

Introduced: 1/29/82  
Referred: Health, Education and  
Social Services and Finance

1 IN THE SENATE

BY THE HEALTH, EDUCATION, AND  
SOCIAL SERVICES COMMITTEE

2 SENATE BILL NO. 698

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state reimbursement of health  
7 facilities for medical assistance provided to needy  
8 persons; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. FINDINGS AND DECLARATION OF POLICY. The legislature finds  
11 and declares that health facilities are vital to the welfare of the people of  
12 the state. Accordingly, the legislature acknowledges the need to reimburse  
13 health facilities for services provided to beneficiaries of state programs at  
14 a level that will meet the total financial requirements of the facilities.  
15 In order to make this reimbursement prudently it is necessary that reimburse-  
16 ment rates for health facilities from the medicaid and general relief-medical  
17 programs should be prospectively negotiated so that appropriate and equitable  
18 funding decisions can be made.

19 \* Sec. 2. AS 47.07.070 is repealed and reenacted to read:

20 Sec. 47.07.070. REIMBURSEMENTS TO HEALTH FACILITIES. The reim-  
21 bursement rate to a health facility shall be based on a fair rate for  
22 reasonable costs that are incurred by the facility. In addition to the  
23 costs of a health facility, reimbursement shall reflect a reasonable  
24 return on investment. Reimbursement to a health facility shall be made  
25 for

26 (1) costs of current operations, including

27 (A) wages and salaries, purchased services including  
28 physician fees, supplies, insurance, leases, depreciation, taxes,  
29 interest expense, maintenance, minor remodeling and other normal

1 health facility operating expenses;

2 (B) charity and credit losses;

3 (C) education;

4 (D) research; and

5 (E) the cost of preparing budgets and negotiating rates  
6 under AS 47.07.072;

7 (2) an operating margin to provide

8 (A) capital to meet current obligations;

9 (B) capital for preservation, improvement, and expansion  
10 of buildings and equipment;

11 (C) debt service; and

12 (D) a return on equity capital.

13 \* Sec. 3. AS 47.07 is amended by adding new sections to read:

14 Sec. 47.07.072. BUDGET DETERMINATION. (a) At least 90 days  
15 before the start of a fiscal year of a health facility, the division  
16 shall provide the health facility with an estimate of its volume for the  
17 fiscal year.

18 (b) At least 60 days before the start of the fiscal year of a  
19 health facility, the health facility shall submit its proposed rates for  
20 medical service, reimbursement and its budget projections to the commis-  
21 sion on forms prescribed by the commission.

22 (c) Within 45 days after the proposed rates and budget projections  
23 are submitted, the commission shall review the rates and budget projec-  
24 tions and shall approve or deny the proposed rates. The health facility  
25 may present oral testimony and documentation to support its proposed  
26 rates before the commission makes a decision under this subsection. If  
27 the commission does not issue a written decision within the prescribed  
28 time period, the rates of the health facility are considered to be  
29 approved.

1 (d) Within 30 days of an adverse decision, a health facility  
2 (1) may request the commission to reconsider the decision; or  
3 (2) regardless of whether it requests reconsideration, may  
4 appeal the decision to a superior court and may obtain de novo review of  
5 the decision. During reconsideration or appeal a health facility shall  
6 receive payments according to the rates approved by the commission.

7 (e) A health facility may submit a proposal for amended rates with  
8 an amended budget to the commission during its fiscal year. Within 60  
9 days of submission of the proposal for amended rates the commission  
10 shall review the proposal and issue a written decision. If the commis-  
11 sion does not issue a written decision within the prescribed time period,  
12 the amended rates are considered to be approved.

13 (f) Within 90 days after the end of the fiscal year of a health  
14 facility, the facility shall submit a report on its financial performance  
15 during the fiscal year to the commission, on forms prescribed by the  
16 commission.

17 Sec. 47.07.074. AUDITS AND INSPECTIONS. As a condition of obtain-  
18 ing reimbursement under AS 47.07.070, a health facility shall allow

19 (1) the division to have reasonable access to its financial  
20 records of medical assistance beneficiaries; and

21 (2) inspection of financial records by the division and other  
22 state and federal agencies to the extent required by federal law and  
23 regulation.

24 \* Sec. 4. AS 47.07.080 is amended by adding new paragraphs to read:

25 (6) "commission" means the Medical Assistance Budget Review  
26 Commission;

27 (7) "division" means the division of public assistance of the  
28 Department of Health and Social Services;

29 (8) "equity capital" means

1 (A) the investment of a health facility in buildings,  
2 real property, equipment and other property related to patient  
3 care;

4 (B) money required by a lease to be deposited by a  
5 health facility that leases a building, real property, equipment,  
6 or other property related to patient care; and

7 (C) net working capital maintained for the conduct of  
8 patient care activities;

9 (9) "health facility" includes a hospital, skilled nursing  
10 facility, intermediate care facility, intermediate care facility for the  
11 mentally retarded, inpatient psychiatric facility, home health agency,  
12 rural health clinic, outpatient surgical clinic and any other facility  
13 that receives medicaid or medical assistance reimbursement under this  
14 chapter or under AS 47.25.120 - 47.25.300 for services traditionally  
15 provided in a health facility;

16 (10) "volume" means the total service provided to medicaid and  
17 medical assistance beneficiaries under this chapter and under AS 47.25.-  
18 120 - 47.25.300.

19 \* Sec. 5. AS 47.07 is amended by adding new sections to read:

20 ARTICLE 2. MEDICAL ASSISTANCE BUDGET REVIEW COMMISSION.

21 Sec. 47.07.110. MEDICAL ASSISTANCE BUDGET REVIEW COMMISSION ESTAB-  
22 LISHED. The Medical Assistance Budget Review Commission is established  
23 in the Office of the Governor.

24 Sec. 47.07.120. COMPOSITION OF COMMISSION. The commission consists  
25 of five members as follows:

26 (1) the chief executive officer of a health facility that is  
27 licensed by the state but not owned or operated by the state or federal  
28 government and that is subject to the budget review process under this  
29 chapter;

1           (2) a person employed in or associated with the medical  
2 insurance industry;

3           (3) a physician licensed to practice medicine in the state  
4 who is actively engaged in the practice of medicine and who is not  
5 employed by the state or federal government;

6           (4) a person with a relevant professional background who can  
7 represent the state business community; and

8           (5) a person who can represent consumers of health services  
9 and who does not have direct or indirect interest in an entity that  
10 provides health care services.

11           Sec. 47.07.130. APPOINTMENT OF MEMBERS. Members of the commission  
12 are appointed by the governor and serve at the pleasure of the governor.

13           Sec. 47.07.140. TERM OF MEMBERSHIP. A member of the commission is  
14 appointed for a term of three years, and may not be appointed to a  
15 successive term. The terms of the members shall be staggered. A member  
16 appointed to fill a vacancy serves for the unexpired term of the member  
17 he succeeds. A term shall be measured from January 1 of the year in  
18 which the term of the vacant position begins, regardless of when the  
19 vacancy is filled.

20           Sec. 47.07.150. COMPENSATION. A member of the commission serves  
21 without compensation but is entitled to per diem and travel expenses  
22 authorized by law for boards and commissions under AS 39.20.180.

23           Sec. 47.07.160. OFFICERS. At the first meeting of each year, the  
24 commission shall elect a chair from among its members.

25           Sec. 47.07.170. MEETINGS AND QUORUM. The commission shall meet as  
26 often as is necessary to conduct its business. Three members of the  
27 commission constitute a quorum.

28           Sec. 47.07.180. DUTIES OF THE COMMISSION. The commission shall  
29 review proposed rates and budgets of health facilities and establish

1 medical assistance reimbursement rates for health facilities under this  
2 chapter and AS 47.25.120 - 47.25.300.

3 Sec. 47.07.190. EMPLOYMENT OF PERSONNEL. The commission may  
4 employ an executive director at a salary that it shall determine. With  
5 the approval of the commission, the executive director may select and  
6 employ additional staff. The executive director and other employees of  
7 the commission are in the exempt service under AS 39.25.

8 \* Sec. 6. AS 47.25 is amended by adding a new section to read:

9 Sec. 47.25.195. REIMBURSEMENT TO HEALTH FACILITIES FOR MEDICAL  
10 ASSISTANCE. (a) Reimbursement to a health facility for medical assis-  
11 tance provided to a needy person under AS 47.25.120 - 47.25.300 shall be  
12 made as provided in AS 47.07.

13 (b) In this section "health facility" has the same meaning as  
14 under AS 47.07.080(9).

15 \* Sec. 7. AS 47.07.080(1) is repealed.

16 \* Sec. 8. The terms of the first members of the Medical Assistance Budget  
17 Review Commission appointed under AS 47.07.130 enacted in sec. 5 of this Act  
18 are as follows: two members shall serve three years, two members shall serve  
19 two years, and one member shall serve for one year. The governor shall  
20 specify the term of each member appointed under this section.

21 \* Sec. 9. This Act takes effect January 1, 1983.  
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