

# Location and Infrastructure Workgroup Report

## 1. Propose a bill to amend the eligibilities for designation as a regional nursing facility and applicable reimbursement.

- Nursing facilities are not currently reimbursed in a way allowing them to cover necessary capital costs, restricting their ability to update and improve their infrastructure. At this time, each new nursing home room costs approximately \$300,000 to construct.
- The workgroup identified revamping the regional nursing facility model as a way to address these capital cost issues. The potential changes would incentivize the construction of newer facilities by having the Department of Human Services (DHS) reimburse the capital costs of constructing the new facility over a period of around 30 years. In order to be eligible, a nursing facility must intend to merge with one or more other nursing facilities within a 60-mile radius and demonstrate the new facility will support a homelike environment, access to a continuum of care, and other best practices to meet market needs.

### Resources Needed:

- Ongoing funding will be needed in the DHS's budget to cover the reimbursement for newly designated regional nursing facilities. The amount of funding depends on how many facilities are expected to merge.
  - Below is a chart showing the additional ongoing cost needed to cover any number of potential mergers from 1 to 20. The second column shows the potential cost for the first 7 years, and the third column shows the potential cost for the following 23 years. This difference in cost between the first 7 and following 23 years assumes 22% of new building costs will be for furniture/equipment, and such costs would depreciate over 7 years instead of 30 years.
  - The costs outlined below are **total** costs, including both state **and** federal funding. The costs below do not consider expected savings due to improved economies of scale realized through the mergers.

Mergers	Add. Ongoing Cost (Y 1-7)	Add. Ongoing Cost (Y 8-30)
1	\$ 1,033,714	\$ 468,000
2	\$ 2,067,429	\$ 936,000
3	\$ 3,101,143	\$ 1,404,000
4	\$ 4,134,857	\$ 1,872,000
5	\$ 5,168,571	\$ 2,340,000
6	\$ 6,202,286	\$ 2,808,000
7	\$ 7,236,000	\$ 3,276,000
8	\$ 8,269,714	\$ 3,744,000
9	\$ 9,303,429	\$ 4,212,000
10	\$ 10,337,143	\$ 4,680,000
11	\$ 11,370,857	\$ 5,148,000
12	\$ 12,404,571	\$ 5,616,000
13	\$ 13,438,286	\$ 6,084,000
14	\$ 14,472,000	\$ 6,552,000
15	\$ 15,505,714	\$ 7,020,000
16	\$ 16,539,429	\$ 7,488,000
17	\$ 17,573,143	\$ 7,956,000
18	\$ 18,606,857	\$ 8,424,000
19	\$ 19,640,571	\$ 8,892,000
20	\$ 20,674,286	\$ 9,360,000