MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M

ROLL NUMBER

DESCRIPTION

2315

2005 SENATE FINANCE AND TAXATION

SB 2315

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2315**

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date **February 8, 2005**

Tape Number	Side A	Side B	Meter #
# 1		X	47.9 - 61.5
# 2	X		0.0 - 15.2
Committee Clerk Signature	Sharon Renfrow		

Minutes:

SEN. SYVERSON: prime sponsor of the bill appeared in support with written testimony.

SEN. WARDNER: I don't know if you've seen but we've expanded the homestead credit, it might address these issues and we have another bill that might address it.

ANSWER: I am a cosponsor of that bill and that addresses people with limited income whereas this bill addresses age and longevity in the home and I might also suggest that question was raised somewhere in the formulation of this bill as to the having an income standard. The income standard would rise when someone that purchased the home 20 yrs ago anticipating that they would have a certain income during retirement and they are paying more tax than someone who has a home worth $50,000 less. So there's a means test built into it in that respect if you would. This is not a tax forgiveness, it's a tax restriction, it also does allow for rising mill levy, its strictly a cap on the valuations if the mill levy goes up, they do and will see a small increase in

their taxes, but it won't be as agrarious as it has been. We really should be doing something to keep these folks in their homes as long as we can.

LINDA WRIGHT: Director of Aging Services Division for the Dept. of Human Services appeared to provide information about services which enable older persons and persons with physical disabilities to remain in their own homes and communities with written testimony and a brochure on Aging Services Division.

MARCY DICKERSON: Tax Dept. appeared in opposition with written testimony.

SEN. WARDNER: The amendments we have (2 sets) do they address your concerns?

ANSWER: It addresses one concern of additions and remodeling, which would be improvements made after the freeze.

SEN. COOK: assuming an individual qualifies for this doesn't realize they qualify for it until after 3 years after they do and they go in and file for the exemption. Is the evaluation frozen at the value it was the year they filed for it? Or is it frozen at the 3 years earlier when they first qualified for it?

ANSWER: that might be something you'd want to address, I would assume that they would have an opportunity to abate this provision like they could abate other provisions, which means they could go back a couple of years.

SEN. WARDNER: when they remodeled before they applied for the application, lets say they've remodeled, their 2 yrs into their 5 yr exemption on that new part and now they come in and apply for it. Explain what you felt was unfair about that.

ANSWER: it would be doubling up, if they can afford it, they should pay it, so it will freeze at the value at the time of application.

SEN. WARDNER: this addresses rich and low income

ANSWER: yes, this could apply to a multi-millionaire with a mansion if the age and time in the home qualified, it would apply to that person. One difference between this and the homestead credit, the State does reimburse the political subdivisions for any loses they would suffer under homestead credit. There is no provision for the State to reimburse any political subdivision for anything that they forego under this bill and that's what the assessors association was concerned about.

JERRY HJELMSTAD: ND League of Cities appeared in opposition stating it's the concern that the legislative committee had with this bill is that there are no income limitations relating to receiving this credit and in affect what happens is if you have someone who is well able to pay the taxes because of their income, they won't be paying them and it would just be a shift to other people and there may be other people who are struggling to pay their taxes and they'll have that tax shifted to them.

Closed the hearing.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2315**

Senate Finance and Taxation Committee

❑ Conference Committee

Hearing Date **February 9, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		54.6 - 61.3
Committee Clerk Signature			

Minutes:

SEN. EVERY: I'm all for helping the elderly and permanently disabled, however I think that the issue here is the income limitations or the lack of the income limitations that concerns me. I don't think Marcy liked it very well, but that is an issue and we'd have to almost hog house the thing in order to do it.

SEN. COOK: I've got underlined here starting on page 17, for the purpose of this section, permanent and total disability must be certified by a licensed physician. I would think that somewhere in code we have definition of permanent or total disability and certified by a licensed physician got my eye, I don't know why that's in there. Maybe we don't have a definition.

SEN. WARDNER: we do have that homestead tax credit that we are working on; I know nothing is always for sure because I heard through the grapevine that the House Appropriations took that money out of the Governors budget. I guess I have some concerns about this bill too, its open ended and to put an income test in there, messing with it, I'm not going to support the

bill and I have no urge to amend it or make it better, so I would **MOVE A DO NOT PASS ON SB 2315**, seconded by Sen. Every.

SEN. TOLLEFSON: since I'm the only one that really qualifies, I'd like to have you know that I think it's a good one.

ROLL CALL VOTE: 6-0-0 Sen. Tollefson will carry the bill.

FISCAL NOTE

Requested by Legislative Council
01/19/2005

Bill/Resolution No.: SB 2315

1A. **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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2315 provides that the taxable valuation of the homestead of any person 65 years of age or permanently and totally disabled may be frozen if the person has resided in that homestead for 25 years or more.

All political subdivisions in which a homestead with a frozen valuation is located will be affected, and will likely see a redistribution of the property tax burden from the taxpayers with frozen valuations to owners of other residential property.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

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

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	02/07/2005

50531.0101
Title.

Prepared by the Legislative Council staff for
Senator Syverson
February 7, 2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2315

Page 1, line 3, replace "sixty-five" with "sixty-seven"

Page 1, line 8, replace "**sixty-five**" with "**sixty-seven**"

Page 1, line 9, replace "sixty-five" with "sixty-seven"

Page 1, line 12, replace "twenty-five" with "twenty"

Renumber accordingly

50531.0102
Title.

Prepared by the Legislative Council staff for
Senator Syverson
February 7, 2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2315

Page 1, line 17, after the period insert "However, taxable valuation frozen under this section does not prohibit an increase in taxable valuation to reflect improvements to the homestead, but taxable valuation may not be increased for improvements for which exemption has been granted under chapter 57-02.2 or improvements made to accommodate a disability of the owner of the homestead or a dependent of the owner."

Renumber accordingly

Date: 2-9-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *SB* 2315

Senate **Finance and Taxation** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Not Pass

Motion Made By Wardner Seconded By Every

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Bercier	✓	
Sen. Wardner	✓		Sen. Every	✓	
Sen. Cook	✓				
Sen. Tollefson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Tollefson

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

REPORT OF STANDING COMMITTEE

SB 2315: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2315 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

SB 2315

Syverson, John O.

From: Syverson, John O.
Sent: Tuesday, February 08, 2005 8:50 AM
To: Syverson, John O.
Subject: FW: SB 2315

-----Original Message-----
From: John O Syverson [mailto:Jsydi@compuserve.com]
Sent: Monday, February 07, 2005 6:35 AM
To: John O Syverson; Syverson, John O.
Subject: SB 2315

Statement of Senator Syverson to Senate Finance and Taxation Committee

8 Feb 2005

SB 2315

We have all probably watched as someone we know finds themselves being forced out of their home where they have lived for years and planned to continue living in as long as they could be physically and mentally comfortable with the responsibility .Our continually raising property tax assessments have created an environment where an economic decision has to be made . Leave the home for an apartment or acquire a negative mortgage and stay . The latter would be difficult as it would have the effect of diluting any legacy that was intended for the heirs .These are generally folks that had a retirement plan in place but did not , or could not, envision the rate of ever escalating property tax valuations for the home as against their fixed or nearly fixed retirement incomes .

This Bill would do several things to address this and other attendant issues . It would freeze the property valuation of the home in which the owner or remaining spouse was living in as their homestead . This should allow them to have , as time goes by , the discretionary resources to arrange for someone to shovel the walk or mow the lawn for example . It should allow them to use some of their eroding resources to enjoy a reasonably comfortable life style and not have to expend all of their money on taxes .

Let us examine one example . Here is a couple that built a home in 1956 for $ 13,650 and paid approximately $600 dollars in property tax that year . The owner retired in 1990 and is now 73 years old and on a nearly fixed income . His property tax now is $2300 on a home that has grown in valuation to over 100 thousand dollars . They have restricted their lifestyle , not only because of advancing age but more because of the tax burden and its effect on discretionary income . If in the next few years , a decision is made to sell and move to an apartment , and these folks are mentally alert and physically active , we will receive about $800 per year in property taxes on the apartment that they occupy . and still be receiving the $2300 dollars on the house . But , were this house to remain occupied by them , the family acquiring it would have been compelled to purchase a newly constructed home and now there would have been two homes paying $2300 dollars per year or more .

As the age of these individuals progresses , there may indeed be a time when one partner could require more care that the other spouse should be expected , or able to deliver . This is when we could expect home care to become involved . There are a number of studies that indicate that with proper evaluation and application of service , a significant savings to total costs can be realized with home care as opposed to nursing home care . The general conclusion in these studies was that is more cost effective to keep people in their homes and provide some assistance , as opposed to enrolling them in a nursing home .

Our state housing and finance agency recently released a study in which the final report recommends making elderly housing a top priority and this bill , I believe , is one step in that direction.

The average age at which a family purchases their first home is 32 and the age at which a

subsequent home is purchased is 45 . Add to this 25 years and this would be 70 years old . In discussions with city officials , they felt that 25 years was too long and 65 years too young . As a result a compromise was reached that resulted in the numbers we have proposed in the amendment . we would like to see 20 years of occupancy and for this restriction to become applicable at age 67 . This would seem reasonable , as not everyone purchases their second home at age 45 but may be older , therefor by adding two years we have allowed for those that may have purchased later . Extrapolate to age 67 and we have folks that have been retired longer .

I would like to address the potential fiscal impact. I was advised last Thursday that the fiscal note would , in all probability , indicate that a fiscal impact could not be determined . Let us examine a typical ND small town with 75 homes , not atypical for this state . A home with a valuation of $20,000 would be the nominal high value for in a town of this size . The property tax would be around 3-400 dollars with a small increase of 10 to
15 dollars per year . If all the homes were of this higher value , the impact would a maximum of about $1100 . This would be saved by providing a cost effective home care and It would also keep that home occupied . I would suggest that this would not be a bad trade -off.

In a conversation that I had with a member of the school board in a larger school district and he made the statement that these folks have done enough . Let us not forget , they will still be paying a tax , just not experiencing the annual egregious rise .

Mr Chairman and committee , we must do something to keep these older people in their homes . I feel that it would be good for total tax receipts and reduce our exposure to human service costs .I would strongly urge your favorable consideration of the amendments and to give this bill a "do pass " . There will be others that will address some of the health care options . Thank You for your time .

Fact Sheet

Home & Community-Based Services

Services Payments for the Elderly and Disabled (SPED) program & Expanded-SPED program

Background:

As people age or experience injury, their abilities can change. People choose to address their changing needs in individual ways, and "one size" does not fit all. North Dakota provides home and community-based services through several programs that serve different needs. Programs include:

These programs address consumer choice, and also focus on individual needs.

- Service Payments for the Elderly and Disabled (SPED) program,
- Expanded Service Payments for the Elderly and Disabled (Expanded-SPED) program, and
- Medicaid waivers for home and community-based services.

The SPED program provides services for people who are older or physically disabled and who have difficulty completing tasks that enable them to live independently at home.

The Expanded Service Payments for the Elderly and Disabled program (Expanded-SPED) was launched in 1994 to pay for in-home and community-based services for people who would otherwise receive care in a licensed basic care facility. The program was developed based on the rationale that if the state was going to pay for basic care services for low-income individuals, it should also pay for less expensive alternatives to allow those same people to stay in their homes. Expanded-SPED clients must be Medicaid recipients.

The SPED and Expanded-SPED programs pay for a variety of services to sustain individuals in their homes and communities. Services funded by these programs are provided by both independent contractors and agency providers who meet competency criteria. Services are available in many rural and urban areas, and individuals can choose who provides their care.

OVER →

Another Option: People who meet the criteria for nursing home care, but have needs that can be met while living in their own homes may be eligible for services funded under another program, the Medicaid waiver. *(Another fact sheet is available explaining that program's services and eligibility criteria.)*

SPED & Expanded –SPED Covered Services:

- **Case Management** - Assesses needs, helps with care planning, provider selection, referrals, and service monitoring
- **Respite Care** – Provides temporary relief to the full-time caregiver
- **Personal or Attendant Care Service** - Helps with bathing, dressing, transferring, toileting, and supervision
- **Adult Family Foster Care** - Provides a safe, supervised family living environment, 24-hours per day in a state-licensed setting
- **Homemaker** - Provides house cleaning, laundry, and/or meal preparation services
- **Chore Service** - Includes snow removal and heavy cleaning
- **Emergency Response System** (Lifeline) - Provides telephone emergency response
- **Family Home Care** - Reimburses a family caregiver who meets the relationship requirements defined by state law and resides in a client's home 24-hours per day
- **Environmental Modifications** (Limited) - Modifies the home to enhance client independence (e.g., install safety rails)

Qualifying for Services:

SPED Program Criteria

- Has liquid assets of less than $50,000, and
- Is unable to pay for services, and
- Is impaired in four Activities of Daily Living involving basic needs such as bathing, dressing, toileting, eating, etc., OR in five Instrumental Activities of Daily Living that require a higher level of cognitive or physical ability to perform such as driving, managing money, shopping, etc., and
- Has impairments tht have lasted or are expected to last three months or more

OR

- **If under age 18**, has been screened for nursing facility level-of-care, and
- Is not eligible for the Aged & Disabled nor Traumatic Brain Injury (TBI) Waivers, and
- Is not living in an institution, dormitory, or congregate housing, and
- Is capable of directing own care or has a legally responsible party, and
- Has needs within the scope of covered services, and
- the service need is not due to mental illness or mental retardation

Expanded-SPED Criteria

- Receives or is eligible for Medicaid, and
- Receives or is eligible for Social Security Income (SSI), and
- Is not severely impaired in his or her ability to handle toileting, transferring, eating, and
- Is impaired in three of these four daily activities: meal preparation, housework, laundry, or taking medication

OR

- Has health, welfare, or safety needs, including supervision or structured environment, otherwise requiring care in a basic care facility, and
- Is not living in an institution or dormitory, and
- Has needs within the scope of covered services

Did You Know:

- SPED funding is 95 percent state general funds and 5 percent county matching funds.
- Expanded-SPED funding is 100 percent state general funds.
- In addition, some individuals who do not qualify for the SPED or Expanded-SPED programs, receive home and community-based services funded by County Social Service Boards.
- In SFY 2003, 72% of SPED recipients were female and 28% were male, and 73% of Ex-SPED clients were female and 27% were male.

Program Participation Data

State Fiscal Year 2003

Program	Clients	Annual Expenditures
SPED	2,007	$6,381,446
Expanded-SPED	233	$535,909

Percentage of clients younger than age 65	SPED	Expanded-SPED
	19%	43%

Percentage of clients age 85 and older	SPED	Expanded-SPED
	33%	15%

To Apply for Services

Contact a County Social Service Office

Another Resource:

North Dakota Senior Info Line
1-800-451-8693
www.ndseniorinfoline.com

Prepared June 2004
N.D. Dept. of Human Services, Aging Services Division
600 E Boulevard Avenue Dept 325
Bismarck, ND 58505 Ph. (701)328-4601

SCHOOL OF MEDICINE & HEALTH SCIENCES
CENTER FOR RURAL HEALTH
501 N. COLUMBIA ROAD
P.O. BOX 9037
GRAND FORKS, NORTH DAKOTA 58202-9037
(701) 777-3848
FAX: (701) 777-6779
WEBSITE: http://medicine.nodak.edu/crh

January 29, 2005

Honorable John Syverson
ND Legislative Council
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Senator Syverson:

This letter serves as a summary report of the secondary research (i.e. review of research articles) conducted by the UND Center for Rural Health, School of Medicine and Health Sciences. The focus of the research was your request for information related to **costs/cost savings/cost comparison associated with home health care and nursing or long term care.** This search did produce information and findings that I trust will be useful to you in your policy efforts. The report is rather lengthy; however, I did want to provide you with a level of detail that may be beneficial to you in your policy deliberations.

The primary document identified and relied upon for this report is titled: *Substudy 1: Comparative Cost Analysis of Home Care And Residential Care Services. A Report Prepared for the Health Transition Fund Health Canada.* November, 1999. While the report obviously was prepared to address Canadian health policy, the vast majority of the literature cited is based on American studies of the U.S. system and programs. The Canadian study has an excellent review of relevant literature. The cited literature focuses primarily on research comparing home health vs. long term care. In some cases, the focus was primarily on the impact of home care (e.g., use of home care and impact on hospitalization rates.) Still, those studies are instructive because in an overall health system there is significant interaction between various facility groups and levels of care regarding a single patient.

The presentation of this summary report will be as follows: First, I will summarize the literature cited in the Canadian document. Following this, will be a summary of findings of the actual Canadian study that was conducted. It too produced interesting and useful findings. In general, as a caveat for you, something to observe in the discussed research is what is being compared, how is it being compared, and what is the level of comparability? In some of the research studies (and again these are summaries of those studies and not the actual research reports) it is difficult to determine the degree of accuracy in the comparison of subjects or the level of care. This means in studies using experimental and control groups are the subjects roughly the same – do they have the same level of physical and/or cognitive limitations? This is important because if subjects have different needs this can likely influence the cost of care, the level of care, and the location of care. Thus, from a research perspective it is important to understand if the

researchers were comparing apples-to-apples or apples-to-oranges. In reviewing the research it appears that in order to make an informed decision one needs to completely understand the conditions the research was conducted under and the comparability of the subjects. This is not clear in all the research; however, it represents the best information that we could uncover for you at this time. The following is arranged, first, by findings showing that home care is not cost effective, and second, by findings that it is cost effective.

1. **Review of Findings from the Literature:**

   *A. **Findings That Home Care Is Not Effective:***

   (1) Mathematica Policy Research, 1985, 1986. This project involved the use of case management and enhanced home care into a community. Eligible clients were randomly assigned to an experimental group (receiving case management and enhanced home care) or a control group. Generally, researchers found that the experimental group had greater satisfaction and quality of life and somewhat reduced costs. However, when the costs of the enhanced home care program were added into the equation, the overall costs were generally greater for the experimental group than that of the control. Thus, the study concluded that home care was not a cost effective alternative to residential care because it did not decrease the rate of admissions to long term care facilities, and was an add-on cost. The Canadian report also indicates that in this study there were many subjects who had relatively low levels of care needs; therefore, there was a low probability of those subjects needing or being admitted to a long term care facility. This raises the issue of comparability of subjects in the study. Would the study findings have been different if subjects were selected based on their similarity?

   (2) Hedrick and Inui, 1986. Research found that home care services appeared to have no impact on mortality, patient functioning, or nursing home placements. They found that home care had no effect on hospitalization or tended to actually increase the number of days of stay in hospitals. They also found that ambulatory care was increased by up to 40 percent and that, overall, the cost of home care was not affected or was increased by up to 15 percent.

   (3) Skellie, Favor, Tudor, and Strauss, 1984. Research found that the cost of the experimental group (received a comprehensive range of community based services including alternative living services, adult day rehabilitation, home delivered services, screening, and case management) were considerably higher than that of the control group and, as such, constituted "add-on" costs to Medicaid reimbursed services. The research also found that the cost per quarter for the experimental group was considerably

lower than the cost for nursing home care and note that savings should be possible where home care can be substituted for nursing home care.

(4) *Vertrees, Manton, and Adler, 1989.* Research examined the Georgia and California Medicaid waiver programs. These programs emphasized screening eligible recipients to ensure that those receiving community based services would be likely candidates for nursing home admission. The California study found a $794 difference in monthly costs between community care ($350) and monthly long term care costs ($1,144). It is pointed out, however, that not all individuals admitted to the community program were eligible for nursing home care and for those who were eligible, community services did not actually prevent admissions.

(5) *Weissert, Wan, Livieratos, and Pellegrino, 1980.* Research found that the intervention (receiving homemaker services) had a negligible effect on institutionalization and the cost of the services was much higher than any savings which could have been obtained. Similar results were found for adult day care services.

(6) *Weissert, 1985.* Weissert states that home based services are typically not cost effective because of the following reasons:

- Community care is an add-on to other services and is not a substitute for residential care
- Only short nursing home stays can be avoided by community based care as some studies note that as many as 25 percent of residents return back to their own homes within three months of admission.
- Community care has not reduced the rates of institutionalization.
- Patients at high risk are hard to find because they are relatively low in number.
- Screening and assessment costs are high.
- Because some community services are small, unit costs are relatively high, due to overhead costs, particularly when all service slots are not filled.
- There is limited effectiveness in improving health status.

(7) *Weissert, "A New Policy Agenda for Home Care", 1991.* His proposals for increasing the relative cost-effectiveness of home care services are as follows:

- Improved Screening: He observes that home care tends to serve a significant proportion of persons who would not have gone to a nursing home whether or not home care was available. Therefore, better screening and better targeting of clients is essential.

- Reduced Hospitalization: He notes that planned and targeted preventive programs could reduce the number of hospital admissions and bring down the net costs of home care.
- Strategies for Reducing Costs: The development of clinically relevant sub-groups to assess outcome potential, set expenditure targets or caps, plan and monitor care, and measure outcome benefits could make home care more cost-effective.

It should be noted that the authors of the Canadian study found an apparent limitation in many of the American studies: they generally do not directly compare the costs of community and home based services versus the costs of nursing home services. They tend to look at the introduction of new and expanded home care services compared to existing community services.

B. ***Findings that Home Care Is Cost-Effective*:**

(1) Hughes, 1985. Research of a Wisconsin Community Care Organization found a 66 percent reduction in nursing home days; thus, an overall an overall reduction in the cost of care is apparent.

(2) Mathematica Policy Research, 1985, 1986. Research looked only at subjects who were assessed and deemed to be eligible for and in need of residential care. This study found that home care was a cost-effective alternative to residential care. This model had single entry and assessment and case management functions in that clients were screened for their need for residential service within a state administered system of care. [Note Weissert's recommendation for screening, from above, is apparent because this study made an effort to identify like subjects through an assessment and provided case management]

(3) Greene, Lovely, and Ondrich, 1993. Research found that a key element to cost-effectiveness is risk targeting. Researchers found that 41 percent of those in the control group were found to have some potential for net cost reductions by adding additional home care services to existing services.

(4) Greene, Ondrich, and Laditka, 1998. Researchers found that an optimal allocation of home care services resulted in a 10 percent reduction in overall costs.

(5) Leiby and Shupe, 1992. This study analyzed hospitalization rates. They looked at the relative efficacy of post-discharge follow-up as a measure to prevent, or reduce the rate of readmission to a hospital. They found a significant difference in readmission rates for the experimental and control groups. They found that the group receiving home care only had one readmission (2.7%)

while the group which did not receive home care had a readmission rate of 36.8 percent.

(6) *Dranove, 1985.* Research studied a hospital based home nursing care program involving two hospitals. One hospital had a home nursing care program and the second did not. Findings indicated that home nursing care significantly reduced both the length of stay in the hospital and the number of follow-up visits. Average savings per patient was approximately $300.

(7) *Berry and Evans, 1986.* This study, relying on physician estimates, found patients in home care averaged 18 fewer days in the hospital with an average saving of $3,300 per patient.

(8) *Shapiro and Tate, 1985.* This Canadian study analyzed predictors of nursing home use and found that persons without informal supports were more likely to be admitted to nursing homes than those who had such supports. [NOTE: home health is considered a form of informal support.]

2. **Canadian Study:**

This project focused on using a long term care substitution model in which home care is analyzed as a substitution to more formal institutionalized care found in a nursing home. The primary research question was: In the British Columbia continuing care sector, is home care for the elderly a cost-effective alternative for government funders to care in long term care facilities, by level of care?

Data was obtained on three cohorts of clients, for one year prior to initial assessment and three years post-assessment. The cohorts were new admissions to the British Columbia continuing care (home care and residential care) systems in the 1987/1988, 1990/1991, and 1993/1994 fiscal years. Costs to government for home care services, residential services, pharmaceuticals, fee-for-service physician services, and hospital services were analyzed.

The **central finding** of this study was that, on average, the overall health care costs to government for clients in home care were about one-half to three quarters of the costs for clients in facility care, by level of care. A related finding was that costs differ by the type of client. The lowest home care costs were for individuals who were stable in their type and level of care. For clients who died the costs for home care were higher, compared to clients in long term care facilities. It was also found that some one half of the overall health care costs for home care clients were attributable to their use of acute care hospital services and that a significant portion of the health costs for home care clients occur at transition points, that is, when there is a change in the client's type, and/or level, of care.

The author's state: New programs must find ways to target appropriate individuals and to ensure at least from an economic perspective that there is an actual, cost-effective substitution of community care for institutional care. From a care perspective, and a client needs perspective, programs should be developed that are not only cost-effective but also respond to the real needs of

clients and their families. It may indeed be possible to develop programs that are cost-effective and improve the quality of care and quality of life of clients.

The author's conclude their report with a discussion of a "policy agenda" which includes recommendations regarding a set of characteristics to look for in developing a cost-effective delivery system. The five characteristics are summarized below:

- **Single Entry:** This means a consistent screening mechanism to ensure that only those with appropriate needs are provided services. Efficiency is created by limiting the occurrence of unnecessary care. "One-stop-shopping" is a focal point of a single entry process ensuring that people can receive the appropriate level of care by approaching a "gate-keeper" in the system.
- **Coordinated, System-Level Assessment and Placement:** This is set in place to assure the appropriate determination of need and that a care plan is developed. The care plan covers the range of services to be provided. Cost-effectiveness occurs from this process of assessment and placement because the emphasis is on targeting services, level of care based on the appropriate assessment.
- **Coordinated, Ongoing, System-Level Case Management:** This focuses on regular monitoring and review of client needs and as needs change the appropriate adjustment in care is maintained.
- **A Single, System -Level, Administrative and Funding Structure:** This refers to the pooling/bundling of system resources to create a single stream of decision making, resource allocation, patient assessment/case management, and system planning.
- **A Consistent, System -Level, Client Classification System:** The authors refer to this as a classification system to make comparisons of clients across service delivery components by level of care or an "apple to apples" comparison. A point that was noted at the beginning of this summary report. Such a system exists to determine to what extent clients who could be treated at less cost in the community and home setting are being admitted to more formal, institutionalized care.

Senator Syverson, I hope this rather long summary report is useful. My own conclusion, following this review, is that the general subject of comparing costs between two levels of care, for a common patient/subject, is difficult. But, it isn't impossible. I also believe the review of the literature on the research shows that while research needs to be treated with respect; however, as a reader and interpreter of the studies you need to be careful to understand the focus and scope of the research. Again, are they comparing apples with apples or does it appear to be more of an apple with an orange. Sometimes, it is very difficult to tell. It does appear, however, if the same types of patients/subjects with the same or similar types of care needs are being compared, then some level of home care can create savings. But it is dependent upon the ability of the delivery system to make

accurate assessments. Both the American researcher, William Weissert and the authors of the Canadian study agree that a central approach revolves around a system of care where accurate screening and assessment of clients to determine appropriate level of care is essential. Weissert, the Canadian authors, and other researchers cited above also call for some level of planning and care monitoring or as some call it case management.

I wish you the best in your endeavors and for the rest of the session. I also hope that you will be able to join us on March 8, 2005 during the Legislative Policy Update at our Dakota Conference on Rural and Public Health, 5:15-5:45 PM, Ramkota Hotel, Bismarck, ND. Both Dr. Wakefield and I would appreciate your attendance and participation. Please, let me know if there is something else our office can do to assist you.

Take Care.

Sincerely,

Brad Gibbens, MPA
Associate Director
UND Center for Rural Health
School of Medicine and Health Sciences

SENATE FINANCE AND TAXATION COMMITTEE
February 8, 2005

Testimony of Marcy Dickerson, State Supervisor of Assessments

SENATE BILL 2315

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed as State Supervisor of Assessments and Director of the Property Tax Division by the Tax Commissioner.

Senate Bill 2315 provides for a taxable valuation freeze on the homestead of a person who is 65 years of age or older or permanently and totally disabled and who has lived in the homestead for 25 years or more. There are a few specific situations that I believe should be clarified.

First, for an applicant who is eligible for homestead credit, the taxable value that is subject to the freeze should be taxable value before homestead credit. The applicant would remain eligible for homestead credit on the frozen taxable value.

Secondly, I would like to see a provision that the taxable valuation freeze does not apply to the value of any renovation, remodeling, or alteration added subsequent to application for the freeze. Any value added after the freeze would be subject to assessment.

Thirdly, for a property that is enjoying an exemption for improvements to residential buildings under chapter 57-02.2 at the time of application, the frozen taxable valuation should be the value of property existing at the time of application, without regard to any exemption currently in place. Then, when the exemption under chapter 57-.02.2 expires, the frozen taxable valuation will be at the level where it would have been without the 57-02.2 exemption.

Let me offer an example – an actual situation involving a Bismarck residence owned by friends of mine. They are over 65 and have lived in their homestead for over 25 years. In 2004 they built a large addition worth about $80,000. Beginning with the 2005 assessment, that addition is exempt for five years. If Senate Bill 2315 is enacted, this home will qualify for a taxable valuation freeze. If the taxable value were frozen at the present level, excluding the addition, the effect would be to extend the chapter 57-02.2 exemption indefinitely. The frozen valuation should be the value of the property at the time of application, without regard to any exemption currently in place.

One other issue I would like to address is the language beginning on page 1, line 18, concerning the freeze continuing for not more than six months if the applicant is absent from the homestead due to confinement in a care facility. For ease of administration, I suggest that be changed to say that the freeze will continue only until the next assessment date unless an application for extension is granted.

The North Dakota Association of Assessing Officers has asked me to express their concern that this bill will cause hardship for political subdivisions, especially the smaller towns. They will not benefit from increased value of properties subject to the freeze and will not receive any replacement revenue.

This concludes my prepared testimony. I will be glad to try to answer any questions.

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CITY OF *Williston* NORTH DAKOTA

February 7, 2005

Senate Finance and Taxation Committee
State Capitol
Bismarck ND 58505

RE: SB 2315

Dear Committee Members:

The Board of City Commissioners of the City of Williston is in opposition to SB 2315 which would freeze the taxable valuation of homesteads of persons sixty-five years of age or older or who are permanently disabled. NDCC §57-02-08.1 already gives property tax credit to those with limited incomes who are sixty-five or older or permanently disabled. SB2315 would give a credit to those who not meet the income criteria, spreading the tax burden among the younger taxpayers that we are trying attract and keep in our state.

We urge a "DO NOT PASS" recommendation for this bill.

Sincerely,

E. Ward Koeser
President
Board of City Commissioners
City of Williston

EWK:sks

Aging Services Division

The Department of Human Services makes available all services and assistance without regard to race, color, national origin, religion, age, sex, or handicap, and is subject to the Title VI of the Civil Rights Act of 1964, Section 504 or the Rehabilitation Act of 1973, and the age Discrimination Act of 1975 amended.

Home and community-based service programs allow individuals to be served in their own homes and communities.

Additional information can be obtained by contacting the North Dakota Senior Info-Line at 1-800-451-8693, a nation-wide toll free number. Or e-mail this information and assistance service at dhssrinf@state.nd.us. This service is free and confidential and assists the caller in accessing services anywhere in the state.

NORTH DAKOTA
SENIOR INFO-LINE
1-800-451-8693
ndseniorinfoline.com

north dakota
department of
human services

North Dakota
Department of Human Services

Aging Services Division
600 E Boulevard Avenue Dept 325
Bismarck, ND 58505-0250

Phone: 701-328-4601
Fax: 701-328-4061
E-mail: dhssrinf@state.nd.us

DN 418 (5-04)

North Dakota Department of Human Services

Aging Services Division

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www.state.nd.us/humanservices

Home and Community-Based Services for the Aged & Disabled

The Aging Services Division of the Department of Human Services is responsible for the administration of programs and services for older individuals and people with physical disabilities. The purpose of the state and federally funded programs is to enhance the ability of an individual to maintain independence in his or her own community.

North Dakota provides home and community-based services through several programs that serve different needs.

Programs Include:

- Older Americans Act Services
- Service Payments for the Elderly and Disabled (SPED) program
- Expanded Service Payments for the Elderly and Disabled (Ex-SPED) program, and
- Medicaid Waivers for home and community-based services

Services Include:

Adult Family Foster Care provides a safe family living environment, 24-hours per day in a state licensed setting.

- **Case Management, Information & Assistance, Transportation,** and **Outreach** provide assistance in accessing services throughout the state.
- **Chore Service** includes snow removal and heavy cleaning.
- **Emergency Response System** (Lifeline) provides telephone emergency response.
- **Environmental Modification** (limited) modifies the home to enhance client independence.
- **Family Caregiver Support Services** to unpaid caregivers.
- **Family Home Care** reimburses a family caregiver who meets the relationship requirements defined by state law and resides in a client's home 24-hours per day.
- **Health Maintenance Services** include monitoring and screening to maintain the health and well-being of older adults.
- **Homemaker Services** include house cleaning, laundry, and/or meal preparation.
- **Legal Services** address the legal questions and concerns of older adults.
- **Meal Services** include home-delivered meals for older persons who are homebound, and congregate meals.
- **Ombudsman Services** are available to residents of long-term care facilities. Ombudsmen provide education and information, and assist in reconciling concerns between residents, their families and friends, and the facility.
- **Personal Care Services** help with bathing, dressing, transferring, toileting, and supervision.
- **Residential and Transitional Living** for Brain Injured Individuals.
- **Respite Care** and **Adult Day Care** provide temporary relief to an individual's primary caregiver.
- **Senior Companion Services** offer person-to-person support to adults who have special needs.
- **Specialized Equipment** provides special equipment to reduce the need for human help.
- **Vulnerable Adult Protective Services** provide assistance in addressing concerns of abuse, neglect, and exploitation of vulnerable adults in the community.

TESTIMONY

SB 2315 – SENATE FINANCE AND TAXATION

SENATOR URLACHER, CHAIRMAN

FEBRUARY 8, 2005

Chairman Urlacher and members of the Senate Finance and Taxation Committee, I am Linda Wright, Director of the Aging Services Division, Department of Human Services. I am here today at the request of Senator Syverson to provide information about services which enable older persons and persons with physical disabilities to remain in their own homes and communities.

The Aging Services Division administers a number of federal and state funding sources which provide a variety of home and community based services. The purpose of the services is to assist eligible individuals to remain as independent as possible in their own homes and communities for as long as possible, thereby delaying or preventing institutional care. Please refer to the attached brochure for more information.

The cost per client per month of the home and community based services programs administered by the Aging Services Division are as follows:

a) Service Payments for Elderly and Disabled (SPED)	$ 403.74
b) Expanded SPED	$ 299.46
c) Medicaid Waiver for Aged and Disabled	$1,278.87
d) Medicaid Waiver for Traumatic Brain Injury	$2,447.99
e) Older Americans Act	$ 59.09
(transportation, outreach, home delivered meals)	

The cost per client per month listed above does not include other in-home costs such as medical care, subsidized housing, economic assistance programs, etc.

The average cost of nursing home care per month is $3,545.14 and the average basic care cost per month is $924.74.

In most cases, it is more cost effective to provide services which enable an individual to remain at home, rather than enter institutional care.

According to the 2002 North Dakota Needs Assessment of Long-Term Care, conducted by UND and NDSU, "priority needs to be given to legislative efforts in the form of program incentives and tax incentives for home and community based services. Elderly who are in greatest need for services reside in the states rural areas and small communities. These areas lack facilities, resources, and professional staff. The communities need to be empowered to take a more active role in caregiving. Program incentives and tax incentives that create or enhance the care of elderly in the home or through community based efforts will reduce the demand for institutional care and, in turn, the financial burden on the state."

According to the 2000 census, 75% of persons over age 60 in North Dakota lived in elderly households as compared to 25% who were renters. Based on our most current information, 55% of the clients who receive home and community based services are homeowners compared to 45% who are renters.

The 2000 census also reported that 44,634 persons ages 21 to 64 years old in North Dakota had a disability. The population age 65 and older included 36,276 people with a disability.

The results of a 2004 AARP North Dakota member survey are as follows:

- "Three in five AARP members are extremely concerned with staying independent as they age and over half are extremely concerned with having choices in long-term care."

- "More than nine in ten AARP members rate having a range of support services available in their community to be very or somewhat important."

If you have any questions, I would be happy to answer them at this time.