

Position Paper  
House Bill 700

"An act making a special appropriation for payment as a grant to the Fairbanks North Star Borough for Fairbanks Memorial Hospital expansion and improvement; and providing for an effective date."

House Bill 700 and Senate Bill 691 make special appropriations of \$20,000,000 in the form of a grant to the Fairbanks North Star Borough for expansion and improvement of the Fairbanks Memorial Hospital. The Department of Health and Social Services has received an application for a certificate of need from Fairbanks Memorial Hospital (submitted 1-18-82) which proposes remodeling of portions of the existing facility and a 107,607 square foot addition at a projected cost of \$20,000,087. The proposed addition is to include five floors, two of which are shelled-in space for future use. Approximately \$3,000,000 of the total projected cost is attributed to the shelled-in space.

The certificate of need review, which is expected to be completed by mid-April, 1982, will address the following aspects of the proposed project which are pertinent to a consideration of state financial assistance:

- the need for additional acute care beds in the Fairbanks Memorial Hospital service area;
- the relationship of the project to other health care providers in the area;
- the anticipated impact of the project on hospital operating costs, revenues, and patient charges;
- the financial feasibility of the project;
- the cost-effectiveness of constructing shelled-in space for future use

In the certificate of need application Fairbanks Memorial Hospital has considered several alternative financing methods ranging from total State funding by means of a grant to total self-financing by means of tax-exempt bonding. The application states the facility's desired financing method as follows:

The Hospital Foundation is currently looking towards financing the new addition by applying to the State of Alaska for a 50% grant for the cost of the new addition. This grant would exclude the third and fourth floors for future expansion. The Foundation is requesting that the State of Alaska fund the third and fourth floors or \$3.1 million at 100%. The remaining 50% of the addition would be bonded through the Alaska Medical Facilities Authority using the mechanisms which are currently in place.\*

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\* Fairbanks Memorial Hospital Certificate of Need Application, January 1982, page 104.

Other possible funding sources for hospital and nursing home construction are limited. Under AS 29.90 municipalities or other hospital or health facilities sponsors may receive reimbursement for up to 25% of total project costs. This partial reimbursement is available only to those facilities which have successfully secured financing and have completed a health facility construction project. Most rural facilities do not have the capacity for debt required for securing financing.

Under AS 18.26 medical facilities may apply to the Alaska Medical Facility Authority for State backing relative to the sale of tax-exempt bonds for the purpose of financing medical facility construction. One project has been financed through this program to date -- a 1978 Fairbanks Memorial Hospital expansion project in the amount of approximately \$12 million. Alaska Hospital and Medical Center, Anchorage, is presently working with the Authority to determine the viability of this funding approach for refinancing that facility and the acquisition of the adjacent professional office building.

One determination which the Authority must make before bonds may be issued under this statute is that the lease or operator agreement for the medical facility being financed by that issue is at least sufficient to meet all obligations in connection with the lease or operator agreement, including all costs necessary to service the bonds. This prerequisite essentially disallows use of the program by rural facilities, most of which do not have more than a minimal capability to service bonds.

The Department is conducting an inventory and condition survey of rural Alaskan hospitals and nursing homes to determine physical condition and functional adequacy and to identify means for upgrading facilities and correcting deficiencies. The inventory was focused on rural facilities because of the Department's awareness of insufficient tax bases in the smaller communities to correct recurring problems identified through the Department's regular licensing and certification processes and architectural reviews. Fairbanks Memorial Hospital, in one of the state's more urban settings, was not included in this inventory.

Recommended by: Phoebe A. Lindsey  
Phoebe A. Lindsey, Director  
Division of State Health  
Planning & Development

Date: February 16, 1982

Approved by: Helen D. Beirne  
Helen D. Beirne  
Commissioner

Date: 2-16-82

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 700  
 title An Act making a special appropriation for payment as a grant...  
 Requested by Department of Health & Social Services Date 2-8-82

II. FISCAL DETAIL

Agency Affected 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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		-0-				
200 TRAVEL		-0-				
300 CONTRACTUAL		-0-				
400 COMMODITIES		-0-				
500 EQUIPMENT		-0-				
600 LAND & STRUCTURES		-0-				
700 GRANTS, CLAIMS, ETC.		-0-				
TOTAL		-0-				

FUNDING (Thousands of Dollars)

GENERAL FUND		-0-				
FEDERAL FUNDS		-0-				
OTHER (Specify Source)		-0-				

POSITIONS

FULL TIME		-0-				
PART TIME		-0-				
TEMPORARY		-0-				

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

This bill does not directly impact the Division of State Health Planning and Development. The amendments proposed do not change the original fiscal note which projected a -0- impact.

IV. DATE February 2, 1982 PREPARED BY Phoebe A. Lindsay *JCC*  
 AGENCY DHSS - State Health Planning & Development  
 Original: Legislative Finance PHONE 465-3038  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 33-001 (Rev. 12/81)

Funding Information  
General Fund \$20,000,000  
Other Funds -0-  
\$20,000,000

Introduced: 1/27/82  
Referred: Health, Education &  
Social Services and Finance

1 IN THE HOUSE

BY BETTISWORTH, ROGERS AND  
RANDOLPH

2 HOUSE BILL NO. 700

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation for payment as a  
7 grant to the Fairbanks North Star Borough for Fairbanks  
8 Memorial Hospital expansion and improvement; and pro-  
9 viding for an effective date."

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

11 \* Section 1. The sum of \$20,000,000 is appropriated from the general fund  
12 for payment as a grant to the Fairbanks North Star Borough for expansion and  
13 improvement of Fairbanks Memorial Hospital.

14 \* Sec. 2. The appropriation made by this Act shall be disbursed in accor-  
15 dance with AS 37.05.315 - 37.05.319.

16 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-  
17 070(c).

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12-2293  
Colvin

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COMMITTEE COPY

**ALASKA STATE LEGISLATURE**

TWELFTH Legislature SECOND... Session

HOUSE BILL NO. 700

By BETTISWORTH, ROGERS AND...  
RANDOLPH

"An Act making a special appropriation for payment as a grant to the Fairbanks North Star Borough for Fairbanks Memorial Hospital expansion and improvement; and providing for an effective date."

Spec appro/Fairbanks Mem Hospital expansion

Introduced in the House 1/27, 1982

**HISTORY IN THE HOUSE**

19 82	Read first time and referred to Committee on HESS and Finance																		
Jan 27	Reported back with recommendation that																		
	Read second time and																		
	Read third time and																		
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	CHIEF CLERK OF THE HOUSE																		

**HISTORY IN THE SENATE**

19	Read first time and referred to Committee on																		
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**HISTORY IN THE HOUSE**

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor  ..... by Governor
	Filed with Lt. Governor
	Chapter No. ....