

Original sponsor: Health, Education, and  
Social Services Committee

Offered: 3/24/82  
Referred: Finance

1 IN THE SENATE

BY THE HEALTH, EDUCATION, AND  
SOCIAL SERVICES COMMITTEE

2 CS FOR SENATE BILL NO. 698 (HESS)

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 pay for the costs of the facilities that are attributable to  
15 those programs. In order to make this reimbursement prudently it is necessary  
16 that reimbursement rates for health facilities from the medicaid and general  
17 relief-medical programs should be prospectively negotiated so that appropriate  
18 and equitable 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 AS 47.07.070 is repealed and reenacted to read: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 by the division 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;

12 (D) retirement of debt; and

13 (E) a return on equity capital.

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

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

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

23 (c) Within 45 days after the proposed rates and budget projections  
24 are submitted, the commission shall review the rates and budget projec-  
25 tions and shall establish rates in accordance with the guidelines estab-  
26 lished under AS 47.07.070. The health facility may present oral testi-  
27 mony and documentation to support its proposed rates before the commis-  
28 sion makes a decision under this subsection. If the commission does not  
29 issue a written decision within the prescribed time period, the rates of

1 the health facility are considered to be approved.

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

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

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

18 Sec. 47.07.074. UNIFORM ACCOUNTING, BUDGETING, AND FINANCIAL RE-  
19 PORTING. (a) The commission, after study and in consultation with  
20 advisory committees that may be established for that purpose, shall  
21 establish, by regulations, adopted under the Administrative Procedure  
22 Act, (AS 44.62), a uniform system of accounting, budgeting, and financial  
23 reporting, including methods by which a health facility shall record  
24 revenues, expenses, assets and liabilities, and units of service. A  
25 health facility shall adopt the system for its fiscal year effective on  
26 a date determined by the commission.

27 (b) In establishing uniform accounting, budgeting, and financial  
28 reporting procedures, the commission shall consider:

29 (1) systems of accounting, budgeting, and financial reporting

1 procedures presently used by health facilities;

2 (2) differences among health facilities in size, financial  
3 structure, method of obtaining payment for services, scope and type of  
4 services provided, and method of providing services;

5 (3) types of health care services provided; and

6 (4) other relevant factors.

7 (c) The commission may modify the accounting, budgeting, and  
8 financial reporting requirements for a health facility if the modifica-  
9 tion is necessary to avoid excessive health facility costs in meeting  
10 the requirements of a uniform system of accounting, budgeting, and  
11 financial reporting, and if the modification is consistent with the  
12 purposes of this chapter.

13 Sec. 47.07.076. AUDITS AND INSPECTIONS. As a condition of obtain-  
14 ing reimbursement under AS 47.07.070, a health facility shall allow

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

17 (2) inspection of financial records by the division and other  
18 state and federal agencies to the extent required by federal law and  
19 regulation.

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

21 (6) "commission" means the Medical Assistance Budget Review  
22 Commission;

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

25 (8) "equity capital" means

26 (A) the investment of a health facility in buildings,  
27 real property, equipment, and other property related to patient  
28 care;

29 (B) money required by a lease to be deposited by a

1 health facility that leases a building, real property, equipment,  
2 or other property related to patient care; and

3 (C) net working capital maintained for the conduct of  
4 patient care activities;

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

12 (10) "volume" means the total service provided to medicaid and  
13 medical assistance beneficiaries under this chapter and under AS 47.25.-  
14 120 - 47.25.300.

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

16 ARTICLE 2. MEDICAL ASSISTANCE BUDGET REVIEW COMMISSION.

17 Sec. 47.07.110. MEDICAL ASSISTANCE BUDGET REVIEW COMMISSION ESTAB-  
18 LISHED. The Medical Assistance Budget Review Commission is established  
19 in the Department of Commerce and Economic Development.

20 Sec. 47.07.120. COMPOSITION OF COMMISSION. The commission consists  
21 of five members as follows:

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

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

28 (3) a physician licensed to practice medicine in the state  
29 who is actively engaged in the practice of medicine and who is not

1 employed by the state or federal government;

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

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

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

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

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

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

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

24 Sec. 47.07.180. DUTIES OF THE COMMISSION. The commission shall  
25 review proposed rates and budgets of health facilities and establish  
26 medical assistance reimbursement rates for health facilities under this  
27 chapter and AS 47.25.120 - 47.25.300.

28 Sec. 47.07.190. EMPLOYMENT OF PERSONNEL. The commission may  
29 employ an executive director at a salary that it shall determine. With

1 the approval of the commission, the executive director may select and  
2 employ additional staff. The executive director and other employees of  
3 the commission are in the exempt service under AS 39.25.

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

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

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

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

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

17 \* Sec. 9. The Medical Assistance Budget Review Commission shall begin its  
18 review of health facility budgets after it has adopted uniform accounting,  
19 budgeting, and financial reporting forms but it may not establish rates of  
20 reimbursement for a health facility under AS 47.07.072 for a health facility  
21 fiscal year that begins before July 1, 1983.

22 \* Sec. 10. In determining the effective date for a health facility to  
23 implement a uniform system of accounting, budgeting, and financial reporting  
24 under AS 47.07.074 the Medical Assistance Budget Review Commission shall  
25 consider both the need for uniform reporting information under AS 47.07 and  
26 the administrative and economic difficulties that a health facility may  
27 encounter in changing its method of accounting, but the effective date for  
28 adoption of a uniform system of accounting, budgeting, and financial reporting  
29 by a participating health facility may not be later than 18 months after the

1 effective date of this Act.

2 \* Sec. 11. This Act takes effect January 1, 1983.

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