COMMITTEE REPORT

SENATE

FURTHER:

4/7/83

Date: _____

Mr. President:

The Committee on FINANCE has had SB 35

Repealing the certificate of need program eff. date

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

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[ ] replace with CS for _____ [ ] same title [X] new title

and recommends DO Pass

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[ ] reports it back without recommendation

[ ] referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

_____

CHAIRMAN

SFC-83
4/7/83

SENATE AMENDMENT

BY Josephson

To: Committee Substitute for SENATE BILL No. 85(Finance)

To: _____ HOUSE BILL No. _____

PAGE: 6 LINE: 19

Add to Section 8:

Sec.8. AS 47.07.080(1) and AS 29.90 are[is] repealed.

SFC-83
4/9/83

SENATE AMENDMENT

By Josephson

To: Committee Substitute for SENATE BILL No. 85 (finance)

To: _____ HOUSE BILL No. _____

PAGE: 6 LINE: 20

Add a new section to the bill to read:

Sec._____. The sponsor of a hospital or health facility construction project who is receiving or entitled to receive state aid under AS 29.90 on the day preceding the effective date of this act shall continue to receive state aid until the sponsor has received an amount which, combined with state matching money for construction of the hospital or health facility, equals 25 percent of the total project cost. Money received for construction may not be used for any other purpose.

SFC 83
6/7/83

AMENDMENT

Offered in the SENATE By Josephson

TO: CSSB 85(Fin)

Page 1, line 6, after "to" insert "certificate of need,"

Page 1, after line 9, insert the following new section to read:

"* Section 1. AS 18.07.031 is amended to read:

Sec. 18.07.031. CERTIFICATE OF NEED REQUIRED. No person may make an expenditure of $1,000,000 or more for any of [UNDERTAKE] the following unless authorized under the terms of a certificate of need issued by the office:

(1) construction of a health care facility;

(2) alteration of the bed capacity of a health care facility; or

(3) addition or elimination of a category of health services provided by a health care facility."

Renumber remaining sections.

Original sponsors: Faiks, Fischer and Pettyjohn

IN THE SENATE BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 85 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending provisions related to Medicaid and general relief medical assistance; and providing for an effective date."

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

* Section 1. FINDINGS AND DECLARATION OF POLICY. The legislature acknowledges the need to pay health facilities for services provided to beneficiaries of state programs at a level that will meet the proportionate share of the total financial requirements of the facilities that are attributable to those programs given prudent and cost-effective management and operation of such facilities. The legislature finds that, because Medicaid is a joint state and federal program and because federal Medicaid funds have been and are likely to continue to be reduced dramatically, a retrospective payment system no longer serves as an appropriate method of compensation, nor does it respond with appropriate flexibility to continued federal cutbacks. A prospective payment system is necessary to prudently address payments to health facilities under the Medicaid and general relief medical assistance programs.

* Sec. 2. AS 47.07.070 is repealed and reenacted to read:

Sec. 47.07.070. PAYMENT TO HEALTH FACILITIES. (a) The commission shall determine prospectively the rate of payment to a health facility under this chapter and AS 47.25.120 - 47.25.300 based on a fair rate for reasonable costs incurred by the facility. The commission shall by regulation list the factors it considers in making its rate determinations under this section.

(b) In determining a rate of payment to a health facility under this section, the commission shall consider the proportionate share of the facility's financial requirements for patient care for

(1) costs of current operations, including salaries and wages, purchased services, supplies, insurance, leases, depreciation, taxes, interest expense, maintenance and other health facility operating expenses; and

(2) education, research, and appropriate capital development.

(c) In determining a rate of payment to a health facility under this section, the commission may consider whether the rate of utilization of the facility has been reduced because of improvident or careless development of the facility.

* Sec. 3. AS 47.07 is amended by adding new sections to read:

Sec. 47.07.071. REPORTS BY HEALTH FACILITIES. Not later than 120 days after the end of each fiscal year of a health facility, the facility shall submit to the commission a report on the facility's financial performance during the fiscal year.

Sec. 47.07.072. REPORT BY THE COMMISSION. Not later than September 30 of each year, the commission shall submit to the governor a report on the prospective payments made under this chapter during the current fiscal year and an estimate of the prospective payments that will be made during the remainder of the current fiscal year and the next fiscal year. The report shall state the assumptions that are used as a basis for the estimates.

Sec. 47.07.073. UNIFORM ACCOUNTING, BUDGETING, AND FINANCIAL REPORTING. (a) The commission by regulation shall require a uniform system of accounting, budgeting, and financial reporting for health facilities receiving prospective payments under this chapter. The

regulations shall provide for reporting revenues, expenses, assets, liabilities, and units of service. The commission shall specify the date the system becomes effective for each health facility.

(b) In adopting regulations under this section, the commission shall consider

(1) accounting, budgeting, and financial reporting procedures used by health facilities;

(2) variations among health facilities in the types of health care services provided by health facilities;

(3) the size and organizational structure of health facilities;

(4) the methods used by health facilities to obtain payments; and

(5) other factors the commission considers relevant.

(c) The commission may waive or modify a requirement for accounting, budgeting, or financial reporting for a health facility if waiver or modification is

(1) necessary to avoid excessive costs to the facility; and

(2) consistent with the policies of this chapter.

(d) Notwithstanding other provisions of this section, the commission may, by regulation, modify the system of accounting, budgeting, and financial reporting required under this section for a health facility having less than 25 acute care beds in order to reduce the operating costs of that facility.

Sec. 47.07.074. AUDITS AND INSPECTIONS. As a condition of obtaining payment under AS 47.07.070, a health facility shall allow

(1) the department and the commission reasonable access to the financial records of medical assistance beneficiaries; and

(2) inspection of financial records by state and federal

agencies to the extent required by federal law.

Sec. 47.07.075. APPLICATION OF ADMINISTRATIVE PROCEDURE ACT. Actions of the commission under AS 47.07 and AS 47.25.120 - 47.25.300 are subject to the provisions of the Administrative Procedure Act (AS 44.62).

* Sec. 4. AS 47.07.080 is amended by adding new paragraphs to read:

(6) "commission" means the Medicaid Rate Commission;

(7) "health facility" includes a hospital, skilled nursing facility, intermediate care facility, intermediate care facility for the mentally retarded, rehabilitation facility, inpatient psychiatric facility, home health agency, rural health clinic, and outpatient surgical clinic.

* Sec. 5. AS 47.07 is amended by adding new sections to read:

ARTICLE 2. MEDICAID RATE COMMISSION.

Sec. 47.07.110. MEDICAID RATE COMMISSION ESTABLISHED. The Medicaid Rate Commission is established in the Department of Health and Social Services.

Sec. 47.07.120. COMPOSITION OF COMMISSION. The commission consists of five members as follows:

(1) the chief executive officer of a health facility that is licensed by the state but not owned or operated by the state or federal government and that is subject to the budget review process under this chapter;

(2) the commissioner of administration, the commissioner of health and social services, or the appointed designee of either commissioner;

(3) a physician licensed to practice medicine in the state who is actively engaged in the practice of medicine and who is not employed by the state;

(4) a certified public accountant with relevant experience;

(5) a person representing consumers of health services who does not have a direct or indirect interest in an entity that provides health care services.

Sec. 47.07.130. APPOINTMENT OF MEMBERS. Members of the commission are appointed by the governor and serve at the pleasure of the governor.

Sec. 47.07.140. TERM OF MEMBERSHIP. The term of a member of the commission appointed under AS 47.07.120(1), (3), (4), or (5) is three years. A member may not be appointed to a successive term. The terms of the members shall be staggered. A member appointed to fill a vacancy serves for the unexpired term of the member. A term shall be measured from January 1 of the year in which the term of the vacant position begins, regardless of when the vacancy is filled.

Sec. 47.07.150. COMPENSATION. A member of the commission serves without compensation but is entitled to per diem and travel expenses authorized by law for boards and commissions under AS 39.20.180.

Sec. 47.07.160. OFFICERS. At the first meeting of each year, the commission shall elect a chair from among its members.

Sec. 47.07.170. MEETINGS AND QUORUM. The commission shall meet as often as necessary to conduct its business. Three members of the commission constitute a quorum.

Sec. 47.07.180. DUTIES. The commission shall review proposed payment rates and budgets of health facilities and establish payment rates for health facilities under this chapter and AS 47.25.120 - 47.25.300.

Sec. 47.07.190. EMPLOYMENT OF PERSONNEL. The commission may employ and determine the salary of an executive director. With the approval of the commission, the executive director may select and

employ additional staff. The commission shall be assisted by the officers or personnel of the department as the commissioner of health and social services shall direct. The executive director of the commission is in the exempt service under AS 39.25.

* Sec. 6. AS 47.25 is amended by adding a new section to read:

Sec. 47.25.195. PAYMENT TO HEALTH FACILITIES FOR TREATMENT OF NEEDY PERSONS. (a) The department may make payments to a health facility for the treatment of a needy person.

(b) A health facility receiving a payment under this chapter is subject to the requirements of AS 47.07.070 - 47.07.075.

(c) For purposes of this section, "health facility" includes a hospital, skilled nursing facility, intermediate care facility, intermediate care facility for the mentally retarded, rehabilitation facility, inpatient psychiatric facility, home health agency, rural health clinic, and outpatient surgical clinic.

* Sec. 7. INTERIM PROSPECTIVE PAYMENT SYSTEM. The department shall establish an interim system of prospective payments for health facilities under this Act for the period July 1, 1983, to June 30, 1984.

* Sec. 8. AS 47.07.080(1) is repealed.

* Sec. 9. This Act takes effect immediately in accordance with AS 01.-10.070(c).

DATE	SEQ	PAGE	LEGISLATIVE ACTION
01/27/83	01	0082	FIRST READING -- COMMITTEE REPORTS
03/21/83	02	0447	HESS -- CS04
04/07/83	03	0607	C&RA -- HESS CS(AM)03, OTHER01
06/17/83	04	1352	FIN -- CS05, NR02
			RULES
****	**	**	*** *** ***

Introduced: 1/27/83
Referred: Health, Education and Social Services and Community and Regional Affairs

IN THE SENATE

BY FAIKS, P. FISCHER AND PETTYJOHN

SENATE BILL NO. 85

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

* Section 1. AS 18.07.021 is amended to read:

Sec. 18.07.021. STATE HEALTH PLANNING AND DEVELOPMENT AGENCY. The office of planning and research in the department is the state health planning and development agency designated under 42 U.S.C. Sec. 300m(b)(3), (Sec. 3, P.L. 93-641) [SEC. 1521(b)(3), P.L. 93-641]. The office shall perform the functions enumerated under 42 U.S.C. Sec. 300m-2(a)(1)-(3), (a)(6)-(8), (b) and (c), (Sec. 3, P.L. 93-641) [SEC. 1523,P.L. 93-641, ADMINISTER THE CERTIFICATE OF NEED PROGRAM OUTLINED IN AS 18.07.041 - 18.07.111,] and other functions prescribed in this chapter.

* Sec. 2. AS 18.26.220 is repealed and reenacted to read:

Sec. 18.26.220. FACILITY COMPLIANCE WITH HEALTH AND SAFETY LAWS AND LICENSING REQUIREMENTS. In order to receive financial assistance under this chapter, a medical facility shall comply with AS 18.20 and the licensing requirements of this chapter.

* Sec. 3. AS 18.07.031 - 18.07.101, 18.07.111(1) - (4), 18.07.111(7) - (9), 18.07.111(11), and AS 47.80.140(b) are repealed.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.-10.070(c).

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSSSHB 19 (Finance)

Title Relating to C.O.N. and state aid for health facility

Requested by House Finance Date 4/13/83

II. FISCAL DETAIL

Agency Affected Dept. Health & Social Services

Program Category Affected Health Facility Development

BRU, Program, Or Subprogram(s) Affected Health Planning & Development

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES		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		189,693	142,651	151,167	160,279	170,027

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

See Attachment A

IV. DATE 4/13/83 PREPARED BY Al Adams, Chair AAA

AGENCY House Finance Committee

Original: Legislative Finance PHONE 465-3706

cc: Budget & Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/82)

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.

Note that 47.7% of this budget will be supported with federal funds.

STATE OF ALASKA
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
Copy to OMB
Copy to Sponsor

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 for two rural hospitals. The number of requests for state funding has 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: John R. Smith
Robert London Smith, Ph.D.
Commissioner
Department of Health and
Social Services

Date: 2/16/83

COMMITTEE REPORT

SENATE

FURTHER: C & RA

1/27/83

Date: 3/17/83

Mr. President:

The Committee on HESS has had SB 85

Repealing the certificate of need program; eff. date

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

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[✓] replace with CS for SB 85 (HESS) [ ] same title [X] new title

and recommends a do pass

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[ ] reports it back without recommendation

[ ] referred to the ______ Committee

MEMBERS SIGNING DO PASS

Rick Halford

[illegible]

Paul Fischer

Peggy Moss

MEMBERS HAVING OTHER RECOMMENDATIONS:

[illegible]

CHAIRMAN

S 60 (Rev. 12/78)

A M E N D M E N T

Offered in the SENATE

TO: CSSB 85(HESS)

By the Community and Regional Affairs Committee

Page 3, after line 20, insert:

"* Sec. 7. AS 29.90.010 is amended to read:

Sec. 29.90.010. STATE AID FOR HOSPITAL AND HEALTH FACILITY CONSTRUCTION. If construction of a hospital began after January 1, 1968 and before July 1, 1982, or if construction of a health facility began after January 1, 1968, and before July 1, 1980, or if construction of a hospital is under the terms of a certificate of need issued under sec. 4, ch. 275, SLA 1976, and state matching aid for construction approved for payment to the municipality or other hospital or health facility sponsor constitutes less than 25 percent of the total project cost, the department shall pay to the municipality or other hospital or health facility sponsor each fiscal year $2,500 a bed for the maximum number of beds provided for in the construction design of the hospital or health facility or five percent of the total project cost, whichever is greater. State aid provided for in this section shall continue until the municipality or other hospital or health facility sponsor has received an amount which, combined with state matching money for construction of the hospital or health facility, equals 25 percent of the total project cost. Money received for construction may not be used for any other purpose.

* Sec. 8. AS 29.90.010 is amended to read:

Sec. 29.90.010. STATE AID FOR HOSPITAL AND HEALTH FACILITY CONSTRUCTION. If construction of a hospital began after January 1, 1968, or if construction of a health facility began after January 1, 1968, and before July 1, 1980, and state matching aid for construction approved for payment to the municipality or other hospital or health facility sponsor constitutes less than 25 percent of the total project cost, the department shall pay to the municipality or other hospital or health facility sponsor each fiscal year $2,500 a bed for the maximum number of beds provided for in the construction design of the hospital or health facility or five percent of the total project cost, whichever is greater. State aid provided for in this section shall continue until the municipality or other hospital or health facility sponsor has received an amount which, combined with state matching money for construction of the hospital or health facility, equals 25 percent of the total project cost. Money received for construction may not be used for any other purpose."

Renumber remaining sections accordingly.

Page 8, lines 16 - 18:

Delete all material.

Page 8, line 20:

Delete "; AS 29.90"

Renumber remaining sections.

Page 8, line 21:

Delete "17", and insert "18"

Page 8, line 24:

Delete "and 5", and insert in its place ",5 and 8"

Page 8, line 25:

Delete "17", and insert "18"

Page 8, line 26:

Delete "and 6 - 15", and insert "6, 7 and 9 - 16"

COMMITTEE REPORT

SENATE

FURTHER:

3/21/83

Date: 4-5-93

Mr. President:

The Committee on C&RA has had ~~CS~~ SB 85 ~~(HESS)~~

Repealing the certificate of need program; eff. date

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

[ ] do pass [ ] do not pass

[X] ~~do pass~~ individual recommendations with attached amendments ~~(s)~~ w/ amendments attached

[ ] ~~replace~~ recommend with CS for CS SB 85 (HESS) be adopted [ ] same title [ ] new title

and recommends

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[ ] reports it back without recommendation

[X] recommend referred to the FINANCE Committee Committee

MEMBERS SIGNING
DO PASS

Rick Halford

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Ann Tuckett - No Rec.
Don Gleman No Rec

Jensen (No Rec)
CHAIRMAN

Offered: 3/21/83
Referred: Community and
Regional Affairs

Original sponsors: Faiks, P.Fischer
and Pettyjohn

IN THE SENATE

BY THE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

CS FOR SENATE BILL NO. 85 (HESS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "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."

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

* Section 1. FINDINGS AND DECLARATION OF POLICY. (a) The legislature finds and declares that health facilities are vital to the welfare of the people of the state. The legislature finds that the certificate of need program, as historically constituted and implemented in Alaska, has created delays in the construction of health care facilities, thus adding to the cost of such facilities both through the expenses of the administrative process itself and through the effects of delay-induced inflation.

(b) Because the effects of the changes to be wrought by this Act will require monitoring, and because there is a degree of uncertainty concerning the federal statutory and regulatory environment, the legislature finds and declares that a suspension of the certificate of need process, with automatic review in the future, is preferable to an outright repeal of the process at this time.

(c) The legislature acknowledges the need to pay health facilities for services provided to beneficiaries of state programs at a level that will meet the proportionate share of the total financial requirements of the facilities that are attributable to those programs given prudent and cost-effective management and operation of such facilities. The

legislature finds that, because Medicaid is a joint state and federal program and because federal Medicaid funds have been and are likely to continue to be reduced dramatically, a retrospective payment system no longer serves as an appropriate method of compensation, nor does it respond with appropriate flexibility to continued federal cutbacks. A prospective payment system is necessary to prudently address payments to health facilities under the Medicaid and general relief medical assistance programs.

* Sec. 2. AS 18.07.021 is amended to read:

Sec. 18.07.021. STATE HEALTH PLANNING AND DEVELOPMENT AGENCY. The office of planning and research in the department is the state health planning and development agency designated under 42 U.S.C. Sec. 300m(b)(3), (Sec. 3, P.L. 93-641) [SEC. 1521(b)(3), P.L. 93-641]. The office shall perform the functions enumerated under 42 U.S.C. Sec. 300m-2(a)(1)-(3), (a)(6)-(8), (b) and (c), (Sec. 3, P.L. 93-641) [SEC. 1523,P.L. 93-641, ADMINISTER THE CERTIFICATE OF NEED PROGRAM OUTLINED IN AS 18.07.041 - 18.07.111,] and other functions prescribed in this chapter.

* Sec. 3. AS 18.07.021 is amended to read:

Sec. 18.07.021. STATE HEALTH PLANNING AND DEVELOPMENT AGENCY. The office of planning and research in the department is the state health planning and development agency designated under 42 U.S.C. Sec. 300m(b)(3), (Sec. 3, P.L. 93-641). The office shall perform the functions enumerated under 42 U.S.C. Sec. 300m-2 [300m-2(a)(1)-(3), (a)(6)-(8), (b) AND (c)], (Sec. 3, P.L. 93-641), administer the certificate of need program outlined in AS 18.07.041 - 18.07.111, and other functions prescribed in this chapter.

* Sec. 4. AS 18.26.220 is repealed and reenacted to read:

Sec. 18.26.220. FACILITY COMPLIANCE WITH HEALTH AND SAFETY LAWS AND LICENSING REQUIREMENTS. In order to receive financial assistance

under this chapter, a medical facility shall comply with AS 18.20 and the licensing requirements of this chapter.

* Sec. 5. AS 18.26.220 is repealed and reenacted to read:

Sec. 18.26.220. FACILITY COMPLIANCE WITH HEALTH AND SAFETY LAWS AND LICENSING REQUIREMENTS. A medical facility constructed, acquired, improved, or financed under this chapter and all actions of the authority are subject to AS 18.07, AS 18.20, and any other state licensing requirement for the facilities or services provided under this chapter. A medical facility issued a certificate of need under Sec. 4, ch. 275, SLA 1976 by virtue of being in existence or under construction before July 1, 1976, must fully meet the requirements of AS 18.07 in order to be eligible for funding under this chapter.

* Sec. 6. AS 29.89.030(a)(1) is repealed and reenacted to read:

(1) to a municipality that has the power to provide hospital facilities and services and that exercises that power, $250,000 per hospital for those hospitals with 10 or more acute care beds, and $50,000 per hospital for those hospitals with less than 10 acute care beds; money received under this paragraph may be used only for hospitals and shall be apportioned among qualifying hospitals as the municipality determines;

* Sec. 7. AS 47.07.070 is repealed and reenacted to read:

Sec. 47.07.070. PAYMENT TO HEALTH FACILITIES. (a) The commission shall determine prospectively the rate of payment to a health facility under this chapter and AS 47.25.120 - 47.25.300 based on a fair rate for reasonable costs incurred by the facility. The commission shall by regulation list the factors it considers in making its rate determinations under this section.

(b) In determining a rate of payment to a health facility under this section, the commission shall consider the proportionate share of

the facility's financial requirements for patient care for

(1) costs of current operations, including salaries and wages; purchased services, supplies, insurance, leases, depreciation, taxes, interest expense, maintenance and other health facility operating expenses; and

(2) education, research, and appropriate capital development.

(c) In determining a rate of payment to a health facility under this section, the commission may consider whether the rate of utilization of the facility has been reduced because of improvident or careless development of the facility.

* Sec. 8. AS 47.07 is amended by adding new sections to read:

Sec. 47.07.071. REPORTS BY HEALTH FACILITIES. Not later than 120 days after the end of each fiscal year of a health facility, the facility shall submit to the commission a report on the facility's financial performance during the fiscal year.

Sec. 47.07.072. REPORT BY THE COMMISSION. Not later than September 30 of each year, the commission shall submit to the governor a report on the prospective payments made under this chapter during the current fiscal year and an estimate of the prospective payments that will be made during the remainder of the current fiscal year and the next fiscal year. The report shall state the assumptions that are used as a basis for the estimates.

Sec. 47.07.073. UNIFORM ACCOUNTING, BUDGETING, AND FINANCIAL REPORTING. (a) The commission by regulation shall require a uniform system of accounting, budgeting, and financial reporting for health facilities receiving prospective payments under this chapter. The regulations shall provide for the reporting of revenues, expenses, assets, liabilities, and units of service. The commission shall

specify the date the system becomes effective for each health facility.

(b) In adopting regulations under this section, the commission shall consider

(1) accounting, budgeting, and financial reporting procedures used by health facilities;

(2) variations among health facilities in the types of health care services provided by health facilities;

(3) other factors the commission considers relevant, including the size and organizational structure of health facilities and the methods used by health facilities to obtain payments.

(c) The commission may waive or modify a requirement for accounting, budgeting, or financial reporting for a health facility if waiver or modification is

(1) necessary to avoid excessive costs to the facility; and

(2) consistent with the policies of this chapter.

(d) Notwithstanding other provisions of this section, the commission may, by regulation, modify the system of accounting, budgeting, and financial reporting required under this section for a health facility having less than 25 acute care beds in order to reduce the operating costs of that facility.

Sec. 47.07.074. AUDITS AND INSPECTIONS. As a condition of obtaining payment under AS 47.07.070, a health facility shall allow

(1) the department and the commission reasonable access to the financial records of medical assistance beneficiaries; and

(2) inspection of financial records by state and federal agencies to the extent required by federal law.

Sec. 47.07.075. APPLICATION OF ADMINISTRATIVE PROCEDURE ACT. Actions of the commission under AS 47.07 and AS 47.25.120 - 47.25.300

are subject to the provisions of the Administrative Procedure Act (AS 44.62).

* Sec. 9. AS 47.07.080 is amended by adding new paragraphs to read:

(6) "commission" means the Medicaid Rate Commission;

(7) "health facility" includes a hospital, skilled nursing facility, intermediate care facility, intermediate care facility for the mentally retarded, rehabilitation facility, inpatient psychiatric facility, home health agency, rural health clinic, and outpatient surgical clinic.

* Sec. 10. AS 47.07 is amended by adding new sections to read:

ARTICLE 2. MEDICAID RATE COMMISSION.

Sec. 47.07.110. MEDICAID RATE COMMISSION ESTABLISHED. The Medicaid Rate Commission is established in the Department of Health and Social Services.

Sec. 47.07.120. COMPOSITION OF COMMISSION. The commission consists of five members as follows:

(1) the chief executive officer of a health facility that is licensed by the state but not owned or operated by the state or federal government and that is subject to the budget review process under this chapter;

(2) the commissioner of administration, the commissioner of health and social services, or the appointed designee of either commissioner;

(3) a physician licensed to practice medicine in the state who is actively engaged in the practice of medicine and who is not employed by the state;

(4) a certified public accountant with relevant experience;

(5) a person representing consumers of health services who does not have a direct or indirect interest in an entity that provides

health care services.

Sec. 47.07.130. APPOINTMENT OF MEMBERS. Members of the commission are appointed by the governor and serve at the pleasure of the governor.

Sec. 47.07.140. TERM OF MEMBERSHIP. The term of a member of the commission appointed under AS 47.07.120(1),(3),(4), or (5) is three years. A member may not be appointed to a successive term. The terms of the members shall be staggered. A member appointed to fill a vacancy serves for the unexpired term of the member. A term shall be measured from January 1 of the year in which the term of the vacant position begins, regardless of when the vacancy is filled.

Sec. 47.07.150. COMPENSATION. A member of the commission serves without compensation but is entitled to per diem and travel expenses authorized by law for boards and commissions under AS 39.20.180.

Sec. 47.07.160. OFFICERS. At the first meeting of each year, the commission shall elect a chair from among its members.

Sec. 47.07.170. MEETINGS AND QUORUM. The commission shall meet as often as is necessary to conduct its business. Three members of the commission constitute a quorum.

Sec. 47.07.180. DUTIES. The commission shall review proposed payment rates and budgets of health facilities and establish payment rates for health facilities under this chapter and AS 47.25.120 - 47.25.300.

Sec. 47.07.190. EMPLOYMENT OF PERSONNEL. The commission may employ and determine the salary of an executive director. With the approval of the commission, the executive director may select and employ additional staff. The commission shall be assisted by the officers or personnel of the department as the commissioner of health and social services shall direct. The executive director of the

commission is in the exempt service under AS 39.25.

* Sec. 11. AS 47.25 is amended by adding a new section to read:

Sec. 47.25.195. PAYMENT TO HEALTH FACILITIES FOR TREATMENT OF NEEDY PERSONS. (a) The department may make payments to a health facility for the treatment of a needy person.

(b) A health facility receiving a payment under this chapter is subject to the requirements of AS 47.07.070 - 47.07.075.

(c) For purposes of this section, "health facility" includes a hospital, skilled nursing facility, intermediate care facility, intermediate care facility for the mentally retarded, rehabilitation facility, inpatient psychiatric facility, home health agency, rural health clinic, and outpatient surgical clinic.

* Sec. 12. INTERIM PROSPECTIVE PAYMENT SYSTEM. The department shall establish an interim system of prospective payments for health facilities under this Act for the period July 1, 1983 to June 30, 1984.

* Sec. 13. This Act does not affect funds to which the sponsor of a hospital or health facility construction project is entitled under AS 29.90 on the effective date of sec. 17 of this Act.

* Sec. 14. The operation of AS 18.07.031 - 18.07.101, 18.07.111(1)-(4), 18.07.111(7) - (9), 18.07.111(11); AS 29.90 and AS 47.80.140(b) is suspended for a period of seven years after the effective date of sec. 17 of this Act.

* Sec. 15. AS 47.07.080(1) is repealed.

* Sec. 16. Sections 3 and 5 of this Act take effect seven years after the effective date of sec. 17 of this Act.

* Sec. 17. Sections 1, 2, 4, and 6 - 15 of this Act take effect immediately in accordance with AS 01.10.070(c).

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 predecermined 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.

OSITION PAPER/Department of Health & Social Services

Department's Position

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

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

4/4/83
Date

Dan Meddleton, Director
Division of Planning, Policy and
Program Evaluation

4/4/83
Date

Rod Betit, Director
Division of Public Assistance

FISCAL NOTE

I. REQUEST

Bill/Resolution No.: SB 85
Title: Prospective Rate Setting
Sponsor:
Requestor:

II. FISCAL DETAIL

Agency Affected: Health and Social Services
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
Phone: 465-3355
Division: Public Assistance
Date: 4/4/83

Approved by Commissioner: Robert London Smith, Ph.D.
Date: 4/5/83
Department: H & SS

Distribution:
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Copy to Department (for Governor introduced bills)
Copy to Sponsor

3/

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

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 for two rural hospitals. The number of requests for state funding has 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: John R. Smith
for Robert London Smith, Ph.D.
Commissioner
Department of Health and
Social Services

Date: 2/16/83

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

+162

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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SECTION ANALYSIS FOR CS FOR SB 85)FINANCE)

SECTION 1 FINDINGS AND DECLARATION OF POLICY

THAT THE RETROSPECTIVE METHOD OF PAYMENT TO HEALTH FACILITIES IS INADEQUATE, AND THAT THE LEGISLATURE INTENDS TO CHANGE TO A PROSPECTIVE PAYMENT METHOD.

SECTION 2 GIVES THE COMMISSION THE MANDATE TO PROSPECTIVELY SET HEALTH FACILITY RATES BASED ON REASONABLE COSTS. AND LIST FACTORS BY REGULATION.

(b) IN SETTING RATES, THE COMMISSION SHALL DETERMINE THE PROPORTIONATE SHARE OF THE FACILITY'S FINANCIAL REQUIREMENTS, AND SETS ACCOUNTING PRINCIPLES TO BE FACTORED IN.

(c) PROVIDES AUTHORITY TO THE COMMISSION IN RATE SETTING FOR OVERBUILT OR OVERBEDDED FACILITIES.

SECTION 3 EACH HEALTH FACILITY IS REQUIRED TO SUBMIT A FINANCIAL REPORT TO THE COMMISSION BY 120 DAYS AFTER THE END OF THE FISCAL YEAR.

THE COMMISSION SHALL SUBMIT A REPORT TO THE GOVERNOR BY SEPTEMBER 30TH OF EACH YEAR ON PROSPECTIVE PAYMENTS MADE AND AN ESTIMATE OF CURRENT AND SUBSEQUENT YEAR.

A UNIFORM BUDGETING, ACCOUNTING AND FINANCIAL REPORTING SYSTEM WILL BE ESTABLISHED BY THE COMMISSION BY REGULATION WHICH TAKES INTO CONSIDERATION CURRENT SYSTEMS, DIFFERENCES IN FACILITIES AND THEIR SERVICES, AND OTHER FACTORS DETERMINED RELEVANT.

THE COMMISSION HAS THE POWER TO WAIVE OR MODIFY AN ACCOUNTING REQUIREMENT ON A CASE BY CASE BASIS.

THE COMMISSION MAY MODIFY REQUIREMENTS BY REGULATION FOR FACILITIES HAVING LESS THAN 25 ACUTE CARE BEDS.

AUDITS ARE REQUIRED, AND HEALTH FACILITIES SHALL ALLOW REASONABLE ACCESS TO FINANCIAL RECORDS BY THE COMMISSION, THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES AND ANY FEDERAL AGENCIES REQUIRED BY LAW.

ACTIONS OF THE COMMISSION ARE SUBJECT TO THE ADMINISTRATIVE PROCEDURES ACT.

SECTION 4 DEFINITIONS

SECTION 5 ESTABLISHES THE MEDICAL RATE COMMISSION WITHIN THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES.

LISTS THE FIVE MEMBERS TO BE APPOINTED BY THE GOVERNOR FOR THREE YEAR STAGGERED TERMS.

MEMBERS OF THE COMMISSION SERVE WITHOUT COMPENSATION BUT RECEIVE PER DIEM AND TRAVEL EXPENSES.

BOARD MEMBERS WILL SELECT A CHAIR AT THE FIRST MEETING OF EACH YEAR.

THE COMMISSION WILL MEET AS OFTEN AS NECESSARY WITH THREE MEMBERS CONSTITUTING A QUORUM.

THE DUTY OF THE COMMISSION IS TO ESTABLISH RATES PAID TO HEALTH FACILITIES FOR MEDICAID AND GENERAL RELIEF MEDICAL PROGRAMS.

THE COMMISSION MAY EMPLOY AN EXECUTIVE DIRECTOR WHO MAY HIRE ADDITIONAL STAFF AT THE APPROVAL OF THE COMMISSION. PERSONNEL OF THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES WILL PROVIDE ASSISTANCE TO THE COMMISSION.

SECTION 6 GIVES THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES THE AUTHORITY TO ESTABLISH A PROSPECTIVE PAYMENT PROGRAM FOR GENERAL RELIEF PAYMENTS TO HEALTH FACILITIES.

SECTION 7 THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES SHALL DEVELOP AN INTERIM PROSPECTIVE RATE SYSTEM FOR THE PERIOD JULY 1, 1983 TO JUNE 30, 1984.

SECTION 8 REPEALS THE RETROSPECTIVE METHOD OF PAYMENT CURRENTLY IN USE.

SECTION 9 IMMEDIATE EFFECTIVE DATE.