



**FRESENIUS
MEDICAL CARE**

**Oppose SB 62:
Repealing the Certificate of Need Program for Health Care Facilities**

Fresenius Medical Care operates 9 outpatient dialysis facilities in Alaska, serving approximately 300 dialysis patients with hemodialysis and home dialysis training in Anchorage, Fairbanks, Juneau, Soldotna, and Wasilla. We are opposed to SB 62, which would repeal the Certificate of Need program for health care facilities. For a market as unique as Alaska where there are significant challenges faced by providers, it is important that large scale projects be well thought out and sustainable before investments are made. The CON process provides that important safety net. We believe the Certificate of Need process is important to maintain for the following reasons.

- 1) The Certificate of Need (CON) process encourages a stable market focused on quality of care:** CON laws have established a system with much stability - stable providers, investments in facilities and equipment, stable staffing, and cooperative providers. Alaska providers focus on quality of care through a thorough review of objective criteria in the CON process, instead of merely beating the other provider to a specific market.
- 2) CON helps stabilize an already stressed dialysis provider system:** The majority - over 85 to 90% in some areas - of funding for dialysis treatments comes from government sources (primarily Medicare) that do not cover the entire cost of treatment expenses. Through facilitating careful planning and investment by providers, CON provides stability to an already economically stressed system. Eliminating the CON process would result in financial instability and thus further economic stress. Facilities outside of the core Anchorage area would be the most vulnerable for closures or consolidations. Currently, we operate facilities in Fairbanks, Juneau, Soldotna, and Wasilla.
- 3) CON supports access to care in medically underserved areas:** One study, specifically focusing on CON and dialysis facilities, found that while CON laws may impose a constraint on overall competition, CON allows for the successful allocation of dialysis facilities to areas that are underserved. CON equalizes competition for the larger markets and the rural markets. The study also found that for-profit providers in CON markets are more likely to establish facilities in demographically challenged areas because the CON process gives that provider assurances that the facility will have enough patients to operate at an efficient economy of scale. **This is true in our case. Most of our dialysis facilities outside the Anchorage area are in locations designated as being medically underserved.** These are the neediest areas of the State and would be among some that could close. If these facilities closed, many of the patients simply wouldn't be able to get to a facility further away because of their economic situation and the significant geographic and weather barriers to travel for significant portions of the year. In a non CON environment, companies are less likely to locate in these areas because that population of patients to sustain medium and long-term operation cannot be assured. In addition, because dialysis providers are subsidizing the facilities located outside of Anchorage with larger facilities located in Anchorage, these facilities are at significant risk of closure without CON. Furthermore, to avoid access to care issues for patients, there would be an economic impact to Medicaid without rural facilities. Transportation costs will increase (3x per week per patient) and hospitals will have increased acute dialysis costs.



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Although our mission is dialysis treatment, we believe the CON process is invaluable for Alaska because it supports access to care for all residents/patients of Alaska, not just those who reside in Anchorage. For these reasons, we ask you to oppose SB 62.

For more information:

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