



February 23, 2023

Senate Health & Social Services Committee
Alaska State Capitol
120 4th Street
Juneau, AK 99801
Senate.Health.And.Social.Services@akleg.gov

Subject: The Pacific Health Coalition Opposes SB 8 Certificate of Need Repeal

Dear Chair Wilson and Committee members:

The Pacific Health Coalition (PHC) represents 49 participating plans, made up of around 250,000 individuals across Alaska and the Northwest region. Our mission is to assist workers and their families to gain access to value-based health care benefits and services. The Pacific Health Coalition seeks to make high-quality care available at a lower cost for its members by negotiating better rates with area hospitals, provider groups, and prescription drug service providers.

The PHC strongly opposes SB 8, which would repeal Alaska's Certificate of Need program. Alaska's Certificate of Need program plays an imperative role in sustaining Alaska's community hospitals. It is critical to retain the Certificate of Need program, which is a process to promote development of responsive healthcare facilities and services, rational health planning, access and quality of care. According to the National Conference of State Legislatures, thirty-five states have a version of a Certificate of Need law in place.

To review the comprehensive impacts of an application, the Certificate of Need assesses applications based on six general review standards. The program therefore takes into account the demonstrated need for the project; the long-range development plan and how it is integrated into the relevant community or other plan; stakeholder participation in planning; considerations of alternative methods of providing the services; anticipated impacts on existing healthcare systems; and location accessibility. Maintaining the Certificate of Need program protects the best interests of Alaskans.

The Certificate of Need Is Critical to Sustain Community Hospitals Serving All Alaskans.

Our community hospitals provide essential services across Alaska and are working to recover from the impacts of the COVID-19 pandemic. These hospitals must provide 24-hour emergency services without respect to a person's ability to pay. Several categories of health services such as emergency services, trauma care, and perinatal services lose money for hospitals, yet these are vital, life-saving services. At many facilities, the profitable services make it possible for the facility to provide the full range of important services including those that operate at a loss. Repealing the Certificate of Need, however, would undermine the sustainability of our community hospitals. Having the Certificate of Need standards in place prevents providers from cherry-picking

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and only offering niche, lucrative services. Alaska needs the Certificate of Need to sustain our community hospitals, which provide many unprofitable yet indispensable services to care for our communities.

The proposal to repeal the Certificate of Need is based on the unfounded theory that healthcare operates as a regular free market, but there are many distinctive aspects of the healthcare market. There are federal laws and regulations such as the Emergency Medical Treatment and Labor Act and the fact that a major portion of healthcare costs are paid by the government through Medicare, Medicaid, and Tri-care. The healthcare market is unique, and a standard for market entry is reasonable to contain costs and ensure access through sustainable community hospitals. As the healthcare sector in Alaska recovers from the pandemic, the last thing it needs is further disruption and uncertainty from repealing the Certificate of Need program.

There may be specific areas for improvement within the Certificate of Need program, and we support a collaborative discussion among decision-makers and stakeholders to pursue agreement on potential improvements. But wholehearted repeal is wrong for Alaska. We respectfully request that the Committee take no further action on SB 8. Alaska's Certificate of Need program is pivotal for Alaskans' quality of care and healthcare access. Thank you for your public service and consideration.

Sincerely,

Joey Merrick

President
Pacific Health Coalition Executive Board

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