

Offered: 6/17/83
Referred: Rules

Original sponsors: Faiks, Fischer
and Pettyjohn

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 85 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act amending or repealing provisions related to
7 state aid for health facilities, certificate of need,
8 Medicaid and general relief medical assistance; and
9 providing for an effective date."
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
11 * Section 1. AS 18.07.031 is amended to read:
12 Sec. 18.07.031. CERTIFICATE OF NEED REQUIRED. No person may
13 make an expenditure of \$1,000,000 or more for any of [UNDERTAKE] the
14 following unless authorized under the terms of a certificate of need
15 issued by the office:
16 (1) construction of a health care facility;
17 (2) alteration of the bed capacity of a health care facil-
18 ity; or
19 (3) addition or elimination of a category of health ser-
20 vices provided by a health care facility.
21 * Sec. 2. FINDINGS AND DECLARATION OF POLICY. The legislature acknowl-
22 edges the need to pay health facilities for services provided to benefi-
23 ciaries of state programs at a level that will meet the proportionate share
24 of the total financial requirements of the facilities that are attributable
25 to those programs given prudent and cost-effective management and operation
26 of such facilities. The legislature finds that, because Medicaid is a
27 joint state and federal program and because federal Medicaid funds have
28 been and are likely to continue to be reduced dramatically, a retrospective
29 payment system no longer serves as an appropriate method of compensation,

1 nor does it respond with appropriate flexibility to continued federal
2 cutbacks. A prospective payment system is necessary to prudently address
3 payments to health facilities under the Medicaid and general relief medical
4 assistance programs.

5 * Sec. 3. AS 47.07.070 is repealed and reenacted to read:

6 Sec. 47.07.070. PAYMENT TO HEALTH FACILITIES. (a) The commis-
7 sion shall determine prospectively the rate of payment to a health
8 facility under this chapter and AS 47.25.120 - 47.25.300 based on a
9 fair rate for reasonable costs incurred by the facility. The commis-
10 sion shall by regulation list the factors it considers in making its
11 rate determinations under this section.

12 (b) In determining a rate of payment to a health facility under
13 this section, the commission shall consider the proportionate share of
14 the facility's financial requirements for patient care for

15 (1) costs of current operations, including salaries and
16 wages, purchased services, supplies, insurance, leases, depreciation,
17 taxes, interest expense, maintenance and other health facility operat-
18 ing expenses; and

19 (2) education, research, and appropriate capital develop-
20 ment.

21 (c) In determining a rate of payment to a health facility under
22 this section, the commission may consider whether the rate of utiliza-
23 tion of the facility has been reduced because of improvident or care-
24 less development of the facility.

25 * Sec. 4. AS 47.07 is amended by adding new sections to read:

26 Sec. 47.07.071. REPORTS BY HEALTH FACILITIES. Not later than
27 120 days after the end of each fiscal year of a health facility, the
28 facility shall submit to the commission a report on the facility's
29 financial performance during the fiscal year.

1 Sec. 47.07.072. REPORT BY THE COMMISSION. Not later than Sep-
2 tember 30 of each year, the commission shall submit to the governor a
3 report on the prospective payments made under this chapter during the
4 current fiscal year and an estimate of the prospective payments that
5 will be made during the remainder of the current fiscal year and the
6 next fiscal year. The report shall state the assumptions that are
7 used as a basis for the estimates.

8 Sec. 47.07.073. UNIFORM ACCOUNTING, BUDGETING, AND FINANCIAL
9 REPORTING. (a) The commission by regulation shall require a uniform
10 system of accounting, budgeting, and financial reporting for health
11 facilities receiving prospective payments under this chapter. The
12 regulations shall provide for reporting revenues, expenses, assets,
13 liabilities, and units of service. The commission shall specify the
14 date the system becomes effective for each health facility.

15 (b) In adopting regulations under this section, the commission
16 shall consider

17 (1) accounting, budgeting, and financial reporting proce-
18 dures used by health facilities;

19 (2) variations among health facilities in the types of
20 health care services provided by health facilities;

21 (3) the size and organizational structure of health facil-
22 ities;

23 (4) the methods used by health facilities to obtain pay-
24 ments; and

25 (5) other factors the commission considers relevant.

26 (c) The commission may waive or modify a requirement for ac-
27 counting, budgeting, or financial reporting for a health facility if
28 waiver or modification is

29 (1) necessary to avoid excessive costs to the facility; and

1 (2) consistent with the policies of this chapter.

2 (d) Notwithstanding other provisions of this section, the com-
3 mission may, by regulation, modify the system of accounting, budget-
4 ing, and financial reporting required under this section for a health
5 facility having less than 25 acute care beds in order to reduce the
6 operating costs of that facility.

7 Sec. 47.07.074. AUDITS AND INSPECTIONS. As a condition of
8 obtaining payment under AS 47.07.070, a health facility shall allow

9 (1) the department and the commission reasonable access to
10 the financial records of medical assistance beneficiaries; and

11 (2) inspection of financial records by state and federal
12 agencies to the extent required by federal law.

13 Sec. 47.07.075. APPLICATION OF ADMINISTRATIVE PROCEDURE ACT.
14 Actions of the commission under AS 47.07 and AS 47.25.120 - 47.25.300
15 are subject to the provisions of the Administrative Procedure Act
16 (AS 44.62).

17 * Sec. 5. AS 47.07.080 is amended by adding new paragraphs to read:

18 (6) "commission" means the Medicaid Rate Commission;

19 (7) "health facility" includes a hospital, skilled nursing
20 facility, intermediate care facility, intermediate care facility for
21 the mentally retarded, rehabilitation facility, inpatient psychiatric
22 facility, home health agency, rural health clinic, and outpatient
23 surgical clinic.

24 * Sec. 6. AS 47.07 is amended by adding new sections to read:

25 ARTICLE 2. MEDICAID RATE COMMISSION.

26 Sec. 47.07.110. MEDICAID RATE COMMISSION ESTABLISHED. The
27 Medicaid Rate Commission is established in the Department of Health
28 and Social Services.

29 Sec. 47.07.120. COMPOSITION OF COMMISSION. The commission

1 consists of five members as follows:

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

6 (2) the commissioner of administration, the commissioner of
7 health and social services, or the appointed designee of either com-
8 missioner;

9 (3) a physician licensed to practice medicine in the state
10 who is actively engaged in the practice of medicine and who is not
11 employed by the state;

12 (4) a certified public accountant with relevant experience;

13 (5) a person representing consumers of health services who
14 does not have a direct or indirect interest in an entity that provides
15 health care services.

16 Sec. 47.07.130. APPOINTMENT OF MEMBERS. Members of the commis-
17 sion are appointed by the governor and serve at the pleasure of the
18 governor.

19 Sec. 47.07.140. TERM OF MEMBERSHIP. The term of a member of the
20 commission appointed under AS 47.07.120(1), (3), (4), or (5) is three
21 years. A member may not be appointed to a successive term. The terms
22 of the members shall be staggered. A member appointed to fill a
23 vacancy serves for the unexpired term of the member. A term shall be
24 measured from January 1 of the year in which the term of the vacant
25 position begins, regardless of when the vacancy is filled.

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

29 Sec. 47.07.160. OFFICERS. At the first meeting of each year,

1 the commission shall elect a chair from among its members.

2 Sec. 47.07.170. MEETINGS AND QUORUM. The commission shall meet
3 as often as necessary to conduct its business. Three members of the
4 commission constitute a quorum.

5 Sec. 47.07.180. DUTIES. The commission shall review proposed
6 payment rates and budgets of health facilities and establish payment
7 rates for health facilities under this chapter and AS 47.25.120 -
8 47.25.300.

9 Sec. 47.07.190. EMPLOYMENT OF PERSONNEL. The commission may
10 employ and determine the salary of an executive director. With the
11 approval of the commission, the executive director may select and
12 employ additional staff. The commission shall be assisted by the
13 officers or personnel of the department as the commissioner of health
14 and social services shall direct. The executive director of the
15 commission is in the exempt service under AS 39.25.

16 * Sec. 7. AS 47.25 is amended by adding a new section to read:

17 Sec. 47.25.195. PAYMENT TO HEALTH FACILITIES FOR TREATMENT OF
18 NEEDY PERSONS. (a) The department may make payments to a health
19 facility for the treatment of a needy person.

20 (b) A health facility receiving a payment under this chapter is
21 subject to the requirements of AS 47.07.070 - 47.07.075.

22 (c) For purposes of this section, "health facility" includes a
23 hospital, skilled nursing facility, intermediate care facility, inter-
24 mediate care facility for the mentally retarded, rehabilitation facil-
25 ity, inpatient psychiatric facility, home health agency, rural health
26 clinic, and outpatient surgical clinic.

27 * Sec. 8. INTERIM PROSPECTIVE PAYMENT SYSTEM. The department shall
28 establish an interim system of prospective payments for health facilities
29 under this Act for the period July 1, 1983, to June 30, 1984.

1 * Sec. 9. The sponsor of a hospital or health facility construction
2 project who is receiving or entitled to receive state aid under AS 29.90 on
3 the day preceding the effective date of this Act shall continue to receive
4 state aid until the sponsor has received an amount which, combined with
5 state matching money for construction of the hospital or health facility,
6 equals 25 percent of the total project cost. Money received for con-
7 struction may not be used for any other purpose.

8 * Sec. 10. AS 29.90 and AS 47.07.080(1) are repealed.

9 * Sec. 11. This Act takes effect immediately in accordance with
10 AS 01.10.070(c).