

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 256
 (S) Publish Date: 3/18/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
 Title: RELATING TO THE CERTIFICATE OF NEED PROGRAM BRU: Medical Assistance
 Component: Medicaid Services
 Sponsor: GREEN
 Requestor: SENATE (HES) Component Number: 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	732.0	23,255.8	28,251.7	35,137.3	36,628.1	38,053.3
Miscellaneous						
TOTAL OPERATING	732.0	23,255.8	28,251.7	35,137.3	36,628.1	38,053.3

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	426.5	18,401.9	21,503.9	27,194.5	28,288.7	29,381.0
1003 GF Match	305.5	4,853.9	6,747.8	7,942.8	8,339.4	8,672.3
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--do not abbreviate)						
TOTAL	732.0	23,255.8	28,251.7	35,137.3	36,628.1	38,053.3

Estimate of any current year (FY2002) cost: _____

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 bill would increase the expenditure limit for a Certificate of Need (CON) review from \$1 million to \$10 million. The purpose of the CON is to act as a deterrent to overbuilding health care facility capacity. Increasing the financial ceiling for a CON review has the potential of increasing the Medicaid budget for hospital, ambulatory surgical center, and nursing home services. The last change in the CON threshold was in 1983 when it was increased from \$150,000 to \$1 million. There have been 30 CON applications since 1996, 10 (1/3) have been for projects costing \$10 million or more. The total cost of the projects reviewed that were under \$10 million was \$78.6 million. Many more projects would likely have been built if the threshold had been \$10 million, because many more inquiries were received. This increase would give Alaska the highest CON threshold in the nation.

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 Division: Medical Assistance Date/Time 01/31/2002
 Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/01/2002
 Agency: Department of Health & Social Services

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ANALYSIS CONTINUATION

The Medicaid Rate Advisory Commission estimates that a hospital capital expenditure of \$10 million amortized over 15 years at a 20% Medicaid utilization rate will result in a \$150.0 annual cost increase to rates. Nursing facilities in the state average 80% Medicaid occupancy; for \$10 million, a 20 bed nursing home can be constructed resulting in a \$2.5 million annual increase in the Medicaid budget.

Certificate of Need staff in the Division of Administrative Services, DHSS, estimate that a number of facilities with pending CON will be constructed in the near future if the limits are increased. The construction of these facilities is anticipated to increase the Medicaid Services costs as shown in the above fiscal note - no facility costs are included other than the pending projects. Assumptions in creating these projections include: use of the 58.27% FMAP rate for FFY03 for each year, use of the 4% FY03 DRI inflation factor for facility costs for each year, and assumption that nursing facilities constructed by tribal health corporations will be filled with Alaska Native patients whose costs can be claimed at 100% federal funds.

Future Medicaid cost impacts from the increase in the certificate of need limit is largely unknown; the cost estimates in this fiscal note are based only on those projects currently with a certificate of need on file. Actual costs could be much greater than shown.

Estimated Nursing Home & Acute Care Growth in Alaska including Construction/Conversion/Replacement - 1/2002

CN/LOI or Plans	Potential New Projects	Est. Cost of Construction	Medicaid Deprec/Fac Cost	Medicaid Oper. Costs	Total Est. Medicaid	Completion Date	Info. Received
Anchorage ASC (AUA)	2 OR suites	\$ 1,500,000	\$ 50,000		\$ 50,000	2002	2001
Anch - Providence	Potential Acute						2001
Barrow	15 New NH	\$ 4,000,000	\$ 137,600	\$ 3,147,400	\$ 3,285,000	2004	1999
Bethel	35 New NH	\$ 9,500,000	\$ 326,800	\$ 7,338,200	\$ 7,665,000	2003	1996
Chugiak	30 New NH	\$ 7,500,000	\$ 258,000	\$ 3,735,625	\$ 3,993,625	2003	1999
Fairbanks Memorial	2 OR suites	\$ 1,300,000	\$ 17,333		\$ 17,333	2002	1999
Fairbanks - TVC	2 OR suites	\$ 4,200,000	\$ 50,000		\$ 50,000	2002	1999
Fairbanks ASC	2 OR suites	\$ 5,500,000	\$ 50,000		\$ 50,000	2002	1999
Fairbanks Kidney Ctr.	12 Stations	\$ 1,900,000	\$ 65,360	\$ 399,344	\$ 464,704	2002	1999
Homer - So. Pen. Hosp.	Potential NH	unknown	unknown	unknown	unknown		1999
Juneau ASC	2 OR Suites	\$ 1,500,000	\$ 50,000		\$ 50,000	2002	1999
Kotzebue (Manillaq)	15 New NH	\$ 6,500,000	\$ 223,600	\$ 3,735,625	\$ 3,959,225	2003	1999
Kenai ASC	2 OR Suites	\$ 1,500,000	\$ 50,000		\$ 50,000	2002	1999
Seward - Wesley	35 New NH	\$ 9,500,000	\$ 326,800	\$ 3,735,625	\$ 4,062,425	2004	1997
Sitka Community Hsp	14 New	\$ 1,164,988	\$ 40,868	\$ 2,549,956	\$ 2,590,824	2005	1999
Wasilla	47 New	\$ 8,500,000	\$ 292,400	\$ 5,852,480	\$ 6,144,880	2003	1999
Wasilla	Potential Acute	unknown	unknown	unknown	unknown		2000
Totals		\$ 64,064,988	\$ 1,938,761	\$ 30,494,256	\$ 32,433,017		

Total Growth in Medicaid Costs (Acute + Nursing Home Beds) = \$ 32.4 Million Annually by 2005

Source: State of Alaska, DHSS, Administrative Services, Facilities & Planning Section

Juneau - Wildflower PL	New NH Beds	unknown	unknown	unknown