

**ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS
STANDING COMMITTEE**

March 21, 2002
8:08 a.m.

MEMBERS PRESENT

Representative Kevin Meyer, Co-Chair
Representative Carl Morgan, Co-Chair
Representative Andrew Halcro
Representative Drew Scalzi
Representative Lisa Murkowski
Representative Gretchen Guess
Representative Beth Kerttula

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 407

"An Act relating to the certificate of need program."

- MOVED HB 407 OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 407

SHORT TITLE: CERTIFICATE OF NEED PROGRAM

SPONSOR(S): REPRESENTATIVE(S) COGHILL

Jrn-Date	Jrn-Page		Action
02/13/02	2232	(H)	READ THE FIRST TIME -
REFERRALS			
02/13/02	2232	(H)	CRA, HES
03/04/02	2469	(H)	COSPONSOR(S): JAMES
03/13/02	2530	(H)	COSPONSOR(S): SCALZI
03/14/02		(H)	CRA AT 8:00 AM CAPITOL 124
03/14/02		(H)	Scheduled But Not Heard
03/18/02	2593	(H)	COSPONSOR(S): DYSON
03/19/02		(H)	CRA AT 8:00 AM CAPITOL 124
03/19/02		(H)	Heard & Held
MINUTE(CRA)			
03/21/02		(H)	CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

RITA ROACH, Patient Liaison
Tanana Valley Clinic
1001 Noble St
Fairbanks, Alaska 99701

POSITION STATEMENT: Discussed the situation of the Tanana Valley Clinic.

TERRY KIRKENDALL
Pre-Patient Certification
Tanana Valley Clinic
2332 Prague Circle
North Pole, Alaska 99705

POSITION STATEMENT: Testified in support of HB 407.

ELLEN SMITH
Business Office
Tanana Valley Clinic
1001 Noble St
Fairbanks, Alaska 99701

POSITION STATEMENT: Testified in support of HB 407.

SUSAN McLANE, RN
Fairbanks Memorial Hospital
PO Box 58054
Fairbanks, Alaska 99711

POSITION STATEMENT: Testified in opposition to HB 407.

SHELBY NELSON, Employee
Fairbanks Memorial Hospital
1245 Vixon Way
Fairbanks, Alaska 99712

POSITION STATEMENT: Expressed the need for a comprehensive health system.

BRIAN SLOCUM, Administrator
Tanana Valley Clinic
1001 Noble St
Fairbanks, Alaska 99701

POSITION STATEMENT: Testified in support of HB 407.

JENNIFER HOUSE, Employee
Denali Center
1951 Gilmore Trail
Fairbanks, Alaska 99712

POSITION STATEMENT: Urged the committee to reconsider HB 407.

ROBERT GOULD, Chief Financial Officer
Fairbanks Memorial Hospital
4820 Drake St
Fairbanks, Alaska 99709
POSITION STATEMENT: Testified in opposition to HB 407.

KARL SANFORD, Director of Nursing
Fairbanks Memorial Hospital
384 Snowy Owl Lane
Fairbanks, Alaska 99712
POSITION STATEMENT: Testified in opposition to HB 407.

JON LIEBERMAN, General Surgeon
Fairbanks Memorial Hospital and Tanana Valley Clinic
1239 Lois Lane
Fairbanks, Alaska 99712
POSITION STATEMENT: Testified in support of HB 407.

DAN KELLY
581 Briar Drive
Wasilla, Alaska 99654
POSITION STATEMENT: Expressed concerns with HB 407.

RYNNIEVA MOSS, Staff
to Representative John Coghill
Alaska State Legislature
Capitol Building, Room 102
Juneau, Alaska 99801
POSITION STATEMENT: Testified on behalf of the sponsor of HB
474, Representative Coghill.

ELMER LINDSTROM, Deputy Commissioner
Department of Health & Social Services
PO Box 110601
Juneau, Alaska 99811-0601
POSITION STATEMENT: Testified on HB 407.

ACTION NARRATIVE

TAPE 02-17, SIDE A
Number 0001

CO-CHAIR KEVIN MEYER called the House Community and Regional
Affairs Standing Committee meeting to order at 8:08 a.m.
Representatives Morgan, Meyer, Scalzi, and Guess were present at

the call to order. Representatives Halcro, Murkowski, and Kerttula arrived as the meeting was in progress.

HB 407-CERTIFICATE OF NEED PROGRAM

CO-CHAIR MEYER announced that the only order of business before the committee would be HOUSE BILL NO. 407, "An Act relating to the certificate of need program."

Number 0136

RITA ROACH, Patient Liaison, Tanana Valley Clinic, testified via teleconference. Ms. Roach requested that the committee support and pass HB 407. She said that for 43 years the Tanana Valley Clinic has offered quality health care in the Fairbanks community. Over the past three or so years, more and more private practice physicians in our community have found themselves in a position of no longer being able to treat Medicare/Medicaid patients and thus have closed their doors to those patients. This is primarily due to the reimbursement rates from these payers. Therefore, the Tanana Valley Clinic, a multi-specialty clinic, finds that it is absorbing the impact of the aforementioned. In 2001 Medicare/Medicaid patients at Tanana Valley Clinic accounted for 28 percent of its bill charges. When that 28 percent is added to the 11 percent of patients served with no insurance, it should be clear, she said, that the Tanana Valley Clinic is committed to the community. Therefore, there should be no question of cherry picking.

MS. ROACH mentioned that as a patient liaison she hears many stories of financial grief. The clinic works hard to accommodate its patients' financial needs. [Often,] long-term payment plans that allow them to continue to meet their family needs and other financial obligations are established. Ms. Roach suggested that the committee would find [this approach] unique to the Tanana Valley Clinic. "It seems we could better serve and accommodate our patients if we were able to provide more services for them on site. We have the expertise, professional staff, and the desire to do this, except we find ourselves today wrapped up in this tangled mess of paperwork trying to obtain permission to better serve our community," she explained.

Number 0325

TERRY KIRKENDALL, Patient Pre-Certification, Tanana Valley Clinic, testified via teleconference in support of HB 407. She

related her belief in the importance of patients having the options of health care whether through a provider or a facility. In the past nine months 28 patients have canceled procedures recommended by physicians of the Tanana Valley Clinic. She attributed those cancelations to the financial burden. Ms. Kirkendall related her view that if treatment could occur at the clinic, long-term payment plans could be established in order to facilitate the patient's budget problems.

ELLEN SMITH, Business Office, Tanana Valley Clinic, testified via teleconference. Ms. Smith announced her support of HB 407. The [Business Office] works one on one with patients and their accounts. Many of the patients don't qualify for medical assistance and can't afford medical coverage through commercial insurance. Often these patients cancel procedures due to the high cost of care. Although the clinic offers these patients payment plans, the clinic can only offer payment plans for services provided by the clinic's providers. This cancelation of [procedures] occurs with commercial insurance patients when their insurance doesn't cover a procedure. She informed the committee that Medicaid doesn't allow screening for its clients. Ms. Smith concluded by saying, "In today's society, health care awareness is at an all-time high. And all the health care recommendations and research are a moot point if we do not keep the cost down and affordable for our patients."

Number 0541

SUSAN McLANE, RN, Fairbanks Memorial Hospital, testified via teleconference in opposition to HB 407. Ms. McLane informed the committee that she has been through the Certificate of Need (CON) process twice. Although the CON process is frustrating and obtaining information is difficult, it serves a purpose. If the process is broken, fix it. In regard to the cost to the patient, Ms. McLane related an instance in which some local physicians inquired as to the cost of a procedure that they thought cost \$2,600 at the hospital; however, the procedure only cost around \$1,000. These physicians were being encouraged by a colleague to contact the legislature in order to do something about this problem. Ms. McLane recalled that at the last hearing there was a gentleman who told the committee that the hospital would perform a procedure for \$5,600 that cost him \$400 in his physician's office. She questioned why one would have a procedure done in a hospital that could be done in an office; this gentleman was in the wrong environment. She related her belief that the CON process addresses having patients [obtain procedures in the appropriate environment]. In regard to the

issue of cost, Ms. McLane expressed the need to hold [facilities] accountable.

MS. McLANE mentioned the difficulty in attracting and retaining qualified staff. Ms. McLane suggested that elimination of the CON process could place Fairbanks in a position in which the area will be living with the "fall out." Therefore, Ms. McLane urged the committee to fix the CON process rather than eliminate it.

Number 0765

SHELBY NELSON, Employee, Fairbanks Memorial Hospital, testified via teleconference. She pointed out that she is also a parent and a patient. She informed the committee that she takes her children to the Tanana Valley Clinic, and when hospital services are needed she takes them to Fairbanks Memorial Hospital. The same physicians that treat her children at Tanana Valley Clinic treat her children at the Fairbanks Memorial Hospital. Ms. Nelson informed the committee that the [Fairbanks] community's growth is stable and thus there is no need for additional services for years to come. However, in such a rural health care community, the partnerships in the health care system need to be strengthened in order that the delivery system is strong rather than fragmented. Furthermore, there is no need to have duplicative services and increase the cost to the community. Ms. Nelson turned to her perspective as a parent and patient. She expressed her belief that there needs to be a comprehensive health care delivery system in which all health care providers work together in the joint effort to ensure that the current quality is maintained in the future.

Number 0895

BRIAN SLOCUM, Administrator, Tanana Valley Clinic, testified via teleconference in support of HB 407. Mr. Slocum related his belief that the Tanana Valley Clinic is probably the largest multi-specialty clinic in Alaska. The clinic's physicians basically see anyone who walks in regardless of insurance or not. In regard to cherry picking, Mr. Slocum acknowledged that there may be physicians in this community and others who only see patients with good insurance. However, he never [receives documentation as to] who those physicians actually are. It seems to be a dark rumor. Mr. Slocum said that he could provide the committee with information on the other side of the cherry picking issue. For example, between 1999 and 2001 doctors at

the Tanana Valley Clinic provided \$17,770,000 worth of unreimbursed charity care. Each of the clinic's individual shareholder physicians provided about \$800,000 worth of free care to members of the community. "If that's cherry picking, I think that's the kind of cherry picking we ought to see more of in our community and throughout the state," he said. Mr. Slocum pointed out that this free care isn't supported by tax donations or exemptions. He also pointed out that [the aforementioned figures] don't include the "no charge" [procedures]. Mr. Slocum informed the committee that the clinic is the largest locally owned property tax payer in the borough. He mentioned that he wasn't aware that nonprofit hospitals pay property taxes. Therefore, shifting business from a nonprofit organization to a regular business increases the tax base and decreases the tax burden on other people, which improves the economic quality of people's lives. Furthermore, the clinic pays millions of dollars in income taxes under doctor's compensation on corporate income tax for any profits made. Again, nonprofit entities pay nothing. However, to the extent business is shifted to a competitive environment [there will be] more of a tax base for the state and the federal government. He highlighted that all the dollars earned [by the Tanana Valley Clinic] stay in the community.

Number 1194

MR. SLOCUM turned to the concerns from hospitals that say they must see anyone who comes in, which [they say] has a severe impact on their profits. However, no one has mentioned that nonprofit hospitals receive exemptions from state, local, and federal taxes in order to cover the cost [of admitting everyone regardless of insurance and ability to pay]. Mr. Slocum reiterated that the Tanana Valley Clinic has to pay taxes and it sees people who can't afford to pay; however, the clinic isn't requesting special treatment. Mr. Slocum turned to testimony in the second Senate Health, Education and Social Services Standing Committee regarding an Anchorage hospital that made \$55 million of profits. Furthermore, in the [House Community and Regional Affairs Standing Committee] it was noted that a hospital had budgeted \$189 million in profits between 1998 and 2004. "And I got to wonder how much is enough? How one can say that ... with those kinds of profits that having to provide charity care is at risk. That's hard to say with a straight face," he said. Mr. Slocum recalled testimony at the prior House Community and Regional Affairs Standing Committee meeting in which there was the suggestion that hospitals typically invest approximately 1 percent of their net profit back into the community. This

witness with [Valley Hospital] expressed pride that [Valley Hospital] invested 10 percent back into the community. However, Mr. Slocum questioned what happens to the other 90 or so percent that accrues to the institution.

MR. SLOCUM turned to the impact of having competition in the community. He recalled that about three years ago the health department reviewed the multiple CONs and needed help to do so. A firm, MSRG, was hired to provide a review of the CON applications. The draft report stated, "It is reasonable to assume a cost savings of at least 20 percent" with respect to ambulatory surgery in Fairbanks. In 1999 the department also reviewed 58 actual case histories of surgery performed at Fairbanks' local hospital, and it determined that if those surgeries had been performed at a free-standing ambulatory surgery center, the payments that would've been made would have amounted to about 45 percent of the payment that was actually made to the hospital, which is a savings of more than half on those cases. The total projected savings on those 58 ambulatory surgery cases would've been just under \$47,000, which would have amounted to a savings of over \$2 million at Medicaid rates.

MR. SLOCUM concluded by saying that 30 years of history and research illustrate that the CON process doesn't work. It has been proven that the CON process raises costs by erecting barriers to more efficient providers, and its administrative costs are in the millions. The process is easily circumvented by institutions and there is no evidence that CONs increase the level of charity care. Mr. Slocum characterized the CON process as a failed experiment in centralized planning. Therefore, he urged the committee to eliminate it and allow competition.

Number 1482

REPRESENTATIVE SCALZI turned to the fiscal note, which shows general fund expenditures rising, although he indicated agreement that there will be savings at the local level. He asked Mr. Slocum to comment.

MR. SLOCUM informed the committee that [the Tanana Valley Clinic] has hired a consulting firm to review that. The preliminary report from the consulting firm is that approximately \$150,000 per annum at startup [will increase] to some minimum amount. However, this is all dependent upon the assumptions. Still, the impact wouldn't occur for several years because of the timing required to plan and build a facility, as well as the impact on the state's budget and the re-basing of

Medicare fees. Therefore, the consulting firm estimates that it would be 2006 before there would be any fiscal impact. Furthermore, [the report seems] to suggest that there may be the need to review the state's reimbursement formula because the state will be required to pay for empty beds and rooms using the current formula. The federal government changed that formula ten years ago in order to avoid the problem of paying for empty beds.

Number 1612

JENNIFER HOUSE, Employee, Denali Center, testified via teleconference. She said that she didn't believe that HB 407 is in the best interest of her community, or Alaska's general public. She said she imagined that the intent behind this legislation is to increase competition among certain health care services using the erroneous assumption that it will benefit consumers. However, unlike retail industries, health care isn't a consumer-driven market but rather is need-driven. "Consumers don't control the amount of health care services they consume, this is controlled by the physician," she explained. Therefore, this legislation would benefit specialty providers that would carve out profitable health care services providing redundant [services] in urban areas of Alaska. The cost of this redundancy will be borne by the consumer. Under current CON laws, consumers have the ability to participate in and influence the amount, variety, and quality of services provided within their community. Alaska's CON laws have worked well to ensure efficient use of health care resources. Ms. House stressed the importance of this point when one considers the acute shortage of health care professionals with which the providers contend. Diluting the CON laws in order to allow for the redundant provision of services simply aggravates this growing crisis. Furthermore, Ms. House said that she didn't see the logic of eliminating the CON process for communities with populations of 55,000 or greater. Actually, she found that to be discriminatory. "Long-term health care planning through the CON process is just as important and just as beneficial to urban communities as it is to rural communities," she stated. Therefore, she urged the committee to reconsider HB 407, which she felt would only weaken the community health care system.

ROBERT GOULD, Chief Financial Officer, Fairbanks Memorial Hospital, testified via teleconference in opposition to HB 407 because he didn't believe it's in the best interest of the state. Mr. Gould informed the committee that his testimony would be primarily in regard to the testimony heard on Tuesday.

In regard to the assertion that mental health beds and nursing home beds are reimbursed when not in use, Mr. Gould emphasized, "I can tell you for a fact that that is not correct." "Fairbanks Memorial Hospital and Denali Center are not reimbursed for beds that are not in use in inpatient, in mental health, or in the nursing home setting," he specified.

MR. GOULD turned to Dr. McGuire's testimony in which he claimed that reimbursement under the Medicaid system is lower for ambulatory surgery centers and would reduce the cost to Medicaid if an ambulatory surgery center was allowed. Again, this is incorrect. Mr. Gould explained that reimbursement between Fairbanks Memorial Hospital and the ambulatory surgical center is almost identical. Therefore, there would be no cost savings for Medicaid under such a reimbursement system. There was also testimony that costs are lower in an ambulatory surgery center. However, Fairbanks Memorial Hospital was the low cost provider in the state three years ago and it continues to be while the free-standing ambulatory surgery center in Anchorage has increased its costs 22 percent over the last three years. In regard to [testimony] that patients travel to Anchorage for lower costs, Mr. Gould said patients travel to Anchorage because specific services, services for the head and heart, aren't available in their community. Mr. Gould reiterated that of all service providers, Fairbanks Memorial Hospital has the lowest prices in the state.

MR. GOULD related his understanding that [HB 407] proposes to eliminate the CON in communities with a population over 55,000. As one of the communities that would be impacted, Mr. Gould was concerned. He reemphasized that Fairbanks has the lowest cost in the state, and it has been shown that there is no need. Eliminating the CON will only increase costs, and for proof of that one merely has to look at the Anchorage market where there are three surgical providers and the costs are higher. Therefore, the same situation will result in Fairbanks with the elimination of the CON.

Number 1926

KARL SANFORD, Director of Nursing, Fairbanks Memorial Hospital, testified via teleconference in opposition to HB 407. Mr. Sanford said that he would speak to quality from the perspective of nursing. He recalled the adage in health care that volume equates to quality, which is supported by a study released by the University of Iowa School of Medicine in January 2002. That study reviewed all states. Several states had repealed the CON

laws and others kept the CON over the course of the study. The predominant focus of the study was of coronary bypass patients. Mr. Sanford informed the committee that the outcome of the study was that when states removed their CON laws, those states saw a proliferation of hospitals providing coronary bypass surgery. "The point here is that when you open it up for all comers, essentially the volume of patients being cared for in any one setting is diluted among many," he explained. [Without a CON process] many smaller facilities began doing these [coronary bypass] procedures. The study reported an overall increase in the mortality rate among patients because of [the absence of the CON process]. Mr. Sanford related his belief that when the volume is diluted so is the quality, which he didn't believe the state was looking to do.

Number 2037

JON LIEBERMAN, General Surgeon, Fairbanks Memorial Hospital and Tanana Valley Clinic, testified via teleconference in support of HB 407. Mr. Lieberman remarked that health care is no exception to capitalism in America because health care is a business that should be cost accountable. He indicated that competition provides a spark for perfection. In the last ten years, Mr. Lieberman has noticed that the threat of a surgery center in Fairbanks has sparked Fairbanks Memorial Hospital to improve. Furthermore, the threat of a cancer radiation therapy center pushed Fairbanks Memorial Hospital to build a cancer center. Mr. Lieberman related his belief that there is reluctance, on the part of Fairbanks Memorial Hospital, to completely disclose the exact cost of health care to patients. He mentioned that patients complain to him regarding the costs at Fairbanks Memorial Hospital. Mr. Lieberman turned to the notion that the mortality rate of ambulatory centers is higher. However, he charged everyone to review these studies in regard to whether they are based upon scientific [information]. There is no logical reason to stand in the way of capitalism in Fairbanks. Medicine should be treated as any other business would. Mr. Lieberman concluded by relating his belief that the quality of health care can be improved by the passage of HB 407.

Number 2275

DAN KELLY testified via teleconference that he can't really support HB 407 until some modifications occur. Mr. Kelly informed the committee that Senator Lyda Green is sponsoring a bill that would increase the \$1 million threshold to \$10 million. He asked if the sponsor of HB 407 is against such a

raise in the threshold. The \$1 million was [established] in 1983. Mr. Kelly expressed the need to provide clarification in regard to "commencement of activities". The Matanuska-Susitna (Mat-Su) Borough has over 60,000 population currently; however, just five years ago the area had a population less than 55,000 when "we certainly were commenced at that time." Therefore, he was unclear as to whether HB 407 applies to the Mat-Su Borough. Moreover, the need for a CON isn't clear when one considers the size of the borough. Mr. Kelly said that it isn't clear that when an area exceeds a population of 55,000 that Section 1(a) would apply to a borough. If these issues could be made clear, Mr. Kelly said that he could possibly consider support for HB 407. In conclusion, Mr. Kelly requested an explanation as to why the CON is necessary at all.

CO-CHAIR MEYER announced that public testimony would be closed.

Number 2484

RYNNIEVA MOSS, Staff to Representative John Coghill, Alaska State Legislature, testified on behalf of the sponsor of HB 474, Representative Coghill. Ms. Moss related that Representative Coghill would encourage amendments to be made in the House Health, Education and Social Services Standing Committee. She also related that Representative Coghill feels that the involvement of the House Community and Regional Affairs Standing Committee is related to the population delimiter in HB 407. The [House Community and Regional Affairs Standing Committee] needs to decide whether the population figure is appropriate and whether CONS for ambulatory facilities and equipment purchases is good for communities. She said, "He feels that a bureaucracy can't be measured by the number of bureaucrats that we're paying for; it was mentioned that only one person is employed for CONS. It should be measured by the burden placed on the businesses who have to spend thousands of dollars and years to open up a business in a free enterprise system, or expand that business."

MS. MOSS informed the committee that Representative Coghill believes that federal subsidization of the medical industry has created a false economy for medical services. Furthermore, Medicaid has redefined poverty for those receiving public assistance as well as for corporate welfare. In regard to comments that Fairbanks Memorial Hospital is the lowest cost provider in the state, Ms. Moss remarked that the hospital shouldn't be concerned with competition. "CONS put the choice of medical services in the hands of government and takes that choice away from consumers," she charged.

CO-CHAIR MEYER inquired as to the amendments Representative Coghill plans to make in the House Health, Education and Social Services Standing Committee.

MS. MOSS answered that Representative Coghill has discussed the exemption of psychiatric beds and nursing home [beds] with Representative Dyson.

Number 2574

REPRESENTATIVE SCALZI turned to the fiscal note and noted that he was suspect of the numbers because they seem to assume that some of these facilities are already on line and will begin business immediately.

MS. MOSS stated that the fiscal note is beyond her capabilities. She trusted Tanana Valley Clinic's testimony that there would be no fiscal impact to fiscal year 2006.

REPRESENTATIVE SCALZI expressed the need to flesh that out through the process.

Number 2626

REPRESENTATIVE MURKOWSKI informed the committee that she spoke with the department in regard to amending the legislation. Representative Murkowski inquired as to what the sponsor feels wouldn't work with the administration's proposal. Representative Murkowski mentioned that she wouldn't make the amendment if she understood the problems with it. The amendment reads as follows:

Page 1, following line 13:

Insert new bill sections to read:

***Sec.2.** AS 18.07.031(b) is amended to read:

(b) Notwithstanding [THE EXPENDITURE THRESHOLD IN] (a) of this section, a person may note alter the bed capacity by adding new beds to, construct a building for use as, or convert a building or part of a building to, a nursing home or psychiatric hospital that requires licensure under AS 18.20.020 unless authorized under the terms of a certificate of need issued by the department.

***Sec.3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION. (a) For an expenditure that was less than \$1,000,000 for alteration of the bed capacity by adding new beds to, or for new construction of a building for use as, a nursing home or psychiatric hospital that requires licensure under AS 18.20.020 or for conversion of a building or part of a building to a psychiatric hospital that requires licensure under AS 18.20.020, and that was not required to have a certificate of need before the effective date of this Act, a person must comply with AS 18.07.031(b), as amended by sec. 2 of this Act, if the person first seeks licensure under AS 18.20.020 on or after the effective date of this Act for the new beds, new construction, or conversion.

(b) Pending applications to comply with AS 18.02.031, as that statute appeared before the effective date of this Act, shall be processed in accordance with AS 18.07.031, as amended by this Act."

MS. MOSS said that there are three basic concerns. First, Representative Coghill has said that he will make amendments in the House Health, Education and Social Services Standing Committee where the discussion should occur. She related her belief that the House Health, Education and Social Services Standing Committee will question the fiscal note. Second, Section 2 [of the amendment] would allow government to specify who can be put in the beds, which includes existing and new beds. [Third], Section 3(a) seems to be an example of ex post facto; the rules are being changed mid-stream and a CON would be required.

Number 2736

ELMER LINDSTROM, Deputy Commissioner, Department of Health & Social Services, explained that were the amendment to be adopted, the status quo would remain relative to nursing home beds. Currently, nursing home beds can't be converted without a CON. The sponsor's position of including psychiatric beds would make the situation for psychiatric beds the same as what currently exists for nursing home beds. Therefore, there isn't a significant policy issue here. He indicated that the [amendment] seemed to be on par with the sponsor's intentions; however, now he wasn't certain. In closing, Mr. Lindstrom left the decision as to whether to offer the amendment to the committee.

CO-CHAIR MEYER remarked that this committee wants to pass the best bill possible from the committee.

Number 2855

REPRESENTATIVE HALCRO commented that this isn't merely a debate over the economics of free competition. He recalled the \$25 million a year spent by Providence on free care. "I would suggest that it's not just a pure matter of competition, it's looking at communities and trying to define what services are going to be effected if we allow this to go forward. And I would hope the sponsor would take that into consideration," he said.

REPRESENTATIVE KERTTULA inquired as to who drafted SSHB 316.

MR. LINDSTROM answered that the bill was drafted by Stacie Kraly, Assistant Attorney General, Human Services Section, Civil Division (Juneau), Department of Law, and was reviewed by Deborah Behr, Assistant Attorney General, Legislation & Regulations Section, Civil Division (Juneau), Department of Law. In further response to Representative Kerttula, Mr. Lindstrom explained that unamended HB 407 would exempt nursing homes from a CON review in communities with a population larger than 55,000. Mr. Lindstrom agreed with Representative Kerttula that the amendment would return the situation for nursing homes to the status quo.

REPRESENTATIVE GUESS remarked that it is appropriate for the discussion of the fixes for HB 407 to occur in the House Health, Education and Social Services Standing Committee.

Number 2961

REPRESENTATIVE GUESS moved to report HB 407 out of committee with individual recommendations and the accompanying fiscal note.

REPRESENTATIVE KERTTULA related her understanding that the House Health, Education and Social Services Standing Committee is going to review the amendment.

MS. MOSS reiterated Representative Coghill's commitment to offer amendments in the House Health, Education and Social Services Standing Committee.

TAPE 02-17, SIDE B

[There being no objection, HB 407 was reported from the House Community and Regional Affairs Standing Committee.]

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 8:57 a.m.