

FISCAL NOTE
Requested by Legislative Council
04/21/2015

Amendment to: HB 1234

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$139,408		\$277,868
Expenditures			\$139,405	\$139,408	\$277,868	\$277,868
Appropriations			\$139,405	\$139,408	\$277,868	\$277,868

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

SB1234 increases the per bed property limit of a double occupancy room to \$156,783 and the single occupancy to \$235,176.

- 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.*

Section 1 increases the per bed property limit of a double occupancy room to \$156,783 and the single occupancy to \$235,176 effective after June 30, 2015. The information for future construction projects was provided by the Long Term Care Association.

Section 1 changes the room limits effective July 1, 2015. The Department estimates expenditures under the Medicaid grants line item for the 15-17 biennium would increase \$278,813 of which, \$139,405 is general fund and \$139,408 are federal funds.

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.*

The revenue increase represents the additional amount of federal Medicaid funding the Department will be able to access due to the change in calculating nursing facility property costs. The revenue increase is estimated at \$139,408 for the 15-17 biennium and \$277,868 for the 17-19 biennium.

- 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.*

The estimated expenditures under the Medical Assistance grants line item for the 15-17 biennium would increase \$278,813 of which, \$139,405 is general fund and \$139,408 are federal funds. In the 17-19 biennium, estimated expenditures would increase \$555,736 of which, \$277,868 is general fund and \$277,868 are federal funds.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Department's appropriation will need to be increased for the 15-17 biennium by \$278,813 of which, \$139,405 is general fund and \$139,408 are federal funds. The Department estimates an appropriation increase for the 17-19 biennium of \$555,736 of which, \$277,868 is general fund and \$277,868 are federal funds.

Name: Deb McDermott

Agency: Department of Human Services

Telephone: 701 328-3695

Date Prepared: 04/23/2015

FISCAL NOTE
Requested by Legislative Council
03/12/2015

Amendment to: Engrossed HB 1234

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$157,417		\$334,119
Expenditures			\$157,408	\$157,417	\$334,130	\$334,119
Appropriations			\$157,408	\$157,417	\$334,130	\$334,119

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

SB1234 increases the per bed property limit of a double occupancy room to \$163,430 and the single occupancy to \$245,148.

- 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.*

Section 1 increases the per bed property limit of a double occupancy room to \$163,430 and the single occupancy to \$245,148 effective after June 30, 2015. The information for future construction projects was provided by the Long Term Care Association.

Section 1 changes the room limits after June 30, 2015. The Department estimates expenditures under the Medicaid grants line item for the 15-17 biennium would increase \$314,825 of which, \$157,408 is general fund and \$157,417 are federal funds.

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.*

The revenue increase represents the additional amount of federal Medicaid funding the Department will be able to access due to the change in calculating nursing facility property costs. The revenue increase is estimated at \$157,417 for the 15-17 biennium and \$334,119 for the 17-19 biennium.

- 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.*

The estimated expenditures under the Medical Assistance grants line item for the 15-17 biennium would increase \$314,825 of which, \$157,408 is general fund and \$157,417 are federal funds. In the 17-19 biennium, estimated expenditures would increase \$668,249 of which, \$334,130 is general fund and \$334,119 are federal funds.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Department's appropriation will need to be increased for the 15-17 biennium by \$314,825 of which, \$157,408 is general fund and \$157,417 are federal funds. The Department estimates an appropriation increase for the 17-19 biennium of \$668,249 of which, \$334,130 is general fund and \$334,119 are federal funds.

Name: Deb McDermott

Agency: Department of Human Services

Telephone: 701 328-3695

Date Prepared: 03/14/2015

FISCAL NOTE
Requested by Legislative Council
02/24/2015

Amendment to: HB 1234

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$21,908		\$56,107
Expenditures			\$21,917	\$21,908	\$56,131	\$56,107
Appropriations			\$21,917	\$21,908	\$56,131	\$56,107

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

SB1234 increases the per bed property limit of a double occupancy room to \$131,697 and the single occupancy to \$197,548.

- 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.*

Section 1 increases the per bed property limit of a double occupancy room to \$131,697 and the single occupancy to \$197,548 effective after June 30, 2015. The information for future construction projects was provided by the Long Term Care Association.

Section 1 changes the room limits after June 30, 2015, however, this is in conflict with the bills effective date for rate years after December 31, 2016. For section 1, calculations were made assuming a rate change would occur after June 30, 2015 thus effecting all 24 month of the 15-17 biennium. The Department estimates expenditures under the Medicaid grants line item for the 15-17 biennium would increase \$43,825 of which, \$21,917 is general fund and \$21,908 are federal funds.

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.*

The revenue increase represents the additional amount of federal Medicaid funding the Department will be able to access due to the change in calculating nursing facility property costs. The revenue increase is estimated at \$21,908 for the 15-17 biennium and \$56,107 for the 17-19 biennium.

- 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.*

The estimated expenditures under the Medical Assistance grants line item for the 15-17 biennium would increase \$43,825 of which, \$21,917 is general fund and \$21,908 are federal funds. In the 17-19 biennium, estimated expenditures would increase \$112,238 of which, \$56,131 is general fund and \$56,107 are federal funds.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Department's appropriation will need to be increased for the 15-17 biennium by \$43,825 of which, \$21,917 is general fund and \$21,908 are federal funds. The Department estimates an appropriation increase for the 17-19 biennium of \$112,238 of which, \$56,131 is general fund and \$56,107 are federal funds.

Name: Deb McDermott

Agency: Department of Human Services

Telephone: 701 328-3695

Date Prepared: 02/24/2015

FISCAL NOTE
Requested by Legislative Council
02/10/2015

Amendment to: HB 1234

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$389,370		\$1,533,038
Expenditures			\$389,370	\$389,370	\$1,533,053	\$1,533,038
Appropriations			\$389,370	\$389,370	\$1,533,053	\$1,533,038

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

SB1234 adds the facility's occupancy percentage to the property rate calculation and increases the per bed property limit of a double occupancy room to \$138,000 and the single occupancy to \$211,000.

- 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.*

Section 1 increases the per bed property limit of a double occupancy room to \$138,000 and the single occupancy to \$211,000 effective after June 30, 2015. The information for future construction projects was provided by the Long Term Care Association.

Section 3 adds the facility's occupancy percentage to the property rate calculation. A facility with 90% occupancy is entitled to receive 100% of the property rate. Those under 90% will see the 100% rate reduced by 2% for each percentage below 90% however the rate can never be less than 70%. For those above 90% the 100% rate may be increased by 1% for each percentage over 90% up to 95%.

Section 1 changes the room limits after June 30, 2015, however, this is in conflict with the bills effective date for rate years after December 31, 2016. For section 1, calculations were made assuming a rate change would occur after June 30, 2015 thus effecting all 24 month of the 15-17 biennium. The Department estimates expenditures under the Medicaid grants line item for the 15-17 biennium would increase \$778,740 of which, \$389,370 is general fund and \$389,370 are federal funds.

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.*

The revenue increase represents the additional amount of federal Medicaid funding the Department will be able to access due to the change in calculating nursing facility property costs. The revenue increase is estimated at \$389,370 for the 15-17 biennium and \$1,533,038 for the 17-19 biennium.

- 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.*

The estimated expenditures under the Medical Assistance grants line item for the 15-17 biennium would increase \$778,740 of which, \$389,370 is general fund and \$389,370 are federal funds. In the 17-19 biennium, estimated expenditures would increase \$3,066,091 of which, \$1,533,053 is general fund and \$1,533,038 are federal funds.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Department's appropriation will need to be increased for the 15-17 biennium by \$778,740 of which, \$389,370 is general fund and \$389,370 are federal funds. The Department estimates an appropriation increase for the 17-19 biennium of \$3,066,091 of which, \$1,533,053 is general fund and \$1,533,038 are federal funds.

Name: Deb McDermott

Agency: Department of Human Services

Telephone: 701 328-3695

Date Prepared: 02/13/2015

FISCAL NOTE
Requested by Legislative Council
01/13/2015

Bill/Resolution No.: HB 1234

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(237,487)		\$(217,913)
Expenditures			\$(237,487)	\$(237,487)	\$(217,914)	\$(217,913)
Appropriations			\$(237,487)	\$(237,487)	\$(217,914)	\$(217,913)

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

SB1234 creates a maximum daily payment of property costs in an amount not to exceed the average daily property cost rate on January 1, 2015, of all nursing homes in the state. The maximum daily payment shall be adjusted each January by the inflationary increase authorized by the legislature.

- 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.*

Section 3 creates a maximum daily payment of property costs in an amount not to exceed the average daily property cost rate on January 1, 2015, of all nursing homes in the state. With an effective date for rates set after December 31, 2016, the maximum daily payment shall be adjusted each January by any inflationary increases authorized by the legislative assembly. For the six months this would be effective the Department estimates expenditures under the Medicaid grants line item for the 15-17 biennium would decrease (\$474,974) of which, (\$237,487) is general fund and (\$237,487) are federal funds.

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.*

The loss in revenue represents the amount of federal Medicaid funding the Department will no longer be able to access due to a statewide reduction in payments for nursing facility property costs. The revenue reduction is estimated at (\$237,487) for the 15-17 biennium and (\$217,913) for the 17-19 biennium.

- 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.*

With an effective date of January 1, 2017, estimated expenditures under the Medical Assistance grants line item for the 15-17 biennium would decrease (\$474,974) of which, (\$237,487) is general fund and (\$237,487) is federal funds. In the 17-19 biennium, estimated expenditures would decrease (\$435,827) of which, (\$217,914) is general fund and (\$217,913) is federal funds.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Department's appropriation may be decreased for the 15-17 biennium by (\$474,974) of which, (\$237,487) is general fund and (\$237,487) is federal funds. The Department anticipates an appropriation decrease for the 17-19 biennium of (\$435,827) of which, (\$217,914) is general fund and (\$217,913) is federal funds.

Name: Deb McDermott

Agency: Department of Human Services

Telephone: 701 328-3695

Date Prepared: 01/21/2015

2015 HOUSE HUMAN SERVICES

HB 1234

2015 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee
Fort Union Room, State Capitol

HB 1234
2/3/2015
23081

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact subsection 3 of section 50-24.4-06, subsection 6 of section 50-24.4-07, and section 50-24.4-15 of the North Dakota Century Code, relating to nursing home rate determination; and to provide an effective date.

Minutes:

Handout #1, Handout #2, Handout #3, Handout #4

Vice-Chair Hofstad: opened the hearing on HB 1234.

Rep. Robin Weisz: Introduced and testified in support of the bill. (He handed out an amendment. (See Handout #1)

Rep. Mooney: The trigger would be below 90% occupancy and then it would be 1% for every 2% form there with a bottom cap of 70% occupancy.

Rep. Weisz: That is 2% for every 1%.

Shelly Peterson: President of the ND Long Term Care Association testified in support of the bill. (See Handout #2) (She handed out an amendment. See Handout #3)

Rep. Weisz: Is the number you came up for the property rate an estimation based on their construction cost?

Peterson: We got actual numbers from some of the facilities in the area: Sheyenne Care Center, Rosewood on Broadway, Bethany, and Eventide.

Rep. Weisz: How many facilities are currently affected by the limits?

Peterson: No one is over the current limit.

Rep. Weisz: How many will be affected by the limits?

Peterson: We know that Mckenzie County, Southwest, and Richardton is over the limit based on bids. It would probably be two bienniums before this all hits. But we don't know.

Rep. Weisz: If this ends up in appropriation, you will want to know for sure.

Daniel Kelly: Chief Executive Officer of McKenzie County Healthcare Systems, Inc. In Watford City, ND testified in support of the bill. (See Handout #4)

Rep. Weisz: You indicated concern that the property costs will be lowered even further. What is this based on?

Kelly: Based on the prior version of the bill.

NO OPPOSITION

Vice-Chair Hofstad: Closed the hearing on HB 1234.

2015 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee Fort Union Room, State Capitol

HB 1234

2/9/2015

23540

☐ Subcommittee

☐ Conference Committee

Amanda Muschla

Explanation or reason for introduction of bill/resolution:

Relating to nursing home rate determination; and to provide an effective date.

Minutes:

Chairman Weisz: Opened hearing on HB 1234

Rep. Mooney: The numbers that you crunched are with reference to the amendment? How negative will the impact be?

Thiel: Yes. 20,000-150,000.

Chairman Weisz: That is over and above what they are currently being penalized for? If under current law someone gets penalized 48,000 because they are under 90%, when you calculated the difference between what they are currently being penalized and what this would do or did you start from 0 from a 90% base?

Thiel: A 90% base.

Rep. Rich Becker: Can you identify those that will have a positive impact from this?

Thiel: Bethany University, Rosewood on Broadway, Maria Village, Sanford Sunset Drive, Baptist Health Care Center, SouthWest Health Care Services, Benedictine Learning Center, St. Louis Care Center, Lincoln Memorial, St. Jude in Bismarck, Montreal in Stanley, Park Side Lutheran Home Heart Lake Care Center, Four Seasons, Stanford Health, Luther Home of the Good Shepard, Trinity Homes, Good Samaritan Society, Mary Hill Manor, St. Benedicts, Maple Manor, Good Samaritan Center... and many more.

Rep. Rich Becker: Those on the positive side are much greater than the negative side. What formula did you use to determine who gained and lost?

Thiel: If the occupancy percentage was below 90% they lost and if it was above they gained. It was equal then it didn't effect.

Rep. Mooney: Out of the 10 that lose, do any of them lose to a proportion that is going to be critical to keeping their doors open?

Thiel: I can't answer that.

Rep. Mooney: It is between 20,000-150,000?

Thiel: Yes.

Chairman Weisz: Long term care had an amendment they wanted to tack onto this having to do with asset limits. Do you have a fiscal not on that? There would be two facilities being affected by it.

Thiel: The department estimated a \$1.2 Million.

Chairman Weisz: Going back to the 10 that are losing, they are not losing any more than before?

Shelly Peterson: It is about the same. Neither under the current occupancy limitation or the one that would be 2% below 90 it is about the same.

Chairman Weisz: To the asset limit, what are you saying that number is?

Peterson: Based on our discussion with facilities, there would be two in this next biennium that would need the increase. There are three but one wouldn't come in until the next biennium. The ones that would benefit the increase we would request based on the feedback too that they are getting their cost that rather give them an increase, if you could put that amount into the asset level increase that would have a future impact at more positively and more potentially all of them, then rewarding them for having high occupancy.

Chairman Weisz: Do you have a number for the asset calculation?

Peterson: Best guess is \$600,000.

Rep. Rich Becker: Why do you penalize those that are increasing above the 90%? If they do that, then moneys that they would have received would be taken away and put into an asset pool.

Peterson: You wouldn't penalize them. Right now there is not a penalty for being over 90% so they are not losing anything. All their costs are getting recognized. The amendment would reward facilities that are over 90% occupancy. That has never happened before.

Rep. Rich Becker: It seems there is no incentive to having a facility that is run efficiently. People want to go there because they are well run and it sounds like we are penalizing them for their growth.

Peterson: There is an efficiency incentive right now that is not built into occupancy. They are rewarded in essence if they are 90% or more because they get all their costs

recognized as opposed to if they are below 90%. There is that incentive to stay above. They try to but sometimes it can be difficult.

Chairman Weisz: Recessed the committee

Chairman Weisz: Called the discussion to order

Representative Hofstad: I would move the amendments and a couple changes.

Representative Porter: Second

A Voice Vote Was Taken: All in favor

Motion carries

Representative Porter: Moves a do pass as amended and rerefer to appropriations

Representative Hofstad: Second

A Roll Call Vote Was Taken: Yes 13, No 0, Absent 0

Motion carries

Chairman Weisz will carry the bill

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1234

Page 3, line 6, remove "department shall allow"

Page 3, remove lines 7 through 10

Page 3, line 11, replace "biennial appropriation." with "property rate must be calculated based on ninety percent occupancy and must take into account the occupancy rate of the facility and the number of licensed beds. A facility with ninety percent occupancy is entitled to receive one hundred percent of the property rate. For an occupancy rate less than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate, reduced by two additional percentage points for every percent under ninety percent of occupancy rate down to seventy percent of occupancy for that facility. For an occupancy rate greater than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate increased by one additional percentage point for every percent over ninety percent occupancy up to ninety-five percent of occupancy for that facility. The department shall round partial occupancy percentage points of less than one-half down to the nearest full percentage point and shall round partial occupancy percentage points of one-half or greater up to the nearest full percentage point."

Renumber accordingly

February 10, 2015

sl
2/10/15
1/2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1234

Page 1, line 1, remove "subsection 3 of section 50-24.4-06, subsection 6 of"

Page 1, line 2, remove "section 50-24.4-07, and"

Page 1, remove lines 5 through 23

Page 2, line 3, remove the overstrike over "Property-related"

Page 2, line 3, remove "**Property**"

Page 2, line 4, remove the overstrike over "4."

Page 2, line 5, remove the overstrike over "the use of real and personal property which provides for depreciation and"

Page 2, line 6, remove the overstrike over "related interest"

Page 2, line 6, remove the first "property"

Page 2, line 6, remove the overstrike over "property cost payment mechanism must:"

Page 2, remove the overstrike over line 7 through 22

Page 2, line 23, remove the overstrike over "occupancy construction." and insert immediately thereafter "The double room limit after June 30, 2015, is one hundred thirty eight thousand and the single room limit is two hundred seven thousand. These amounts are inflated each succeeding year by the consumer price index."

Page 2, remove the overstrike over lines 24 through 31

Page 3, remove the overstrike over lines 1 through 5

Page 3, line 6, remove the overstrike over "be applied retroactively to any rate year before January 1, 2008"

Page 3, line 6, remove "department shall allow"

Page 3, remove lines 7 through 10

Page 3, line 11, remove "biennial appropriation"

Page 3, line 11, after the underscored period insert: "The property rate must be calculated based on ninety percent occupancy and must take into account the occupancy rate of the facility and the number of licensed beds. A facility with ninety percent occupancy is entitled to receive one hundred percent of the property rate. For an occupancy rate less than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate, reduced by two additional percentage points for every percent under ninety percent of occupancy rate down to seventy percent of occupancy for that facility. For an occupancy rate greater than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate increased by one additional percentage point for every percent over ninety percent occupancy up to ninety-five percent of occupancy for that facility. The department shall round partial occupancy percentage points of less than one-half down to the nearest full percentage point and"

shall round partial occupancy percentage points of one-half or greater up to the nearest full percentage point."

Renumber accordingly

Date: 2-9-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1234

House Human Services Committee

☐ Subcommittee

Amendment LC# or Description: 01001

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐

Motion Made By Rep. Hofstad Seconded By Rep. Porter

Representatives	Yes	No	Representatives	Yes	No
Chairman Weisz			Rep. Mooney		
Vice-Chair Hofstad			Rep. Muscha		
Rep. Bert Anderson			Rep. Oversen		
Rep. Dick Anderson					
Rep. Rich S. Becker					
Rep. Damschen					
Rep. Fehr					
Rep. Kiefert					
Rep. Porter					
Rep. Seibel					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

also remove overstrike on
page 1, 2, 3
page 2 line 23 after construction
138,000 207,000

Date: 2-9-15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1234

House Human Services Committee

☐ Subcommittee

Amendment LC# or Description: 15.0729.01002

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☒ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐

Motion Made By Porter Seconded By Hofstad

Representatives	Yes	No	Representatives	Yes	No
Chairman Weisz	✓		Rep. Mooney	✓	
Vice-Chair Hofstad	✓		Rep. Muscha	✓	
Rep. Bert Anderson	✓		Rep. Oversen	✓	
Rep. Dick Anderson	✓				
Rep. Rich S. Becker	✓				
Rep. Damschen	✓				
Rep. Fehr	✓				
Rep. Kiefert	✓				
Rep. Porter	✓				
Rep. Seibel	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Rep. Weisz

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

REPORT OF STANDING COMMITTEE

HB 1234: Human Services Committee (Rep. Weisz, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1234 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "subsection 3 of section 50-24.4-06, subsection 6 of"

Page 1, line 2, remove "section 50-24.4-07, and"

Page 1, remove lines 5 through 23

Page 2, line 3, remove the overstrike over "Property-related"

Page 2, line 3, remove "Property"

Page 2, line 4, remove the overstrike over "4."

Page 2, line 5, remove the overstrike over "the use of real and personal property which provides for depreciation and"

Page 2, line 6, remove the overstrike over "related interest"

Page 2, line 6, remove the first "property"

Page 2, line 6, remove the overstrike over "property cost payment mechanism must:"

Page 2, remove the overstrike over line 7 through 22

Page 2, line 23, remove the overstrike over "occupancy construction." and insert immediately thereafter "The double room limit after June 30, 2015, is one hundred thirty eight thousand and the single room limit is two hundred seven thousand. These amounts are inflated each succeeding year by the consumer price index."

Page 2, remove the overstrike over lines 24 through 31

Page 3, remove the overstrike over lines 1 through 5

Page 3, line 6, remove the overstrike over "be applied retroactively to any rate year before January 1, 2008"

Page 3, line 6, remove "department shall allow"

Page 3, remove lines 7 through 10

Page 3, line 11, remove "biennial appropriation"

Page 3, line 11, after the underscored period insert: "The property rate must be calculated based on ninety percent occupancy and must take into account the occupancy rate of the facility and the number of licensed beds. A facility with ninety percent occupancy is entitled to receive one hundred percent of the property rate. For an occupancy rate less than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate, reduced by two additional percentage points for every percent under ninety percent of occupancy rate down to seventy percent of occupancy for that facility. For an occupancy rate greater than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate increased by one additional percentage point for every percent over ninety percent occupancy up to ninety-five percent of occupancy for that facility. The department shall round partial occupancy percentage points of less than one-half down to the"

nearest full percentage point and shall round partial occupancy percentage points of one-half or greater up to the nearest full percentage point."

Renumber accordingly

2015 HOUSE APPROPRIATIONS

HB 1234

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1234
2/13/2015
23865

- ☐ Subcommittee
☐ Conference Committee

Mary Bruckner

Explanation or reason for introduction of bill/resolution:

Relating to nursing home rate determination; and to provide an effective date.

Minutes:

No attachments

Representative Robin Weisz, Chairman of Human Services Committee: Spoke on HB 1234. This bill has two parts to it. There is a new fiscal note coming.

Brady Larson, Legislative Council: A new fiscal note has been requested but it has not been returned yet.

Representative Weisz: The bill has to do with skilled nursing facilities. Page 2 is increasing the limits on property limits by 10 percent. Currently we have maximum allowable limits for property costs. If someone builds a new facility the maximum they are able to put into the property cost limit are the numbers you see in front of you. A double room is currently \$125,426 and a single room is \$188,141. This is now bringing it up to \$138,000 for double room limit and \$207,000 for a single room limit. The request was for much greater. Since 2009 the facilities have had an 11.2% increase in that limit. New construction costs have gone up 60% in that same amount of time and remodeling costs have risen by 92.3% in that same amount of time. Currently you have at least two facilities in the western part of the state that will exceed the current property cost limits by substantial amounts. This really hurts their ability over the next 30 to 40 years for them to recoup the costs because they will never be able to utilize it. If it costs them \$11 million they only get \$8 million allocated in property costs so over the next 40 years they have \$3 million that they'll never be able to expense out as a property cost. We decided a 10% increase was reasonable. It's going to be adding approximately \$300,000. The second part of the bill is intended to be revenue neutral but I have no idea because we haven't seen the fiscal effect. This section is changing the way we pay property costs for the beds and it's meant to get at the needs for more moratoriums that we've fought over the last several sessions. This assumes a standard occupancy rate of 90%; property costs will be figured on that 90% occupancy per occupant. If you have fewer occupants than the 90% there is a two for one discount and a penalty is applied to that bed down to 70 percent. If they have higher than 90% occupancy there is a one for one increase in their payment to a maximum of 95 percent. This bill is intended to encourage full occupancy and discourage empty beds.

Chairman Jeff Delzer: You're talking about getting rid of a moratorium or need for certificate or buying beds. If the large cities build a whole bunch and manage on doing it on efficiency because of their size and move residents from the rural area and put them on there, how much quicker does that push that?

Representative Weisz: We're seeing that now. We've seen Underwood close and I've struggled with getting beds in Steele. I don't think you're going to even see a large facility build because they don't want to build unless they are already over 90 percent. If you build and you're only at 85 % or 82% you're getting a reduction in your property cost allowance by that two for one.

Chairman Jeff Delzer: You are raising the property cost allowance up in the top part?

Representative Weisz: Not necessarily. St. Gabriel in Bismarck has the highest property cost per bed but with changing that they were still under the allowable limits. Property costs are based on your remodeling costs or construction up to the maximum limit that is established. There are currently only two facilities that are being built out west that would come under that new property cost limit.

Representative Hogan: Does this parallel to DD reimbursement which I know has occupancy standards on their reimbursement mechanism?

Representative Weisz: The DD is much more complicated but there is some similarity to that.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1234
2/18/2015
24081

- ☐ Subcommittee
☐ Conference Committee

Ammonda Muscha

Explanation or reason for introduction of bill/resolution:

Relating to property limits

Minutes:

Chairman Delzer: Opened hearing on HB 1234. Puts in new property rate calculations based on occupancy.

Representative Kreidt: In the original bill they were talking about would it really tamper a lot of facilities to where they wouldn't be able to meet their mortgage payments. They did fine tune the bill and the way it is written now it is a workable document.

Chairman Delzer: It does increase the rate that is paid back on remodeling and building. Is this going to stir a bunch of remodeling?

Representative Kreidt: In the original what they did was limit the property costs to a per day figure. It would have allowed only up to \$17 a day. If you were over that, the cost wouldn't have been recognized. You have facilities out there that have property costs \$29 a day and they would have been taking a hit for \$11 a day and some facilities would have been short while in an excess of \$200,000, which would be used for reducing their mortgage. When you have made loans and formed bonds in good faith and the bond holders expect their payments they wouldn't have been able to make the payments. This is now workable.

Chairman Delzer: It is going to add to the cost on the human service side.

Representative Kreidt: Correct.

Chairman Delzer: The one issue that hasn't been talked about yet, we don't have the DHS budget yet so it will be talked about in the second half, is long term care has been coming down in the number it has been using. Would that money made be in there?

Representative Paur: I would like to ask Representative Kreidt about some previous sessions. Seems to me 3-4 sessions ago, in the DHS budget, we added money (I won't have the language right about property rights) and what it did was it spurred a pile of

development; which raised the cost for other nursing facilities. How does this bill relate to that?

Representative Kreidt: I this bill there would be a range here on a private room and a range for a double room. Representative Paur, maybe Chairman Delzer has those numbers. I think it is something like 125-138 and 188-217.

Chairman Delzer: We weren't given those numbers. Representative Weisz gave them to us and they are on page 2. These inflates are inflated each year by the consumer price index.

Representative Paur: The only reason why I am asking that was that I remembered 3-4 sessions ago, at that time the cost for that property rate was only about 2-3-4 hundred thousand dollars; but in all reality over the next 2-3 biennium because of the improving it went into the millions of dollars that was costing the state in extra rates. I am wondering are we going to go down that path again.

Chairman Delzer: That is what scares me about the bill to some degree. When you raise the rates and pay them more for remodeling or building it does incentivize doing that to some degree.

Representative Kreidt: Historically we had a property rate that was set and we went along for a number of years before there were any adjustments made to that property rate. We started running into problems, costs were going up, and things were coming in while property costs weren't covering that. I put the bill in to come up with a figure that was somewhere in the range of what actual costs for building were at. Now with this, with an adjustment made every year, with the consumer price index and all that, at this point I don't think the consumer price index would cover cost of building with a lot of dollars added into the bids because the contractors know that there are a lot of inflated bids out there and unfortunately that is what happening. Instead of with this bill of having to come back and ask for adjustments you would use the consumer price index to bring those numbers forward every two years, which we have done in other situations. I think this is the answer to keep up with the property costs, basic care, and nursing homes. I do think, nursing homes were built a long time ago and some are being replaced, we are getting to a point where we are pretty well caught up with building of those facilities. We might see some leveling out on the property costs as we go forward. There are more bids going out.

Chairman Delzer: The scary thing to me about this is the fact that we are incentive rising, remodeling, building to some degree. I have concerns about CPI and pladder with no end date on it. I think if we were to push this forward we should consider putting it out four years or something so it has to come back at some point. I think this is per year. Brady would this be per biennium or per year?

Brady: It does say each succeeding year. I am assuming it would then be annual.

Chairman Delzer: You think about that even right now at the current CPI rate. That is like four percent. You go 200,000 times 4% and that is a pretty good dollar figure. While I like the idea of nursing homes being in our rural communities, this also incentivizes building in the larger communities; and yet we might rebuild in the smaller ones and then have them grow broke which isn't good either. I think some adjustment probable is justified. The issue

on the property (subsection 3) is trying to deal with the more thorium so that we wouldn't have the moratorium on beds and wouldn't have the bed rise situation. I don't know whether it does it or not. Representative Weisz also said there are bills in the senate to extend the moratorium for two years so that it will be dealt with in the second and I would imagine they would get a do not pass on it out of human services if this goes forward. I think if we are going to pass it we should put an end date on it so it has to come back before the legislature.

Representative Hogan: In the lease in Fargo we have seen massive nursing home development and many building projects going on. Under the current system, and I don't know if it has been a major issue, perhaps this is an urban/rural issue. I would like to ask Chairman Pollock if the department took a position on this bill.

Representative Pollock: This did not come out of HR, it came out of human services. All we had was what Representative Weisz told us.

Representative Kempenich: Looking at the fiscal note you have 389 general funds for this coming biennium and then 389 other funds.

Chairman Delzer: Well that is your 50/50 federal halves. You look at 1719 it is 1.8. The 1719 is 1.5.

Representative Kempenich: I was just wondering if you would just want to leave it at this biennium instead of...

Chairman Delzer: That would be something to take it across and have a discussion on. Representative Kreidt do you have any thoughts on this? Representative Kempenich was asking about taking the date and putting an end date of 2017 on.

Representative Kreidt: I wouldn't add it personally.

Representative Kempenich: Moved to put an end date on the bill for 2017

Representative Skarphol: Second

Chairman Delzer: Brady would the end date stop the whole bill?

Brady: I am assuming we just put the end date on the CPI, so those would just be frozen.

Representative Hogan: If you look at section 2 on page 3 though the effective date for this new rate doesn't start until January 1st of 2017 so it is really just one year.

Chairman Delzer: Well the CPI would only one year if they wanted it to carry it forward. To carry it forward we would have to bring it forward next session.

Representative Hogan: The change in how we do property value would start now.

Representative Kempenich: What I was looking at is that there wouldn't be much activity and we will get a good indication of what will happen.

Representative Monson: I still don't know for sure of the moratorium goes away if this bill passes but I am thinking if the moratorium...

Chairman Delzer: The moratorium is set to sunset now. The bills in the senate are the ones that would take the moratorium off, so I think they passed out of the senate but I am not sure. That issue will be in front of human services.

Representative Monson: My question is: what happens to the value of a bid? Bids have been selling back and forth and if the moratorium goes away or if there is more remodeling and changing nursing homes have paid a lot for some of these bids and would all of a sudden find themselves with something that is worthless.

Chairman Delzer: My guess would be in the senate the second language would have some good fixing. I am not sure but we have a motion to amend that would put the end date on the CPI.

A Voice Vote Was Taken: Motion carries

Chairman Delzer: We have the amended bill before us and I don't know what to say about it. I know Representative Weisz said he really thought there needed to be some adjustment on the room limits. I think they asked for 30% and this is 10% increase. I think it affects Richarden and a couple others. There were a couple above the limits and I don't know how many new building would fall in this which is a scary thing.

Representative Kreidt: I move a do pass as amended

Representative Nelson: Second

A Roll Call Vote Was Taken: Yes 9, No 14, Absent 0

Motion fails

Chairman Delzer: Motion fails. Do we have certain parts that we are more worried about? Do we have a different we would like to look at?

Representative Kreidt: With the changes from what the original bill was, this was a pretty good bill. Going up to 10% on the property. It has been a number of years since the property cost has been adjusted and it would give the facilities a little bit of an inflator to move that property cost forward. I think we are getting to a point where construction going to slow down. Big projects have been completed or are in the process right now. I guess I moved the bill forward but this has nothing to do with me personally. I was aware and unhappy with the first bill. They made many changes to it and I think this would have been worth giving it a try. If you want to move the increase down that is livable.

Representative Pollock: I am probably not doing my diligence as far as putting a study into this thing and I know want to move stuff out.

Chairman Delzer: I don't have a problem holding this until tomorrow. Closed the hearing on HB 1234.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1234
2/20/2015
Job #24228

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to nursing home rate determination; and to provide an effective date.

Minutes:

Chairman Delzer called the committee to order on HB 1234.

Representative Kreidt: Explained amendment 15.0729.02002. This deals with the property costs for nursing facilities.

Chairman Jeff Delzer: I have to ask you before we go on: we did amend this bill. Does this new amendment work off the engrossed bill or does it work off the amended bill the way we amended it?

Representative Kreidt: In the original bill, there was an increase in the property costs of 10 percent, which would have cost about \$300,000. What we have done with amendment 2002, if you turn to the second page of the bill, that would change the numbers that are there. The amounts of \$138,000 for the double room, and the single room was listed at \$217,000. What I've done is reduced the limit to a 5 percent increase, so those numbers would change. The single would be \$197,548; the double would be \$131,697. With those two numbers in the bill, that would be a five percent increase in the property cost. It would remove all of line 16, over to page 3, and that would be the moratorium language. It takes all of that out. The only thing left on page 3 would be Section 2, the effective date of the rate year. It should follow the bill that we had before us the other day.

Chairman Delzer: When I look at my notes, it looks like what we did the other day was to take out the CPI. So, this amendment, if you move to further amend, should work with that.

Representative Hogan: Is there another revised fiscal note based on this?

Representative Kreidt: Yes, there would be. I don't have the fiscal note, but the original one, the 10 percent would have been around 300. This would cut that in half; going to 5 percent. And removing the moratorium.

Rep. Kreidt: I would move to further amend with amendment 2002.

Representative Holman: Second.

Chairman Delzer: Discussion on the motion to amend?

Rep. Monson: I had a note here that the moratorium might go away. Is that the effect of this any more, or not?

Chairman Delzer: No. This takes the language away so that the bill coming over from the Senate would be the only issue we would have about the moratorium, and that extends the moratorium. So if that goes away, you would have to kill that bill, and then it would go away. Any further discussion?

VOICE VOTE HELD

MOTION IS CARRIED

Rep. (UNIDENTIFIED) I would move a Do Pass of the engrossed HB 1234 As Further Amended

Rep. Nelson: Second.

Chairman Delzer: Discussion?

ROLL CALL VOTE TAKEN:

YES: 22 NO: 0 ABSENT: 1

MOTION IS CARRIED

Rep. Kreidt will carry the bill.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1234

Page 2, line 3, replace "eight" with "one"

Page 2, line 3, after "thousand" insert "six hundred ninety-seven"

Page 2, line 3, replace "two" with "one"

Page 2, line 3, after the second "hundred" insert "ninety"

Page 2, line 4, after "thousand" insert "five hundred forty-eight"

Page 2, line 19, remove ". The property rate"

Page 2, remove lines 20 through 31

Page 3, remove lines 1 and 2

Page 3, line 3, remove "for allowable real property costs"

Renumber accordingly

8/2
2/23/15

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1234

Page 2, line 3, replace "eight" with "one"

Page 2, line 3, after "thousand" insert "six hundred ninety-seven"

Page 2, line 3, replace "two" with "one"

Page 2, line 3, after the second "hundred" insert "ninety"

Page 2, line 4, after "thousand" insert "five hundred forty-eight"

Page 2, line 4, remove "These amounts are inflated each succeeding year by the consumer"

Page 2, remove line 5

Page 2, line 19, remove ". The property rate"

Page 2, remove lines 20 through 31

Page 3, remove lines 1 and 2

Page 3, line 3, remove "for allowable real property costs"

Renumber accordingly

Date: 2/18/15Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1234**

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation:	<input checked="" type="checkbox"/> Adopt Amendment <input type="checkbox"/> Do Pass <input type="checkbox"/> Do Not Pass <input type="checkbox"/> Without Committee Recommendation <input type="checkbox"/> As Amended <input type="checkbox"/> Rerefer to Appropriations <input type="checkbox"/> Place on Consent Calendar
Other Actions:	<input type="checkbox"/> Reconsider <input type="checkbox"/> _____

Motion Made By: Kempenich Seconded By: Skarphol

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer				Representative Nelson				Representative Boe			
Vice Chairman Keith Kempenich				Representative Pollert				Representative Glassheim			
Representative Bellew				Representative Sanford				Representative Guggisberg			
Representative Brandenburg				Representative Schmidt				Representative Hogan			
Representative Boehning				Representative Silbernagel				Representative Holman			
Representative Dosch				Representative Skarphol							
Representative Kreidt				Representative Streyle							
Representative Martinson				Representative Thoreson							
Representative Monson				Representative Vigasaa							

Totals

(Yes)	
No	
Absent	
Grand Total	

*Motion Carries
Voice Vote*

Floor Assignment: _____

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

*Amend to put an end date of 2017
END Date on the C.P.I.*

Date: 2/18/15Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1234

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation:	<input checked="" type="checkbox"/> Adopt Amendment	<input type="checkbox"/> Do Not Pass	<input type="checkbox"/> Without Committee Recommendation
	<input checked="" type="checkbox"/> Do Pass	<input type="checkbox"/> Rerefer to Appropriations	
	<input checked="" type="checkbox"/> As Amended	<input type="checkbox"/> Place on Consent Calendar	
Other Actions:	<input type="checkbox"/> Reconsider	<input type="checkbox"/> _____	

Motion Made By: K Reidt Seconded By: Nelson

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer		✓		Representative Nelson	✓			Representative Boe	✓		
Vice Chairman Keith Kempenich	✓			Representative Pollert		✓		Representative Glassheim	✓		
Representative Bellew		✓		Representative Sanford	✓			Representative Guggisberg	✓		
Representative Brandenburg		✓		Representative Schmidt		✓		Representative Hogan	✓		
Representative Boehning		✓		Representative Silbernagel		✓		Representative Holman		✓	
Representative Dosch	✓			Representative Skarphol		✓					
Representative Kreidt	✓			Representative Streyle		✓					
Representative Martinson		✓		Representative Thoreson		✓					
Representative Monson		✓		Representative Vigasaa		✓					
	<u>3</u>	<u>6</u>	<u>0</u>		<u>2</u>	<u>7</u>	<u>0</u>		<u>4</u>	<u>1</u>	<u>0</u>

Totals

(Yes)	<u>9</u>
No	<u>14</u>
Absent	<u>0</u>
Grand Total	<u>23</u>

Motion Failed

Floor Assignment: _____

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

Date: 2/20/15Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1234

House Appropriations Committee☐ SubcommitteeAmendment LC# or Description: 15.0729.02002

Recommendation:

☒ Adopt Amendment☐ Do Pass☐ Do Not Pass☐ Without Committee Recommendation☐ As Amended☐ Rerefer to Appropriations☐ Place on Consent Calendar

Other Actions:

☐ Reconsider☐ Further AmendMotion Made By: KreidtSeconded By: Holman

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer				Representative Nelson				Representative Boe			
Vice Chairman Keith Kempenich				Representative Pollert				Representative Glassheim			
Representative Bellew				Representative Sanford				Representative Guggisberg			
Representative Brandenburg				Representative Schmidt				Representative Hogan			
Representative Boehning				Representative Silbernagel				Representative Holman			
Representative Dosch				Representative Skarphol							
Representative Kreidt				Representative Streyle							
Representative Martinson				Representative Thoreson							
Representative Monson				Representative Vigasaa							

Totals

(Yes)

No

Absent

Grand Total

Voice Vote
Motion ~~Carries~~

Floor Assignment:

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

add to amendment 02002This amendmentIt is to make sure the C.P.I isoutconsumption price index

Date: 2/20/15Roll Call Vote #: 2

**2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1234**

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 15. 0729. 02003

Recommendation:

☐ Adopt Amendment

☒ Do Pass ☐ Do Not Pass

☐ Without Committee Recommendation

☒ As Amended

☐ Rerefer to Appropriations

☐ Place on Consent Calendar

Other Actions:

☐ Reconsider

☐ _____

Motion Made By:

Kreidt

Seconded By:

Nelson

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer	✓			Representative Nelson	✓			Representative Boe	✓		
Vice Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glassheim	✓		
Representative Bellew			—	Representative Sanford	✓			Representative Guggisberg	✓		
Representative Brandenburg	✓			Representative Schmidt	✓			Representative Hogan	✓		
Representative Boehning	✓			Representative Silbernagel	✓			Representative Holman	✓		
Representative Dosch	✓			Representative Skarphol	✓						
Representative Kreidt	✓			Representative Streyle	✓						
Representative Martinson	✓			Representative Thoreson	✓						
Representative Monson	✓			Representative Vigesaa	✓						

Totals

(Yes)	<u>22</u>
No	<u>0</u>
Absent	<u>1</u>
Grand Total	<u>23</u>

Floor Assignment:

Kreidt

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

REPORT OF STANDING COMMITTEE

HB 1234, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (22 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1234
was placed on the Sixth order on the calendar.

Page 2, line 3, replace "eight" with "one"

Page 2, line 3, after "thousand" insert "six hundred ninety-seven"

Page 2, line 3, replace "two" with "one"

Page 2, line 3, after the second "hundred" insert "ninety"

Page 2, line 4, after "thousand" insert "five hundred forty-eight"

Page 2, line 4, remove "These amounts are inflated each succeeding year by the consumer"

Page 2, remove line 5

Page 2, line 19, remove ". The property rate"

Page 2, remove lines 20 through 31

Page 3, remove lines 1 and 2

Page 3, line 3, remove "for allowable real property costs"

Renumber accordingly

2015 SENATE HUMAN SERVICES

HB 1234

2015 SENATE STANDING COMMITTEE MINUTES

Human Services Committee Red River Room, State Capitol

HB 1234
3/10/2015
24555

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature <i>Donald Mueller</i> <i>(Denis)</i>

Explanation or reason for introduction of bill/resolution:

A bill relating to nursing home rate determination and to provide an effective date

Minutes:

Attach #1: Testimony by Shelly Peterson Attach #2: Testimony by Daniel Kelly Attach #3: Testimony by Mark Bichler

Ms. Shelly Peterson, President, Long Term Care Association, testified HB 1234 (attach #1) (2:27)

Representative Weisz introduced HB 1234 to the Senate Human Services Committee. The bill has changed significantly from the House. It concerns asset limitation with Long Term Care facilities, especially in western North Dakota, with the cost of new construction. The House policy committee provided a 10% increase; 20% would have provided everything. House Appropriations reduced further to 5%. From the policy side, 10% was enough to make a difference, but did not make it whole, so the further reduction is significant. There were several issues looking at the equity of the Long Term Care facilities.

Senator Dever: looking at fiscal note, did this go through appropriations in the House?

Rep. Weisz: House Appropriations reduced it to a 5% increase. Policy committee had a 10% increase.

Chairman Judy Lee: \$21,917 general fund impact for this biennium doesn't seem that significant.

Senator Dever: the effective date is after 2016. **Chairman Judy Lee** indicated one year in the next biennium and two years after.

Rep. Weisz: the effective date was an oversight on the Appropriations committee; it should be removed as the bill stands after the Appropriations committee. Only two facilities, maybe three, will be affected.

Senator Warner: the 02000 version fiscal note was \$389,370.

Rep Weisz: there was some disagreement on the effect of the fiscal note originally.

Ms. Peterson continued her testimony. (10:20-20:10)

Senator Warner: any circumstances where the emergency clause would be useful?

Ms. Peterson: not at this time because the only project coming in during this period of time is Fargo and they are delayed, won't be here until after July 1, 2015.

Senator Warner: could you define renovation, is it tearing out walls, replacing plumbing?

Ms. Peterson: any renovation has to go through the Department of Health. If it is more than cosmetic (painting, carpeting), like moving walls, adding rooms, redoing rooms, then it is renovation.

Chairman Judy Lee: are some facilities converting double rooms to single rooms?

Ms. Peterson: yes, in a Long Term Care facility it is hard to share a room; the main concerns being privacy and medical (MIRSA, etc...). Watford City is building only private rooms.

V. Chairman Oley Larsen: At the Watford City facility, is it remodeling or rebuilding?

Ms. Peterson: I believe it is a new building. Many of the buildings are 60-70 years old.

V. Chairman Oley Larsen: will it be a new location?

Ms. Peterson deferred to the person responsible for the Watford City project. It is a total renovation for the hospital. Read information from Watford City regarding the building of the nursing home. The fiscal note was so low with the projects that are ongoing. We don't want everyone moving to the four major cities, we want viable facilities in the rural areas.

Ms. Peterson handed out written testimony by **Daniel Kelly**, CEO, McKenzie County Healthcare Systems Inc. (attachment #2) and **Mark Bichler**, VP of Operations, Health Management Services, LLC (attachment #3) both requesting to increase the per bed limit.

OPPOSITION

No opposing testimony

NEUTRAL

LeeAnn Thiel, Department of Human Services, was open to questions for the fiscal note.

Chairman Judy Lee: is the fiscal note for the 3 facilities?

Ms. Thiel: it is based just on those three facilities.

Recess

2015 SENATE STANDING COMMITTEE MINUTES

Human Services Committee Red River Room, State Capitol

HB 1234
3/10/2015
24592

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Donald Mueller

Explanation or reason for introduction of bill/resolution:

A bill relating to nursing home rate determination and to provide an effective date

Minutes:

No attachments

The Senate Human Services Committee did committee work for HB 1234 on March 10, 2015 at 1:52 p.m.

Written testimony by **Daniel Kelly** was provided in earlier testimony (job number 24555, attach #2). **Chairman Judy Lee** invited Mr. Kelly to the podium.

Daniel Kelly, CEO of the McKenzie County Healthcare Systems, Inc., spoke. For both nursing home and hospital, they are in 60 year old buildings, and this spring will build a replacement hospital, clinic, and nursing home. The cost of the nursing home component is estimated approximately \$11,400,000 and reimbursement of about \$8,000,000. Rates have not been adjusted in several years, and construction costs have significantly increased in the past 7 years.

Chairman Judy Lee do you have any access to the SURGE funds.

Mr. Kelly stated hypothetically we do, but reality we don't. All SURGE funds are allocated toward infrastructure. Definition of infrastructure for nursing home and hospital has not been included. So we actually don't have access to the Surge funds.

Senator Howard Anderson, Jr. asked how much the construction costs are in comparison to regular rates.

Mr. Kelly answered that he was told the Bakken premium is somewhere around 30%.

Chairman Judy Lee indicated there are contractors who will bid less in Fargo just so their contractors don't have to move.

Senator Warner indicated that part of the Bakken Premium is the cost of housing the labor is the high cost in construction.

Mr. Kelly continued, and transportation costs.

Senator Howard Anderson, Jr. asked if there a way in the bill to have an emergent need for some facilities that we could add a construction premium for the time being, as an option, rather than raising it for everyone.

Chairman Judy Lee stated what about a low income low for schools in West Fargo. We aren't funding that.

Senator Howard Anderson, Jr. indicated this is for hospitals, not for schools.

V. Chairman Oley Larsen asked where are you going with the campus - are you going up? How many employees do you have now?

Mr. Kelly stated the facility will go to the east of the current nursing home. Today's footprint is approximately 34 acres today. We won't have an abundance of land left over, but land cost is a premium. Relative to increase in employees, we are estimating a 10 person increase because we are adding some product lines that we don't currently provide, such as surgery.

V. Chairman Oley Larsen how many do you have on board now.

Mr. Kelly answered 161 employees today.

V. Chairman Oley Larsen asked are you going to have a satellite with mental health.

Mr. Kelly this opens a big issue. This issue is underserved in western North Dakota. He is in discussion to bring tele-medicine to western North Dakota. He has a dream that once they vacate the old building, it could be turned into a psychiatric unit. We are unable to serve the mental health today with resources, meaning staff and facilities.

Chairman Judy Lee stated the interim committee and Senate Human Services Committee has reviewed several bills, with significant cuts now identified in appropriations on mental health. This is a crisis, but appropriations committee needs to understand the crisis, so Chairman Judy Lee asked for Mr. Kelly to engage to support the mental health behavioral health bills.

Mr. Mark Bichler provided written testimony this morning (job number 24555, attachment (10:55-15:55) In addition to his written testimony, Mr. Bickler stated cost bids have come in at \$271 per square foot cost.

Senator Warner asked can you spend public money on matching funds? For example, sales tax money as a startup for your projects.

Mr. Bichler indicated Richardton did pass a one percent sales tax that was to be used for the nursing home that was essentially for the hospital and the clinic, and when they closed the hospital, we used those funds. The city of Richardton could do a mill levy, nothing that he knows that would prohibit them from doing that. Some county nursing homes do have mill levies.

Senator Howard Anderson, Jr. discussed the new bill to consolidate mill levies, thinks we can go up to 10 mills for those type of services, and this would include nursing homes.

Shelly Peterson indicated HB 1277 is in Senate Finance and Tax committee. If they pass this bill, then it offsets the Department of Human Services budget, so there is no net gain.

Mr. Bichler indicated the Tax committee appeared to be in favor of it, with some amendments from the House that would limit it to towns that were less than 12,500 residents. This current bill is really necessary for the Medicaid dollars for the Medicaid rule that allows for remodeling or construction. The nursing home was built in the 1950's, and does not accommodate wheel chairs and all the equipment that is used today. He urges the committee to consider the 30% increase in construction costs.

Chairman Judy Lee stated that a few years ago when the Veterans home was built, we went through the same issues regarding room sizes and bathroom doors, the narrow doors from the past do not accommodate. The legislature has been receptive to the concerns as they were several years ago.

Senator Howard Anderson, Jr. would like the history of the bill - he was absent from this morning's testimony. **Shelly Peterson**, President of Long Term Care association, reviewed her testimony from earlier today. (ends 26:37)

Chairman Judy Lee so what we ended up here is something that is very different than the original bill. Does this cover everything that you need to take care of?

Ms. Peterson responded yes.

Senator Howard Anderson, Jr. asked if we increase to \$245,000, appropriations will be upset. We recover approximately 50% of that through the federal match. Can we put in an increase with a two year sunset that we can reevaluate again.

Ms. Peterson indicated that would be difficult as once you incur those property costs, they are there. You still have the mortgage to pay back. The positive thing is that in Senate Appropriations, there was \$600,000+ to take care of this issue, which is adequate funding. We estimate the cost to be under \$140,000 in general funds, \$280,000 total funds, while the Senate Appropriations put in \$600,000. There needs to be cost effective projects, so no one automatically gets more money.

Chairman Judy Lee asked Ms. Peterson to explain to Senator Howard Anderson, Jr. what the committees did. **Ms. Peterson** reviewed earlier testimony.

Chairman Judy Lee particular because the funds are in 2012. She is interested in restoring the 30.3, especially since it has passed through the appropriations as it is. It could be reduced in the appropriations committee and we would still be covering the increase.

Senator Howard Anderson, Jr. asked there is a fiscal note on this bill for the current amount, but if it is already in the Department of Human Services budget, then do we need this fiscal note.

LeeAnn Thiel clarified the limits were rebased in 2009 to 21.7%. The 30.3% came from the 2007 limit increase. It could be worded that the limit could be reduced in two years. It is looked at from when the construction is in place. We don't change that through the time the loan is amortized.

Senator Axness spoke in favor of the 30.3% increase.

Senator Axness moved to ADOPT AMENDMENT to increase the 30.3% increase, from Shelly Peterson. The motion was seconded by **Senator Warner**.

Discussion

Senator Axness indicated the bill will likely come back to conference committee, but we can have this increase based on the current appropriation in the Department of Human Services.

Chairman Judy Lee added that if the Appropriation Committee is anxious about the time frame, they could add an emergency clause or some type of trigger as well.

Roll Call Vote to AMEND

6 Yes, 0 No, 0 Absent. Motion passes.

Senator Axness moved the Senate Human Services Committee DO PASS AS AMENDED and RE-REFER TO APPROPRIATIONS on HB 1234. The motion was seconded by **Senator Warner**.

Discussion

Senator Warner indicated he will certainly be open to Appropriation wisdom in imposing a trigger or some type of mechanism. He understands the need for fiscal responsibility and not opens this up to every nursing home in the state. He also assumes the other entities will be fiscally responsible when it comes to making construction decisions.

Roll Call Vote to DO PASS as Amended and Re-Refer to Appropriations

6 Yes, 0 No, 0 Absent. Motion passes.

Chairman Judy Lee will carry HB 1234 to the floor.

March 10, 2015

TD
3/11/15

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1234

Page 1, line 2, remove "; and to provide an effective date"

Page 2, line 2, remove "one"

Page 2, line 3, replace "hundred thirty-one thousand six hundred ninety-seven" with "one hundred sixty-three thousand four hundred thirty dollars"

Page 2, line 4, replace "one hundred ninety-seven thousand five hundred forty-eight" with "two hundred forty-five thousand one hundred forty-eight dollars"

Page 2, remove lines 19 and 20

Renumber accordingly

Date: 03/10 2015
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1234

Senate Human Services Committee

☐ Subcommittee

Amendment LC# or Description: 15. 0729.03001 Title 04000

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sen Axness Seconded By Sen. Warner

Senators	Yes	No	Senators	Yes	No
Senator Judy Lee (Chairman)	✓		Senator Tyler Axness	✓	
Senator Oley Larsen (V-Chair)	✓		Senator John M. Warner	✓	
Senator Howard C. Anderson, Jr.	✓				
Senator Dick Dever	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

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

Date: 03/10 2015
Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1234

Senate Human Services Committee

☐ Subcommittee

Amendment LC# or Description: 15.0729.03001 Title 04000

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☒ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sen. Axness Seconded By Sen. Warner

Senators	Yes	No	Senators	Yes	No
Senator Judy Lee (Chairman)	✓		Senator Tyler Axness	✓	
Senator Oley Larsen (V-Chair)	✓		Senator John M. Warner	✓	
Senator Howard C. Anderson, Jr.	✓				
Senator Dick Dever	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen. Lee

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

REPORT OF STANDING COMMITTEE

HB 1234, as reengrossed: 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** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1234 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "; and to provide an effective date"

Page 2, line 2, remove "one"

Page 2, line 3, replace "hundred thirty-one thousand six hundred ninety-seven" with "one hundred sixty-three thousand four hundred thirty dollars"

Page 2, line 4, replace "one hundred ninety-seven thousand five hundred forty-eight" with "two hundred forty-five thousand one hundred forty-eight dollars"

Page 2, remove lines 19 and 20

Renumber accordingly

2015 SENATE APPROPRIATIONS

HB 1234

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee

Harvest Room, State Capitol

HB 1234

3/19/2015

Job # 25158

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature

T. Monson for Rose Laning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 50-24.4-15 of the North Dakota Century Code, relating to nursing home rate determination.

Minutes:

Attachment 1 Shelly Peterson

Attachment 2 Mark Bichler

Legislative Council - Sheila Sandness

OMB - Tammy Dolan

Co-Chairman Senator Krebsbach called the committee to order on HB 1234.

Shelly Peterson, President, North Dakota Long Term Care Association, testified in favor of HB 1234. (Testimony - Attachment 1)

Senator Kilzer asked when they would update in the future. Inflation will probably be higher in each of the coming years even since 2009.

Ms. Peterson said they would have an opportunity to come back every biennium. They are hoping they don't have to come back for a while because today's limits versus where they are asking to put them is a 30.3% increase in the limits from today. That's because the increase received over the last five years was 11.3% so the 30% is getting up to 40% to cover construction costs of the last six years.

Senator Kilzer asked Ms. Peterson if they get pressure from commercial insurance companies to not rebase very often.

Ms. Peterson replied that rebasing increases the costs of the service. When looking at a nursing home that's remodeled and new, it's going to cost more to live in it. When the consumer is asked if it is worth the money for the private room and the more private bath generally the answer is yes.

Senator Krebsbach asked if they are experiencing a shortage of nurses in the nursing home.

Ms. Peterson said, absolutely, right now 70% of all the nursing facilities use contract agency staff because they don't have enough of their own staff. We agree with trying to recruit and encourage our youth to take up healthcare professions but the bottleneck is at the University system where there aren't any more slots to get more students. The University system gets a lot of money and we'd love to double the slots so we could meet the demand of the future.

Senator Kilzer pointed out that hospitals and health systems are increasingly signing up students before they're finished with their training. Hospitals frequently offer forgiveness of student loans to nurses. He wanted to know if nursing homes are doing that too.

Ms. Peterson replied that they are and it's because of what was provided for them in past legislation where every nursing facility can spend up to \$15,000 per student for loan repayment or scholarships to go to school. It's not limited to nursing (11:10). It's been a tremendously positive program.

Senator Heckaman asked if it had just been changed from years to hours.

Ms. Peterson answered, yes, that was in HB 1353. She said they could provide the \$15,000 up front for school and loan repayment but they were limited to reimbursement of \$3,750 a year. This will keep the limit of \$15,000 but will allow expenditure in one year because tuition, in some cases, is \$15,000 per year. Then they have to commit to work 6,650 hours either in a 3 year or a 6 year period of time (12:20). That legislation will be very helpful and the tweak in it will be very good. She thanked the committee for their support.

Mark Bichler, Vice President of Operations for Health Management Services, LLC, testified in favor of HB 1234. (Testimony - Attachment 2)

Senator Krebsbach closed the hearing on HB 1234.

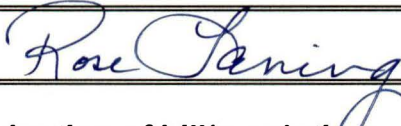
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1234
4/8/2015
Job # 25904

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 50-24.4-15 of the North Dakota Century Code, relating to nursing home rate determination.

Minutes:

--

Senator Kilzer said that Shelly Peterson pointed out that the level of payment is what is assumed in 2012. This is basically to use the figures that are in 2012.

Senator Krebsbach: There's a fiscal note with this bill.

Chairman Holmberg said there is not an appropriation. The fiscal note is determined through the budget of Human Services.

Senator Kilzer moved Do Pass on HB 1234.
Senator Heckaman seconded.

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 0

The bill goes back to the Human Services Committee and Senator Judy Lee will carry the bill on the floor.

Date: 4-8-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1234

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Kilzer Seconded By Heckaman

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Judy Lee H. Sew

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

REPORT OF STANDING COMMITTEE

HB 1234, as reengrossed and amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1234, as amended, was placed on the Fourteenth order on the calendar.

2015 CONFERENCE COMMITTEE

HB 1234

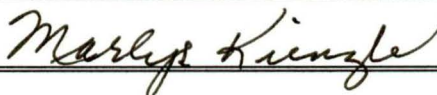
2015 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee
Fort Union Room, State Capitol

HB 1234
4/21/2015
Job # 26297

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature



Minutes:

Attachment # 1

Rep. Damschen: We will call the conference committee to order on HB 1234. What we are not agreeing on is the amounts on page 2.

Sen. J. Lee: We talked about a building and remodeling projects and the prices have gone up dramatically for both of those projects. The communities of Richardton, Bowman and Watford City have engaged in finding money and have gone as far as they can but the bids are way over what we are permitting them to use as a cost figure. So that is why we came up with these unusual numbers so they can move forward.

Sen. Larsen: I have been in the Watford City facility. They are going to build that facility on that same location because they can't find another location. Because of the Bakken surcharge the bid came over by 20 million dollars. They are doing a lot of fundraising so they can move forward with the process.

Rep. Damschen: House cut it to 10% and Appropriations cut it to 5% and then you came up 30%. We would like to have some kind of compromise.

Sen. Larsen: Would the House agree to 25%?

Rep. Oversen: I'm ok with the 25%.

Rep. Seibel: I'm ok with it.

Rep. Damschen: I do have some amendments for 25% if you would like to see them. Attachment #1

Sen. J. Lee: I would and if you are willing I would like to see what Shelly Peterson has to say how it would affect the three facilities.

Shelly Peterson: President of the Long Term Care Association: We would appreciate the 25% adjustment. The limit increased by 11.3% where the construction costs increased 60

to 92% so it is very important to have inflationary adjustments. I hope the amendment clarifies that besides the 25% adjustment for next year's July 1.

Rep. Damschen: The amendment changed the wording on line 2 to effective July 1.

Peterson: That would clarify that inflationary. That would limit on that date 9 July1, 2015 and then the administrative code and the annual inflationary adjustments would impact that after words.

Rep. Damschen: Speaking to Vonnette Richter, she clarified that the new language will clarify this.

Shelly Peterson: The Date of July 1, 2015 and the dollar amounts look perfect for the 25%. The Watford City project did just come in with a bid of 20 million over budget and they are expecting a 30% increase. The Bowman project has been cancelled at this time.

Sen. Larsen: Is there anyone in your camp monitoring the slow down with information for the Legislatures, so we can get those increased cost back to us.

Peterson: We will make sure we provide you with that.

Sen. Larsen: I move the Senate Recede from and further amend the HB 1234 with the amendment .03003

Sen. Warner: Second.

Sen. Larsen: I would like to have on the record my displeasure we are continually tweaking these Human Service Bills when we see these dinosaurs of a million dollars being purchased. Last year we bought a marina and that money for that marina would have been well spend for our Human Service individuals and the people of state of North Dakota. Then this session what are we going to do, we purchase Washburn Lewis and Clark Museum when we don't need that stuff. We need to take care of our Human Service people. I am very frustrated as the sessions go on and I learn more and more about this process of how we are taking these cuts.

Rep. Damschen: I share your frustration of squabbling over small amounts.

Roll Vote call vote was 6 yes and 0 no.

Senate recede from Senate Amendments and amend as follows.

sl
4/21/15

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1234

That the Senate recede from its amendments as printed on page 1449 of the House Journal and page 766 of the Senate Journal and that Reengrossed House Bill No. 1234 be amended as follows:

Page 1, line 2, remove "; and to provide an effective date"

Page 2, line 2, replace "after June 30" with "effective July 1"

Page 2, line 2, remove "one"

Page 2, line 3, replace "hundred thirty one thousand six hundred ninety-seven" with "one hundred fifty-six thousand seven hundred eighty-three dollars"

Page 2, line 4, replace "one hundred ninety seven thousand five hundred forty-eight" with "two hundred thirty-five thousand one hundred seventy-six dollars"

Page 2, remove lines 19 and 20

Renumber accordingly

Date 4-21-15
Roll Call Vote #: 1

2015 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1234 as (re) engrossed

House "Enter committee name" Committee

- Action Taken ☐ HOUSE accede to Senate Amendments
☐ HOUSE accede to Senate Amendments and further amend
☐ SENATE recede from Senate amendments
☒ SENATE recede from Senate amendments and amend as follows

☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Sen. Larsen Seconded by: Sen. Warner

Representatives	Y	N	A	Yes	No	Senators	Y	N	A	Yes	No
Rep. Damschen	✓			✓		Sen. J. Lee	✓			✓	
Rep. Seibel	✓			✓		Sen. Larsen	✓			✓	
Rep. Oversen	✓			✓		Sen. Warner	✓			✓	
Total Rep. Vote						Total Senate Vote					

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier no carrier Senate Carrier no carrier

LC Number 15.729.0000 . 03003 of amendment 05000

LC Number _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

HB 1234, as reengrossed: Your conference committee (Sens. J. Lee, Larsen, Warner and Reps. Damschen, Seibel, Oversen) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ page 1449, adopt amendments as follows, and place HB 1234 on the Seventh order:

That the Senate recede from its amendments as printed on page 1449 of the House Journal and page 766 of the Senate Journal and that Reengrossed House Bill No. 1234 be amended as follows:

Page 1, line 2, remove "; and to provide an effective date"

Page 2, line 2, replace "after June 30" with "effective July 1"

Page 2, line 2, remove "one"

Page 2, line 3, replace "hundred thirty one thousand six hundred ninety-seven" with "one hundred fifty-six thousand seven hundred eighty-three dollars"

Page 2, line 4, replace "one hundred ninety seven thousand five hundred forty-eight" with "two hundred thirty-five thousand one hundred seventy-six dollars"

Page 2, remove lines 19 and 20

Renumber accordingly

Reengrossed HB 1234 was placed on the Seventh order of business on the calendar.

2015 TESTIMONY

HB 1234

February 2, 2015

#1
2/3/15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1234

Page 3, line 6, remove "department shall allow"

Page 3, remove lines 7 through 10

Page 3, line 11, replace "biennial appropriation." with "property rate must be calculated based on ninety percent occupancy and must take into account the occupancy rate of the facility and the number of licensed beds. A facility with ninety percent occupancy is entitled to receive one hundred percent of the property rate. For an occupancy rate less than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate, reduced by two additional percentage points for every percent under ninety percent of occupancy rate down to seventy percent of occupancy for that facility. For an occupancy rate greater than ninety percent, a facility's property cost rate must be one hundred percent of the calculated rate increased by one additional percentage point for every percent over ninety percent occupancy up to ninety-five percent of occupancy for that facility. The department shall round partial occupancy percentage points of less than one-half down to the nearest full percentage point and shall round partial occupancy percentage points of one-half or greater up to the nearest full percentage point."

Renumber accordingly

#2

Testimony on HB 1234
House Human Services Committee
February 3, 2015

Good Morning Chairman Weisz and members of the House Human Services Committee. My name is Shelly Peterson, President of the North Dakota Long Term Care Association. We represent 211 Assisted Living, Basic Care and Nursing Facility members. I am here this morning to present information on the nursing facility payment system and show how HB 1234 impacts facilities. We are supportive of any amendments to restore the current payment system, as well as, I want to propose an amendment to rebase the per bed limits that were last rebased eight years ago, in 2007.

HB 1234 has three features that we are concerned about:

1. It states bad debt expenses is not part of the property cost category. That is of concern because anything that is not classified into a specific cost category automatically defaults to the Indirect Cost category. Today we have twenty-three (23) of seventy-eight (78) Nursing Facilities exceeding this limit and thus it is likely that none of their bad debt will be allowed. Today these twenty-three Nursing Facilities are spending \$5.4 Million over this limit. These are costs that will never be recouped. In the most current reporting period of June 30, 2014 over half of the nursing facilities reported Bad Debt of \$5.3 Million with \$ 1.3 determined to be allowable after all collection efforts were implemented. (see attachment)
2. The nurse scholarship funds which are vital to staff recruitment would also not be allowed as a pass through. Thus again, by rule it would default to the Indirect Cost category, where facility costs are already greatly outpacing reimbursement, and many facility's would never be able to offer educational scholarships and loan repayment. (see handout provided in testimony on HB 1353)
3. The property payment which provides for depreciation, interest, and principle payments would be eliminated. A facility that may have to incur property costs to correct life safety deficiencies or waivers that are no longer allowed would be negatively impacted. As well as the per bed property cost limits for single and double occupancy, necessary when a facility needs updates or replacement would

be eliminated. The per bed limitations were rebased in 2007, and are in desperate need of updating. Our amendment at the end will address this issue.

According to the new language added on page two, the maximum daily payment of property costs could not exceed the average daily property rate on January 1, 2015 of all nursing homes in the state. It does allow for yearly inflationary increased authorized by the legislature and calls for an effective date of December 31, 2016. Today the average property rate, based upon the June 30, 2014 cost report is \$18.66. Thus anyone whose property rate is currently over \$18.66 would be limited.

To illustrate how these affect Nursing Facility's statewide I would like to explain the payment system.

Review- Nursing Facility Payment System

Review- Impact of HB 1234

Review- Facts on Nursing Facility Property Limits

Amendment of HB 1234

In conclusion thank you for the opportunity to testify on HB 1234 and provide information on the nursing facility payment system. I would be happy to answer any questions.

Shelly Peterson, President
North Dakota Long Term Care Association
1900 North 11th Street
Bismarck, ND 58501
701-222-0660
www.ndltca.org

FACILITY	BAD DEBTS		
	Reported Bad Debts	Allowable Bad debts	Bad Debts Adjustment
Ashley Medical Center	0	0	0
Missouri Slope Lutheran Care Center	55,091	10,529	(44,562)
Sanford Health St Vincent's Continuing Care Center	0	14,482	14,482
Towner County Medical Center	0	0	0
Golden Acres Manor Nursing Home	1,690	0	(1,690)
Heartland Care Center	32,828	17,384	(15,444)
Griggs County Care Center	0	0	0
St. Luke's Sunrise Care Nursing	387,481	990	(386,491)
Garrison Memorial Hospital	0	0	0
Sanford Hillsboro Nursing Home	257,442	617	(256,825)
Marian Manor Healthcare Center	7,898	683	(7,215)
St. Gerard's Community Nursing Home	13,257	0	(13,257)
Tri-County Health Center	5,026	2,496	(2,530)
Nelson County Health System Care Center	0	0	0
Trinity Homes	1,644,818	703,524	(941,294)
Sanford Health Continuing Care Center Off Collins	0	18,135	18,135
Strasburg Nursing Home	0	0	0
Tioga Medical Center	0	0	0
Wishek Living Center	0	0	0
Parkview Health Center	12,000	0	(12,000)
Good Samaritan Society Arthur	0	0	0
Baptist Home	(57,898)	17,555	75,453
Good Samaritan Society Bottineau	0	0	0
Southwest Healthcare Services	0	0	0
Wedgewood Manor	690,600	0	(690,600)
Good Samaritan Society Devils Lake	31,189	31,189	0
St. Benedict's Health Center	75,092	0	(75,092)
St. Luke's Home	70,430	0	(70,430)
Dunseith Community Nursing Home	5,000	0	(5,000)
Prince of Peace Care Center	2,331	0	(2,331)
Maryhill Manor	0	(7,275)	(7,275)
Bethany on University	34,198	34,198	0
Elim Care Center	61,914	25,646	(36,268)
Rosewood on Broadway	0	0	0
Villa Maria Health Care	0	0	0
Four Seasons Health Care	91,812	0	(91,812)
Benedictine Living Center of Garrison	4,564	0	(4,564)
Lutheran Sunset Home	34,474	0	(34,474)
Ave Maria Village	0	0	0
Good Samaritan Society Lakota	0	0	0
St. Rose Care Center	1,639	1,639	0

FACILITY	Reported Bad Debts	Allowable Bad debts	Nonallow Bad Debts
Maple Manor Care Center	0	0	0
Good Samaritan Society Larimore	0	0	0
Sanford Health Sunset Dr Continuing Care Ctr	(3,601)	39,917	43,518
Luther Memorial Home	1,313	0	(1,313)
Good Samaritan Society Mohall	0	0	0
Good Samaritan Society Mott	0	0	0
Napoleon Care Center	5,152	5,152	0
Lutheran Home of the Good Shepherd	86,201	29,504	(56,697)
Elm Crest Manor	141	0	(141)
Northwood Deaconess Health Center	354,999	177,058	(177,941)
Good Samaritan Society Oakes	0	0	0
Good Samaritan Society Park River	0	0	0
Mountrail Bethel Nursing Home	41,689	0	(41,689)
Sheyenne Care Center	0	0	0
Souris Valley Care Center	0	0	0
St. Catherine's Living Center	206,559	0	(206,559)
Pembilier Nursing Home	9,000	0	(9,000)
McKenzie County Healthcare	44,174	0	(44,174)
Bethel Lutheran Nursing & Rehab	12,050	12,050	0
Knife River Care Center	0	43,503	43,503
Heart of America Medical Center	0	0	0
Parkside Lutheran Home	107,279	0	(107,279)
Rolette Community Care Center	13,983	0	(13,983)
St. Aloisius Medical Center	323,172	985	(322,187)
Valley Eldercare Center	378,613	158,658	(219,955)
Woodside Village	25,974	8,306	(17,668)
Hill Top Home of Comfort Inc.	79,378	0	(79,378)
North Dakota Veterans Home	0	0	0
Manor Care of Fargo ND LLC	85,923	0	(85,923)
Manor Care of Minot ND, LLC	24,597	23,545	(1,052)
Western Horizons Living Center	0	0	0
Richardton Health Center	14,118	0	(14,118)
Bethany on 42nd	19,340	14,327	(5,013)
Sheyenne Crossings Care Center	2,300	0	(2,300)
Good Samaritan Society Bismarck	0	0	0
St. Gabriel's Community	1,403	0	(1,403)
Eventide Jamestown LLC	18,108	9,312	(8,796)
Total	5,314,741	1,394,109	(3,920,632)

NURSING FACILITY PAYMENT SYSTEM

MINIMUM DATA SET FOR PAYMENT

The state adopted the Minimum Data Set (MDS) for its payment system on January 1, 1999. The MDS provides a wide array of information regarding the health status of each resident. The payment system has forty-eight facility specific rates. Each resident is evaluated at least quarterly and the intensity of their needs determines their rate classification.

EQUALIZATION OF RATES

The legislature implemented equalization of rates between Medicaid residents and self pay residents for nursing facilities in 1990. Equalization of rates requires all residents be charged the same rate for comparable services. Minnesota and North Dakota are the only states in the nation with equalization of rates. Nursing facilities are the only providers/private business subject to an equalized rate system in the State of North Dakota.

RATE CALCULATIONS

The determination of rates is the sum of **four components**: direct care, other direct care, indirect care and property. Today's limits are calculated based on the **June 30, 2010 cost report**. The legislature allowed rates and limits to be increased by 3% in 2014 and 2015.

Limits (the maximum that will be paid) are set for the direct care, other direct care and indirect care components by utilizing the **2010** cost report of all Medicaid nursing facilities, arraying the facilities from least expensive to most expensive, selecting the facility at the mid-point (median facility) and then adding either 10% or 20% to the cost of that median facility. The **direct care** and **other direct care** limit is established by adding **20%** to the cost of that median facility. The **indirect care** limit is established by adding **10%** to the cost of that median facility. The limits are then inflated annually by the legislative approved inflation factor.

Direct Care Rate. Costs in the Direct Care Category include: nursing and therapy salaries and benefits, OTC drugs, minor medical equipment and medical supplies. On January 1, 2015 the direct care limit is \$167.81 per day. Six nursing facilities currently exceed this limit. The nursing facilities over the limit spent \$2,738,559 in nursing that will not be recouped.

Other Direct Care. Costs in the Other Direct Care Category include: food, laundry, social service salaries, activity salaries and supplies. On January 1, 2015 the other direct care limit is \$27.86 per day. Six nursing facilities currently exceed this limit. The six nursing facilities exceeding the limit spent \$269,560 in costs that will not be recouped.

Indirect Care. Costs in the Indirect Care Category include: administration, pharmacy, chaplin, housekeeping salaries, dietary salaries, housekeeping and dietary supplies, medical records, insurance, and plant operations. On January 1, 2015 the indirect limit was set at \$71.67 per day. Twenty-three nursing facilities currently exceed this limit. The nursing facilities exceeding the limit spent \$5,491,599 in indirect care expenses. These costs will not be recouped.

Property Costs in the Property Category include: depreciation, interest expense, property taxes, lease and rental costs, start-up costs and reasonable and allowable legal expenses. The average property rate is \$18.66 per resident per day, with a range of \$3.96 to \$66.42.

Occupancy Limitation – In the June 30, 2014 cost reporting period, twelve nursing facilities reported twelve month occupancy averages at less than 90%. Together they incur \$1,138,240 in penalty costs because they operate under 90% occupancy.

Incentives - A reward is provided to nursing facilities that are under the limit in indirect care. The incentive is calculated for each facility based upon their indirect costs compared to the indirect limit. Facilities are able to receive 70 cents for every dollar they are below the limit up to a maximum of \$2.60 per resident day. In 2015, the average per day incentive is \$2.08. Of the forty-eight nursing facilities receiving an incentive, the incentive ranged from \$0.16 to \$2.60 per resident per day.

Operating Margin - All nursing facilities receive an operating margin of three percent based on their historical direct care costs and other direct care costs (up to limits). The operating margin provides needed cash flow to cover up-front salary adjustments, replacement of needed equipment, unforeseen expenses, and dollars to implement ever increasing regulations. The operating margin covers the gap between the cost report and the effective date of rates (this can be up to 18 months). In 2015, the average operating margin is \$4.36 per resident per day.

Inflation - Rates are adjusted for inflation annually. Inflation is a rise in price levels that are generally beyond the control of long term care facilities. An example of a price level increase is the 13.48% increase in health insurance. To attract and retain adequate staff, nursing facilities need to offer salary and benefit packages that reward people. Approximately 75% of a nursing facility's budget is dedicated to personnel costs. Adequate inflation adjustments are critical for salary and benefits so nursing facilities can compete in the market place. Turnover of certified nurse assistants, the largest pool of employees was 56% in 2014. Annual inflationary adjustments are set every legislative session.

Rebasing – A limit is establish on the maximum that will be paid in each cost category. The 2015 limits are based upon the June 30, 2010 cost reports and are inflated forward to 2015. The limits are inflated annually by the legislatively approved inflation factor until rebasing occurs. The next time limits will be rebased is January 1, 2017 using the June 30, 2014 cost report.

Facts on Nursing Facility Property Limits

January 2015

- There have been numerous studies on property costs to determine the best methodology for payment.
- The current asset property limits were established in 1994. Prior to that date there was not a limitation on property.
- The asset property limit is based upon a per bed limit, one for single as well as double rooms.
- Asset Property limits are never automatically rebased, but receive an annual CPI adjustment, with rebasing occurring when inflationary adjustments haven't kept up with the cost of construction.
- In 2007 the Legislature "rebased" the per bed limits.
- In 2007 the Legislature approved a 24.5% increase in the Double Room Occupancy and a 39.3% increase in the Single Room Occupancy.
- Now in 2015, eight years since any rebasing we are in desperate need of updating these limits.
- Today every project has made it under the limits, however every project that we are aware of that was bid in late 2014 and in 2015 is coming in drastically over the limits and bid estimates.
- From 2009 to 2014 per bed limits have increased a total of 11.3%.
- During this same five year period of time new construction costs have increased 60% and remodeling costs have increased by 92.3%.
- We request the per bed limitation rebase effective 7-1-15 and increase the same proportion that was approved in 2007, which was 24.5% for Double Occupancy and 39.3% for Single Occupancy.
- Buildings are in need of update for compliance with Life Safety requirements and ever increasing demands from consumers who desire greater privacy in their physical environment.

Current North Dakota Per Bed Limitations

	<u>7/1/2009</u>	<u>7/1/2010</u>	<u>7/1/2011</u>	<u>7/1/2012</u>	<u>7/1/2013</u>	<u>7/1/2014</u>
Double Room	\$112,732	\$114,986	\$119,125	\$121,150	\$122,846	\$125,426
Single Room	\$169,098	\$172,480	\$178,689	\$181,727	\$184,271	\$188,141

ALLOWED PERCENT INCREASE:

2.0% 3.6% 1.7% 1.4% 2.1%

Percent
increase
from 2009
to 2014

11.3%

Cost Per Square Foot:

New Construction	\$125.00	\$135.00	\$145.00	\$175.00	\$185.00	\$200.00
Renovation	\$65.00	\$75.00	\$80.00	\$90.00	\$100.00	\$125.00

ACTUAL PERCENT INCREASE:

New Construction	8.0%	7.4%	20.7%	5.7%	8.1%	60.0%
Remodeling	15.4%	6.7%	12.5%	11.1%	25.0%	92.3%

Shelly Peterson

#3

Possible Amendment for HB 1234

February 3, 2015

Page 2, Line 23, after construction, add the sentence The double room limit on 7-1-15 will be \$156,155.00 and for a single room will be \$262,080.00; these will be inflated each succeeding year by the CPI.

#4

Testimony Regarding House Bill 1234
House Human Services Committee
February 3, 2015

Chairman Weisz and members of the House Human Services Committee, I thank you for the opportunity to provide information relative to House Bill 1234. 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.

The McKenzie County Healthcare System in response to requests from the citizens of McKenzie County has decided to undertake a building project beginning in the spring of this year. One component of our project is to build new resident rooms for our 47 bed nursing facility. Our current facility is more than 60 years old and does not meet licensure standards therefore we annually request a waiver. We believe that citizens in rural North Dakota deserve nursing home facility options that compare with those they can receive in Bismarck or Fargo with their newer facilities.

While I have been as vigilant as I can to keep costs down it appears the nursing home component of our project will run approximately \$11,412,907. This is not unique to our situation. I hear similar reports from Williston and Bowman. The current Medicaid property limits will only reimburse approximately \$8,000,000.00 of these project costs. If the Medicaid reimbursement attributable to property costs are lowered even further that will likely prevent us from building the nursing home component of our project.

For the elderly citizens of McKenzie County please do not lower, even further, the property limits. Our residents deserve a decent home to live during the final days of their life.

I would be happy to explain any of these items further or to answer any questions the committee may have.

Daniel Kelly, CEO
McKenzie County Healthcare Systems, Inc.
516 North Main Street
Watford City, North Dakota 58854
(701) 842-3000

Email: dkelly@mchsnd.org

Testimony on HB 1234
Senate Human Services Committee
March 10, 2015

HB1234
03/10/2015
Attach #1
Jit 24555

Good morning Chairman Lee and Members of Senate Human Services committee. My name is Shelly Peterson, President of North Dakota Long Term Care Association. We represent 211 Assisted Living, Basic Care and Nursing Facility members. HB 1234, though amendments has drastically changed. We had a number of concerns with the original legislation but now stand in support. We have two changes that we are asking you to support, which will strengthen the bill and I believe correct an error.

The correction is on page 2 of the bill. Section 2, lines 19 and 20 should be deleted. This section relates to the original bill and is in conflict with the new language added on lines 2-4. Lines 2-4 indicate an effective date "after June 30, 2014", which is the correct date. The lines we believe that need to be deleted (19 & 20) state the effective date is "after December 31, 2016". Again the date on lines 19 & 20 relates to the original bill.

Reengrossed HB 1234 relates to how property costs are paid in Nursing Facilities. There have been numerous studies on property costs to determine the best methodology for payment. The current per bed limits were established in 1994. Prior to that date there was not a limitation on property. The limit is based upon a per bed limit, one for single as well as double rooms. The per bed limits are never automatically rebased, but receive an annual CPI adjustment.

In 2009 the Legislature "rebased" the per bed limits, as inflationary adjustments had not kept up with the cost of construction. In 2009, the Legislature approved a 30.3% increase in the Double Room Occupancy and Single Room Occupancy.

Now in 2015, six years since any rebasing, we are in great need of updating these limits again because inflationary adjustments have not kept up with the cost of construction. Today every project that we are aware of that was bid in late 2014 and in 2015 is coming in over the limits and bid estimates. From 2009 to 2014 per bed limits have increased a total of 11.3%. During this same five year period of time new construction costs have increased 60% and remodeling costs have increased by 92.3%.

Construction costs have increased dramatically, especially in Western ND, where all projects (Bowman- Watford City & Richardton) are coming in over bids and limits. Facilities are doing everything from reducing the project size, decreasing the quality of products, to putting projects on hold.

We need a market adjustment on per bed limits which has not occurred since 2009. Building upgrades are necessary to comply with Life Safety Regulations, as well to meet the residents and families desire to have more privacy. No one wants to share a bedroom, bathroom, as well as the equipment needs of a complex resident is requiring more space.

We request the per bed limitation be rebased effective 7-1-15 and be increased the same proportion that was approved in 2009, which was 30.3% for Double Room & Single Room Occupancy.

Buildings are in need of update for compliance with Life Safety requirements and ever increasing demands from consumers who desire greater privacy in their physical environment. The Department of Human Services estimate for increasing the per bed limits by 5% is \$21,917 in General Funds. Using this estimate, the General Funds necessary for a 30.3% adjustment would be approximately \$138,954 in State General Funds

We are requesting limits increase to the following:

Double Room	\$163,430
Single Room	\$245,148

The good news in this request is that the Senate, through SB 2012 provided the necessary funds to give this increase.

Thank you again for listening to our concerns and considering further increases to the per bed limits. I would be happy to address questions.

Shelly Peterson, President
North Dakota Long Term Care Association
1900 North 11th Street
Bismarck, ND 58501
(701) 222-0660
www.ndltca.org

Current North Dakota Per Bed Limitations

	<u>7/1/2009</u>	<u>7/1/2010</u>	<u>7/1/2011</u>	<u>7/1/2012</u>	<u>7/1/2013</u>	<u>7/1/2014</u>
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Single Room	\$169,098	\$172,480	\$178,689	\$181,727	\$184,271	\$188,141

**ALLOWED
PERCENT INCREASE:**

2.0% 3.6% 1.7% 1.4% 2.1%

Percent
increase
from 2009
to 2014

11.3%

Cost Per Square Foot:

New Construction	\$125.00	\$135.00	\$145.00	\$175.00	\$185.00	\$200.00
Renovation	\$65.00	\$75.00	\$80.00	\$90.00	\$100.00	\$125.00

**ACTUAL
PERCENT INCREASE:**

New Construction	8.0%	7.4%	20.7%	5.7%	8.1%	60.0%
Remodeling	15.4%	6.7%	12.5%	11.1%	25.0%	92.3%

Facts on Nursing Facility Property Limits March 2015

1.5

- There have been numerous studies on property costs to determine the best methodology for payment.
- The current per bed limits were established in 1994. Prior to that date there was not a limitation on property.
- The limit is based upon a per bed limit, one for single as well as double rooms.
- The per bed limits are never automatically rebased, but receive an annual CPI adjustment.
- In 2009 the Legislature “rebased” the per bed limits, as inflationary adjustments had not kept up with the cost of construction.
- In 2009 the Legislature approved a 30.3% increase in the Double Room Occupancy and Single Room Occupancy.
- Now in 2015, six years since any rebasing we are in great need of updating these limits.
- Today every project that we are aware of that was bid in late 2014 and in 2015 is coming in over the limits and bid estimates.
- From 2009 to 2014 per bed limits have increased a total of 11.3%.
- During this same five year period of time new construction costs have increased 60% and remodeling costs have increased by 92.3%.
- We request the per bed limitation rebase effective 7-1-15 and increase the same proportion that was approved in 2009, which was 30.3% for Double Room & Single Room Occupancy.
- Buildings are in need of update for compliance with Life Safety requirements and ever increasing demands from consumers who desire greater privacy in their physical environment.
- The Department of Human Services estimate for increasing the per bed limits by 5% is \$21,917 in general funds. Using this estimate, the general funds necessary for a 30.3% adjustment would be approximately \$138,954 in state general funds.

Proposed Amendment to House Bill No. 1234

Page 2, Line 3, replace "thirty one" with "sixty three".

Page 2, Line 3, replace "six hundred ninety seven" with "four hundred thirty".

Page 2, Line 4, replace "one" with "two".

Page 2, Line 4, replace "ninety seven" with "forty five".

Page 2, line 4, replace "five" with "one".

Page 2, Lines 19 & 20, remove "Section 2. Effective date. This Act is effective for rate years beginning after December 31, 2016."

Testimony In Support of House Bill 1234
Senate Human Services Committee
March 10, 2015

Attch 2
HB 1234
03/10/15
J# 24555

Chairman Lee and members of the Senate Human Services Committee, I regret not being able to present my testimony in person but thank you for the opportunity to provide written testimony in support of House Bill 1234. 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.

The McKenzie County Healthcare System in response to requests from the citizens of McKenzie County has decided to undertake a building project beginning in the spring of this year. One component of our project is to build new resident rooms for our 47 bed skilled nursing facility. Our current facility is more than 60 years old and does not meet licensure standards therefore we annually request a waiver. We believe that citizens in rural North Dakota deserve nursing home facility options that compare with those they can receive in Bismarck or Fargo with their newer facilities.

While I have been vigilant to keep costs down it appears the nursing home component of our project will run approximately \$11,412,907. This is not unique to our situation. I hear similar reports from Williston and Bowman. The current Medicaid per bed limit will only reimburse approximately \$8,000,000.00 of these project costs.

Our residents deserve a decent home to live in during the final days of their life. Skilled Nursing Facility per bed limits have not been rebased since 2009. Given the significant rise in construction costs in general and the astronomical increases experienced in Western North Dakota I sincerely request you amend HB 1234 to increase the per bed limit.

I would be happy to explain any of these items further or to answer any questions the committee may have.

Daniel Kelly, CEO
McKenzie County Healthcare Systems, Inc.
516 North Main Street
Watford City, North Dakota 58854
(701) 842-3000

Email: dkelly@mchsnd.org

Written Testimony Submitted to the Senate Human Services Committee
HB 1234
03-10-15

Attach# 3
03/10/15
HB 1234
J# 24555

Good morning Senator Chairwomen Judy Lee, and the members of the Senate Human Services Committee.

My name is Mark Bichler, Vice President of Operations for Health Management Services, LLC. We manage five skilled nursing facilities in rural ND. We have been in operation for over 31 years helping communities provide excellent care to their residents. I am here primarily on behalf of the Richardton Health Center. At 20 beds they are the smallest skilled nursing facility in ND. Six years ago the community of Richardton transferred their Critical Access Hospital designation to Dickinson. They then converted the early 1950's era hospital into a nursing home. The facility runs nearly 100% occupied, but the old building is just not suitable for providing the extensive needs of skilled nursing home residents require today or into the future.

We have been working diligently over the last couple of years to design and build a much more efficient and functional skilled nursing home with 20 private rooms and four double room suites. They have acquired the land and it has been annexed into Richardton. We obtained a \$5.5 Million Loan through the USDA.

Due to the inflationary issues brought on by the Bakken area construction our low bid on the project was nearly \$6.5 Million. The ND state per bed limit for construction or capital investment is currently \$125,426 for double rooms and \$188,141 for private rooms. These levels are far too low to cover the costs of providing efficient and updated skilled nursing homes in ND. Fire and Life Safety codes require certain safety standards be met. Residents today require more equipment such as electric beds, oxygen concentrators, wheel chairs and walkers, personal computers, televisions, and some space for personal chairs and belongings. Due to the equalization of Nursing Home rates in ND, we cannot charge the Private Pay residents more to make up what Medicaid does not cover.

The per bed limits were rebased in 2009 and are now far below what is required to build or remodel existing facilities to meet the increased skilled needs of nursing home residents today. Inflation on construction has risen at least 10% per year or over 60% since 2009. During this same time, the limits have only increased by 11.3%.

We are asking that you increase these per bed limits by 30.3%. The fiscal impact to the state will be minimal by comparison to the benefits that will be obtained.

Richardton will be severely limited in its ability to meet the increasing needs of the residents they serve unless this increase in HB 1234 is Passed. Unlike other businesses, nursing homes cannot sell more, do more, or lower overhead to increased revenues. When nursing homes are at full occupancy, our revenue is capped. Our rates are set by state rules and the rules and regulations must be met.

Please vote to increase the Skilled Nursing Home per Bed Limits by 30.3% as provided in HB 1234.

Thank you so much for your consideration in this most important matter.

Sincerely,

Mark Bichler, VP of Operations

Health Management Services, LLC

Managing Agent for the Richardton Health Care Center, Inc.—Richardton, ND

1001 S 24th ST w, Suite #311

Billings, MT 59102

406-853-6410 or 406-655-1883



HB 1234
3-19-15
#1

Testimony on HB 1234
Senate Appropriations Committee
March 19, 2015

Good afternoon Chairman Holmberg and Members of Senate Appropriations committee. My name is Shelly Peterson, President of North Dakota Long Term Care Association. We represent 211 Assisted Living, Basic Care and Nursing Facility members. I am here today to testify in support of HB 1234.

Reengrossed HB 1234 relates to how property costs are paid in Nursing Facilities. There have been numerous studies on property costs to determine the best methodology for payment. The current per bed limits were established in 1994. Prior to that date there was not a limitation on property. The limit is based upon a per bed limit, one for single as well as double rooms. The per bed limits are never automatically rebased, but receive an annual CPI adjustment.

In 2009 the Legislature "rebased" the per bed limits, as inflationary adjustments had not kept up with the cost of construction. Now in 2015, six years since any rebasing, we are in great need of updating these limits again because inflationary adjustments have not kept up with the cost of construction. Today every project that we are aware of that was bid in late 2014 and in 2015 is coming in over the limits and bid estimates. From 2009 to 2014 per bed limits have increased a total of 11.3%. During this same five year period of time new construction costs have increased 60% and remodeling costs have increased by 92.3%.

Construction costs have increased dramatically, especially in Western ND, where all projects (Bowman- Watford City & Richardton) are coming in over bids and limits. Facilities are doing everything from reducing the project size, decreasing the quality of products, to putting projects on hold.

HB 1234 increases the per bed limits to \$163,430 for a double room and \$245,148 for a single. This increase is approximately the same proportion that you provided in the 2007-2009 biennium.

1.1

Buildings are in need of update for compliance with Life Safety requirements and ever increasing demands from consumers who desire greater privacy in their physical environment. The Department of Human Services estimate for increasing the per bed limits is \$157,408 in state general funds.

The good news in this request is that you've already amended SB 2012 to provide the necessary funds to make this adjustment on July 1, 2015. At the time you amended SB 2012, the fiscal note on the per bed limit was unknown. You provided \$300,000 in state general funds in SB 2012, and today you see only \$157,408 is necessary.

Thank you again for listening to our concerns and amending SB 2012 to implement the provisions of the bill before you this afternoon. We ask for your continued support of this issue and passage of HB 1234. I would be happy to address questions.

Shelly Peterson, President
North Dakota Long Term Care Association
1900 North 11th Street, Bismarck, ND 58501
(701) 222-0660
www.ndltca.org

Facts on Nursing Facility Property Limits March 2015

- There have been numerous studies on property costs to determine the best methodology for payment.
- The current per bed limits were established in 1994. Prior to that date there was not a limitation on property.
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- During this same five year period of time new construction costs have increased 60% and remodeling costs have increased by 92.3%.
- We request the per bed limitation rebase effective 7-1-15 and increase the same proportion that was approved in 2009, which was 30.3% for Double Room & Single Room Occupancy.
- Buildings are in need of update for compliance with Life Safety requirements and ever increasing demands from consumers who desire greater privacy in their physical environment.
- The Department of Human Services estimate for increasing the per bed limits by 5% is \$21,917 in general funds. Using this estimate, the general funds necessary for a 30.3% adjustment would be approximately \$138,954 in state general funds.

Current North Dakota Per Bed Limitations

	<u>7/1/2009</u>	<u>7/1/2010</u>	<u>7/1/2011</u>	<u>7/1/2012</u>	<u>7/1/2013</u>	<u>7/1/2014</u>
Double Room	\$112,732	\$114,986	\$119,125	\$121,150	\$122,846	\$125,426
Single Room	\$169,098	\$172,480	\$178,689	\$181,727	\$184,271	\$188,141

**ALLOWED
PERCENT INCREASE:**

2.0% 3.6% 1.7% 1.4% 2.1%

Percent
increase
from 2009
to 2014

11.3%

Cost Per Square Foot:

New Construction	\$125.00	\$135.00	\$145.00	\$175.00	\$185.00	\$200.00
Renovation	\$65.00	\$75.00	\$80.00	\$90.00	\$100.00	\$125.00

**ACTUAL
PERCENT INCREASE:**

New Construction	8.0%	7.4%	20.7%	5.7%	8.1%	60.0%
Remodeling	15.4%	6.7%	12.5%	11.1%	25.0%	92.3%



Rendering of new Fargo City Hall

Why did cost of new City Hall skyrocket?

By Tu-Uyen Tran Today at 12:00 a.m.

FARGO – When bids for the new City Hall building came in higher than expected Tuesday, the architect blamed it on high labor costs.

But that doesn't fully explain how a building that was projected to cost roughly \$18 million less than two years ago is now \$30.4 million.

The city received bids Tuesday on a building that is larger than the one it looked at in 2013 because staff needs have grown, and it has features such as an atrium, escalators and geothermal heating that added to the cost, according to city officials.

1.5

And that doesn't include a future skywalk. Schematics given to contractors show an opening where one could be built.

City Administrator Pat Zavoral said that if the city can trim \$3 million, his staff is comfortable the new building can be constructed without raising property taxes.

Acting Mayor Tim Mahoney said he's told everyone he's committed to the \$3 million cut.

He said he's trying to get the new City Hall building committee together next week to discuss cutting the cost.

Brad Wimmer, the former city commissioner running for mayor against Mahoney on April 28, said he prefers the city not make a decision until after the election. "I think we need to slow down a bit. I don't think the public is going to accept a 20, 30 percent overrun unless it's sold to the public."

Still, having been commissioner until last June, he said he knows the city needs a new building.

A bigger concept

Built in 1961, the existing City Hall has a total of 25,000 square feet. Some staff are in the adjacent Civic Center and some are in rented office space.

When the city hired consultants in 2000 to study the need for a new building, the firm reported that staff needed 40,000 to 60,000 square feet.

The city decided instead to expand into the Civic Center.

By 2013, the city decided to build a new City Hall and a new study was necessary.

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Interviews with city staff to determine needs led architects at TL Stroh

Architects to increase the space requirement to 75,000 square feet.

By the middle of 2014, after a brainstorming session involving staff, the space requirement grew to 90,000 square feet.

Zavoral said the architects had a hard time getting city departments to say exactly how many staff members they thought they would need over the next decade or so, but settled on 8 percent growth.

There are now about 220 staff members in the City Hall building, he said, and they're all tight on space.

An atrium that could serve as a space for the public to meet, wider and more accessible hallways and other features were added during the year and, by fall 2014, the space needed had increased to 96,000 square feet.

The additional space is one of the reasons costs increased from the widely cited \$18 million in mid-2014 to \$30.4 million.

But from 90,000 to 96,000 square feet is only a 7 percent increase.

Construction costs

For architect Terry Stroh, the first truly accurate cost estimate was the one in fall 2014.

The ones before then assumed an average construction cost of \$200 a square foot but weren't backed up by rigorous research.

In fact, all the other estimates up to that point didn't include the cost of site preparation or parking, which was estimated at \$4.7 million.

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The cost of the building alone was estimated at \$21.3 million in fall 2014. For a 96,000-square-foot building, that's an average of \$222 per square foot.

Earlier this year, Stroh gave another estimate of \$28.5 million including the building, site preparation and parking. Assuming that the latter two still cost \$4.7 million, the building alone would cost \$23.8 million, an average of \$248 per square foot.

The low bid that came in Tuesday totaled \$30.4 million, which includes a reduction in cost for an alternative piling style. Again, assuming site prep and parking cost \$4.7 million, the building alone would cost \$25.7 million, an average of \$268 per square foot.

From fall 2014 to Tuesday's bid, the cost per square foot increased 21 percent.

Mark Dougherty, an official with the industry group Associated General Contractors of North Dakota, said construction costs have risen significantly over the years because of high demand. In road construction alone, he said he's seen state spending go from \$300 million or so six years ago to what's expected to be \$1 billion in the next fiscal year.

Construction of other infrastructure and buildings followed the same trend, he said. It's not unusual for a school to cost \$250 a square foot these days, he said.

While he doesn't know much about Fargo's new City Hall, Dougherty said the cost increases probably involve new things being added.

"I've never known one of those projects to stay static," he said. "Owners don't seem to leave them alone and neither do architects."

Readers can reach Forum reporter Tu-Uyen Tran at (701) 241-5417

1.8

Related content:

\$30.4 million low bid for Fargo City Hall 10% higher than recent estimate

(<http://www.inforum.com/news/3702003-304-million-low-bid-fargo-city-hall-10-higher-recent-estimate>)

ADVERTISEMENT

1.9

Written Testimony Submitted to the Senate Appropriations Committee
HB 1234
03-19-15

HB 1234
3-19-15
#2

Good afternoon Chairman Ray Holmberg, and the members of the Senate Appropriations Committee.

My name is Mark Bichler, Vice President of Operations for Health Management Services, LLC. We manage five skilled nursing facilities in rural ND. We have been in operation for over 31 years helping communities provide excellent care to their residents. I am here primarily on behalf of the Richardton Health Center. At 20 beds they are the smallest skilled nursing facility in ND. Six years ago the community of Richardton transferred their Critical Access Hospital designation to Dickinson. They then converted the early 1950's era two story hospital into a nursing home. The facility runs nearly 100% occupied, but the old building is just not suitable for providing the extensive needs of skilled nursing home residents require today or into the future. An example is that two double occupancy rooms must share one bathroom.

We have been working diligently over the last couple of years to design and build a much more efficient and functional skilled nursing home with 20 private rooms and four suites that could be double rooms. They have acquired the land and it has been annexed into Richardton. We obtained a \$5.5 Million Loan through the USDA.

Due to the inflationary issues brought on by the Bakken area construction, our low bid on the project was nearly \$6.5 Million. The ND state per bed limit for construction or capital investment is currently \$125,426 for double rooms and \$188,141 for private rooms. These levels provide for only \$4.5 Million in reimbursement for our 24 bed project. These levels are far too low to cover the costs of providing efficient and updated skilled nursing homes in ND. Fire and Life Safety codes require certain safety standards be met. Residents today require more equipment such as electric beds, oxygen concentrators, wheel chairs and walkers, personal computers, televisions, and some space for personal chairs and belongings. Due to the equalization of Nursing Home rates in ND, we cannot charge the Private Pay residents more to make up what Medicaid does not cover.

The per bed limits were rebased in 2009 and are now far below what is required to build or remodel existing facilities to meet the increased skilled needs of nursing home residents today. Inflation on construction has risen at least 10% per year or over 60% since 2009. During this same time, the limits have only increased by 11.3%.

We are asking that you increase these per bed limits by 30.3%. The fiscal impact to the state will be minimal by comparison to the benefits that will be obtained.

Richardton will be severely limited in its ability to meet the increasing needs of the residents they serve unless this increase provided in HB 1234 is Passed. Unlike other businesses, nursing homes cannot sell more, do more, or lower overhead to increase revenues. When nursing homes are at full occupancy, our revenue is capped. Our rates are set by state rules and the rules and regulations must be met.

Please vote to increase the Skilled Nursing Home per Bed Limits by 30.3% as provided in HB 1234.

Thank you so much for your consideration in this most important matter.

Sincerely,

Mark Bichler, VP of Operations

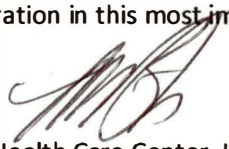
Health Management Services, LLC

Managing Agent for the Richardton Health Care Center, Inc.—Richardton, ND

1001 S 24th STW, Suite #311

Billings, MT 59102

406-853-6410 or 406-655-1883



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April 20, 2015

4/21/2015

#1

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1234

That the Senate recede from its amendments as printed on page 1449 of the House Journal and page 766 of the Senate Journal and that Reengrossed House Bill No. 1234 be amended as follows:

Page 1, line 2, remove "; and to provide an effective date"

Page 2, line 2, replace "after June 30" with "effective July 1"

Page 2, line 2, remove "one"

Page 2, line 3, replace "hundred thirty one thousand six hundred ninety-seven" with "one hundred fifty-six thousand seven hundred eighty-three dollars"

Page 2, line 4, replace "one hundred ninety seven thousand five hundred forty-eight" with "two hundred thirty-five thousand one hundred seventy-six dollars"

Page 2, remove lines 19 and 20

Renumber accordingly