SB
85

Alaska State Legislature

Senate

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

April 5, 1983

TO: Senate Community and Regional Affairs Committee Members

FROM: McKie Campbell
Committee Staff

SUBJECT: CSSB 85

Attached is a brief history of the certificate of need in Alaska prepared by staff to the Committee and an accompanying excerpt from a paper prepared by the Alaska Health Coalition that very briefly describes how the C.O.N. process works in Alaska.
Immediately beneath these is a position paper and fiscal note from the Department of Health and Social Services. These documents are the only new additions to the informational packet since last Tuesday's meeting.

Official Business

Alaska State Legislature

Senate

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

BRIEF HISTORY OF ALASKAN CERTIFICATE OF NEED

In the early 1970's, Certificate of Need appears to have been a topic much on the minds of hospital administrators and other health care professionals.

In Alaska the issue mainly centered on the situation in Anchorage. Providence Hospital was trying very hard to become a major referral hospital where patients from Alaska with serious medical problems could be referred instead of being sent down south. Anchorage Community Hospital was in the process of transforming itself into Alaska Hospital while at the same time coping with a relatively high vacancy factor.

In this same period the federal government had passed PL 93-641, the federal C.O.N. law, and plans for Lake Otis Hospital were being discussed. There was strong feeling among the administration at Providence Hospital that it needed to achieve a certain size or critical mass to be able to support the special programs and attract the doctors necessary to be a major referral hospital. This feeling was mixed with concern that the creation of a new hospital (Lake Otis) would seriously hinder Providence's effort to reach the size it felt necessary. There was speculation that the C.O.N. process might prevent the creation of Lake Otis.

In 1976 Alaska's C.O.N. statute (18.07.031-18.07.111) was proposed. This was in response to the potential cutoff of federal health care aid if Alaska did not enact such a law. During this period the C.O.N. process was vigorously supported by the Carter Administration.

Representatives of the Hospital Association state that the Association was opposed to C.O.N. when Alaska passed its bill in 1976, but felt that federal pressure made passage of the bill inevitable. Senators who were here in 1976 can evaluate this assertion. Because of this perceived inevitability, the Association says it supported the C.O.N. bill in an attempt to get the most favorable bill possible. Even with its present C.O.N. law Alaska is not in full compliance with federal law.

In 1981 the Board of Directors of the Alaska Hospital Association passed a motion committing the Association to working towards the repeal of C.O.N. in Alaska. It is worth pointing out that a change in the national political climate had occurred with the Reagan administration in office and strongly opposed to the C.O.N. process. The threatened cutoff of federal health care funds (approximately five million dollars for Alaska) had also been suspended by a continuing resolution of Congress. Though it is certainly a gamble, many observers are convinced that the cutoff of federal funds will not be imposed if Alaska repeals its C.O.N. law.

Today a number of changes have taken place in Alaska and particularly in Anchorage that affect the Hospital Association's views on C.O.N. Providence has become a major referral hospital for Alaska. Anchorage Community Hospital became Alaska Hospital and is now Humana Hospital. Lake Otis, contrary to some expectations, received the first C.O.N. issued in Alaska. Lake Otis still has its C.O.N. but due to financial and legal problems has not yet been built.

If C.O.N. is repealed it appears likely that financing to construct Lake Otis would be extremely difficult to obtain.

CERTIFICATE OF NEED PROGRAM

PURPOSE

The most controversial aspect of the health planning effort, in Alaska and nationwide, has been the Certificate of Need (CON) program. Borrowed from public utility regulations, the earliest CON program was enacted by New York in 1964. Twenty-six other states instituted CON programs in the next ten years, and, with the passage of Public Law 93-641, CON was mandated for all states. Alaska's Certificate of Need statute (18.07.031-.111) was enacted by the State Legislature in 1976 and amended in 1981.

As originally designed, the CON program was implemented to curb rapidly escalating costs of health care by stemming uncontrolled capital investments in new health-care facilities, services, and high-technology equipment. To accomplish this goal, the CON program had several primary objectives: 1) to prevent unnecessary duplication of services and facilities; 2) to reduce the number of available hospital beds or at least not allow the growth of hospital beds to exceed guidelines established in the State Health Plan; 3) to promote an equitable and efficient allocation of resources; and 4) to determine if less costly alternatives to expensive capital expenditures were available to accomplish the same purpose.

WHO MUST APPLY

The State of Alaska requires approval of capital expenditures for projects which meet or exceed certain thresholds:

1. Capital expenditures in excess of $150,000 toward building, improving, or purchasing a health care facility, including lease or purchase of equipment, costs of any study surveys, designs, and site acquisitions and preparations.

2. Any change within a two-year period in the licensed bed capacity of a health care facility amounting to 10 beds or 10 percent, whichever is the lesser, which increases or decreases the number of beds or redistributes beds among different categories of service.

3. Any addition or elimination of a major type of service offered in or through the health care facility.

A project meeting or exceeding these thresholds is required to obtain a Certificate of Need from the State of Alaska prior to implementation.

THE PROCESS

An applicant enters the CON review process by submitting a "Letter of Intent" to the Department of Health and Social Services (DHSS) and to the appropriate health systems agency describing briefly the scope of the proposed activity. If the DHSS determines that the project is subject to CON review, the applicant develops a formal application and submits it to the State agency and the regional health systems agency. In most cases, a pre-application conference is scheduled with the applicant to minimize any potential misunderstandings and to achieve an agreement on what would represent a successful application. Once the State agency certifies that the application is "complete" -- that it contains sufficient information necessary to conduct an objective review -- the agency has 90 days to review the application and to submit an analysis to the Commissioner of DHSS for final action. Within the 90-day review period, the regional health planning agency has 60 days to review and seek public comments on the appropriateness of the proposed application. The HSA submits its findings and recommendations to the Commissioner. Once the Commissioner has considered the information that has been submitted, he decides whether or not to issue a Certificate of Need to the applicant. The Commissioner notifies the applicant in writing of the decision. Copies of the decision are sent to the Health Systems Agency and are published in regional newspapers.

Alaska State Legislature

Senate
Committee on
Community & Regional Affairs

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Norma Lang
Legislative Liaison
Department of Health &
Social Services

DATE: 31 March 1983

FROM: McKie Campbell
Professional Assistant
Senate Community & Regional
Affairs Committee

SUBJ: CSSB 85(HESS)

This is a written follow-up of my request of April 24 for a fiscal note and position paper on CSSB 85(HESS). This bill will be in front of committee again on Tuesday, April 5, 1983.

It would be most helpful if the Department would detail the fiscal impact of this bill by section, showing potential savings to the state as well as costs.

In last Tuesday's committee meeting Senator Sackett requested a history of Certificate of Need. Senator Sackett also said it was his impression that in the late 1970's and very early 1980's Providence Hospital and the then Alaska Hospital had supported the C.O.N. process. Both Providence and Humana hospitals are now supporting the repeal of the C.O.N. Senator Sackett requested an explanation of this apparent reversal of policy. Any assistance you can provide the committee on this history or explanation would be appreciated.

JOE P. JOSEPHSON
DISTRICT G · ANCHORAGE
1526 F STREET
ANCHORAGE, ALASKA 99501
(907) 277-4419

COMMITTEES
HEALTH, EDUCATION & SOCIAL SERVICES (CHAIR)
JUDICIARY (VICE-CHAIR)
FINANCE
MAJORITY CAUCUS (CHAIR)

ALASKA STATE SENATE

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4907
(907) 465-4525

MAR 2 3 RECD.

21 March 1983

Hon. Frank Ferguson
Chairman
Committee on Community & Regional Affairs
Alaska State Senate
Juneau

FOR HAND DELIVERY

Dear Frank:

The HESS Committee considered SB 85, relating to the Certificate of Need program, and voted to replace SB 85, whose original sponsor was Senator Faiks, with CSSB 85, which is now in possession of your Committee on Community and Regional Affairs.

The HESS committee substitute has widespread support, including support from the Alaska State Hospital Association and the administration. In addition, the committee substitute will save considerable money, as described in the attached exhibit entitled "Fiscal Effects of CS For SB 85 (HESS)".

I would be glad to explain this rather complex legislation to you and your staff, or to appear at a committe hearing. Because of the need of health care facilities to know whether or not they must proceed with certificate-of-need processes for planned construction, I would urge the earliest possible consideration of the bill in your committee.

With best wishes,

Sincerely,

Joe P. Josephson

enclosure

cc: Senator Faiks

FISCAL EFFECTS OF CS FOR SB 85 (HESS)

SUSPENSION OF HOSPITAL CONSTRUCTION FUNDING -AS 29.90

$46.4 million dollars of state hospital construction funding will be saved for the $185.6 million expansion of Providence Hospital, and untold millions of dollars for any other hospital expansion project during the period of suspension.

CAP ON HOSPITAL REVENUE SHARING

By limiting available revenue sharing to 250 acute care beds per facility, the state will save a yearly amount of $150,000 on the pla ied expansion of Providence Hospital - 150 beds.

PROSPECTIVE PAYMENT PROGRAM

Projected to save 1-3% of growth in Medicaid and General Relief Medical Programs, Prospective Payment would save the state between $437,000 and $1,311,700, based on FY 84 payment levels of these programs to hospitals and nursing home facilities ($43,726.2 from the Governor's proposed budget).

Position Paper
C.S. for Senate Bill 85

An Act suspending the certificate of need program, amending provisions related to assistance for health facility construction, Medicaid and general relief medical assistance, and providing for an effective date.

I. General Overview

Hospital and Nursing home rates in Alaska have traditionally been established retrospectively, that is, costs are estimated at the beginning of a fiscal year and an "interim payment" determined. At the end of the fiscal year, the total of interim payments made is compared to the allowable costs of the facility. The difference is either collected from or paid to the facility. This process is referred to as "cost settlement".

Prospective payment, on the other hand, provides for establishment of the payment rate prior to the fiscal year as a result of discussions between each facility and the State, each facility must then operate and provide care at this predetermined rate for the fiscal period.

While the retrospective method assures providers that all of their allowable costs will be reimbursed,a fundamental weakness of these retrospective systems is the lack of incentives to control staffing levels, equipment purchases, wage increases, and service expansion.

In view of reduced federal revenues and a new state spending limit, Alaska needs improved cost containment and predictability from its medical reimbursement system. The system must not only consider price, but also eligible groups and service coverages before the budget year commences. It also must consider the differences in "rural" and "urban" health delivery problems.

II. Problems with Retrospective Cost-Based Reimbursement Systems

- Tendency toward ineffective cost containment -- The key problem with a retrospective system is the lack of incentives to control expenditures so that unnecessary costs are avoided.

- Dependence upon auditing and monitoring procedures -- A retrospective system must have a tight, effective auditing system to monitor costs in order to curb abuses of the system.

- Tendency of the system to become inflexible -- Decisions are often made by accountants based on "generally acceptable accounting principles" rather than on the merits of each individual facility's situation.

- State is uncertain of total program costs until the fiscal period is well over -- Final cost figures may not be known to the State until 6 months after a fiscal year ends.

- Cost Shifting occurs where unallowable costs under Medicaid are borne by other payors (insurance and private payors).

III. Advantages of a Prospective Payment System

- Based on the principle that predetermined rates will result in lower costs. A 1982 study by THE URBAN INSTITUTE concluded that prospective systems lower the rate of increase in hospital spending by several percentage points a year, after an initial start-up period.

- Predictability of costs to the State. Prices are agreed upon by the facilities and the State before the fiscal period starts.

- Predictability of revenues to the facilities. The industry can negotiate wages, purchases and other business decisions with a set service price in mind.

- The technique encourages development of more sophisticated budgeting and cost monitoring capabilities. These are desirable management tools and will permit the State to see how a facilities' budget is built and discuss their assumptions in each of the major cost categories.

IV. Disadvantages of a Prospective Payment System

- Administrative costs are generally greater than those of a retrospective system. However, administrative costs vary greatly according to the design of the system, and as such, this factor is not of significant concern when compared to the total dollars being monitored in the health area.

- Arbitrary cost limiters ("FREEZES", "LIDS") may be introduced into the prospective system to balance costs versus revenues. This eventually places hospitals and nursing homes in a "no win" situation since the rates do not fairly reflect efficiently run facilities' costs.

- If rates are not applied industry wide, cost shifting can still occur if Medicaid rates are set unrealistically low by the State based on arbitrary limiters.

V. Operation of a Prospective Payment System

There are a wide variety of prospective payment systems operated in the acute-care and long-term care sectors around the nation.

A common element of a prospective rate payment setting mechanism is an allowable rate of increase in per diem cost for the following year. This percentage is normally calculated through application of economic indicator such as U.S. Department of Labor wholesale and consumer price

indexes. The percentage is then routinely applied to actual cost from the previous period to arrive at the prospective rate. Determination of allowable rates of increase can be undertaken either on an individual facilities or groups of facilities.

Another element of a prospective payment system is more precisely defined cost categories combined with a uniform method of reporting costs to the State. A common cost breakdown would be labor vs. non-labor with further categorization inside these areas. The following example uses "natural" expense categories in reporting facility costs.

- Labor expenses
  - physician's fees
  - management
  - clerical
  - technical (e.g., LPNs'; therapists)
  - registered nurses
  - household services (e.g., dietary, housekeeping workers)

- Non-labor expenses
  - food
  - utilities
  - drugs and supplies
  - maintenance of personnel
  - other

While some level of categorization is necessary to assure accuracy of prediction, the model outlined above may require an excessive level of accounting time and expertise for some of Alaska's smaller facilities. The compromise approach shown below may suffice:

- Salaries and fringe benefits

- Non-labor expenses
  - administrative and general
  - household and maintenance
  - dietary
  - professional care

VI. State Reimbursement Trends

To date, approximately thirty-four states have instituted a prospective system of reimbursement for nursing home services under Medicaid, and sixteen states have instituted a prospective system of reimbursement for hospital services under Medicaid. These prospective systems have taken many forms, each state's structure is a little different. However, they share the same philosophical purposes: "to encourage economy and efficiency, and to establish a uniform system of accounting, budgeting, and reporting in determining a health facility's future reimbursement".

VII. Why Alaska Should Consider Prospective Payment Now

1. Total overall spending is growing at 20% each year in Medicaid/GR Medical.

In any period, total spending is always a function of, 1) the number of recipients, the volume of services used, and the unit price of service. With an automatic cost-of-living increase that expands Alaska's eligible population, coupled with no unit price control or volume limits, Alaska currently has no ability to effectively control growth in medical costs.

According to a recent study by THE URBAN INSTITUTE, Medicaid payments rose at an annual rate of 15.5 percent from FY73 to FY79 nationally. Alaska had the highest annual rate of increase at 41.8 percent during this same period. Since FY79, costs have increased in excess of 20% annually in Alaska.

These three factors (recipients, volume, and unit price) need to be considered collectively in any fiscal year. Currently, critical decisions concerning eligible populations, service coverages and unit price are handled independent of each other and do not produce a final cost figure until the fiscal year is past. If total spending is to be contained at a level below 20%, these factors must be considered collectively before each fiscal year starts.

2. Federal funding for Medicaid is reduced in FY84 and later years. The State is facing an unknown dollar cutback in federal funding for FY84. Unless additional State funding replaces these lost federal revenues, critical decisions must be made to bring program spending in line with available resources.

3. Prospective Systems reduce costs in the long term. The Urban Institute recently concluded that "a consensus is now developing that prospective rate setting is effective in lowering the rate of increase in hospital spending by several percentage points a year, at least in mature rate setting programs after an initial start-up period".

VIII. Why Doesn't the Department of Health and Social Services Simply Adopt Prospective Payment by Regulation?

The Legislature must specifically endorse adoption of a prospective system in Alaska. The Alaska Attorney General has ruled in a 1982 opinion that present Alaska Statutes prevent adoption of a prospective payment system by regulation. The Legislature must change Alaska Statutes to clearly authorize the Department to adopt a prospective system.

IX. What Options Exist?

1. Do Nothing. This strategy would leave reimbursement in the present retrospective environment and require the Department to pass reductions in federal revenues on to hospitals and nursing homes through reduced rates. Most recent calculations place hospital and nursing home revenue reductions at 8% and 24% respectively for FY84. This strategy would not require any additional funds beyond the FY84 Governor's request for Medical Assistance but would severly impact Alaska facilities.

2. Remain on retrospective system and replace lost federal revenues with State funds, if State law permits. This strategy will require replacement funds and may require a statute change as well. There is some doubt whether the present statutes would permit the Department to pay rates in excess of the federal limits.

3. Same as option #2 but reduce persons eligible and medical services available. Under existing Alaska law, the Department is empowered to eliminate certain medical services and certain eligibility groups if funds were deemed inadequate for FY84. If it were determined that the Department could pay in excess of new federal limits with all State funds, or legislation were passed to permit this, the Department could make reductions in services and eligible groups to stay within its FY84 request.

4. Adopt Prospective System and replace lost federal revenues with State funds. This strategy will cost roughly the same as Option #2 but FY84 costs could be predicted with greater certainty. Assuming no changes were made in medical services covered or persons eligible, this option would save the State from 1 to 3% annually compared to Option #2 after the initial start-up period.

5. Adopt Prospective System but reduce persons eligible and medical services available. Herein lies the true value of a prospective system. Once the prospective rules are established and the rates (unit price) for services agreed upon for the fiscal year, eligible groups and medical services are then balanced against unit price to operate within the available appropriation. If no changes were made in persons covered or services offered, the price for this option would be the same as Option #4. If major reduction in eligibles or services were made, the costs for this option could be reduced proportionately.

6. Seek Relief from Congress. This is always an option but not one with as much potential in light of Alaska's present financial image. Nonetheless, there is provision within the new federal changes for special negotiation with the Secretary of Health and Human Services regarding "rural" hospitals. Alaska could pursue this option in conjunction with one of the strategies described in Option 1 through 5 above.

X. Summary

Alaska must balance eligible populations, medical services covered and unit price against available funds to define an affordable FY84 medical program. While a prospective system will not in and of itself make this totally possible, it could provide a business environment in which critical decisions will be made before the fiscal year starts.

XI. MAJOR PROVISIONS OF SB 85

Section 1: An excellent declaration of policy.

Section 6: Deletes that portion of AS 29.89.030 that provides payment of $1,000 per bed to a municipality that has the power to provide hospital facilities and services, but leaves the alternative payment of $250,000 per hospital in place. The provision of a $250,000 payment is primarily based upon the premise that most Alaskan hospitals are small in size with significant occupancy problems and, consequently, significant financial shortfalls.

Section 7: Provider authority to the Medicaid Rate Commissioner to determine prospectively a rate of payment to health facilities and establishes factors that must be considered in setting rate.

Section 8: Provides for Uniform Accounting, Budgeting and Financial Reporting, requires. Requires reports by the health facilities and the Rate Commissioner and provides for audits and appeals.

Section 10: Establishes the Medicaid Rate Commission, its composition, appointment of members, term of membership and employment of personnel.

Section 12: Provides authority for the Department to establish an interim system of prospective payments for the period 7/1/83 to 6/30/84.

Section 14: Suspends the operation of the certificate of need program for a period of seven years. The Administration has previously supported legislation which would repeal the certificate of need program. The Department views the provision in CSSB85 as an alternative which is similar to repeal.

Section 15: Repeals the definition of "Cost settlement" in AS 47.07.080(1).

Section 17: Establishes an effective date.

Department's Position

The Department of Health and Social Services supports this legislation as proposed.

4/4/83
Date

Robert London Smith
Robert London Smith, Ph.D.
Commissioner
Department of Health and
Social Services

4/4/83
Date

John Pugh
John Pugh, Deputy Commissioner
for Social Services
Department of Health and
Social Services

4/4/83
Date

Daniel N. Meddleton
Dan Meddleton, Director
Division of Planning, Policy and
Program Evaluation

4/4/83
Date

Rod Betit
Rod Betit, Director
Division of Public Assistance

I. REQUEST

Bill/Resolution No.: [redacted]85

Title: Prospective Rate Setting

Sponsor:

Requestor:

II. FISCAL DETAIL

Agency Affected: Health and Social Servic

Program Category Affected: Medical Assis

BRU, Program of Subprogram(s) Affected: Medicaid/General Relief Medical

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		84,693	90,621	96,965	103,753	111,015
200 TRAVEL		27,000	28,890	30,912	33,076	35,391
300 CONTRACTUAL		70,000	20,000	20,000	20,000	20,000
400 COMMODITIES		2,000	2,140	2,290	2,450	2,621
500 EQUIPMENT		6,000	1,000	1,000	1,000	1,000
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		189,693	142,651	151,167	160,279	170,027
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		99,115	74,535	78,985	83,745	88,839
FEDERAL FUNDS		90,578	68,116	72,182	76,534	81,188
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		2	2	2	2	2
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Robert Ogden Miller [illegible] Phone: 465-3355

Division: Public Assistance Date: 4/4/83

Approved by Commissioner: Violet Fenton Smith, Ph.D. Date: 4/5/83

Department: H&SS

Distribution:

Original to Legislative Finance

Copy to Office of Management and Budget (for legislature introduced bills)

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(if different from Sponsor)

Fiscal Note Review

100 Personal Services				
1) Executive Director	R24	$4,251 X 12	=	51,012
2) Clerk Typist III	R8	1,487 X 12	=	17,844
				68,856
	Benefits .23%			15,837
				$84,693
200 Travel and Per Diem				
5 Commission Members X 12 meetings				
x average cost of $450			=	27,000
300 Contractual (Data Processing Assistance)				70,000
400 Commodities				2,000
500 Equipment				
1) Desks, Chairs and Files				6,000
Word Processor				
				$189,693

Three existing Auditor III positions from the Division of Public Assistance will be transferred for Commission use as well as travel funds, etc.

POSITION PAPER AND FISCAL NOTE FOR

CSSB 85 (HESS)

Attached is a position paper and fiscal note for SB 85 from the Department of Health and Social Services.

The Department has been asked to provide a position paper and fiscal note on the HESS Committee Substitute, however, the administration's Legislative Budget Review Committee has not considered the CS. The Legislative Liaison for the Department has said they are not allowed to comment in writing on the CS until the LBRC has reviewed it.

Dan Meddleton, Phoebe Lindsey and Rod Betit from DHSS are scheduled to be at the committee meeting today and available to answer questions.

POSITION PAPER/Department of Health & Social Services

Position Paper

on

Senate Bill 85

"For an Act repealing the certificate of need program; and providing for an effective date."

Senate Bill 85 repeals those portions of AS 18.07.021 which provide the statutory authority for the Department to administer a certificate of need program and repeals references to certificate of need in other sections of the Statute as well.

The Administration supports Senate Bill 85 as it is currently written.

The Department recommends that the Committee review statutory provisions which relate to health facility development including the following:

Medicaid Programs

The state's participation in the Medicaid program (State dollars fund approximately 52 percent of total program costs) has grown from $1 million in 1972 to nearly $38 million in FY 82 and total costs including federal participation have grown from $2 million to nearly $74 million in this same period. Ninety-two percent of patients in Alaska's long term care facilities are supported by the Medicaid program which means that the state (and federal) government has nearly the full burden of all operational costs for the facility. These Medicaid costs increase when additional beds are added, new equipment is purchased or new services (including new types of manpower) are offered. The Division of Public Assistance must effect a provider agreement with any qualified provider who seeks this agreement.

Capital Budget

Alaska has provided substantial financial assistance in the development of health care facilities. The 12th Legislature provided more than $36.6 million by line item appropriation to expand one hospital, replace two others and provide planning assistance to rural hospitals. The number of requests for state funding steadily increased.

Revenue Sharing

Alaska has a revenue sharing program (AS 29.90.010) which provides 25 percent plus interest of hospital construction costs to all non-profit hospitals. This program, administered by the Department of Community and Regional Affairs, provides further support for hospital construction projects in addition to any front-end capital funds provided by the state. This additional health facility construction resource underscores the importance of determining the actual need

for construction, before the State is committed to pay for a major portion of such construction.

Non-profit hospitals each receive a quarter of a million dollars in operating assistance each year through the state's revenue sharing program (AS 29.89.030). Nursing homes and other health facilities also receive assistance based on the number of beds they have. There are no specific requirements as to how such funds are to be expended. Not only are existing health facilities assured of these funds in addition to other state support, but new facilities are encouraged by the availability of these funds.

Recommended by: Phoebe A. Lindsey

Phoebe A. Lindsey, Director
Division of Planning, Policy
and Evaluation

Date: 2/16/83

Approved by: for John R. Smith

Robert London Smith, Ph.D.
Commissioner
Department of Health and
Social Services

Date: 2/16/83

PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: Senate Bill 85 Date on Bill: 1/27/83
Title: An Act repealing the certificate of need program;and providing for an effective date
Sponsor: Senators Faiks, P. Fischer, and Pettyjohn
Requestor:

1. Estimated fiscal impacts on:

a. Expenditures:

			FY 83	FY 84	FY 85	FY 86			
Capital			0	0	0	0			
Operating			0	0	0	0			
Total			0	0	0	0			

b. Revenues:

Revenue			0	0	0	0			

2. Source of funds to offset fiscal impact of bill:

3. Assumptions:

4. Disclaimer:
This statement has not been reviewed by the OMB in the Office of the Governor. It does not represent the policy of the Sheffield Administration or the final estimate of fiscal impact.

Prepared By: Dave W. Williams DW Phone: 465-3038
Division: State Health Planning and Development Date: 2-14-83

Approved by Commissioner: Date: 2/16/83
Department: Health and Social Services Date:

6. Distribution:
Original to Legislative Finance
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STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

+165

Bill No: Senate Bill 85 Date on Bill: 1/27/83
Title: An Act repealing the certificate of need program;and providing for an effective date
Sponsor: Senators Faiks, P. Fischer, and Pettyjohn
Requestor:

1. Estimated fiscal impacts on:

a. Expenditures:

			FY 83	FY 84	FY 85	FY 86			
Capital			0	0	0	0			
Operating			0	0	0	0			
Total			0	0	0	0			

b. Revenues:

Revenue			0	0	0	0			

2. Source of funds to offset fiscal impact of bill:

3. Assumptions:

4. Disclaimer:
This statement has not been reviewed by the OMB in the Office of the Governor. It does not represent the policy of the Sheffield Administration or the final estimate of fiscal impact.

Prepared By: Dave W. Williams DW Phone: 465-3038
Division: State Health Planning and Development Date: 2-14-83

Approved by Commissioner: Date: 2/16/83
Department: Health and Social Services Date:

6. Distribution:
Original to Legislative Finance
Copy to OMB
Copy to Sponsor

LAKE OTIS CLINIC, INC. P.O. BOX 4-1539 ANCHORAGE, ALASKA 99509

(907) 276-3166

THE LAKE OTIS COMMUNITY HOSPITAL

March 18, 1983

Senator Frank Ferguson
Pouch V
Juneau, Alaska 99811

Dear Senator Ferguson:

Enclosed is a opy of my letter to Representative Adams regarding HB 19.

In order to be fair to all parties affected by CON legislation, I think something other than repeal of the law is indicated.

Sincerely,

Dr. Mike Beirne
President
Lake Otis Clinic, Inc.

MB/cm

Enclosure: cc of Adams letter, dated 3-18-83

LAKE OTIS CLINIC, INC. P.O. BOX 4-1539 ANCHORAGE, ALASKA 99509

(907) 276-3166

THE LAKE OTIS COMMUNITY HOSPITAL

March 18, 1983

Representative Al Adams
Chairman of Finance Committee
Pouch V
Juneau, Alaska 99811

Re: HB 19
Repeal of Certificate of Need

Dear Representative Adams:

This Bill would permit Providence Hospital to "neuter" my hospital franchise. Neutering can be evil. I object to neutering. Please do not pass this Bill. If passed it not only would mean the end of our Lake Otis Hospital Project in Anchorage, but in addition all small hospitals would have to step aside and leave the field to the big corporations exclusively. This is not in the public interest.

The Certificate of Need law, in effect since 1977, does help to control hospital expansions and therefore "costs" to the patient, or whoever pays the bills including the State. The present law should be modified, however, to permit hospitals to spend up to One Million Dollars without a permit. But the law should require a permit whenever new beds are added.

In effect, in Alaska we have the "franchise" system. And it works well. The record is clear. All 50 states have this system under federal guidelines.

In 1977, Lake Otis was issued a Certificate of Need (the franchise) by the State in compliance with the new law. Shortly thereafter Providence Hospital and others initiated a series of legal maneuvers effectively creating a "legal cloud" on this particular Certificate of Need which blocked access to all financing "until such time as all litigation ceases".

Since the Certificate of Need was issued in 1977, five major lawsuits have been filed against us. To date, we have won three of these lawsuits. A fourth case is now awaiting decision. The fifth and last lawsuit has perhaps another year to go in Superior Court. This is the case filed by Providence Hospital more than three years ago. We won this case in the trial courts on Summary Judgment! Providence took it to the Supreme Court which at first concurred with the trial court, but then on petition from Providence agreed to send the case back to the trial court for review of a single point. We will win this case. It is a great world.

During these past five years, the big hospital corporations have maintained that there was no need for addition beds in the community. Now they claim there is a "crisis". In addition, now the big hospital corporations are asking you to repeal the CON law so that they may expand their hospital and serve the public which so desperately needs their beds now. What they obviously cannot win in court, and they can't, they now seek to obtain by "neutering" our franchise. This is not very nice at all.

We have proceeded on this project in good faith. Our Certified Public Accountants have testified in two separate courts that I have personally invested more than Two Million Dollars in this project. I estimate that an equal amount has been consumed by this project as provided by me and others over the years, exclusive of my time and my personal services. The State has repeatedly testified that our CON (franchise) is valid. The State is even a co-defendant with us in the Providence lawsuit. We just want to proceed with our project.

So, in closing, let me remind you that "neutering" can be a mortal sin. A person with a mortal sin on his soul is not admitted to Heaven. Please don't let Providence and the others commit that sin. Do not repeal Certificate of Need law.

Sincerely,

Your humble and devoted tax payer

Mike Beirne

Dr. Mike Beirne
President
Lake Otis Clinic, Inc.

MB/cm

alaska state hospital association

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

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

March 25, 1983

Frank Ferguson
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Ferguson:

CSSB 85 (HESS) is before the Community and Regional Affairs Committee for consideration. The Alaska State Hospital Association wishes to inform you of our support for this measure.

CSSB 85 (HESS) does four things. It suspends the certificate of need program (AS 18.07) and the aid to construction revenue sharing (AS 29.90) for a period of 7 years. It limits operational revenue sharing at $250,000 which is consistent with CSSB 37. Finally, it creates a prospective rate system for the Medicaid and General Relief Medical programs. I have attached papers on certificate of need repeal and prospective payment for your review.

The Alaska State Hospital Association respectfully requests your prompt and favorable action on this measure.

Sincerely,

Dennis L. DeWitt
President

alaska state hospital association

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

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

Sectional Analysis: SB 85

1. Suspends certificate of need for 7 years (sections 2-5, 14 & 16)

   This will permit time to evaluate activities of those currently regulated and any changes which might occur in the system.

2. Caps operational aid to hospitals at its current maximum. This is consistent with C&RA Committee action on CSSB 37 (section 6).

3. Creates a prospective rate system for the Medicaid and General Relief/Medical programs which includes determination of the rate by an independant commission, basic principles of reimbursement, and a fair appeals process, (sections 7-12, 15).

4. Suspends aid to construction revenue sharing for 7 years, (section 13). This is consistent with our commitment to deal with AS 29.90 in the same fashion as certificate of need.

DeWITT

R Betit

DIVISION OF PUBLIC ASSISTANCE
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
STATE OF ALASKA

Rod Betit, Director
February 28, 1983

PROSPECTIVE VS. RETROSPECTIVE PAYMENT IN RELATION TO MEDICAL ASSISTANCE BUDGETING

I. General Overview

Hospital and Nursing home rates in Alaska have traditionally been established retrospectively, that is, costs are estimated at the beginning of a fiscal year and an "interim payment" determined. At the end of the fiscal year, the total of interim payments made is compared to the allowable costs of the facility. The difference is either collected from or paid to the facility. This process is referred to as "cost settlement".

Prospective payment, on the other hand, provides for establishment of the payment rate prior to the fiscal year as a result of discussions between each facility and the State, each facility must then operate and provide care at this predetermined rate for the fiscal period.

While the retrospective method assures providers that all of their allowable costs will be reimbursed, a fundamental weakness of these retrospective systems is the lack of incentives to control staffing levels, equipment purchases, wage increases, and service expansion.

In view of reduced federal revenues and a new state spending limit, Alaska needs improved cost containment and predictability from its medical reimbursement system. The system must not only consider price, but also eligible groups and service coverages before the budget year commences. It also must consider the differences in "rural" and "urban" health delivery problems.

II. Problems with Retrospective Cost-Based Reimbursement Systems

- Tendency toward ineffective cost containment -- The key problem with a retrospective system is the lack of incentives to control expenditures so that unnecessary costs are avoided.

- Dependence upon auditing and monitoring procedures -- A retrospective system must have a tight, effective auditing system to monitor costs in order to curb abuses of the system.

- Tendency of the system to become inflexible -- Decisions are often made by accountants based on "generally acceptable accounting principles" rather than on the merits of each individual facility's situation.

- State is uncertain of total program costs until the fiscal period is well over -- Final cost figures may not be known to the State until 6 months after a fiscal year ends.

- Cost Shifting occurs where unallowable costs under Medicaid are borne by other payors (insurance and private payors).

III. Advantages of a Prospective Payment System

- Based on the principle that predetermined rates will result in lower costs. A 1982 study by THE URBAN INSTITUTE concluded that prospective systems lower the rate of increase in hospital spending by several percentage points a year, after an initial start-up period.

- Predictability of costs to the State. Prices are agreed upon by the facilities and the State before the fiscal period starts.

- Predictability of revenues to the facilities. The industry can negotiate wages, purchases and other business decisions with a set service price in mind.

- The technique encourages development of more sophisticated budgeting and cost monitoring capabilities. These are desirable management tools and will permit the State to see how a facilities' budget is built and discuss their assumptions in each of the major cost categories.

IV. Disadvantages of a Prospective Payment System

- Administrative costs are generally greater than those of a retrospective system. However, administrative costs vary greatly according to the design of the system, and as such, this factor is not of significant concern when compared to the total dollars being monitored in the health area.

- Arbitrary cost limiters ("FREEZES", "LIDS") may be introduced into the prospective system to balance costs versus revenues. This eventually places hospitals and nursing homes in a "no win" situation since the rates do not fairly reflect efficiently run facilities' costs.

- If rates are not applied industry wide, cost shifting can still occur if Medicaid rates are set unrealistically low by the State based on arbitrary limiters.

V. Operation of a Prospective Payment System

There are a wide variety of prospective payment systems operated in the acute-care and long-term care sectors around the nation.

A common element of a prospective rate payment setting mechanism is an allowable rate of increase in per diem cost for the following year. This percentage is normally calculated through application of economic indicator such as U.S. Department of Labor wholesale and consumer price

indexes. The percentage is then routinely applied to actual cost from the previous period to arrive at the prospective rate. Determination of allowable rates of increase can be undertaken either on an individual facilities or groups of facilities.

Another element of a prospective payment system is more precisely defined cost categories combined with a uniform method of reporting costs to the State. A common cost breakdown would be labor vs. non-labor with further categorization inside these areas. The following example uses "natural" expense categories in reporting facility costs.

- Labor expenses
  - physician's fees
  - management
  - clerical
  - technical (e.g., LPNs', therapists)
  - registered nurses
  - household services (e.g., dietary, housekeeping workers)

- Non-labor expenses
  - food
  - utilities
  - drugs and supplies
  - maintenance of personnel
  - other

While some level of categorization is necessary to assure accuracy of prediction, the model outlined above may require an excessive level of accounting time and expertise for some of Alaska's smaller facilities. The compromise approach shown below may suffice:

- Salaries and fringe benefits

- Non-labor expenses
  - administrative and general
  - household and maintenance
  - dietary
  - professional care

VI. State Reimbursement Trends

To date, approximately thirty-four states have instituted a prospective system of reimbursement for nursing home services under Medicaid, and sixteen states have instituted a prospective system of reimbursement for hospital services under Medicaid. These prospective systems have taken many forms, each state's structure is a little different. However, they share the same philosophical purposes: "to encourage economy and efficiency, and to establish a uniform system of accounting, budgeting, and reporting in determining a health facility's future reimbursement".

VII. Why Alaska Should Consider Prospective Payment Now

1. Total overall spending is growing at 20% each year in Medicaid/GR Medical.

   In any period, total spending is always a function of, 1) the number of recipients, the volume of services used, and the unit price of service. With an automatic cost-of-living increase that expands Alaska's eligible population, coupled with no unit price control or volume limits, Alaska currently has no ability to effectively control growth in medical costs.

   According to a recent study by THE URBAN INSTITUTE, Medicaid payments rose at an annual rate of 15.5 percent from FY73 to FY79 nationally. Alaska had the highest annual rate of increase at 41.8 percent during this same period. Since FY79, costs have increased in excess of 20% annually in Alaska.

   These three factors (recipients, volume, and unit price) need to be considered collectively in any fiscal year. Currently, critical decisions concerning eligible populations, service coverages and unit price are handled independent of each other and do not produce a final cost figure until the fiscal year is past. If total spending is to be contained at a level below 20%, these factors must be considered collectively before each fiscal year starts.

2. Federal funding for Medicaid is reduced in FY84 and later years. The State is facing an estimated $4 to 5 million dollar cutback in federal funding for FY84. Unless additional State funding replaces these lost federal revenues, critical decisions must be made to bring program spending in line with available resources. These decisions must be made before FY84 starts if any real savings are to be achieved.

3. Prospective Systems reduce costs in the long term. The Urban Institute recently concluded that "a consensus is now developing that prospective rate setting is effective in lowering the rate of increase in hospital spending by several percentage points a year, at least in mature rate setting programs after an initial start-up period".

VIII. Why Doesn't the Department of Health and Social Services Simply Adopt Prospective Payment by Regulation?

The Legislature must specifically endorse adoption of a prospective system in Alaska. The Alaska Attorney General has ruled in a 1982 opinion that present Alaska Statutes prevent adoption of a prospective payment system by regulation. The Legislature must change Alaska Statutes to clearly authorize the Department to adopt a prospective system.

IX. What Options Exist to Address the FY84 Shortfall?

1. Do Nothing. This strategy would leave reimbursement in the present retrospective environment and require the Department to pass reductions in federal revenues on to hospitals and nursing homes through reduced rates. Most recent calculations place hospital and nursing home revenue reductions at 8% and 24% respectively for FY84. This strategy would not require any additional funds beyond the FY84 Governor's request for Medical Assistance but would severly impact Alaska facilities.

2. Remain on retrospective system and replace lost federal revenues with State funds, if State law permits. This strategy will require $4 to 5 million in replacement funds and may require a statute change as well. There is some doubt whether the present statutes would permit the Department to pay rates in excess of the federal limits.

3. Same as option #2 but reduce persons eligible and medical services available. Under existing Alaska law, the Department is empowered to eliminate certain medical services and certain eligibility groups if funds were deemed inadequate for FY84. If it were determined that the Department could pay in excess of new federal limits with all State funds, or legislation were passed to permit this, the Department could make reductions in services and eligible groups to partially offset this $4 to 5 million shortfall.

4. Adopt Prospective System and replace lost federal revenues with State funds. This strategy will cost roughly the same as Option #2 but FY84 costs could be predicted with greater certainty. Assuming no changes were made in medical services covered or persons eligible, this option would save the State from 1 to 3% annually compared to Option #2 after the initial start-up period.

5. Adopt Prospective System but reduce persons eligible and medical services available. Herein lies the true value of a prospective system. Once the prospective rules are established and the rates (unit price) for services agreed upon for the fiscal year, eligible groups and medical services are then balanced against unit price to operate within the available appropriation. If no changes were made in persons covered or services offered, the price for this option would be the same as Option #4. If major reduction in eligibles or services were made, the costs for this option could be reduced proportionately.

6. Seek Relief from Congress. This is always an option but not one with as much potential in light of Alaska's present financial image. Nonetheless, there is provision within the new federal changes for special negotiation with the Secretary of Health and Human Services regarding "rural" hospitals. Alaska could pursue this option in conjunction with one of the strategies described in Option 1 through 5 above.

X. Summary

Because of the new state spending limit and concurrent reductions in federal funding, Alaska is facing a $4 to 5 million shortfall in FY84 in its low income medical assistance programs. If passed on to hospitals and nursing homes, FY84 rates would be reduced 8% and 24% respectively. This could severely cripple if not force closure of several smaller rural facilities in the State.

Alaska must balance eligible populations, medical services covered and unit price against available funds to define an affordable FY84 medical program. While a prospective system will not in and of itself eliminate the shortfall, it could provide a business environment in which critical decisions will be made before the fiscal year starts. If implemented with reasonable cost limiters, minimal cost-shifting to other payors would occur.

alaska state hospital association

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

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

Alaska State Hospital Association

Position Paper

Certificate of Need Repeal

The Certificate of Need program in Alaska (AS.07) should be repealed. It is both inequitable and unnecessary. Its basic presumption is that the Department of Health and Social Services can make better decisions for hospitals and nursing homes than can the facilities themselves.

Basic Issues

1. Equity

- While controlling non-state construction of skilled nursing facilities (SNF's) and intermediate care facilities (ICF's), the prgram exempts these beds constructed in Pioneers' Homes. Thus any determination of need based on the current program is flawed because forces external to the program can and have - in Anchorage, Juneau, and Ketchikan - altered the factual situation.

- Alaska Native Health Service and the Armed Forces facilities are also exempt from coverage. Their activities have a direct bearing on many other facilities in terms of both service area and referrals.

- Physician office construction and equipment purchase are also exempt.

The inequities are clearly illustrated in the Anchorage area: Providence Hospital, Humana Hospital, Nakoyia Health Care Center, Hope Cottages and the Alaska Treatment Center are included in the CON program while the Alaska Native Health Service Hospital, Elmendorf AFB Hospital, the Anchorage Pioneers's Home and the Diamond Emergency Center are not included. All of these facilities share the same basic service area.

2. Unnecessary

Market place economics and competition should be the determinant of capital expansion for health facilities. In Anchorage, the Municipal Health Commission as well as open board meetings provide the public input into a facility's planning process. In smaller communities the city council or borough assembly who own the facility provide the public input opportunity.

Alaska is a developing state of many isolated regions without any appeal for duplication of services or need to limit access to health care, which is the basic intent of the CON program.

3. Conformity

42 USC 300 m-(d) requires that states conform to the federal program or face a reduction of specified public health service funds.

- Conformity is not achievable without the inclusion of the Pioneers' Homes.

- There are 30 states, including New York and California as well as Alaska, which are not in conformity.

- The penalties have been deferred every year since passage. In December of 1982 they were deferred until October 1, 1983.

- The Reagan Administration is not supportive of continuing this program. Congress is working to create a state optional program without penalties. Thus the likelihood of imposition of penalties is remote at best and the across the board elimination of CON would not change Alaska's current status.

4. Other States

- Louisiana does not have a certificate of need law.

- According to the American Hospital Association, 30 states currently do not conform.

- At least seven states have termination clauses or specific sunset provisions.

5. Attachments

- Alaska State Hospital Association Policy Paper on Repeal of Certificate of Need

- Providence letter to Mayor Knowles explaining opposition to CON.

- U.S. Department of Health and Human Services letter to Dennis DeWitt discussing Alaska's non-conformity.

(Attachments cont.)

- Alaska Department of Administration letter to Representative Don Clocksin discussing Pioneers' Homes exemption, conformity problem, and potential for penalties.

- 42 USC 300m-(d)

- Alaska Department of Health and Social Services letter to Representative Mike Beirne indicating lack of compliance with federal program.

- Alaska State Medical Association Resolution calling for the repeal of certificate of need.

- Alaska State Hospital Association letter to Stevens on CON repeal.

- Governor Sheffield's response to the Association letter to Senator Stevens.

alaska state hospital association

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REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

POLICY STATEMENT

CERTIFICATE OF NEED

Position: The Alaska State Hospital Association advocates the repeal of the certificate of need (CON) law, AS 18.07.

Rationale: The CON process has proven costly, wasteful, and unnecessary. The program has become excessively bureaucratic to the point that it undermines economic incentives throughout the decision-making process and so increases the cost of capital projects it takes valuable dollars from patient care. The certificate of need process also removes community control from local jurisdictions in respect to municipally-owned facilities and local advisory boards in respect to corporate ownership.

An alternative approach to state control would permit marketplace economics to control expansion and would rely on local decision-makers to make decisions for their own communities. We see a value in state government continuing its planning function with input from regional and local groups.

Note: This does not contemplate repeal of construction or licensure standards.

PROVIDENCE
HOSPITAL

3200 PROVIDENCE DRIVE - POUCH 6604
ANCHORAGE, ALASKA 99502
PHONE: (907) 276-4511

SISTERS OF
PROVIDENCE

SERVING IN THE WEST SINCE 1856

December 27, 1982

Mayor Tony Knowles
Municipality of Anchorage
Pouch 6-650
Anchorage, Alaska 99502

Dear Mayor Knowles:

Thank you for the opportunity on December 13 to share Providence's plans and some of our concerns with you.

One point came up during our discussion regarding Certificate of Need (CON). I would like to elaborate for you in more detail why the health care providers in Alaska oppose CON and have so strongly supported its repeal.

As you know, the CON law was passed in this and most other states as a requisite to receive Federal funds. The major impetus for the law were:

1. Excess hospital beds in many large cities, and
2. rising health care costs.

The belief was that by controlling the number of beds, capital expenditures and new services, costs would be contained. The results have been much less than desired throughout the country. The law is cumbersome, wasteful and, in fact, costly.

The lack of "success" is especially true in Alaska for some basic reasons:

1. The process which the law sets in place is cumbersome and wasteful. The institution must:
   - submit a letter of intent at least 60 days prior to an application (for no apparent reason);
   - submit an elaborate, repetitive application (most are well over 100 pages). There are 12 separate "criteria" which must be addressed in any application;
   - wait to be declared complete (minimum 20 days; several of our applications were delayed months);
   - then go through a 90-day review process--with three or four public meetings.

2. The costs of CON to the institution are enormous to prepare this cumbersome document (at least 35 copies) and submit to the minimum 110-day process. There are also the institutional costs of delaying implementation and watching the price of a piece of equipment or construction project increase several percent points with inflation.

   The cost to the public is also great in the state, regional and local staff needed to coordinate the program, prepare staff analyses and hold public meetings.

3. The dollar limit for what must be reviewed has been ridiculously low--$150,000. The federal law has allowed that limit to be raised to $400,000 and $600,000 although the Alaska legislature failed in its last session to raise the limits. Some states have raised the limit to $1 million or more. To have a limit of $150,000 or even $600,000 when the hospital's annual operating budget is $75,000,000 (such as Providence's) is overkill.

   In just 1982 alone, Providence has prepared 6 CON applications, including two equipment replacements (for a CT Scanner and a Cath Lab), a $250,000 computer enhancement for an x-ray machine and most absurd, a $167,000 replacement incinerator (25 years old, replacement required by State and EPA codes!). The State did not give final approval on the incinerator until the 90th day.

4. The law itself is overkill in Alaska. Designed for areas of heavy population, excess hospital beds and competition, the law does not work for Alaska for several reasons:

   - The law only covers private facilities--not public health, nor state owned (API or Pioneer Homes), nor military.

   - Alaska has only one city with more than one hospital and only three private ("eligible") hospitals of over 100 beds.

5. The law is reactive to existing decision making processes. Most hospitals in the State already have local public review and approval designed in their own budget review processes. Many hospitals are owned by municipalities, and all have governing or advisory boards of local citizens. These citizens should have control of the expansion and budgetary decisions of their own institutions. Several other layers are unnecessary. Hospitals and their boards are capable of making sound financial and program decisions.

As the attached Policy Statement of the Alaska State Hospital Association (ASHA) notes, we are supportive of state and local planning for the health care needs. The process should be positive and proactive-- encouraging institutions to respond to needs in the community rather than reactive, cumbersome and negative.

We encourage the city to support the ASHA position on repealing the state CON law. Your own Municipal Health Commission is a strong local planning body which helps identify health needs and encourages solutions. It also serves to review public expenditures in health. Those roles are appropriate. It should be freed from the cumbersome CON review.

Thank you for giving me the opportunity to share our concerns with you.

Best wishes for a prosperous 1983.

Sincerely,

Al M. Camosso
Administrator

Enclosure

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Region X
M/S 829 Arcade Plaza Building
1321 Second Avenue
Seattle WA 98101

June 22, 1982

Re: 10P 550016
Alaska SHPDA

Dennis L. DeWitt
President
Alaska State Hospital Association
319 Seward Street
Juneau, Alaska 99801

Dear Mr. DeWitt:

Your letter dated June 11, 1982, requested information about Region X's intentions as a result of the failure of the Alaska Legislature to pass amendments proposed to bring the State Certificate of Need program into compliance with the Federal planning law, as amended. Our course of action is quite clear. We will continue to fullfill our mandated responsibilities guided by actions and time frames specified in the law.

Under the existing provisions of Title XV of the Public Health Service Act, as amended, current law requires (in order to be fully designated) that a SHPDA must meet all requirements for full designation, including that of having a complying Certificate of Need program.

If a SHPDA is not eligible for full designation by a certain date (which for Alaska is January 19, 1983) the Department must invoke the statutory penalty of reducing most Public Health Service grants and contracts to any entity in the State by 25% the first year, 50%, 75%, and 100% over the next three years. Amendments contained in PL 97-35 extended the date by which a State must have a fully designated SHPDA to avoid imposition of the penalty. However, PL 97-35 also amended Section 1521(b)(2)(B) by specifying that a conditional designation agreement could not extend beyond a State's penalty date.

Fully designated SHPDAs (such as Alaska) which do not have complying CON programs but continue to meet other requirements, will be returned to conditional designation. As noted above, PL 97-35 prohibits the conditional designation of any SHPDA from extending beyond its penalty date. Any SHPDA which remains conditionally designated on its penalty date must be terminated. Therefore, we will send a termination notice to any conditionally designated SHPDA 90-days prior to its penalty date, if it still has not demonstrated that it has a complying CON program.

The enclosed copy of a letter to Commissioner Beirne, from the Regional Health Administrator, further emphasizes the critical nature of having a complying CON program in Alaska.

Also the enclosed copy of a 1981 letter addressed to Mr. Ivan Lawner, Esq. concerning Pioneer Homes Certificate of Need review issues, reflects our unchanged position.

I hope the facts in this letter provide the detail of information required to understand the situation. Please call or write, should you need further assistance.

Sincerely,

John D. Whitney
Director
Department of Health
Resources Development
Region X

Enclosures (2)

JUN 21 1982

Re: IOP 550015
Alaska SHPDA

Helen D. Beirne, Ph.D.
Commissioner
Department of Health and
Social Services
Pouch H 01
Juneau, Alaska 99811

Dear Dr. Beirne:

The State of Alaska's Department of Health and Social Services full designation agreement with the Department of Health and Human Services is being extended for three months, until September 30, 1982. As you know, because Alaska's Certificate of Need Program does not comply with Federal requirements, it is necessary that the SHPDA be returned to conditional designation. As required by statute, this 90-day extension of your current designation is being given to allow you to request and prepare for a hearing, if you should want one. Letters from the Bureau of Health Planning to you and to the Governor will further explain this process.

The following conditions are to be considered a part of the extended full designation agreement:

1. If the Agency is unable to retain full designation after September 30, 1982, it will be returned to conditional designation for the period October 1, 1982 to June 30, 1983.

2. The designation of the Agency will automatically terminate when the Agency reaches its penalty date, if the Agency still has not achieved full designation.

You may at any time prior to your penalty date (1-19-83, per PPM 82-12) submit documentation which you believe contains evidence that the State's CON program complies with the minimum Federal requirements, or a certification by the State's Attorney General, attesting to the program's compliance

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Please sign both copies of this letter, indicating your acceptance of this extension with conditions. Return one copy to this office. As soon as we receive the signed copy, we will issue a Notice of Grant Award for the extended designation period.

Sincerely,

Dorothy H. Mann, M.P.H.
Regional Health Administrator
Region X

Helen D. Deirne, Ph.D.
Commissioner
Alaska Department of Health

Date

DHRD:ROSS:vw:6/21/82

The Department of Health and Social Services, in recent licensing inspections, has advised a significant number of residents in the ambulatory sections of all the Pioneers' Homes should be designated intermediate care patients. Intermediate care requires both a certificate of need and a significant increase in staffing, installation of call buttons or other signalling devices, and closer attention to patients when taking medications, etc. The number of patients which might be considered in need of intermediate care are: thirty at Sitka, twenty at Fairbanks, twenty at Palmer and forty at Anchorage (in the new wing).

Funding to provide intermediate care was not included in the FY 82 operating budget. Although a dollar figure is not available at the present time, a significant increase will be necessary if we must comply with the certificate of need program. Passage of SB 225 would eliminate this situation.

In summary:

1. Administration believes the Legislature had always intended to exclude Pioneers' Homes from certificate of need;

2. The certificate of need process is not appropriate for Alaska;

3. There needs to be planning for health care facilities and a more responsive process needs to be developed;

4. Grandfathering the nursing wing at Anchorage and the new Pioneers' Home at Ketchikan will not solve the complex problems existing at the Fairbanks, Palmer, and Sitka Pioneers' Home; and,

5. Passage of CSSB 225 will eliminate the potential for pain and suffering by allowing Pioneers' Homes residents to remain in their home.

If I can be of any further assistance to you or your committee, please give me a call.

Sincerely,

Frederick B. Muller
Deputy Commissioner for
Personnel Management

FBM/mjc
cc: Honorable Charles Parr
Honorable Robert Ziegler
Honorable Jalmar Kerttula
Honorable Patrick Rodey
Pioneers' Homes Advisory Board
Dennis Dewitt, Executive Director
Alaska State Hospital Association

accordance with subsection (b)(2), or (b)(3) of this section (as the Secretary determines appropriate), enter into another agreement with the Governor for the designation of a State Agency.

Failure to designate State Agency within specified period; reduction in allotment, grant, loan, loan guarantee, or contract

(d)(1) If an agreement under subsection (b)(3) of this section for the designation of a State Agency for a State is not in effect upon the expiration of—

(A) the fourth fiscal year which begins after 1975; or

(B)(i) if the legislature of the State is in a regular session on December 17, 1980 and the legislature will be in session for at least twelve months from such date, twenty-four months from such date, or

(ii) if the legislature of the State is in session on December 17, 1980, but twelve months do not remain in such session after such date or if the legislature of the State is not in session on such date, twenty-four months after the beginning of the first regular session of the legislature beginning after such date,

whichever occurs later, the Secretary shall take the action prescribed by paragraph (2).

(2) If upon the expiration of the period applicable under paragraph (1) an agreement is not in effect for the designation of a State Agency for a State, the Secretary shall until such an agreement is in effect take the following action:

(A) During the first twelve months after the date of the expiration of the applicable period, the Secretary shall reduce by 25 percent the amount of each allotment, grant, loan, and loan guarantee made to and each contract entered into with an individual or entity in such State during such period under this chapter or the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970.

(B) During the second twelve months after such expiration date, the Secretary shall reduce by 50 percent the amount of each such allotment, grant, loan, loan guarantee, and contract.

(C) During the third twelve months after such expiration date, the Secretary shall reduce by 75 percent the amount of each such allotment, grant, loan, loan guarantee, and contract.

(D) After the expiration of thirty-six months after such expiration date, the Secretary may not make or enter into any such allotment, grant, loan, loan guarantee, or contract.

(July 1, 1944, c. 373, Title XV, § 1521, as added Jan. 4, 1975, Pub.L. 93-641, § 3, 88 Stat. 2242, and amended Aug. 1, 1977, Pub.L. 95-83, Title I, § 106(*l*), (m), 91 Stat. 385; Dec. 19, 1977, Pub.L. 95-215, § 6(b), 91 Stat. 1507; July 16, 1979, Pub. L. 96-33, 93 Stat. 86; Oct. 4, 1979, Pub.L. 96-79, Title I, § 123(a), (b)(1)(A), (2), (d), (f), (g)(2), 93 Stat. 624-627; Oct. 17, 1979, Pub.L. 96-88, Title V, § 509(b), 93 Stat. 695; Dec. 17, 1980, Pub.L. 96-538, Title III, § 303(b), 94 Stat. 3190; Aug. 13, 1981, Pub.L. 97-35, Title IX, §§ 902(g)(5), 936(b), 95 Stat. 561, 572.)

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES
OFFICE OF THE COMMISSIONER

POUCH H 01
JUNEAU, ALASKA 99811
PHONE: 465-3030

May 10, 1982

The Honorable Mike Beirne
Chairman
House HESS Committee
Alaska State House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Rep. sentative Beirne:

I am enclosing a Program Policy Notice we recently received from the Bureau of Health Planning in the U. S. Department of Health and Human Services. This Notice emphasizes that states which do not have State Health Planning and Development Agencies which fully comply with federal requirements will lose federal support for health planning efforts and will also lose most federal Public Health Service dollars. Alaska currently receives some $5 million annually in such federal funds. Our lack of compliance would result in one quarter of these funds being withheld for four years until certain federal public health service funds are no longer available to Alaska.

We appreciate the hearing you conducted on House Bill 195. We believe this bill, with the amendments we offered, would bring our State Health Planning and Development Agency into full compliance with federal requirements. Your assistance in helping to move this legislation would be very much appreciated.

We appreciate your assistance and support in this matter.

Sincerely,

Helen D. Beirne

Helen D. Beirne
Commissioner

Enclosure

cc: Phoebe A. Lindsey

F32LH

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Pioneer Homes Lynns Room

Region X
M/S 829 Arcade Plaza Building
1321 Second Avenue
Seattle WA 98101

Re: 10P 550007-05

Mr. Ivan Lawner, Esq.
Hellen & Partnow
524 G Street
Suite 710
Anchorage, Alaska 99501

Dear Mr. Lawner:

This is to respond to your recent letter concerning Certificate-of-Need review of a skilled nursing facility addition to the Pioneer Home in Anchorage. In that correspondence you raised two issues: the need for clarification of our 1978 letter to Howard Gabriel regarding C/N coverage of Pioneer Homes, and the compliance of the Alaska C/N program with federal standards. These matters will be addressed separately.

1. In our September 11, 1978 letter to Howard Gabriel, Director of the Southeast Alaska HSA, we were assuming that Pioneer Homes were only residential or domiciliary care facilities; there was no understanding that inpatient skilled nursing care was provided in these institutions. Given this understanding of the nature and services of Pioneer Homes at that time we were correct in concluding that they would not be included in the federal definition of "health care facilities" which would require coverage under Certificate-of-Need programs. If indeed skilled nursing services are provided in these institutions, they would be considered "health care facilities" as defined by our C/N regulations. The 1978 letter did not consider a Pioneer Home to be such a facility.

2. We have reviewed the Alaska C/N statute and implementing regulations to determine whether Pioneer Homes would be included in the definition of a health care facility. We found that:

   a. The Alaska C/N statute defines a "health care facility" as:

      A private, municipal. . . hospital, psychiatric hospital, turberculosis hospital, skilled nursing facility. . . . (Sec. 18.07.111(7)).

   b. The Alaska C/N regulations, in turn, define "health care facility" as:

      Any of those listed in AS 18.07.111, as defined, where appropriate, in 42 CFR 123.401 (adopted 1/21/77). (7AAC07.130)

c. The State's C/N statute and regulations, taken together and including the cross reference to 42 CFR 123.401, would provide coverage of a distinct part of an institution and would, therefore, meet the federal definition of a skilled nursing facilities, i.e., an institution or a distinct part of an institution which is primarily engaged in providing inpatient skilled nursing care and related services for patients who require medical or nursing care . . . . (42 CFR 123.401)

From the above points, it would appear that the Alaska C/N program adequately defines "heath care facility" and "skilled nursing facility." It is the responsibility of the state to follow its own C/N statute and regulations. If there is an on-going and sustained pattern of not following their statute and regulations, we would certainly assess the state's overall C/N program and then take appropriate action.

Please call us should you have further questions.

Sincerely yours,

John D. Whitney, Director
Division of Health Resources
Development PHS, Region X

cc: Ron Hammett, Director, SCHPD
Howard Gabriel, Director, SEAHSA

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C
JUNEAU, ALASKA 99811

465-2200

May 29, 1981

Honorable Donald E. Clocksin
Chairman, Health, Education and
Social Services
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Clocksin:

This is in response to your request to put in writing my verbal testimony before your committee on CSSB 225. I will try and confine my remarks to the major issues.

Administration's position is that the Legislature has always implicitly exempted Pioneers' Homes from the certificate of need program. The Senate has concurred with this position as evidenced by CSSB 225. We are asking that the House members be afforded the same opportunity to express their will as the Senate.

There appears to be some confusion existing with the recent State Supreme Court decision of South Central Health Planning and Development, Inc. vs the Department of Administration, on certificate of need. At issue was whether or not the Legislature exempted Pioneers' Homes from certificate of need. The court found that there is no language in State statutes which can reasonably be read as exempting skilled nursing facilities from the certificate of need process when they are contained in Pioneers' Homes. Consequently, whether or not the Legislature intended to exempt Pioneers' Homes now becomes moot. The Legislature's intent can now be established only through the legislative process of amending existing law to allow this exemption.

There has been a substantial amount of discussion centering around the need for proper planning so that health facilities in Alaska are not overbuilt. This is an admirable and worthy objective, and I can assure you that this Department supports health facility planning. However, the existing system under the certificate of need program is fraught with inequities and frustrations; further, it does not represent a comprehensive planning effort.

2-89LH

There are three providers of health facilities; the federal government, the State government, and the "private sector." However, the federal health facilities don't come under the certificate of need program, and in most states this wouldn't pose any problem. The military contingent in California, for instance, would represent a small portion of the state's total population and as such would not greatly impact the planning process for certificate of need. In Alaska, the opposite is true. The federal government is a major provider of health care and facilities. Roughly one-fourth of the state's population are eligible to use federal health facilities (military base, Public Health, Indian Health, etc.). This has a devasting effect on trying to logically plan for state and "private sector" health facilities when a critical component is missing.

In addition, if we look closely at the "private sector" we see that it is not truly private. A substantial portion of the revenues of private nursing homes and health facilities originate through state and federal programs. State and federal rules, regulations, requirements, and laws, guide and govern, in minute detail, the construction and operation of private health facilities. This includes the proper ratios of professional staff to patients, the type of equipment allowed, size of hallways, reporting procedures, and many others. In effect, the "private sector" is part of the "public sector." Consequently, the charge that the State, through the establishment of Pioneers' Homes, is unfairly competing with the private sector is a fallacious argument.

There has also been considerable discussion on the impact of granting Pioneers' Homes an exemption from certificate of need as it relates to federal programs. Mr. Vern Perry, Director of the Division of Pioneers' Benefits spoke with Mr. Jim Egan, Regional Project Officer of the Office of Health Planning, Region X, U. S. Department of Health, Education and Welfare, on Wednesday May 27, regarding the certificate of need program.

QUESTION: What effect would there be on the State of Alaska if Pioneers' Homes were exempted from the certificate of need program?

ANSWER: It would have no effect on medicare, medicaid, AFDC or Indian Health Service. It could only affect categorical programs such as alcoholism, EMS, Neighborhood Health Clinics, Mental Health Clinics, Day Care, etc.

QUESTION: Would the federal government actually discontinue such programs as alcoholism and mental health if Pioneers' Homes were exempted from the certificate of need program?

ANSWER: No! Absolutely not. In his opinion, under the new administration, there would be no federal sanctions whatsoever in health care programs, especially since the responsibility for this is being turned over to the states.

Further, discussions were held with the States of California and Washington regarding their certificate of need programs. In California, Mr. Ken Umbach (916/323-6955) of the Office of Statewide Health Planning and Development was contacted. He stated that California has been out of conformance with the federal certificate of need program since 1969. Their latest date for coming into conformance is October. He stated that if they did not meet the deadline that the feds would probably extend it. Mr. Jim Bettridge of Washington Health Care Facilities Authority (206/753-6185) indicated that the feds were withdrawing total support from the certificate of need program by 1983.

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These conversations indicate that:

i. The federal government is not inclined to impose sanctions on a State for nonconformance with the certificate of need program;

ii. There are states which are nonconforming, and have been nonconforming for a number of years, on which federal sanctions have not been imposed; and

iii. The federal government is withdrawing total support for the certificate of need program by 1983. If the state wants to continue a planning process for health facility development it will have to provide for the process by using General Funds monies. Based on the aforementioned problems, now would be the appropriate time to revise this planning process to make it more meaningful.

Finally, a compromise position has been mentioned in which the new nursing wing at the Anchorage Pioneers' Home and the new Pioneers' Home in Ketchikan would be totally grandfathered into law and not made subject to certificate of need. This compromise does not address a truly complex problem.

The Fairbanks Pioneers' Home presently is serving twelve skilled nursing beds in unlicensed beds. Unless a certificate of need is issued which allows licensing of these beds, these twelve pioneers would have to be discharged.

The Fairbanks and Palmer Pioneers' Homes are full to capacity with skilled nursing patients at the present time. If we are to accommodate anticipated need in the near future, additional skilled nursing facilities will have to be constructed within the next few years. This expansion would be impossible unless a certificate of need is issued.

alaska state hospital association

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

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

November 4, 1982

The Honorable Ted Stevens
United States Senate
Washington, D.C. 20510

Similar letter sent to:
Senator Murkowski and
Congressman Young

Dear Senator Stevens:

As you are well aware the State of Alaska is not in conformity with the National Health Planning and Development Act and without federal action in 1982 faces penalties in grant monies under the Public Health Service Act and the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970. To avoid this penalty it is imperative that Congress repeal 42 U.S.C. 300m-(d) (copy attached).

This Association as well as the Alaska State Medical Association (resolutions attached) are opposed to the continuation of the state Certificate of Need law. Both are committed to its repeal in 1983. Repeal of 42 U.S.C. 300m-(d) will greatly assist our efforts.

We have communicated our support for various measures considered by this Congress to restructure the federal law. It appears however, that a full reform may be a consideration which must be left to the next Congress. If that is so, it is imperative that you secure repeal of 42 U.S.C. 300m-(d) before the current Congress adjourns in December.

All of those concerned with this issue including Congressman Waxman, the National Governors Conference, the American Hospital Association, etc., agree on removing sanctions against states which do not conform to the federal program. The notion of further delay of the sanctions does not assist anyone, it simply prevents states such as Alaska from dealing with its own law on anything beyond a temporary basis.

For these reasons we urge you to secure the repeal of 42 U.S.C. 300m-(d). This will permit the legislature of the State of Alaska to deal with its law in whatever manner it deems appropriate. Further, we urge that this repeal be secured prior to the adjournment of the 97th Congress.

Sincerely,

Dennis L. DeWitt
President

DLD:lf
cc: Friday Mailing
Alaska State Medical Society
Governer Jay Hammond
Governer Elect Sheffield
Lt. Governer Terry Miller
Lt. Governer Elect McAlpine
American Hospital Association - Lynn Hart
Federation of American Hospitals

BILL SHEFFIELD, GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

December 22, 1982

Mr. Dennis L. DeWitt
President
Alaska State Hospital Association
319 Seward Street
Juneau, Alaska 99801

Dear Mr. DeWitt:

Thank you for sending me a copy of your letter to Senator Stevens regarding the state Certificate of Need law.

As you know, I am in agreement with you in your opposition to this law. Please keep me posted as to what I can do to change the law in Alaska.

Best regards.

Sincerely,

Bill Sheffield
Governor

Law Department
151 Farmington Avenue
Hartford, CT 06156

James E. Brown
Counsel
Government Relations
(203) 273-0343

February 14, 1983

Senator Joe Josephson, Chairman
Health, Education and Social Services Committee
State Capitol
Juneau, Alaska 99811

Dear Senator Josephson:

It is my understanding that your committee will be considering S. B. 85, An Act Repealing the Certificate of Need Program, at a hearing to be held on Wednesday, February 16, 1983. While it is not possible for me to attend in person, I would appreciate your reviewing the enclosed statement in opposition to this bill and entering it into the hearing record.

On behalf of the Ætna Life Insurance Company, I thank you for considering our comments.

Sincerely,

JEB/jcm

Enclosure

RECEIVED
FEB 17 1983
Josephson

STATEMENT OF

ÆTNA LIFE INSURANCE COMPANY

IN OPPOSITION TO

S.B. 85

As a major writer of commercial health insurance, the Ætna Life Insurance Company has for years been deeply concerned about health care cost increases and has consistently supported viable health planning programs. We strongly oppose S.B. 85, An Act Repealing the Certificate of Need Program. We believe that enactment of this legislation would represent a large step backward in Alaska's effort to realize an efficient and effective health care delivery system.

Health planning is one of the elements in the armamentarium of programs that are necessary to help in the reduction of the escalation of health costs and to ensure that the health care delivery system of the future is one that has been rationally and systematically planned.

We feel that it is most important that there be a mechanism in place for participation in the planning and development of health programs to improve the distribution of health services, ensuring that services are available to those citizens who need them, while restricting the investment in unnecessary facilities and services.

An important portion of a viable health planning program is state certificate of need legislation. We find it is essential to have such legislation in order that the necessity of capital expenditures can be determined, because of the two-pronged effect on the growth of health care costs. In the short run, the purchase, installation, and financing of expenditures increases annual health care expenditures. In the long run, operation and maintenance of capital expenditures continue to add to health care costs, to increased use of highly skilled labor (for maintenance and operation) and non-labor inputs (i.e., energy, supplies, etc.).

It has been estimated that every dollar of capital investment adds an additional 50¢ to annual operating cost. An important element in today's economy, which has had a dramatic effect on health care costs related to capital expenditures, is the interest rate now being charged on the finance debt. Efforts must be made to ensure that all capital expenditures made today are necessary and consistent with the goals of Alaska's Health Systems Plan and necessity for such expenditures.

Alaska's Certificate of Need Program is an important tool for implementation of the area health plan. We urge that this program be continued.

DRAFT

All C.O.N. Reviews in history of State

Activity Report
December 30, 1982
for Certificate of Need
Health Resources Development
State Health Planning and Development

A. CERTIFICATE OF NEED REVIEWS COMPLETED

1. Lake Otis Clinic, Anchorage -- "Grandfathered CON" for 125 general acute care hospital; (issued 7/27/77)

2. Sitka Community Hospital, Sitka -- Review status of "Grandfathered CON" for new facilty; (six-month extension issued 12/31/78)

3. Lake Otis Clinic, Anchorage -- Review of status of "Grandfathered CON" for new facility; (six-month extension issued 12/31/78)

4. Fairbanks Memorial Hospital, Fairbanks -- Purchase and installation of laboratory information system; (information in archives)

5. Fairbanks Memorial Hospital, Fairbanks -- Application to Medical Facility Authority for bond sale; (information in archives)

6. Alaska Hospital and Medical Center, Anchorage -- Provide 21 bed chemcial dependency unit; (information in archives)

7. Juneau Regional Rehabilitation Facility, Juneau -- Construction of a 16 bed drug abuse/detoxification and rehabilitation facility; $654,000. (issued 6/7/79)

8. Providence Hospital, Anchorage -- Purchase and instalation of a simulator for radiation therapy; $195,365. (issued 9/4/79)

9. Providence Hospital, Anchorage -- Purchase and installation of a G.E. flouricon system; $285,000. (issued 2/14/80)

10. Lake Otis Clinic, Anchorage -- Review to determine status of "Grandfathered C/N"; (Bonified certificate status continued 3/10/80)

11. Fairbanks Memorial Hospital, Fairbanks -- Remodel of labor, delivery, and nursery areas; $540,000. (issued 2/26/80)

12. Central Peninsula Hospital, Soldotna -- expansion and improvement of facility (phase one); $6,762,646. (issued 4/2/80)

13. Providence Hospital , Anchorage -- Purchase and installation of a linear accelerator; $1,785,000. (issued 5/15/80)

14. Valdez Community Hospital, Valdez -- Purchase and installation of replacement radiology room; $150,000. (issued 5/15/80)

15. Seward General Hospital, Seward -- several energy saving construction projects; $286,113. (issued 10/6/80)

16. Valley Hospital, Palmer -- Minimal expansion and remodeling of facility; $2,000,000. (issued 6/9/80)

17. South Peninsula Hospital, Homer -- expansion and improvement of facility; $6,472,300. (issued 10/28/80)

18. Faith Hospital, Glennallen -- Expansion of outpatient areas of facility; $700,000. (issued 11/3/80)

19. Providence Hospital, Anchorage -- "Grandfathered C/N" for 250 bed acute care facility; (issued 5/1/81)

20. Alaska Hospital and Medical Center, Anchorage -- "Grandfathered C/N" for 199 bed acute care facility; (issued 12/4/81)

21. Sitka Community Hospital, Sitka -- 1122 review of diagnostic ultrasound services; $79,320. (five year lease with option to purchase) (issued 11/5/80)

22. Providence Hospital, Anchorage -- Replacement of radiology room; $236,000. (issued 12/26/80)

23. Juneau Regional Rehabilitation Facility, Juneau -- Remodel facility to meet hospital standards; $250,000. (issued 2/21/81)

24. Central Peninsula Hospital, Soldotna -- Purchase and installation of radiographic and fluorscopic imaging system; $305,899. (issued 5/21/81)

25. Wrangell General Hospital, Wrangell -- Renovation and Expansion of facility; $6,870,000. (issued 7/13/81)

26. Providence Hospital, Anchorage -- Purchase of replacement radiology room; $230,000. (issued 7/20/81)

27. Providence Hospital, Anchorage -- Construction of hostel for outpatients and family of inpatients; $900,000. (issued 7/29/81)

28. Petersburg General Hospital, Petersburg -- Renovation and expansion of facility; $7,150,000. (issued 8/11/81)

29. Alaska Hospital and Medical Center, Anchorage -- Purchase adjacent professional office building for expansion of chemical dependancy unit and other hospital areas; $15,236,000. (issued 9/24/81)

30. Central Peninsula Hospital, Soldotna -- Expansion of surgery and other areas of facility (phase two); $5,849,000. (issued 11/10/81)

31. Family Centered Birth, Juneau -- Construction of a birthing center; Review terminated following a Department of Law Opinion regardng applicability of C/N statute to birthing centers; (review terminated 12/22/81)

32. Alaska Treatment Center, Anchorage -- Construction of a new free-standing inpatient rehabilitation facility; $11,400,000. (denied, 1/22/82)

33. Valley Hospital, Palmer -- Construction of a new hospital adjacent to existing facility; $10,570,000. (issued 2/19/82)

34. Cordova Hospital, Cordova -- Construction of a new hospital at a new site; $15,075,000. (issued 4/13/82)

35. Providence Hospital, Anchorage -- Purchase and installation of a laboratory computer; $440,000. (issued 4/23/82)

36. Petersburg General Hospital, Petersburg -- Modification of previously issued CON, increase in space and expenditure; $2,005,000. (issued 5/18/82)

37. Fairbanks Memorial Hospital, Fairbanks -- Construction of new 5 floor patient tower, increase in acute care beds; $26,200,000. (issued 6/2/82)

38. Humana Hospital, Anchorage - Application for temporary certificate for expansion of chemical dependency unit; $1,000,000. (denied 6/28/82)

39. Providence Hospital, Anchorage -- Purchase and install replacement hospital incinerator; $200,000. (issued 7/20/82)

40. Humana Hospital Alaska, Anchorage -- Purchase and install CT full body scanner to replace CT head scanner; $848,000. (issued 10/1/82)

41. Advanced Health Systems, Anchorage -- Construct new free-standing Raleigh Hills alcoholism treatment hospital; $3,700,000. (issued 11/16/82)

42. Charter Medical Corporation -- Construct new free-standing psychiatric and substance abuse hospital; $12,248,000. (issued 11/16/82)

43. Providence Hospital, Anchorage -- Purchase and install replacement CT full body scanner; $832,000. (issued 11/16/82)

44. Providence Hospital, Anchorage -- Purchase and install new digital fluorography system; $256,000. (issued 11/30/82)

3. CERTIFICATE OF NEED APPLICATIONS RECEIVED AND IN PROCESS OF REVIEW

1. Providence Hospital, Anchorage -- Purchase and install new hospital information system; $2,698,000.

2. Providence Hospital, Anchorage -- Construct new 160 bed patient tower, increase acute care beds, add inpatient rehabilitation program, expand ancillary departments; $79,754,000.

3. Surgery Center, Inc., Anchorage -- Construct new free-standing ambulatory surgery center to replace current facility; $2,698,000.

4. Humana Hospital Alaska, Anchorage -- Renovation and expansion of emergency department; $1,012,200.

5. Humana Hospital Alaska, Anchorage -- Construction of new patient tower adjacent to existing hospital, 73 bed increase in acute care beds, addition of 20 bed inpatient rehabilitation program; $20,000,000.

6. Lake Otis Hospital, Anchorage -- Hearing to determine whether CON should be revoked; cost of project not identified. Decision - pending.

C. ADDITIONAL LETTERS OF INTENT RECEIVED BUT NOT REVIEWED AS APPLICATIONS

1. Valley Hospital, Palmer -- Termination of skilled nursing services. No further action by VH. (LOI dated 12/13/79)

2. Metlakatla Indian Community, Metlakatla -- construction of long term care facility. $200,000. No further action by MIC. (LOI dated 12/26/79)

3. Lake Otis Clinic, Anchorage -- Construction of 265 bed acute care/chemical deependancy hospital. $7,000,000.+ No further action by LOC. (LOI dated 2/14/80)

4. Providence Hospital, Anchorage -- Construction of 132 bed addition and expansion of services. $25,400,000. No further action by Providence. (LOI dated 3/31/80)

5. Health Care Services - Alaska, Anchorage -- Sale of Nakovia Health Care Center. $14,200,000. No further action by HCS. (LOI dated 6/6/80)

6. Alaska Kidney Foundation, Anchorage -- Construction of a new facility for Alaska Kidney Center. Capitalized five year lease = $200,000. No further action by AKC. (LOI dated 6/23/80)

7. Norton Sound Regional Hospital, Nome -- Provision of family services unit. No further action by NSRH. (LOI dated 9/25/80)

8. Kodiak Island Hospital, Kodiak -- Offering of diagnostic ultrasound services. Decision - diagnostic radiology is a part of radiology department and not a new service; therefore, is not subject to CON review. (LOI dated 10/14/80)

9. Alaska Hospital and Medical Center, Anchorage -- Addition of 21 beds to chemical dependancy unit. No further action by AHMC. (LOI dated 10/21/80)

10. Alaska Hospital and Medical Center, Anchorage -- Purchase of professional office building for facility expansion; $10,000,000. (LOI dated 12/28/80)

11. Ketchikan Genceral Hospital, Ketchikan -- Replacement of computer system. $103,000. Decision - not subject to CON review. (LOI datded 2/11/81)

12. Ketchikan General Hospital, Ketchikan -- provision of recompression chamber. $55,000. Decision - not subject to CON review. (LOI dated 7/21/81)

13. Akeela House, Anchorage -- new building for residential drug abuse therapy program. $460,000. Decision - not subject to CON review. (LOI dated 8/4/81)

14. Ketchikan General Hospital, Ketchikan -- Offering of diagnostic ultrasound services. $70,000. Decision - not subject to CON review. (LOI dated 8/19/81)

15. Providence Hospital, Anchorage -- Predevelopment application for large construction project; $4,000,000. (withdrawn 10/8/81)

16. Humana, Anchorage -- Purchase of Alaska Hospital and Medical Center by Humana. $65,000,000. Decision - not subject to CON review. (LOI dated 11/13/81)

17. Comprehensive Care Corporation, Anchorage - Establishment of a 50 bed alcoholism and chemical dependency hospital in Anchorage. Letter of intent still valid through 2/16/83, however letter received from applicant // indicates that application was not expected to be submitted. (LOI dated 2/17/82)

18. Providence Hospital, Anchorage -- Offering of home health services; cost uncertain. Decision - subject to CON review. (LOI dated 1/19/82)

19. Kodiak Island Hospital, Kodiak - Purchase of gamma camera, $90,000. Decision - not subject to CON review. (LOI dated 2/10/82)

20. Humana Hospital, Anchorage - Relocation and expansion of chemical dependency unit, increase CDU from 21 beds to 36 beds; $1,000,000. Letter of intent withdrawn. (LOI dated 5/10/82)

21. Anchorage Community Mental Health, Anchorage - Establishment of residential transitional facility. Decision - not subject to CON review. (LOI dated 6/14/82)

22. Humana Hospital, Anchorage, Purchase of hospital data processing services; Decision - not subject to CON review. (LOI dated 10/11/82)

23. Penninsula Addiction Center, Inc., Soldotna - Establishment of new freestanding 12 to 24 bed substance abuse treatment facility; cost undetermined. Application anticipated. (LOI dated 5/14/82)

24. Bartlett Hospital, Juneau -- Construction of new patient tower, increase in acute care beds; $20,000,000. Application anticipated. (LOI dated 7/21/82)

25. Providence Hospital, Anchorage -- Purchase of new cardio-vascular imaging system; $820,000. Application anticipated. (LOI dated 10/1/82)

26. Providence Hospital, Anchorage - construction of employee child care center; $1,400,000. Decision - not subject to CON review. (LOI dated 10/14/82)

27. Sisters of Providence, Inc. Seattle - Purchase of Nakoyia Health. Care Center Applicability of certificiate of need requirement under review by Department of Law. (LOI dated 12/10/82)