

2025 HOUSE HUMAN SERVICES

HB 1550

2025 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee Pioneer Room, State Capitol

HB 1550
1/28/2025

Relating to a nursing and basic care facility loan guarantee program.

3:31 p.m. Chairman M. Ruby opened the hearing.

Members Present: Chairman M. Ruby, Vice-Chairman Frelich, Representatives Anderson, Beltz, Bolinske, Davis, Fegley, Hendrix, Holle, Kiefert, Rios, Rohr

Members Absent: Representative Dobervich

Discussion Topics:

- Construction and remodel funds for long-term care facilities
- Financial barriers for rural facilities

3:32 p.m. Representative Nelson, District 14, introduced the bill.

3:38 p.m. Nikki Wegner, ND Long Term Care Association, testified in favor and submitted testimony, #31501.

3:49 p.m. Brad DeJong, Eide Bailly, testified in favor and submitted testimony, #32096.

4:01 p.m. Kelvin Hullet, SVP Bank of North Dakota, testified in favor.

4:12 p.m. Doug Panchot, Administrator Souris Valley Care Center, testified in favor and submitted testimony, #32176.

Additional written testimony:

Belinda Moen, Bethel Lutheran Nursing & Rehabilitation Center, submitted testimony in favor, #31956.

Trevor Tompkins, Administrator, Lutheran Sunset Home, submitted testimony in favor, #32068.

4:18 p.m. Chairman M. Ruby closed the hearing.

Jackson Toman, Committee Clerk

**Testimony on Nursing and Basic Care Facility
Loan Guarantee Program
House Human Services Committee
January 28, 2025
HB 1550**

Chairman Ruby and members of the House Human Services Committee. My name is Nikki Wegner, President of the North Dakota Long Term Care Association. We represent 182 assisted living, basic care, and skilled nursing facilities in North Dakota. Thank you for the opportunity to testify in support of HB 1550, the proposed \$100 million loan guarantee program for skilled nursing facilities (SNFs) and basic care (BC) facilities in North Dakota. This program is a critical companion to the Long-Term Care Facility Infrastructure Loan Fund HB 1619 and addresses significant barriers to financing for facility improvements.

Aging Facilities and the Need for Upgrades

Many SNFs and BC facilities in our state are aging and require substantial renovations, updated equipment, and infrastructure improvements to meet modern care standards. These upgrades are not optional—they are essential for:

- **Safe Environments:** Outdated facilities can pose safety risks for residents and staff.
- **Efficient Operations:** Modernized infrastructure reduces costs and improves sustainability.
- **High-Quality Care:** Up-to-date equipment and spaces enhance the quality of life and care for residents.

Without these necessary investments, facilities risk falling behind in their ability to provide the care that residents deserve.

Financial Barriers to Facility Improvements

Securing affordable loans for these projects has become increasingly challenging due to current market conditions. Key barriers include rising interest rates (5-7%) which make borrowing prohibitively expensive for many facilities and perceived lender risks. Financial institutions often view long term care facilities, particularly those in rural areas, as high-risk borrowers, limiting access to traditional financing.

These barriers have left many facilities unable to pursue the critical improvements necessary to meet today's care standards.

Broader Community and Economic Benefits

Investing in facility improvements has a ripple effect that benefits not only the care sector but also local communities and economies:

- **Economic Growth:** Renovations and infrastructure projects create jobs in construction, equipment manufacturing, and other industries.

- **Improved Resident Experience:** Modernized facilities enhance the quality of life for residents, making these facilities more welcoming and comfortable.
- **Workforce Attraction and Retention:** Updated environments improve working conditions, helping to recruit and retain dedicated staff.

The Nursing and Basic Care Facility Loan Guarantee Program

The proposed nursing and basic care facility loan guarantee program is a proactive solution to address these financial challenges. By reducing lender risk, this program would encourage financial institutions to provide loans to SNFs and BC facilities. Key benefits of the program include:

- **Lower Interest Rates:** With reduced risk, lenders can offer more competitive rates, saving facilities significant amounts in borrowing costs.
- **Increased Loan Availability:** Facilities, especially those in rural areas, would have greater access to financing for critical projects.
- **Expanded Project Capacity:** By facilitating more affordable loans, facilities could take on renovations, upgrades, and other infrastructure improvements that might otherwise be financially unattainable.

This program has the potential to unlock much-needed resources for long term care facilities statewide.

HB 1550 proposes a new chapter to title 6 of the North Dakota Century Code, relating to a nursing and basic care facility loan guarantee program.

Nursing and Basic Care Facility Loan Guarantee Program - Administration.

SECTION 1, starting on line 6, establishes the nursing and basic care facility Loan Guarantee Program, administered by the Bank of North Dakota (BND). The program is designed to guarantee loans for the construction or renovation of nursing facilities and basic care facilities. The Bank will define the types of loans and projects eligible for guarantees.

Additionally, the Bank is empowered to manage funds or property from any source on behalf of the state for the program's purposes. The Bank may receive and manage property, funds, or assets from any source, including public or private entities, to support the nursing and basic care facility loan guarantee program. The Bank can also use any income generated from these assets to further the program's goals, such as guaranteeing loans or maintaining the reserve fund. The Bank's guarantee obligations are limited to funds made available specifically under this program, ensuring financial safeguards are in place. The Bank is not responsible for covering loan guarantees using its general funds or resources. Instead, the Bank can only use funds that have been specifically allocated or made available to the nursing and basic care facility loan guarantee program under this chapter. This ensures that the program is financially self-contained and does not expose the Bank's broader operations or other funds to potential risk.

Establishment and maintenance of adequate guarantee funds - Use of strategic investment and improvements fund.

SECTION 1, starting on line 14, the Bank will establish and maintain a dedicated guarantee reserve fund, held in a special account. This fund is essential for covering potential defaults on guaranteed loans.

- The Bank may request transfers from the Strategic Investment and Improvements Fund to maintain one hundred percent of the guarantee reserve fund balance.
- Transfers from the strategic investment and improvements fund may not exceed a total of \$100 million.
- These funds are available to reimburse lenders in the event of loan defaults, ensuring confidence in the program among participating lenders.
- Any interest or earnings from the reserve fund are reinvested into the fund, promoting long-term sustainability.
- The Bank will use a formula to ensure adequate reserves are available to cover all guaranteed loans.

Procedure on default of guaranteed loan.

Beginning on the second page, line 1, if a guaranteed loan defaults, the Bank will reimburse the lender from the reserve fund to the extent the loan was guaranteed.

- The lender must certify the default to the Bank. Upon payment, the loan documents are transferred to the Bank to enable collection of the outstanding debt.
- The Bank has authority to pursue repayment of defaulted loans without being hindered by statutes of limitations, ensuring all debts are recoverable.
- Recovered funds, minus collection fees, are returned to the reserve fund to replenish resources and maintain the program's financial health.

Fees for reasonable costs.

Line 12, the Bank is authorized to charge reasonable fees to participating lenders to cover the costs of administering the program. Excess fees, beyond what is needed for administrative expenses, are deposited into the reserve fund to further enhance its stability. This ensures the program operates efficiently while maintaining sufficient reserves to back guaranteed loans.

Closing

In conclusion, many of North Dakota's skilled nursing and basic care facilities are aging and urgently need upgrades to provide safe, efficient, and high-quality care. However, financial barriers such as high-interest rates and perceived lending risks make these improvements unattainable for many facilities, especially in rural areas. Establishing the proposed loan guarantee program will not only address these challenges but also generate broad community benefits, including economic growth, better care environments for residents, and improved working conditions to attract and retain staff. This program is a critical step toward ensuring the future of long-term care in our state.

Chairman Ruby, members of the committee, I urge your support for this important initiative to strengthen the future of long term care in North Dakota. Thank you for your time and consideration, and I am happy to answer any questions.

Nikki Wegner MS, OTR/L, President
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**Testimony on Nursing and Basic Care Facility
Loan Guarantee Program
House Human Services Committee
January 28, 2025
HB 1550**

Chairman Ruby and members of the House Human Services Committee. My name is Belinda Moen, Administrator & CEO at Bethel Lutheran Nursing & Rehabilitation Center in Williston, ND. Thank you for the opportunity to testify in support of HB 1550, the proposed \$100 million loan guarantee program for skilled nursing facilities (SNFs) and basic care (BC) facilities in North Dakota.

We have been a staple in the community and the western region of North Dakota as well as the eastern part of Montana for decades. We are currently licensed for 100 skilled and 19 basic care beds and as such are one of the larger nursing facilities within our state. Our building was built in 1949 (*celebrating 76 years this May*) and is showing its age. There has been talk for years about the need for a new facility, and that talk gained speed with the purchase of our new property in 2022. We are currently finalizing plans for that new nursing facility here in Williston.

As I'm sure you are aware, construction costs are extremely high, not only in ND, but nationwide. Those costs are compounded for us here in the Bakken as we see an approximate 15% increase in pricing simply due to location and availability of supplies. Those costs and how they affect funding can make or break a project, especially one of our size and scale. Our projected funding need is \$70 million dollars. The passing of HB 1550 would allow us to move forward with this project as it would assist our funding guarantee.

Chairman Ruby, members of the committee, and all involved with this Bill, I urge your support with a **Do Pass** for this important initiative to strengthen the future of long term care in North Dakota. Thank you for your time and consideration, and I am happy to answer any questions.

Belinda Moen, RN, BSN, MBA, LNHA

Administrator/CEO

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Testimony in support of
Nursing and Basic Care Facility Loan Guarantee Program
House Human Services Committee

January 28, 2025

HB 1550

Chairman Ruby and members of the House Human Services committee, thank you for taking the time to listen to my testimony in support of House Bill 1550. My name is Trevor Tompkins and I'm the administrator of the Lutheran Sunset Home, an 87-bed skilled nursing facility with an attached 26-bed assisted living complex located in Grafton, North Dakota. Our facility began operation in 1962 and has been serving the needs of the elderly in our community for over sixty years.

This facility was started by local churches as a 42-bed nursing home and has grown and evolved throughout the years to what it is today. While the building has been maintained well over the years, the multiple expansions have resulted in an inefficient building design. This means increased steps for staff, small and often shared bathrooms, and little personal space for residents. Much of the facility infrastructure is original to the building which means that we are one collapsed pipe away from \$100,000 plumbing bills.

When our facility began considering the future of our physical plant, the feasibility studies have shown that renovation would likely be just as costly as a replacement building and would likely result in a similarly unsatisfying building design due to our land locked status. Our census remains strong, averaging 93% over the past three years and a recent Demand Analysis projects that there is need in our community for housing for the elderly with skilled nursing, assisted living, and independent senior housing.

We have purchased land for a replacement building and I have started the loan application process with the USDA Rural Development. Our architects project building costs in North Dakota for our project to come in at \$625 per

square foot, which exceeds projected building costs in some states by over \$150 to \$200 per square foot. If those construction numbers hold true, then our financial projections put us upwards of \$20 million short of where we would need to be to service the debt with only a USDA loan. Because the current RS Means system caps our reimbursement for construction and renovation, we need to find another way to service the debt.

I feel fortunate to consider our facility financially strong – we have no debt and have reserves to draw from if needed. Yet, many small-town banks struggle to provide the amount of capital that a facility like ours needs for major projects and larger lenders are wary to loan out large amounts when our financial projections show gaps in our payment system. A loan guarantee from the Bank of North Dakota provides lenders with confidence and potentially could be used by a facility to negotiate interest rates.

Many long term care providers are experiencing the need to update their failing infrastructure and the assistance of a loan guarantee goes a long way in helping to finance these projects. Our community is eager to see our facility renewed so that it can meet the needs of future generations. Please support House Bill 1550 so that facilities like ours can continue to serve the elderly in a modernized environment that can best meet the needs of staff and residents.

Thank you for your time and consideration. I will stand for any questions you may have.

Trevor Tompkins

Administrator/CEO

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**Testimony on Nursing and Basic Care Facility
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Chairman Ruby and members of the House Human Services Committee. My name is Brad DeJong, CPA, Partner, with Eide Bailly, LLP. Thank you for the opportunity to testify in support of HB 1550, the proposed \$100 million loan guarantee program for skilled nursing facilities (SNFs) and basic care (BC) facilities in North Dakota.

I have worked in the healthcare industry for 31 years with a concentration in senior living and rural healthcare facilities. As a financial business advisor to the healthcare industry, I have worked with multiple facilities in the State assisting them with developing strategic plans to complete needed capital projects and related financial forecasts required to obtain debt funding to build replacement facilities and renovate existing facilities.

Several long-term care facilities in our State are no longer able to efficiently provide services to today's residents due to design and age and are in critical need for infrastructure updates to avoid failures that could lead to a closure of the facility. The infrastructure at these facilities is often located within areas of the buildings that make it impossible to update while continuing to provide care or are simply improperly designed to be retrofitted to allow for modern care delivery and needs. The cost of renovation as a result, is often more costly than building a replacement facility specifically designed to meet today's resident needs and allow for efficient staffing to deal with the shortage of care related employees in the State.

Over the last 5 years, we have seen an unprecedented increase in the cost of construction that has led to the doubling of the cost to complete major renovations or facility replacements based on current estimates. Interest rates are also significantly higher today than they were 5 years ago. Our rate setting system is a set calculation that uses a construction benchmark that has not doubled over the same period causing a deficiency in the rate payments provided to cover the costs incurred to complete projects.

HB 1550 will provide facilities access to funding at rates significantly lower than what can be accessed through traditional debt financing options. With the Guarantee, facilities will be able to access debt at rates 2.5% to 4% lower than without it. The Guarantee will allow for additional access to financing necessary to fund planned projects and also allow facilities that don't have strong financial positions to access needed funding.

HB 1550 will also reduce the annual interest expense a facility will recognize in setting rates that will lead to reductions in rates to both private pay residents and Medicaid covered residents. These reductions will also benefit the State by reducing its share of the Medicaid payments.

Chairman Ruby, members of the committee, I urge your support with a Do Pass for this important initiative to strengthen the future of long term care in North Dakota. Thank you for your time and consideration, and I am happy to answer any questions.

Bradley DeJong, CPA
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**Testimony on Nursing and Basic Care Facility
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House Human Services Committee
January 28, 2025
HB 1550**

Chairman Ruby and members of the House Human Services Committee, thank you for the opportunity to testify in support of HB 1550. My name is Doug Panchot, Administrator, Souris Valley Care Center located in Velva. We are a 46-bed skilled nursing facility with an attached 16 unit assisted living facility. Our facility has been in operation since 1979. We have served the great community and many surrounding rural communities for over 45 years.

As with most rural senior living facilities in our great state of ND we were started by local visionaries in the Velva community seeing a need to serve our older population who can't care for or be cared for at home. Over the years our facility has had a few different additions with the most notable being the addition of the 16-unit, 2-bedroom 1 bath assisted living apartments in 1999. In the past the facility has had the ability to upgrade the skilled nursing facility with HVAC equipment and interior finishes. These items are helpful, but we still have the challenges of many semi-private (shared) rooms, which means that there are small, shared bathrooms and very little personal space for our residents. Most of our infrastructure throughout the 46-bed skilled nursing facility is original which has the potential for costly repairs if there is a catastrophic failure. Not only is there the cost of repairs but also the challenges with relocating or placing residents in a different area or facility to complete the work needed to get the systems back on-line.

It has been almost two years since our local Board of Directors, at a strategic planning meeting, had charged me with looking into alternatives to have better and more options to provide senior care to the community of Velva. The market study that was completed identified two main areas. One of those being the need for private rooms to provide skilled nursing services and second, the need for basic care beds in our community.

We have the land on our campus to replace our 46 skilled nursing beds with new attached skilled nursing facility with mainly private rooms. This will give our residents more personal space than our current semi-private rooms along with more efficiency for our employees to care for those we serve. The plan would be for us to convert the current twenty-five semi-private rooms in our skilled nursing facility into twenty-five private basic care beds. We would have to do some minor remodeling in these rooms, but it is something that is very realistic.

We have recently started the process with USDA to apply for Rural Development dollars. Over the last months we have worked with architects on this potential project. In discussions with the architect firms and hearing from some of my colleagues, building costs are coming in at well over \$600 per square foot. This cost is well above the building costs that are seen across the country. If those costs are accurate, we would be looking at a shortfall of over \$24 million that we would need to service the debt beyond a USDA loan. Because the current RS Means system caps our reimbursement for construction and renovation, we need to find another way to service the remaining debt.

Our facility in Velva has really worked hard over the last number of years to be financially strong and debt free. We have been able to build

reserves and now have the ability to tap into if needed. Having a low interest loan option from the Bank of North Dakota would help bridge the gap from USDA funding so we can better care for our community members that need our services. Having a loan guarantee program from the Bank of North Dakota would assist our local lenders and other regional lenders with the assurance needed to help provide dollars for the required financing package to complete these necessary projects.

Our facility and our community is eager to see our facility transformed so we can meet the demands and needs of future generations. Many senior care providers are experiencing the same needs we have in Velva and the assistance of a loan guarantee goes a long way in getting these projects financed.

Chairman Ruby, members of the committee, I urge your support with a Do Pass for this important initiative to strengthen the future of long-term care in North Dakota. Thank you for your time and consideration, and I am happy to answer any questions.

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2025 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee Pioneer Room, State Capitol

HB 1550
2/10/2025

Relating to a nursing and basic care facility loan guarantee program.

9:44 a.m. Chairman M. Ruby opened the meeting.

Members Present: Chairman Ruby, Vice-Chairman Frelich, Representatives Beltz, Bolinske, Davis, Dobervich, Fegley, Hendrix, Holle, Kiefert, Rios, Rohr

Members Absent: Representatives K. Anderson

Discussion Topics:

- Committee action

9:44 a.m. Representative Rohr moved a Do Not Pass.

9:44 a.m. Vice-chairman Frelich seconded the motion.

Representatives	Vote
Representative Matthew Ruby	Y
Representative Kathy Frelich	Y
Representative Karen Anderson	AB
Representative Mike Beltz	Y
Representative Macy Bolinske	Y
Representative Jayme Davis	Y
Representative Gretchen Dobervich	Y
Representative Cleyton Fegley	Y
Representative Jared Hendrix	Y
Representative Dawson Holle	Y
Representative Dwight Kiefert	Y
Representative Nico Rios	Y
Representative Karen Rohr	Y

9:45 a.m. Motion passed 12-0-1.

Representative Kiefert will carry the bill.

Chairman M. Ruby closed the meeting.

Jackson Toman, Committee Clerk

REPORT OF STANDING COMMITTEE
HB 1550 ([25.1223.01000](#))

Human Services Committee (Rep. M. Ruby, Chairman) recommends **DO NOT PASS** (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1550 was placed on the Eleventh order on the calendar.