

Testimony
House Bill 1327 – Department of Human Services
Long Term Care Committee
Representative Gary Kreidt, Chairman
March 10, 2010

Chairman Kreidt, members of the Long Term Care Committee, I am Karen Tescher, Assistant Director of the Long Term Care Continuum of Medical Services, for the Department of Human Services. I am here today to provide you with an update of the Assisted Living Facility rent subsidy pilot project provided for in 2009 House Bill No. 1327.

Section 1 of 2009 House Bill 1327 states:

"Before March 1, 2010, the department of human services shall grant \$200,000 to a facility under section 23-16-01.1 which incurs a transfer of the location of all the facility's beds and a change of operator before June 1, 2009, for costs associated with the remodeling of the facility. In order to receive a grant, a facility shall agree to:

1. Meet the requirements of both an assisted living facility and a basic care facility;
2. Use at least \$50,000 of the grant to conduct a rent subsidy pilot project for at least four assisted living residents; and
3. Report to the department of human services on the success of the rent subsidy pilot project compared to the basic care assistance program."

And, Section 2 states: "There is appropriated out of any moneys in the health care trust fund, not otherwise appropriated, the sum of \$200,000 or so much of the sum as may be necessary, to the department of human

services for the purpose of providing a grant as provided for in section 1 of this Act, for the biennium beginning July 1, 2009, and ending June 30, 2011. The department of human services may not spend this funding prior to January 1, 2010."

The Department staff have had several meetings with Paul Bakkum, President of the Board of Directors for Golden Manor Inc. and Muriel Peterson, Consultant for the Golden Manor Board of Directors. In addition, Paul gave an update report to the Medicaid Medical Advisory Committee on October 27, 2009. The Department is entering into a contract with Golden Manor with an effective date of March 1, 2010.

The scope of work of the contract will be:

As dictated in 2009 HB 1327, the grantee must meet the requirement of both an assisted living facility and a basic care facility. At least \$50,000 of the grant must be used to conduct a rent subsidy pilot project for at least four assisted living residents. A written report prescribed by the department must be submitted on the success of the rent subsidy pilot project compared to the basic care assistance program by December 1, 2010. A final written report prescribed by the department is due by June 30, 2011. The grantee must provide a description of the amenities and individualized support services included in the baseline rent. The individual receiving rent subsidy must be Medicaid Eligible and have a functional need as established by a county case manager in 1 of the following ADLs; bathing, dressing, transferring, toileting, continence, inside mobility, or eating; or 3 of the following IADL's meal preparation, laundry, housekeeping or medication assistance. At a minimum, a functional assessment must

be completed every 12 months for an individual receiving a rent subsidy. The monthly rent subsidy may not exceed \$1000 per month or the difference between the base rent less one-third of the individual's monthly maintenance income. Request for reimbursement must be submitted to the Department monthly including documentation describing remodeling costs and rent subsidy expenditures by individual.

In preparation for this testimony, the Department requested information on the current status of the Steele project. The following information was received from Muriel Peterson, Consultant on behalf of the Golden Manor Board.

"The Board is committed to re-opening Golden Manor as soon as possible. But there are some obstacles to overcome. The Board has learned converting a 50-bed skilled facility to a 10-bed basic care facility and 10 assisted living units comes at considerable cost.

The architect's estimate for remodeling Golden Manor to meet licensure requirements is slightly more than one million dollars (\$1,000,000+). On Friday, February 26, the Board directed the architect to come back with costs based on what ifs -- what if this were cut, what if this was done another way, what if ... The greatest share of the remodeling cost is to convert two (2) wings to 10 assisted living units. Doing the minimum to be licensed as an assisted living facility requires; for example, expanding the bathroom to include a shower. This necessitates changes in wall placement and cutting into concrete for the needed plumbing. There will be electrical appliances in each unit, thus the need to increase electrical capacity. Just adding

the door locks, peep-holes and replacing the kick plates to the solid-core 44-inch wide doors, required in a nursing facility, has its cost. Numerous "little" changes become costly in total. This leads to whether Golden Manor would do better as solely a basic care facility. Also, what happens to those tenants in assisted living on rent subsidy come July 1, 2011?

For such a small facility it is difficult to achieve economy-of-scale. To incur significant debt will only add to the tenuous cash flow. Based on the available remodeling estimates, the question is whether the project is viable. Until there is more data from the architect for Board review, no timeline can be established. A community meeting – town hall – will be held once the new cost estimates are available. It is important the Board receive input from the community in determining what level of indebtedness Golden Manor should assume. Retirement of debt adds to the precarious anticipated cash flow. The Board of Golden Manor is struggling with how to have a successful basic care and assisted living operation after the remodeling, not just remodeling decisions. Rather than rushing into a conversion project that might be doomed, the Board considers it more prudent to weigh all options carefully.

No remodeling can start until approval is obtained from the State Health Department. The Health Department can't act until the Board makes a final decision on the remodeling plans. The goal is to have decisions made and remodeling plans approved so work can start soon, with the facility being operational by the fourth quarter of 2010.

The Board has hired a consultant to implement the rent subsidy pilot project as set forth in the contract with the Department of Human Services. The Golden Manor Board hoped it would have more input into the development of the rent subsidy. And as mentioned above, the question has been raised about what happens to the tenants on rent subsidy when the pilot ends June 30, 2011.

By December 1, 2010 Golden Manor will provide the written report as required in the contract. That report will include details not possible to provide at this stage."

I would be happy to answer any questions you may have.