

HP

131

COMMITTEE REPORT

HOUSE

2/6/81

FURTHER: FINANCE

(5)

Date: March 30, 1981

Mr. Speaker:

The Committee on HEALTH, EDUCATION & SOCIAL SERVICES has had HB 131

"An Act increasing state aid for health facilities and hospitals; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 131 same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING DO PASS

[Signature]

MEMBERS HAVING OTHER RECOMMENDATIONS:

[Signature]

[Signature]
 CHAIRMAN

TESTIMONY BEFORE THE HOUSE HESS COMMITTEE

MARCH 17, 1981

SUPPORT FOR HOUSE BILL 131

President
Sally Barbara Mason
Ketchikan General Hospital
Ketchikan

President Elect
Tom Wingen
Fedorov Memorial Hospital
Fairbanks

Secretary/Treasurer
Ron Pavellas
Alaska Hospital & Medical
Center
Anchorage

Immediate Past President
& Chairman
Providence Hospital
Anchorage

Executive Director
Dennis L. Dwyer
Juneau

THE ALASKA STATE HOSPITAL ASSOCIATION STRONGLY SUPPORTS HOUSE BILL 131. THE INCREASE IN THE LEVEL OF THE MINIMUM GRANT TO HEALTH FACILITIES FROM \$75,000. TO \$250,000. IS VITAL TO THE SURVIVAL OF SEVERAL HEALTH FACILITIES IN ALASKA AND NECESSARY FOR THE ASSURANCE OF APPROPRIATE LEVELS OF CARE IN A VAST MAJORITY OF HEALTH FACILITIES SERVING ALASKA. THE OPERATIONAL REVENUE SHARING PROGRAM BEGAN IN 1972 AT A MINIMUM LEVEL OF \$50,000 AND HAS SINCE BEEN INCREASED ONLY TO \$75,000. AT THE SAME TIME COST OF OPERATION OF HEALTH FACILITIES HAVE INCREASED MARKEDLY.

IN THE YEARS SINCE 1972, HEALTH FACILITIES HAVE EXPERIENCE INFLATIONARY PRESSURES NOT EXPERIENCED BY THE REMAINDER OF THE ECONOMY. HEALTH FACILITIES WERE THE LAST INDUSTRY RELEASED FROM SALARY LIMITATIONS UNDER THE ECONOMIC STABILIZATION PROGRAM OF THE NIXON ADMINISTRATION AND AS A RESULT HAVE EXPERIENCED SUBSTANTIVELY GREATER PRESSURE TO BRING EQUITY TO EMPLOYEE WAGES.

HEALTH FACILITIES ARE HIGH ENERGY USERS. THE INCREASE IN THE COST OF FUEL OIL HAD HAD APPROXIMATELY 400%. ELECTRICITY AND DIESEL FUEL HAVE EXHIBITED SIMILAR INCREASES. THE COST OF FUEL IN CORDOVA BETWEEN FEBRUARY 1979 AND FEBRUARY 1980 ALMOST DOUBLED IN JUST THAT SINGLE YEAR.

PAGE TWO

OFTEN INCREASES ASSUMED TO UNRELATED TO HEALTH FACILITIES HAVE HAD A MARKED IMPACT ON HOSPITALS, FOR EXAMPLE, THE INCREASE IN SILVER PRICES CAUSED THE PRICE OF X-RAY FILMS, WHICH CONTAIN SILVER, TO SKYROCKET. THE PRICE OF PETROLEUM IMPACTS NOT ONLY FUEL COSTS BUT ALSO THE COST OF MANY PLASTIC DISPOSABLE ITEMS WHICH ARE NECESSARY IN A HEALTH FACILITY.

THE FACT THAT THE COSTS OF OPERATING A HEALTH FACILITY HAVE INCREASED DRAMATICALLY CAN NOT BE DEBATED. ATTACHED IS A COPY OF "INFLATION REPORT" PUBLISHED BY THE AMERICAN HOSPITAL ASSOCIATION WHICH DEMONSTRATES NOT ONLY THE INCREASES IN HOSPITAL CHARGES BUT THE INCREASES IN BASIC SUPPLY COSTS TO HEALTH FACILITIES. HEALTH FACILITIES IN ALASKA HAVE BEEN ATTEMPTING TO LIMIT THE INCREASES IN OUR COSTS OF OPERATION BUT AS YOU CAN SEE, WE HAVE NOT BEEN GETTING A GREAT DEAL OF HELP.

THE NEXT QUESTION IS WHETHER OR NOT THERE CONTINUES TO BE A NEED FOR STATE ASSISTANCE TO HEALTH FACILITIES. INDEED THERE IS. THERE IS NO TRADITIONAL PUBLIC GENERAL HOSPITAL SYSTEM IN ALASKA. THAT FUNCTION IS SERVED BY HOSPITALS THROUGHOUT THIS STATE. CURRENTLY, IT IS FUNDED THROUGH INCREASED "BAD DEBTS" OR OFFSET BY DIRECT ASSISTANCE FROM THE TAX BASE OF THE GOVERNMENTAL ENTITY IN WHICH JURISDICTION THE FACILITY WAS BUILT. THIS FUNDING IS ORDINARILY AN AMOUNT IN EXCESS OF THE CURRENT REVENUE SHARING GRANT WHICH THE STATE SENDS TO HEALTH FACILITIES THROUGH THE MUNICIPALITIES. AN INCREASE IN REVENUE SHARING TO HEALTH FACILITIES THEN, WILL BE NOT ONLY ASSISTANCE TO THE HEALTH FACILITY, BUT ALSO DIRECT PROPERTY TAX RELIEF.

PAGE THREE

CURRENTLY, AT LEAST 10 HOSPITALS ARE RECEIVING LOCAL TAX FUNDS FOR SUPPORT IN ADDITION TO STATE REVENUE SHARING SUPPORT.

MOST HEALTH FACILITIES IN ALASKA ARE SMALL AND, BECAUSE OF REGIONAL ISOLATION, HAVE RELATIVELY LOW OCCUPANCY LEVELS. OCCUPANCY LEVELS ARE AVERAGES AND DO NOT REFLECT HIGH WEEKEND OCCUPANCY IN POPULAR WEEKEND AREAS SUCH AS SEWARD NOR NEAR HIGHWAY FACILITIES SUCH AS PALMER OR SEASONAL VARIATIONS IN COMMUNITIES SUCH AS CORDOVA. BECAUSE A HEALTH FACILITY IS A 24 HOUR 365 DAY PER YEAR OPERATION THERE IS A TREMENDOUS STAND-BY COST WHICH OFTEN CAN NOT BE MET BY PATIENT REVENUES. STILL, THERE IS A NEED FOR FACILITIES IN OUR SMALLER ISOLATED COMMUNITIES.

THE STATE DEPARTMENT OF HEALTH REQUIRES MINIMUM SQUARE FOOTAGE, TYPES OF EQUIPMENT AND PERSONNEL FOR LICENSURE. WHILE WE SUPPORT MOST LICENSURE STANDARDS, WE MUST ALSO NOTE THAT THERE IS A COST ATTACHED TO THOSE REQUIREMENTS. WE BELIEVE THAT THE BASIC MINIMUM ANNUAL OPERATIONAL COSTS FOR A HOSPITAL IN ALASKA IS APPROXIMATELY \$800,000. IT APPEARS TO THE ALASKA STATE HOSPITAL ASSOCIATION THAT A FLAT RATE OF \$250,000., APPROXIMATELY 30% OF THE BASIC ESTIMATED ANNUAL OPERATIONAL COST, WOULD VIABLY MAINTAIN THOSE FACILITIES CURRENTLY IN GREATEST NEED.

WE HAVE SURVEYED OUR MEMBER FACILITIES AND ARE FINDING THAT WITH A VERY FEW NOTABLE EXCEPTIONS, THERE IS VERY LITTLE VARIABLE COST IN ALASKA HOSPITALS. BECAUSE OF THE SIZE OF FACILITIES, THEY TEND TO BE

PAGE FOUR

DOWN TO MINIMUM NUMBER OF PERSONNEL POSSIBLE. THE PERSONNEL CAN ACCOMODATE MORE PATIENTS, BUT WITOUT A NURSE ON THE NIGHT SHIFT FOR EXAMPLE, WE COULD NOT OPERATE THE HOSPITAL. THE NURSE IS NECESSARY WHETHER THERE IS ONE PATIENT OR 8 PATIENTS.

SIMARLY, BECAUSE OF SIZE, IT IS DIFFICULT TO ENJOY ANY ECONOMY OF SCALE OR VOLUME IN EQUIPMENT USAGE AND SOMETIMES IN PURCHASING POWER. THE ASSOCIATION SPONSORS AND SUPPORTS TWO GROUP PURCHASING ACTIVITIES IN ALASKA TO ASSIST WITH THIS PROBLEM, ONE WITH THE SISTERS OF PROVIDENCE AND ONE WITH HEALTH AND HUMAN SERVICES, INCORPORATED. WHILE THIS ASSISTS, IT IN NO WAY TOTALLY SOLVES THE PROBLEM.

WE HAVE READ AND GENERALLY ACCEPT THE REPORT DELIVERED TO THE LEGISLATURE ON HOSPITAL AND HEALTH FACILITY OPERATION AND CONSTRUCTION ASSISTANCE DATED FEBRUARY 1, 1981 BY THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES AS IT RELATES TO CONSTRUCTION ASSISTANCE. AS THE REPORT RELATES TO OPERATIONAL ASSISTANCE WE VIEW THE DEPARTMENT'S POSITION PAPER ON HB 131 AS AN ADDENDUM TO THAT REPORT WHICH WE UNDERSTOOD AS SUPPORT.

WE BELIEVE THAT HB 131 MERITS YOUR FAVORABLE CONSIDERATION AND SUGGEST THAT, ESPECALLY IN VIEW OF THE FACT THAT THIS IS THE ONLY MUNICIPAL REVENUE SHARING PROGRAM NOT INCREASED IN 1980, IT IS VITALLY IMPORTANT THAT THIS MEASURE BE ENACTED THIS YEAR.

WE HAVE ATTACHED A LIST OF HOSPITALS AND OPERATING LOSSES OR GAINS FOR YOUR REVIEW.

INFLATION REPORT

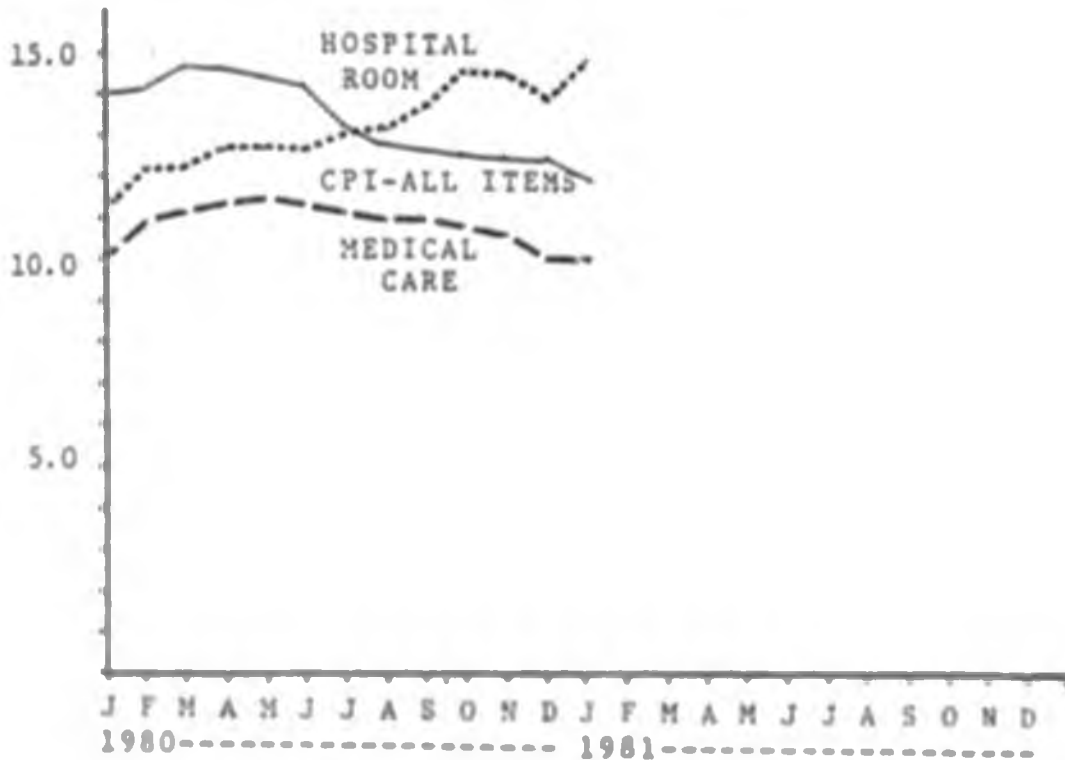
Route: _____

Office of Policy Studies

American Hospital Association • 840 N. Lake Shore Drive • Chicago, Illinois 60611 • (312) 280-6469

For Additional Information call (312) 280-6469

Percent Change from Same Month Previous Year



January-to-January comparisons show the overall medical care component continuing to increase at a rate below the CPI-All Items.

- Medical care increased 10.1 percent compared to the 11.7 percent increase in the CPI-All Items; the hospital room component increased 14.2 percent, while the services less medical care component increased 14.0 percent.

The items showing the largest January-to-January increases were:

- Energy (16.4 percent)
- Fuel and other utilities (14.7 percent)
- Shelter (13.7 percent)
- Transportation (13.4 percent)

The medical care component (1.1 percent) and hospital room charge (1.7 percent) of the CPI increased at more rapid rates than the CPI-All Items (1.1 percent) between December 1980 and January 1981 (seasonally adjusted).

INFLATION REPORT
January 1981

I. Consumer Price Index - Sources of the January Increase

A. December-to January Increase

Between December 1980 and January 1981, the CPI-All Items increased 0.8 percent (unadjusted). By category:

- Energy increased 3.1 percent
- Transportation increased 1.4 percent
- Medical Care increased 1.3 percent
- Housing increased 0.8 percent
- Food and Beverages increased 0.8 percent
- Apparel and Upkeep decreased 1.5 percent

On a seasonally adjusted annual basis, Energy increased at a 37.2 percent rate, Transportation increased at a 21.6 percent rate, Housing increased at a 9.6 percent rate, Food and Beverages showed no increase and Apparel and Upkeep declined at a 2.4 percent rate. Medical Care increased at a 13.2 percent annual rate, and Hospital Room increased at a 20.4 percent annual rate.

B. Twelve-Month Increase

Between January 1980 and January 1981, the CPI-All Items increased 11.7 percent. This is slower than last month's 12-month change, and represented the ninth consecutive month during which growth decelerated or was stable compared to the prior month. Since last December:

- Energy^a increased 16.4 percent
- Transportation increased 13.4 percent
- Housing increased 12.9 percent
- Food and Beverages increased 10.1 percent
- Medical Care increased 10.1 percent
- Apparel and Upkeep increased 5.9 percent

II. Increases in the Medical Care and Hospital Components

A. December-to-January Increases

In January, the Medical Care component increased 1.1 percent, while the CPI-All Items increased 0.7 percent, on a seasonally adjusted basis.

- Physicians Services increased 1.3 percent (seasonally adjusted)
- Hospital Room Charges increased 1.7 percent and Hospital and Other Medical Care Services increased 2.0 percent (seasonally adjusted)

^aEnergy is a special CPI index and includes elements from several of the major categories.

B. Twelve-Month Changes (January 1980 - January 1981)

The medical care component continues to increase at a rate below the CPI-All Items.

- Medical Care continues to increase less rapidly (10.1 percent) than the CPI-All Items (11.7 percent). The rate of increase in medical care has remained below the CPI-All Items since December 1978.
- Hospital Room increased 14.8 percent, reflecting the build-up of inflationary pressures on hospital costs and the delay in adjusting hospital room charges until the start of the January fiscal year in one-third of the nation's hospitals.
- Hospital and Other Medical Care Services increased 15.0 percent.
- Physicians' Services increased 10.9 percent.

III. Long-Term Trends

Table 1 compares movement in selected CPI components for the last 12 months with longer term trends. In the last five years, the CPI has increased at a compounded annual rate of 9.3 percent. During this period, hospital room charges increased, on average, 12.2 percent and medical care 9.6 percent.

The CPI-All Items and components such as Transportation, Housing and Energy are now increasing above their levels of recent years. The medical care components are not rising as rapidly above their long-term trends. In the past 12 months, medical care increased 10.1 percent, while the CPI-All Items less Medical Care increased 11.8 percent.

Table 1
Average Compounded Percent Changes in Selected CPI
Components January-to-January Periods

	1976-81	1980-81
All Items	9.3	11.7
Food and Beverages	7.7	10.1
Transportation	10.9	13.4
Housing	10.0	12.9
Shelter	11.3	13.7
Fuel & Other Utilities	11.0	14.7
Energy	15.6	16.4
All-Items less Medical Care	9.3	11.8
Medical Care	9.6	10.1
Physicians' Services	9.6	10.9
Hospital Room	12.2	14.8

Source: CPI Detailed Report, January 1976 and January 1981; Oral Communications, Bureau of Labor Statistics

IV. Producer Prices Indexes - Future Inflationary Trends

In the 12-month period ending January 1981, the Finished Goods Index (FGI) rose 12.0 percent compared to a 13.1 percent increase in the 12 months ending January 1980. Lower rates of increase occurred in all major components, except finished consumer foods.

	January-to-January comparison % increase		December-to-January seasonally adjusted change
	1979-80	1980-81	
	Finished Goods	13.1	
Finished Consumer Goods	14.5	12.1	0.8
Finished Consumer Foods	5.1	8.0	0.0
Finished Goods (excluding foods)	15.8	13.8	1.1
Intermediate Materials	17.7	8.6	1.2
Crude Materials	14.1	7.3	-1.0

In the December-to-January period, the FGI increased 0.9 percent, compared to 0.6 percent in December 1980. Finished goods excluding foods, which is considered indicative of underlying inflationary pressure, increased 1.1 percent in January compared to a 0.9 percent increase in the previous month.

Attachment 1

CPI Figures-- January 1981 Data

	Index value Jan. 81 ¹	Unadjusted percent change		Seasonally adjusted ² percent change	
		From Dec. 80	From Jan. 80	From Dec. 80	Annual rate
CPI-U (All Items)	260.5	0.8	11.7	0.7	8.4
All items less medical care	259.2	1.7	11.8	0.7	8.4
Services	287.7	1.1	13.7	0.9	10.8
Services less medical care	284.2	1.1	14.0	1.1	13.2
Medical care	279.5	1.3	10.1	1.1	13.2
Medical care commodities	176.7	0.9	10.1	0.9	10.8
Medical care services	302.1	1.4	10.1	1.2	14.4
Physicians' services	283.9	1.3	10.9	1.3	15.6
Hospital & other medical care services ³	144.5	2.0	15.0	2.0	24.0
Hospital Room ⁴	453.8	2.3	14.8	1.7	20.4
Other hospital & medical care services	143.7	1.6	15.2	1.6	19.2
Food & beverages	261.4	0.8	10.1	0.0	0.0
Transportation	264.7	1.4	13.4	1.8	21.6
Housing	279.1	0.8	12.9	0.8	9.6
Shelter	300.1	0.5	13.7	0.6	7.2
Fuel & other utilities	296.7	2.3	14.7	2.1	25.2
Apparel & upkeep	181.1	-1.5	5.9	-0.2	-2.4
Energy ⁵	381.7	3.1	16.4	3.1	37.2

Source: Oral Communications, Bureau of Labor Statistics, Washington, DC

NOTE: The CPI for All Urban Consumers (CPI-U) is based on the expenditure patterns of all urban residents, about 80 percent of the population.

¹1967=100, unless otherwise noted.

²Seasonally adjusted data not available for all items

³December 1977=100

⁴Previous title, Semi-Private Room

⁵Energy is a special CPI index including elements from several major categories. The elements are: gasoline, motor oil, fuel oil, coal, gas and electricity.

ATTACHMENT 2

Comparative Movement of Selected CPI Components
Percent Change From Same Month Previous Year

	1980											
	J	F	M	A	M	J	J	A	S	O	N	D
CPI-U All Items	13.9	14.1	14.7	14.7	14.4	14.3	13.2	12.8	12.7	12.6	12.6	12.4
All Services	14.5	15.0	16.1	15.9	17.3	18.1	16.1	14.7	14.2	14.1	14.1	14.2
Medical Care	10.1	10.9	11.2	11.4	11.5	11.4	11.1	11.0	11.0	10.9	10.7	10.0
Physicians Services	9.2	10.1	10.4	10.7	11.1	11.3	10.7	10.4	10.4	10.5	10.8	11.0
Hospital and Other Medical Care Services	11.3	12.1	12.3	12.6	12.8	13.1	13.7	14.2	14.6	14.8	15.1	14.5
Hospital Room	11.1	12.3	12.3	12.6	12.7	12.7	13.1	13.3	13.8	14.6	15.6	13.9

	1981											
	J	F	M	A	M	J	J	A	S	O	N	D
CPI-U All Items	11.7											
All Services	13.7											
Medical Care	10.1											
Physicians Services	10.9											
Hospital and Other Medical Care Services	15.0											
Hospital Room	14.8											

Source: Oral Communication, Bureau of Labor Statistics, Washington, DC

Attachment 3

Bureau of Labor Statistics Indexes

The Consumer Price Index measures the rate of increase in the prices of a fixed assortment of goods and services purchased by urban consumers.

The Finished Goods Index (FGI) measures price increases for commodities that are ready for sale to the ultimate user, including businesses or individuals. Together with the Indexes for Intermediate Goods and Crude Materials which measure prices at less complete stages of production, the FGI replaces the Wholesale Price Index. These three indexes are useful as guides to future price movements at the retail level and are considered indicative of the underlying rate of inflation in the economy. Accelerating rates of increase in these indexes lead to the expectation of accelerating increases in the prices of consumer goods and, subsequently, to expectations of rising hospital costs.

The Medical Care component of the CPI measures the rate of increase in prices charged by hospitals, physicians and other health care providers. The medical care component is broadly defined, and does not adjust for changes in intensity of services. Consequently, it often overestimates the rate of increase in medical care prices. The medical care component consists of medical care commodities and medical care services.

Medical Care Commodities included only Drugs and Prescriptions until December, 1977 when other medical supplies were added.

Medical Care Services account for about 83 percent of the medical care component. These services include mainly: (1) Professional Services, (2) Hospital and Other Medical Care Services, and (3) Health Insurance (unpublished).

The Hospital and Other Medical Care Services (HMC) Index replaces the Hospital Service Charge Index which was in the unrevised CPI. Its component are:

- A. Hospital Room
- B. Other Hospital and Medical Services
 1. Hospital Ancillary Services (unpublished)
 2. Emergency Room (unpublished)
 3. Nursing and Convalescent Home Care Services (unpublished)

HOSPITAL	EXPENSES OVER REVENUE LOSS (GAIN)	DAILY SERVICE CHARGE	OCCUPANCY Rate	LENGTH OF STAY
Alaska Hospital	2.5 Million	220.00	53.6%	4.7
Bartlett (Juneau)	-0-	190.00	46.2	4.2
Central Peninsula (Soldotna)	(210,000)	195.00	56.4	3.2
Cordova	120,907	195.00	28.5	3.7
Kodiak	155,426	215.00	43.9	2.8
Petersburg	135,000	190.00	21.0	3.0
Seward	211,000	190.00	10.0	2.7
Sitka	251,000	190.00	42.9	4.3
South Peninsula (Homer)	240,000	195.00	79.0	2.8
Valdez	374,438	210.00	13.4	2.5
Valley (Palmer)	354,297	180.00		
Wrangell	130,593	190.00	24.0	3.4
Norton Sound	276,901			

*Rate ?
or*

Introduced: 2/6/81
Referred: Health, Education &
Social Services and Finance

1 IN THE HOUSE

BY HAUGEN, BETTISWORTH, CATO,
FREEMAN AND GARDINER

2 HOUSE BILL NO. 131

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act increasing state aid for health facilities and
7 hospitals; and providing for an effective date."

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

9 * Section 1. AS 29.89.030(a)(1) is amended to read:

10 (1) to a municipality which has the power to provide hospital
11 facilities and services and which exercises that power, \$2,000 [\$1,000]
12 per bed for each bed actually used for patient care, limited to the
13 number of beds provided for in the construction design of the hospital,
14 or \$250,000 [\$75,000] a hospital for those hospitals with 10 or more
15 beds, or \$50,000 [\$25,000] a hospital for those hospitals with less
16 than 10 beds, as the municipality may elect; money received under this
17 paragraph may be used only for hospitals and shall be apportioned among
18 qualifying hospitals as the municipality determines;

19 * Sec. 2. AS 29.89.030(a)(3) is amended to read:

20 (3) to a municipality in which a health facility is operated,
21 \$2,000 [\$1,000] per bed for each bed actually used for patient care,
22 limited to the number of beds provided for in the construction design
23 of the health facility, or \$8,000 [\$4,000] per health facility as the
24 municipality determines.

25 * Sec. 3. This Act takes effect July 1, 1981.

26
27 *3/75*
28 *amendment to State Budget 2/16/81 ...*
29 *get 1500*

18 fee x 2500 = 4500

Alaska
MUNICIPAL
League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

March 17, 1981

to: House HESS Committee

from: Ginny Chitwood, AML Executive Director *G.C.*

re: HB 131 - Increasing State Aid for Hospitals & Health Facilities

The Alaska Municipal League strongly supports increased state funding for the operation of municipal hospitals and health facilities. The per bed amount of \$1,000 was established in the revenue sharing program in 1970 and has not changed since that time, but inflation has eroded considerably the value of that amount. Because municipal hospitals and health facilities located throughout the State provide a very valuable service to the residents and because hospitals and health facilities require a subsidy to survive, the League urges your favorable consideration of HB 131.



THE CITY AND BOROUGH OF JUNEAU

CAPITAL OF ALASKA

155 SOUTH SEWARD ST. JUNEAU, ALASKA 99801
LAW DEPARTMENT (907) 586-3300

March 17, 1981

House Health and Social Services Committee
Alaska State House of Representatives
Pouch V, State Capitol Building
Juneau, Alaska 99811

FILE: 1981 Legislature - HB 131

SUBJECT: Support for Bill and Request for Amendment

Ladies and Gentlemen:

The City and Borough of Juneau supports House Bill 131 and urges the Committee to give it a do pass recommendation. The bill will provide an effective mechanism for reducing medical costs to the citizens of Alaska and will help put Alaskan hospitals on a more competitive basis with hospitals in the Lower 48.

We do recommend an amendment. Under the present law, only general hospitals qualify as hospitals. There is, however, now appearing on the medical scene in Alaska an animal known as a "special hospital." Special hospitals are licensed as such by the Department of Health and Social Services under requirements established by that department. These requirements are quite stringent and are derived essentially from the requirements for general hospitals. Because the requirements for a general hospital and a special hospital are so similar, it does not make sense to distinguish between them for the purpose of state aid. By not including special hospitals with general hospitals, special hospitals qualify only for aid as a "health facility." The minimum aid available to a health facility is not commensurate with the burdens of a special hospital. We urge you to correct this discrepancy by amending the definition of hospital to include a special hospital. This can be done by adding a new Section 3 to the bill and renumbering the existing Section 3 as Section 4. The new Section 3 would read as follows:

* Sec. 3. AS 29.89.100(3) is amended to read:

(3) "hospital" means a licensed hospital determined by the Department of Health and Social Services to be a special or general hospital; the term excludes a facility operated or wholly supported by the state or the federal government.

We urge you to pass out a committee substitute containing the foregoing section and to give the bill a do pass recommendation.

Sincerely,

Gerald L. Sharp
City-Borough Attorney

GLS:phl

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB NO. 131

Title An Act relating to state aid for health facilities and hospitals

Requested by Haugen

Date March 5, 1981, 1981

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs

Program Category Affected Development

BRU, Program, or Subprogram(s) Affected Community Assistance Grants

(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						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	3,705.6	4,076.2	4,483.8	4,932.2	5,425.4	5,967.9
TOTAL	3,705.6	4,076.2	4,483.8	4,932.2	5,425.4	5,967.9

FUNDING (Thousands of Dollars)

GENERAL FUND	3,705.6	4,076.2	4,483.8	4,932.2	5,425.4	5,967.9
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

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

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

\$3,705,648 additional funding would be required to fund HB 131 in FY 81. A 10 percent increase per year was assumed for funding the next five fiscal years.

IV. DATE March 5, 1981

PREPARED BY Netta Crago

AGENCY Community and Regional Affairs

PHONE 465-4733

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

Handwritten signature/initials

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

H.C. No. 131

2A

COLUMN WRITE

Health Coop. 500000 - Health 500000 - Health 500000 - Health 500000 - Health 500000
 1000000 1000000 1000000 1000000 1000000

1	2	3	4	5
1	Polio			
2	Polio	350000		650000
3	Polio		250000	130000
4	Polio		500000	
5	Polio			50000
6	Polio			70000
7	Polio			50000
8	Polio			
9	Polio		250000	24000
10	Polio			2000
11	Polio	310000		132000
12	Polio			2000
13	Polio			16000
14	Polio			2000
15	Polio			16000
16	Polio		250000	
17	Polio			2000
18	Polio			2000
19	Polio		500000	15000
20	Polio		500000	
21	Polio			2000
22	Polio		500000	15000
23	Polio			2000
24	Polio			2000
25	Polio			2000
26	Polio		500000	120000
27	Polio			2000
28	Polio			2000
29	Polio		500000	2000
30	Polio		500000	2000
31	Polio			2000
32	Polio			2000
33	Polio			250000
34	Polio			
35	Total	1000000	2750000	1245000
36				
37	16,242,000			
38	1,357,000			
39	2,714,000			
40	3,071,000			
41	3,735,000			

City: North Bristol State: MA
Address: 1000

1	ADULT TOTAL	554.00	366.00	4900.97	2425.45	N/A	170
2	Food Allowance	270.00	222.00	1647.91	1075.25	15510	509
3	Second Class total	282.00	N/A	N/A	966.75	285225	467
4							
5	TOTAL	1106.00	1578.00	6542.28	4471.25	241725	1117
6							
7							
8							
9	TRIP Allowance	1106.00					
10	" " " "	1578.00					
11	" " " "	270.00					
12	" " " "	282.00					
13	" " " "	241.25					
14	" " " "	1117.75					
15							

TOTAL 15153.07

VFC 24650

NVS 107525

TOTAL 16726.07

16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

Public Use OCLF
 Parts 1-2-3

	1	2	3	4	5	6
1 Archonokos	357000	455000	490000	1165200	N/A	N/A
2 Epitro	N/A	N/A	N/A	11000	N/A	350
3 Saint George's	N/A	N/A	N/A	125725	N/A	2940
4 Holy Spirit	N/A	N/A	N/A			
5 Surocco	90000	75000	N/A	142100	N/A	N/A
6 St. Elizabeth	N/A	150000	N/A	675	N/A	1190
7 Holy Spirit	N/A	N/A	N/A			
8 Holy Spirit	63000	75000	N/A	27300		134
9 St. John	N/A	N/A	N/A	715000	N/A	2620
10 St. John	28000	N/A	N/A	129250	N/A	5100
11 St. John	16000	75000	N/A	40000	N/A	49
12						
13	250000	200000	200000	243500	N/A	1400
14						
15						
16 St. John	N/A					
17 St. John	16000	75000	N/A	20750	N/A	1700
18 St. John	4000	N/A	N/A	11000	N/A	N/A
19 St. John	N/A	N/A	N/A	17000	N/A	500
20 St. John	75000	155000	132000	212000	N/A	2914
21 St. John	4000	N/A	N/A	12950	N/A	70
22 St. John	N/A	N/A	N/A	56000	N/A	17
23 St. John	3000	N/A	N/A	26575	N/A	26
24 St. John	N/A	N/A	N/A	10000	N/A	7
25 St. John	4000	N/A	N/A	7000	N/A	N/A
26 St. John	N/A	N/A	N/A	12000	N/A	4
27 St. John	2000	N/A	N/A	115000	N/A	90
28 St. John	30000	92000	262000	415000	N/A	N/A
29 St. John	4000	N/A	N/A	N/A	N/A	11
30 St. John	4000	N/A	N/A	4000	N/A	N/A
31 St. John	N/A	N/A	N/A	36700	N/A	22
32 St. John	N/A	N/A	N/A	22500	N/A	96
33 St. John	18000	75000	N/A	33000	AS	450
34 St. John	N/A	N/A	N/A	26000	N/A	40
35 St. John	N/A	75000	N/A	42000	N/A	40
36 St. John	2000	N/A	N/A	2000	N/A	2
37 St. John	2000	75000	N/A	23700	N/A	40
38 St. John	4000	N/A	N/A	50000	N/A	70
39 St. John	4000	N/A	N/A	19700	15300	134
40 St. John	4000	N/A	N/A	14000	N/A	15

COLUMN - WRITE

North Hospital Special Public Use COLA
 Values 1910-

	1	2	3	4	5	6
1 Duiganut	N/A					
2 Old Harbor	N/A	N/A	N/A	11155	N/A	25
3 Cuyahoga	N/A					
4 Fiscal Station	N/A	N/A	N/A	5000	N/A	100
5 Platina	N/A					
6 Point Hope	N/A					
7 Port Columbus	N/A					
8 Port Napoleon	4000	N/A	N/A	10650	N/A	1950
9 Port Clinton	N/A	N/A	N/A	6100	N/A	46
10 Quimbagan	4000	N/A	N/A	3125	N/A	107
11 Pulus	N/A					
12 River View Mission	4000	N/A	N/A	N/A	N/A	137
13 Saint Michael	4000	N/A	N/A	N/A	N/A	152
14 Saint Paul	N/A	N/A	N/A	9275	N/A	2750
15 Sausunga	N/A					
16 Saumana	N/A	N/A	N/A	7550	N/A	N/A
17 Seaman Bay	4000	N/A	N/A	3125	N/A	107
18 Sawick	N/A					
19 Shadwin	N/A					
20 Station 11	4000	N/A	N/A	2750	2700	1500
21 Station Point	4000	N/A	N/A	N/A	N/A	137
22 Scharlach	N/A					
23 Shengok	4000	N/A	N/A	N/A	N/A	157
24 Tibbicus	4000	N/A	N/A	N/A	N/A	157
25 Tiana	N/A	N/A	N/A	7375	N/A	2875
26 Telle	4000	N/A	N/A	625	N/A	421
27 Tenabe Springs	N/A	N/A	N/A	5000	N/A	100
28 Tropic	4000	N/A	N/A	12500	N/A	421
29 Tropic Bay	5000	N/A	N/A	N/A	N/A	137
30 Tuluok	4000	N/A	N/A	23750	N/A	950
31 Tunnat	N/A					
32 Umatia	4000	N/A	N/A	2350	N/A	100
33 Upper Harbor	N/A	N/A	N/A	2750	2550	237
34 Uxirwic	N/A					
35 Waco	N/A					
36 Wacila	4000	N/A	N/A	11450	N/A	136
37 White Mountain	N/A					
38 White	4000	N/A	N/A	2650	N/A	476
39						
40 Grand Class Total	27200	N/A	N/A	96075	32575	46775

COLUMN WRITE

1 2 3 4 5 6
 Military Hospital Social Public Gov COLA
 Facilities Construction Roads Trade

1	Jant Uken	N/A	N/A	N/A	4100	N/A	1613
2	Jantun ridge	4000	N/A	N/A	1200	N/A	565
3	Jantun	N/A	N/A	N/A	N/A	N/A	
4	Jantun	4000	N/A	N/A	N/A	N/A	15
5	Jantun Bay	N/A	N/A	N/A	N/A	N/A	
6	Jantun	N/A	N/A	N/A	N/A	N/A	
7	Jantun	4000	N/A	N/A	10000	N/A	54
8	Jantun Bay	N/A	N/A	N/A	N/A	N/A	
9	Jantun	N/A	N/A	N/A	7000	N/A	22
10	Jantun	N/A	N/A	N/A	1200	N/A	49
11	Jantun	4000	N/A	N/A	44000	N/A	120
12	Jantun	N/A	N/A	N/A	N/A	N/A	
13	Jantun	N/A	N/A	N/A	N/A	N/A	
14	Jantun	N/A	N/A	N/A	5000	N/A	10
15	Jantun	N/A	N/A	N/A	N/A	N/A	
16	Jantun	N/A	N/A	N/A	N/A	N/A	
17	Jantun	N/A	N/A	N/A	N/A	N/A	
18	Jantun	N/A	N/A	N/A	10000	N/A	30
19	Jantun	4000	N/A	N/A	N/A	N/A	13
20	Jantun	N/A	N/A	N/A	3200	500	170
21	Jantun	N/A	N/A	N/A	N/A	N/A	
22	Jantun	4000	N/A	N/A	2700	N/A	30
23	Jantun	N/A	N/A	N/A	N/A	N/A	
24	Jantun	4000	N/A	N/A	N/A	N/A	10
25	Jantun Bay	N/A	N/A	N/A	N/A	N/A	
26	Jantun Bay	4000	N/A	N/A	6000	6000	270
27	Jantun Bay	4000	N/A	N/A	1000	N/A	10
28	Jantun Bay	4000	N/A	N/A	2700	N/A	12
29	Jantun Bay	4000	N/A	N/A	N/A	N/A	10
30	Jantun Bay	N/A	N/A	N/A	N/A	N/A	
31	Jantun Bay	4000	N/A	N/A	6000	N/A	30
32	Jantun Bay	4000	N/A	N/A	N/A	N/A	10
33	Jantun Bay	4000	N/A	N/A	N/A	N/A	10
34	Jantun Bay	4000	N/A	N/A	N/A	N/A	10
35	Jantun Bay	4000	N/A	N/A	N/A	N/A	10
36	Jantun Bay	4000	N/A	N/A	2000	N/A	20
37	Jantun Bay	N/A	N/A	N/A	N/A	N/A	
38	Jantun Bay	N/A	N/A	N/A	4000	N/A	10
39	Jantun Bay	4000	N/A	N/A	500	N/A	5
40	Jantun Bay	4000	N/A	N/A	12000	N/A	60

THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

POSITION PAPER
ON
HOUSE BILL 131

"An Act increasing state aid for health facilities and hospitals; and providing for an effective date."

House Bill 131 provides an increase in the amounts available under the health facilities revenue sharing program to municipalities for the operation of health facilities and hospitals. The Department recognizes the need for assistance in operations for many of the State's health facilities, particularly the small rural hospitals.

All health facilities have basic operational costs which must be supported regardless of the volume of patients available to generate revenues. This fact can perhaps best be seen by looking at the minimum requirements for a hospital.

Each hospital, whether rural or urban, must have the following basic areas in its facility through which to provide health care services:

Patient Care Including:

- | | |
|--------------------------|----------------------------|
| 1 intensive care room | 1 coronary care room |
| 1 isolation room | 1 psychiatric room |
| 1 two-bed pediatric room | 2 two-bed acute care rooms |
| 1 five-crib nursery | |
| | TOTAL 5,600 sq. ft. |

Gross square feet:

Surgical	2,400	Obstetrics	3,400
Emergency	1,100	Radiology	900
Laboratory	400	Physical therapy	500
Dietary	1,700	Administration	1,600
Central services	400	General storage	300
Laundry	700	Waste disposal	600
Morgue	400	Outpatient	2,000

COMBINED sq. ft. TOTAL 22,000

There is a basic cost of operation for this minimum hospital which results from staffing costs, building maintenance, and utilities.

The costs for building maintenance and utilities are almost entirely a function of the area of the hospital. The staffing costs are directly related to the services which are offered by the hospital and comprise the greater part of operating costs. A certain level of minimum staffing for the functions of medical records, dietary, maintenance, housekeeping, laundry, nursing, laboratory, x-ray, etc., is unavoidable and must exist in order for a hospital to provide service. Due to the low population served and thus the low levels of revenue generated, the rural hospitals and nursing homes have difficulty in meeting operating expenses. Many of the rural hospitals subsist only as a result of grants from local government.

All facilities continue to experience operational cost increases as a result of inflation reflected in increased fuel costs, increased salaries and increased cost of supplies.

The health facility revenue sharing program which at present provides operational costs to facilities on a regular annual basis according to the number of patient care beds available in each facility is not sufficient to provide more than a small portion of the operating expense of rural hospitals in particular. It is the feeling of the Department that the amount proposed in HB 131 is not unreasonable.

AS 29.89.100(3) defines "hospital" as "...a licensed hospital determined by the Department of Health and Social Services to be a general hospital;...". 7 AAC 12.010(c)(2) permits the Department of Health and Social Services to license specialized hospitals and sanatoria. A facility specializing in a particular type of care or a facility which does not provide all the services of a general hospital (e.g., major heart surgery) may qualify for licensure under 7 AAC 12.010(c)(2) as a specialized hospital. Such facilities would have needs similar to those of general hospitals with regard to revenue sharing.

Since it is possible that the Department of Health and Social Services will be licensing such facilities in the near future, the needs of such facilities should also be addressed.

Recommended by:

Phoebe A. Lindsey

Phoebe A. Lindsey
Director, Division
of State Health Planning
and Development

Date:

March 6, 1981

Approved by:

Helen D. Beirne

Helen D. Beirne
Commissioner

Date:

3-6-81

3/17/81

HPS 131

Ray Hanger

~~Ray Hanger~~

1.5 in last yr. for re-model - not done yet.

PHS income vs. usual income - 30% (nature +
franchise)
Jubing - who is entitled?

de Witt - + Perry Lovett

? Beds vs. occupancy - last page ✓

? report referred to ✓

? 1000 vs. 2000 ✓

PHS - why not pay more for emergency services?

? direct or indirect manipulation

Condover - 40% to PHS

How ~~arranging~~ - Kerlock

at Lee Sharp - Dave Williams de Witt

All - Juneau sell land to provide funds.