

SB 2271  
2-12-25

**Testimony on Solutions for Financial Challenges in  
Adult Residential Care  
Senate Appropriations Human Resources Division Committee  
February 12, 2025  
SB 2271**

Chairman Dever and members of the Senate Appropriations Human Resources Division Committee. My name is Nikki Wegner, President of the North Dakota Long Term Care Association. We represent 11 of North Dakota's 18 adult residential facilities, also known as specialized basic care facilities. Thank you for the opportunity to testify on the financial challenges these providers face and the proposed solutions to address these disparities. These facilities are a critical part of the care continuum, offering essential support to individuals living with dementia and acquired brain injuries in a cost-effective setting with specially trained staff.

**Adult Residential Care** provides 24-hour support for individuals with chronic moderate to severe memory loss or significant emotional, behavioral, or cognitive impairments. These programs offer assistance with:

- **Activities of Daily Living:** Tasks like toileting, dressing, and bathing.
- **Instrumental Activities of Daily Living:** Managing finances, medications, and transportation.
- **Enrichment Activities:** Therapeutic, social, and recreational programming to enhance quality of life.

To qualify for adult residential care, individuals must screen in need for skilled nursing care, typically due to their cognitive impairment. The adult residential care service is a cost-effective alternative to placement in a nursing facility, where the cost of care would be significantly higher. The average cost to Medicaid for an individual in nursing facility care is **\$135,686** per year versus **\$29,333** per individual per year in adult residential. By providing a structured yet less intensive medical environment, adult residential care not only reduces financial burdens but also fosters the individual's independence and quality of life. It is specifically designed to maintain or improve the recipient's functional abilities while ensuring their unique

medical, emotional, and social needs are met. This being said, the \$29,333 is not adequate to provide the complex care that these individuals require.

North Dakota has long recognized the value of alternative models for dementia and brain injury care. In 1997, the Legislative Assembly directed the Department of Human Services to establish a pilot project for individuals with Alzheimer's and related dementias. In 1998, DHS selected a 14-bed facility at the Baptist Home of Kenmare, funding the project at a daily rate of \$79.37—**7.07% lower** than the average nursing facility cost of \$85.41 per day. This pilot demonstrated that a specialized dementia setting not only provided effective care but also reduced costs. The success of this project led to the establishment of a statewide model under the Medicaid waiver program, ensuring that individuals who screened in need of nursing facility care could be served in a more appropriate and cost-efficient setting.

North Dakota currently has **16 adult residential dementia facilities** and **two serving individuals with head injuries**, providing **high-quality, home-like care** at a fraction of the cost of a nursing facility. However, the financial gap between these services and nursing facility rates has widened significantly.

Today, the **average daily rate** for an adult residential dementia facility is **\$162.04—59.8% lower** than the **\$403.13** average nursing facility rate. This is a stark contrast to **1997**, when the difference was just **7%**. While the intent was always for this service to remain more affordable than skilled nursing care, the current disparity has become **unsustainable**, putting access to these programs for Medicaid beneficiaries **at serious risk**.

### **Financial Challenges in Adult Residential Care**

The funding structure that supported the original pilot project is no longer sufficient. Facilities today lose an average of **\$45.77 per day per Medicaid resident** due to stagnant reimbursement rates. The Baptist Home of Kenmare, once a model for dementia care, ultimately closed because its rate could not keep pace with costs. Of the 16 licensed adult residential dementia facilities still operating, two do not accept Medicaid residents—not because they don't want to, but because they simply **cannot operate at a loss**. Without payment relief, others may be forced to follow suit, limiting access to critical care for Medicaid beneficiaries.

One of the primary issues is that rates are **determined at the time a provider agreement is signed**, with limited adjustments over time. Some agreements were signed **over 20 years ago**, and while providers occasionally received inflationary



increases, these were inconsistent. Rates were recalculated only once in **2019**, yet today, we find ourselves **\$46 per day behind actual costs**.

Nancy Nikolas-Maier compared 24-hour complex care programs for the House Appropriations Human Resource Division on January 23, 2025 (see a copy of the slide included). Adult residential care provides **24-hour** services for individuals with memory impairment or traumatic brain injuries, ensuring a safe, supervised environment with personal care and medication support. Despite this high level of care, it operates at a significantly lower reimbursement rate compared to Residential Habilitation and Community Support Services, which provide **up to 24-hour** care. The disparity is evident in the funding: Adult Residential Care serves 29% (224) of waiver participants at an average annual cost of **\$29,333** per person, while Residential Habilitation and Community Support Services serve only 16% (121) but receive an average of **\$121,290** per person. This reflects a substantial difference in funding between programs that provide complex care, despite the intensive support required in each.

**Proposed multi-step solution** offers a comprehensive approach to stabilizing and strengthening adult residential care, an essential care model:

**1. Apply a 4% Inflator Effective July 1, 2025**

An initial 4% inflator will help offset rising costs, providing immediate relief to facilities struggling with outdated reimbursement structures.

**2. Reimburse to Current Costs Starting January 1, 2026**

Starting in 2026, facilities should be reimbursed based on **actual operating costs**, using cost reports submitted to the North Dakota Department of Health and Human Services (ND DHHS). This ensures rates align with real expenses.

**3. 5% Margin to Address Historical Challenges**

Then add a 5% margin on top of rates provides much-needed relief and acknowledges the financial constraints these facilities have faced. Many providers have not been able to invest adequately in their facilities due to rate compression and escalating costs. The 5% margin, translating to an approximately \$9/day add-on based on the current average rate of \$202,

offers additional financial stability and flexibility.

#### **4. Implement a 3% Inflator on July 1, 2026**

A subsequent **3% inflator** will ensure that rates keep pace with inflation and cost pressures.

#### **5. Rate Recalculation for Implementation on July 1, 2027**

The final step involves ND DHHS gathering cost reports from providers by December 31, 2026. These reports will inform a rate recalculation to be implemented on July 1, 2027, ensuring the reimbursement system remains accurate and adaptive to changing needs.

### **Closing**

SB 2271 presents a viable and fiscally responsible solution to these funding shortfalls. The proposed \$2.2 million investment is far less than the cost of caring for these individuals in a nursing facility at \$403.13 per day. Without action, we risk losing access to a proven, cost-effective care model that allows individuals to remain in a home-like, therapeutic environment.

We know that many North Dakotans living with dementia or brain injury could be served as private-pay residents, but all individuals deserve access to this level of care, regardless of their ability to pay. We urge you to support this funding proposal to ensure that those who depend on Medicaid can continue receiving care in these settings.

Thank you for your time and consideration, and I am happy to answer any questions.

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## ADULT RESIDENTIAL

### Specialized Basic Care

Licensed as Basic Care and funded through the HCBS Waiver, these providers support individuals who screen in need of skilled nursing care and who are living with dementia or brain injuries.



### Brain Injury Care

HI Soaring Eagle Ranch  
HIT Inc, Dakota Pointe

Valley City  
Mandan

### Licensed beds

10  
10

### Memory Care

Edgewood Dominion  
Edgewood Fargo  
Edgewood Jamestown  
Edgewood Mandan  
Edgewood Minot Senior Living  
Edgewood Village Bismarck  
Evergreens of Fargo  
Fargo Mapleview  
Lakewood Landing  
Maple View Grand Forks  
Maple View Memory Care  
Maple View Bismarck  
New Perspective  
Roseadele  
Touchmark Bismarck  
Touchmark Fargo

Bismarck  
Fargo  
Jamestown  
Mandan  
Minot  
Bismarck  
Fargo  
Fargo  
Mandan  
Grand Forks  
Minot  
Bismarck  
West Fargo  
Jamestown  
Bismarck  
Fargo

19  
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42  
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50  
14  
18  
38  
17  
36  
42  
36  
47  
20  
51  
38

18 FACILITIES  
533 BEDS

Private Pay Only  
Private Pay only

## Cost driver #1

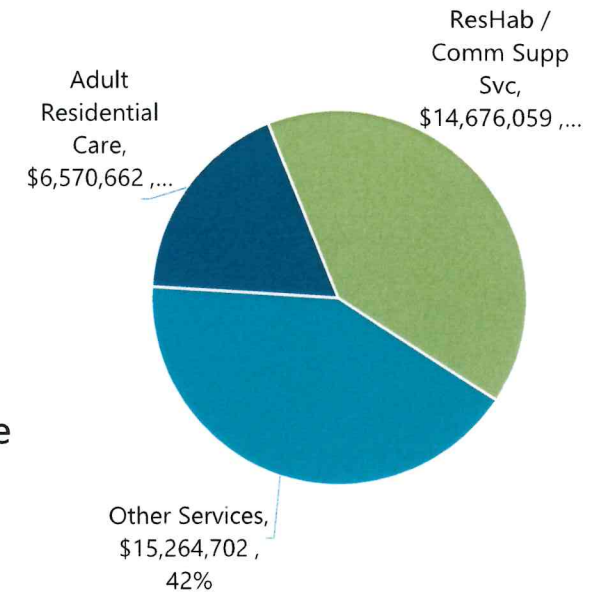
# 24-hour delivery of complex cares

### Adult Residential Care

- 24-hour residential services for individual with memory impairment or traumatic brain injury.
- Individuals have a daily need for a safe supervised structured environment, personal care, and medication supports.
- In SFY 24 **29%** (224) of **waiver participants** were enrolled in this service.
- Average cost per person per year = **\$29,333**

### Residential Habilitation and Community Support Svcs

- Up to 24-hour all inclusive supports for individuals who meet a nursing facility level of care and require daily services.
- Service requires providers to have a nurse and a care coordinator with a minimum of a 4-year degree.
- In SFY 24 **16%** (121) of waiver participants are enrolled in this service.
- Average cost per person per year = **\$121,290**



**16% of waiver participants** account for **40%** of the **cost** of care



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Health & Human Services