HOUSE APPROPRIATIONS HUMAN RESOURCES SUB-COMMITTEE

REGARDING ENGROSSED HB 1252

FEBRUARY 3, 2005

Chairman Delzer and members of the committee, I am Barbara Fischer, Manager Long Term Care and Hospital Services with the Department of Human Services. I appear before you today to provide information on HB 1252. The Department's position on this bill is neutral.

This bill amends certain ratesetting provisions for nursing facilities. Chapter 50-24.4 was enacted in 1987 to establish a case-mix rate equalization payment system for nursing facilities. Throughout the years different provisions have been amended while maintaining the case-mix rate equalization concept.

There are only two provisions in this bill that actually effect the nursing facility ratesetting calculations. Other amendments included in the bill are cleanup amendments and have no fiscal impact.

The first provision is in Subsection 4 on page 2. This section changes the minimum, below which limits cannot be set from the 60th percentile facility rate per cost category, to the median rate per cost category, and requires a new base period. The Governor's budget for long term care includes calculating the limits to be applied to the rate year beginning January 1, 2006 at the median plus 20% for Direct, 20% for Other Direct, and 10% for Indirect based on the cost report year ending June 30, 2003. Use of the median plus 20/20/10 was based on the methodology and percentages recommended by Myers and Stauffer in a 2002 study of North Dakota's nursing facility ratesetting processes. Myers and Stauffer also stated "the recommendation also allows for this suggested median plus level to be

reduced or raised in proportion to our suggested limit levels to fit within the Medicaid funding limitations."

The second significant provision is Section 9 on page 4. This section provides that rebasing of the limits will occur at least every 4 years which was the minimum recommended by Myers and Stauffer in the 2002 study. Nursing facility limits were rebased January 1, 1994 using the 1992 cost report; January 1, 2000 using the June 30, 1996 cost report; and January 1, 2002 using the June 30, 1999 cost report. The Governor's budget includes rebasing when determining the median plus using the June 30, 2003 cost report for the rates effective January 1, 2006. The rebasing in 1994 and the Governor's budget was not legislatively initiated in comparison to the rebasing in 2000 and 2002 which was a direct result of legislation.

Section 9 references the cost report period June 30, 2007. To ensure there is no misunderstanding in the future as to which rate year any limits established or reestablished under this bill are to be applied, we suggest including language to identify the rate years that would be effected by using the June 30, 2007, and subsequent cost report period as base periods. I have attached some suggested language that would identify the rate years.

That concludes my testimony and I'd be happy to answer any questions you may have.

Engrossed HB 1252
Suggested language regarding base period and rate year dates

Page 4, delete lines 8 and 9 and replace with:

9. For the rate year beginning January 1, 2010 and at least every four years thereafter, the department shall establish limits using a new base period. The first cost report year to be used as a new base period shall be the cost report year ending June 30, 2007.