

**2015 HOUSE HUMAN SERVICES**

**HB 1286**

# 2015 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee  
Fort Union Room, State Capitol

HB 1286  
1/20/2015  
Job #22213

- Subcommittee  
 Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

Relating to medical facility infrastructure loan program.

## Minutes:

Attachments: #1, #2, #3, #4, #5

Chairman Weisz opened the hearing on HB 1286.

**Rep. Jon Nelson:** Introduced and supported the bill. The loans are 1% loans with a maximum of \$15-million per recipient. Some of the applicants weren't able to maximize the \$15-million because of allotments. So we are adding language that allows a second application for the difference between what they received in this biennium to the \$15-million max. So, if they were allotted \$12-million, they would still have \$3-million available. They'd still be capped at the \$15-million, but they would be able to reach that \$15-million. The source of funding is the other change. We utilized the Bank of ND as a funding source for this biennium. The 1% loan money made a difference in a project at Rugby. It basically made a new project feasible in our situation. Without it no one would have been able to build an addition or build a new hospital. Certainly in western North Dakota, that is a need. No one is necessarily tied to bank profits or another funding mechanism, but there will be a number of issues that the Appropriations Committee will have to tackle from a funding standpoint if this legislation goes through. We're not tied to that particular model. It just made sense that there would be an alternative that would be provided.

5:40

**Jerry Jurena:** President of the ND Hospital Association testified in support of the bill. (See Testimony #1)

**Daniel Kelly:** CEO McKenzie County Healthcare Systems Inc. in Watford City: testified in support of the bill. (See Testimony #2)

11:12

**Rep. Dick Anderson:** In critical access hospitals, we have two problems. One is infrastructure, and the other is recruitment. Have you found it easier to recruit physicians or providers with a better facility? Or don't you know yet?

**Kelly:** We're beating that drum as loud as we can. We truly believe that will help. Will it be the total solution? I don't know. Our hospital was built with one dedicated emergency room at a time that we were seeing 15 patients a month. Today we're seeing over 550 and sometimes in excess of 600. So, if you're a physician looking to come to a facility, and you're coming to a hospital that's 60 years old, it's under-sized. That's going to have a bearing on that decision. Unfortunately North Dakota is competing with all other 50 states in the recruitment of primary care physicians. So, to be succinct, I have to believe it will help. I don't know that I have seen the fruit of that at this particular juncture.

**Rep. Fehr:** In the bill there is a preference to oil producing counties. Jerry had suggested that not be there. You're from Watford City; would you like to comment?

**Kelly:** I would like to see that, because I think that we are struggling, but it should be open to all hospitals. My personal thought would be that there might be some preference given to that in the consideration. There are other hospitals that are struggling. They may not be at the same level as some of us in the west, but this is becoming more pervasive.

**Darrold Bertsch:** CEO of Sakakawea Medical Center in Hazen, ND testified in support of the bill. (See Testimony #3)  
16:33

**Chairman Weisz:** The original cost of your project was how much?

**Bertsch:** The original cost was around \$10,000,000.

**Chairman Weisz:** So it doubled; is that what you're saying?

**Bertsch:** We expanded the scope of the project. We were just going to add the clinic on, and an ER. But as we did facility needs, we determined that there are several things within our facility that need to be improved upon. And that if we didn't take the opportunity now to fix them, and update our facility as a whole, it would be a mistake. From the original proposal that we received for the total construction costs, our costs are up 30%. I'm handing in testimony for (See Testimony #4) Christy Obenauer.

**Becky Hansen:** CEO of Southwest Healthcare Services in Bowman, ND testified in support of the bill. (See Testimony #5)  
20:08

**Chairman Weisz:** What is the cost of your project?

**Hansen:** We have struggled to get enough subcontract bids in our region at affordable prices. Some of them are coming in extremely high. We still have about 20 percent of our bids out that have not been turned in yet. We have a construction start date of March 1<sup>st</sup>, so we are anticipating getting this lined up and ready to go, but we are seeing 25-30 percent increase, which is considerable on a \$25-million project.

**Rep. Fehr:** You said you would like the opportunity to request the additional \$2.5-million. If the house bill is passed as is, is that there? Or are you saying that there needs to be something more?

**Hansen:** There is always need for something more when you're looking at a capital project of this size. But I would say we could do a lot with the \$2.5-million, but if there is a way to increase it to more, of course, we would be very willing to accept that.

**Chairman Weisz:** In the bill, they would be able to come back for the 2.5. That would be taken care of in the bill.

22:00

OPPOSITION:

**Erik Hardmeyer, President of the Bank of ND:** I don't rise to oppose this bill. I just wanted to bring to your attention the ongoing needs coming from this legislature to the Bank of North Dakota. It has listed here that the Bank of North Dakota is a \$50-million provider of funds. Just for your information, I will tell you at this point, there are six bills impacting the Bank of North Dakota's profits, totaling over \$265-million coming out of the bank. While it's your job to appropriate the money, our job is to protect the capital of the bank. We have worked with the Governor's office and with others. I just wanted you to know where the Bank is at and what we're capable of doing. Our ability is to provide funding of about \$140-million to the Legislature in terms of total transfers. I know the Appropriations Committee will work. I just wanted to bring this to your attention, that we are looking at all these bills and bring it to your attention. I know that Rep. Nelson said they're not married to this funding source, and we make no opinion on the needs of this over others. I will tell you that we had a record profit of \$111-million. We are projecting even with the downturn in the economy of the oil patch, that we're still going to earn about that much money. So, over the course of the next biennium, we think that we will earn around \$240-million. That's why we've come up with the formula that we can afford 140 of that going out to help the state in their funding needs, which, since oil is reduced in price, we know that the attention is going to be turned to a lot of other funding sources. So, that leaves us 100-million for capital growth.

**Rep. Porter:** Can you give us an overview of the existing fund? The balances, the number of loans, the repayment coming back in, and how that is sitting?

**Hardmeyer:** I could tell you specifically there are five loans right now that we have committed to \$43-million. There is another one that we've talked about with Sakakawea that's in the application phase that will take up the remaining 6.7. There will be very little coming in over time.

**Chairman Weisz:** None of the money has gone out yet anyway, correct?

**Bank of ND:** Correct.

NO OPPOSITION

Chairman Weisz closed the hearing on HB 1286.

# 2015 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee  
Fort Union Room, State Capitol

HB 1286

2/9/2015

Job #23451

Subcommittee

Conference Committee

Committee Clerk Signature

*Kenneth M. Torkelson*

## Explanation or reason for introduction of bill/resolution:

Amendments to a bill relating to the medical facility infrastructure loan program.

## Minutes:

**Chairman Weisz:** I'll explain these amendments. I had some conversations with Appropriations, and the desire to at least keep this alive. What this amendment would do is: the \$50-million stays in there, takes it away from the Bank of North Dakota, pulls it out of the StIIF funds only if it meets the trigger of \$75. I think there's no question it was going nowhere out of the Bank of North Dakota. I'm assuming if Appropriations, if they look favorably, they're obviously going to fool with the numbers and the trigger. Maybe by the end of the session, it can fit in out of StIIF.

**Rep. Oversen:** I believe on the last section, dealing with date, it should be July 1, 2015.

**Rep. Porter:** Looking at the trigger; in order for it to keep the other triggers off, or to minimize the effects of the other triggers, it has to be a 30-day time period.

**Chairman Weisz:** I had that conversation with Appropriations, and they suggested that I didn't want to do a 30-day period. I agree with you. I was a little surprised, too.

**Rep. Porter:** I would move the amendment with the typo change so that on page 4, line 8, verbiage, the date is July 1<sup>st</sup>, 2015.

**Rep. Mooney:** Second

**Chairman Weisz:** Any discussion on the amendment?

VOICE VOTE TAKEN

**Chairman Weisz:** The motion carries by voice vote.

**Chairman Weisz:** Any further amendments for HB 1286?

**Chairman Weisz:** What are the committee's wishes?

**Rep. Mooney:** I would offer a Do Pass on HB 1286 as amended, and re-refer to Appropriations.

**Rep. Bert Anderson:** I second.

**Chairman Weisz:** Any discussion on the bill?

**Rep. Porter:** I think we're making an ongoing program out of something that was to be a one-time kind of situation. I think that medical facilities are in a situation where they have all sorts of different funding options, and all sorts of abilities from sales tax dollars in their community to low interest MIDA bonds to tax-free municipal bonds to just about anything. I think that by moving this type of bill forward, we're creating a never-ending program that until every single hospital in the state has accessed it, will never go away, and I don't know if it will then, either. I'm not going to support it again.

**Rep. Hofstad:** Looking at the amendment and sending it down there, you're really setting ourselves up for failure. To send this thing down there is something that we ought not to do. My fear again is that we establish this loan program and it just never ends. I know there's hurt out there, but I don't like the amendment and I don't like the way this program is crafted. I don't like seeing it again and again, and I'm afraid we will. I'm going to oppose it.

**Rep. Mooney:** I really think we hear repeatedly what the needs and the impacts to our hospitals are, particularly in the central to western side of the state. My side of the state is OK. Over on the western side of the state, I keep hearing anecdotal and empirical evidence that these hospitals aren't making it. I agree, there's a number of alternatives, but it seems like they're doing everything they can to support themselves through their communities and through other means. We need to do what we can to make sure we don't lose hospitals in North Dakota. Our rural areas just can't to have even one go out of business. It would be catastrophic to those areas.

**Rep. Muscha:** I agree with Rep. Mooney. But you don't have to go that far west. Valley City hospital has very definite issues. Their administrator has expressed support.

**Chairman Weisz:** The clerk will call the roll for a Do Pass As Amended, Re-referred to Appropriations.

YES: 9 NO: 4 ABSENT: 0

MOTION FOR A DO PASS HB 1286 AS AMENDED TO BE RE-REFERRED TO APPROPRIATIONS CARRIES, WITH FLOOR ASSIGNMENT TO REP. MOONEY.

*2/9/15*

February 9, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1286

Page 1, line 2, after "a" insert "contingent"

Page 4, line 4, after the boldfaced period insert "**CONTINGENT**"

Page 4, line 4, replace "**BANK OF NORTH DAKOTA**" with "**STRATEGIC INVESTMENT AND IMPROVEMENTS FUND**"

Page 4, line 5, replace "Bank of North Dakota" with "office of management and budget"

Page 4, line 6, remove "Bank's current earnings"

Page 4, line 7, replace "and undivided profits" with "strategic investment and improvements fund"

Page 4, line 8, remove "As provided under section 6-09-47, after June 30,"

Page 4, replace lines 9 through 11 with "The office of management and budget may transfer the funds under this section if the average price for a barrel of west Texas intermediate cushing crude oil, as those prices appear in the Wall Street Journal, during the period beginning July 1, 2015, and ending December 31, 2016, is at least \$75."

Renumber accordingly

Date: 2-9-15  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1286

House Human Services Committee

Subcommittee

Amendment LC# or Description: see below

- Recommendation:  Adopt Amendment  
 Do Pass     Do Not Pass     Without Committee Recommendation  
 As Amended     Rerefer to Appropriations  
 Place on Consent Calendar  
Other Actions:  Reconsider     \_\_\_\_\_

Motion Made By Rep. Porter Seconded By Rep. Mooney

Representatives	Yes	No	Representatives	Yes	No
Chairman Weisz			Rep. Mooney		
Vice-Chair Hofstad			Rep. Muscha		
Rep. Bert Anderson			Rep. Oversen		
Rep. Dick Anderson					
Rep. Rich S. Becker					
Rep. Damschen					
Rep. Fehr					
Rep. Kiefert					
Rep. Porter					
Rep. Seibel					

*voice vote*  
*carried*

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
page 4 line 8 2015

Date: 2-9-15  
 Roll Call Vote #: 2

**2015 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1286**

House Human Services Committee

Subcommittee

Amendment LC# or Description: 15.0772.01001

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Rep. Mooney Seconded By Rep. B. Anderson

Representatives	Yes	No	Representatives	Yes	No
Chairman Weisz	✓		Rep. Mooney	✓	
Vice-Chair Hofstad		✓	Rep. Muscha	✓	
Rep. Bert Anderson	✓		Rep. Oversen	✓	
Rep. Dick Anderson	✓				
Rep. Rich S. Becker	✓				
Rep. Damschen		✓			
Rep. Fehr		✓			
Rep. Kiefert	✓				
Rep. Porter		✓			
Rep. Seibel	✓				

Total (Yes) 9 No 4

Absent 0

Floor Assignment Rep. Mooney

If the vote is on an amendment, briefly indicate intent:  
moves funds from BANK OF ND to ST IIF if trigger of \$75 is met.

**REPORT OF STANDING COMMITTEE**

**HB 1286: Human Services Committee (Rep. Weisz, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (9 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1286 was placed on the Sixth order on the calendar.

Page 1, line 2, after "a" insert "contingent"

Page 4, line 4, after the boldfaced period insert "**CONTINGENT**"

Page 4, line 4, replace "**BANK OF NORTH DAKOTA**" with "**STRATEGIC INVESTMENT AND IMPROVEMENTS FUND**"

Page 4, line 5, replace "Bank of North Dakota" with "office of management and budget"

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Renumber accordingly

**2015 HOUSE APPROPRIATIONS**

**HB 1286**

# 2015 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

HB 1286  
2/12/2015  
23790

- Subcommittee  
 Conference Committee

*Amanda Muscha*

**Explanation or reason for introduction of bill/resolution:**

Relating to the medical facility infrastructure loan program; to provide for a transfer; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

**Minutes:**

Chairman Delzer: Opened hearing on HB 1286

Representative Weisz: This bill is an old friend. It mimics legislation we did two years ago. We set up the loan for a medical facility, infrastructure, loan program two years ago. Through the bank of ND it has been fully utilized. The bill is to continue the program. It is also for 50 million and the money is coming out of the stiff fund with the trigger: which is if the current price hits 75 that at the end of the day the funds would be available.

Chairman Delzer: You're saying that the way you put the trigger in there between July 15 and December 31 of 16, a year and a half, it has to average 75.

Representative Weisz: The intent was that if on any given day it closes at 75 or higher, you don't believe that language said that? I will leave how to apply the trigger up to you.

Chairman Delzer: Wasn't this funded along with the school construction and didn't the school construction take all the money?

Representative Weisz: No they got their 50 million. One of the reason why you are seeing it again is it is a max of 75% of the loan amount or of the construction. This is a loan program 1% interest plus administration fees. We will be paid back.

Chairman Delzer: Set up at 75% of the cost?

Representative Weisz: That is the maximum they can qualify for.

Chairman Delzer: So there is no cap.

Representative Weisz: It is capped. They can't get any more than 15 million.

Chairman Delzer: Schools are capped a lot lower than that.

Representative Weisz: Yea building the facilities is expensive.

Chairman Delzer: Why did you need the legislation again? Was it sunset?

Representative Weisz: It is used up.

Chairman Delzer: Everything was in there; couldn't you just put more money in it?

Representative Weisz: The language did change a little. There is language that says someone who is already qualified can apply again as long as they don't exceed 15 million total. This would apply to any facility.

Chairman Delzer: Last year's was only for the western part.\

Representative Weisz: Yes.

Representative Pollock: It is possible that one day 75 wouldn't be that welcomable, but if you're going state wide with 50 million and it is 15 million. Four of the bid hospitals could get all that money. Are there any guidelines as far as the critical access that they get so much money?

Representative Weisz: There a task force that has to review the applications and set the eligibility. It does set a priority also. In theory yea but I would hope the task force that sets up the criteria would look at those facilities that need it.

Chairman Delzer: I would say you want to open it up so they could apply for another.

Representative Weisz: The reason the language was in there with again if someone came in with 10 million project and they received 7.5 million. When bids came back at 15 million they would have originally got 75% of that.

Chairman Delzer: Who is the first holder of the means? Where do they get the other 25%?

Representative Weisz: They can get it internally, from a bank, there are no limitations.

Chairman Delzer: Is there any guarantee on any of this?

Representative Weisz: That is up to the bank of ND to determine it.

Chairman Delzer: I don't think anyone else would if the bank of ND had first position.

Representative Weisz: It is better to get 75% at 1% and have a community kick in also.

Representative Skarphol: I could speak in the case of Tioga. We are on a high level on involvement. The community voted a .5% sales tax to pay off costs associated with it. Other have done the same to invest in things.

Representative Kempenich: In the case of Watford city they are getting donations form companies and I think others are doing the same. The only thing the bank is involved in is initial. It is mostly community involvement.

Representative Nelson: To answer your question on the facility or the same hospital reapplying, there was one case based on something that they were only able to access 12 million from the 15 max and the costs of the project would allow them to go to the max. That is why they want to the ability to reapply. In hospital reimbursement I have seen projections from consultant groups that are respected and they were amazed at the ability of a project to pay for itself with this tool.

Representative Weisz: They were awarded 6.7 million based on the 75%. Now they found out the costs have increased and they want to be able to access the missing amount from 15 million.

Chairman Delzer: If you have one day above 75 and take it the way your trigger is as soon as that happens they are supposed to transfer the money? What if there is not money to transfer?

Representative Weisz: Well that might be a problem. There have been discussion about doing projects based on triggers. We thought it made sense to look at it.

Representative Nelson: The original bill was a transfer of funds from the bank of ND. We thought this was a good program with the bank would use in their portfolio really should be a revolving fund and we wouldn't have to come back to this. It is going to be needed. The bank of ND has been requested of 240 million from their 140 million.

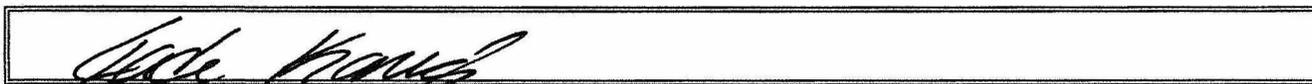
Chairman Delzer: Closed hearing on 1286.

# 2015 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

HB 1286  
2/23/2015  
24265

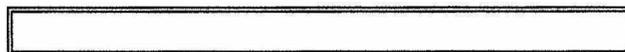
- Subcommittee  
 Conference Committee



## Explanation or reason for introduction of bill/resolution:

Relating to the medical facility infrastructure loan program; to provide for a transfer; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

## Minutes:



**Chairman Jeff Delzer:** If the situation of the issue goes forward in 1443 we will hold 1137 and 1286 until we take care of 1443 if we have any consternation or anything, but again I think this is one that we are dealing with in 1443 so I don't see a need for the bill to go forward.

**Representative Nelson:** I move a Do not pass

**Representative Thoreson:** Seconded

Motion to Do Not Pass.

Motion by Representative Nelson.

Second by Representative Thoreson.

Total Yes 17. No 6. Absent 0.

Motion Carries.

Floor assignment Representative Streyle.

Date: 2/23/15  
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1286**

**House Appropriations Committee**

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By: Nelson Seconded By: Thoreson

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer	✓			Representative Nelson	✓			Representative Boe		✓	
Vice Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glasheim		✓	
Representative Bellew	✓			Representative Sanford	✓			Representative Guggisberg		✓	
Representative Brandenburg	✓			Representative Schmidt	✓			Representative Hogan		✓	
Representative Boehning	✓			Representative Silbernagel	✓			Representative Holman		✓	
Representative Dosch	✓			Representative Skarphol		✓					
Representative Kreidt	✓			Representative Streyle	✓						
Representative Martinson	✓			Representative Thoreson	✓						
Representative Monson	✓			Representative Vigesaa	✓						
	<u>9</u>	<u>0</u>	<u>0</u>		<u>8</u>	<u>1</u>	<u>0</u>		<u>0</u>	<u>5</u>	<u>0</u>

**Totals**

(Yes)	<u>17</u>
No	<u>6</u>
Absent	<u>0</u>
<b>Grand Total</b>	<u>23</u>

Floor Assignment: Streyle

If the vote is on an amendment, briefly indicate intent: \_\_\_\_\_

**REPORT OF STANDING COMMITTEE**

**HB 1286, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)**  
recommends **DO NOT PASS** (17 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed HB 1286 was placed on the Eleventh order on the calendar.

**2015 TESTIMONY**

**HB 1286**



North Dakota Hospital Association

**Vision**

*The North Dakota Hospital Association will take an active leadership role in major Healthcare issues.*

**Mission**

*The North Dakota Hospital Association exists to advance the health status of persons served by the membership.*

# ( HB 1286  
1/20/2015

**Testimony: HB 1286  
Medical Facility Infrastructure Loan Program  
House Human Service Committee  
January 20, 2015**

Good morning Chairman Weisz and Members of the Human Service Committee. I am Jerry E. Jurena, President of the North Dakota Hospital Association. I am unable to be present at this hearing as I am testifying in Senate Appropriations on the Department of Human Services Appropriation Bill.

I am providing written testimony in support of HB 1286 and ask that you provide a **Do Pass** on this bill.

HB 1286 is a continuation of a bill passed in 2013. The Legislature passed SB 2187 in 2013 which provided \$50 million to hospitals at a 1% interest rate. The maximum loan a hospital could receive was \$15 million or 75% of the project, whichever was less. A project had to be at least one million dollars in size and have a usefulness of 30 years. Loans were to be paid back over 25 years. Preference was given to hospitals in oil producing counties.

The Governor appointed a committee to make recommendations to the Bank of North Dakota which processed the loans.

In August of 2013 the committee sent out information to all the hospitals regarding the program. The committee received six applications for a total of \$60 million. The committee recommended all six hospitals receive some funding. The recommendation was then sent to the Bank of North Dakota listing the projects and the recommended dollar amounts for each.

In September of 2014 the North Dakota Hospital Association (NDHA) staff surveyed the hospitals regarding upcoming capital projects for 2015 and

2016. Again we have a number of hospitals that are looking at updating/remodeling their outpatient departments and emergency rooms to meet the increased demands due to the growth in population.

We ask that the same criteria be used as in SB 2187 and that it again be open statewide without preference to oil producing counties.

Several of the hospitals that received the low interest loans said that their project would not have been started without the help of the low interest loans.

I thank you for your consideration. I ask that you support and give HB 1286 a **Do Pass**.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Jerry E. Jurena". The signature is stylized with a large, looped initial "J" and "E".

Jerry E. Jurena, President  
North Dakota Hospital Association

#2  
HB1286  
1/20/2015

**Testimony In Favor of House Bill 1286**  
**House Human Services Committee**  
**January 20, 2015**

Chairman Weisz and members of the House Human Services Committee I testify today in support of House Bill 1286, which reenacts the medical facility infrastructure loan program.

For the record my name is Daniel Kelly, and I am the Chief Executive Officer of the McKenzie County Healthcare Systems, Inc. in Watford City, North Dakota. The McKenzie County Healthcare Systems, Inc. consists of the Critical Access Hospital, Skilled Nursing Facility, Basic Care Facility, Assisted Living Facility, Rural Health Clinic and the Connie Wold Wellness Center.

Hospitals are a vital component of a community infrastructure. We are often the largest employer in a community. Also when businesses and individuals consider where they will locate they choose a community which has a good school system and a viable hospital.

Our physical plants are overwhelmed given the current age of our structures coupled with the significant increases we are experiencing in emergency room visits, clinic visits as well as utilization of our outpatient departments.

While we will need to demonstrate that our balance sheet supports our ability to repay this loan, having access to lower interest money will make the difference between our being able to make the necessary changes to our physical plants or not.

Specific to the McKenzie County Healthcare Systems, Inc. we were the recipient of a \$12,500,000.00 loan from the Bank of North Dakota this last biennium. The Bank of North Dakota loan and the loan we received from the USDA are the financing mechanism for our project. If it were not for the Bank of North Dakota low interest loan we likely would not have even been able to consider undertaking our replacement facility project. As it is, bids on projects in western North Dakota are coming in higher than anticipated and if that becomes the reality for our project we may find ourselves wanting to access additional loan funds from the Bank of North Dakota.

Approval of House Bill 1286 is beneficial to the economy of North Dakota; necessary to support the provision of medical services and a vital benefit to all the citizens we serve. The medical facility infrastructure loan program was successful last legislative session and the need continues this legislative session.

1

It is for these reasons that I ask you to pass House Bill 1286.

I stand for any questions you may have.

As always I am available by email or telephone to address any questions you may have after today.

Daniel Kelly, CEO  
McKenzie County Healthcare Systems, Inc.  
516 North Main Street  
Watford City, North Dakota 58854  
(701) 842-3000

Email: [dkelly@mchsnd.org](mailto:dkelly@mchsnd.org)

#3  
HB 1286  
1/20/2015

**Testimony in Support of HB 1286  
Medical Facility Infrastructure Loan Bill  
House Human Services Committee  
Tuesday January 20, 2015**

Chairman Weisz and members of the House Human Services Committee; good morning, I am Darrold Bertsch, the CEO of Sakakawea Medical Center in Hazen and the CEO of Coal Country Community Health Center in Beulah. I am here today to testify in support of HB 1286 and ask that you would recommend a do pass on this bill.

Sakakawea Medical Center is a Critical Access Hospital that also owns and operates a Rural Health Clinic, Basic Care Services, Home Health and Hospice Services to the residents of Mercer, Oliver and Dunn counties. As many hospitals in North Dakota we have a need to update our facility. Currently are clinic, which is an older facility we rent with only 6 exam rooms, is located across the street from the hospital. We need to expand the number of exam rooms available for our providers and our visiting specialists that travel to Hazen from Bismarck. This need is in part due to the increased patient encounters we are experiencing. It is our intent to add this clinic onto the hospital complex, making it more convenient for our clinic patients to access lab and x-ray services, and it would enable us to become more efficient by sharing hospital and clinic staff in areas such as nursing and reception.

During the last legislative session, Infrastructure Loan Funds were made available to rural hospitals thru Senate Bill 2187, and we were subsequently awarded \$6.7 million from that fund, which we have yet to access. Since that time we have worked on finalizing our facility plans and have increased the scope of our project to accommodate a more appropriate solution. Additionally with the impact of the oil activity in western North Dakota, the construction costs for our project are now estimated to be in excess of \$20 million. Being able to secure a 1% loan through the Infrastructure Loan Funds, instead of a 4.5% USDA loan would save Sakakawea Medical Center a significant amount of money over the term of the loan. Monthly cash flow savings would be over \$26,000 and total interest savings would be approximately \$8 million over a 25 year term. Saving of that magnitude can be a determining factor in a facility's decision to move forward with a project. It's also worthy to note that our

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community has demonstrated its support for our project through a capital campaign which is projected to raise \$4.1 million to help fund the facility improvements.

As the Chairman of the North Dakota Hospital Association, I am aware of several other hospital projects that would greatly benefit from these low interest loan funds. As you all know, hospitals and clinics are vital to our rural communities, socially, economically and in convenient local access to care. Hospitals must also insure that they are able to accommodate the demands of our demographics and the changing environment in the future delivery of health care services.

I am asking for your support of this bill to make available low interest loan funds that can be used by our rural hospitals to replace older facilities or update their current facilities. I would ask that you give a do pass recommendation on HB 1286.

Thank you for allowing me the opportunity to share my testimony. I would be happy to answer any questions that you may have.

Respectfully,



Darrold Bertsch, CEO  
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January 19, 2015

North Dakota State Legislature  
House Human Services Committee  
State Capitol  
Bismarck, ND

*Handed in  
# HB 1286 #4  
1/20/15  
Christy Obenauer (sp?)  
Board chair,  
Sakakawea Medical Center*

Re: HB 1286 - Medical Facility Infrastructure Loan Bill

Dear Mr. Chairman Weisz, and members of the House Human Services Committee:

Thank you for this opportunity to speak to you via this written correspondence. Please consider this letter my testimony in support of HB 1286, and my request for you to strongly consider a "do pass" on this bill, for the benefit of your constituency.

The robust economy in North Dakota presents significant opportunities, and significant challenges. I see these opportunities and challenges through my work in the banking industry in western North Dakota, and certainly through my position as the Board Chair for Sakakawea Medical Center in Hazen.

Our Sakakawea Medical Center Board of Directors has been considering a major renovation and expansion project for over ten years now. We knew we were going to need to make this investment for the benefit of the communities we serve, but wanted to ensure that we had all of the proper pieces in place before we moved forward. After an abundance of analysis and strategic planning, our Board made the decision to proceed with a construction project about a year ago. With preliminary numbers in hand, we were fortunate to have an opportunity to present, and be approved, for some 1% loan monies appropriated by the State Legislature at the last legislative session. Thank you for that.

What has taken place since that time has been nothing short of staggering. As we began to refine the scope and design of our project, and began the process of

garnering preliminary estimates for the total cost of our project, we quickly realized that the cost of doing a major construction project in western North Dakota was going to be at least twice what we originally anticipated. What a wonderful **opportunity** for every contractor, and sub-contractor in North Dakota to be completely booked with projects! But, what a **challenge** for North Dakota businesses, nonprofit entities, and consumers to get a construction project completed! It's pure economics: when demand is high, and supply is short, prices will go up. And they have. Substantially.

Those economics present Sakakawea Medical Center - and many critical access hospitals like ours across western North Dakota - with the significant challenge of getting our project built in a timely fashion, within a budget that is still feasible, and with a financing package that we can afford. Having access to additional 1% loan monies would go a long way towards making our western North Dakota hospital projects a reality, so that we can continue to serve our communities by providing for their healthcare needs - right here in the rural communities where they live.

Please strongly consider a "do pass" on HB 1286.

Thank you for your time and attention this morning.

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Testimony: HB 1286  
House Human Services Committee  
Medical Facility Infrastructure Loan Program  
Tuesday, January 20, 2015

Good morning Chairman Weisz and members of the House Human Services Committee. I am Becky Hansen, CEO of Southwest Healthcare Services in Bowman and I am here to testify in support of HB 1286 and ask that you would recommend a **Do Pass** on this bill.

Southwest Healthcare Services is comprised of a Critical Access Hospital, a Rural Health Clinic, an ambulance service, a long term care facility, assisted living facility and independent living apartments. Our existing hospital was built over 60 years ago and as one would assume, has many issues with infrastructure and accessibility. Over the past several years, we have been planning for a hospital/clinic building project that would allow us to co-locate a new facility onto our long term care campus which would be staffed more efficiently, provide for more accessibility and better work flow patterns, and enable us to provide quality patient care to those we serve. We have put forth a great effort in our project planning to make this an efficient, cost effective project and feel that we have succeeded in this effort.

Funding for our project comes from several sources which consist of USDA loan funds, Medical Infrastructure Loan funds, and the generous support of our community through contributions to a capital campaign in the amount of \$5 million. We were fortunate to be awarded \$12.5 million from the low interest loan funds that were set aside for medical infrastructure with SB 2187 in 2013. We have completed the process with the Bank of North Dakota and the funds will be available to us as permanent financing upon completion of our project.

As we moved forward with our project, we observed escalating construction costs due to the impact of oil activity in the region. We had originally requested the maximum amount of \$15 million for our building project and we would like to have the opportunity to submit a request for the additional \$2.5 million of low interest funds. Without these low interest funds, we will need to re-evaluate and possibly eliminate certain portions of our project, which we feel is already as efficient as we could make it.

I would ask for your support to once again allocate adequate funds to this low interest program that could accommodate those much needed infrastructure/replacement projects for healthcare facilities in North Dakota. Please consider a **Do Pass** recommendation on HB 1286.

Thank you for the opportunity to share this information with you today and I would be willing to answer any questions you may have.

Thank you.

Respectfully,

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Cell 701-523-6565

A handwritten signature in black ink, appearing to be the initials 'BH' or a similar monogram, enclosed within a hand-drawn circle.