

October 1997

LEGISLATIVE INTENT OF BASIC CARE RATE EQUALIZATION

The 1991 Legislative Assembly passed Senate Concurrent Resolution No. 4057 which provided for a study of the feasibility and desirability of establishing a state basic care program. The study was assigned to the 1991-92 interim Budget Committee on Long-Term Care.

The 1991-92 interim Budget Committee on Long-Term Care recommended House Bill No. 1030 which provided for a state basic care program. Included in the bill was the provision that the Department of Human Services was to determine a basic care facility ratesetting methodology for all residents of basic care facilities. The ratesetting methodology was to be effective on July 1, 1995. The methodology was not to allow different rates for similarly situated residents because of the source of payment for any resident's care (rate equalization) and was not to allow the state or any political subdivision to make payments to a basic care facility that did not set rates at the levels established by the department. Although 1993 House Bill No. 1030 failed to pass, its provisions were incorporated into 1993 House Bill No. 1002, the Department of Human Services appropriation bill.

House Bill No. 1002 (1993) also provided that the Department of Human Services was to report to the Legislative Council or an interim committee designated by the Legislative Council on the development of the rate equalization ratesetting methodology. The Legislative Council assigned that responsibility to the 1993-94 interim Budget Committee on Home and Community Care.

The Budget Committee on Home and Community Care received reports from the Department of Human Services regarding the development of the rate equalization ratesetting methodology. The department established a task force which included basic care administrators, the North Dakota Long Term Care Association, the American Association of Retired Persons, county social service board directors, and Department of Human Services employees. The task force was to provide recommendations and assist the department in developing a rate equalization ratesetting system for residents in basic care facilities. The department recommended that any changes necessary to implement the rate equalization ratesetting methodology be developed by administrative rule.

The Budget Committee on Home and Community Care expressed its support for the basic care rate equalization ratesetting system proposed by the Department of Human Services. The proposed rate

equalization ratesetting methodology included the following provisions:

1. Reimbursement of basic care facilities for direct care costs, up to a maximum of the 90th percentile.
2. Reimbursement of indirect costs, up to a maximum of the 75th percentile.
3. Reimbursement of allowable property costs.
4. Allowance for a three percent operating margin.
5. Allowance for an efficiency incentive, similar to that provided nursing homes, of 70 percent of the difference between a facility's actual indirect costs and the maximum limit, up to \$2.60 per patient per day.
6. Allowance of annual inflationary adjustments.
7. Exemption of basic care facilities with all private pay patients from the ratesetting requirements.

The committee also recommended House Bill No. 1030, which passed, which provided that the Department of Human Services basic care facility ratesetting system would apply only to facilities that receive payments from the state or any political subdivision.

The 1995 Legislative Assembly extended the deadline by which time the Department of Human Services was to develop the basic care facility rate equalization ratesetting methodology from July 1, 1995, to July 1, 1997. The deadline was also extended by the 1997 Legislative Assembly, from July 1, 1997, to July 1, 1999.

A comparison of the proposed rate equalization ratesetting methodology provisions and the provisions proposed by the 1993-94 interim Budget Committee on Home and Community Care is as follows:

1993-94 Budget Committee on Home and Community Care	Proposed Ratesetting Methodology
Reimbursement of basic care facilities for direct care costs, up to a maximum of the 90th percentile	Direct rate component would be limited to the 90th percentile
Reimbursement of indirect costs, up to a maximum of the 75th percentile	The indirect rate would be limited to the 75th percentile

1993-94 Budget Committee on Home and Community Care	Proposed Ratesetting Methodology
Reimbursement of allowable property costs	Allowable property costs are passed through and not subject to limitation
Allowance for a three percent operating margin	Provides for an operating margin of three percent of the direct rate, up to the 90th percentile
Efficiency incentive of 70 percent of the difference between a facility's actual indirect costs and the maximum limit, up to \$2.60	Efficiency incentive of 70 percent of the difference between the limit rate and the actual indirect rate up to a maximum of \$2.60 for facilities with an indirect rate below the 75th percentile limit

During the 1993-94 interim, the Department of Human Services estimated the cost of the proposed rate equalization ratesetting methodology at \$700,000 to \$1,800,000. The cost estimate provided to this committee at its September 16, 1997, meeting was \$754,518. The funding for the program has changed from 50/50 state/county to 70/30 state/county effective January 1, 1995, and will change to 100/0 state/county on January 1, 1998.