

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSHB 407(HES)
 (H) Publish Date: 4/16/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
 Title Relating to the Certificate of Need BRU Medical Assistance
Program Component Medicaid Services
 Sponsor Representative Coghill
 Requester House HESS Committee Component No. 2077

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation will have a no fiscal impact on Medicaid Services or HSS Administrative Services.

U.S. Census data indicate that Alaska is among the fastest growing states with a 7% increase in population by July 1, 2005 resulting in another 47,000 Alaskans requiring health care services. By 2015, an additional 137,783 new Alaskans will require even more services. Restricting the ability of health care providers to develop new facilities and services for this population will result in inadequate health care services for nearly fifty thousand new Alaskans within the next three years.

Prepared by: _____ Phone _____
 Division: _____ Date/Time 4/16/02 12:02 PM
 Approved by: Representative Fred Dyson Date 4/16/02
 Agency: House HESS Committee

FISCAL NOTE #3

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSHB 407(HES)

ANALYSIS CONTINUATION

This legislation leaves current CON requirements in place for skilled nursing facilities and psychiatric hospitals. This eliminates concerns for the impact of Medicaid reimbursement for capital costs which could result in paying for empty beds. The current system of Medicaid reimbursement for capital costs should be replaced with a system that pays only for services actually delivered.

This legislation will allow needed expansion of services without a costly CON process, which can cost between \$100,000 and \$300,000 per application. Through a convoluted funding formula, the current system provides Medicaid reimbursement for new facilities before they are providing services, which would be eliminated under this legislation.

This legislation makes Medicaid funds go further by limiting use of skilled nursing and psychiatric beds at rates up to \$1,584 per day and instead using these beds for residential care of children at \$325 per day. If this legislation passes, 5 residential care beds can be provided for Alaska kids for the same daily rate that today provides only 1 nursing home or psychiatric bed.

Population increases will raise demand for medical services beyond the level of existing facilities ability to serve, in less than 3 years. Opponents of this bill claim that it's passage will lead to unrestrained increases in health care facilities and costs, but 3 academic studies conducted in the '90's prove that the 15 states that have eliminated CON have had no increase in health care costs, compared to states that retained CON. In addition the studies show that both hospital profits and the level of charity care provided did not decrease after the 15 states eliminated CON.

This fiscal note reflects the amendment made to CSHB 407(HSS) Version P which clarifies that this comprehensive plan will be completed without an additional appropriation specifically designated for its preparation.

This legislation allows the free market in health care services to operate efficiently in providing for the growing needs of our communities, without requiring the use of additional public funds.