

**Testimony**  
**House Bill 1090 – Department of Human Services**  
**House Human Services Committee**  
**Representative Robin Weisz, Chairman**  
**January 13, 2021**

Chairman Weisz, members of the Senate Human Services Committee, I am Dr. Caprice Knapp, Director of the Medical Services Division, for the Department of Human Services (Department). I am here today in support of House Bill 1090, which was introduced at the request of the Department.

This Department sponsored bill is a product of work that was directed by the Legislature in the previous legislative session. At that time, this committee was keenly interested in ways that the current nursing facility payment system could be reformed. During the 66<sup>th</sup> Assembly Senate Bill 2012 directed the Department to investigate and propose new methodologies for paying nursing facilities. Throughout 2019 and 2020, the Department worked with the North Dakota Long Term Care Association (NDLTCA) to study and develop new payment models for the care of residents and property. The resulting new payment models demonstrate a commitment to incentivize efficiency and promote property renovation, which improves the quality of life for residents, while simultaneously safeguarding taxpayer dollars. House Bill 1090 proposes changes to North Dakota Century Code 50-24.4-01 that reflect the agreed upon new models of payment. The Department especially thanks the NDLTCA for their resources and time committed to this process. This was genuinely a collaborative effort.

Through my testimony today I aim to accomplish three things: 1) review a handout with the committee members that describes the current and proposed payment systems, 2) explain House Bill 1090's proposed changes to North Dakota Century Code 50-24.4-01, and 3) describe work that has been accomplished to date between the Department and NDLTCA on an amendment that is forthcoming on House Bill 1090.

First, I ask the Chair's permission to review a handout that accompanies this testimony. The handout provides an overview of how care and property are paid for in the current system and how they will be paid under the proposed new system.

Second, I would like to describe changes to North Dakota Century Code 50-24.4-01 that were included in House Bill 1090. This section of Century Code details the definitions and reimbursement of nursing facilities for care and property.

Section 1 adds two definitions for components within the new payment models.

Section 2 of HB 1090 removes the timeframe for the Department to set rates from century code. The Department will be proposing updates to this timeframe in administrative code for the new payment models.

Section 3 describes how operating costs are assessed and reimbursed. Proposed language is added to clarify that

- starting in 2022, the Department will establish price limits for the cost categories for care;

- Information technology costs are still allowed as a pass through; and,
- Costs will be rebased for the 2024 rates using 2023 data.

Section 4 of describes how property related costs are assessed and reimbursed. Language is added to clarify that the Department will use a fair rental value system to set rates for property.

The change in Section 5 removes outdated language and is unrelated to the new payment models.

Third, I would like to describe for the committee members work that has occurred to date on a forthcoming amendment to House Bill 1090. Since House Bill 1090 was filed in December 2020, NDLTCA and the Department have been meeting to review the language to ensure that both parties agree that the language is representative of what was agreed upon during the discussions of the past year. Both parties acknowledge that the rulemaking process will also be used to implement the new payment models. However, the goal of these meetings is to try and reach consensus on what language is more appropriate for statute versus rulemaking. Below is a summary of areas of consensus that have been met and those we are still working toward:

- Agreed upon- defining inflation index as skilled market basket, how price limits will be established for the 2022 rate year, and that the differential property payment from the fair rental value system must be used for property related expenses only.
- Still working on- definitions of fair rental value and margin cap.

This concludes my testimony. I would be happy to answer any questions you may have.