

HP

131



AMENDMENT

OFFERED IN THE SENATE:

By: Senate HESS

To: CS for HOUSE BILL 131 SENATE BILL No. \_\_\_\_\_  
(HESS) 131

HOUSE BILL No. \_\_\_\_\_  
21

PAGE: 1

LINE: 21

Page 1, line 21: Delete "\$10000" and insert "\$2,000"

HOSPITAL	REVENUE OVER EXPENSES	DAILY SERVICE	OCCUPANCY	LENGTH OF STAY
Beds	(LOSS) GAIN	Per Bed	CHARGE	
<i>(199 after July)</i> 175 Alaska Hospital	(2.5 Million) - 142,857	220.00	53.6	4.7
67 Bartlett (Juneau)	(-0-) 0	190.00	46.2	4.2
30 Central Peninsula Soldotna	210,000 + 7,000	195.00	56.4	3.2
14 Cordova	(120,907) - 8,636	195.00	28.5	5.1
25 Kodiak	(155,426) - 6,217	215.00	43.9	2.8
13 Petersburg X	(135,000) - 10,384	190.00	21.0	3.0
33 Seward X	(211,000) - 6,393	190.00	10.0	2.7
24 Sitka	(251,000) - 10,458	190.00	42.9	4.3
13 South Peninsula (Homer) X	(240,000) - 18,461	195.00	79.0	2.8
15 Valdez X	(374,438) - 24,962	210.00	13.4	2.5
17 Valley (Palmer)	(354,297) - 20,841	185.00	50.0	2.9
10 Wrangell X	(130,593) - 13,000	190.00	24.0	3.4
13 Norton Sound (Nome)	(276,901) - 21,300	342.00	51.0	3.9
44 Ketchikan	185,596 + 4,258	210.00	42.4	3.7
155 Fairbanks	660,000 + 4,258	185.00	70	4.9
250 Providence	1,951,652 + 7,806	210.00	80	6.03

Senate HESS

X debt picked up by local govt.

[ON HOUSE BILL NO. 131]  
FROM: SENATOR PARR

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. CSHB131 (HESS) amended  
 Title An act increasing state aid for health facilities and hospitals  
 Requested by Charlie Parr Date 6/3/1981

II. FISCAL DETAIL  
 Agency Affected Department of Community & 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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		3,766.0	4,142.6	4,556.9	5,012.6	5,513.9
<b>TOTAL</b>		<b>3,766.0</b>	<b>4,142.6</b>	<b>4,556.9</b>	<b>5,012.6</b>	<b>5,513.9</b>

FUNDING (Thousands of Dollars)

GENERAL FUND		3,766.0	4,142.6	4,556.9	5,012.6	5,513.9
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

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

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

3,765,999 additional funding would be required to fund CSHB 131(HESS) amended in FY 82. A ten percent increase per year was assumed for funding the next four fiscal years.

IV. DATE 6/3/1981 PREPARED BY Netta Crapp  
 AGENCY Community & Regional Affairs  
 PHONE 465-4733

Original: Legislative Finance





**POSITION PAPER  
ON  
HOUSE BILL 131  
(Revised 3/18/81)**

"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.

The health facility revenue sharing program, which was originated to relieve health facilities of financial strains placed upon them because of uncollectable debts, has undergone changes in support levels and perhaps in its philosophy since it was established in 1971. There have been similar efforts to increase the minimum amounts available in recent legislative sessions.

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.

POSITION Paper  
for  
Committee Substitute for House Bill 131

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 \$250,000 amount proposed in CSHB 131 is not unreasonable.

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

Date: April 7, 1981

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

Date: 4/15/81

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for HB 131  
 Title An Act increasing state aid for health facilities and hospitals.  
 Requested by \_\_\_\_\_ Date 4/9/81

II. FISCAL DETAIL

Agency Affected 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 81	FY 82	FY 83	FY 84	FY 85	FY 86
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				
<b>TOTAL</b>		<b>0</b>				

FUNDING (Thousands of Dollars)

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

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE \_\_\_\_\_ PREPARED BY \_\_\_\_\_  
 AGENCY \_\_\_\_\_  
 PHONE \_\_\_\_\_  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)



# Alaska State Legislature

## House of Representatives

Committee on

Health, Education & Social Services

Donald E. Clocksin, Chairman  
465-3797  
465-3777

Pouch V  
State Capitol  
Juneau, Alaska 99811

TO: Rep. Sam Cotten, Chair  
House Finance Committee

FROM: Rep. Don Clocksin, Chair  
House HESS

RE: CS for HB 131

DATE: April 15, 1981

Please be advised that the House HESS Committee requests that the House Finance Committee consider the following amendment to CSHB 131 - State aid to hospitals. This change was intended to be made by the HESS Committee but an error was made.

On page 1, line 21: Change "\$1,000.00 per bed" to "\$2,000.00 per bed."

Thank you.

DC:sp

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 131  
 Title An Act relating to state aid for health facilities and hospitals  
 Requested by Haugen Date May 18, 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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		2,373.1	2,610.4	2,871.5	3,158.6	3,474.5
<b>TOTAL</b>		2,373.1	2,610.4	2,871.5	3,158.6	3,474.5

FUNDING (Thousands of Dollars)

GENERAL FUND		2,373.1	2,610.4	2,871.5	3,158.6	3,474.5
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

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

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

2,373,067 additional funding would be required to fund HB 131 in FY 82. A 10 percent increase per year was assumed for funding the next five fiscal years.

IV. DATE May 18, 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)



POSITION PAPER  
ON  
HOUSE BILL 131  
(Revised 3/18/81)

"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.

The health facility revenue sharing program, which was originated to relieve health facilities of financial strains placed upon them because of uncollectable debts, has undergone changes in support levels and perhaps in its philosophy since it was established in 1971. There have been similar efforts to increase the minimum amounts available in recent legislative sessions.

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.

Position Paper  
for  
Committee Substitute for House Bill 131

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 \$250,000 amount proposed in CSHB 131 is not unreasonable.

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

Date: April 7, 1981

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

Date: 4/15/81

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for HB 131  
 Title An Act increasing state aid for health facilities and hospitals.  
 Requested by \_\_\_\_\_ Date 4/9/81

II. FISCAL DETAIL

Agency Affected 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 81	FY 82	FY 83	FY 84	FY 85	FY 86
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				
<b>TOTAL</b>		0				

FUNDING (Thousands of Dollars)

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

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE \_\_\_\_\_ PREPARED BY \_\_\_\_\_  
 AGENCY \_\_\_\_\_  
 PHONE \_\_\_\_\_  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

*Copies numbers*

# VALLEY HOSPITAL

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P. O. Box H  
PALMER, ALASKA 99645  
(907) 745-4813

May 27, 1981

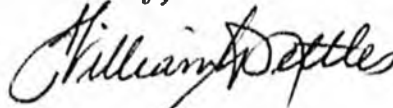
Senator Charles H. Parr  
S.R. Box 50599  
Fairbanks, Ak. 99701

Dear Senator Parr:

We support House Bill No. 131. We are a small, rural hospital, the only acute care facility in our service area. Ours is a private, self-supporting institution, although our accountability to the public is greater than most private health care organizations, by virtue of our public association through membership. Our ability to provide the ever-increasing service level demanded, and even to stock necessary supplies and make payroll, has always been severely jeopardized by a negative cash flow and corresponding inability to pay bills.

We urge the passage of House Bill 131 as soon as possible. This will make a significant improvement in our ability to survive. Thank you very much.

Sincerely,



William E. Nettles  
Administrator  
Valley Hospital Association, Inc.

File HB 131

PROPOSED AMENDMENT

CSHB 131 (HESS) 4/1/81

On Page 1, Line 21: Change "\$1,000.00 per bed" to "\$2,000.00 per bed".

Original sponsors: Haugen, Bettisworth,  
Cato, et al

Offered: 4/1/81  
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND  
SOCIAL SERVICES COMMITTEE

2

CS FOR HOUSE BILL NO. 131 (HESS)

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."

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

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

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

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

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

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

alaska  
state  
hospital  
association

319 Seward St., Juneau, Alaska 99801 (907) 586-1790  
REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

President  
Sister Barbara Haase  
Ketchikan General Hospital  
Ketchikan

President-Elect  
Tom Mingan  
Fairbanks Memorial Hospital  
Fairbanks

Secretary/Treasurer  
Ron Pavellas  
Alaska Hospital & Medical  
Center  
Anchorage

Immediate Past President  
Al Camosso  
Providence Hospital  
Anchorage

Executive Director  
Dennis L. DeWitt  
Juneau

May 25, 1981

The Honorable Charles Parr  
Alaska State Senate  
Pouch V, State Capitol Building  
Juneau, Alaska 99811

Dear Senator Parr:

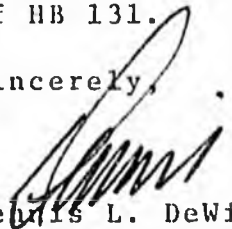
The Alaska State Hospital Association wishes to indicate our strong support for HB 131. It is our highest legislative priority for 1981.

It is unfortunate that health facility revenue sharing was passed over last year when other forms of revenue sharing were increased. As a result, many health facilities which were in difficult financial situations are in desperate shape this year. We believe HB 131 would prudently assist health facilities in Alaska and by its design, would offer greatest assistance to those most often in need of such assistance.

I have enclosed a copy of our testimony, a copy of "Trends", a summary sheet indicating the financial and occupancy status of several hospitals and a summary which shows how and where the increases would occur.

We would respectfully request your favorable consideration of HB 131.

Sincerely,

  
Dennis L. DeWitt  
Executive Director

DLD/b

cc: E. J. Haugen, Alaska State Representative

Enclosures

TESTIMONY BEFORE THE SENATE HESS COMMITTEE  
SUPPORT FOR HOUSE BILL 131

THE ALASKA STATE HOSPITAL ASSOCIATION STRONGLY SUPPORTS HOUSE BILL 131. THE INCREASE IN THE LEVEL OF THE MINIMUM GRANT TO HOSPITALS AND HEALTH FACILITIES IS VITAL TO THE SURVIVAL OF SEVERAL HOSPITALS AND HEALTH FACILITIES IN ALASKA AND NECESSARY FOR THE ASSURANCE OF APPROPRIATE LEVELS OF CARE IN A VAST MAJORITY OF THESE FACILITIES SERVING ALASKA. THE OPERATIONAL REVENUE SHARING PROGRAM BEGAN IN 1972 AT A MINIMUM LEVEL FOR HOSPITALS 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. WE BELIEVE THAT AN INCREASE IN THE MINIMUM GRANT TO \$250,000 FOR HOSPITALS IS APPROPRIATE.

IN THE YEARS SINCE 1972, HEALTH FACILITIES HAVE EXPERIENCED 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 HAS APPROXIMATED 400%. ELECTRICITY HAS 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 BE 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 COST OF OPERATING A HEALTH FACILITY HAS INCREASED DRAMATICALLY CAN NOT BE DEBATED. ATTACHED IS A COPY OF "TRENDS", 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 NOT ONLY PROVIDE 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 DOWN TO THE MINIMUM NUMBER OF PERSONNEL POSSIBLE. THE PERSONNEL CAN ACCOMODATE MORE PATIENTS, BUT WITHOUT 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.

.PAGE FOUR

SIMILARLY, 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 HOSPITAL 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 UNDERSTAND AS SUPPORT.

WE BELIEVE THAT HB 131 MERITS YOUR FAVORABLE CONSIDERATION AND SUGGEST THAT, ESPECIALLY 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.

HOSPITAL	REVENUE OVER EXPENSES (LOSS) GAIN	DAILY SERVICE CHARGE	OCCUPANCY	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	5.1
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)	185.00	50.0	2.9
Wrangell	(130,593)	190.00	24.0	3.4
Norton Sound	(276,901)	342.00	51.0	3.9

	HOSPITALS CURRENT	HOSPITALS WITH 10 OR MORE BEDS HB 131	HEALTH FACILITIES \$2,000/BED HB 131	HEALTH FACILITIES \$8,000/FACILITY HB 131
<u>BOROUGHES</u>				
Anchorage	425,000	500,000	650,000	64,000
Juneau	75,000	250,000	180,000	
Kenai Peninsula	75,000	500,000		
Kodiak Island			54,000	72,000
North Slope				56,000
<u>CITIES</u>				
Cordova	75,000	250,000		24,000
Craig				8,000
Fairbanks	155,000	250,000	132,000	24,000
Galena				8,000
Homer				16,000
Hydaburg				8,000
Kenai				16,000
Ketchikan	90,000	250,000		
King Cove				8,000
Klawock				8,000
Nome	75,000	250,000		16,000
Palmer	75,000	250,000		
Pelican				8,000
Petersburg	75,000	250,000		16,000

	HOSPITALS CURRENT	HOSPITALS WITH 10 OR MORE BEDS HB 131	HEALTH FACILITIES \$2,000/BED HB 131	HEALTH FACILITIES \$8,000/FACILITY HB 131
<u>CITIES</u>				
Sand Point				8,000
Saint Mary's				8,000
Seldovia				8,000
Seward	75,000	250,000	128,000	16,000
Skagway				8,000
Unalaska				8,000
Valdez	75,000	250,000		8,000
Wrangell	75,000	250,000		8,000
Yakutat				8,000
Bethel			98,000	8,000
57 X 8,000				456,000
TOTAL		3,500,000	1,242,000	896,000

ESTIMATED TOTAL COST	5,638,000
LESS EST. CURRENT FUNDING	<u>3,006,000</u>
ESTIMATED ADDED COST	2,632,000

## Community Hospital Indicators Office of Public Policy Analysis

American Hospital Association  
840 North Lake Shore Drive  
Chicago, Illinois 60611

Number 42  
May 1981  
Data for February 1981

### REPORT ON FEBRUARY 1981 HOSPITAL PERFORMANCE

Community hospital inpatient expenses rose 16.0 percent between February 1980-81. Adjusted for the extra working day in February 1980 due to leap year, expenses increased 19.9 percent; this was consistent with the expense trend in the preceding two months. In comparison, inpatient expenses increased 14.2 percent between February 1979-80 (leap year adjusted) and 16.8 percent between calendar year 1979-80.

February 1980-81 was characterized by moderate utilization growth. Even when adjusted for the effect of leap year, all major utilization indicators--admissions, patient days, surgeries, outpatient visits and births--increased less rapidly between February 1980-81 than in the year-earlier period or between calendar year 1979-80.

Rising hospital market basket prices accounted for 70 percent of the increase in inpatient expenses between February 1980-81.

Staffed beds rose 2.1 percent between February 1980-81, which was consistent with growth during the past seven months; in the year-earlier period beds increased less rapidly, 0.4 percent. The increase in staffed beds was slightly greater than the increase in patient census; consequently, the occupancy rate decreased slightly, from 80.2 percent, in February 1980 to 79.9 percent in February 1981.

The staffing ratio (FTE per occupied bed) rose 4.7 percent in the current period, in part reflecting an uncharacteristic 1.1 percent decline between February 1979-80. This indicator tends to fluctuate from month-to-month due to short-term changes in utilization trends.

The attached graphs have been reformatted from 1980, to better display underlying trends. For each month, the graphs show the percent change for the three-month period ending with that month; each period is compared with the same three-month period one year earlier. Graphs have been adjusted to eliminate the effect of the extra working day in February 1980 due to leap year.

February 1981: Summary Trends

Community hospital inpatient expenses increased 16.0% between February 1980-81. Adjusted for the effect of the extra leap year day in February 1980, inpatient expenses increased 19.9%. Growth was consistent with preceding months, and was above rates of increase experienced between February 1979-80 (14.2% leap year adjusted) or calendar year 1979-80 (16.8%). February 1981 expenses reflected the impact of more rapid increases in personnel, unit labor costs and supply expenses, which was consistent with patterns of expense growth during recent months. However, growth of utilization moderated, and all utilization measures increased less rapidly than in the year-earlier period or between calendar year 1979-80.

Selected Indicators: February 1981

	Percent change*+	
	1980	1981
Total expenses	14.5	20.0
Inpatient expenses	14.2	19.9
Nonlabor inpatient expenses	15.0	18.9
Labor inpatient expenses	13.6	20.6
Payroll/FTE	10.7	12.7
FTE	2.3	6.4
Staffing ratio	- 1.1	4.7
Beds	0.4	2.1
Admissions	3.9	1.6
Inpatient days	4.0	1.7
Surgical operations	6.6	1.4

\*From previous February

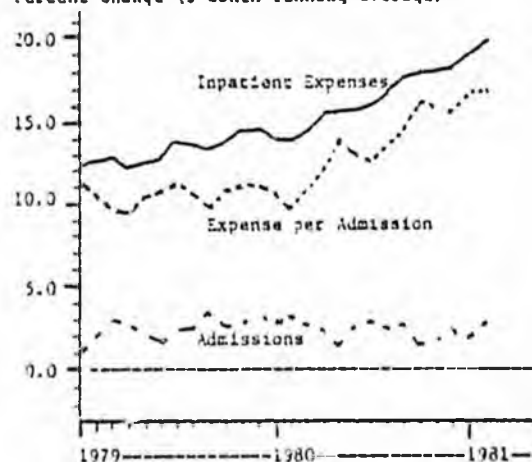
+Adjusted for the 1980 leap year

Inpatient Expenses\*

The 19.9% increase in inpatient expenses between February 1980-81 represents the combined effect of an 18.2% rise in the cost of treating the average case and a 1.6% increase in admissions. Between February 1979-80 cost per case rose 9.6% and admissions rose 3.9%, resulting in a 14.2% increase in inpatient expenses. More rapid growth of expense per case in the current period reflected the impact of pent-up inflationary pressures and the nursing shortage on wage rates, as well as the effect of the increase in Social Security contributions and the minimum wage that went into effect in January. Cost per case also reflected the impact of an increase in labor intensity and supply volume.

\*Adjusted for the 1980 leap year.

Percent Change (3-month running average)

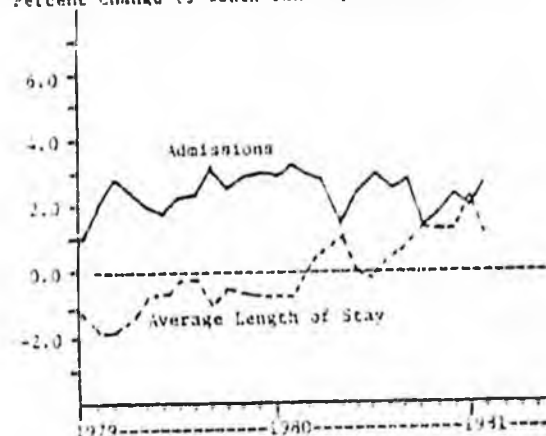


Utilization\*

The February 1980-81 period was characterized by moderate utilization growth. Admissions, patient days, surgeries, outpatient visits and births all increased less rapidly between February 1980-81 than in the year-earlier period or between calendar year 1979-80. Admissions rose 1.6%, compared to 2.9% between calendar year 1979-80. The rise in admissions reflected the combined effect of a 1.3% rise in under-65 admissions and a relatively moderate 2.5% rise in 65-and-over admissions. Average length of stay rose only marginally (0.1%), in contrast to the unusually large (5.2%) rise that occurred in the preceding month. Between February 1980-81 under-65 length of stay decreased 0.6% and 65-and-over length of stay rose 0.3%.

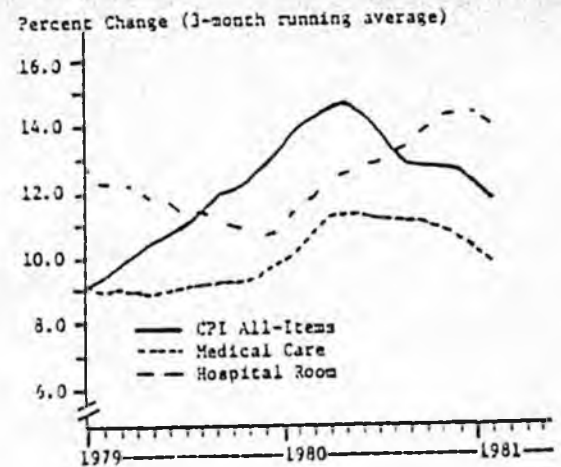
\*Adjusted for the 1980 leap year.

Percent Change (3-month running average)



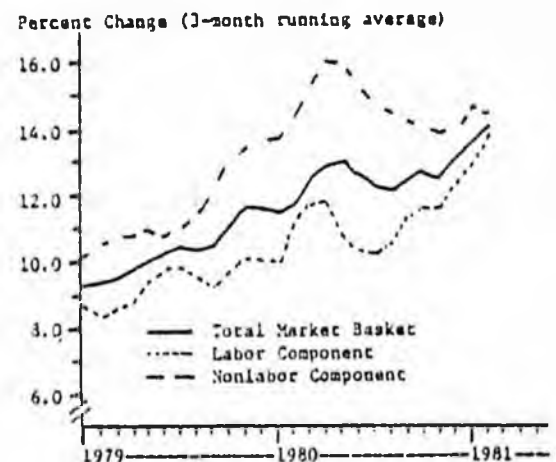
### Consumer, Medical and Hospital Prices

The growth rate of the Consumer Price Index (CPI) has been consistently decelerating in recent periods, from a peak of 14.7% between April 1979-80 to 11.3% between February 1980-81. Growth of the medical care component has also decelerated, although more moderately, from 11.5% between May 1979-80 to 9.6% in the current period. Medical care prices have been increasing less rapidly than the All-Items CPI since December 1978. Growth of the hospital room component rose from a 12.3% rate between February 1979-80 to a 13.6% rate between February 1980-81. Because of contract purchasing and the 12- to 18-month lag before changes in the rate of inflation are fully reflected in hospital wage rates, deceleration in hospital prices historically has lagged price deceleration in the general economy.



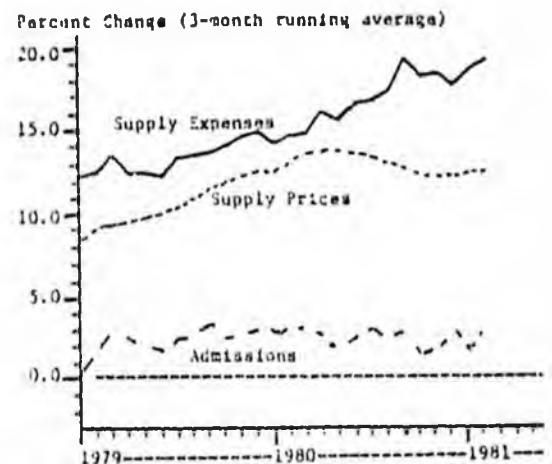
### Hospital Market Basket

Although inflation in the general economy has slowed, hospitals are continuing to feel the impact of pent-up inflationary pressures. The growth rate of the Hospital Market Basket rose from 12.7% between February 1979-80 to 13.4% in the current period. The labor component accelerated 2.9 percentage points from a 10.4% rate between February 1979-80 to a 13.3% rate in the current period. The impact of this acceleration was partially offset by a reduction in growth of the nonlabor component, from 15.5% between February 1979-80 to 13.5% between February 1980-81. All nonlabor categories except professional fees and food increased less rapidly in the current period than between February 1979-80. Overall, rising market basket prices accounted for 70% of the (leap year adjusted) increase in inpatient expenses between February 1980-81.



### Supply Expenses\*

Inpatient supply expenses increased 13.4% between February 1980-81 as a result of a 5.6% increase in supply volume and a 12.1% increase in supply prices as measured by the Hospital Market Basket. In the year-earlier period supply expenses rose 15.7% due to less rapid growth of supply volume (1.8%). Supply prices increased less rapidly in the current period (12.1%) than between February 1979-80 (13.7%). The growth rate of supply prices has fallen during recent periods, from a peak of 14.0% between April 1979-80. However, the deceleration in hospital supply prices has been smaller than the deceleration in the All-Items CPI. The increase in supply prices accounted for 68% of the increase in community hospital supply expenses between February 1980 and February 1981.



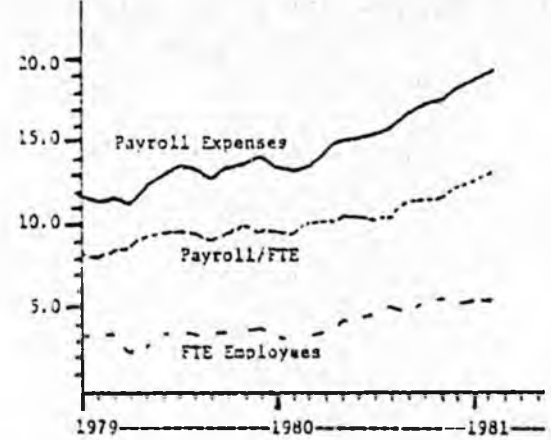
\*Adjusted for the 1980 leap year.

### Labor Expenses and Wages\*

Inpatient labor expenses increased 20.6% between February 1980-81, compared to 13.6% between February 1979-80. Accelerating growth of labor expenses, consistent with 1980 trends, reflects increased employment and the impact of pent-up inflationary pressures and the nursing shortage on unit labor costs. Other factors affecting labor costs in 1981 are an increase in the minimum wage to \$3.35 per hour, and a rise in employer Social Security contributions. The growth rate of unit labor costs (labor expenses per FTE) rose from 10.4% between February 1979-80 to 13.3% between February 1980-81, and the growth rate of payroll expenses per FTE rose from 10.7% to 12.7%. Payroll expenses accounted for 86% of labor costs in February 1981.

\*Adjusted for the 1980 leap year.

Percent Change (3-month running average)

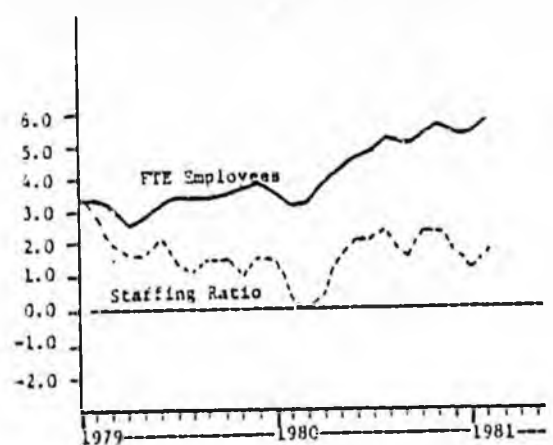


### Employment\*

The staffing ratio (FTEs per occupied bed) increased at the above-average rate of 4.7% between February 1980-81. Employment tended to increase more rapidly in the census regions that had experienced rapid growth of 65- and over utilization in recent months. The unusual increase in the staffing ratio between February 1980-81 in part reflected an unusually low staffing ratio in the February 1980 base period; the staffing ratio, somewhat uncharacteristically, had declined 1.1% between February 1979-80. This indicator tends to fluctuate from month-to-month due to sizeable short-term variation in utilization.

\*Adjusted for the 1980 leap year.

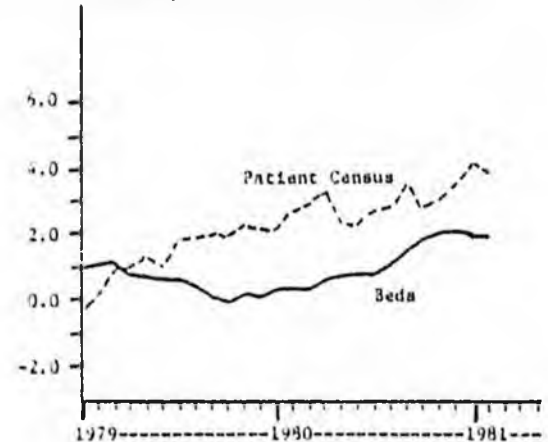
Percent Change (3-month running average)



### Beds and Census

Community hospital staffed bed levels increased 2.1% between February 1980-81, which was consistent with growth during the past seven months. Staffed beds increased most rapidly (3% or more) in the census regions that had experienced the greatest increase in utilization in the most recent three-month period. Staffed bed data reflects the effect of bed construction, as well as the opening or closing of existing beds in response to actual or anticipated changes in utilization. In contrast to the trend of the past two years, the increase in staffed beds was slightly above the growth of patient census, and the occupancy rate decreased from 80.2% in February 1980 to 79.9% in February 1981.

Percent Change (3-month running average)



Selected Hospital Performance Indicators: February 1980 and 1981

	Percent change from same period, previous year			
	Month of February		Year-to-date	
	1980	1981	1979	1980
<u>Inpatient Expenses &amp; Staffing</u>				
Inpatient expenses	18.0	16.0	15.8	17.9
Adjusted for 1980 leap year*	14.2	19.9	13.9	19.8
Inpatient expenses per admission	9.6	18.2	10.3	19.7
Inpatient expenses per inpatient day	9.6	18.1	10.4	16.6
Labor expenses	17.6	16.4	15.3	18.2
Adjusted for 1980 leap year	13.6	20.6	13.3	20.2
Payroll expenses	17.9	15.8	15.3	17.6
Adjusted for 1980 leap year	13.9	19.9	13.4	19.6
Employee benefits	15.8	20.7	15.0	21.6
Adjusted for 1980 leap year	11.8	25.0	13.0	23.7
FTE personnel	2.8	6.4	2.7	6.1
Nonlabor expenses	18.5	15.4	16.4	17.5
Adjusted for 1980 leap year	15.0	18.9	14.7	2
Depreciation	12.3	18.9	12.5	18.8
Interest	8.5	29.1	9.0	29.5
Supplies, services & other expenses	19.8	14.3	17.3	16.7
Adjusted for 1980 leap year	15.7	18.4	15.3	18.7
Supply expenses per admission	11.3	16.5	11.7	18.5
<u>Total (Inpatient &amp; Outpatient) Expenses &amp; Staffing</u>				
Total expenses	18.4	16.1	16.3	17.9
Adjusted for 1980 leap year	14.5	20.0	14.4	19.8
Labor expenses	18.0	16.6	15.8	18.2
Adjusted for 1980 leap year	13.9	20.8	13.9	20.3
Payroll expenses	18.3	15.9	15.9	17.7
Adjusted for 1980 leap year	14.2	20.0	13.9	19.7
Employee benefits	16.1	20.9	15.5	21.7
Adjusted for 1980 leap year	12.1	25.2	13.5	23.8

\*Due to leap year, February 1980 was one day longer than February 1981. As a result, utilization, payroll expenses, employee benefits and supply expenses were greater than in a normal February of 28 days. Utilization and expense data have, therefore, been adjusted for this difference in the number of days in the reporting period.

Selected Hospital Performance Indicators: February 1980 and 1981

	Percent change from the same period, previous year			
	Month of February		Year-to-date	
	1980	1981	1979	1980
<u>Total (Inpatient &amp; Outpatient)</u>				
<u>Expenses &amp; Staffing (cont.)</u>				
Labor expenses/FTE	14.4	9.4	12.3	11.4
Adjusted for 1980 leap year	10.4	13.3	10.4	13.3
Payroll expenses/FTE	14.7	8.8	12.3	10.9
Adjusted for 1980 leap year	10.7	12.7	10.4	12.8
Employee benefits/FTE	12.6	13.4	12.0	14.7
Adjusted for 1980 leap year	8.7	17.5	10.1	16.6
FTE personnel	3.1	6.6	3.1	6.1
Full-time personnel	2.8	5.6	2.8	5.1
Part-time personnel	5.4	12.3	5.5	12.1
FTE/100 adjusted census	-1.1	4.7	-0.4	3.1
Nonlabor expenses	18.8	15.6	16.9	17.5
Adjusted for 1980 leap year	15.3	19.1	15.7	19.3
Depreciation	12.6	19.1	13.0	18.9
Interest	8.8	29.3	9.5	29.6
Supplies, services & other expenses	20.2	14.4	17.8	16.8
Adjusted for 1980 leap year	16.0	18.5	15.8	18.8
<u>Utilization</u>				
Beds	0.4	2.1	0.4	2.0
Admissions	7.6	-1.9	5.0	-1.5
Adjusted for 1980 leap year	3.9	1.6	3.3	0.1
Inpatient days	7.7	-1.8	4.8	1.1
Adjusted for 1980 leap year	4.0	1.7	3.1	2.8
Average length of stay	0.1	0.1	-0.2	2.7
Outpatient visits	14.0	-5.3	10.2	-2.7
Adjusted for 1980 leap year	10.1	-2.0	8.4	-1.0
Surgical operations	10.4	-2.1	7.3	-2.6
Adjusted for 1980 leap year	6.6	1.4	5.5	-0.9
Births	8.0	-1.7	3.8	0.3
Adjusted for 1980 leap year	4.3	1.8	2.1	2.1
Occupancy rate*	80.2	79.9	79.4	80.0

\*Data reflect occupancy rate (%) instead of percent change.

Selected Hospital Performance Indicators: February 1980 and 1981

	Percent change from same period, previous year			
	Month of February		Year-to-date	
	1980	1981	1979	1980
<u>Utilization (cont.)</u>				
65-and-over admissions	13.6	-1.1	10.6	2.5
Adjusted for 1980 leap year	9.7	2.5	8.7	4.2
65-and-over inpatient days	12.5	-0.3	9.4	5.0
Adjusted for 1980 leap year	8.6	3.3	7.6	6.8
65-and-over length of stay	-1.0	0.8	-1.1	2.4
Under-65 admissions	5.5	-2.2	3.0	-3.1
Adjusted for 1980 leap year	1.8	1.3	1.3	-1.4
Under-65 inpatient days	4.7	-2.8	2.0	-1.5
Adjusted for 1980 leap year	0.1	0.6	0.3	0.2
Under-65 length of stay	-0.7	-0.6	-1.0	1.7
<u>Hospital Market Basket</u>				
Total market basket	12.7	13.4	12.3	13.6
Labor	10.4	13.3	10.4	13.3
Nonlabor	15.5	13.5	14.7	13.9
Capital	25.0	21.8	22.3	24.0
Supplies & services	13.7	12.1	13.3	12.0
Professional fees	10.1	10.6	9.6	10.7
Insurance	11.2	10.3	12.8	10.4
Food	7.0	8.9	7.2	9.6
Fuel & utilities	28.1	18.5	27.1	18.1
Medical supplies & pharmaceuticals	10.9	10.5	9.9	11.1
Administrative supplies	12.5	9.8	12.3	11.6
Housekeeping, maintenance & other supplies	14.8	11.9	15.0	14.1

Source: American Hospital Association, Hospital Data Center, National Hospital Panel Survey, and Office of Public Policy Analysis (Hospital Market Basket)

state  
hospital  
association

319 Seward St., Juneau, Alaska 99801 (907) 586-1790

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

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Sister Barbara Maase  
Ketchikan General Hospital  
Ketchikan

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Center  
Anchorage

Immediate Past President  
Al Camosso  
Providence Hospital  
Anchorage

Executive Director  
Dennis L. DeWitt  
Juneau

March 16, 1981

The Honorable Don Clocksin  
State House of Representatives  
Pouch V, State Capitol Building  
Juneau, Alaska 99811

Dear Representative Clocksin:

The Alaska State Hospital Association wishes to indicate our strong support for HB 131. It is our highest legislative priority for 1981.

It is unfortunate that health facility revenue sharing was passed over last year when other forms of revenue sharing were increased. As a result many health facilities which were in difficult financial situations are in desperate shape this year. We believe HB 131 would prudently assist health facilities in Alaska and by its design, would offer greatest assistance to those most often in need of such assistance.

I have enclosed a copy of our probable testimony, a copy of "Inflation Report" and a summary sheet indicating the financial and occupancy status of several hospitals.

We would respectfully request your favorable consideration of HB 131.

Sincerely,

Dennis L. DeWitt  
Executive Director

cc: E.J. Haugen, Alaska State Representative  
Michael Beirne, Alaska State Representative  
Bette Cato, Alaska State Representative  
Jim Duncan, Alaska State Representative  
Terry Martin, Alaska State Representative

TESTIMONY BEFORE THE HOUSE HESS COMMITTEE

MARCH 17, 1981

SUPPORT FOR HOUSE BILL 131

President  
Sister Barbara Haase  
Ketchikan General Hospital  
Ketchikan

President Elect  
Tom Mings  
Fairbanks Memorial Hospital  
Fairbanks

Secretary/Treasurer  
Ron Pavellis  
Alaska Hospital & Medical  
Center  
Anchorage

Immediate Past President  
Al Carmosso  
Providence Hospital  
Anchorage

Executive Director  
Dennis L. DeWitt  
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 APPROXIMATED 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.

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

DOWN TO MINIMUM NUMBER OF PERSONNEL POSSIBLE. THE PERSONNEL CAN ACCOMODATE MORE PATIENTS, BUT WITHOUT 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 USACE 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, ESPECIALLY 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

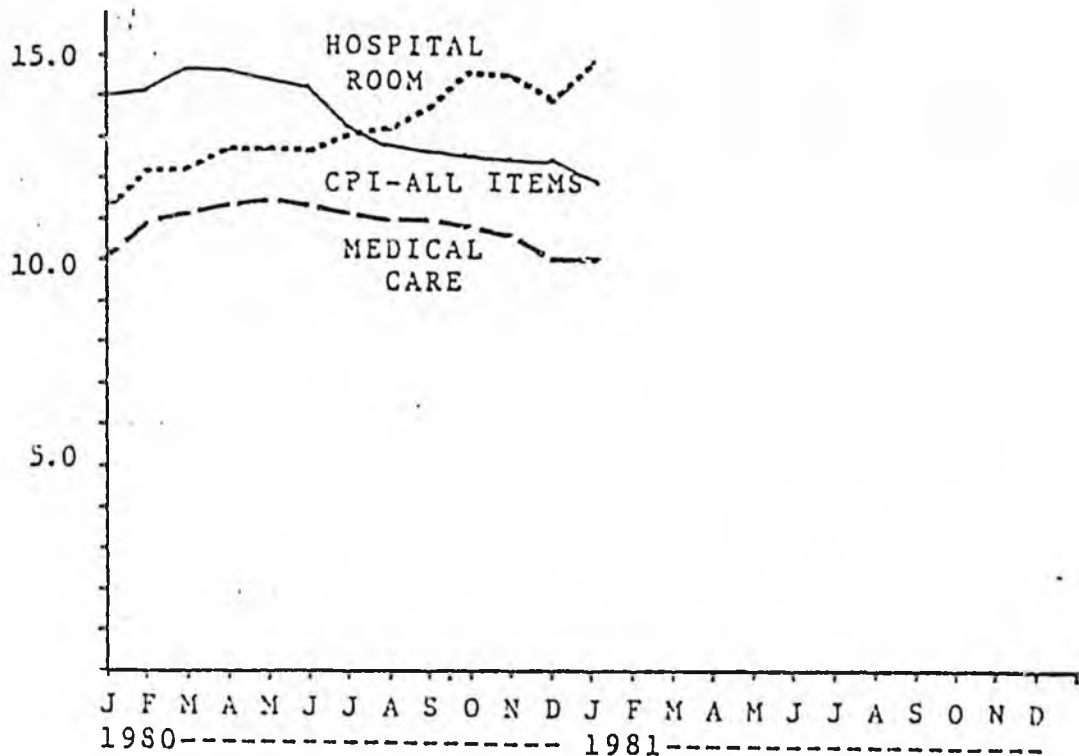
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Office of Policy Studies

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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 14.8 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\* 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)

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\*Energy is a special CPI index and includes elements from several of the major categories.

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

- Medical Care continues to increased 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	12.7
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	12.0	0.9
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 <sup>1</sup>	Unadjusted percent change		Seasonally adjusted <sup>2</sup> percent change	
		From Dec. 80	From Jan. 80	From Dec. 80	Annual rate
CPI-U (All Items)	260.3	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 <sup>3</sup>	144.5	2.0	15.0	2.0	24.0
Hospital Room <sup>4</sup>	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 <sup>5</sup>	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.

<sup>1</sup>1967=100, unless otherwise noted.

<sup>2</sup>Seasonally adjusted data not available for all items

<sup>3</sup>December 1977=100

<sup>4</sup>Previous title, Semi-Private Room

<sup>5</sup>Energy 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.

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	LENGTH OF ST
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	185.00	50%	2.9
Wrangell	130,593	190.00	24.0	3.4
Norton Sound	276,901	342.00	51.0	3.9