



MAR 06 2014

1:23 pm

March 4, 2014

The Honorable Kurt Olson  
House of Representatives  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Dear Representative Olson:

As you are very much aware, Alaska's workers' compensation costs are the highest in the country. Hospitals and nursing homes are the largest or among the largest private sector employers in their communities and in the state. As large employers, we feel the burden of workers' compensation costs, which affect our competitiveness and cost structure. We are also health care providers, which gives us a unique perspective on this issue.

The Alaska State Hospital and Nursing Home Association believes that workers' compensation reform must be addressed and that this bill represents an important component of that overall effort. We would, however, like to share with you some concerns regarding the current draft of the bill and to offer our assistance in resolving those issues.

First, large, acute care facilities are paid under the Medicare Prospective Payment System. This bill contemplates the base Medicare fee schedule increased by a multiplier. Hospitals paid under this methodology, however, are not all paid the same rate due to a variety of add-ons that can increase reimbursement. In addition, certain rehabilitation services are also reimbursed differently. Given that complexity, the impact of the proposed change to the fee schedule needs to be fully understood and an appropriate methodology needs to be in place to account for these differences in payment.

We are also concerned about the Workers' Compensation Board having complete discretion to set a multiplier. The board does not have a sufficient number of members with health care experience or with knowledge of health care financing. Our concerns could be resolved by language directing the Workers' Compensation Board to set a multiplier that would approximate commercial rates or setting some further policy direction in statute that gives the board guidance in determining a multiplier. National actuarial firms could be hired to advise the board on prevailing commercial rates or to assist the board in carrying out statutory direction.

Second, not all health care facilities are paid by Medicare under the Prospective Payment System. We are concerned that paying all facilities based on a payment methodology that

only applies to some of them would result in significant problems.

- Critical Access Hospitals (CAHs) in our smaller communities receive cost-based reimbursement from Medicare, recognizing that their cost structure is very different than that of a large PPS hospital and they provide critical life-saving services in 13 Alaskan communities. A Medicare schedule based on PPS hospital reimbursement would not be appropriate for these facilities and any proposed fee schedule should reflect their unique situation. It is highly likely that payment to CAHs by the workers' compensation system is a small dollar amount; however, these facilities allow patients to remain close to home for their care. The State of Idaho has adopted a Medicare-based fee schedule for hospitals, but has specifically provided an exemption for Critical Access Hospitals.
- Medicare does not pay for a significant percentage of skilled nursing facility care, so using a Medicare-based fee schedule does not make sense for this category of facility. Most skilled nursing facilities have a very significant percentage of Medicaid, which is a cost-based reimbursement system. As with CAHs, there is likely very little payment to skilled nursing facilities from workers' compensation. However, workers' compensation patients deserve access to these services close to home. Changing the language to reflect that skilled nursing facilities should be paid Medicaid rates would resolve this issue.
- Reimbursement of health services, including health services covered under workers compensation, provided in tribal health facilities is subject to the provisions of Section 206 of the Indian Health Care Improvement Act, Pub. L. 93-638, as amended, 25 U.S.C. § 1621e. Under this provision of federal law, tribal health programs must be paid their reasonable charges or the highest amount paid to other providers, whichever is higher. This same provision of federal law also expressly makes the laws of any state inapplicable to payments to tribal facilities.

We are concerned that paying these facilities on the same fee schedule as PPS hospitals could potentially result in inappropriately low reimbursement and thus would recommend that they be exempt. It is possible that these concerns could be resolved another way, and we are open to other approaches. Attached for your reference is a breakdown of Alaska's hospitals and nursing homes that shows the numbers of CAHs, tribal facilities, skilled nursing facilities and PPS facilities.

Finally, we urge you to consider incorporating health care management principles such as

evidence-based medicine and utilization review into the legislation. Price is one component of health care costs, but equally important is sound health care management. Absent such a framework, it is not clear that fee schedule change alone will accomplish the goal of cost-containment.

Again, we thank you for addressing this important issue for Alaska's employers and we want to work cooperatively with you on the issues we have raised in this letter.

Sincerely,

*Jeanne Mait for Karen Perdue*

Karen Perdue  
President/CEO

## ALASKA'S HOSPITALS AND NURSING HOMES - 2014

ORGANIZATION	LOCATION	ACUTE	LONG TERM	SWING	OTHER
Alaska Native Medical Center	Anchorage	150			Tribal
Alaska Pioneers Home	Six Homes				
Alaska Psychiatric Institute	Anchorage	80			
Alaska Regional Hospital	Anchorage	254			
Alaska VA Healthcare System	Anchorage				74 Outpatient
Bartlett Regional Hospital	Juneau	55			
Bassett Army Community Hospital	Fort Wainwright	43			Military
Central Peninsula General Hospital	Soldotna	62		8	
Cordova Community Medical Center	Cordova	13	10	4	CAH
Denali Center	Fairbanks		90		
Fairbanks Memorial Hospital	Fairbanks	152			
Heritage Place	Soldotna		60		
Kanakanak Hospital	Dillingham	16		4	Tribal/CAH
Ketchikan PeaceHealth Medical	Ketchikan	25	29		CAH
Maniilaq Health Center	Kotzebue	17			Tribal/CAH
* Mat Su Regional Medical Center	Palmer				
North Star Behavioral Health	Anchorage				108 Psych/Subs Abuse
Norton Sound Health Corporation	Nome	19	15		Tribal/CAH
Petersburg Medical Center	Petersburg	12	15	5	CAH
PrestigeCare and Rehabilitation	Anchorage		102		
Providence Alaska Medical Center	Anchorage	340			
Providence Extended Care Center	Anchorage		96		
Providence Horizon House	Anchorage		77		Assisted Living
Providence Kodiak Island Medical	Kodiak	25	19	25	CAH
Providence Seward Medical and Care	Seward	6	43	6	CAH
Providence Transitional Care Center	Anchorage		55		
Providence Valdez Medical Center	Valdez	10	10	10	CAH
Samuel Simmonds Memorial Hospital	Barrow	14			Tribal/CAH
SEARHC/Mt Edgecumbe Hospital	Sitka	27			Tribal
Sitka Community Hospital	Sitka	12	15	12	CAH
South Peninsula Hospital	Homer	22	25	4	CAH
St. Elias Specialty Hospital	Anchorage	60			
Tanana Valley Clinic	Fairbanks				Ambulatory
USAF 3rd Medical Group - Elmendorf	Elmendorf AFB	59			Military
Wildflower Court	Juneau		57		
Wrangell Medical Center	Wrangell	8	14	4	CAH
Yukon-Kuskokwim Delta Regional	Bethel	50	18		Tribal

\*Mat Su Regional Medical Center is not a member of ASHNHA.