

ALASKA STATE LEGISLATURE
HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE

January 31, 2008

3:01 p.m.

MEMBERS PRESENT

Representative Peggy Wilson, Chair
Representative Bob Roses, Vice Chair
Representative Anna Fairclough
Representative Wes Keller
Representative Paul Seaton
Representative Sharon Cissna
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 337

"An Act establishing the Alaska Health Care Commission and the Alaska health care information office; relating to health care planning and information; repealing the certificate of need program for certain health care facilities and relating to the repeal; annulling certain regulations required for implementation of the certificate of need program for certain health care facilities; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 337

SHORT TITLE: HEALTH CARE: PLAN/COMMISSION/FACILITIES

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/22/08	(H)	READ THE FIRST TIME - REFERRALS
01/22/08	(H)	HES, FIN
01/24/08	(H)	HES AT 3:00 PM CAPITOL 106
01/24/08	(H)	Heard & Held
01/24/08	(H)	MINUTE(HES)
01/31/08	(H)	HES AT 3:00 PM CAPITOL 106

WITNESS REGISTER

KARLEEN JACKSON, Commissioner
Department of Health & Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: Introduced Committee Substitute for HB 337.

JAY BUTLER, M. D.; Chief Medical Officer
Office of the Commissioner
Department of Health & Social Services (DHSS)
Anchorage, Alaska

POSITION STATEMENT: Participated in the introduction of
Committee Substitute for HB 337.

SHAWN MORROW, Chief Executive Officer
Bartlett Regional Hospital
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 337.

JOHN COTTER, Pharmacy Director
Fairbanks Memorial Hospital
Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on HB 337.

MARY RAYMOND
Homer, Alaska

POSITION STATEMENT: Testified during the hearing on HB 337.

JAMES SHILL, Chief Executive Officer
North Star Behavioral Health System
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 337.

BRUCE JAYNE, Representative
Alaska Surgery Center
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 337.

SUSAN MCLEAN, Director of Surgical Services
Fairbanks Memorial Hospital
Fairbanks, Alaska

POSITION STATEMENT: Speaking as a citizen and as the Director
of Surgical Services at Fairbanks Memorial Hospital, testified
during the hearing on HB 337.

RYAN SMITH, Chief Executive Officer
Central Peninsula General Hospital (CPGH)
Soldotna, Alaska

POSITION STATEMENT: Testified in opposition to HB 337.

JOE MILLER, Assistant Chief Attorney
Litigation I Section
Antitrust Division
U.S. Department of Justice
Washington, D. C.

POSITION STATEMENT: Testified during the hearing on HB 337.

STEPHEN SUTLEY, Physician
Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on HB 337.

ROBERT JAMES CIMASI, President
Health Capital Consultants
St. Louis, Missouri

POSITION STATEMENT: Testified during the hearing on HB 337.

JENNIFER HOUSE, Comptroller
Fairbanks Memorial Hospital and Denali Center
Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on HB 337.

NORMAN STEPHENS, Chief Executive Officer
Mat-Su Regional Medical Center
Palmer, Alaska

POSITION STATEMENT: Testified during the hearing on HB 337.

ACTION NARRATIVE

CHAIR PEGGY WILSON called the House Health, Education and Social Services Standing Committee meeting to order at [3:01:08 PM](#). Representatives Keller, Fairclough, Seaton, Gardner, Roses, and Wilson were present at the call to order. Representative Cissna arrived as the meeting was in progress.

HB 337-HEALTH CARE: PLAN/COMMISSION/FACILITIES

[3:01:31 PM](#)

CHAIR WILSON announced that the only order of business would be HOUSE BILL NO. 337, "An Act establishing the Alaska Health Care Commission and the Alaska health care information office; relating to health care planning and information; repealing the certificate of need program for certain health care facilities and relating to the repeal; annulling certain regulations required for implementation of the certificate of need program

for certain health care facilities; and providing for an effective date."

[3:02:24 PM](#)

REPRESENTATIVE GARDNER moved that the committee adopt proposed committee substitute (CS) for HB 337, Version 25-GH2050\E, Mischel, 1/30/08, as the working document. Hearing no objection, Version E was before the committee.

[3:04:01 PM](#)

KARLEEN JACKSON, Commissioner, Department of Health & Social Services (DHSS), introduced the committee substitute (CS). She stated that the first change to the bill addresses the composition of the health care commission on page 3, line 22. The number of public members of the commission has been increased from three to six, and the ex-officio member from the governor's office has been deleted. In addition, the ex-officio status of the representatives from the House and Senate has been removed; this change has caused some concern from the Department of Law (DOL).

[3:05:31 PM](#)

CHAIR WILSON relayed advice that she had received from the DOL indicating that, when representatives are in an advisory role, representation from the House and Senate on the council is acceptable.

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COMMISSIONER JACKSON referred to page 6, line 12 through 26, and opined that the changes that have been made direct the focus of the health care information database to: access to health care; cost of health care; and quality of health care.

[3:08:00 PM](#)

REPRESENTATIVE SEATON asked whether the reporting requirements on page 6, line 16, will create a huge matrix of reported fees from insurance providers. He suggested that the DHSS should only report the costs paid by the primary insurance providers from the previous year. The consumer is only interested in the negotiated prices that the largest insurer is paying for services, he opined.

[3:09:53 PM](#)

JAY BUTLER, M. D.; Chief Medical Officer, Office of the Commissioner, advised that there is a lot of information being requested that consumers may not want, or that is not available, given the resources needed to gather these details.

[3:11:13 PM](#)

REPRESENTATIVE SEATON observed that the purpose of providing the information is so that consumers can make choices, and consumers will be looking for data on providers that they deal with most often. However, the wording in the bill seems to ask for hospitals to provide costs for every procedure, and reimbursement allowances from every provider. Representative Seaton asked the sponsor to review the validity of this requirement.

[3:12:29 PM](#)

REPRESENTATIVE GARDNER expressed her understanding that the function of the database is that consumers can identify the prices and costs in their area so that they can decide where to fill a prescription or have a treatment. She asked whether the negotiated price for all insurers is helpful, when in fact, the consumer can evaluate and compare the list prices. The inclusion of negotiated prices will be burdensome and may be a breach of confidentiality, she opined.

[3:13:48 PM](#)

DR. BUTLER agreed. He added that the web site needs to be relatively simple to be useful, and should only include what people really need.

[3:14:14 PM](#)

REPRESENTATIVE GARDNER stated that she did not need to know the cost of workman's compensation. She asked Dr. Butler to explain "cash price and negotiated price" and "available hospital ratings of infection and mortality."

[3:14:54 PM](#)

DR. BUTLER responded that hospital infection rates are not currently reported in Alaska and to do so would require creating a surveillance and reporting system.

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REPRESENTATIVE GARDNER observed that, if this information is not currently reported, the requirements of the bill to collect the information will be a cost to hospitals.

[3:15:57 PM](#)

CHAIR WILSON opined that hospitals keep these records; however, hospital administrators will not be happy to make this information public.

[3:16:33 PM](#)

REPRESENTATIVE ROSES asked whether the states with health information web sites have seen decreasing medical costs.

DR. BUTLER said that he was not aware of published results that connect the web sites to lower medical costs. He will research this question.

[3:17:39 PM](#)

REPRESENTATIVE ROSES assumed that the posting of prices on the web site should make costs more competitive. The rationale is patient choice and this is the side effect. On the other hand, a large self-insured company is in the position to negotiate according to its size and get a better rate than may be available to a smaller insurer. This difference in rate could be confusing to consumers who may not understand the comparison of apples to oranges. He cautioned that there may be consequences to insurance providers that will result in the elimination of negotiated rates, which will cause all prices to go up.

[3:21:05 PM](#)

REPRESENTATIVE KELLER shared that negotiated prices to insurers can be extremely low.

[3:21:19 PM](#)

CHAIR WILSON recalled last summer's testimony.

[3:21:40 PM](#)

REPRESENTATIVE ROSES related his personal experience negotiating for a large health trust.

[3:22:35 PM](#)

COMMISSIONER JACKSON cautioned against writing too much detail in the statute and re-stated that the purpose of the bill is to lower costs and provide transparency for consumers.

[3:22:55 PM](#)

CHAIR WILSON expressed her concern about the requirement to update prices annually. She suggested that price changes should be posted monthly, if possible.

[3:24:09 PM](#)

DR. BUTLER opined that it is a challenge to see how data comes and from where it comes. He explained that many of the existing web sites post claims data that is derived from what has been charged for past procedures. The data is not a master price list from a hospital.

[3:25:23 PM](#)

REPRESENTATIVE CISSNA recommended that the DHSS talk with United Way in Anchorage for information on how to collect data. United Way has been collecting data for the 211 information phone line and there may similarities in the process, in fact, some of the same information may be applicable to the web site.

[3:26:12 PM](#)

COMMISSIONER JACKSON turned to the section of the bill regarding Certificates of Need (CON). She reminded the committee that the original bill repealed the CON program; however, the CS does not repeal the CON for nursing homes, residential psychiatric treatment centers, and for critical access hospitals. The language in the CS will need to be corrected to refer to "communities that have critical access hospitals." She emphasized that the CS incorporates the exceptions, rather than the delayed repeal that was previously considered.

[3:27:40 PM](#)

REPRESENTATIVE ROSES stated his philosophical problem with charging a committee to search for solutions and compromises,

and then ignoring its work. He opined that the industry needs to come up with a compromise, not the House Health, Education and Social Services Standing Committee. He said that well meaning people worked very hard, and if the DHSS can not accept some of the process or results, the committee can be re-convened for further work. Representative Roses expressed his reluctance to support the bill in its present form.

[3:31:04 PM](#)

REPRESENTATIVE GARDNER noted her same feelings about the health care task force that issued many recommendations; the legislature and the DHSS have not begun to fully examine its findings, yet this legislation forms a new commission.

[3:31:44 PM](#)

CHAIR WILSON reminded the committee that recommendations from the task force are available for each member to review.

[3:32:25 PM](#)

REPRESENTATIVE CISSNA related her search for the legislative history on this subject. She offered a report from Legislative Legal and Research Services, Legislative Affairs Agency, that contains information on the state's past efforts from 1999, and also contains analysis of the work done by the task force this summer.

[3:34:31 PM](#)

COMMISSIONER JACKSON acknowledged that the state lacks an ongoing health planning unit. The task force recommendations were presented to the governor, and this bill contains recommendations from the negotiated rule making committee. She pointed out that the work of the negotiated rule making committee has not been lost, even though there was not unanimity by the members.

[3:36:23 PM](#)

REPRESENTATIVE GARDNER called the committee's attention to page 5, line 30, and asked whether the language should say "health care services **or** health care facilities." In addition, on page 7, beginning at line 15, the bill states the consequence of a health care facility's failure to report the information

requested by the DHSS. She asked whether this is the entire consequence for failure.

COMMISSIONER JACKSON answered yes to both questions.

[3:38:01 PM](#)

REPRESENTATIVE ROSES asked whether "an adverse action taken," indicated on page 7, line 24, is the correct intent. He pointed out that the mere filing of a lawsuit is considered an adverse action, whether an entity is subsequently found guilty or innocent.

COMMISSIONER JACKSON assured the committee that she will get clarity on this issue.

[3:41:27 PM](#)

SHAWN MORROW, Chief Executive Officer, Bartlett Regional Hospital, stated that he was a member of the negotiated rule making committee and that 90 percent of the participants said that the CON should not be repealed, especially for communities of less than 60,000 residents. He related his experience in Oklahoma, which does not have a current CON law, and said that 13 hospitals closed during the time period from 1992 to 2005. He cited the proliferation of specialty hospitals, ambulatory surgery centers, and imaging centers that caused the financial decline of hospitals in smaller communities. The hospitals suffered from the loss of higher priced services that previously funded emergency and indigent care. Mr. Morrow concluded that the CON program should not be repealed.

[3:43:35 PM](#)

REPRESENTATIVE ROSES asked for the composition of the negotiated rule making team.

MR. MORROW said that members included hospital administrators, investors, and physicians. He estimated that 60 percent of the members were affiliated with hospitals.

[3:44:27 PM](#)

REPRESENTATIVE ROSES further asked whether a private provider would have felt that the committee was balanced and fair.

MR. MORROW said yes. He added that there was a lot of compromise and negotiation.

[3:45:24 PM](#)

JOHN COTTER, Pharmacy Director, Fairbanks Memorial Hospital, stated that he does not want the CON repealed and believes that CON regulation provides consistent health care to the community. Allowing clinics to skim off the top takes away the funding that the hospital needs to provide ancillary services to those who can not afford to pay. He warned that Medicare patients will not be accepted by the clinics and will require services at the hospital.

[3:47:04 PM](#)

REPRESENTATIVE FAIRCLOUGH asked for Mr. Cotter's opinion of the component of the bill that allows for the posting of pharmaceutical costs on the state web site.

MR. COTTER opined that it would be easy for him to provide the prices of drugs from a list. However, posting contracts with the different payers would be extremely difficult.

[3:48:09 PM](#)

REPRESENTATIVE ROSES asked for Fairbanks Memorial Hospital's write-off for non collectibles from last year.

MR. COTTER said he would provide that amount.

[3:48:43 PM](#)

MARY RAYMOND of Homer expressed her concern about the lack of affordable health care. She appreciated the serious consideration of the problem by the legislature and encouraged the committee to review her written testimony.

[3:50:45 PM](#)

JAMES SHILL, Chief Executive Officer, North Star Behavioral Health System, informed the committee that North Star Behavioral Health System provides psychiatric acute care hospitalization and residential treatment to children and adolescents. He stated his opposition to the bill and the committee substitute (CS). Even though residential psychiatric treatment centers are an exception in the CS, psychiatric hospitals are not. In

Alaska, the mental health community has agreed that the state needs a balanced approach for the delivery of mental health care. Mr. Shill pointed out that there has been a 100 percent reduction in the number of children placed out-of state for treatment. His experience has been at every level of mental health care in Alaska and he asked that the plan for balanced care not be removed. He was also a member of the negotiated rule making committee and concluded that consensus was reached, and that the CON is a worthwhile program to prevent over saturation of unneeded facilities in mental health and all areas of health.

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REPRESENTATIVE FAIRCLOUGH asked whether Mr. Shill was also opposed to the other components of the bill.

MR. SHILL said that he could not comment.

[3:54:43 PM](#)

REPRESENTATIVE SEATON asked which facilities are not protected by the bill.

MR. SHILL responded that the CS does not protect psychiatric hospitalization.

[3:55:48 PM](#)

BRUCE JAYNE, Representative, Alaska Surgery Center, stated that he was a member of the negotiated rule making committee and concurs with Mr. Morrow's testimony. He stated that he represents 26 physicians whose patients are 30 percent governmental payers, and who come from all areas of the state. He opined that many strip mall centers do not always provide the regulation that is needed, resulting in substandard care. Mr. Jayne acknowledged that CON laws may need modification; however, the CON program serves a gate keeping function. He concluded that one problem is the nationwide shortage of nurses, and this shortage drives up the cost of health care.

[3:59:11 PM](#)

SUSAN MCLEAN, Director of Surgical Services, Fairbanks Memorial Hospital, stated that she was speaking as a citizen and as the Director of Surgical Services at Fairbanks Memorial Hospital. She expressed her opposition to the repeal of the CON and noted

the value of putting the principal parties together to work on community solutions. She urged the committee to review the work of the negotiated rulemaking committee as it is a thoughtful process that looks out for the best interest of everybody involved.

[4:00:51 PM](#)

RYAN SMITH, Chief Executive Officer, Central Peninsula General Hospital (CPGH), expressed his opposition to the bill and the repeal of the CON program. He stated that Central Peninsula General Hospital (CPGH) is a sole provider community provider, not a critical access hospital, and the CPGH risks financial instability and irreparable harm if the state does not ensure that there is a need for more health care infrastructure before it is introduced into a community. He related that residents have approved a bond project for expansion of the hospital and have supported the hospital with their taxes. As a member of the certificate of need negotiated regulations committee, he emphasized that the committee voted 16 to 2 that the CON not be fully eliminated. Furthermore, there was agreement on the imaging issues that would address lingering litigation. Mr. Smith encouraged the committee to eliminate Sec. 2 and Sec. 3 of HB 337 and to consider HB 345 instead. He provided a breakdown of the members of the negotiated regulations committee, and in answer to a previous question, said that CPGH provides \$8.6 million in charity and bad debt write-off annually.

[4:04:20 PM](#)

CHAIR WILSON asked for the population.

MR. SMITH answered that there are approximately 35,000 residents living in the service area of CPGH.

[4:04:55 PM](#)

REPRESENTATIVE ROSES asked why the negotiated regulations committee could not address all of the pending litigation.

MR. SMITH advised that the majority of the remaining lawsuits were related to imaging and the committee drafted language that would have eliminated the appeals associated with imaging. He stated that that language was in HB 345.

[4:06:13 PM](#)

REPRESENTATIVE GARDNER asked Mr. Smith to explain his objection to the manner of the introduction of the legislation.

MR. SMITH explained that he was surprised when legislation to repeal the CON program was introduced after the committee had spent five days in Anchorage working on their recommendations.

[4:07:21 PM](#)

REPRESENTATIVE FAIRCLOUGH asked Mr. Smith to explain why the state should spend money and human resources in an attempt to referee what some believe should be a competitive market. In fact, the recommendations from the negotiated rule making committee are very cumbersome and may draw additional litigation.

MR. SMITH stated that, if the recommendations from the committee were incomplete, the committee should be allowed to continue to work together and resolve the issue.

[4:09:21 PM](#)

REPRESENTATIVE FAIRCLOUGH related that, when she was informed of the state's decision to eliminate the CON, "my response was not pleasant." She further explained that she has also questioned the state's estimate of the cost of the future liability and asked whether there was anyone who could help clarify this estimate.

[4:10:12 PM](#)

REPRESENTATIVE GARDNER asked whether Mr. Smith believes that HB 345 covers the suggestions of the negotiated rule making committee.

MR. SMITH said yes.

[4:10:50 PM](#)

CHAIR WILSON reminded the committee to not talk about other bills.

[4:11:02 PM](#)

JOE MILLER, Assistant Chief Attorney, Litigation I Section, Antitrust Division, stated that he was speaking on behalf of the

antitrust division as part of its ongoing competition advocacy initiative to promote the benefits of competitive markets to state legislatures, Congressional bodies, and regulatory bodies. His division also advises federal agencies on rule making and policy matters. Mr. Miller opined that CON laws are anti-competitive; however, he said that he will not take a position on the bill. He asked the committee to review his written remarks and explained that the underlying principle is that market forces improve quality and lower costs of health care services; in fact, government intervention can undermine market forces to the detriment of consumer welfare. Mr. Miller continued to explain that CON laws are designed to impede the proper functioning of the market process. One argument of CON proponents is that hospitals need this protection so that they can continue to subsidize uncompensated care. He stressed that this goal needs to be addressed without using CON laws as a funding mechanism. Furthermore, CON laws hurt consumers who would benefit from choosing lower priced care, impose costs without evidence, and slow hospitals from improving services.

[4:15:00 PM](#)

REPRESENTATIVE ROSES asked whether Mr. Miller was aware of the compromises reached by the working group.

MR. MILLER said no.

[4:15:30 PM](#)

REPRESENTATIVE ROSES expressed his interest in Mr. Miller's opinion as to whether the compromises mitigated some of his concerns about the lack of free market competition.

MR. MILLER stated that he would review the information.

[4:15:55 PM](#)

REPRESENTATIVE GARDNER asked whether health care really is a free market industry when hospitals are required to provide care without compensation.

MR. MILLER agreed; however, the point is whether CON laws are justified in the cost that they impose to provide that care. The evidence is that the goal of providing charity is not undermined by new entry.

[4:17:44 PM](#)

REPRESENTATIVE GARDNER referred to studies of the empirical evidence that compares apples to oranges. She asked for any further evidence that Mr. Miller could provide.

[4:18:23 PM](#)

REPRESENTATIVE ROSES assumed that Mr. Miller would support the other components of the bill.

MR. MILLER said that he is not authorized to talk about particular legislation.

[4:19:31 PM](#)

REPRESENTATIVE ROSES referred to earlier testimony about 13 smaller hospitals that were closed in Oklahoma, and asked whether Mr. Miller had a response.

MR. MILLER pointed out the need to look at each instance to determine the relationship between the repeal of a law and the failure of a hospital. He said that he did not have any information on the situation, or the impact on consumers.

[4:20:57 PM](#)

STEPHEN SUTLEY, Physician, informed the committee that he is a private practitioner. He expressed his belief in the common goal to ensure and improve patient access to medical care and to lower the costs of medical care. A segment of medical patients can benefit from a surgery out-patient center; however, this service is not open to patients in Fairbanks, due to the CON program. Some patients cannot afford the hospital and end up in the emergency room. He read from a report that said that entrepreneurs and innovators are developing new ways to deliver health care in a more convenient, high quality, and less costly manner. Great breakthroughs and discoveries in health care are expected over the next 25 years but, unfortunately, bureaucratic relics will stand in the way. Dr. Sutley stated his support of the anti-trust issue as described in the testimony of Mr. Miller.

[4:25:09 PM](#)

CHAIR WILSON asked for the population of Fairbanks.

DR. SUTLEY said that Fairbanks, North Star Borough, and the outlying area have a population of 100,000 residents.

[4:25:35 PM](#)

REPRESENTATIVE ROSES asked whether Dr. Sutley was aware of the compromises recommended by the committee.

DR. SUTLEY said that he was not aware of the recommendations.

REPRESENTATIVE ROSES stated his interest in Dr. Sutley's opinion.

[4:26:43 PM](#)

ROBERT JAMES CIMASI, President, Health Capital Consultants, stated that his company studies this issue nationwide and has a significant background in aspects of delivery systems in Alaska, including primary research on utilization demand, challenges of the geographic proximity to service, and physician manpower and supply. In addition, his company has been conducting intense research into certificate of need health policy that culminated into the publication of a source handbook in 2005. He referred to his written testimony that cites policy and case law on this subject. Mr. Cimasi explained that CON policy was imposed on the states by the federal government in the 1970's because health care was paid for on a cost plus basis. In the 1980's, the federal government developed the prospective payment system and providers were told in advance what would be paid for procedures. This change eliminated the need for the CON program to reduce costs; in fact, evidence shows that CON laws raise costs. He opined that it is a failed health policy that has been renounced by the federal government and by most of the established health policy research community. In answer to a question, he stated that there is no statistical valid evidence that in Oklahoma, or any other state, there is a causation link between the repeal of CON law and the closure of any health care facility.

[4:32:02 PM](#)

CHAIR WILSON asked for proof.

[4:32:22 PM](#)

MR. CIMASI stated that his company has addressed this issue through its ongoing research. In addition to preventing

innovation, CON legislation is anti-physician. He offered that there are other ways, currently in use by federal and state governments, to protect community hospitals.

[4:33:39 PM](#)

CHAIR WILSON observed that some states prohibit an owner-doctor from referring patients to his or her clinic.

MR. CIMASI stressed that CON regulation does not address this issue.

[4:35:07 PM](#)

REPRESENTATIVE GARDNER asked Mr. Cimasi to repeat the regulation regarding physician self-referral.

MR. CIMASI answered that the regulation used by many states is the Stark Act, 42 U. S. C. (section) 1395nn.

[4:35:44 PM](#)

JENNIFER HOUSE, Comptroller, Fairbanks Memorial Hospital and Denali Center, stated that she was opposed to repeal of CON laws and was amazed to see the bill appear after all of the time and efforts of the negotiated rule making committee. She expressed her concern for community hospitals and shared that Fairbanks Memorial Hospital provided \$15 million in uncompensated care in 2007. Ms. House also noted that Section 18.09.110 was drafted without regard to the burden being placed on facilities. Problems she anticipates concern contract negotiations, how timely and accurate the information will be, and whether the information will be misinterpreted by the public. She concluded that the state is stepping into an inappropriate role and suggested that consumers should contact facilities directly for pricing information.

[4:39:41 PM](#)

REPRESENTATIVE GARDNER asked how a hospital can stay in business while providing \$15 million in uncompensated care.

MS. HOUSE stated that that amount was written off as charity or bad debt; other charges are set at a level to cover uncompensated care.

[4:40:57 PM](#)

REPRESENTATIVE GARDNER asked whether the higher costs are attacks on those who pay their own way.

MS. HOUSE agreed. She added that Medicare payments create a hidden tax, as well.

[4:41:31 PM](#)

REPRESENTATIVE GARDNER opined that Ms. House's testimony makes the case that CON laws do not control the cost of care.

MS. HOUSE disagreed. She said that the CON program allows others to make money on lucrative services.

[4:42:31 PM](#)

REPRESENTATIVE ROSES assured the committee that all businesses have losses, and lost income is built into the price structure.

[4:43:36 PM](#)

REPRESENTATIVE SEATON surmised that hospitals do not want to report costs. He then asked how much would the charity care have been worth if billed to an insurance company instead of a cash payor.

MS. HOUSE said that the average discount at Fairbanks Memorial Hospital is about 5 percent.

[4:45:14 PM](#)

REPRESENTATIVE SEATON related that there has been testimony that charges to insurance companies are sometimes double. He asked for confirmation that Ms. House said that the difference in price is five percent less than self pay.

MS. HOUSE said correct.

[4:46:05 PM](#)

NORMAN STEPHENS, Chief Executive Officer, Mat-Su Regional Medical Center, stated that he was a member of the CON task force. He stressed that the task force was quite a bit of work and 89 percent of the participants felt that the process was very effective. Members worked out a compromise and he was disillusioned by the governor's bill. He encouraged the

committee to look at the recommendations of the task force. In addition, he explained that the composition of the group was balanced and members came to terms with each other.

[4:49:11 PM](#)

REPRESENTATIVE ROSES expressed his hope that there will be future testimony by negotiating rules committee members who represent the imaging or surgery centers.

[HB 337 was held over.]

[4:50:14 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Health, Education and Social Services Standing Committee meeting was adjourned at 4:50 p.m.