiencies (i.e. innovative ideas for recruiting and retaining staff).
- Hospitals and clinics along with a broad coalition of partners, including patients, policymakers, the oil industry and other business leaders, must work together to solve these challenges. Each entity has a vested interest in having a robust and healthy workforce to maintain the state economy and overall health of North Dakotans.

Potential Solutions

Overcoming the challenges outlined above will require consensus on solutions and a partnership between patients, health care providers, policymakers, oil industry leaders and other business leaders in North Dakota. The following proposed solutions merit consideration by all parties involved:

1. Expand and restructure the Energy Infrastructure and Oil Impact Grant Program to better meet growing needs.

- Additional funds could be appropriated for the Energy Infrastructure and Oil Impact Grant Program and dedicated to assisting hospitals and clinics in oil impacted regions. Currently, the funding available is inadequate to cover increasing needs of health care providers. Hospital administrators fully understand there is not enough funding to address every need, but request that grant amounts be increased to satisfy more needs of the provider community.

- Funding is currently unavailable for hospitals and clinics unless they partner with a governmental entity. Eliminating the partnership requirement would remove an unnecessary burden for health care facilities. Expanding eligibility for Oil Impact Grants to allow hospitals and clinics to become eligible without a partner would improve access to capital to better meet the growing demand for health care.

- Funding associated with Oil Impact Grants is currently only available for one-time expenditures. Hospitals and clinics need help with one-time and reoccurring expenses to address issues of infrastructure, staffing and workforce. Expanding the grant program to include recurring expenses better serves the health care community and makes more expenditures eligible for grant assistance.

2. Encourage capital flow through state financed low- or no-interest loan programs.

- The State of North Dakota could create a dedicated fund with sufficient resources to establish a low- or no-interest loan program to support existing health care facilities' capital needs for both the short- and long-term.

- City and county governments in western North Dakota are restricted in their ability to issue debt or act as the issuer of debt due to existing bonds and debt loads. Establishing a state low-interest loan fund would reduce burdens on health care providers and government entities to provide access to capital to meet short-term and long-term needs.

- Many hospitals need access to funding in the short-term to cover increases in operating expenses and manage this transition period. Because the need is immediate, application processes for loans to address short-term needs should be quick and not overly burdensome.

- Some hospitals and clinics need to expand or build new facilities to meet patient demand for health services and care for an increasing population base. The state could facilitate responsible planning and expansion to meet patient needs by providing hospitals and clinics access to long-term loans for capital projects at low interest rates.

3. Convene a Governor's task force to actively manage challenges and find solutions.

- A task force focusing on health care in western North Dakota should be commissioned and appointed by the governor. Suggested task force members include:
    - Administrators from hospitals and health systems throughout North Dakota ;
    - Representatives from the oil industry, with a focus on developing partnerships with the health care industry and rural communities; and
    - Representatives from other stakeholder organizations including the long-term care industry, EMS professionals, elected officials and business leaders.

- The task force would assist the governor in setting parameters for low- or no-interest loan programs and the expansion/restructuring of Oil Impact Grants.

- The task force would provide ongoing advice to the governor as health care needs of the population in western North Dakota continue to evolve.

Methodology

The Health Policy Consortium engaged Himle Rapp & Company, Inc. to conduct research to assess the comprehensive impacts the oil boom is having on hospitals and clinics in western North Dakota. The goal of this research is to capture the scope of the problem and develop valuable recommendations to present to policymakers and others regarding the issues stakeholders are facing. Successful completion of this project would not have been possible without the participation and assistance of the North Dakota Hospital Association (NDHA), many of NDHA's member hospitals and the North Dakota Medical Association.

Research Methodology

The research was conducted using two methodologies and numerous outside resources:

1. **In-Depth Phone Interviews**
   Twenty-two interviews were conducted with opinion leaders in the health care industry and key stakeholders in western North Dakota. The interviews were conducted from June 11 - 29, 2012. The interviews addressed a number of issues facing area hospitals and clinics, including infrastructure and capacity strain, the cost of care, workforce, housing, and current and future solutions.

   Interviewees included hospital administrators in western North Dakota and other stakeholders, including providers, emergency medical services professionals and leaders from business and health care associations.
2. **Online Survey**
   A wider, statewide group of hospital administrators completed an online survey and provided statistical data to further assess the impact. Although hospitals in western North Dakota were the primary focus, hospitals and clinics in the eastern part of North Dakota were included to provide valuable comparison data. Data is compiled and reported by region and without specific attribution to hospitals in order to maintain confidentiality.
3. **Other Resources**
   Other sources of information accessed during this research include:
   - *First Biennial Report: Health Issues for the State of North Dakota*, University of North Dakota School of Medicine & Health Sciences (2011).
   - *NDHA Oil Impact Survey*, North Dakota Hospital Association (April 2012).
   - *The Impact of Oil and Energy Development on Out-of-Hospital Emergency Medical Services*, SafeTouch Solutions, LLP (June 2011).
   - *ND Petroleum Council Survey Results*, North Dakota Petroleum Council (March 2012).
   - *ND Health Care Emergency Preparedness Conference Presentation*, Tom Nehring, Division of EMS & Trauma, North Dakota Department of Health (2012).
   - *Trendwatch: The Opportunities and Challenges for Rural Hospitals in an Era of Health Reform*, American Hospital Association (April 2011).
   - *North Dakota Critical Access Hospital Annual Financial Analysis*, North Dakota Hospital Association and Darrold Bertsch, CEO, Sakakawea Medical Center (2009 – 2011).
   - *ND Traffic Safety: Oil Counties*, Rural Transportation Safety and Security Center, North Dakota State University (Summer 2011).
   - Sexually Transmitted Disease Data, North Dakota Department of Health, http://www.ndhealth.gov/STD/Data/STDData.htm (2007, 2011).
   - Recent media articles.

North Dakota Hospital Association

Vision
The North Dakota Hospital Association will take an active leadership role in major Healthcare issues.

Mission
The North Dakota Hospital Association exists to advance the health status of persons served by the membership.

Testimony: SB 2187
House Human Services Committee
Medical Facility Infrastructure Loan Program
Tuesday March 12, 2013

Chairman Weisz and members of the House Human Services Committee; I am Jerry E. Jurena, President of the North Dakota Hospital Association (NDHA). I am before you today in support of SB 2187 and ask that you recommend a do pass on SB 2187.

Hospitals in the oil impact counties of North Dakota are inundated with the population growth over the last three years; some communities have doubled while others have experienced a growth factor of two (2) to four (4) times their population of a few years ago. With the rapid growth in the population brings new demands on aging hospitals that are decades old.

In October 2012 NDHA surveyed hospitals in the oil impact counties; of the eleven (11) Critical Access Hospitals responding there were eight (8) hospitals that had projects being discussed at the Board level; two (2) hospitals that either had completed their remodeling or were near completion of their remodeling and one hospital that has already started their building program. In regards to the construction projects being considered, funding is estimated at 65 million based on similar projects in other areas. Again plans have not been finalized nor have projects been bid out.

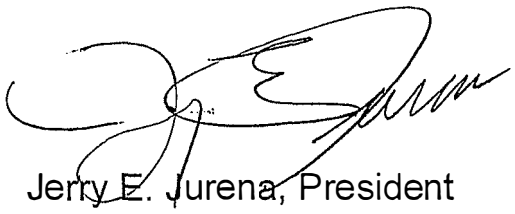
It is imperative that we maintain access to quality health care in these communities; in order to do so we must have hospitals that can meet the demands of the increased population. We must also adjust our hospitals to meet the services that are changing as well; i.e. the increase in trauma cases in oil country is changing the scope of many hospitals.

PO Box 7340 Bismarck, ND 58507-7340 Phone 701 224-9732 Fax 701 224-9529

We are asking for your support to allocate funds that can be used in a low interest loan program to help hospitals in oil impacted counties to adjust to this growth and to continue to meet the needs brought about by this change in North Dakota.

Again I am asking that you give SB 2187 a do pass.

Respectfully,



Jerry E. Jurena, President
North Dakota Hospital Association

#4

Testimony In Favor of Senate Bill 2187
House Human Services Committee
March 12, 2013

Chairman Weisz and members of the House Human Services Committee, I regret being unable to present my testimony in support of Senate Bill 2187 in person. I trust you will take the time to read my brief comments.

My name is Daniel Kelly, and I am the Chief Executive Officer of the McKenzie County Healthcare Systems, Inc. in Watford City, North Dakota. The McKenzie County Healthcare Systems, Inc. consists of the Critical Access Hospital, Skilled Nursing Facility, Basic Care Facility, Assisted Living Facility, Rural Health Clinic and the Connie Wold Wellness Center.

Hospitals are a vital component of a community infrastructure. We are often the largest employer in a community. Also when businesses and individuals consider where they will locate they choose a community which has a good school system and a viable hospital.

Our physical plants are overwhelmed given the current age of our structures coupled with the significant increases we are experiencing in emergency room visits, clinic visits as well as utilization of our outpatient departments.

While we recognize we will need to demonstrate that our balance sheet supports our ability to repay this loan, having access to lower interest money will make the difference between our being able to make the necessary changes to our physical plants or not.

It is for these reasons that I ask you to pass Senate Bill 2187 with the following change, that you Increase the funding available from the current Thirteen Million to Seventy-Five Million.

As always I am available by email or telephone to address any questions you may have.

Daniel Kelly, CEO
McKenzie County Healthcare Systems, Inc.
516 North Main Street
Watford City, North Dakota 58854
(701) 842-3000

Email: dkelly@mckenziehealth.com

Testimony in Support of SB 2187
House Human Services Committee
Tuesday March 12, 2013

Chairman Weisz and members of the House Human Services Committee; I am Darrold Bertsch, CEO of Sakakawea Medical Center in Hazen and the Interim CEO of Coal Country Community Health Center in Beulah. I am here today to testify in support of SB 2187 and ask that you would recommend a do pass on this bill.

Sakakawea Medical Center is a Critical Access Hospital that also owns and operates a Rural Health Clinic, Basic Care Services, Home Health and Hospice Services. As many hospitals in North Dakota we have a need to update our facility services. Currently our clinic, which is an older facility with only 6 exam rooms, is located across the street from the hospital. We need to expand the number of exam rooms available for our providers and our visiting specialists that travel to Hazen from Bismarck. This need is in part due to the increased patient encounters we are experiencing. It is our intent to add this clinic onto the hospital complex, making it more convenient for our clinic patients to access lab and x-ray services, and it would enable us to become more efficient by sharing hospital and clinic staff in areas such as nursing, lab and reception.

The construction costs for our project are estimated to be $7 million. Being able to secure low interest loan funds through this bill will make projects such as ours more affordable. Since several facilities across the state need to update their physical plants, I would also request that you would increase the funding available through this legislation to $75 million.

As you all know, hospitals and clinics are vital to our rural communities, both socially and economically. It is important that we maintain access to clinic and hospital services in our rural communities. Hospitals must also insure that they are able to accommodate the changing demands of our demographics and the delivery of health care services in the future.

I am asking for your support of this bill to make available low interest loan funds that can be used by our rural hospitals to replace older facilities or update their current facilities. I would ask that you give a do pass

recommendation on SB 2187, with an increase in available funds to a total $75 million.

Thank you for allowing me the opportunity to share my testimony. I would be happy to answer any questions that you may have.

Respectfully,

Darrold Bertsch, CEO
Sakakawea Medical Center, Hazen
Interim CEO, Coal Country Community Health Center, Beulah
dbertsch@sakmedcenter.org
Cell 701-880-1440

Testimony on SB 2187
House Human Services Committee
Medical Facility Infrastructure Loan Program
Tuesday, March 12, 2013

Good morning Chairman Weisz and members of the House Human Services Committee. My name is Becky Hansen, CEO of Southwest Healthcare Services in Bowman. I am sorry that I am not able to be present in person to provide my testimony, but would hope that you would accept my written comments in support of SB 2187. Southwest Healthcare Services is comprised of 23 critical access hospital beds, a rural health clinic, ambulance service, 59 licensed skilled care beds, 12 assisted living units and 14 independent living units.

I am writing this testimony in support of SB 2187 and ask that you recommend a do pass on SB 2187 with consideration given to increasing the low interest funding available up to $75 million dollars in order to support the projects that are in process and ready to secure funding in the immediate future.

Our existing hospital was built over 60 years ago and as one would assume, has many issues with infrastructure and accessibility. One of our main issues is in our emergency department (ED) as we only have one trauma/treatment room available in our facility. Having seen a 20% increase in ED visits this past year, many of them involving multiple patients, we are in desperate need of expansion for this particular department in order to meet the increasing demand for providing emergency medical services in our region. We anticipate a continued increase in these services as the traffic related to oil activity through our region has significantly increased and will continue to increase in the future.

Over the past 12 months, we have been planning for a hospital/clinic building project that would allow us to co-locate a new facility onto our long term care campus which would be staffed more efficiently, provide for more accessibility and better work flow patterns, and enable us to provide quality patient care to those we serve. We have put forth a great effort in our project planning to make this an efficient, cost effective project and feel that we have succeeded in this effort.

Southwest Healthcare Services is in the final stages of our project design phase and we continue to work on obtaining financing through USDA as well as other funding sources in order to secure funding at the lowest cost possible. This would be a tremendous opportunity for our project, as well as similar projects in our region, to secure funding at one of the lowest interest rates possible and to circulate the funds within the state of ND. This would allow for multi-million dollar savings in financing costs for healthcare facilities that fight ongoing battles with regulatory issues, reimbursement issues, as well as other collection issues, such as increasing bad debt expense.

I would ask for your support in allocating adequate funds to this low interest program that could accommodate those much needed infrastructure/replacement projects for the healthcare facilities in the oil impacted communities.

Thank you.

Respectfully,

Becky Hansen, CEO/President
Southwest Healthcare Services
bhansen@swhealthcare.net
701-523-4130

#1

Proposed Amendments to Reengrossed Senate Bill No. 2187

Page 2, Line 7 overstrike "and to applicants that are prospective payment system hospitals that receive trauma patients from oil producing counties"

Page 2, Line 10 replace "three million" with "fifteen million"

Page 2, Line 10 replace "twenty-five percent" with "seventy-five percent"

Page 4, Line 21 replace "$12,000,000" with "$100,000,000"

Page 4 Line 30 replace "2017" with "2013"

Prepared by the Legislative Council staff

April 3, 2013

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2187

In lieu of the amendments adopted by the House as printed on page 1175 of the House Journal, Reengrossed Senate Bill No. 2187 is amended as follows:

Page 1, line 4, replace "an" with "a contingent"

Page 2, line 7, remove "and to applicants that are prospective payment system hospitals that receive"

Page 2, line 8, remove "trauma patients from oil producing counties"

Page 2, line 10, replace "three" with "fifteen"

Page 2, line 10, replace "twenty-five" with "seventy-five"

Page 4, line 19, after the first boldfaced period insert "**CONTINGENT**"

Page 4, line 19, replace "There" with "If the board of university and school lands confirms that it will authorize no more than $100,000,000 from the strategic investment and improvements fund to provide school construction projects under section 15.1-36-02, there"

Page 4, line 21, replace "$12,000,000" with "$100,000,000"

Page 4, line 28, replace "30" with "31"

Renumber accordingly

13.0505.03004
Title.05000
Fiscal No. 1

Prepared by the Legislative Council staff for
House Appropriations
April 5, 2013

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2187

In lieu of the amendments adopted by the House as printed on page 1175 of the House Journal, Reengrossed Senate Bill No. 2187 is amended as follows:

Page 1, line 4, replace "an" with "a contingent"

Page 1, line 5, after the second semicolon insert "to provide for a report;"

Page 2, line 7, remove "and to applicants that are prospective payment system hospitals that receive"

Page 2, line 8, remove "trauma patients from oil-producing counties"

Page 2, line 10, replace "three" with "fifteen"

Page 2, line 10, replace "twenty-five" with "seventy-five"

Page 3, line 23, remove "~~and to applicants that are prospective payment system hospitals that receive trauma patients from oil producing counties~~"

Page 3, line 26, replace "~~three~~" with "~~fifteen~~"

Page 3, line 26, replace "~~twenty-five~~" with "~~seventy-five~~"

Page 4, line 19, after "3." insert "**CONTINGENT**"

Page 4, line 19, replace "There" with "If the board of university and school lands confirms that it will authorize no more than $100,000,000 from the strategic investment and improvements fund to provide school construction projects under section 15.1-36-02, there"

Page 4, line 21, replace "$12,000,000" with "$100,000,000"

Page 4, line 28, replace "30" with "31"

Page 4, after line 29, insert:

"**SECTION 5. REPORT TO SIXTY-FOURTH LEGISLATIVE ASSEMBLY.** The Bank of North Dakota shall report to the sixty-fourth legislative assembly on the status of the loan program provided for in this Act."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2187 - Bank of North Dakota - House Action

	Executive Budget	Senate Version	House Changes	House Version
Medical facility infrastructure loans		$12,000,000	$88,000,000	$100,000,000
Total all funds	$0	$12,000,000	$88,000,000	$100,000,000
Less estimated income	0	12,000,000	88,000,000	100,000,000
General fund	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adds Funding for Loans[1]	Total House Changes
Medical facility infrastructure loans	$88,000,000	$88,000,000
Total all funds	$88,000,000	$88,000,000
Less estimated income	88,000,000	88,000,000
General fund	$0	$0
FTE	0.00	0.00

[1] This amendment increases the funding for medical facility infrastructure loans from $12 million to $100 million, all of which is from the strategic investment and improvements fund. The funding is contingent on the Department of Trust Lands confirming that it will authorize no more than $100 million from the strategic investment and improvements fund for school construction project loans.

This amendment also requires the Bank of North Dakota to report on the status of the medical facility infrastructure loan program to the 64th Legislative Assembly.

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2187

Page 4, line 7, replace "strategic" with "medical facility infrastructure"

Page 4, line 8, remove "investment and improvements"

Page 4, line 12, after "section" insert ", and transfer the remaining balance to the strategic investment and improvements fund in the state treasury."

Renumber accordingly

Walstad

13.0505.03005

Sixty third
Legislative Assembly
of North Dakota

SECOND ENGROSSMENT

REENGROSSED SENATE BILL NO. 2187

Introduced by

Senators J. Lee, Bowman, Mathern

Representatives Kempenich, J. Nelson, Holman

A BILL for an Act to create and enact section 6 09-47 of the North Dakota Century Code, relating to a Bank of North Dakota medical facility infrastructure loan program; to amend and reenact section 6-09-47 of the North Dakota Century Code, relating to the medical facility infrastructure loan program; to provide for transfer; to provide ~~an~~a contingent appropriation; to provide a continuing appropriation; to provide an effective date; to provide for a report; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 6-09-47 of the North Dakota Century Code is created and enacted as follows:

6-09-47. Medical facility infrastructure loan program - Continuing appropriation - Audit and costs of administration.

1. The Bank shall administer a loan program to provide loans to medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state. The construction project may include land purchases and may include purchase, lease, erection, or improvement of any structure or facility to the extent the governing board of the health care facility has the authority to authorize such activity.
2. In order to be eligible under this loan program, the applicant must be the governing board of the health care facility which shall submit an application to the Bank. The application must:
   a. Detail the proposed construction project, which must be a project of at least one million dollars and which is expected to be utilized for at least thirty years;
   b. Demonstrate the need and long-term viability of the construction project; and

c. Include financial information as the Bank may determine appropriate to determine eligibility, such as whether there are alternative financing methods.

3. The governor shall establish a task force to review loan applications under this section and to make recommendations to the Bank on the loan applications. The task force must include representation of medical providers and medical facilities from the oil producing counties in the state. The task force shall work with the Bank to establish criteria for eligibility for a loan under the program. The criteria established by the task force and the Bank must give priority to applicants that are located in oil-producing counties ~~and to applicants that are prospective payment system hospitals that receive trauma patients from oil producing counties.~~

4. A loan provided under this section:

a. May not exceed the lesser of ~~three~~fifteen million dollars or ~~twenty-five~~seventy-five percent of the actual cost of the project;

b. Must have an interest rate equal to one percent; and

c. Must provide a repayment schedule of no longer than twenty-five years.

5. A recipient of a loan under this section shall complete the financed construction project within twenty-four months of approval of the loan. Failure to comply with this subsection may result in forfeiture of the entire loan received under this section.

6. The medical facility infrastructure fund is a special fund in the state treasury. All moneys in the medical facility infrastructure fund are appropriated to the Bank on a continuing basis for the purpose of providing loans under this section. ~~Interest on moneys in the fund must be credited to the strategic investment and improvements fund in the state treasury.~~

7. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

8. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund.

9. The Bank shall deposit loan repayment funds in the medical facility infrastructure fund. After deduction of fees and costs as provided in this section, the Bank shall make an annual transfer of repayment funds deposited in the medical facility infrastructure fund to the state treasurer for deposit in the strategic investment and improvements fund.

SECTION 2. AMENDMENT. Section 6-09-47 of the North Dakota Century Code is amended and reenacted as follows:

6-09-47. Medical facility infrastructure loan program ~~Continuing appropriation~~ Audit and costs of administration.

1. ~~The Bank shall administer a loan program to provide loans to medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing non profit health care providers in the state. The construction project may include land purchases and may include purchase, lease, erection, or improvement of any structure or facility to the extent the governing board of the health care facility has the authority to authorize such activity.~~
2. ~~In order to be eligible under this loan program, the applicant must be the governing board of the health care facility which shall submit an application to the Bank. The application must:~~
   a. ~~Detail the proposed construction project, which must be a project of at least one million dollars and which is expected to be utilized for at least thirty years;~~
   b. ~~Demonstrate the need and long-term viability of the construction project; and~~
   c. ~~Include financial information as the Bank may determine appropriate to determine eligibility, such as whether there are alternative financing methods.~~
3. ~~The governor shall establish a task force to review loan applications under this section and to make recommendations to the Bank on the loan applications. The task force must include representation of medical providers and medical facilities from the oil producing counties in the state. The task force shall work with the Bank to establish criteria for eligibility for a loan under the program. The criteria established by the task force and the Bank must give priority to applicants that are located in oil producing counties and to applicants that are prospective payment system hospitals that receive trauma patients from oil producing counties.~~
4. ~~A loan provided under this section:~~

~~a. May not exceed the lesser of three~~fifteen ~~million dollars or twenty-five~~ seventy-five ~~percent of the actual cost of the project;~~

~~b. Must have an interest rate equal to one percent; and~~

~~c. Must provide a repayment schedule of no longer than twenty-five years.~~

~~5.~~ ~~A recipient of a loan under this section shall complete the financed construction project within twenty-four months of approval of the loan. Failure to comply with this subsection may result in forfeiture of the entire loan received under this section.~~

~~6.~~ ~~The medical facility infrastructure fund is a special fund in the state treasury. All moneys in the medical facility infrastructure fund is appropriated to the Bank on a continuing basis for the purpose of providing loans under this section. Interest on moneys in the fund must be credited to the strategic investment and improvements fund in the state treasury.~~The Bank shall service loans made under the medical facility infrastructure loan program. The repayment schedule of these loans may not exceed twenty-five years. ~~The Bank shall deposit loan repayment funds to the strategic investment and improvements fund in the state treasury.~~

~~7.~~2. Funds in the medical facility infrastructure fund may be used for loans as provided under this section and to pay the costs of administration of the fund. Annually, the Bank may deduct a service fee for administering the medical facility infrastructure fund maintained under this section.

~~8.~~3. The medical facility infrastructure fund must be audited in accordance with section 6-09-29. The cost of the audit and any other actual costs incurred by the Bank on behalf of the fund must be paid from the fund.

4. The Bank shall deposit loan repayment funds in the medical facility infrastructure fund. After deduction of fees and costs as provided in this section, the Bank shall make an annual transfer of repayment funds deposited in the medical facility infrastructure fund to the state treasurer for deposit in the strategic investment and improvements fund.

SECTION 3. CONTINGENT APPROPRIATION - TRANSFER. ~~There~~If the board of university and school lands confirms that it will authorize no more than $100,000,000 from the strategic investment and improvements fund to provide school construction projects under section 15.1-36-02, there is appropriated out of any moneys in the strategic investment and improvements fund in the state treasury, not otherwise appropriated, the sum of

~~$12,000,000~~$100,000,000, or so much of the sum as may be necessary, to the medical facility infrastructure fund for use by the Bank of North Dakota to provide medical facility infrastructure loans under section 1 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 4. LOAN REPAYMENT - BALANCE TRANSFER. ~~The Bank of North Dakota shall deposit any loan repayment funds from the medical facility infrastructure loan program in the strategic investment and improvements fund.~~ The Bank of North Dakota shall deposit any balance remaining in the medical facility infrastructure fund on July ~~30~~31, 2017, in the strategic investment and improvements fund.

SECTION 5. REPORT TO SIXTY-FOURTH LEGISLATIVE ASSEMBLY. The Bank of North Dakota shall report to the sixty-fourth legislative assembly on the status of the loan program provided for in this Act.

SECTION 6. EFFECTIVE DATE. Section 2 of this Act becomes effective on August 1, 2017.

SECTION 7. EXPIRATION DATE. Section 4 of this Act is effective through July 31, 2017, and after that date is ineffective. Section 2 of this Act is effective through July 31, 2043, and after that date is ineffective.