

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### BUDGET COMMITTEE ON HEALTH CARE

Tuesday and Wednesday, August 24-25, 2004  
C'Mon Inn, Fargo, North Dakota  
Fort Abercrombie, Abercrombie, North Dakota  
Veterans Home, Lisbon, North Dakota

Senator Judy Lee, Chairman, called the meeting to order at 1:00 p.m.

**Members present:** Senators Judy Lee, Robert S. Erbele, Tom Fischer, Ralph L. Kilzer, Tim Mathern, Russell T. Thane; Representatives David Drovdal, Joyce Kingsbury, Gary Kreidt, Ralph Metcalf, Vonnie Pietsch, Todd Porter, Jo Ann Rodenbiker, Sally M. Sandvig, Gerald Uglem, Don Vigasaa

**Member absent:** Representative Carol A. Niemeier

**Others present:** John O. Syverson, State Senator, Fargo

Rick Berg, State Representative, Fargo

Arden C. Anderson, State Representative, Wahpeton

Clark Williams, State Representative, Wahpeton

See attached appendix for additional persons present.

**It was moved by Senator Fischer, seconded by Senator Thane, and carried on a voice vote that the minutes of the June 23, 2004, meeting be approved as distributed.**

#### PHARMACEUTICAL ASSISTANCE PROGRAMS STUDY

Chairman Lee called on Dr. Randy Seifert, PharmD, Seifert and Associates, Santa Barbara, California, who presented information regarding prescription drugs cost containment programs. A copy of the information presented is on file in the Legislative Council office. Dr. Seifert said spending on pharmaceutical drugs is projected to increase 15 to 16 percent annually over the next several years primarily due to increased utilization. He said there is anticipated to be a significant demand for new "injectable" drugs currently being developed.

Dr. Seifert said a number of pharmacy initiatives have been developed to control medical costs. He said several states have offered monetary incentives to pharmacists to provide cost avoidance and medication therapy management services. He said the goal of these programs is to realize an overall medical cost savings by preventing health problems before they occur. He said savings realized from efforts to control prescription unit costs and formulary "manipulation" are limited.

In response to a question from Representative Porter, Dr. Seifert said Santa Barbara Regional Health Authority (a county-organized health system) was able to increase the generic drug utilization rate by changing the formulary and by requiring prior authorization for certain brand name drugs that were being overutilized. He said Santa Barbara Regional Health Authority also offers incentives to physicians to prescribe generic equivalents. He said formularies direct the use of a particular drug within a drug class. He said formulary rules allow individuals who have used a nonapproved drug within 90 days prior to the formulary change to continue to use that drug. He said physicians that are considered specialists are exempt from the formulary rules because individuals who receive the services of a specialist are considered to have a more serious illness.

In response to a question from Senator Mathern, Dr. Seifert said Santa Barbara County entered into a contract with a vendor to provide pharmacy benefit management services based on a "flat" per member per month fee.

Ms. Patty Kumbera, Chief Operating Officer, Outcomes Pharmaceutical Health Care, Des Moines, Iowa, presented information regarding medication therapy management services and pharmacist incentive programs. A copy of the information presented is on file in the Legislative Council office. Ms. Kumbera said the Outcomes program is a health care benefit that provides covered members with services from specially trained local pharmacists. She said these services are designed to help members minimize costs and get better results from their medication purchases.

Ms. Kumbera said Outcomes medication therapy management services include comprehensive medication review, medication cost management, drug dosage and compliance monitoring, drug information, and over-the-counter medication consultation. She said improper use of multiple medications can lead to health complications and also become a major source of medication waste. She said examples of medication waste include:

- A high-cost medication is used when a lower cost alternative is available.

- A patient is noncompliant with the prescribed regimen.
- A patient requires additional medical treatment due to a side effect or reaction to a medication.
- A medication fails to achieve the intended results.

Ms. Kumbera said Outcomes Pharmaceutical Health Care has developed an estimated cost avoidance model based on the pharmacist assigning a severity rating for each claim or finding. She said the ratings range from level 1 (improved quality of care) to level 7 (avoidance of a life-threatening situation). She said the Outcomes program typically bases its fees on a per member per month basis. She said the fees collected are placed in a "risk pool" to pay pharmacists for providing covered services and for administrative costs. She said Outcomes Pharmaceutical Health Care guarantees that the savings recognized, based on the cost avoidance model, will exceed the annual program costs or the company will refund the difference. She said comparative studies have been conducted to support the dollar amount of savings recognized under the cost avoidance model. She said an independent, third-party quality assurance company audits claims for reasonableness and proper documentation.

Ms. Kumbera said the estimated total cost avoidance achieved through the Outcomes program is regularly reported to the payers. She said the report also includes group information detailing why pharmacist services were needed, the result of the pharmacist's actions, and how the pharmacist resolved the problems. She said pharmacists are also evaluated by Outcomes Pharmaceutical Health Care on the quality of services provided.

In response to a question from Senator Mathern, Ms. Kumbera said the Outcomes program provides pharmacists with incentives to consistently provide all customers with medication review services.

In response to a question from Senator Lee, Ms. Kumbera said a centralized file is maintained for each member of the Outcomes program. She said it is not necessary for people to be "locked in" or required to use only one specific pharmacy.

Chairman Lee said she arranged for Ms. Kumbera's presentation in order for the committee to become familiar with one of many programs available to control pharmaceutical costs and not to promote a specific program.

Mr. David J. Zentner, Director, Medical Services Division, Department of Human Services, presented information regarding the status of the Medicaid drug prior authorization program. A copy of the information presented is on file in the Legislative Council office. Mr. Zentner said two classes of drugs--proton pump inhibitors and antihistamines--are currently being authorized. He said based on current trends approximately \$2 million of savings for the 2003-05 biennium

could be realized from these two classes of drugs being prior authorized, of which \$633,000 is from the general fund.

Mr. Zentner said on July 26, 2004, the Administrative Rules Committee approved the rules for the prior authorization process. He said the 2003 Legislative Assembly appropriated operating funds for the Department of Human Services to contract with a vendor to conduct prior authorization functions. He said the Department of Human Services has conducted the services to this point but does not have the staff necessary to carry out all the functions when the program becomes fully implemented. He said a request for proposal was issued for the prior authorization services. He said once a vendor is selected other medication will be subject to prior authorization as suggested by the Drug Use Review Board.

Mr. Zentner said additional savings could be realized in the Medicaid program if the Department of Human Services was authorized to develop a supplemental drug rebate program. He said a supplemental drug rebate program allows for drug manufacturers to issue rebates usually equal to or close to the difference in price between their drug and the preferred drug in exchange for not being subject to prior authorization.

Mr. Zentner said the Department of Human Services believes the prior authorization program has been successful.

Mr. Zentner said the Department of Human Services hopes to implement a quality assurance program during the 2005-07 biennium. He said the department will choose the program based on available resources that will achieve the most desired results. He said the Outcomes Pharmaceutical Health Care program will be considered as an option.

In response to a question from Representative Porter, Mr. Zentner said as of June 2004, the North Dakota Medicaid program generic drug utilization rate is approximately 52 percent as compared to a 45 percent rate in 2002. He said that for every 1 percent increase in the use of generic drugs, the Medicaid program saves approximately \$850,000 a year, 31.64 percent of which is from the general fund.

In response to a question from Senator Lee, Mr. Zentner said most drugs, including injectables, that are approved by the Food and Drug Administration are required to be "covered" under the Medicaid program.

## **NURSING HOME SURVEY PROCESS STUDY**

Mr. Monte Engel, Building Standards/Life Safety Code Manager, State Department of Health, presented information regarding ways to improve communication and collaboration among agencies with Life Safety Code inspection responsibilities. Mr. Engel said the State Department of Health is

required by state licensing rules to review and approve plans and specifications for all construction, modifications, and alterations of nursing home facilities to ensure that all applicable standards are met, including the Life Safety Code, Americans with Disabilities Act, and electrical, plumbing, and several other standards. He said the state licensing rules do not require construction inspections prior to completion or occupancy. He said the department does not currently have the staff or funding to conduct inspections of nursing home projects during construction.

Mr. Engel said local governments have the option of adopting or modifying the State Building Code and of inspecting or not inspecting for State Building Code compliance. He said if the State Building Code is not adopted by the local government, the Life Safety Code survey may be the first onsite inspection that occurs at a nursing home facility.

Mr. Engel said the State Department of Health, Department of Human Services, Department of Commerce, and State Fire Marshal's office discussed how nursing home construction concerns may be minimized. He said one option would be to require local governments to adopt the State Building Code or require construction site inspections by individuals familiar with the State Building and Life Safety Codes.

In response to a question from Senator Lee, Mr. Engel said the majority of small- to medium-sized communities do not enforce the State Building Code.

In response to a question from Senator Lee, Mr. Engel said legislation could be proposed requiring nursing home facilities to follow both the State Building and Life Safety Codes. He said the State Department of Health currently does not have the staff or funding for additional inspections that would be necessary to enforce both of these codes.

In response to a question from Representative Drovdal, Mr. Engel said most contractors are not familiar with Life Safety Code regulations. He said contractors do not always accurately follow the architect's plans.

In response to a question from Representative Kreidt, Mr. Engel said he does not "track" the number of construction projects that are currently being undertaken by North Dakota nursing home facilities. He said after plans are approved by the department, facilities are not required to report when the projects have been started or completed. He said plans for approximately 75 to 100 facility construction or remodeling projects of all sizes have been approved by the State Department of Health in 2004 to date.

Mr. Zentner presented information regarding the Department of Human Services involvement with Life Safety Code inspections. A copy of the information presented is on file in the Legislative Council office. He said the Department of Human Services is responsible for payment of services for Medicaid recipients, including those residing in nursing home facilities, intermediate care facilities for the mentally retarded,

and other similar facilities and for licensing developmental disabilities facilities. He said the Department of Human Services relies on the expertise of the State Department of Health to conduct the Life Safety Code inspections for these facilities. He said the State Department of Health also conducts surveys of work and day activity centers that serve residents of intermediate care facilities for the mentally retarded. He said the Department of Human Services has an ongoing relationship with the State Department of Health with regard to reviewing the survey results and addressing required responses of facilities.

In response to a question from Senator Fischer, Mr. Zentner said Life Safety Code inspections are required annually, while State Building Code inspections are only necessary for newly constructed or remodeled buildings.

In response to a question from Senator Lee, Mr. Engel said the Centers for Medicare and Medicaid Services (CMS) requires Life Safety Code inspections of nursing home facilities annually or 9 to 15 months after the most recent inspection.

In response to a question from Representative Metcalf, Mr. Zentner said different Life Safety Code regulations may be applicable depending on the use of a building. He said a facility may become out of compliance with regulations by changing the use of the building.

In response to a question from Senator Thane, Mr. Engel said some Life Safety Code regulations may be ambiguous or interpreted differently.

In response to a question from Representative Porter, Mr. Engel said the state does not enforce the State Building Code. He said it is up to local government entities to adopt and enforce the State Building Code.

In response to a question from Senator Fischer, Mr. Engel said nursing facilities are required to make the necessary changes to be in compliance with newly adopted Life Safety Code regulations.

In response to a question from Representative Metcalf, Mr. Engel said most contractors provide a one-year guarantee on services provided. He said if the contractor did not follow the plan design, it is the responsibility of the contractor to make corrections. He said the architect is responsible for designing the building to meet Life Safety Code regulations.

In response to a question from Representative Metcalf, Mr. Engel said he is a registered professional engineer. He said he is the sole State Department of Health employee responsible for reviewing nursing home construction plans.

Mr. Richard Gray, Division of Community Services, Department of Commerce, presented information regarding communication and collaboration among state agencies with building inspection responsibilities. A copy of the information presented is on file in the Legislative Council office. He said the Department of Commerce is responsible for

maintaining, amending, updating, and promoting the North Dakota State Building Code. Mr. Gray said the Life Safety Code is not a building code and is not part of the State Building Code. He said North Dakota Century Code Chapter 54-21.3 provides for a State Building Code but does not mandate cities, counties, and townships to enforce the code. He said the law permits cities, counties, and townships to amend the State Building Code to meet local needs. He said most local governments do not have the capacity to enforce the State Building Code.

Mr. Gray said the Legislative Assembly could provide for one agency to be responsible for construction inspection of all health care facilities. He said that agency would be responsible for inspecting for compliance with both the Life Safety and State Building Codes.

Mr. Raymond Lambert, State Fire Marshal, presented information regarding communication and collaboration among state agencies with building inspection responsibilities. A copy of the information presented is on file in the Legislative Council office. He said prior to 1995, the State Fire Marshal's office did, under contract with the State Department of Health, conduct Life Safety Code surveys and plan review for construction or remodeling. He said the State Fire Marshal's office does not have the funding resources or staff to conduct Life Safety Code compliance inspections or provide plan review for construction projects. He said the State Fire Marshal's office does not duplicate inspections of health care facilities or plan reviews now being conducted by the State Department of Health.

In response to a question from Senator Lee, Mr. Lambert said the contract for inspection responsibilities was not renewed due to funding and staffing issues within the State Fire Marshal's office.

In response to a question from Representative Metcalf, Mr. Lambert said city ordinances may require a fire safety inspection by local fire departments; however, these inspections do not meet the Life Safety Code requirements.

Ms. Shelly Peterson, Director, North Dakota Long Term Care Association, commented on the Life Safety Code inspections. She said the State Department of Health is the only entity with expertise in Life Safety Code regulations. She said because Life Safety Code inspections are not required prior to the contractor "signing off" on the construction project, it becomes difficult for the nursing homes to later direct contractors or architects to correct Life Safety Code violations. She said the North Dakota Long Term Care Association would support the Legislative Assembly authorizing an additional full-time equivalent (FTE) position within the State Department of Health to conduct Life Safety Code inspections prior to completion of the construction project.

In response to a question from Senator Lee, Ms. Peterson said the North Dakota Long Term Care

Association contracted with the State Department of Health to provide education to its members regarding Life Safety Code regulations. Mr. Engel said he is not aware of Life Safety Code education requirements for contractors. Mr. Gray said typically very little, if any, State Building Code or Life Safety Code education is included in the curriculum for architecture and engineering students.

In response to a question from Representative Kreidt, Mr. Engel said Life Safety Code surveys are scheduled on a quarterly basis. He said the State Department of Health currently has two employees who conduct Life Safety Code surveys. He said the State Department of Health would need an additional employee to conduct construction inspections or "final walk-through" inspections with the contractor and architect on a "routine basis."

In response to a question from Representative Metcalf, the legislative budget analyst and auditor said the Budget Committee on Health Care could approve a motion encouraging the State Department of Health or the Office of Management and Budget to add a full-time equivalent position and related funding within the State Department of Health budget for conducting Life Safety Code inspections during the construction process.

In response to a question from Representative Kreidt, Ms. Peterson said Life Safety Code inspections conducted during the construction process would be a valuable service to long-term care facilities. She said members of the Long Term Care Association would support a per project inspection fee or a general fund appropriation to the State Department of Health as methods to fund the service. She said the members would not support an increase in their licensing fee.

Representative Porter said contractors and architects have a responsibility to follow Life Safety Code regulations. He said facilities could notify and request the State Department of Health to do the annual Life Safety Code inspection midway through the construction process. He said the State Department of Health inspectors could adjust their schedule to complete the surveys during the construction process. He said the department can request an additional position from the Legislative Assembly after analyzing the adjusted workload.

Senator Lee said Life Safety Code inspections should be conducted upon completion of the construction project in order to identify all findings. Representative Metcalf said because the Life Safety Code inspection is not strictly a building inspection, a complete Life Safety Code survey cannot be done until the project is completed. Mr. Engel said he would prefer the survey be conducted upon completion of the construction project rather than at the "midway" point. He said the State Department of Health is required by CMS to do unannounced Life Safety Code inspections.

In response to a question from Representative Kreidt, Mr. Engel said facilities are not required to provide Life Safety Code inspectors with information regarding the cost of a construction project. He said he could not estimate the annual number of nursing home projects in North Dakota that exceed \$250,000. Ms. Peterson said she would survey the North Dakota Long Term Care Association members to determine the number of construction and remodeling projects during 2004 that will exceed \$250,000.

### **BOARD OF NURSING REPORT**

Chairman Lee called on Ms. JoAnn Sund, RN, board member, State Board of Nursing, who presented an update on the approval process of the two-year registered nurse and one-year certificate practical nurse programs. A copy of the information presented is on file in the Legislative Council office. She said the Board of Nursing has granted initial approval to the Dakota Nurse practical nurse program through July 2005 with an interim report due by January 1, 2005, addressing the areas of partial compliance. She said the board accepted the request from the presidents of the community colleges participating in the Dakota Nurse program--Williston State College, Minot State University - Bottineau, Lake Region State College, and Bismarck State College--to delay action on the Dakota Nurse associate degree registered nurse program until the September 15, 2004, board meeting.

Ms. Sund said the Board of Nursing has reviewed a letter from the State College of Science regarding its plans to continue the associate of applied science in practical nurse program and then continue for an additional transitional program for associate of science degree for registered nursing.

The committee recessed at 4:55 p.m.

### **FORT ABERCROMBIE BUDGET TOUR**

The committee reconvened at 9:30 a.m. on Wednesday, August 25, 2004, at Fort Abercrombie, Abercrombie, North Dakota. Mr. Merl Paaverud, Superintendent, State Historical Society, welcomed the Budget Committee on Health Care to Fort Abercrombie. He said Fort Abercrombie is the "Gateway to the Dakotas" State Historic Site.

Mr. Vance Nelson, Eastern Regional Manager, State Historical Society, presented the committee with historical information on Fort Abercrombie. A copy of the information presented is on file in the Legislative Council office. He said Fort Abercrombie was established in 1858 on the Red River in Dakota Territory by Lt. Colonel John J. Abercrombie. He said because of the threat of flooding, the fort was moved to its present location on the eastern edge of present day Abercrombie, Richland County in 1860. He said Fort Abercrombie was the first permanent United States military fort established in what was to become North Dakota and was also the only post in the area

besieged by Dakota warriors for more than six weeks during the Dakota Conflict of 1862.

Mr. Paaverud said approximately 1,000 to 1,400 people, based on museum admission sales, visited Fort Abercrombie since May 16, 2004. He said the State Historical Society anticipates the number of visitations will increase because of improvements made to the site, development of a regional heritage tourism day trip plan, and additional marketing and cross-promotion.

Mr. Paaverud said Phases I and II of the master plan for upgrading and interpretation at Fort Abercrombie has been completed with funding received from a transportation enhancement grant, capital improvement funds, and local donations. He said the projects completed include:

- An archaeological investigation to determine exact locations of historic structures.
- Reconstruction of two blockhouses and one remaining historic structure (the guardhouse had been moved to a farm near Abercrombie).
- Installation of new interpretive features, including the palisade and the cannon bastion.
- Installation of the flagpole and interpretive signage.

Mr. Paaverud said the Legislative Assembly approved 2003 Senate Bill No. 2416, which provided the State Historical Society with bonding authority of \$2 million for state historic site interpretive centers at Fort Abercrombie (\$1 million) and the Chateau de Mores in Medora (\$1 million). He said the bill provides that repayment of the bonds is to be from federal, local, or donated funds and a total of \$600,000 (\$300,000 for each center) be collected before the State Historical Society may begin the expansion of the interpretive centers.

Mr. Paaverud said the Fort Abercrombie Interpretive Center (Phase III of the master plan) is estimated to cost \$1.5 million. He said the State Historical Society will have difficulty receiving enough grants and donations to pay for the entire cost of the project. He said the State Historical Society will propose to the 59th Legislative Assembly that general fund money be appropriated for repayment of the \$1 million bond issuance, with the remaining \$500,000 project cost funded from grants and donations. He said a \$200,000 Save America's Treasure grant has been "secured" for the Fort Abercrombie Interpretive Center.

The committee conducted a tour of Fort Abercrombie, including the museum, blockhouse, fort guardhouse, and flagstaff. The committee recessed at 10:50 a.m. and traveled to Lisbon.

### **VETERANS HOME BUDGET TOUR**

Following a luncheon provided by the Veterans Home, the committee reconvened at 1:15 p.m. Mr. Neal Asper, Administrator, Veterans Home, welcomed the committee to the Veterans Home. A

copy of the information presented is on file in the Legislative Council office. Mr. Asper said Novus, LLC, completed a strategic plan for the Veterans Home. He said a strategic planning committee meets regularly to discuss and provide suggestions for improving the Veterans Home.

Mr. Asper said the Legislative Assembly approved 2003 House Bill No. 1007, which authorized the Department of Human Services to purchase eight skilled nursing care beds after April 14, 2003, from funding available from the bed reduction incentive program, pursuant to Section 23 of 2001 House Bill No. 1196, and to transfer the purchased beds to the Veterans Home. He said the Veterans Home would have had to move 17 basic care residents to add the eight skilled beds. He said in addition there were several Life Safety Code and funding issues that prevented the plan from being financially "viable."

Mr. Asper said the Veterans Home is considering requesting approval from the Legislative Assembly to add skilled care beds for dementia and aggressive behavior units. He said the Veterans Administration will pay 65 percent of the cost to operate the units. He said because existing staff will be used, it is estimated that a general fund savings of \$500,000 per biennium would be realized.

In response to a question from Senator Mathern, Mr. Asper said the Veterans Home does not have a timetable for requesting approval for the additional units. Senator Mathern asked the Veterans Home to develop plans for the units which could be submitted to the Legislative Assembly and Veterans Administration for approval.

In response to a question from Representative Kreidt, Mr. Asper said the Veterans Home is considering adding 12 to 14 skilled beds for the dementia unit and 3 to 5 beds for the aggressive behavior unit.

In response to a question from Senator Kilzer, Mr. Asper said as of today the Veterans Home has one vacancy in skilled care due to a resident being transferred to basic care. He said, however, the skilled care bed will be filled within one or two days.

In response to a question from Representative Metcalf, Mr. Asper said there have been instances of basic care residents at the Veterans Home receiving skilled care services primarily due to residents resisting being transferred to the skilled care unit or to another nursing home.

Representative Kreidt said a nursing home should have at least 48 skilled care residents to operate efficiently. He said some of the Veterans Home double occupancy rooms are only 160 square feet, which are small by nursing home standards.

In response to a question from Senator Mathern, Mr. Asper said the Veterans Home is considering requesting approval from the Legislative Assembly to offer Veterans Home employees "paid time off" as an alternative to providing annual and sick leave benefits.

Ms. Peggy Baumgart, Director of Nursing Services, and Ms. Donna Sweet, LPN, Veterans Home, presented a report on nursing services provided at the Veterans Home.

In response to a question from Senator Lee, Ms. Sweet said there currently is one vacant nursing position at the Veterans Home. She said the staff works together cooperatively to complete duties assigned to the vacant position.

In response to a question from Senator Mathern, Ms. Baumgart said "paid time off" would prevent employees from abusing sick time and make it easier to assign the work schedule.

Mr. Jake Reuter, Social Services Director, Veterans Home, presented information regarding admissions and social services provided by the Veterans Home. He said the Veterans Home has a capacity of 38 skilled care beds--37 of which are currently filled and 101 basic care beds--81 of which are currently filled. He said the diagnostic profile of the Veterans Home residents include:

	Dementia	Mental Illness	Addiction	Multiple Disorders
Skilled nursing care	18	27	6	25
Basic nursing care	18	62	37	39

In response to a question from Representative Metcalf, Mr. Reuter said 43 residents at the Veterans Home have an alcohol addiction. He said he anticipates that veterans with methamphetamine addiction will be a future problem for the Veterans Home.

In response to a question from Senator Fischer, Mr. Reuter said the Veterans Home will usually transfer individuals who are difficult to control to the Fargo Veterans' Hospital or to the State Hospital. He said it is very difficult to "place" these individuals.

In response to a question from Senator Kilzer, Mr. Reuter said the Veterans Home does not require residents to be tested for drugs prior to admission. He said random drug tests are occasionally conducted; however, the resident has to grant permission for the test.

In response to a question from Senator Lee, Mr. Reuter said the St. Cloud Veterans Affairs Medical Center has been cooperative in accepting Veterans Home residents for psychiatric inpatient treatment. He said the Veterans' Hospital in Fargo has been less receptive to providing the treatment services; instead they have encouraged residents to be transferred to the State Hospital.

Ms. Jill McRitchie, local pharmacist, presented information on the establishment of an in-house pharmacy at the Veterans Home. The Emergency Commission and Budget Section approved a request by the Veterans Home to increase spending authority by \$226,000, to accept a transfer of \$208,000 from the state contingencies fund, and \$18,000 of special funds from resident copayments related to establishing the pharmacy. She said the pharmacy will provide medications to the Veterans Home basic care

residents. She said the Fargo Veterans' Hospital, which currently provides medications to these residents, have indicated it will cease providing this service on January 1, 2005.

Ms. Lisa Bergemann, Registered Dietitian, Veterans Home, said the Veterans Home serves 300 meals per day.

Ms. Cheryl Holmstrom, Activities Director, Veterans Home, said numerous activities are arranged for the residents. She said the activities are primarily funded from donations.

Mr. Daryl E. Beard, Governing Board Chairman, reviewed the findings included in the performance audit of the Veterans Home. He said there have been significant improvements made to the Veterans Home as a result of the performance audit.

Ms. Kristin Lunneborg, Accounting Manager, Veterans Home, presented a status report on the Veterans Home 2003-05 budget. She said the total adjusted 2003-05 appropriation for the Veterans Home is \$10,659,112, of which \$3,254,072 is from the general fund. She said revenues and expenses for the eight additional skilled care beds were subtracted from the appropriation and additional spending authority approved by the Emergency Commission and Budget Section were added to the appropriation, including \$66,531 from a federal laundry remodeling grant and \$208,000 from the state contingencies fund. She said as of July 31, 2004, a total of 46 percent of the appropriation spending authority has been spent.

Ms. Lunneborg said the eight skilled care bed addition was estimated to generate an additional \$250,000 in special funds revenues for the Veterans Home. She said the 2003 Legislative Assembly reduced the Veterans Home general fund appropriation in anticipation of the additional revenues. In addition, she said, the overall census numbers are down slightly for both skilled and basic care, which will impact revenue projections by 1 to 1.5 percent. She said the Veterans Home has reevaluated prior spending habits in order to operate more efficiently. She said, however, it is estimated that the Veterans Home may need to request a deficiency appropriation of approximately \$100,000.

Ms. Lunneborg said the 2005-07 budget request for the Veterans Home includes two very important optional adjustment requests--\$480,932 for operation of the pharmacy and \$128,738 for additional food costs. She said these items were removed from the budget to meet executive budget request limits.

In response to a question from Representative Kreidt, Ms. Lunneborg said the Veterans Home is authorized 89.41 FTE positions.

In response to a question from Senator Thane, Ms. Lunneborg said the Veterans Home will request, as part of its 2005-07 budget optional adjustment package, \$54,920 to repair the skilled care wing roof and \$79,767 for salaries and wages, including 1.56 FTE positions to place employees at the proper

FTE level reflecting hours worked. She said the skilled care wing was built in 1991.

In response to a question from Senator Fischer, Ms. Lunneborg said the Veterans Home purchased nursing home software from Horizon Technologies. She said when Horizon Technologies filed for bankruptcy, the Veterans Home was required to purchase a \$5,000 software conversion program from MDI Technologies, the company that purchased Horizon Technologies.

Ms. Liz King, Admission Coordinator, Veterans Home, provided a tour of the Veterans Home, including the administrator's home, gazebo, exercise room, library, and museum.

## COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Senator Thane said he is dissatisfied with how Life Safety Code inspections are handled. He said it creates "unrest" among long-term care providers.

Senator Mathern said the committee should consider making a motion encouraging the Office of Management and Budget to include an additional FTE in the State Department of Health budget to conduct nursing home construction inspections.

Representative Drovdal said more information is needed from the State Department of Health regarding the inspection process. Representative Kreidt said he would like to know the number of major construction projects annually completed by nursing homes.

Senator Lee said it is not the responsibility of the State Department of Health to enforce the State Building Code.

Representative Kreidt said the State Department of Health should be required to conduct inspections upon completion of nursing home construction projects costing more than \$250,000 or some other specified dollar amount.

Senator Mathern said the 2005 Legislative Assembly Appropriations Committees can determine who will pay for the cost of additional inspections.

Representative Uglem said the State Department of Health could conduct an unofficial inspection during the construction process and provide recommendations to the nursing home.

Senator Fischer said the Department of Commerce should be encouraged to research and provide feedback to the 2005 Legislative Assembly regarding ways to encourage political subdivisions to implement and enforce the State Building Code.

**It was moved by Representative Metcalf, seconded by Representative Kreidt, and carried on a roll call vote that the committee ask the chairman of the Legislative Council to encourage the State Department of Health to review Life Safety Code inspection procedures and provide options to the 2005 Legislative Assembly for the State Department of Health to provide for any**

**construction inspections necessary to ensure compliance with the Life Safety Code upon completion of a construction project, within available resources.** Senators Lee, Erbele, Fischer, Kilzer, Mathern, and Thane and Representatives Drovdal, Kingsbury, Kreidt, Metcalf, Pietsch, Rodenbiker, Sandvig, Uglem, and Vigesaa voted "aye." No negative votes were cast.

**It was moved by Senator Mathern, seconded by Representative Kreidt, and carried on a roll call vote that the committee ask the chairman of the Legislative Council to encourage the Veterans Home to present information to the Appropriations Committees during the 2005 Legislative Assembly on the cost and feasibility of developing a dementia skilled care unit at the Veterans Home and on the budget adjustments necessary to restore funding reductions made in anticipation that eight skilled care beds would be added to the Veterans Home during the 2003-05 biennium.** Senators Lee, Erbele, Fischer, Kilzer, Mathern, and Thane and Representatives Drovdal, Kingsbury,

Kreidt, Metcalf, Pietsch, Rodenbiker, Sandvig, Uglem, and Vigesaa voted "aye." No negative votes were cast.

**It was moved by Senator Thane, seconded by Representative Drovdal, and carried on a voice vote that the chairman and the staff of the Legislative Council be requested to prepare a report and to present the report to the Legislative Council.** The meeting was adjourned sine die at 5:00 p.m.

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Donald J. Wolf  
Senior Fiscal Analyst

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Jim W. Smith  
Legislative Budget Analyst and Auditor

ATTACH:1