

FISCAL NOTE
Requested by Legislative Council
01/22/2015

Amendment to: HB 1277

- 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				\$13,744		\$11,331
Expenditures			\$13,740	\$13,744	\$11,343	\$11,331
Appropriations			\$13,740	\$13,744	\$11,343	\$11,331

- 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).*

HB1277 requires the Department to exclude sales tax revenue received from a political subdivision or local taxing authority as an offset to cost for facilities located in communities with a population below twelve thousand five hundred people.

- 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 subsection 8 requires the Department to exclude sales tax revenue received from a political subdivision or local taxing authority as an offset to cost. This will increase the costs reported for nursing facility care and thus increase expenditures for the 15-17 biennium by \$27,484 of which \$13,740 are General Fund and \$13,744 are Federal Funds. In the 17-19 biennium, estimated expenditures would be \$22,674 of which, \$11,343 is General Fund and \$11,331 is 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 increase in Revenue represents the Federal Funds the Department will be able to access due to the increased costs reported for Nursing Facility care as a result of not being able to offset sales tax revenue received from a political subdivision or local taxing authority against reportable costs. Increasing revenue for the 15-17 biennium by \$13,744 in Federal Funds. In the 17-19 biennium, estimated revenue would increase \$11,331 in Federal Funds.

- 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 rates effective January 1, 2016, estimated expenditures under the Medicaid grants line item for the 15-17 biennium would increase \$27,484 of which, \$13,740 is General Fund and \$13,744 is Federal Funds. In the 17-19 biennium, estimated expenditures would increase \$22,674 of which, \$11,343 is General Fund and \$11,331 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 will need an appropriation increase for the 15-17 biennium of \$27,484 of which, \$13,740 is General Fund and \$13,744 is Federal Funds. The Department will need an appropriation increase for the 17-19 biennium of \$22,674 of which, \$11,343 is General Fund and \$11,331 is Federal Funds.

Name: Debra McDermott

Agency: Department of Human Services

Telephone: 701 328-3695

Date Prepared: 01/23/2015

FISCAL NOTE
Requested by Legislative Council
01/13/2015

Bill/Resolution No.: HB 1277

- 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.*

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	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$13,744		\$11,331
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Cities			
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Section 1 subsection 8 requires the Department to exclude sales tax revenue received from a political subdivision or local taxing authority as an offset to cost. This will increase the costs reported for nursing facility care and thus increase expenditures for the 15-17 biennium by \$27,484 of which \$13,740 are General Fund and \$13,744 are Federal Funds. In the 17-19 biennium, estimated expenditures would be \$22,674 of which, \$11,343 is General Fund and \$11,331 is Federal Funds.

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Name: Debra McDermott

Agency: Department of Human Services

Telephone: 701 328-3695

Date Prepared: 01/19/2015

2015 HOUSE HUMAN SERVICES

HB 1277

2015 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee
Fort Union Room, State Capitol

HB 1277
1/20/2015
22111

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Exclusion of sales tax revenue as an offset to costs in setting nursing home rates.

Minutes:

Attachment #1 #2 #3 #4 #5

Chairman Weisz opened the hearing on HB 1277.

Rep. Fehr: Introduced and supported HB 1277 (See Testimony #1)

Shelly Peterson: President of North Dakota Long Term Association testified in support of the bill. (See Testimony #2)

Chairman Weisz: I have a couple questions for you. One just to be clear the offset would affect the private pay correct?

Peterson: Yes if it is offset then it wouldn't.

Chairman Weisz: The other question is then the communities that currently have a sales tax which you have listed I assume in most cases those if they have the hospital attached then they can funnel the money to the hospital.

Peterson: That's what they are doing they are giving it directly to the hospital and some would like the option to also help their nursing facility but right now its going to benefit their hospital. We would prefer not to play the games and especially as you hear from Watford City, theirs is a little bit different in how they are going to be treating they want to be on the up and up on how it's done.

Daniel Kelly: Chief Executive Officer of the McKenzie County Healthcare Systems, Inc. in Watford City, ND testified in support of the bill. (See Testimony #3)

Chairman Weisz: I guess and I can certainly understand your situation and support it but Could there be a concern where you could have a case where in theory build a new facility and basically have it funded by the community but then had attached cost report for the

cost of building that new facility to be reimbursed. I realize that's extreme but if there's going to be some criticism I assume that might be the concern.

Kelly: I think you are correct hypothetically not practically; the cost of construction could be reimbursed through Medicaid and through private pay. That would be my first comment. I would quickly follow that by saying that's practically not probable given the fact that there are cost limits and there are property limits and those property limits are based on a state wide average so in all practicality it's not totally funded. The other point I would raise and I'm playing this very close to the vest and I'll be very candid about that, but there are facilities that have been built in Bismarck, Fargo and elsewhere that are currently reimbursed under the current regulation. So quite frankly our residents of western North Dakota will be very irate if they don't have the same opportunity for care in Watford City and this forces them to move to Bismarck or elsewhere. They are looking for an equal playing field in rural community and quite frankly given the fact that we are a rural we didn't have the resources to enter into these new building projects as some of the larger cities did.

Joe Rude: President and CEO of Health Management Services LLC testified in support of the bill. (See Testimony #4)

Chairman Weisz: Now your plan is to build a 28 bed facility and the eight extra beds will be coming from?

Rude: We will have to purchase them. We haven't secured them at this point.

Mark Bichler: Vice President of Operation for Health Management Services, LLC and managing agent for the Richardton Health Center testified in support of the bill. (See Testimony #5)

Chairman Weisz: Can you clarify 8,000 to 10,000 dollars a year or a month?

Bichler: That is 8,000 to 10,000 dollars a month.

No Opposition

Chairman Weisz: Just to be clear there isn't any issue with the FEDs on allowing these to not be an offset correct?

DHS: Department of Human Services. These funds would have an impact on the upper payment calculation done yearly for nursing facilities.

Rep. Porter: The fiscal note says 13,000 the testimony says 100,000 I'm kind of unclear that maybe the testimony was if a new facility is built that's what the new potential offset is but your fiscal note is just under current facilities and current sales tax offsets.

DHS: The fiscal note was based on the amount of sales tax revenue that the facilities report on their June 30, 2014 nursing home cost reports.

Rep. Porter: If a community were to build a new facility and use bonds in order to do it but then use 100% of sales tax revenue to pay the bonds back then that dollar amount could of what the fiscal affect could be substantially higher than what we're seeing here

DHS: Fiscal note was based on the June 30, 2014 cost report information. There were only two facilities in North Dakota who had their sales tax revenue going to the nursing home side there was 3.9 million reported and only about 160 went to the nursing home. All the other facilities reported it as non-long-term care meaning they sent it to the hospital or some assisted living so the impact could be greater if the facility did something such as that and more revenue was reported.

Chairman Weisz closed the hearing.

2015 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee
Fort Union Room, State Capitol

HB 1277
1/20/2015
22247

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Sales tax and non-allowable costs

Minutes:

"Click to enter attachment information."

Chairman Weisz: Does anyone have a question or how the whole idea of non-allowable costs and how they relate to the nursing home rates? Does everybody understand at least the effect or how this works? I have one concern and I definitely support what they are trying to do because if a community appears to be willing to tax themselves to support a facility then why should we turn around and take it all away but then I do have a concern that in theory I could just decide to build a new facility and of course the way the property cost is determined they'll take that let's just say 10 million dollars, the average over 25 years figure out the cost and then that's based on the beds that's what they get allocated for the property cost each year for that facility so you could have a scenario where they build the new facility they then using sales tax dollars then the state is in the sense paying for a new facility because they get full allocated costs for the whole new facility. I have a little concern for leaving it completely wide open that we could somewhat be left holding the bag.

Rep. Rich Becker: That discussion I believe took place this morning and I forget the individual that spoke but he being quite open and quite blunt saying exactly what you were afraid of and concerned with the major cities in the state do all the time. Is that not correct?

Chairman Weisz: Well no it's not exactly that way because they can't but I mean in reality if you have a hospital and long term care center together hospitals have the ability to play games and move things that are allowable cost into the long term care and the non-allowable costs into the hospital side where we don't have a capitated rate payment system. So my suggestion is that we cap it in some respect, because again I think when these small communities are trying to do what they can to keep a home going last thing we should do is say no we don't want you to pony up because usually we are always telling someone we'll give you something if you guys step up to the plate and participate but here we are saying no we don't want you participating because we are going to penalize you dollar for dollar. But do we just leave it open ended and say skies the limit?

Rep. Porter: Are you thinking of cap language to say not to exceed 250,000 dollars a year?

Chairman Weisz: To me it's tough to try and figure out what I cap because the rates cap based on the total property cost so if they do a million dollar remodel that's reflected in the property cost. Richardton they do want to build a new facility, let's say it's a 10 million dollar facility and that's fine do we allow the full 10 million to be property costs or do we say we only allow 75%. That's one way we could cap it. Just say it's not dollar for dollar, or we could say its dollar to dollar up to 50% 75% of the costs of the remodel.

Rep. Porter: The other thing that a person could do is, I don't know if Richardton raises enough property tax that it would ever reach that kind of a kick in. Maybe what we do is focus in on the rural aspect of this bill and limit it by community size and say that this bill only applies to communities under 12,000 in population, because then the focus is into the communities that are here showing us the need for it and then you aren't going to have from a dollar stand point you won't have a huge dollar amount. If we truly want to have a limiter in place I would think that a population limiter would be the one.

Chairman Weisz: If we are going to do it I would prefer to use the population limiter we already have in place.

Rep. Seibel: Watford City was here asking or in support of this bill when does the next census come out because they are going to be over 12.5 if things stay the way they are.

Rep. Fehr: In pervious terms of property cost I do not understand how this works, will the state end up paying?

Chairman Weisz: The whole nursing home payment rate is a capitated payment rate is a capitated rate and in other words the state sets the rates for everybody private and non-private and there's 38 or 43 different allowable cost one of them is property costs. So when they determinate facilities property cost that's what they add to the daily rate for that person that's in the facility. If you take a home that hasn't done anything in 40 years, they have not remodeled they have not done any upgrading it's the same. They have a zero property costs. They don't get paid a penny for the property because its bed depreciated out. For example in Bismarck St. Gabriel's just built a brand new facility, I don't know what it costs but if it costs 10 million for example they then have to try it out over 25 years and then they get paid a property cost of X amount of dollars per day for that facility based on a 25 year life span of that building. Like if in my community Harvey just did a big remodel, fire safety and a bunch of other things. They may have been depreciated out I don't know where they were at but now those remodel costs now they are going to get a higher daily rate payment and so the problem like in Richardton is if they spend a million dollars and 500,000 of that happens to be just bought down by sales tax the only thing they are going to get allocated is the 500,000. So they're not going to get a daily rate to pay for that so you could argue then why in the world do a sales tax because they aren't going to get one penny more than they are now so why would any community say well yeah we want to help. We want this thing to float so that's really the issue. Now I don't know maybe we got to set it at 20,000. I don't want to get much over there.

Rep. Porter: Another way to look at it is when they do a brand new project then there is a component of funded depreciation over a life span of that building. So they are funded on their depreciation even though they are depreciating it but most of them are nonprofit but as they are depreciating the value their being reimbursed the value of that building over that time span of that funded deprecation so at the end of the useful life of that property they have to make a decision then do we stay here and just take our fund and remodel or take our fund and build a new place or do we do nothing. So like with the Baptist home in Bismarck they chose to build a brand new place and sell their old facility so it just varies from facility to facility but basically all it is, is a way to fund their depreciations so that in 20 years if they need to remodel or do something they should have a fund there that allows them to do that.

Chairman Weisz: In a way you might say it's a steady source of income to pay off their loans or to the bank or whatever they used for the construction, because they have a guaranteed funding source that in sense will pay for that facility.

Rep. D. Anderson: What do they do if lets say they take the facility and theres some value left in it and they sell it to someplace else?

Chairman Weisz: The only thing that changes is if that facility depreciated out and im pretty sure the department says it's a 25 year schedule. So that Baptist home will be depreciated over 25 years. So at the end of 25 years they will get zero dollars in their property tax rate that they can charge their patients but they can turn around and sell the home for whatever they get and that's their money. Now if they are going to operate that home and they paid X dollars that then gets depreciated out and they get a payment rate allocated to them. I like the idea of a population cap. I'm just not sure where to set it.

Rep. Fehr: Regarding I was just looking at testimony by Shelly Peterson, referencing communities of Stanley, Tioga, Crosby, Bowman, Watford City, Richardton. I don't think any of them are bigger than 20,000.

Rep. Mooney: Would the population of 25,000 be too high to provide for some latitude for some of these communities that are going to continue to grow?

Chairman Weisz: I could go with 15,000

Rep. Fehr: Can we reference a size based on say the 2010 census? Meaning that its over 25 years that maybe they grow at some point.

Chairman Weisz: We can do that we can say population or any city 12,500 or less based on the 2010 census. That is fixed it's not changing.

Rep. Hofstad: The census changes after two years anyway.

Chairman Wiesz: Let us leave it at 12,500, because if in two years Watford City makes a case that they don't qualify they'll come in and you know.

Rep. Rich Becker: I was just going to say that we don't have to go back much more than five years there were only four communities in the entire state that had over 20,000 people I think a 12,500 number covers what we are trying to do.

Rep. Porter: I make a motion that we amendment 1277 on line 14 after the word costs and insert for facilities located in the communities with a population under 12,500.

Rep. D. Anderson: Second

Recommendation do pass as amended. Motion made by D. Anderson. Seconded by Rep. Holfstad. Total yes 13, no 0. Absent 0. Floor assignment Rep. Porter.

SA
1-22-15

January 20, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1277

Page 2, line 14, after "costs" insert "for facilities located in communities with a population below twelve thousand five hundred people"

Renumber accordingly

Date: 1-20-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1277

House Human Services 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 Rep. Porter Seconded By Rep. D. Anderson

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:

amend
line 14 after "cost"
an insert
Voice Vote
Motion
Carried

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

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1277

House Human Services 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 D. Anderson Seconded By Hofstad

Representatives	Yes	No	Representatives	Yes	No
Chairman Weisz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Rep. Mooney	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice-Chair Hofstad	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Rep. Muscha	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Rep. Bert Anderson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Rep. Oversen	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Rep. Dick Anderson	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Rep. Rich S. Becker	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Rep. Damschen	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Rep. Fehr	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Rep. Kiefert	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Rep. Porter	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Rep. Seibel	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Total (Yes) 13 No 0

Absent 0

Floor Assignment Rep. Porter

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

REPORT OF STANDING COMMITTEE

HB 1277: Human Services Committee (Rep. Weisz, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1277 was placed on the Sixth order on the calendar.

Page 2, line 14, after "costs" insert "for facilities located in communities with a population below twelve thousand five hundred people"

Renumber accordingly

2015 SENATE FINANCE AND TAXATION

HB 1277

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB1277
3/10/2015
Job #24539

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the exclusion of sales tax revenue as an offset to costs in setting nursing home rates.

Minutes:

Attachment #1, #2, #3, #4, #5, #6

Chairman Cook opened the hearing on HB1277. Handed out testimony from Shelly Peterson (**Attachment #1**) who is appearing in another committee.

Rep. Alan Fehr, Dist. 36, appeared and presented the bill. I am here to introduce HB1277 which would exclude sales tax revenue from being offset by a reduction in Medicaid for nursing homes. (**Attachment #2**)

Chairman Cook -- First question is, how did we get this bill and not Human Services.

Sen. Bekkedahl -- I can see larger cities with difficulties in operating nursing homes, why the distinction of 12,500? I don't know that there are any fewer impediments to operating in smaller communities than in larger communities? Is it that much harder in a small town?

Rep. Fehr -- I'm not the best to explain that. The discussion was about how nursing homes are funded through Medicaid and Medicare funds, etc., and also having to do with saying if we are going to make an exemption in the law, let's make it small. If you talk about larger, the general thought was that larger communities have more resources. A very small community, especially like Richardton which is not oil impacted, they have limited options for how to build a new nursing home. The intent was to help them without expanding the law too much.

Sen. Bekkedahl -- Our city has granted some of our sales tax dollars in grant funds to assist construction projects of our nursing homes, not on an ongoing basis, but as requests come in we do look at those. I wasn't aware that those were being held against them in the Medicaid reimbursement. I would certainly expect our nursing home which now has to tear down part of their facility and rebuild that to a new facility is going to be looking at grants from the city for that same proposition. I don't agree with the fact that you limit it to 12,500 people, from that perspective. (meter 4:37-5:07)

Rep. Fehr -- First, I would encourage you to look at the original bill. Secondly, it's my understanding that if a nursing home has a foundation, that the foundation can take those sales tax monies, even if the nursing home can't directly take them.

Sen. Triplett -- As our chairman said, why do we have this bill instead of human services who know these rules a lot better than us. In pulling the chapter where this section is located, I find there is a section on supremacy, relative to the federal government 50-24-4.03: if any provision of this chapter is determined by the United States government in conflict with existing or future requirements of the United States government, with respect to federal participation in medical assistance, the federal requirements prevail. Did the House explore that as to whether or not this would pass muster with the feds?

Rep. Fehr -- I don't recall any conversation on that.

Daniel Kelly, Chief Exec. Officer of the McKenzie County Healthcare Systems (Attachment #3) Urges support of HB1277.

Mark Bichler, Vice President, Health Management Services on behalf of Richardton Health Center (Attachment #4); (Linda Hill, CEO Richardton Health Center, Inc. Attachment #5); (R. Joseph Rude, President/CEO, Health Management Services, LLC Attachment #6) Urge support of HB1277.

Sen. Triplett -- In paragraph 4 towards the end, you have a sentence that says this bill would correct the problem and allow nursing homes to receive the tax dollars unencumbered and they would not reduce the operating rates by the state, is that something that you know of your own personal knowledge? We on this committee don't know that.

Mark Bichler -- Yes, in fact, by changing the words in the last statement on the law, clinics and hospitals can receive sales tax dollars unencumbered and it does not offset their Medicaid rates, we're simply asking that the nursing homes be added to that list to allow the nursing homes to receive sales tax dollars unencumbered.

No further testimony.

Chairman Cook closed the hearing on HB1277.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB1277
3/16/2015
Job #24910

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alisa Grove

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Chairman Cook opened the hearing on HB1277.

Sen. Triplett -- That was the question about treating everyone fairly. The nursing home in Richardton was apparently the impetus for the bill and sub-paragraph 8 on page 2 was added in the House to limit it to facilities located in communities with a population below 12,500 people and I think we question whether that was fair.

Sen. Bekkedahl -- If I can address that, since I raised the point that it was limiting, I did have a conversation with Chairman Weise over in the House about that issue. He said it related to something that had occurred or they were worried about occurring in Bismarck. And the other issue was Watford City is growing up to this population threshold and they were worried about their facility. There were specific examples the House had looked at and, from my perspective, I talked about Williston having some needs in this area with construction as well, and what I found out was, because the city has granted sales tax dollars to our grant program to the nursing home at times for large capital projects, no more than \$50,000 in a project. Having done that, I questioned that population threshold. His two answers were: either go to 15,000 and Williston would be fine with that. I said you don't have to make the dispensation because I have since found out that we granted our sales tax dollars to the nursing home foundation which is allowed anyway and does not compromise this bill. His take was either leave the language the way it was or if we need to adjust it, go ahead.

Sen. Cook -- I'm comfortable with the way it is, too. I would not want cities with multiple nursing homes to even think about doing this. I'm the only one in the Senate that voted red on the mandatory nursing home bed bill, too. That's a rural North Dakota bill. I don't like getting calls from constituents because their Mandan mother who has lived in Mandan all her life is now in Garrison in a nursing home.

Sen. Bekkedahl -- With that consideration and that discussion, I would move a do pass on 1277.

Sen. Laffen -- Seconded.

Sen. Cook -- Are we comfortable? We can hold it if we're not.

Sen. Triplett -- My question was and I don't know the answer, it was all about Medicaid reimbursements, etc., that they were concerned about. I was curious, maybe somebody should check with Sen. Judy Lee to see if this would actually correct the problem. Do we believe that it will correct the problem? There's no point in passing legislation if it's not going to...

Sen. Cook -- How about Maggie Anderson?

Sen. Triplett -- That's fine too.

Sen. Cook -- She is just going to love a request to have to come to tax again.

Sen. Bekkedahl -- Would you like me to withdraw the motion?

Sen. Cook -- Okay.

Sen. Bekkedahl -- I do withdraw.

Sen. Cook -- We'll do that.

Committee work adjourned.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB1277
3/17/2015
Job #24946

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Chairman Cook opened the committee work on HB1277.

Sen. Cook -- I talked to her this morning. She has a copy of the bill and is well aware of what is going on. She is comfortable. She said it is a good thing to do.

Sen. Triplett -- My question wasn't so much if they were comfortable with it as whether the bill would have an effect.

Sen. Cook -- The bill will have a positive effect on two nursing homes.

Sen. Triplett -- I don't like putting things into code that make no difference anyway, but the bill will have the effect intended.

Sen. Bekkedahl -- I would move a do pass on HB1277.

Sen. Triplett -- Seconded.

No further discussion.

Roll call vote on a do pass on HB1277. 7-0-0. Motion carried.

Carrier: Sen. Oehlke

Date: 3-17-15Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1277**

Senate Finance and Taxation 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 Sen. Bekkedahl Seconded By Sen. Triplett

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chairman Lonnie Laffen	✓		Senator Connie Triplett	✓	
Senator Brad Bekkedahl	✓				
Senator Dave Oehlke	✓				
Senator Jessica Unruh	✓				

Total (Yes) 7 No 0

Absent _____

Floor Assignment Sen Oehlke

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

REPORT OF STANDING COMMITTEE

HB 1277: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1277 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

HB 1277

HB 1277
1/20/2015

#1

Testimony on HB 1277
Rep Alan Fehr, District 36

Mr Chairman and members of the Human Services Committee, I am Representative Alan Fehr of District 36.

I am here to introduce HB 1277, which would exclude sales tax revenue from being offset by reduction in Medicaid for nursing homes.

This bill is very short and simple. If you look at page 2, lines 13-14, you can see the added sentence.

However, this simple change will make a big difference to a nursing home in Richardton and a few others around the state.

Nursing homes operate on a tight budget. The nursing home in Richardton is at a cross-roads and needs to forge a new path for how the home will serve their community. Because of the age of the facility, it has become increasingly obvious that they need to build a new home, despite their limited funds in this small community.

They explored many funding options, including the possibility of using city sales tax money. Unfortunately, the community learned that if they try to add city sales tax money to their capital construction fund, their Medicaid funds will be reduced by an amount equal to the sales tax money with the net effect that they will see no benefit.

This bill is designed to end this Medicaid offset, so that if a community chooses to use their sales tax money to benefit a nursing home, their Medicaid funding will not be reduced. This will have the effect of allowing more local control over their funding options.

Thank you. I urge you to support HB 1277 and local control. I welcome your questions.

HB 1277
1/20/2015

#2

Testimony on HB 1277

House Human Services Committee

January 20, 2015

Good Morning Chairman Weisz and members of House Human Services. My Name is Shelly Peterson, President of North Dakota Long Term Care Association. We represent over 200 Assisted Living, Basic Care and Nursing Facility Providers in North Dakota. I am here today to testify in support of HB 1277. HB 1277 is a priority of our members. We ask for your favorable consideration of HB 1277.

HB 1277 amends the section of the century code related to Nursing Facility Rates. Today the century code is silent, however the Administrative Code Chapter 75-02-012.1 number 35, states...

funds received from a local or state agency, exclusive of federal funds are not allowable and thus are offset.

Offset means, whatever income you receive is subtracted from your rates, thus you never realize or see the increased revenue. Thus whatever amount you might receive from your local taxing district doesn't increase your funding because the funding you receive through rate setting, is reduced by the same amount. Just when you thought you were getting some extra funds to help your organization, there is not benefit, as your other income is reduced.

Similarly, "donations" your facility may receive, do not reduce your income and truly gives you that extra boost to help your facility.

Today a number of communities have chosen to pass a sales tax to help their nursing home and hospital. A few communities include Stanley, Tioga, Crosby, Bowman, Watford City and Richardton. In a few minutes you will hear from Richardton and Watford City regarding the impact of this issue in their communities.

Local communities in this situation have elected to tax themselves to give extra financial support to their facilities. However, it is not really helping if the other funding sources are reduced by the amount of your tax income, you don't have the

HB 1277
January 20, 2015

extra revenue to assist in your project or facility operation. That is the primary reason donations are not offset, no one would donate if the net effect is to reduce other revenue.

This legislation would allow donations and income from a local taxing authority to be treated the same, not off set.

Last session, as you may recall you passed HB 1358. The landmark legislation provided increased funds to entities impacted in the oil producing counties. You provided an enhancement of two million dollars to Long-term Care facilities and Developmental Disability providers. Most importantly you included a statement that this extra state revenue would not be subject to an offset in their rates, thus it was truly an enhancement to their funding and operation.

In conclusion, we ask for your support of HB 1277. It will allow those Long-term Care facilities that may be getting local tax dollars to help their operations by not having those dollars offset (reduced). This is the way local tax revenue is treated for Hospitals, Developmental Disability providers and every other provider. Please remove this restriction on Long term Care facilities. We don't believe there will be any fiscal impact to the State, as right now all the impacted facilities are using the money for their hospital operations or it is indirectly being received through a non-profit (thus not subject to offset).

Thank you for the opportunity to testify on this important legislation. I would be happy to answer questions or you may first want to hear from Richardton and Watford City.

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

HB 1277
1/20/2015

#3

Testimony In Favor of House Bill 1277
House Human Services Committee
January 20, 2015

Good Morning Chairman Weisz and members of the House Human Services Committee.

For the record 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 24 bed Critical Access Hospital, 47 bed Skilled Nursing Facility, 9 bed Basic Care Facility, 16 Assisted Living Facility apartments, our Rural Health Clinic and the Connie Wold Wellness Center.

Nursing Homes are a vital component of a community infrastructure. We are often the largest employer in a community. Especially for those facilities in western North Dakota our nursing homes are operating at a loss given the excessive costs of labor, housing and related expenses. In addition our physical plants are overwhelmed given the current age of our structures. We need to replace these aged physical plants with modern, state of the art resident rooms.

Our cities and counties desire to provide financial assistance to their nursing facilities. Beyond this, we often hear from legislators the question of "what skin in the game" do local cities and counties have in making operational difficulties in Western North Dakota better. Today any financial gift given by our city or county would have no net benefit. North Dakota Medicaid regulation currently treats any government gift as an offset to income and therefore reduces our reimbursement both from Medicaid and from the private payors.

Specific to the McKenzie County Healthcare Systems, Inc. we will undertake a construction project in the spring which entails building a replacement hospital and clinic and building private rooms in a neighborhood concept for our skilled nursing home residents.

The city of Watford City has a fund known as the Roughrider Fund that has agreed to provide \$700,000.00 in assistance toward the debt service on this replacement facility project. Given we have not received the funding yet and given the funding is not directly coming from the city it is uncertain how this gift will be treated when we file our nursing home Medicaid cost report. We need this debt service assistance in order to make the project viable. We need nursing home cost reports to be treated in the same manner as hospital and clinic Medicaid cost reports and thus not have this city grant of funds function as an offset to income.

Therefore, I urge your support of House Bill 1277.

HB 1277
January 20, 2015

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

HB 1277
January 29, 2015

#4

Good morning Chairman Weisz and Members of House Human Services. My name is Joe Rude and I am the President and CEO of Health Management Services LLC. Our company provides management services the Richardton Health Center as well as four other retirement and health services Communities in North Dakota. I am here to testify in support of HB 1277 and tell you why it is so important to our community.

I want to thank Rep. Fehr for helping Richardton solve this problem by bringing forward HB 1277.

The Richardton Health Center, for years has provided hospital and clinical services to the community of Richardton and the surrounding areas. In 2009 it gave its Critical Access Hospital status to St. Joseph's in Dickenson to allow their Hospital to grow and develop to meet the needs of the growing oil impact community. In the end, the Richardton Health Center became a Nursing Home and Clinic. RHC is a non-profit, with a primary focus of meeting the needs of the elderly and the local community's primary care needs.

The sales tax was originally set up to support the hospital and clinic, but when the hospital was closed the community continued to tax itself and gave the funds to the Nursing home. When we came to the facility as managers in 2011, we discovered that Medicaid was off setting the sales tax revenue against the regular Medicaid revenue. We were told the sales tax revenue could not be used to support the operation but could only be used for capital improvements and equipment; however we could not receive credit for depreciation on equipment purchased with these funds. With only 20 beds every dime of reimbursement is essential.

With the impacts of energy development and the high cost of labor, Medicaid is not paying all the costs experienced by the facility. We are capped out in every category except direct care. This money from the sales tax will help shore up the operational issues and allow the facility to move ahead with its proposed project to build a new 28 skilled care facility to better serve the area.

At this time the sales tax is the only way the Nursing Home is able to benefit from the oil boom. But the problem is the \$8,000 per month revenue it generates is limited in its usefulness to us. Without this change in the law we could see

HB 1277
January 29, 2015

further erosion in this money since the current use of sales tax money is only defined by regulation and at any time new regulators of a change in attitudes of the regulators could wipe out its usefulness forever.

The community of Richardton has done everything that it can do to support its local services. When they voted to tax themselves they had no idea that what they gave the facility would be taken away by the state. This bill is essential to secure the long term stability of health care services for the Richardton community and to secure the facility's 45 jobs. If you approve this legislation we have made a step in a positive direction for the people of Richardton.

We also see a larger issue looming on the horizon, if the legislature passes HB 1234 it will kill the future of the facility and Richardton Health Center will be facing closure.

In conclusion, we would like to encourage the committee to recommend "do pass" on HB 1277. It is one of the few tools we have to help us fight off the impacts of oil development. As a second note please kill HB 1234. Thank you for your time.

Respectfully submitted,

R. Joseph Rude
President/CEO
Health Management Services LLC

HB 1277
1/20/2015

#5

Testimony before the Members of the ND House and Human Services Committee

Regarding: HB 1277

January 20, 2015

By: Mark Bichler, VP of Operations for Health Management Services, LLC—Managing Agent for the Richardton Health Center

1. Good morning Chairman Weisz and members of the House and Human Service Committee
2. Thank you Rep. Fehr for bringing HB 1277 forward on behalf of the ND Nursing Homes
3. I am Mark Bichler, VP of Operations for Health Managements Services, LLC. We manage 5 Nursing Homes in ND, and others in MT and WY. We have been in operation for over 31 years. I am here on behalf of the Richardton Health Center.
4. Richardton's citizens voted for a 1% sales tax to "benefit the not-for-profit hospital and clinic". Several years back, they closed the hospital and gave Dickinson the Critical Access Hospital designation for the region. The sales tax continued to assist the clinic operations. They then converted the very old hospital building to a 20 bed nursing home and needed those 1% sales tax revenue dollars to supplement their operations. They have since found that the sale tax revenue dollars received by the nursing home are offset and the Department of Public Health reduces the nursing homes daily rates in the same amount. This results in a net zero effect; completely negating the reason for the sales tax in the first place. Community donations are not treated this way and do not offset or reduce nursing home rates. HB 1277 would correct this problem and allow the nursing homes to receive those tax dollars unencumbered, and they would not reduce the operating rates set by the state. This then would truly make those sales tax dollars a "gift" to the nursing home to be used to help defray their costs of operation.
5. The reduction/offset of the sales tax revenue in the daily Medicaid rates was not the intention of the people of Richardton or other communities. It is the direct opposite when the state takes it away.
6. Voting FOR MB 1277 will allow the communities that choose to assist their local nursing homes with a sales tax, such as Richardton, that the money in fact by law will actually benefit the operations and missions of the nursing home.
7. Our small ND nursing homes need this law passed to ensure that local sales taxes can be given to the nursing home without any Medicaid offset or rate reduction of that same money. They need this money to support and enhance their programs and services.
8. This sales tax currently amounts to \$8,000-10,000 of additional revenue to Richardton Health Care. They cannot afford to lose this money as an offset in rates back to the state.
9. PLEASE VOTE TO PASS HB 1277.

Thank you so much for your time and all your efforts.

Mark Bichler,
VP of Operations
Health Management Services, LLC
Managing Agent for Richardton Health Care Center—Richardton, ND
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Cell: 406-853-6410
Office: 406-655-1883

Testimony on HB 1277

Senate Finance & Taxation Committee

March 10, 2015

Good Morning Chairman Cook and members of Senate Finance and Taxation. My name is Shelly Peterson, President of North Dakota Long Term Care Association. We represent 211 Assisted Living, Basic Care and Nursing Facility Providers in North Dakota. I am here today to testify in support of HB 1277. HB 1277 is a priority of our members. We ask for your favorable consideration of HB 1277.

HB 1277 requires the Department of Human Services to exclude sales tax revenue received from a political subdivision or local taxing authority as an offset to costs for facilities located in communities with a population below twelve thousand five hundred people.

Offset means, whatever income you receive is subtracted from your rates, thus you never realize or see the increased revenue. Thus whatever amount you might receive from your local taxing district doesn't increase your funding because the funding you receive through rate setting, is reduced by the same amount. Just when you thought you were getting some extra funds to help your organization, there is not benefit, as your other income is reduced.

Today a number of communities have chosen to pass a sales tax to help their nursing home and hospital. A few communities include Stanley, Tioga, Crosby, Bowman, Watford City and Richardton. In a few minutes you will hear from Richardton and Watford City regarding the impact of this issue in their communities.

Local communities in this situation have elected to tax themselves to give extra financial support to their facilities. However, it is not really helping if the other funding sources are reduced by the amount of your tax proceeds, you don't receive the extra revenue to assist in your project or facility operation.

This legislation allows income from a local taxing authority to not be offset.

1.2
HB 1277
3.10.15

Last session, as you may recall you passed HB 1358. The landmark legislation provided increased funds to entities impacted in the oil producing counties. You provided an enhancement of two million dollars to Long-term Care facilities and Developmental Disability providers. Most importantly you included a statement that this extra state revenue would not be subject to an offset in their rates, thus it was truly an enhancement to their funding and operation.

In conclusion, we ask for your support of HB 1277. It will allow those Long-term Care facilities that may be getting local tax dollars to help their operations by not having those dollars offset (reduced). This is the way local tax revenue is treated for Hospitals, Developmental Disability providers and every other provider. Please remove this restriction on Long term Care facilities. The fiscal impact to the State is minimal now as most of the impacted facilities are using the money for their hospital operations and it is not offset in the hospital payment system.

HB 1277 will allow nursing homes in communities under twelve thousand five hundred to benefit from tax revenue provided by their local community as intended by the community.

Thank you for the opportunity to testify on this important legislation. I would be happy to answer questions or you may first want to hear from Richardton and Watford City.

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

Testimony on HB 1277
Rep Alan Fehr, District 36

Mr Chairman and members of the Senate Finance and Tax Committee, I am Representative Alan Fehr of District 36.

I am here to introduce HB 1277, which would exclude sales tax revenue from being offset by a reduction in Medicaid for nursing homes.

This bill is very short and simple. If you look at page 2, lines 13-15, you can see the added subsection, which is the substance of this bill.

However, this simple change will make a big difference to a nursing home in Richardton and a few others around the state.

Nursing homes operate on a tight budget. The nursing home in Richardton is at cross-roads and needs to forge a new path for how the home will serve their community. Because of the age of the facility, it has become increasingly obvious that they need to build a new home, despite their limited funds in this small community.

They have explored many funding options, including the possibility of using city sales tax money. Unfortunately, they learned that if they try to add city sales tax money to their capital construction fund, their Medicaid funds will be reduced by an amount equal to the sales tax money with the net effect that they will see no benefit.

This bill is designed to end this Medicaid offset in small communities, so that if they choose to use their sales tax money to benefit a nursing home, their Medicaid funding will not be reduced. This will have the effect of allowing more local control over their funding options.

This bill was amended in the House to only relate to small communities with a population below 12,500. The communities who are needing this change were below that size in the 2010 census.

Mr Chairman and members of the committee, thank you for your consideration. I welcome your questions.

3.
3.10.15

Testimony In Favor of House Bill 1277
House Human Services Committee
January 20, 2015

Cox Good Morning Chairman *W* Weisz and members of the *H* House Human Services Committee.

For the record 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 24 bed Critical Access Hospital, 47 bed Skilled Nursing Facility, 9 bed Basic Care Facility, 16 Assisted Living Facility apartments, our Rural Health Clinic and the Connie Wold Wellness Center.

Nursing Homes are a vital component of a community infrastructure. We are often the largest employer in a community. Especially for those facilities in western North Dakota our nursing homes are operating at a loss given the excessive costs of labor, housing and related expenses. In addition our physical plants are overwhelmed given the current age of our structures. We need to replace these aged physical plants with modern, state of the art resident rooms.

Our cities and counties desire to provide financial assistance to their nursing facilities. Beyond this, we often hear from legislators the question of "what skin in the game" do local cities and counties have in making operational difficulties in Western North Dakota better. Today any financial gift given by our city or county would have no net benefit. North Dakota Medicaid regulation currently treats any government gift as an offset to income and therefore reduces our reimbursement both from Medicaid and from the private payors.

Specific to the McKenzie County Healthcare Systems, Inc. we will undertake a construction project in the spring which entails building a replacement hospital and clinic and building private rooms in a neighborhood concept for our skilled nursing home residents.

The city of Watford City has a fund known as the Roughrider Fund that has agreed to provide \$700,000.00 in assistance toward the debt service on this replacement facility project. Given we have not received the funding yet and given the funding is not directly coming from the city it is uncertain how this gift will be treated when we file our nursing home Medicaid cost report. We need this debt service assistance in order to make the project viable. We need nursing home cost reports to be treated in the same manner as hospital and clinic Medicaid cost reports and thus not have this city grant of funds function as an offset to income.

Therefore, I urge your support of House Bill 1277.

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.
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Watford City, North Dakota 58854
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Email: dkelly@mchsnd.org

Testimony before the Members of the Senate Finance and Taxation Committee
HB 1277
March 10, 2015

1. Good morning Chairman Cook and members of the Senate Finance and Taxation Committee.
2. I want to thank Rep. Fehr for bringing HB 1277 forward on behalf of the ND Nursing Homes.
3. I am Mark Bichler, VP of Operations for Health Managements Services, LLC. We manage 5 Nursing Homes in ND, and others in MT and WY. We have been in operation for over 31 years. I am here on behalf of the Richardton Health Center.
4. Richardton's citizens voted for a 1% sales tax to "benefit the not-for-profit hospital and clinic". Several years back, they closed the hospital and gave Dickinson the Critical Access Hospital designation for the region. The sales tax continued to assist the clinic operations. They then converted the very old hospital building to a 20 bed nursing home and needed those 1% sales tax revenue dollars to supplement their operations. They have since found that the sale tax revenue dollars received by the nursing home are offset and the Department of Human Services reduces the nursing homes daily rates in the same amount. This results in a net zero effect; completely negating the reason for the sales tax in the first place. Community donations are not treated this way and do not offset or reduce nursing home rates. HB 1277 would correct this problem and allow the nursing homes to receive those tax dollars unencumbered, and they would not reduce the operating rates set by the state. This then would truly make those sales tax dollars a "gift" to the nursing home to be used to help defray their costs of operation.
5. The reduction/offset of the sales tax revenue in the daily Medicaid rates was not the intention of the people of Richardton or other communities. It is the direct opposite when the state takes it away.
6. Voting FOR HB 1277 will allow the communities that choose to assist their local nursing homes with a sales tax, such as Richardton, that the money in fact by law will actually benefit the operations and missions of the nursing home.
7. Our small ND nursing homes need this law passed to ensure that local sales taxes can be given to the nursing home without any Medicaid offset or rate reduction of that same money. They need this money to support and enhance their programs and services.
8. This sales tax currently amounts to \$8,000-10,000 of additional monthly revenue to Richardton Health Care. They cannot afford to lose this money as an offset in rates back to the state.
9. PLEASE VOTE TO PASS HB 1277.

Thank you so much for your time and all your efforts.

Mark Bichler, 
VP of Operations
Health Management Services, LLC
Managing Agent for Richardton Health Care Center, Inc.—Richardton, ND
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Written Testimony Submitted to the Members of the Senate Finance and Taxation Committee
HB1277
March 10, 2015

Dear Senator Cook and Members of the Senate Finance & Taxation Committee:

Richardton Health Center would like to take a moment of your time to request that you support HB 1277 regarding the sales tax and the manner in which it is handled in the Medicaid system. Richardton Health Center, a small 20 bed skilled nursing facility, is supported to a wonderful degree by the folks in this community. When these citizens looked at a way to keep the Richardton Health Center as an employer and as a care giver they chose to enact a sales tax, assuming that would be an effective manner in which to assist the facility. As it turns out their thoughtfulness and generosity is not able to accomplish what they had hoped. Instead of assisting the facility they have simply replaced the reimbursement rates from Medicaid with their own money. This certainly was not the intent of the citizens of Richardton. Approval of HB 1277 would provide additional money toward the operations of this very small, very important and very caring facility.

Please pass HB 1277.

Thank you for your kind consideration.

Best regards,

Linda Hill
CEO Richardton Health Center, Inc.

Written Testimony Submitted to the Members of the Senate Finance and Taxation Committee
HB 1277
March 10, 2015

Good morning Chairman Cook and Members of the Senate Finance and Taxation Committee. My name is Joe Rude. I am the President and CEO of Health Management Services LLC. Our company provides management services to the Richardton Health Center as well as four other retirement and health services Communities in North Dakota. I am submitting this testimony in support of HB 1277 and tell you why it is so important to our North Dakota communities.

I want to thank Rep. Fehr for helping Richardton and other small ND Nursing Homes solve this problem by bringing forward HB 1277.

The Richardton Health Center for years has provided hospital and clinical services to the community of Richardton and the surrounding areas. In 2009 it gave its Critical Access Hospital status to St. Joseph's in Dickinson to allow their Hospital to grow and develop to meet the needs of the growing oil impact community and surrounding area. In the end, the Richardton Health Center became a 20 bed Skilled Nursing Home and Clinic. RHC is a non-profit, with a primary focus of meeting the needs of the elderly and the local community's primary care needs.

The sales tax was originally set up to support the hospital and clinic, but when the hospital was closed the community continued to tax itself and gave the funds to the Nursing home. When we came to the facility as managers in 2011, we discovered that Medicaid was off setting the sales tax revenue against the regular Medicaid revenue. We were told the sales tax revenue could not be used to support the operation but could only be used for capital improvements and equipment; however we could not receive credit for depreciation on equipment purchased with these funds. With only 20 beds every dime of reimbursement is essential.

With the impacts of energy development and the high cost of labor, Medicaid is not paying all the costs experienced by the facility. We are capped out in every category except direct care. This money from the sales tax will help shore up the operational issues and allow the facility to move ahead with its proposed project to build a new 24 bed skilled care facility to better serve the area.

At this time the sales tax is one way the Nursing Home is able to benefit from the oil boom. But the problem is the \$8,000-\$10,000 per month revenue it generates is limited in its usefulness to us and offsets the Nursing Homes Medicaid set rates. This is not the wishes of the community when they voted to have a sales tax to benefit the RHC. Without this change in the law we could see further erosion in this money since the current use of sales tax money is only defined by regulation and at any time new regulators of a change in attitudes of the regulators could wipe out its usefulness forever.

The community of Richardton has done everything that it can do to support its local services. When they voted to tax themselves they had no idea that what they gave the facility would be taken away by the state. This bill is essential to secure the long term stability of health care services for the Richardton community and to secure the facility's 45 jobs. If you approve this legislation in HB 1277, we have made a step in a positive direction for the people of Richardton and other communities that do the same.

6-12
HB 1277
3.10.15

In conclusion, we encourage the committee to PASS HB 1277. It is one of the few tools we have to help us fight off the impacts of oil development.

Thank you for your time.

Respectfully submitted:

R. Joseph Rude

President/CEO

Health Management Services, LLC

1001 24th ST W, Suite #311

Billings, MT 59102

406-655-1883