

COMMITTEE REPORT

HOUSE

(11)

FURTHER:

3/31/82

Date: 4-7-82

Mr. Speaker:

The Committee on FINANCE has had HR 264

"An Act relating to the financing of rural health facility improvements and maintenance."

under consideration and reports it back as follows:

- do pass do not pass
 do pass with attached amendments(s)
 replace with CS for HR 264 (10-2) same title
and recommends HR 264 new title
 AND attaches a "Letter of Intent" New Fiscal Note
 reports it back without recommendation 31.5
 referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

Original sponsors: Haugen, Cato,
Fuller, et al

Offered: 3/31/82
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

CS FOR HOUSE BILL NO. 844 (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 the financing of rural health

7

facility improvements and maintenance."

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

9

* Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
10 that rural health facilities constitute an integral part of the health ser-
11 vices of the state. The purpose of this Act is to assist those rural health
12 facilities that are unable to secure reasonable alternative means of financ-
13 ing to secure the capital necessary to improve and maintain their physical
14 plants so that those health facilities can continue to provide quality health
15 care.

16

* Sec. 2. AS 18.25 is amended by adding new sections to read:

17

ARTICLE 5. FINANCING OF RURAL HEALTH FACILITY

18

IMPROVEMENTS AND MAINTENANCE.

19

Sec. 18.25.130. RURAL HEALTH FACILITY IMPROVEMENTS AND MAINTENANCE

20

FUND. There is created a rural health facility improvements and mainte-
21 nance fund in the Department of Health and Social Services. Money
22 appropriated to the fund shall be used for grants to rural health facil-
23 ities in accordance with AS 18.25.140.

24

Sec. 18.25.140. GRANTS TO RURAL HEALTH FACILITIES FOR IMPROVEMENTS
25 AND MAINTENANCE. (a) By November 1 of each year the Statewide Health
26 Coordinating Council (AS 18.07.011) shall recommend priorities for
27 making grants from the rural health facility improvements and maintenance
28 fund. The recommendations shall be transmitted to the commissioner of
29 health and social services, the governor, and the legislature.

1 (b) The Department of Health and Social Services shall provide the
2 Statewide Health Coordinating Council with an inventory of rural health
3 facilities and other appropriate information that would be helpful to
4 the council in recommending priorities for making grants. The Department
5 of Health and Social Services shall annually update the inventory pro-
6 vided to the Statewide Health Coordinating Council.

7 (c) In developing recommendations for making grants under this
8 section, the Statewide Health Coordinating Council shall consider

9 (1) the condition of the existing physical plant of a rural
10 health facility;

11 (2) the ability of the rural health facility to continue to
12 provide quality health services;

13 (3) the need in the community for additional services;

14 (4) the ability of the rural health facility to meet current
15 licensure standards; and

16 (5) other related data that would assist the council in
17 establishing grant priorities.

18 (d) The commissioner of health and social services shall review
19 the recommendations of the Statewide Health Coordinating Council and
20 shall make grants from the fund established under AS 18.25.130 to rural
21 health facilities for physical plant improvements and maintenance. Each
22 grant shall be sufficient to enable the facility to satisfy the financing
23 requirements of the physical plant improvement or maintenance recommended
24 by the council. The commissioner may not make grants in an order other
25 than that proposed by the council unless the commissioner

26 (1) makes written findings of fact to justify the modifica-
27 tion of the priorities recommended by the council;

28 (2) provides the council with a copy of the written findings;
29 and

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(3) allows the council a reasonable length of time to respond to the written findings.

Sec. 18.25.150. APPROPRIATION GUIDELINES. Proposed appropriations for the rural health facility improvements and maintenance fund in the governor's annual budget submitted under AS 37.07 should include

- (1) an itemized listing of projects proposed to be financed;
- (2) the amount proposed to be granted to each facility from the fund; and
- (3) the estimated cost of each proposed project.

* Sec. 3. AS 18.25.120 is amended by adding a new paragraph to read:

(2) "rural health facility" means a nonprofit or publicly owned health facility licensed under AS 18.20 and located in an organized borough with a population less than 45,000 or in the unorganized borough.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CS for House Bill 844
 Title An Act relating to teh financing of Rural Health Facility Improvement
 Requested by _____ Date April 7, 1982

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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	-0-					
200 TRAVEL	19.0					
300 CONTRACTUAL	10.0					
400 COMMODITIES	1.0					
500 EQUIPMENT	1.5					
600 LAND & STRUCTURES	0					
700 GRANTS, CLAIMS, ETC.	0					
TOTAL	31.5					

FUNDING (Thousands of Dollars)

GENERAL FUND	31.5					
FEDERAL FUNDS	0					
OTHER (Specify Source)	0					
	0					

POSITIONS

FULL TIME	0					
PART TIME	0					
TEMPORARY	0					
	0					

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

Al Adams, Chair

IV. DATE April 7, 1982 PREPARED BY House Finance Committee
 AGENCY _____
 PHONE _____
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

I. REQUEST
 Bill/Resolution No. CS for House Bill 844
 Title An Act Relating to the Financing of Rural Health Facility Improvements
 Requested by FINANCE Date April 2, 1982

II. FISCAL DETAIL
 Agency Affected Department of Health & 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 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES	57.0	62.7	69.0	75.0	83.0	91.0
200 TRAVEL	19.0	24.9	22.0	25.3	27.8	30.6
300 CONTRACTUAL	10.0	11.0	12.1	13.0	220.0	17.0
400 COMMODITIES	1.0	1.1	1.2	1.3	1.5	1.7
500 EQUIPMENT	1.5	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	88.5	99.7	105.2	114.6	332.3	140.3

FUNDING (Thousands of Dollars)

GENERAL FUND	88.5	99.7	105.2	114.6	332.2	140.3
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (Specify Source)	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME	1	1	1	1	1	1
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

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

(See Attached)

IV. DATE March 9, 1982 PREPARED BY Dave W. Williams
 AGENCY State Health Planning & Development
 PHONE 465-3015
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Haugen
 33-001 (Rev. 12/81)

pcw
JCC

III. ANALYSIS

The recently completed report on rural hospitals and nursing homes sets out a five year construction plan for rural hospitals and nursing homes. Assuming that grants would be 85% of construction costs, the cost for operating the CSHB 844 program would be approximately .6% of grant funds.

Line 100

This line indicates the equivalent of salary and benefit costs for one staff position with appropriate qualifications. Duties of the proposed staff would include maintenance of the inventory of rural health facilities, review of requests for state assistance, and the research for an preparation of reports regarding grant requests as necessary under provisions with in this Bill.

Line 200

This line reflects necessary travel to rural health facility sites during the maintenance of the inventory of rural health facilities and the cost of periodic review of rural health facility construction.

Line 300

This line shows probable costs for consultants for mechanical, electrical, and structural engineers required for maintaining the inventory of rural health facilities and for assessing code compliance of construction documents. During FY 82 a full inventory of rural hospitals and nursing homes was completed. This full inventory should be repeated every five years. The FY 86 figures consider the cost of completing a full inventory in that year.

Line 400

This line shows expenditure for necessary office supplies.

Line 500

This line shows necessary expenses for office equipment.

Line 700

This fiscal note does not estimate the amount of grant funds which may be provided under the program set out in CSHB 844. It is the understanding of the Department of Health and Social Services that grant funds would be provided each year through a separate appropriation bill.

POSITION PAPER

HOUSE BILL NO. 844

For an Act entitled: "An Act relating to the financing of rural health facility improvements and maintenance."

House Bill 844 creates a fund in the Department of Health & Social Services for the purpose of providing grant funds for improvement and maintenance of rural health facilities.

The Department has historically supported the establishment of a formalized health facility construction program in Alaska to better guide the allocation of limited resources. The recently distributed reports on the physical condition of the 200 + clinics in the state and on 15 rural hospitals and nursing homes are a first step in the development of a systematic approach to health facility construction. Other components of a system for health facility construction should include:

- facility long range plans
- a statewide plan for medical facilities
- certificate of need review
- a funding mechanism
- periodic inventories of health facility physical plants

House Bill 844 would create a fund within the Department of Health and Social Services for plant improvements and maintenance at rural health facilities. The bill provides that the Statewide Health Coordinating Council will make recommendations to the Commissioner of the Department as to the prioritization of projects and that the Commissioner would make grants to rural health facilities based on those recommendations.

Although the concept of providing state assistance to rural health facilities is strongly supported by the Department, the bill would benefit from further clarification. The bill as outlined would provide total state funding of improvements and maintenance at rural health facilities. It can be argued that the state has a responsibility for ensuring access to quality health care facilities to its citizens by providing grants funds when other sources of funding are non-existent or insufficient; however, the Department does not believe the state has a responsibility to totally fund all health facility improvement or maintenance, whether rural or urban. In this regard the bill could be improved by a change in section 18.25.140(d) indicating assistance is to be given in areas which would otherwise be denied adequate facilities, because community tax bases are limited and an attempt at total community financing of a project would cause hardship or prevent its realization.

The bill also would make improvement and maintenance funds available regardless of ownership of the facility. The Department believes the bill would be improved by limiting distribution of state funds to only non-profit and community owned facilities.

Position Paper
House Bill 844
Page 2

Health Facilities currently receive construction and operating assistance under the health facility revenue sharing statute (AS 29.89 and AS 29.90). The revenue sharing statutes provide for this assistance to a broad range of health facilities including hospitals, public health centers, maternity homes, community mental health centers, facilities for the mentally or physically handicapped, nursing homes and convalescent centers. House Bill 844 should define the types of health facilities to be covered by this act. A definition section should also include definitions for the scope of "maintenance" and "improvements."

The Department supports the use of a review body in recommending priorities for making grants. The Department recommends expansion of this concept to include review by experts knowledgeable in health facility financing and community support capabilities. This review body would evaluate proposals for health facility improvements and maintenance, determine whether current financing mechanisms such as revenue sharing, the Alaska Medical Facilities Authority, bond sales or other financing mechanisms are available to the health facility and what level of state support is needed. On the basis of this review and recommendation the Commissioner of Health and Social Services could then make grants from the fund established under AS 18.25.130.

Under the bill the Statewide Health Coordinating Council (SHCC) is required to recommend priorities for making grants. The bill limits the considerations of the SHCC to four points:

- 1) the condition of the existing physical plant of a rural health facility;
- 2) the ability of the rural health facility to continue to provide quality health services;
- 3) the need in the community for additional services; and
- 4) the ability of the rural health facility to meet current licensure standards

Other considerations may impact a decision of prioritizing the need for grant funds. The body which is to make those prioritizations should not be restricted to these four points. The Department suggests that fifth consideration should be added:

- 5) Other considerations such as those addressed in the certificate of need review

The question may arise as to whether a program of this type would encourage the proliferation of unneeded facilities. The certificate of need program will serve to limit the development of these facilities covered by the program such as hospitals and nursing homes but would not restrict the construction of other facilities such as birthing centers and health clinics.

Position Paper
House Bill 844
Page 3

The certificate of need review addresses the following aspects of proposed health facility construction which are pertinent to a consideration of state financial assistance:

- . the need for additional acute care beds in the 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

With requests for health facility assistance increasing in number and in scope, the establishment of a systematic approach to health facility construction can guide the allocation of limited state resources.

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

Date: March 10, 1982

Approved by: Helen D. Beirne
Helen D. Beirne, Commissioner
Department of Health
& Social Services

Date: 3-10-82

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

I. REQUEST

Bill/Resolution No. CS for House Bill 844

Title An Act Relating to the Financing of Rural Health Facility Improvements

Requested by FINANCE Date April 2, 1982

II. FISCAL DETAIL

Agency Affected Department of Health & 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)

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300 CONTRACTUAL	10.0	11.0	12.1	13.0	220.0	17.0
400 COMMODITIES	1.0	1.1	1.2	1.3	1.5	1.7
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600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	88.5	99.7	105.2	114.6	332.3	140.3

FUNDING (Thousands of Dollars)

	88.5	99.7	105.2	114.6	332.2	140.3
GENERAL FUND						
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (Specify Source)	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

	1	1	1	1	1	1
FULL TIME						
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

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

(See Attached)

IV. DATE March 9, 1982

PREPARED BY Dave W. Williams

AGENCY State Health Planning & Development

Original: Legislative Finance

PHONE 465-3015

cc: Budget and Management

Prime Sponsor (First Legislator Named) Haugen

33-001 (Rev. 12/81)

Handwritten initials: DW, JCC

III. ANALYSIS

The recently completed report on rural hospitals and nursing homes sets out a five year construction plan for rural hospitals and nursing homes. Assuming that grants would be 85% of construction costs, the cost for operating the CSHB 844 program would be approximately .6% of grant funds.

Line 100

This line indicates the equivalent of salary and benefit costs for one staff position with appropriate qualifications. Duties of the proposed staff would include maintenance of the inventory of rural health facilities, review of requests for state assistance, and the research for an preparation of reports regarding grant requests as necessary under provisions with in this Bill.

Line 200

This line reflects necessary travel to rural health facility sites during the maintenance of the inventory of rural health facilities and the cost of periodic review of rural health facility construction.

Line 300

This line shows probable costs for consultants for mechanical, electrical, and structural engineers required for maintaining the inventory of rural health facilities and for assessing code compliance of construction documents. During FY 82 a full inventory of rural hospitals and nursing homes was completed. This full inventory should be repeated every five years. The FY 86 figures consider the cost of completing a full inventory in that year.

Line 400

This line shows expenditure for necessary office supplies.

Line 500

This line shows necessary expenses for office equipment.

Line 700

This fiscal note does not estimate the amount of grant funds which may be provided under the program set out in CSHB 844. It is the understanding of the Department of Health and Social Services that grant funds would be provided each year through a separate appropriation bill.

*Phobe
PTF*

Original sponsors: Haugen, Cato,
Fuller, et al

Offered: 3/31/82
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

CS FOR HOUSE BILL NO. 844 (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 the financing of rural health
7 facility improvements and maintenance."

7

8

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

9

* Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
10 that rural health facilities constitute an integral part of the health ser-
11 vices of the state. The purpose of this Act is to assist those rural health
12 facilities that are unable to secure reasonable alternative means of financ-
13 ing to secure the capital necessary to improve and maintain their physical
14 plants so that those health facilities can continue to provide quality health
15 care.

16

* Sec. 2. AS 18.25 is amended by adding new sections to read:

17

ARTICLE 5. FINANCING OF RURAL HEALTH FACILITY

18

IMPROVEMENTS AND MAINTENANCE.

19

Sec. 18.25.130. RURAL HEALTH FACILITY IMPROVEMENTS AND MAINTENANCE

20

FUND. There is created a rural health facility improvements and mainte-
21 nance fund in the Department of Health and Social Services. Money
22 appropriated to the fund shall be used for grants to rural health facil-
23 ities in accordance with AS 18.25.140.

24

Sec. 18.25.140. GRANTS TO RURAL HEALTH FACILITIES FOR IMPROVEMENTS

25

AND MAINTENANCE. (a) By November 1 of each year the Statewide Health
26 Coordinating Council (AS 18.07.011) shall recommend priorities for
27 making grants from the rural health facility improvements and maintenance
28 fund. The recommendations shall be transmitted to the commissioner of
29 health and social services, the governor, and the legislature.

1 (b) The Department of Health and Social Services shall provide the
2 Statewide Health Coordinating Council with an inventory of rural health
3 facilities and other appropriate information that would be helpful to
4 the council in recommending priorities for making grants. The Department
5 of Health and Social Services shall annually update the inventory pro-
6 vided to the Statewide Health Coordinating Council.

7 (c) In developing recommendations for making grants under this
8 section, the Statewide Health Coordinating Council shall consider

9 (1) the condition of the existing physical plant of a rural
10 health facility;

11 (2) the ability of the rural health facility to continue to
12 provide quality health services;

13 (3) the need in the community for additional services;

14 (4) the ability of the rural health facility to meet current
15 licensure standards; and

16 (5) other related data that would assist the council in
17 establishing grant priorities.

18 (d) The commissioner of health and social services shall review
19 the recommendations of the Statewide Health Coordinating Council and
20 shall make grants from the fund established under AS 18.25.130 to rural
21 health facilities for physical plant improvements and maintenance. Each
22 grant shall be sufficient to enable the facility to satisfy the financing
23 requirements of the physical plant improvement or maintenance recommended
24 by the council. The commissioner may not make grants in an order other
25 than that proposed by the council unless the commissioner

26 (1) makes written findings of fact to justify the modifica-
27 tion of the priorities recommended by the council;

28 (2) provides the council with a copy of the written findings;
29 and

1 (3) allows the council a reasonable length of time to respond
2 to the written findings.

3 Sec. 18.25.150. APPROPRIATION GUIDELINES. Proposed appropriations
4 for the rural health facility improvements and maintenance fund in the
5 governor's annual budget submitted under AS 37.07 should include

6 (1) an itemized listing of projects proposed to be financed;

7 (2) the amount proposed to be granted to each facility from
8 the fund; and

9 (3) the estimated cost of each proposed project.

10 * Sec. 3. AS 18.25.120 is amended by adding a new paragraph to read:

11 (2) "rural health facility" means a nonprofit or publicly
12 owned health facility licensed under AS 18.20 and located in an organized
13 borough with a population less than 45,000 or in the unorganized borough.
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SECTIONAL ANALYSIS

HB 844 creates a process by which small rural health facilities will be placed in a prioritized order, based on the comparative need for physical plant replacement or renovation.

SECTION 1 Establishes legislative intent to address the needs of rural health facilities.

SECTION 2 Creates a methodology for prioritization

130. Creates a fund to receive the appropriation

140. Requires the Statewide Health Coordinating Council (SHCC) to review and annually recommend the priority of needs to be addressed. The recommendation goes to the Governor, the Legislature and the Commissioner of Health and Social Services.

The Commissioner may alter priorities established by the SHCC if such alteration can be justified by a finding of fact, such as one facility being further along in the renovation project than another, emergency needs, or legislative reordering of priorities.

Language is included to encourage the Administration to propose appropriation amounts, which, when taken into account with any other sources of funding will provide a completed financing package.

150. Suggests a format for proposed appropriations included in the Governors budget to include, a listing of projects along with the proposed appropriation and an expected total cost of each project.

SECTION 3 Defines a rural health facility.

POSITION PAPER
ON
WORK DRAFT PAPER
CS HOUSE BILL NO. 844 (HESS)

For an Act entitled: "An Act relating to the financing of rural health facility improvements and maintenance."

Committee Substitute for House Bill 844 creates a fund in the Department of Health & Social Services for the purpose of providing grant funds for improvement and maintenance of rural health facilities.

The Department has historically supported the establishment of a formalized health facility construction program in Alaska to better guide the allocation of limited resources. The recently distributed report on the physical condition of 15 rural hospitals and nursing homes is a first step in the development of a systematic approach to health facility construction. Other components of a system for health facility construction should include:

- facility long range plans
- a statewide plan for medical facilities
- certificate of need review
- a funding mechanism
- periodic inventories of health facility physical plants

The CS for House Bill 844 would create a fund within the Department of Health and Social Services for plant improvements and maintenance at rural health facilities. The bill provides that the Statewide Health Coordinating Council will make recommendations to the Commissioner of the Department as to the prioritization of projects and that the Commissioner would make grants to rural health facilities based on those recommendations.

Although the concept of providing state assistance to rural health facilities is strongly supported by the Department, the bill would be improved with further clarification.

The bill would make improvement and maintenance funds available regardless of ownership of the facility. The Department believes the bill would be improved by limiting distribution of State funds to only non-profit and community owned facilities.

It can be argued that the state has a responsibility for ensuring access to quality health care facilities to its citizens by providing grants funds when other sources of funding are non-existent or insufficient; however, the Department does not believe the state has the responsibility stated in section 18.25.40(d) of assuring that state grants are sufficient to enable a facility to satisfy the financial requirements of the physical plant improvement or maintenance recommended by the Statewide Health Coordinating Council. The responsibility of assuring that sufficient funds are available to meet total project costs properly lies with the municipality or local administrative entity which desires State assistance. In this regard, a grantee should be required to demonstrate the availability of total project funding before any state grant funds are expended, but the balance of the project costs sought from other sources would probably be more readily found once a commitment is made for the State grant.

To increase accountability for the use and disbursement of grant funds, a provision should be included in the bill which would permit the Department to provide grant funds for health facility improvement and maintenance to a municipality (or local administrative entity) where a rural health facility is located. Experience gained under the Hill-Burton program indicates that this step provides a form of local audit responsibility and a valuable neutral link for necessary administrative transactions without undue cost or delay.

To address these concerns the Department suggests revising the language in section 18.25.140(d) of CS HB 844 as follows:

18.25.140(d) The commissioner of Health and Social Services shall review the recommendations of the Statewide Health Coordinating Council and may make grants from the fund under AS 18.25.130 to a municipality (or local administrative entity) for physical plant improvements and maintenance. The local match for improvements and maintenance shall be sufficient to enable the municipality or local administrative entity to satisfy the remaining balance of total financial requirements of the physical plant improvement or maintenance supported by a State grant made under this section.

CS HB 844 provides a definition of the scope of the term "rural health facilities." The Department believes the bill should be further clarified by including definitions for the scope of the terms "maintenance" and "improvements."

The Department supports the use of a review body in recommending priorities for making grants. The Department recommends expansion of this concept to include review by experts knowledgeable in health facility financing and community support capabilities. This review body would evaluate proposals for health facility improvements and maintenance, determine whether current financing mechanisms such as revenue sharing, the Alaska Medical Facilities Authority, bond sales or other financing mechanisms are available to the health facility and what level of state support is needed. On the basis of this review and recommendation the Commissioner of Health and Social Services could then make grants from the fund established under AS 18.25.130.

The question may arise as to whether a program of this type would encourage the proliferation of unneeded facilities. The certificate of need program would serve to limit the development of hospitals, psychiatric hospitals, tuberculosis hospitals, skilled nursing facilities, kidney disease treatment centers, intermediate care facilities, and ambulatory surgical facilities, whether private, municipal, state or federal. Although the CSHB 844 definition of rural health facilities is not entirely consistent with the coverage of the certificate of need program, there are very few facilities eligible for grants under CSHB 844 which are not required to obtain a certificate of need and this is not seen as a significant problem.

The certificate of need review addresses the following aspects of proposed health facility construction which are pertinent to a consideration of state financial assistance:

- the need for additional acute care beds in the 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.

With requests for health facility assistance increasing in number and in scope, the establishment of a systematic approach to health facility construction can guide the allocation of limited state resources.

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

Date: March 25, 1982

Approved by: Helen N. Beirne
Helen N. Beirne, Commissioner
Department of Health
& Social Services

Date: 3/30/82

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

I. REQUEST
 Bill/Resolution No. CS House Bill 844
 Title An Act Relating to the Financing of Rural Health Facility Improvements
 Requested by HESS

II. FISCAL DETAIL
 Agency Affected Department of Health & 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 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES	57.0	62.7	69.0	75.0	83.0	91.0
200 TRAVEL	30.0	33.0	36.0	40.0	44.0	48.4
300 CONTRACTUAL	150.0	165.0	180.0	200.0	220.0	242.0
400 COMMODITIES	1.0	1.1	1.2	1.3	1.5	1.7
500 EQUIPMENT	1.5	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	22704.0	32191.0	24118.0	26354.0	33565.0	36921.0
TOTAL	22943.5	32454.8	24404.0	26670.0	33913.5	37304.1

FUNDING (Thousands of Dollars)

GENERAL FUND	22943.5	32454.8	24404.0	26670.0	33913.5	37304.1
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (Specify Source)	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME	1	1	1	1	1	1
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

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

(See Attached)

IV. DATE March 9, 1982 PREPARED BY Dave W. Williams *pal*
 AGENCY State Health Planning & Development *JCC*
 PHONE 465-3015
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Haugen
 33-001 (Rev. 12/81)

This fiscal note has been prepared considering the full impact which could be expected under this CSHB 844. Even though not all rural health facilities eligible for state assistance under CSHB 844 will necessarily desire state assistance. This fiscal note assumes that all facilities eligible under CSHB 844 would desire and receive state assistance. This may not necessarily be true. Assumptions regarding expenditure levels made by the Department in preparing this fiscal note are as follows:

Line 100

This line indicates the equivalent of salary and benefit costs for one staff position with appropriate qualifications. Duties of the proposed staff would include oversight of the required annual inventory of rural health facilities, review of requests for state assistance, and the research for and preparation of reports regarding grant requests as necessary under provisions within this Bill.

Line 200

This line reflects necessary travel to rural health facility sites during the update of the annual inventory of rural health facilities and the cost of periodic review of rural health facility construction projects.

Line 300

This line shows probable costs for consultants for mechanical, electrical, and structural engineers required for updating the annual inventory of rural health facilities.

Line 400

This line shows expenditure for necessary office supplies.

Line 500

This line shows necessary expenses for office equipment.

Line 700

The estimated grant expenditures shown on this line are provided to outline the dimension of need, but cannot be interpreted as a recommended level of state support.

These expenditures for grants are based upon the recent inventory of 15 rural hospitals and nursing homes. The inventory found numerous and serious deficiencies at the surveyed facilities. The fiscal note shows the probable grant expense to the state for correcting the noted deficiencies spread over the next six years. Grant expenses for subsequent years (1989 and beyond) should decline once the noted deficiencies are corrected.

The inventory report gave estimated 1982 construction costs for the correction of deficiencies which were noted at each facility. The inventory report cost estimates do not include costs for fees, equipment, inflation, site acquisition, and other project costs. To arrive at total project costs, the inventory report cost estimates must be adjusted by a factor between 125% and 160%. In preparing this fiscal note the Department has used a factor of 150% with inflation calculated at 10% a year. In estimating the grant expenditures under this bill the Department

has assumed each rural health facility would bear 20% of the total project costs. Under the provisions of CSHR 844 the local portion of costs may be adjusted to meet the needs of each facility and, therefore, may be higher or lower than the assumed 20%.

Original sponsors: Haugen, Cato,
Fuller, et al

BY THE HEALTH, EDUCATION
SOCIAL SERVICES COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 844 (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 the financing of rural health
7 facility improvements and maintenance."

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

9 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
10 that rural health facilities constitute an integral part of the health s
11 vices of the state. The purpose of this Act is to assist those rural hea
12 facilities that are unable to secure ^(A44.10) reasonable alternative means of fina
13 ing to secure the capital necessary to improve and maintain their physic
14 plants so that those health facilities can continue to provide quality he
15 care.

16 * Sec. 2. AS 18.25 is amended by adding new sections to read:

17 ARTICLE 5. FINANCING OF RURAL HEALTH FACILITY
18 IMPROVEMENTS AND MAINTENANCE.

19 Sec. 18.25.130. RURAL HEALTH FACILITY IMPROVEMENTS AND MAINTENANCE
20 FUND. There is created a rural health facility improvements and main
21 nance fund in the Department of Health and Social Services. Mone
22 appropriated to the fund shall be used for grants to rural health fa
23 cilities in accordance with AS 18.25.140.

24 Sec. 18.25.140. GRANTS TO RURAL HEALTH FACILITIES FOR IMPROVEMENTS
25 AND MAINTENANCE. (a). By November 1 of each year the Statewide Hea
26 Coordinating Council (AS 18.07.011) shall recommend priorities fo
27 making grants from the rural health facility improvements and mainte
28 fund. The recommendations shall be transmitted to the commissioner
29 health and social services, the governor, and the legislature.

1 (b) The Department of Health and Social Services shall provide
2 Statewide Health Coordinating Council with an inventory of rural hea
3 facilities and other appropriate information that would be helpful
4 the council in recommending priorities for making grants. The Depar
5 of Health and Social Services shall annually update the inventory p
6 vided to the Statewide Health Coordinating Council.

7 (c) In developing recommendations for making grants under th
8 section, the Statewide Health Coordinating Council shall consider:

9 (1) the condition of the existing physical plant of a ru
10 health facility;

11 (2) the ability of the rural health facility to continue
12 provide quality health services;

13 (3) the need in the community for additional services

14 (4) the ability of the rural health facility to meet cur
15 licensure standards; and

16 (5) other related data that would assist the council
17 establishing grant priorities.

18 (d) The commissioner of health and social services shall rev
19 the recommendations of the Statewide Health Coordinating Council
20 shall make grants from the fund established under AS 18.25.130 to r
21 health facilities for physical plant improvements and maintenance.
22 grant shall be sufficient to enable the facility to satisfy the fin
23 requirements of the physical plant improvement or maintenance recor
24 by the council. The commissioner may not make grants in an order
25 than that proposed by the council unless the commissioner

26 (1) makes written findings of fact to justify the modif
27 tion of the priorities recommended by the council;

28 (2) provides the council with a copy of the written find
29 and

1 (3) allows the council a reasonable length of time to resp
2 to the written findings.

3 Sec. 18.25.150. APPROPRIATION GUIDELINES. Proposed appropriati
4 for the rural health facility improvements and maintenance fund in th
5 governor's annual budget submitted under AS 37.07 should include

- 6 (1) an itemized listing of projects proposed to be finance
7 (2) the amount proposed to be granted to each facility fro
8 the fund; and
9 (3) the estimated cost of each proposed project.

10 * Sec. 3. AS 18.25.120 is amended by adding a new paragraph to read:

11 (2) "rural health facility" means a health facility license
12 under AS 18.20 and located in an organized borough with a population
13 less than 45,000 or in the unorganized borough.
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Original sponsors: Haugen, Cato,
Fuller, et al

Offered: 3/31/82
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

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Introduced: 2/16/82
Referred: Health, Education &
Social Services and Finance

1 IN THE HOUSE

BY HAUGEN, CATO, FULLER
AND MALONE

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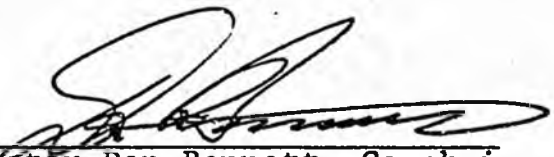
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NOTE TO THE FILE:

HB 844 - Financing health facility improvements and maintenance.

In reporting out SCS for HB 844 (HESS) on May 14, 1982, the Senate Finance Committee adopted the April 30, 1982 fiscal note in the amount of \$88,500 (copy attached).



Senator Don Bennett, Co-chairman
Senate Finance Committee

PUT IN S. FINANCE
BILLS PASSED
OUT FILE
S.

JOURNAL SUPPLEMENT

No. 41

5/5/82

FISCAL NOTE

SCS
HB
844

I. REQUEST

Bill/Resolution No. SENATE HESS SCS for House Bill 844 (HESS) am
 Title An Act Relating to the Financing of Rural Health Facility Improv
 Requested by SENATE HESS Date April 30, 1982

II. FISCAL DETAIL

Agency Affected Department of Health & 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)

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100 PERSONAL SERVICES	57.0	62.7	69.0	75.0	83.0	91.0
200 TRAVEL	19.0	24.9	22.0	25.3	27.8	30.6
300 CONTRACTUAL	10.0	11.0	12.1	13.0	220.0	17.0
400 COMMODITIES	1.0	1.1	1.2	1.3	1.5	1.7
500 EQUIPMENT	1.5	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	88.5	99.7	105.2	114.6	332.3	140.3

FUNDING (Thousands of Dollars)

GENERAL FUND	88.5	99.7	105.2	114.6	332.2	140.3
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (Specify Source)	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME	1	1	1	1	1	1
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-
	-0-	-0-	-0-	-0-	-0-	-0-

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

(See Attached)


IV. DATE April 30, 1982

PREPARED BY Dave W. Williams *DW*
 AGENCY State Health Planning & Development
 PHONE 465-3015

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

POSITIONS

	1	1	1	1	1	1
FULL TIME	1	1	1	1	1	1
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-
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