

HB

1007

POSITION PAPER on
HOUSE BILL NO. 1007

For an Act entitled: "An Act relating to comprehensive health planning."

House Bill No. 1007 amends existing statute AS 18.07 to comply with amendments to the National Health Planning and Resources Development Act, as incorporated in PL 96-79, signed into effect October 4, 1979. Such amendments are required of all states wishing to participate in and receive funding under the Public Health Service Act, the Community Mental Health Centers Act, the comprehensive Alcohol Abuse Act and Alcoholism Prevention, Treatment and Rehabilitation Act and the Drug Abuse Office and Treatment Act of 1972. Alaska receives an estimated \$5.6 million annually under the four above-named acts.

The purpose of the National Health Planning Act is to encourage consumer and provider involvement at both the local and the state level in planning for and implementing a health care system in Alaska that provides equitable access to quality care at reasonable costs. This process requires the development of local health plans which are incorporated into a State Health Plan; this document is to serve as a guide to the Governor and the Legislature for health policy development and resource allocation.

The incorporation of Article 2 as a new section within AS 18.07 amends the State's existing certificate of need program to bring it into conformance with the new federal requirements outlined in Section 1532 of PL 96-79. The primary additions to this section fall in three categories: major medical equipment, health maintenance organizations and coverage of rehabilitation facilities. Each of these issues is addressed in detail below:

Major Medical Equipment

Section 1527(e) adds a requirement for certificate of need review of major medical equipment costing in excess of \$150,000 which will be used for inpatients regardless of its location. Major medical equipment located outside of a health care facility may be exempt from the review if: 1) the sponsor notifies the state agency in writing of intent to purchase such equipment; and 2) the state agency determines that the equipment will not be used for inpatients.

The purpose of this provision is to close a "loophole" which would allow a physician to purchase major medical equipment for a health care facility and thereby avoid the requirement for a certificate of need. Although this provision is required to be in effect in each state, its impact will not be significant in Alaska, since Alaskan physicians generally rely upon hospitals to provide such equipment.

Health Maintenance Organizations

Section 1527 has been amended to exempt certain health maintenance organizations (HMOs) which have enrollment of at least 50,000 from certificate of need review. The impact of this provision is not expected to be significant since there are no such HMOs in Alaska.

Rehabilitation Facilities

Section 1527 has been amended to include rehabilitation facilities as facilities subject to certificate of need review. Rehabilitation facility is defined to mean inpatient or outpatient facilities which are operated for the primary purpose of assisting in the rehabilitation of disabled persons through an integrated program of medical and other services which are provided under competent professional supervision. This provision will bring a few facilities under review which previously had not been required to obtain certificate of need.

The amendments to the national planning law, as incorporated in P.L. 96-79 and addressed by reference in House Bill No. 1007 also modify the planning process, strengthen the role of a Governor in approval and use of the State Health Plan and introduce organizational changes within the planning boards and advisory committees. These modifications are highlighted on the attached chart; specific backup material can be found in a more extensive position paper on this matter.

Recommended by: Phoebe A Lindsey Approved by: [Signature]
Phoebe Lindsey Helen D. Beirne
Director Commissioner

Date: April 29, 1980 Date: May 1, 1980

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 1007
 Title Amendment to AS 18.07 "Comprehensive Health Planning"
 Requested by Dept of Health and Social Services Date 4-25-80

II. FISCAL DETAIL

Agency Affected Department of Health and Social Services
 Program Category Affected Health
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL Fiscal impact is described in Analysis Section below.

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This fiscal note reflects the results if legislation is not passed to enable the State Health Planning & Development Agency (SHPDA) to carry out its full responsibilities under the "Health Planning & Resources Development Amendments of 1979" (Public Law 96-79). P.L. 96-79 significantly revises Title XV and XVI of the Public Health Service (PHS) Act, enacted by the "National Health Planning & Resources Development Act of 1974" (Public Law 93-641). Consequently, amendment to AS 18.07, which adopted P.L. 93-641 provisions, is necessary to adopt the revisions in P.L. 96-79. If the SHPDA is not fully empowered by State statute by January 1, 1981 to conduct the "State Program" mandated by the amended Title XV of the PHS Act, the SHPDA designation agreement with the Federal government will either be terminated, or the SHPDA designation agreements made conditional for one year and the designation then withdrawn. This fiscal note depicts the effects of the withdrawal of "full designation of the State Health Planning & Development Agency (SHPDA) and reversion to "conditional" designation for the period 1-1-81 - 12-31-81, followed by termination of the SHPDA designation agreement. The impact on Federal funding would be as follows based upon the current level of \$5.6 million in Federal grants involved throughout the State as described in the attached listing of grantees and grants.

Original: Legislative Finance
 cc. Budget and Management
 Prime Sponsor (First Legislator Named) Department of Health & Social Services

Prepared by: Paul A. Sunday Date: April 29, 1980
 Division/Office: _____ PH: _____

<u>Period</u>	<u>Federal Funds Forfeited</u>	<u>Total Esti- mated Forfeiture</u>
1-1-81 - 12-31-81	25%	\$1.4 million
1-1-82 - 12-31-82	50%	2.8 million
1-1-83 - 12-31-83	75%	4.2 million
1-1-84 -	100%	5.6 million

House Bill 1007 - An Act Relating to Comprehensive Health Planning as outlined in Public Laws 93-641 and 96-79

Issue Area	Current Status AS 18.07	Proposed Change incorporated in HB 1007	Rationale for change	Impact
<u>CERTIFICATE OF NEED</u>				
Coverage of Major Medical Equipment Purchases	Prior review and approval required in institutional setting	Prior approval required for equipment costing more than \$150,000 regardless of location	To resolve a gap which previously allowed physicians to purchase major medical equipment for a facility and thereby avoid the requirement for a review	Since Alaska physicians generally rely on hospitals to purchase such equipment, the impact should be insignificant
Health Maintenance Organization coverage	Alaska presently has no HMOs	Exempts certain HMOs which have enrollments of at least 50,000 from CON review	To allow HMOs to develop without constraint from CON	Since Alaska currently has no HMOs, impact would be insignificant
Coverage of Rehabilitation Facilities	Not covered	Will make rehabilitation facilities subject to CON review	To cover all health care services and settings in review process (with exception of HMO)	Would cover a few Alaska facilities, depending upon the Federal Regulatory Definition
<u>PLANNING CYCLE</u>				
State Health Plan	Done on an annual basis	Done every 3 years with appropriate annual revisions/updates	To provide a longer cycle for plan development and opportunity to implement and evaluate plan	Should allow longer range view of Alaska's health systems and better use of resources to plan for system and status improvements

Issue Area	Current Status AS 18.07	Proposed Change incorporated in HB 1007	Rational for change	Impact
INVOLVEMENT OF OTHER HEALTH RELATED ENTITIES	Done on voluntary, coordinative basis	Includes involvement of authorities from mental and public health and substance abuse	To ensure close working relationships and integration where possible among various planning entities	Fosters continuing working relationships and avoids duplication and overlap
PLAN IMPLEMENTATION	Done on voluntary, coordinative basis	Appropriate agencies and authorities as designated by the Governor will carry out the parts of the State Health Plan which relate to State Government	To use the State Health Plan as a viable document to be used throughout State Government rather than being a document which could/would only be implemented voluntarily	Creates closer working relationships among authorities
GOVERNOR'S ROLE	Governor receives State Health Plans after they are completed. He appoints members of the statewide Health Coordinating Council (SHCC)	Governor can accept or reject State Health Plan on the basis of whether it meets statewide needs assessment. May also appoint chairman of SHCC	To provide a stronger role for the executive branch since the State Health Plan is to be used to guide State health resource allocation and since the SHCC is to advise the State on health policy matters	Affords mutual com- mitment between State Government and an advisory body
VOLUNTARY DISCONTINUANCE OF UNNEEDED HOSPITAL SERVICES	Hospitals can currently discontinue unneeded services following appropriate input	Formalizes mechanism for discontinuance or conversion of unneeded hospital services; authorizes limited funds for such changes	To encourage the best utilization of facilities and services to meet a target population's need	Alaska's situation is one of access rather than excess. The conversion feature may be useful
HEALTH SYSTEMS AGENCY (HSA) BOARD MEM- BERSHIP	Members may currently be suggested/nominated by existing board	Involves the community to a larger extent in the board selection process	To avoid a self perpetuation of these private, nonprofit corporations	May alter composition slightly among Alaska's three HSA boards

Issue Area	Current Status AS 18.07	Proposed Change incorporated in HB 1007	Rational for change	Impact
DATA COLLECTION	Agencies are to use existing data bases wherever possible	Requires Health Systems Agencies to collect information from all hospitals on the rates charged for the most frequently used services and make such available to public	To provide public information/ awareness on health care costs; and foyster competition	Will give Alaskans information on hospital costs
NATION HEALTH PRIORITIES	Currently 10 priorities	Adds priorities for cost containment and encourages competition in allocation of health services	To deveiop additional mechanisms for dealing with rising health care costs	Will not have great impact where access is more important than dealing with an excess