EXECUTIVE ORDER 72

NORTON SOUND
HEALTH CORPORATION

P.O. BOX 966
NOME, ALASKA 99762
(907) 443-3311

February 2, 1989

Senator Paul Fischer
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Fischer:

Norton Sound Regional Hospital is opposed to Executive Order #72 and strongly urge that you do what you can to kill it through Committee Action. As a member of the Health, Education, and Social Service Committee, you are in an excellent position to insure a degree of equitability in rate setting.

We contend the Legislature should not change the current rate setting process until assurances can be given that a fair rate will be provided for reasonable costs incurred. My fear is that the rate setting process will become strictly "budget driven".

As a hospital and nursing home in "Bush" Alaska we are part of a fragile rural health care network that is in need of additional funding not less. If the Medicaid Rate Commission becomes Advisory to the Commissioner we can count on rate setting decisions based upon economic factors. If this is true it will have a devastating impact on the access to care for rural Alaskans.

Sincerely,

NORTON SOUND REGIONAL HOSPITAL

Wallace N. Boyd

Wallace N. Boyd, Director
Hospital Services Division

cc: Carolyn Michels
Harlan Knudson

JAN 25 1989

Heritage Place

232 Rockwell Avenue
Soldotna, Alaska 99669
907-262-2545

January 18, 1989

Ms. Myra Munson, Commissioner
Dept. of Health and Social Services
P.O. Box H
Juneau, Ak. 99811

Dear Commissioner:

In your letter of December 19 you asked facilities to assist you with gathering information concerning provider costs as they relate to the medicare "upper limits." You asked that facilities concentrate their review on the period of July 1, 1983 to June 30, 1986. Heritage Place did not begin admitting its first resident until June of 1986. Therefore, we cannot add any data to your efforts on behalf of facilities to demonstrate to the federal government reasons for the increased costs of long term care in Alaska during that period of time.

However, in your discussion with members of the Health Association in Anchorage on December 9 you indicated that facilities could offer information about their current operations which might assist you in the development of reasons why Alaska should receive certain exemptions and exceptions to the medicare "upper limits." Heritage Place would like to offer such argument and data to support the State of Alaska's efforts to secure adequate and fair funding from the Federal Government on behalf of the long term care providers in the State.

Although your request is limited to examination of routine costs, I would like to address an argument which I believe clouds the thinking about Alaska and the cost of long term care. It has been stated that Alaska's facilities are four (4) times as expensive as facilities in other states. I believe there is a fallacy of composition in that statement. That comparison is based upon averages. It does not adequately reflect the fact that Alaska's facilities on the whole are almost in new condition. For this reason there is a much higher capital portion reflected in the total daily per diem rate. This fact greatly askews the relative relationship with the average cost in other states where the majority of the facilities have paid off the mortgage and already depreciated a great portion of the assets. When the capital portion is backed out of the equation Alaska facilities are not four times as expensive.

I would like to address the questions in a generic manner. I will note where I have specific detailed information which may be available upon request from the department.

1. Name of Facility: Heritage Place

2. (a) Not available as facility was not in operation during period in question
   (b) In 1987 Heritage Place provided a total of 6,537 patient days of which 5,429 were medicaid days. Comparisons of Alaskan Labor Costs to facilities operated by LHHS in North Dakota indicate that the cost is twice that of those facilities. A side/by/side comparison of this may be available upon request by the Dept.

Costs for the 11 cost centers were as follows:

1. Direct Nursing:	$295,892	or	$45.26/pt. day
2. Admin/General	166,622	or	25.49/pt. day
3. Plant Operation	69,840	or	10.69/pt. day
4. Laundry/Linen	11,895	or	1.82/pt. day
5. Housekeeping	46,101	or	7.05/pt. day
6. Dietary	117,586	or	17.99/pt. day
7. Nursing Admin.	35,956	or	5.50/pt. day
8. Central Serv. (Not Available)			
9. Pharmacy	30,479	or	4.66/pt. day
10. Medical Records	281	or	.04/pt. day
11. Social Services	27,543	or	4.21/pt. day
12. Employee Benefits	133,233	or	20.38/pt. day
13. Building and Gr.	16,484	or	2.52/pt. day
Totals:	$ 951,912		$145.61/pt. day

The average hourly wage paid in 1987 was $11.32/hr for all employees. The percentage of wages paid to total costs of the facility were 33.58% in 1987. As noted above the $11.32/hr relates to a doubling affect of other LHHS facilities. However, medicare for rural areas in Alaska only recognizes 148% of the region average. Additionally, there is a tremendous body of data which demonstrates that the cost of wages and benefits for comparable occupations are greater in the non-urban areas than in Anchorage for which medicare provides 158% of the regional norm for wages.

3. Atypical costs for Heritage Place would include the following:

   a. Cost of administrative support for a small

facility. Since Heritage Place has opened its occupancy has slowly developed. However, in 1987 the average occupancy for the year was 40%. In order to comply with all federal and state requirements for sufficient administrative support for accounting, program decisions, cost reports audits, travel to participate in regional and corporate meetings it was necessary to expend the monies noted in #2 (b). Heritage Place was able to provide an access to care for residents of the central peninsula, but due to size and occupancy could not spread its justifiable costs over more resident days. Distance, location and logistics created atypical situations for Heritage Place.

Examples:

1) Cost of Telephone: This cost was $6,524 for the year. Almost all calls to vendors, major medical facilities, other long term care providers, state agencies responsible for authorizations and payments are long distance Basic service is a threshold amount irrespective of size of facility.
2) Cost of Travel: This cost was $10,658 for 1987 and included participation in state-wide meetings and conferences of LHHS in Denver and Fargo. It is certainly more expensive than costs of facilities where most of the transportation is by car.
3) Cost of an Audit: This cost in 1987 was $6,203. It involved work both at Heritage Place and at the central office. Again the threshold costs of such a service are are very great in portion to the size and occupancy of a facility. There would be no audit requirement were it not for the fact that Heritage Place has long term debt. By way of comparison, LHHS facilities in North Dakota without debt would not have a formal audit requirement and hence no separate audit costs.
4) Cost of Administrative Services from LHHS: This cost is again atypical for three reasons;
   a) Size and occupancy of Heritage Place
   b) Allocation method based on total revenues
   c) Logistical costs for support of staff and travel. The cost for Heritage Place was $55,845 in 1987. Of that amount it is

estimated that $10,000 of that was spent on travel and related costs in order to provide direct supervisory support.

5) Cost of an Administrator: Again the cost for for this professional with certification as required is greater because it is only spread over 6,537 patient days. Yet the law requires this level of expertise for certification.
6) Cost of Business Office Manager: The person in this position has a wide variety of job duties which necessitate recruitment at a higher wage scale. Although some of the duties performed could be accomplished by a less skilled person the size of the facility requires that a higher rate of pay be provided to attract competent employees.

b. Another typical cost is the the interest on working capital due to the claims processing system of the Division of Medical Assistance and the fact that the majority of the residents served are reliant upon medicaid for payment. Heritage Place's accounts receivable on 10/31/88 was 67 days. Denali Center's was 80 days. The average among the other LHHS Rural Health Division facilities for the same period was 22 days. That means that Heritage had to wait three times as long for its money. Additionally it had to pay its bills and pay interest on the borrowed funds while it waited for the payors to respond. In North Dakota the State pays in advance for those residents for whom it is responsible. That is not the case in Alaska.

c. Another atypical cost is the increased personnel costs due to the average length of stay of a resident at Heritage Place. As of 11/30/88 that was 207 days. By comparison, the average among other LHHS facilities is 600+ days. Every admittance and discharge generates increased staff time for all aspects of care. This would be one reason for the increased staffing costs. In addition to the length of stay issue the operating efficiency of Heritage Place is diminished by its fluctuating census. Facilities in other states and within LHHS are running 95--100% at capacity with waiting lists. Consequently their planning and staffing relationships are much more stable and predictable allowing a better resident/

staff ratio of efficiency.

d. You included in your request for costs-pharmacy. That cost is part of ancillary services, but it is interesting to note that Alaska is one of the few states that include pharmacy in the medicaid rate. It is therefore an atypical cost.

e. At the present time the Medicaid Rate Commission does not recognize either payment of property taxes of capital costs for related organizations under the capital portion of the rate. In 1987 these costs were reimbursed under the routine services portion of the operational expense. Therefore, they are atypical because other states recognize them as does medicare within the capital portion of the rate.

f. The State of Alaska requires the staffing of RN's 24 hours a day, seven days a week for Skilled Nursing Facilities. This is not a requirement under federal medicare or all other states within which LHHS provides services. Using the cost in 1988 of RN's at $13.38/hr and LPN's at $10.64/hr and meeting the medicare requirement Heritage Place experienced an increased cost in order to comply with the State regulations of roughly $25,000.

In closing, there are other atypical costs which are atributable to both ancillary services and capital.

4. Again, Heritage Place was not operating during the period in question. However, in 1987 and now in 1988 Heritage Place has experienced a severe shortage of Registered Nurses and Skilled Therapists. Even though Heritage Place is compensating RN's at a beginning wage of $13.38/hr, the facility has not been able to attract sufficient staff. To remain competitive with other employers of Rn's Heritage Place has had to increase wages. This problem will continue to grow for the forseeable future.

5. Population fluctuations have not affected Heritage Place at this time. The census data indicate that the elderly population is increasing in the area.

6. N/A

7. N/A

8. N/A

9. Heritage Place was not in existence during the period in question. Heritage Place did not seek special

exceptions or exemptions during its first 1 1/2 years of operation.

10. Again, Heritage Place was not operating during the period in question. However, in 1987 after occupancy levels were not achieved by the facility a salary freeze was implemented. Several positions were eliminated or reduced. These measures mitigated some of the adverse affects of low occupancy, but the facility continued to loose revenues during 1987 as it endeavored to meet the certification requirements of the federal and state law.

11. I can provide detailed information about the respective cost comparisons upon request. Yes, there are a myriad of cost savings available to our facilities in the lower 48 some of which I have already noted for you in this report. I would be happy to share more information if the state and LHHS corporate offic can agree on the format, intent and purpose to which the information will be used.

12. I have addressed the problems with RN and skilled therapist availability in response to #4 above.

    Recruitment has involved the use of the dept. of labor, local and state-wide advertising, incentives for employee recruitment, etc. None have been successful to date. Yes, the ability to provide full-time employment is an obsticle in recruitment of professional staff.

13. The nearest federally operated facility is Anchorage which is 147 miles from our facility through several mountain passes. I am not informed as to the extent of the impact of their operation on our ability to attract and maintain personnel.

14. N/A

15. The only problem I can identify is the cost of providing nutrition services for persons unable to take food by mouth and the incidence of those residents in our facility. I have to believe that it is a significant cost for Heritage Place, but at present have no data with which to compare it.

16. N/A

17. Again, Heritage Place did not operate during the period in question. However, the single biggest cause of Heritage Place's increased costs is its low and

fluctuating occupancy. That fact is demonstrated throughout this report.

18. I believe Heritage Place should be entitled to several of the exemptions and exceptions to the medicare upper limits during the period of its operation. Most of the reasons are sited above.

Thank you for the opportunity to respond to your request for assistance. Although Heritage Place did not operate during the period in question, the facility is vitally interested in the state's efforts to secure a fair and equitable rate for long term care in Alaska.

If you have questions about the format or responses contained herein, please contact me.

Sincerely,

Dennis Murray, Administrator
cc. Senator Paul Fischer
Rep. C.E. Swackhammer
Mr. Ron Waltz, VP-LHHS
Mr. Jim Gingerich, Chair-HAA
Mr. Harlan Knudsen, HAA

Official Business

COMMITTEE:
SENATE HESS

DATE: February 22, 1989

SIGN-IN

Subject of meeting:
EXECUTIVE ORDER 72 - MEDICAID RATE COMMISSION

PLEASE PRINT!

NAME	ADDRESS (MAILING)	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
~~Katherine Kelley~~	~~[illegible]~~	~~586-3586~~	~~DHSS Div. of Public Health~~	~~No~~
Harlan Townsend	319 Seward Juneau	586-1710	Health Assoc	Yes
Jack Buck	St. Ann's Nursing Home 415-6th Juneau	586-3587	St. Ann's	Yes
Garth Hamblin	Bartlett Memorial Hospital 3260 Hosp Dr. Juneau	586-2611	Bartlett Memorial Hospital	Yes

Munson ...

Continued from Page 3

Some goals Munson said she would like to see the state focus on, in addition to the infant mortality and morbidity issue, are caring for other vulnerable populations, particularly the elderly. She also sees the need for a systematic approach to prevent violence against Alaskans.

Munson said she has become convinced that violence, whether it's suicide, murder or accidents, can be prevented in the same way a disease like typhoid is prevented.

"I'm convinced that the reduction of violence of all forms is subject to the same kind of interventions ... that affect diseases," she said.

She said the populations most likely to be injured or killed by violence can be identified now; the next job is to integrate existing programs so those populations are protected.

For example, a homeless Alaskan might need social service counseling, substance abuse counseling and mental health care. In the past, that person may have received one or none of these services. In the future, Munson hopes that health programs will work together to provide services to the same individual, if necessary.

Munson has other concerns besides those of setting statewide goals. She is also concerned about the cost of health care in Alaska, both at long-term and short-term facilities, and at home.

Long-term health care facilities now cost two to three times as much in Alaska as elsewhere, and Munson is intent on preventing the further escalation of these costs. Without state intervention in these costs through Medicaid reimbursements, the state legislature could decide to take matters into its own hands and force drastic cuts, she said.

"With every passing day [such a situation] could become more imaginable," she said.

Munson said an important ingredient in determining the cost and need for health facilities is community involve-

Continued on Page 5

Calendar

October	
22-26	**American Health Care Association Annual Meeting, New Orleans, La.**
November	
	National Alzheimer's Disease Month
3	**American Hospital Association Conference: "Building An Effective Hospital Governing Board: Recruitment and Retention of Trustees," San Diego, Calif.**
6-7	**HAA Board of Directors/Membership Meeting, Westmark Hotel, Anchorage**
26-Dec.2	**National Home Care Week**
December	
11-12	**American Hospital Association Region 9 Policy Board Meeting, San Diego, Calif.**
January	
10-13	**Healthcare Forum Conference, "The Team Approach to Rural Health Care Leadership," Scottsdale, Ariz.**
28-31	**American Hospital Association Annual Meeting, Washington, D.C.**
31	**American Hospital Association: Winning Strategies for Small & Rural Hospitals, Washington, D.C.**
February	
9	**American Hospital Association: Winning Strategies for Small & Rural Hospitals, Sacramento, Calif.**
March	
15-16	**American Hospital Association Region 9 Policy Board, Kona, Hawaii**
18-20	**Health Association of Alaska Midyear Legislative Conference, Baranof Hotel, Juneau**
May	
16-19	**National Rural Health Association Conference, Seattle, Wash.**
June	
11-13	**American Health Care Association Congressional Conference, Washington, D.C.**
16-18	**American Hospital Association Congress of Hospital Trustees Conference, Seattle, Wash.**
18-19	**American Hospital Association Region 9 Policy Board, Seattle, Wash.**

Myra Munson

Health plan needed, says DHSS commiss

It's before 8 in the morning in the office of Myra Munson, commissioner of Alaska's Department of Health and Social Services.

She has already held her first meeting of the day, and is looking at an agenda for the day that is a solid block of meetings.

"I don't think anyone can be prepared for the amount of time spent in meetings," said Munson, who has held the post for almost three years.

Munson said she came to the job with a better idea than many of her predecessors about its demands. "I had a really good idea about the array of issues ... even having that idea, the sheer complexity of the job takes everyone aback, I think."

Born in Juneau and raised in Fairbanks, Munson had worked for or around the department since 1971 as both a social worker and an attorney. Among positions she has held are a social worker in Fairbanks for the department, an assistant attorney general in Fairbanks and a social services program coordinator in Anchorage. These jobs had made her aware of the demands of being a DHSS commissioner.

But she still said that "just finding time" is a real issue with her work. "Virtually all of the paperwork I do is between 7 and 8 in the morning or at home at night," she said.

Some of the programs that are her responsibility warrant separate departments in many other states. They include public assistance; licensing every facility that cares for dependent Alaskans, from children to the elderly; family and youth services; public health; mental health; and substance abuse. In addition, about half of the department's roughly $400 million budget is given out in grants, another huge administrative charge.

While Munson can't oversee many of the details of these programs, "all the issues about all of these things will get to my desk," she said.

Photo by E

DHSS Commissioner Myra Munson meets with Special Assistant

The realization of the department's complexity -- most particularly, how it deals with Alaskans from cradle to grave -- has led Munson to believe a state health plan may be the most important goal the department can achieve in the near future.

This plan would not be a technical document intended solely for internal use, however. Munson said she sees it as a way for the public to help identify health needs in the state and then support them, from one administration to the next and one legislature to the next.

"We need one ... in which we decide on three or five or seven things we're committed to accomplishing," she said.

Those goals have only two criteria -- they must have public support and their achievement must be measurable. One such goal might include a variety of programs, she said. Munson used the issue of reducing child mortality and morbidity as an example.

This goal could be reached by reducing fetal alcohol syndrome, child abuse, car accidents in which children are unrestrained and hepatitis B, to name a few preventable causes of death

Commissioner My

of children in Alaska.

She said she has focus ing the gathering of vita state, to make the statist as possible. Such an effc include putting a medic the state, so death certif more uniform informati

With better statistics, to measure the success administered by the dep said.

"I view us needing to more outcome focused,'

Continued on

health
association
of alaska

319 Seward St.; Juneau, Alaska 99801 • (907) 586-1790
FAX (907) 463-3573
REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

September 8, 1989

Senator Paul Fischer, Chairman
Senate Committee On Health, Education
and Social Services
P.O. Box 784
Soldotna, AK 99669

Dear Senator Fischer:

Mike Lockwood, Dennis Murray, Keith Campbell (HAA Chairman), and I look forward to meeting with you 1:00 p.m. Thursday September 14 at the hospital in Soldotna.

Purpose of the meeting is to review what we see as some of the health issues during the 1990 state legislative session.

Enclosed is our summary of the health issues from the 1989 session.

We look forward to seeing you on the 14th.

Best regards,

Sincerely,

Harlan R. Knudson
Executive Director

enc.

cc Dave Moses
Mike Lockwood
Dennis Murray
Keith Campbell

health
association
of alaska

319 Seward St., Juneau, Alaska 99801 • (907) 586-1790
FAX (907) 463-3573
REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

FRIDAY MEMO

May 12, 1989

WRAP-UP OF THE FIRST SESSION - 16TH ALASKA LEGISLATURE

All bills not enacted during the first session of the 16th Legislature remain alive and in place for consideration when the second session convenes in Juneau on January 9, 1990.

Most of HAA's major issues remain on that second session calendar. The Association and its individual members need to work hard and thoughtfully during the interim if solutions for liability, the medically indigent, guardianship, hospital construction, public inebriates, shortage of health professionals, and uncompensated care are to be enacted or funded.

The final "Health Legislative Status Sheet" will be published and sent with the next Friday memo. Here are the highlights of the Legislature's health care action (or nonaction) for 1989:

Budget

HB 100, the 1990 Operating Budget - The Medicaid appropriation (50 percent federal funds) for health care facilities was increased by over $10 million, up from $67.4 million in FY 89 to 78.3 million in FY 90.

The WAMI program was funded for approximately $450,000.

Health Sciences Library funding was reduced by an estimated 6 percent.

(HAA lobbyist Jerry Reinwand, with strong support from a number of legislators, was instrumental in preventing budget reductions in health programs.)

HB 154, the Supplemental Budget - This legislation included $3.2 million (in state and federal funds) for health facilities.

HB 163, Combined Reappropriation and Capital Budget - This bill contains $455,000 to complete Wrangell Hospital renovation and $450,000 for repairs to Fairbanks Memorial Hospital.

General Relief Medical Exceptions - Unfortunately, the efforts made in the dying hours of the session to increase funding were unsuccessful.

(MORE)

Tort Reform

HB 166, the 1989 Tort Reform Act - The legislation did not clear the House this session; however, there is good news. On the next to last day of the session, after more than 20 work sessions, including one at 9 p.m. Saturday evening, HB 166 finally escaped from the House Labor and Commerce Committee.

The bill left the frying pan of Labor and Commerce and moved into the fire of House Judiciary without the Jackson v. Powers section and with most other sections watered down, but at least it moved. House Judiciary will have the interim to work on the bill.

House Labor and Commerce Chairman Dave Donley deserves credit for doing what he and several members of his committee thought best and then moving the bill.

A number of other tort reform bills were introduced in the final days of the session (joining HB 333, 334, 335, 336, and 337, sent with the previous Friday Memo). They are:

HR 10, House Tort Reform Task Force - Passed by the House, this legislation will have the chairmen of House HESS, Labor and Commerce, and Judiciary join with citizens appointed by the Speaker to see if they can come up with better answers for tort reform by January 30, 1990. HAA will nominate individuals to serve on the task force.

HB 345/SB 323, Alaska Health Care Claims Board - Governor Cowper authored this far-reaching proposal to place medical malpractice before a five member (one attorney, one physician, three nonlegal-non health care) board to adjudicate claims. HAA will be giving this bill close review during the interim.

HB 349/HB 350, Medical Malpractice Matching Fund - Authored by Representatives Donley and Gruenberg, both of Anchorage, these bills provide funding and authority to use $500,000 from the MICA revolving loan fund to purchase liability insurance for physicians who meet specialty and income qualifications.

Medicaid

Executive Order #72 - Medicaid Rate Advisory Commission - HAA response to the passage of EO #72 will be a major topic for discussion during the 1989 Annual Meeting. Some might argue that its passage was a blessing in disguise, and some would not.

SB 166, Year End Conformance - Passage of SB 166 showed that needed legislation could be passed when it had to be. Again, a tip of the hat to Humana and Sitka hospitals for leading the way.

Medicaid/Pioneers' Home Eligibility - HAA is considering requesting an interim hearing on placement of individuals eligible for both Medicaid and Pioneers Homes.

Access to Care

SB 326, Grants for Community Health Planning - Sponsored by Senator Lloyd Jones, Ketchikan, (it will be introduced in the House with help from Repsentatives Johnny Ellis, Anchorage, and Cheri Davis, Ketchikan), this bill is the result of Dr. Bruce Amundson's presentation during the HAA Midyear Meeting. The legislation will provide $60,000 grants for up to ten communities or regions to develop strategic health plans.

Cost of Care

SCR 23, the Task Force on State Employee Insurance - Recommendations were made on funding state employee insurance.

Guardianship

No action was taken on this health issue during the first session.

Hospital Construction

HB 342/SB 319, Hospital Construction Bonds - This legislation is still pending. If enacted in 1990, it will refer General Obligation Bonds for Ketchikan ($16.2 million), Kodiak ($14.5 million), and Seward ($10.7 million) to the voters for approval in the November 1990 election.

Inebriates

SB 66, Immunity for Treatment of Intoxicated Persons - As amended by the House Judiciary Committee, the legislation provides immunity for law enforcement officers if they decide not to take an intoxicated person into custody.

Shortage of Health Professionals

HB 10, Student Loan Forgiveness for Health Professionals - This legislation did not pass this session.

SB 156, Regulation of Nurse Aids - This bill passed the Senate but is being held in the House HESS Committee for further review.

Uncompensated Care

The House HESS Committee, with a grant from the National Conference of State Legislatures, will do an interim study on the medically indigent.

Veterans Health Care

SJR 35, Community Health Care for Veterans - Sponsored by HAA, this resolution requests the Department of Defense and the Department of Veteran Affairs to provide Alaska veterans medical care in their home communities.

health
association
of alaska

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

2-23-89
To- Dave Moses

STATEMENT

EXECUTIVE ORDER #72

(Transfer Medicaid Rate Setting
to Department of Health and Social Services)
By
Harlan R Knudson, Executive Director
Health Association of Alaska
To
SENATE COMMITTEE ON HEALTH, EDUCATION
AND SOCIAL SERVICES
3:30 p.m. Wednesday, February 22, 1989

The Health Association of Alaska, representing community and privately owned acute care hospitals and nursing homes requests that the Alaska State Legislature reject Executive Order #72.

Currently hospital and nursing home rates and regulations are established by the Medicaid Rate Commission. The Commission is administered under the Department of Health & Social Services, and has the final authority to establish rates and regulations governing hospital and nursing home reimbursement.

Executive Order #72 transfers the rate and regulatory authority to the Department of Health and Social Services, making the Rate Commission advisory to the Department.

Hospitals and nursing homes are opposed to Executive Order #72 for these reasons:

1. Having the Medicaid Rate Commission "advise" on hospital and nursing home Medicaid Rates instead of "set" those rates will result in less efficiency in the rate setting process, not more.

2. The Rate Commission has adhered to federal/state law and held hospital and nursing home rates to responsible levels for the past four years.

3. Hospitals and nursing homes are working to assure access to care for all citizens, while continuing to provide quality care as cost effectively as possible.

4. Increases in the Medicaid "Health facility" budget during the past four years reflect increases in rates, but also reflect new facilities, new services, and new technology.

(MORE)

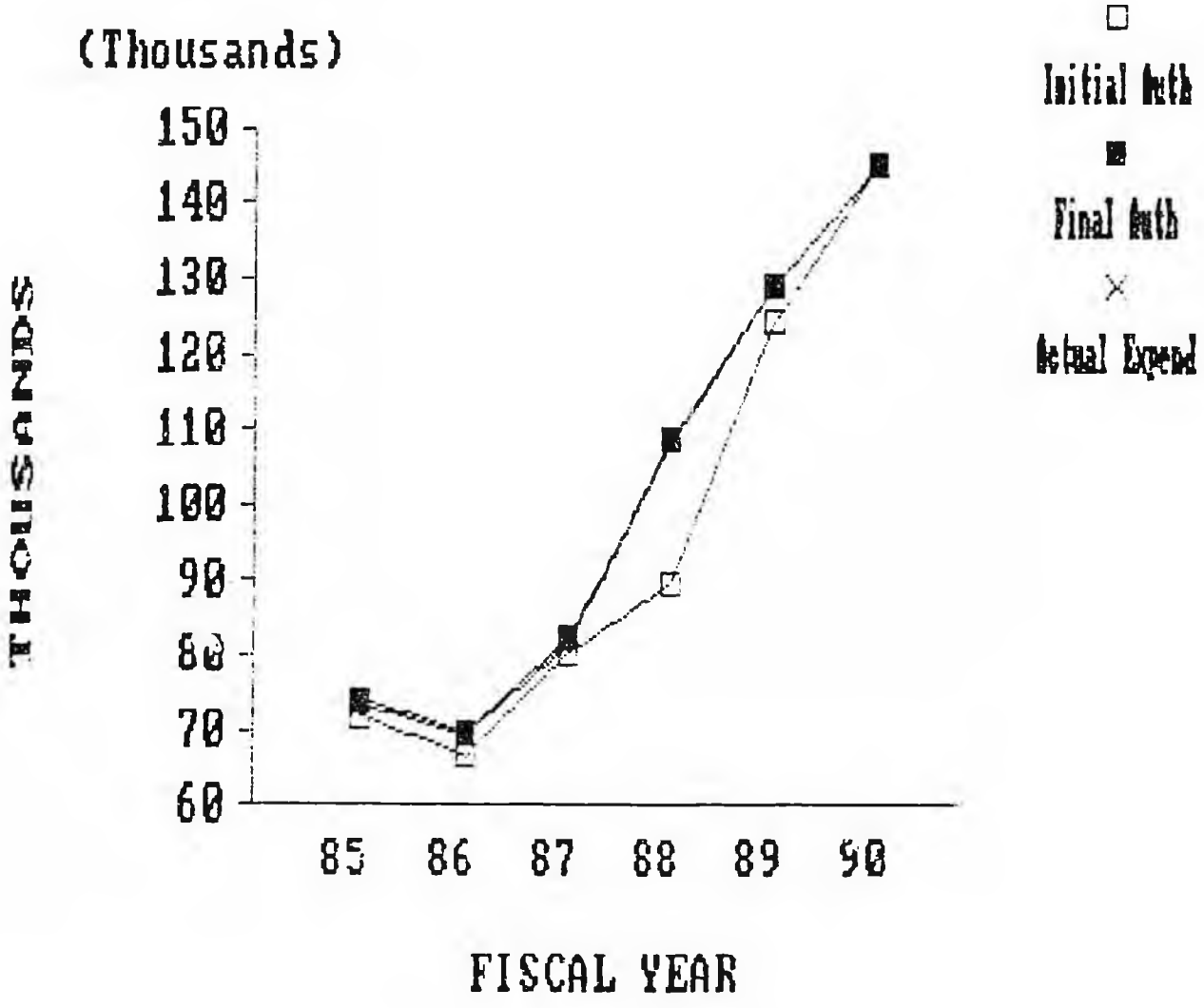
Attached is:

1. Medicaid Assistance Expenditures: 1985 - 1990
2. Medicaid Rate Commission Rate Setting Criteria
3. Hospital Medicaid Rates as a Percentage of Charges: 1987 - 1989
4. Alaska Nursing Home Census
5. Uncompensated Care

Harlan R. Knudson
Executive Director
Health Association of Alaska
319 Seward Street,#11
Juneau, AK 99801
586-1790

Medical Assistance

FY	Initial Authorization		Final Authorization	Actual Expended	
85	71,799.0		74,013.1	73,256.2	
86	66,701.5		69,540.8	69,263.1	
87	80,302.3		82,223.4	81,436.0	
88	89,671.7		108,506.3	107,636.3	
89	123,942.0	w/Supp	128,720.5	128,720.5	Projected
90 Request	144,982.5	no Supp	144,982.5	144,982.5	Projected



ALASKA

MEDICAID RATE COMMISSION

RATE SETTING CRITERIA

7AAC43.685.(a)	The following methodology and criteria will be used by the commission in reviewing and setting prospective payment rates for medical assistance programs; the relative importance of each criterion is a matter of commission discretion.
7AAC43.685.(a) (1)	Whether the costs are reasonably given prudent and cost-effective management and operation of the facility;
7AAC43.685.(a) (3)	Whether the prospective rate is reasonably related to costs;
7AAC43.685.(a) (4)	Whether the prospective rates are the most reasonable under the circumstances;
7AAC43.685.(b)	The commission will determine a fair rate of payment based on actual operating costs...
7AAC43.686(a)	The commission will set prospective payment rates at a level sufficient to pay a fair rate for reasonable costs of a facility...
7AAC43.686(b)	Operating costs are the costs of providing health care services that are necessary and reasonable.

MEDICAID RATE COMMISSION 02/01/89 c:\rates\hosasum9.wr1

RATE SUMMARY

ACUTE CARE

Provider	9/1/86 Change	Effective Date	1987	Effective Date	1988	Effective Date	1989	Effective Date	
Alaska Psych Institute			$231.93	9/1/86 - 6/30/87	$252.24	7/1/87 - 6/30/88	$274.29	7/1/88 - 6/30/89	
Alaska Surgery Center	87.07%	9/1/86 - 12/31/86	79.06%	1/1/87 - 12/31/87	81.75%	1/1/88 - 12/31/88	N/A	N/A	
Alaska Treatment Center			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	100.00%	7/1/88 - 6/30/89	
AK Women's Health Center			100.00%	10/1/86 - 9/30/87	100.00%	10/1/87 - 9/30/88	N/A	N/A	
Bartlett Memorial Hosp			96.74%	9/1/86 - 6/30/87	93.66%	7/1/87 - 6/30/88	91.02%	7/1/88 - 6/30/89	
Central Peninsula Hosp			98.07%	9/1/86 - 6/30/87	95.31%	7/1/87 - 6/30/88	86.41%	7/1/88 - 6/30/89	
Charter North Hospital	67.53%	9/1/86 - 9/30/86	82.73%	10/1/86 - 9/30/87	71.79%	10/1/87 - 9/30/88	71.79%	10/1/88 - 2/28/89	Temporary
Cordova Community Hosp			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	100.00%	7/1/88 - 2/28/89	Temporary
Fairbanks Memorial Hosp	91.55%	9/1/86 - 12/31/86	87.78%	1/1/87 - 12/31/87	89.43%	1/1/88 - 12/31/88	60.00%	1/1/89 - 2/28/89	Temporary
Faith Hospital			94.93%	9/1/86 - 6/30/87	N/A	N/A	N/A	N/A	
Geneva Woods Surg Ctr			84.00%	10/1/86 - 9/30/87	100.00%	10/1/87 - 9/30/88	N/A	N/A	
Humana Hospital Alaska			66.45%	9/1/86 - 8/31/87	73.00%	9/1/87 - 8/31/88	34.90%	9/1/88 - 8/31/89	
Ketchikan General Hosp			98.12%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	98.23%	7/1/88 - 6/30/89	
Kodiak Island Hospital	95.26%	9/1/86 - 12/31/86	93.81%	1/1/87 - 12/31/87	80.11%	1/1/88 - 12/31/88	68.98%	1/1/89 - 12/31/89	
Norton Sd Regional Hosp	95.33%	9/1/86 - 9/30/86	86.21%	10/1/86 - 9/30/87	99.82%	10/1/87 - 9/30/88	85.91%	10/1/88 - 9/30/89	
Petersburg General Hosp			100.00%	9/1/86 - 6/30/87	93.06%	7/1/87 - 6/30/88	100.00%	7/1/88 - 2/28/89	Temporary
Providence Hospital	85.20%	9/1/86 - 12/31/86	84.53%	1/1/87 - 12/31/87	91.33%	1/1/88 - 12/31/88	92.36%	1/1/89 - 12/31/89	
Seward General Hospital			100.00%	9/1/86 - 6/30/87	80.00%	7/1/87 - 6/30/88	86.41%	7/1/88 - 6/30/89	
Sitka Community Hospital			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	71.29%	7/1/88 - 6/30/89	
South Peninsula Hospital			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	100.00%	7/1/88 - 2/28/89	Temporary
Valdez Community Hospital	100.00%	9/1/86 - 12/31/86	100.00%	1/1/87 - 12/31/87	97.72%	1/1/88 - 12/31/88	100.00%	1/1/89 - 12/31/89	
Valley Hospital	70.45%	9/1/86 - 12/31/86	78.79%	1/1/87 - 12/31/87	80.03%	1/1/88 - 12/31/88	77.89%	1/1/89 - 12/31/89	
Wrangell General Hospital			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	70.06%	7/1/88 - 2/28/89	Temporary

ALASKA NURSING HOMES CENSUS

As of December 31, 1988

	Per Diem Rate	Certified Capacity SNF/ ICF	Certified Capacity Swing Beds	Occupancy by Payment Source: Medicaid/GRM Placements ICF	Medicaid/GRM Placements SNF	Non-DMA Placements Medi-care	Non-DMA Placements Other**	Total Census	Vacant Beds	% Occupancy of Total Beds Overall	% Occupancy of Total Beds Medicaid
Cordova Hospital LTC	$282.40	10	2	5	0	0	1	6	6	42%	42%
Denali Center (Fairbanks)	145.76	101	0	43	15	6	7	71	30	70%	57%
Heritage Place (Soldotna)	227.39	45	0	20	2	1	7	30	15	67%	49%
Island View Manor(Ketchikan)	232.28	46	0	26	1	3	4	34	12	74%	59%
Kodiak Island Hospital LTC	209.29	19*	4	17	0	0	1	18	5	78%	74%
Mary Conrad Center (Anch)	260.55	60	0	58	0	0	3	61	0	102%	97%
Norton Sound Reg.Hosp.(Nome)	222.09	15*	0	12	0	0	0	12	3	80%	80%
Our Lady (Anchorage)	162.96	224	0	141	36	6	30	213	11	95%	79%
Petersburg Hospital LTC	263.90	14	4	13	0	1	2	16	2	89%	72%
Sourdough Place (Valdez)	154.62	16*	0	12	0	0	4	16	0	100%	75%
South Penin.Hosp.LTC (Homer)	244.33	18	0	17	0	0	0	17	1	94%	94%
St. Ann's (Juneau)	143.12	45	0	23	9	0	2	34	11	76%	71%
Wesleyan (Seward)	117.52	66	0	47	0	0	4	51	15	77%	71%
Wrangell Gen. Hosp. LTC	222.09	14	4	8	1	0	4	13	5	72%	50%
Swing Beds (Acute to LTC):											
Cent. Pen. Hosp.(Soldotna)	162.57	0	4	0	0	0	0	0	4	0%	0%
Seward General Hospital	162.57	0	2	0	0	0	0	0	2	0%	0%
Sitka Community Hospital	162.57	0	2	0	0	1	0	1	2	50%	0%
Valdez Community Hospital	162.57	0	4	1	0	1	1	3	1	75%	25%
Valley Hospital (Palmer)	162.57	0	4	0	0	2	0	2	2	50%	0%
TOTAL:		693	30	443	64	20	70	598	127	83%	70%

*beds are certified for ICF only
**includes V.A., private pay, insurance, and other

Karen Martz
Division of Medical Assistance

1/23/89
Date

(907) 561-2171

Date: December 31, 1988

ICF/MR and IMH Census

Psychiatric Beds	Per Diem Rate	Certified Beds	Current Occupancy				Current Census	Vacant Beds
			Total	Medicaid Under 22	Medicaid Over 65	Non-Medicaid		
Alaska Psychiatric Institute, Anchorage	252.24	160	25	19	6	95	120	40
Charter North Anchorage	N/A	60	15	15	0	42	57	3

ICF/MR Beds	Per Diem Rate	Certified Beds	Current Occupancy		Total Census	Vacant Beds
			Medicaid	Non-Medicaid		
Harborview Developmental Center, Valdez	302.00	64	57	0	57	7
Hope Cottages, Anchorage	261.49	40	40	0	40	0

Karen Martz 1/23/89

Karen Martz Date
Division of Medical Assistance
(907) 561-2171

Please Note: ° On the November and December census reports, the number of certified beds ·· Charter North was incorrect (80). It should have been 60.

burg increased swing beds by 2 effective November, 1988.

MEDICAID RATE COMMISSION

May 13, 1986
file: C:\symph\fac stats\margins.wr1

STATS: Percent Uncompensated Loss & Profit Margin by Facility Fiscal Year

FACILITY	FY 1984	FY 1985	FY 1986	FY 1987
Bartlett Memorial Hospital:				
Total Patient Service Revenue	$12,088,250	$11,906,636	$12,682,939	$12,982,923
Bad Debt, Charity	$363,365	$291,987	$210,999	$924,141
% Uncomp Loss	3.01%	2.45%	1.66%	7.12%
Net Income	$672,349	($592,300)	$204,024	($351,113)
N.I. / T. R.	5.56%	-4.97%	1.61%	-2.70%
Central Peninsula Hospital:				
Total Patient Service Revenue	$6,865,580	$8,011,398	$10,185,840	$10,625,224
Bad Debt, Charity	$375,002	$673,501	$674,433	$954,964
% Uncomp Loss	5.46%	8.41%	6.6[illegible]%	8.99%
Net Income	$1,353,654	$486,260	$1,463,790	$2,098,899
N.I. / T. R.	19.72%	6.09%	14.37%	19.75%
Charter North:				
Total Patient Service Revenue	No Info	$8,716,426	$11,442,039	$11,374,218
Bad Debt, Charity		$535,066 *	$645,377	$563,333
% Uncomp Loss		6.14%	5.64%	5.13%
Net Income		$917,652	$1,408,603	$1,519,347
N.I. / T. R.		10.53%	12.31%	13.38%
Cordova Community Hospital:				
Total Patient Service Revenue	$1,065,966	$1,337,558	$1,225,224	$1,659,092
Bad Debt, Charity	$65,909	$46,341	$35,804	$29,480
% Uncomp Loss	6.18%	3.46%	2.92%	1.78%
Net Income	$100,709	$218,960	$65,340	($342,295)
N.I. / T. R.	9.45%	16.37%	5.33%	-20.63%

continued on next page

FACILITY	FY 1984	FY 1985	FY 1986	FY 1987
Fairbanks Memorial Hospital:				
Total Patient Service Revenue	$32,233,651	$32,751,773	$35,264,058	$36,851,080
Bad Debt, Charity	$1,222,677	$2,358,757	$1,496,134	$2,729,264
% Uncomp Loss	3.79%	7.20%	4.24%	7.40%
Net Income	$779,947	$1,121,647	$719,513	$1,190,241
N.I. / T. R.	2.42%	3.42%	2.04%	3.23%
Faith Hospital:				
Total Patient Service Revenue	$617,231	$617,090	$657,735	N. / A.
Bad Debt, Charity	$26,815	$28,170	$65,471	
% Uncomp Loss	4.34%	4.56%	9.95%	
Net Income	$17,560	($1,569)	$65,383	
N.I. / T. R.	2.84%	-0.25%	9.94%	
Humana Hospital:				
Total Patient Service Revenue	$53,540,243	$60,245,932	$58,897,501	$63,500,602
Bad Debt, Charity	$2,696,892	$3,934,060	$3,449,440	$3,044,960
% Uncomp Loss	5.04%	6.53%	5.86%	4.80%
Net Income	$3,793,820	$7,012,126	$2,825,979	$3,600,774
N.I. / T. R.	7.09%	11.64%	4.80%	5.67%
Ketchikan General Hospital:				
Total Patient Service Revenue	$8,704,906	$8,407,134	$9,388,997	$9,512,408
Bad Debt, Charity	$285,217	$270,961	$312,152	$331,634
% Uncomp Loss	3.28%	3.22%	3.32%	3.49%
Net Income	$874,787	$451,168	$387,348	$362,651
N.I. / T. R.	10.05%	5.37%	4.13%	3.81%
Kodiak Hospital:				
Total Patient Service Revenue	$4,664,200	$5,085,453	$5,579,432	$6,484,413
Bad Debt, Charity	$415,603	$192,222	$266,593	$301,491
% Uncomp Loss	8.91%	3.78%	4.78%	4.65%
Net Income	($99,989)	$898,303	$274,259	$1,063,486
N.I. / T. R.	-2.14%	17.66%	4.92%	16.40%

continued on next page

FACILITY	FY 1984	FY 1985	FY 1986	FY 1987
Norton Sound Regional Hospital:				
Total Patient Service Revenue	$4,221,221	$5,744,767	$4,583,385	$5,250,928
Bad Debt, Charity	$137,838	$119,160	$154,558	$312,909
% Uncomp Loss	3.27%	2.07%	3.37%	5.96%
Net Income	($88,845)	$785,606	$276,368	$518,683
N.I. / T. R.	-2.10%	13.68%	6.07%	9.88%
Petersburg General Hospital:				
Total Patient Service Revenue	$1,195,737	$1,610,888	$1,859,070	$1,936,256
Bad Debt, Charity	$40,352	$92,813	$34,401	$8,859
% Uncomp Loss	3.37%	5.76%	1.85%	0.46%
Net Income	$34,660	($60,867)	($231,125)	($153,576)
N.I. / T. R.	2.90%	-3.76%	-12.43%	-7.93%
Providence Hospital:				
Total Patient Service Revenue	$87,563,000	$94,225,000	$103,223,000	$117,773,000
Bad Debt, Charity	$3,756,000	$4,907,000	$6,457,000	$9,617,000
% Uncomp Loss	4.29%	5.21%	6.26%	8.17%
Net Income	$10,849,000	$7,990,000	$1,101,000	$1,489,000
N.I. / T. R.	12.39%	8.48%	1.07%	1.26%
Seward Hospital:				
Total Patient Service Revenue	$1,105,275	$1,254,424	$1,515,061	$1,643,853
Bad Debt, Charity	$51,184	$89,031	$57,178	$129,524
% Uncomp Loss	4.63%	7.10%	3.77%	7.88%
Net Income	$332,965	$18,724	$149,443	($54,049)
N.I. / T. R.	30.13%	1.49%	9.86%	-3.90%
Sitka Community Hospital:				
Total Patient Service Revenue	$2,746,863	$2,742,342	$2,711,874	$4,047,720
Bad Debt, Charity	$63,637	$77,454	$71,650	$134,116
% Uncomp Loss	2.32%	2.82%	2.64%	3.31%
Net Income	$0	($550,192)	($247,180)	$399,162
N.I. / T. R.	0.00%	-20.06%	-9.11%	9.86%

continued on next page

FACILITY	FY 1984	FY 1985	FY 1986	FY 1987
South Peninsula Hospital:				
Total Patient Service Revenue	$2,779,252	$3,976,571	$5,064,850	$5,064,974
Bad Debt, Charity	$143,221	$199,242	$427,045	$183,323
% Uncomp Loss	5.15%	5.01%	8.40%	3.62%
Net Income	($389,322)	($186,641)	($646,804)	($194,114)
N.I. / T. R.	-14.01%	-4.69%	-12.72%	-3.83%
Valdez Community Hospital:				
Total Patient Service Revenue	$584,924	$659,437	$612,140	$807,342
Bad Debt, Charity	$18,883	$10,187	$59,839	$83,382
% Uncomp Loss	3.23%	1.54%	9.76%	10.33%
Net Income	$20	($60,817)	($21,250)	$32,482
N.I. / T. R.	0.00%	-9.22%	-3.47%	4.02%
Valley Hospital:				
Total Patient Service Revenue	$8,993,000	$12,044,000	$12,107,000	$12,210,000
Bad Debt, Charity	$1,157,000	$1,007,000	$970,000	$957,000
% Uncomp Loss	12.87%	8.36%	8.01%	7.84%
Net Income	($488,000)	$783,000	($297,000)	$1,086,000
N.I. / T. R.	-5.43%	6.52%	-2.45%	8.89%
Wrangell General Hospital:				
Total Patient Service Revenue	$1,236,265	$1,480,570	$1,657,531	$1,786,634
Bad Debt, Charity	$20,829	$28,328	$27,607	$4,347
% Uncomp Loss	1.68%	1.91%	1.67%	0.24%
Net Income	($27,833)	$142,868	$229,690	($136,353)
N.I. / T. R.	-2.25%	9.65%	13.86%	-7.74%
Total All Facilities:				
Total Patient Service Revenue	$230,225,423	$260,817,399	$278,677,676	$303,542,667
Bad Debt, Charity	$10,843,979	$14,861,280	$15,415,681	$20,329,747
% Uncomp Loss (ave)	4.71%	7.41%	5.56%	6.70%
Net Income	$17,715,482	$19,378,130	$7,662,429	$12,117,225
N.I. / T. R. (ave)	7.69%	7.43%	2.75%	3.99%

continued on next page

Information Source: Audited Financial Statements from the facilities is the primary source. In the event these were not available or did not contain the proper information the Year-end Conformance forms submitted to the MRC was used. Still there were times when the exact figure for bad debt could not be separated from other allowances. In this case the combined figure was used. A bad debt entry followed by an " * " indicates that other allowances may be included in the figure.

Comments:

Faith Hospital converted to a clinic on Oct. 5, 1986.

The data for Cordova, Ketchikan, Kodiak, Petersburg, South Peninsula, and Wrangell includes LTC revenues.

It should also be noted that net income figures may include various local, state and federal government contributions.

DELIVER TO: LIOCGLE

ORIGINAL
SENT: 02/22/89 TIME: 16:22
FROM: LTCCHOM
SUBJECT: SEN.DUNCAN:PL#1;EO-72;2-22-89
PRINT DATE: 02/22/89 TIME: 16:22

T/C NO: 89-02-290

DATE: 2-22-89
SPONSOR: SENATE HESS
SUBJECT: MEDICAID
MODERATOR: LYNETTE HUNT
SITE: HOMER

PARTICIPANT LIST

TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. MARY LOU KELSEY	PO BOX 894 HOMER 99603	235-7739	EO-72
2.			
3.			
4.			
5.			

DELIVER TO: LIOCGLE

ORIGINAL
SENT: 02/22/89 TIME: 15:48
FROM: LIOCMAB
SUBJECT: PARTICIPANT LIST ANCH
PRINT DATE: 02/22/89 TIME: 15:49

*** ANCHORAGE PARTICIPANT LIST ***

TO: ALL TELECONFERENCE SITES
FROM: MARYANN--> ANCHORAGE
SUBJECT: EXECUTIVE ORDER 72 MEDICADE
DATE: 2-22-89
TELECONFERENCE NO. 89-02-290

TO TESTIFY:
BARBARA SYMMES
CATHY CRONAN

TO OBSERVE:
EARL MILLER

GAYLE KNEPPER

****
*
* DELIVER TO: LIOCGLE
*
*
* ORIGINAL
* SENT: 02/22/89 TIME: 16:06
* FROM: LIOCKOD
* SUBJECT: SHESS;PL#1;EXOR-72;2-2289
* PRINT DATE: 02/22/89 TIME: 16:06
*
****

T/C NO: 89-02-290

DATE: WEDNESDAY, FEBRUARY 22, 1989
SPONSOR: SENATE H.E.S.S.
SUBJECT: EXECUTIVE ORDER 72 - MEDICAID
MODERATOR: LORNA STEELMAN
SITE: KODIAK L.I.O.

KODIAK PARTICIPANT LIST#1

****
TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. DON WEE,	KODIAK ISLAND HOSPITAL ADMINISTRATOR		

```
*****************************************************
*                                                   *
* DELIVER TO: LIOCGLE                               *
*                                                   *
*                                                   *
*                                                   *
* ORIGINAL                                          *
* SENT:          02/22/89  TIME: 15:46              *
* FROM:          LTCCKTN                            *
* SUBJECT:       S HESS; MEDICAID; PL#1; 2-22       *
* PRINT DATE:    02/22/89  TIME: 15:46              *
*                                                   *
*****************************************************
```

T/C NO: 89-02-290

DATE: FEBRUARY 22, 1989
SPONSOR: SENATE HEALTH, EDUCATION & SOCIAL SERVICES
SUBJECT: EXECUTIVE ORDER #72--MEDICAID
MODERATOR: RAE RHODES
SITE: KETCHIKAN

PARTICIPANT LIST

****

TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. SISTER BARBARA HAASE/KETCHIKAN GENERAL HOSPITAL			E072
2.			
3.			
4.			
5.			

DELIVER TO: LIOCGLE

ORIGINAL
SENT: 02/22/89 TIME: 15:46
FROM: LIOCSIT
SUBJECT: SHESS PL#1;-MED;2-22-89
PRINT DATE: 02/22/89 TIME: 15:46

T/C NO: 89-02-290

DATE: 02-22-89
SPONSOR: SENATE HESS
SUBJECT: EXECUTIVE ORDER 72 - MEDICAID
MODERATOR. EVON
SITE: SITKA

PARTICIPANT LIST

TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. ED MALEWSKI/SITKA COMMMUNITY HOSPITAL		747-3241	
2.			
3.			

DELIVER TO: LIOCGLE

ORIGINAL
SENT: 02/22/89 TIME: 15:48
FROM: LIOCPSG
SUBJECT: PART. LIST
PRINT DATE: 02/22/89 TIME: 15:48

PARTICIPANT LIST FROM PETERSBURG #1

TO TESTIFY:
1. GARY GRANDY PSG. HOSPITAL SUPERINTENDENT.

OBSERVE.
1. NORMA TENFJORD HOSPITAL BOARD

DELIVER TO: LIOCGLE

ORIGINAL
SENT: 02/22/89 TIME: 15:51
FROM: LIOCVAL
SUBJECT: S.MESS;PL;MEDICAID;2-22-89
PRINT DATE: 02/22/89 TIME: 15:52

TC #: 89-02-290
SUBJECT: EXECUTIVE ORDER 72 - MEDICAID
SITE: VALDEZ

PARTICIPANT LIST #1

TO TESTIFY
1. JOY KEATING, VAL. COMMUNITY HOSP.

DELIVER TO: LTOGGLE

ORIGINAL
SENT: 02/22/89 TIME: 15:57
FROM: LTCCSOL
SUBJECT: 89-02-290;SHESS;EO72;PL#1;2-22
PRINT DATE: 02/22/89 TIME: 15:57

T/C NO: 89-02-290

DATE: 2-22-89
SPONSOR: SHESS
SUBJECT: EXEC.ORDER 72: MEDICAID
MODERATOR: ARLENE
SITE: SOLDOTNA

PARTICIPANT LIST

TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. DENNIS MURRY/H[illegible]RITAGE	232 ROCKWELL, SOLDOTNA	262-2545	EO 72
2.			
3.			
4.			
5.			

OBSERVER

PROVIDENCE HOSPITAL
3200 PROVIDENCE DRIVE
P.O. BOX 196604
ANCHORAGE, ALASKA 99519-6604
PHONE: (907) 562-2211

SISTERS OF PROVIDENCE
SERVING IN THE WEST SINCE 1856

February 15, 1989

MEDICAID RATE COMMISSION
RATE SETTING AND COMPLIANCE PROCEDURES
PROPOSED UNDER EXECUTIVE ORDER #72

		Due Date
I.	Facility Submits Annual Budget	60 days prior to commencement of new fiscal year.
II.	Medicaid Rate Commission Staff Analysis	Within 60 day period-subject to Rate Commission meeting schedule.
New Proviso		
III.	Rate Commission Recommendation of rate to Department of Health and Social Services.	
New Proviso		
III-A	Department of Health and Social Services review and establishment of rate.	Undetermined
IV.	Facility submits year end comformance report	Within 120 days of Fiscal year end date.
V.	Medicaid Rate Commission Staff analysis of conformance	Prior to commencement of next fiscal year.
IV.	Facility Audit (7AAC 43.693)	As time permits.

Note: Current status of Providence Hospital
Facility Audits: 1985 - Not Performed
1986 - Not Performed
1987 - Not Performed

DH:lp.0013h.2

PROVIDENCE HOSPITAL
3200 PROVIDENCE DRIVE
P.O. BOX 196604
ANCHORAGE, ALASKA 99519-6604
PHONE: (907) 562-2211

SISTERS OF PROVIDENCE
SERVING IN THE WEST SINCE 1856

February 15, 1989

MEDICAID RATE COMMISSION
RATE SETTING AND COMPLIANCE PROCEDURES

		Due Date
I.	Facility Submits Annual Budget	60 days prior to commencement of new fiscal year.
II.	Medicaid Rate Commission Staff Analysis	Within 60 day period-subject to Rate Commission meeting schedule.
III.	Rate Commission Establishment of Rate	Per scheduled meeting.
IV.	Facility submits year end comformance report	Within 120 days of Fiscal year end date.
V.	Medicaid Rate Commission Staff analysis of conformance	Prior to commencement of next fiscal year.
IV.	Facility Audit (7AAC 43.693)	As time permits.

Note: Current status of Providence Hospital
Facility Audits: 1985 - Not Performed
1986 - Not Performed
1987 - Not Performed

DH:lp.0013h.1

Official Business

COMMITTEE: Senate HESS

DATE: 11/1/89

SIGN-IN

Subject of meeting:
Executive Order 72
SB 166 —
Discussion of Effects Since Implemented

PLEASE PRINT!

NAME	ADDRESS (MAILING)	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
R. Keith Campbell	POB 365 Seward 99664	224-5200	HAA.	yes
Richard Jones	POB 430 Seward 99664	224-5241	Wesleyan Nursing Home	—
Mark Bartlund	1949 Gillam Way Fbks 99701	452-1921	Denali Center	
Harlow Kvandsen	319 Seward, Juneau	586-1790	Health Assn	
CHARLES P STOKES	HUMANA HOSPITAL ANCHORAGE 99504.	264-1703	HUMANA	
SHARON ANDERSON	HUMANA HOSPITAL-ALASKA 99504.	6960007	HUMANA	

Senate HESS - 11/1/89
Attendance List.

Name	Address	Phone #
Dennis Murray	232 Rockwell Soldotna, AK	262-2545
Mark Bertilrud	1949 Gillam Way. Fairbanks, AK	452-1921
Patricia Osborne	44539 Sterling Hwy Soldotna, AK	262-4750
Randall Nichols	250 Hosp. Pl., Soldotna AK	262-4404
Robert H. Ogden	9100 Centennial Dr.	333-8100
Sister Donna Taylor	3200 Providence Dr. P.O. Box 196604 Anchorage, AK 99519-6604	562-2211
DAVID HENNIGAN	SAME	261-3002

...ISTRATOR OF THE MEDICAID RATE COMMISSION. THERE IS A ...LONG AND REPEATED RECOMMENDATION TO DEVELOP A REVISED ...STATE HEALTH PLAN WHICH IS COMPREHENSIVE AND INVOLVES ...BLIC AND PROVIDER INPUT. SHE CONTINUED TO GIVE TESTIMONY ...PORTING EXECUTIVE ORDER 77.

...OMEN 254

...MMISSIONER MUNSON, DEPARTMENT OF HEALTH AND SOCIAL ...VICES, CAME BEFORE THE COMMITTEE MEMBERS. SHE REFERRED ... THE LETTER FROM THE GOVERNOR AND SAID IT POINTS OUT THAT ...IS IS NOT ABOUT WILDLY ESCALATING HEALTH COSTS. ...MMISSIONER MUNSON REFERRED TO THE FIRST TIME SHE HAD ...PEARED BEFORE THE SENATE HESS COMMITTEE, AFTER SHE WAS ...POINTED AND BEFORE SHE HAD BEEN CONFIRMED AS THE ...MMISSIONER. SHE SAID SHE HAD DISCUSSED THE PROBLEM OF ...E MEDICAID BUDGET AND THE NEED FOR ADDITIONAL RESOURCES ... BE PUT IN TO SUPPORT THE HEALTH CARE SYSTEM. SHE SAID ...NCTION IN THAT BUDGET WOULD NOT ONLY LEAD TO REDUCTIONS ... MEDICAID OPTIONS BUT ALSO, DEPENDING ON THE CUTS, ...CILITIES CLOSING. THAT WAS NOT NECESSARILY A PROBLEM OF ...TE SETTING. WHAT WAS UNCERTAIN WAS HOW MUCH SHOULD IT OR ...S' IT ACTUALLY COST TO RUN HEALTH FACILITIES AND INSURE ...ALITY PATIENT CARE IN THE STATE.

...MMISSIONER MUNSON REFERRED TO THE RISING HEALTH CARE ...STS AND SAID SHE DOESN'T KNOW WHY THE RATES ARE RISING. ...E SAID WE MUST BEGIN TO UNDERSTAND WHY AS THERE ARE VERY ...FFICULT DECISIONS FACING US ABOUT SUPPORTING THE HEALTH ...RE SYSTEM OF THE THE STATE. SHE SAID THEY ESTIMATE A $25 ...LLION CONTINGENT LIABILITY WITH THE FEDERAL GOVERNMENT ...ALTH CARE FINANCING AGENCY OVER THE RATES THAT WERE SET ...R LONG TERM CARE. COMMISSIONER MUNSON SAID THIS IS BEING ...TIGATED WITH THE FEDERAL GOVERNMENT IN ORDER TO ASSURE ...XIMUM FEDERAL PARTICIPATION IN THE RATES THAT ARE PAID TO ...EALTH CARE FACILITIES. SHE NOTED THE RATES IN ALASKA ARE ...IGH COMPARED TO OTHER STATES. COMMISSIONER MUNSON ...NTINUED TO DISCUSS HER FEELINGS WITH REGARD TO THE ...EDICAID RATE COMMISSION AND THE RATE SETTING PROCESS.

...MMISSIONER MUNSON SAID AN INDEPENDENT COMMISSION CAN ...NCTION WELL OR BADLY AND THE DEPARTMENT CAN FUNCTION WELL ... BADLY. SHE SAID AT THE TIME WHEN RATE SETTING WAS MOVED ...TO AN INDEPENDENT COMMISSION, THE RATE SETTING PROCESS ...AS OUT OF CONTROL. THAT WAS BECAUSE OF POOR ...MINISTRATION. SHE SAID THE STAFF OF THE RATE COMMISSION ...LL REMAIN IN TACT AND, IF THE GOVERNOR'S BUDGET IS ...PROVED, THERE WILL BE AN ADDITIONAL PERSON. THE ...MMISSION WILL BE LOCATED WITHIN THE COMMISSIONER'S OFFICE ...D WILL PROBABLY REPORT TO THE DEPUTY COMMISSIONER. ...MMISSIONER MUNSON SAID IT IS HER INTENTION TO HAVE THE ...VISORY COMMISSION BE VERY STRONG AND THEY WOULD STILL ...NSIDER ALL THE RATES AND MAKE A FORMAL RECOMMENDATION. ... IS HER INTENTION THAT ALL PROPOSED REGULATIONS COME ...EFORE THE RATE COMMISSION BEFORE COMING TO HER FOR ...NSIDERATION EXCEPT IN THE CASE OF AN EMERGENCY. SHE SAID ...E ISN'T CONTEMPLATING ANY MAJOR CHANGES.

...OMEN 409

...NATOR JONES ASKED COMMISSIONER MUNSON IF SHE HAD ANY ...OBLEMS WITH THE COMMISSION SETTING RATES AND DETERMINING ... WHAT THE COSTS REALLY ARE IN HOSPITALS. COMMISSIONER ...UNSON SAID SHE DIDN'T HAVE A PROBLEM AND PLANS TO RELY ...T ON THE COMMISSION'S ADVICE TO SEE THAT THE RATES SHOULD ... SAID THE ACCOUNTING IS EXTREMELY COMPLICATED AND

Minutes S-HESS Attachment Feb. 22, 85

...FF FOR ANALYSIS. COMMISSIONER MUNSON SAID SHE WOULD ...E TO SEE THE WORK BE CONSISTENT AND TO ANALYZE WHY IT ...S WHAT IT DOES. SENATOR JONES ASKED WHAT COULD BE MORE ...SISTENT THAN THE WAY THE COMMISSION IS WORKING AT THE ...SPOT TIME. HE SAID THESE PEOPLE ACTUALLY WORK IN THE ...IES. SENATOR JONES SAID HE FEELS IT IS IMPORTANT THAT ... COMMISSION SAY OUTSIDE OF THE COMMISSIONER'S INFLUENCE.

...MISSIONER MUNSON SAID THE STAFF OF THE RATE COMMISSION ... THE RATE COMMISSION HAD ALERTED HER THAT TWO HEALTH ...CILITIES WOULD COME TO HER AND SAY THEY WERE ON THE VERGE ... CLOSING IF SOMETHING DOESN'T HAPPEN. SHE SAID IN ...HER CASE, ST. ANN'S OF DENALI, DID THE COMMISSION MAKE ...INDING THAT UNDER THE REGULATION THESE FACILITIES MIGHT ...SE. SHE CONTINUED TO DISCUSS THIS SUBJECT.

...ATOR DUNCAN SAID THE ONLY ACTION THE COMMITTEE COULD ...E ON EXECUTIVE ORDER 72 WOULD BE TO HAVE A RESOLUTION ...ONE THEM. HE SAID EXECUTIVE ORDERS CAN BE OVERTURNED ... A CONCURRENT RESOLUTION IS PASSED BY BOTH BODIES. HE ...D THERE HAD NOT BEEN SUCH A RESOLUTION INTRODUCED BY ...HER BODY, HE ADDED.
...REP ATA

...PE BEING NO FURTHER BUSINESS BEFORE THE COMMITTEE, ...ATOR DUNCAN ADJOURNED THE SENATE HEALTH, EDUCATION, AND ...CIAL SERVICES COMMITTEE MEETING AT 5:05 P.M.

February 22, 1979 HESS Meeting

Wesleyan Nursing Home, Inc.
431 First Avenue
Box 430
Seward, Alaska 99664
(907) 224-5241

October 26, 1989

The Honorable Paul Fischer
P.O. Box 784
Soldotna, Alaska 99669

Re: Department of Health and Social Services

Dear Senator Fischer:

In response to your request for Health Association members to participate in the Senate HESS meetings in Soldotna on Nobember 1, 1989, I submit the following information.

I strongly urge the Senate to rescind Executive Order 72 and reinstate the Medicaid Rate Advisory Commission as the rate-setting entity for health care facilities in Alaska. I have served as the Administrator of Wesleyan Nursing Home since February, 1989, and during that short time have observed first-hand the following serious problems with the Medicaid reimbursement process as it currently functions.

Wesleyan is a long-term care facility primarily treating patients who are diagnosed as mentally retarded or mentally ill. Approximately 90 percent of Wesleyan's patients are Medicaid patients. Wesleyan has the lowest long-term care rate of any facility in the state -- 30 percent below the weighted average set by the MRAC for any other long-term care facility. Despite the fact that it is more costly to treat MR patients than geriatric patients, Wesleyan's rate is $100 per day lower than Mary Conrad Center or Heritage Place.

Certification and licensing auditors from the Department of Health and Social Services conducted a review of Wesleyan's operations in December of 1988. As a result of that review, Wesleyan was placed on slow track decertification, citing the following deficiencies:

1. Deficient Ancillary therapy services;
2. Total absence of In-service training;
3. Failure to repair and maintain physical plant and facilities to such a serious extent that safety and sanitation standards were threatened;

Wesleyan was given 30 days to correct these deficiencies or be closed down by the state.

Wesleyan made dramatic improvements and avoided the threatened closure. The expenses incurred in upgrading the services and the facility in early 1989 (FY'89) would not ordinarily be taken into consideration in the rate-setting process for FY'90. The current Medicaid rate-setting system is a "history"-based system. The 1990 rate would therefore be based on 1988 expenses. Therefore Wesleyan requested an exception to the standard rate-setting methods in a hearing before the Medicaid Rate Advisory Commission on August 29, 1989. The exception request encompassed these areas:

1. Volumes rebase;
2. Ancillary therapy;
3. In-service training;
4. Repairs and maintenance;
5. Labor negotiation costs.

A copy of the exception request is enclosed for your information.

As was pointed out to the Advisory Commission, the State regulations and the State plan with the Federal Health Care Financing Administration require that the MRAC consider any unusual circumstances in determining whether to grant an exception to a facility's rate.

At the August 29 hearing, the MRAC voted unanimously to grant a volumes rebase, so that volumes used in the rate calculations would more accurately reflect current patient volume rather than using the higher history volumes that had resulted in a lower rate. Volumes are critical factors in determining rates. When base costs are divided by higher volumes than a facility is currently experiencing, patient day rates go down. When accurate current volumes are used in the calculations, the patient day rates correlate more reasonably to current costs.

The MRAC voted unanimously to reimburse Wesleyan for the mandated Medicaid ancillary therapy costs, and in-service training expenses. By a 3-1 vote, MRAC voted to grant the requested exception rate increase for repairs, maintenance, infection control and sanitation. The vote on the labor negotiations request was 2-2, resulting in no position being taken by MRAC on this issue.

The MRAC did not reach these decisions lightly, or based on superficial information. The hearing lasted more than three hours. Wesleyan brought its financial consultant, Donna Herbert, to the hearing to assist in the presentation and answer questions. During the presentation, the MRAC members and staff members, Jack Nielson and Mary Hilton asked numerous questions and there was a complete and thorough discussion of all exception issues. Commissioner Myra Munson did not attend the hearing, but was represented by her designee, Frank Hickey, who voted in favor on four of the five exception requests.

Wesleyan's representatives left the hearing feeling confident they would be allowed to continue to function as a viable health care provider, based on MRAC's granting of their requested

exceptions resulting in a reimbursement rate of $152.71 per patient day. While this rate still left Wesleyan with the lowest reimbursement rate of any long term care faility in the state, it was adequate to cover base costs. When the decision and order letter was received, the rate was set at $140.98 per patient day, which left Wesleyan with a $239,795 shortfall for FY'90. No explanation for the rate reduction was given.

In a telephone conversation with Jack Nielson concerning the rate reduciton, Donna Herbert was advised that Commissioner Munson had directed him to recalculate the rate based on Wesleyan's patient volume for 1987, 1988 and 1989. These were volumes much higher than Wesleyan's current volume. The three-year average of volumes for 1988, 1989 and the projected 1990 volume on which MRAC granted the $152.71 rate at the August 29 hearing was the same formula followed by MRAC in granting recent rate exceptions to two other health care facilities. Commissioner Munson did not overturn those rate exceptions.

Commissioner Munson directed MRAC staff to disregard the entire hearing process, and to recalculate Wesleyan's rate based on arbitrary and unsubstantiated criteria; the formula she dictated has not been used in any other facility's rate calculation. She did not listen to any discussion of the important points affecting Wesleyan Nursing Home; however, she unilaterally overruled every single decision made by the MRAC. The five members of the MRAC are people with impressive credentials and with relevant expertise in the health care field. As required by statute, the MRAC membership includes a certified public accountant, a hospital administrator, a physician, an attorney and Commissioner Munson or her designee. If Commissioner Munson fails to attend a hearing, she has a moral responsibility to rely on the counsel and recommendations of her designee.

Wesleyan's request for a rate exception was not frivolous. In FY'86, Wesleyan's cash on hand was $1.3 million (due in large part to generous church-affiliated support and donations, which are no longer available). Their operating loss in FY'88 was $465,280; in 1989 it was $896,981. These losses are the direct result of an inadequate reimbursement rate for more than three years, and have left Wesleyan with current cash reserves of less than $150,000.

Wesleyan cannot continue to function with rates that do not cover its costs. If the facility is forced to close, its Medicaid patients must be transferred to other facilities in the state, any of whose rate is higher than even the $152.71 rate granted by MRAC. Should Wesleyan close, the State of Alaska would be forced to pay approximately $100 more per patient day than it pays Wesleyan to care for its patients.

Following Commissioner Munson's unilateral overruling of MRAC's recommendations, Wesleyan considered its options for relief. An appeal was considered, but the backlog of appeals is so great that the earliest time a decision could be expected would be two years away. Wesleyan cannot function for two years without adequate funding. The appeal process was disregarded, because Commissioner Munson has vetoed or otherwise remanded the vast majority of

favorable decisions handed down by the appeals hearing officer for the past several months. It is clearly futile to force a facility to go through the arducus appeal process when the ultimate decision maker is the person who set the rates in the first place.

Seeing no alternative, Wesleyan has filed an action for relief in the Alaska Superior Court, asking only that the well-reasoned decision of the Medicaid Rate Advisory Commission be reinstated.

I believe that most, if not all of these deficiencies in the current system could be remedied if the Medicaid Rate Advisory Commission has restored to it the rate-setting decision powers it held prior to the enactment of Executive Order 72.

As a health care faiclity administrator, I take very seriously the responsibility of providing quality care for the Medicaid patients in the State of Alaska. I am grateful that you as a legislator have exhibited the concern for those patients, and are allowing an opportunity for health care providers to help explore remedies to this serious situation. I look forward to meeting with you in Soldotna on November 1.

Very truly yours,

Richard Jones, Administrator
Wesleyan Nursing Home

RJ:ap

Enclosure

ATTACHMENT

COPY

Wesleyan Nursing Home, Inc.
431 First Avenue
Box 430
Seward, Alaska 99664
(907) 224-5241

August 23, 1989

State of Alaska
Medicaid Rate Advisory Commission
PO Box 240249
Anchorage, AK 99524-0429

Dear Commission Members:

When I appeared before you on June 29, I informed you that Wesleyan Nursing Home was in very serious financial condition. The cash reserves in 1985 of $1,300,000 has been depleted to $250,000 in 1989 and that we were losing $60,000 per month. My concern was that the proposed rate of $130.72 was so far below expenses, that the facility could not continue in this mode of operation.

At that time I also suggested that Wesleyan should consider classification as a MR and/or MI facility since the majority of residents treated at the facility are MR or MI rather than geriatric residents. Since I spoke to you on June 22, I have had a great deal of assistance and enlightenment from Karen Martz, Mary Hilton, Jack Nielson, Donna Herbert and a team from the Division of Mental Health and Developmental Disabilities. Each of them have worked closely with me to bring clarity into the current situation. They have each assisted me in identifying and recreating what problems in the past may have lead into the serious predicament that we face today.

It has been clearly reinforced to me by the Health Division (DMA) that Wesleyan historically and currently provides services to MR & MI residents appropriately within its ICF certification and license. Further, that due to the type of MR

and MI residents at Wesleyan a MR / MI unit should not be designated within the facility. The types of MR and MI residents located at Wesleyan receive "educational" therapy not restorative "active treatment" program therapy as is provided at API and Harborview. To illustrate by example, one of our MR residents is 38 years old. However, mentally she is 14 months old, is on a baby bottle, wears diapers and walks on her tip-toes (as would an infant at that stage of development). She is unable to communicate (as are several of our MR & MI residents), and requires constant attention on an almost one to one basis in a similar manner as you would expect to find in any home where an infanct is present. Two of our residents are both MR and MI. The care planning and assessment process is much more involved, requires more staff time, and a broader spectrum of input in the interdisciplinary approach than is required for geriatric residents.

If a MR / MI disignated unit were "created" the types of programs that would be required to be developed and provided would be "active treatment" programs. The costs associated with the new service program would be significantly higher than experienced with the current program. This would be viewed as an unnecessary duplication of service programs currently provided by API and Harborview. Residents needing "active treatment" program development are initially admitted to API or Harborview. Then, after improvement or stabilization of the residents' condition is achieved the resident is transferred to Wesleyan which provides a long term educational program in a less institutionalized or structured setting. Later, with continued progress, some residents are able to be transferred to shelter homes, foster homes, domiciles, sheltered educational workshop programs and near independent living in the residents home community. This

system is supported by all effected facilities, the Health Division (DMA) and the Division of Mental Health and Developmental Disabilities. The system currently in place works well, has appropriate goals including the active participation of community based mental health counseling services and the current system of utilizaing Wesleyan as the second program step resource should not be changed.

As you are aware the Wesleyan Nursing Home rate is over 30% below the weighted average of the other free standing under 100 bed facilities. After reviewing past years records, staff reports and rates with your staff when they were kind enough to visit the facility, it appears that there were many reasons for the low rates that were set over the years that depleted all cash reserves.

A new management team is in place at Wesleyan. This new management team is supported and supplemented by the assistance of financial, planning and quality of care consultants and by a new open working relationship with the MRAC staff, Health Division and the Division of Mental Health & Developmental Disabilities.

Our facility has taken steps to correct the past deficiencies that were due to previous errors and omissions. However, under the current methodology, there is no mechanism to adjust base years. Therefore our costs are contained from base year even though the base years were incorrect. It is my understanding that corrections cannot be made for prior years, but there are two current problems that also effect the low rates:

1. That 1990 routine rates are being set using 1985 volumes from the "F" calculation.

2. A substantial portion of current costs, many of which are required by certification and licensing are not in our base year.

FINANCIAL CONSULTANTS OF ALASKA

Donna Herbert, owner

174 S. Franklin St.
Suite 229
Juneau, Alaska
99801

(907) 586-9565

COPY

ATTACHMENT

August 23, 1989

State of Alaska
Medicaid Rate Advisory Commission
PO Box 240249
Anchorage, Ak 99524-0429

Dear Commission Members:

Wesleyan Nursing Home is bringing forward to the Commission a number of important issues for your consideration during the meeting of August 29, 1989.

The issues and their impact on Wesleyan's rate that we bring before you today are:

	Exception Request	Staff Proposal
Volumes Rebase	$143.39	$131.81
Ancillary Therapy	$6.28	-0-
Inservice Training	$1.24	-0-
Repairs & Maintenance	$1.80	-0-
Labor Negotiations	$1.00	-0-
Total Rate:	$153.71	$131.81

Thank you for your understanding and consideration of these issues, each of which has a significant impact on Wesleyan Nursing Home.

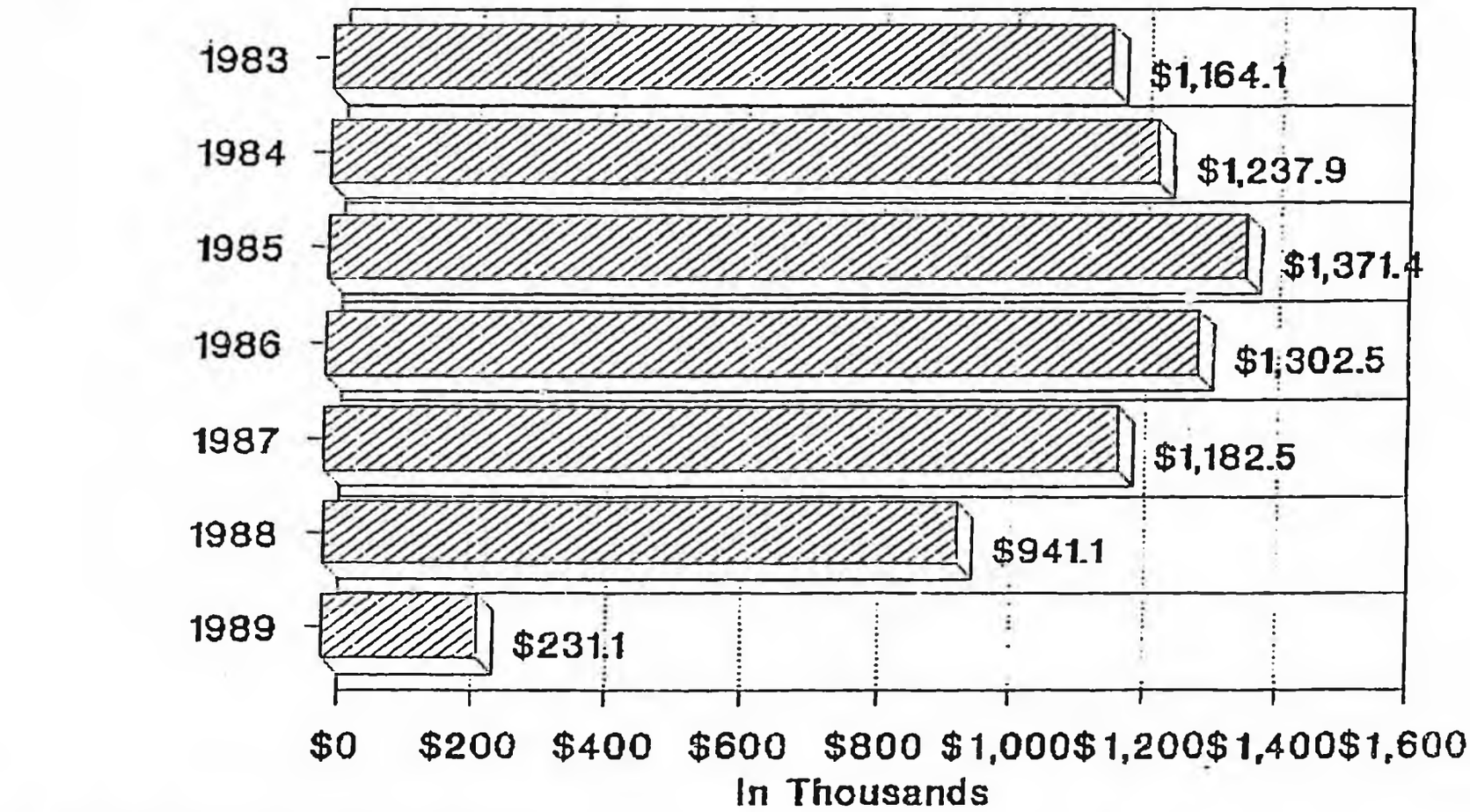
FOR WESLEYAN NURSING HOME:

Donna Herbert

Donna Herbert,
Financial Consultants of Alaska

WESLEYAN NURSING HOME

Cash Position - '83 to '89



by: Financial Consultants of Alaska

WESLEYAN NURSING HOME
Seward, Alaska

08/24/89

CASH and OPERATING LOSS POSITION

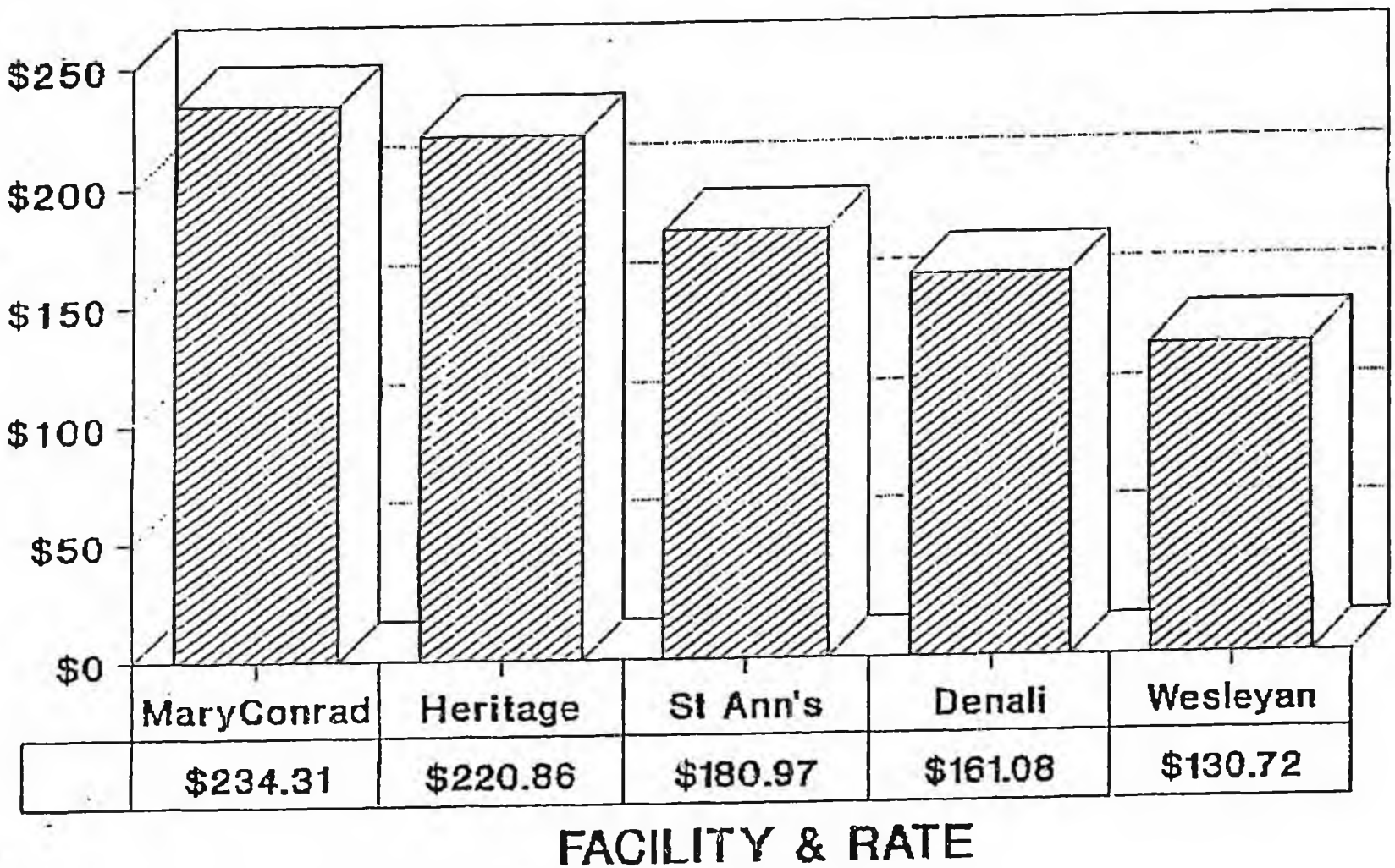
	F/Y 1983	F/Y 1984	F/Y 1985	F/Y 1986	F/Y 1987	F/Y 1988	F/Y 1989*	As Of 08/15/89
Cash	$1,164,087	$1,237,918	$1,371,411	$1,302,510	$1,182,448	$941,051	$393,981	$231,118
Operating Loss	($12,818)	($168,836)	($161,757)	($184,479)	($291,760)	($465,290)	($714,056)	n/a
Other Sources of Revenue	$209,156	$228,361	$227,808	$228,635	$177,691	$154,056	$124,056	$69,937 **
Revenue over Expense	$196,338	$59,525	$66,051	$44,156	($114,069)	($311,234)	($590,000)	n/a

*From General Ledger before final audit.

**1990 Revenue Sharing

1989 REIMBURSEMENT RATES

Free Standing Nursing Homes



by:. Financial Consultants of Alaska

WESLEYAN NURSING HOME
Seward, Alaska

08/21/89

EXPENSES vs REIMBURSEMENT

	F/Y 1984	F/Y 1985	F/Y 1986	F/Y 1987	F/Y 1988	F/Y 1989	F/Y 1990	TOTAL Over 7 Years
Total Facility Expenses:	$1,997,846	$2,136,860	$2,244,725	$2,341,184	$2,673,871	$2,948,896	$3,243,786	
$$ Increase:		$139,014	$107,865	$96,459	$332,687	$275,025	$294,890	$1,245,940
%% Increase:		6.96%	5.05%	4.30%	14.21%	10.29%	10.00%	62.36%
Total Patient Days:	23,029	23,340	22,682	21,298	21,465	18,440	19,710	
Rate Based on Actual Expenses:	$86.75	$91.55	$98.97	$109.93	$124.57	$159.92	$164.58	
Approved Medicaid Rate:	$81.40	$85.25	$90.09	$97.14	$103.21	$113.52	$130.72	
Rate Differential:	$5.35	$6.30	$8.88	$12.79	$21.36	$42.40	$33.86	
Total Facility Expenses:	$1,997,846	$2,136,860	$2,244,725	$2,341,184	$2,673,871	$2,948,896	$3,243,786	$17,587,168
Reimbursement:	$1,874,561	$1,989,735	$2,043,421	$2,068,888	$2,215,403	$2,167,069	$2,576,491	$14,935,567
Other Revenue Sources:	$228,361	$227,808	$228,635	$177,691	$154,056	$124,056	$90,400	$1,231,007
REIMBURSEMENT EXCESS or (SHORTFALL)	$105,075	$80,683	$27,331	($94,605)	($304,412)	($657,771)	($576,895)	($1,420,594)

WESLEYAN NURSING HOME
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

PATIENT DAY VOLUMES

SYNOPSIS: Under the current rate-setting methodology, the routine component of the LTC rate is calculated using 1985 patient days as a base. A general statewide drop in census, along with the opening of Heritage Place, has resulted in Wesleyan volumes falling 27% since 1985. As an exception to normal practice, Wesleyan Nursing Home requests that a more realistic number of patient days be used in the calculation of the 1990 rate.

DISCUSSION:

PATIENT DAYS

	TOTAL	MEDICAID
1983	23,026	20,723
1984	23,029	20,956
1985	23,340	21,029
1986	22,682	20,243
1987	21,303	19,225
1988	21,465	19,298
1989	18,440	16,596
1990 - Based on 54 Patients	19,710	16,500
1988-1990 3-Year Average:	19,872	17,465

1985-1989 Decrease: -26.57%

Please also refer to patient census and discharge data on page 15.

WESLEYAN NURSING HOME
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

PATIENT DAY VOLUMES (Cont'd)

The patient day average over a three year period has been used previously by the Medicaid Rate Advisory Commission when granting volume exceptions.

	AS PROPOSED	VOLUME EXCEPTION
	1985 DAYS	THREE-YEAR AVERAGE
ROUTINE	$2,249,246	$2,249,246
Patient Days	22,683	19,872
Routine Component	$99.16	$113.19
"F" Calculation Adj.	5.45	.54
Inflation Adj.	4.66	5.32
Total Routine Rate:	$109.27	$119.05
	1988 DAYS	THREE-YEAR AVERAGE
CAPITAL	$125,459	$125,459
Patient Days	21,465	19,872
Total Capital Rate:	$5.92	$6.31
	MEDICAID 1988 DAYS	MEDICAID THREE-YEAR AVERAGE
ANCILLARY		
Net Cost	$258,516	$258,516
Patient Days	19,298	17,465
Total Ancillary Rate:	$13.39	$14.80
Wesleyan Rate Sub-Total:	$128.58	$140.16
Year-End Conformance:	$3.23	$3.23
FY'90 WESLEYAN RATE:	$131.81	$143.39

WESLEYAN NURSING HOME
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

PATIENT DAY VOLUMES (Cont'd)

PETITION TO THE COMMISSION:

Wesleyan Nursing Home requests the Commission to consider this critical volume issue and rebase the FY'90 "F" calculations using three-year average patient days, rather than 1985 patient days. Further, Wesleyan requests that the Commission instruct staff to calculate the ancillary component on the Medicaid three-year average volumes rather than the 1988 Medicaid days. This exception will add $11.58 per LTC day to the proposed rate.

WESLEYAN NURSING HOME
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

ANCILLARY THERAPISTS AND CONSULTANTS

SYNOPSIS: The state survey performed at Wesleyan Nursing Home in FY'89 cited the facility for the complete lack of occupational, physical, and speech therapists, lack of social workers, and inadequate recreational therapy department and programs.

DISCUSSION: In the table below, the therapy consultant and salaries for 1988 total $2,079. Every LTC nursing home in the state is required to staff these ancillary departments with licensed consultants or licensed staff employees. Wesleyan has hired consultants and employees in each of the departments listed. There is $109,733 of Medicaid Specific Ancillary Costs not included in their 1988 base rate. The partial Certification Report that is enclosed in the back of your packet has many of those deficiencies highlighted in yellow.

ANCILLARY THERAPIES NOT INCLUDED IN 1988 BASE

	1990 Expenses	1988 Base
OCCUPATIONAL THERAPY	55,253	1,640
PHYSICAL THERAPY	28,062	440
SPEECH	16,260	-0-
DIETICIAN	1,096	-0-
SOCIAL WORKER	1,696	-0-
RECREATIONAL THERAPY:		
2 Activities Aides	15,683	-0-[1]
1 Recreat. Therapist Consultant	6,840	-0-
TOTAL ANCILLARY THERAPIES	124,890	2,079
Less 1988 Costs in Base		
Plus 9.8% Inflation	<2,283>	
	122,607	
MEDICAID SPECIFIC (@ 89.50%)	109,733	
TOTAL AVERAGED MEDICAID DAYS	17,465	
REQUESTED EXCEPTION FOR ANCILLARY THERAPIES -	$6.28 PER DAY	

[1] Recreational Therapy is a part of expanded services due to certification in FY-89.

WESLEYAN NURSING HOME
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

ANCILLARY THERAPISTS AND CONSULTANTS (Cont'd)

PETITION TO THE COMMISSION:

Wesleyan Nursing Home requests the Commission to consider the allowable therapy cost required by certification and by quality patient care logic and set a rate that includes an Ancillary Exception of $6.28 per LTC day.

WESLEYAN NURSING HOME
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

REPAIR AND MAINTENANCE

SYNOPSIS: Wesleyan Nursing Home had many deficiencies for repair and maintenance in the 1989 certification report. Wesleyan demonstrated to staff in a walk through the facility that repairs have been sadly neglected.

DISCUSSION: For the entire 1988 fiscal year, Wesleyan had repair and maintenance costs of only $3,348. In a building that is 37 years old, the lack of costs speaks to the many repairs that must be done to meet certification health and safety standards. The administrator has carefully inspected the facility and listed the deficiencies that must be corrected. I have enclosed a partial list of those repairs in the back of your packets. The partial certification report that is enclosed has many of those items marked in green.

The estimate of the repair costs is $39,500. $35,824 of those costs are not in the base year.

REPAIR AND MAINTENANCE

	1990	1988
REPAIR & MAINTENANCE EXPENSE	39,500	3,348
Less 1988 Costs plus Inflation in Base	<3,676> 35,824	
PATIENT DAYS	19,872	
TOTAL EXCEPTION REQUESTED	$ 1.80	

The majority of the deficiencies on repairs, infection control and sanitation were cited on the state survey.

PETITION TO THE COMMISSION:

Wesleyan Nursing Home requests that the Commission consider the badly needed repair costs and grant an exception of $1.80 per LTC day for repairs.

WESLEYAN NURSING HOME
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

INSERVICE TRAINING

SYNOPSIS: The 1989 Certification Review cited Wesleyan Nursing Home for a total lack of inservice training programs for the nursing staff. In 1988, Wesleyan recorded no inservice training costs.

DISCUSSION: Prior to the State's Certification Review, Wesleyan hired Whitman Nursing Consultants to review the facility before the State survey team's arrival. Marian Caudill performed the management certification survey and produced a 20-page report which delineated potential certification deficiencies that needed to be corrected before review.

Inservice training programs have been initiated and scheduled since the time of the State survey.

INSERVICE TRAINING

	1990		1988
STAFF IN SERVICE[2]	15,460	.78	-0-
BOARD AND ADMINISTRATION	5,000	.25	-0-
MANAGEMENT CERTIFICATION[3]	4,177	.21	-0-
	24,637		
PATIENT DAYS	19,872		
TOTAL EXCEPTION REQUESTED	$ 1.24		

PETITION TO THE COMMISSION:

Wesleyan Nursing Home requests the Commission to consider the inservice training and allow an additional $1.24 per LTC day.

---

[2] Cited in Survey.

[3] Hired prior to survey to correct deficiencies.

WESLEYAN NURSING HOME
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

LABOR NEGOTIATION FEES

SYNOPSIS: Wesleyan Nursing Home hired a labor negotiating firm to negotiate its labor-union negotiations. Failure to do so would have resulted in even higher salaries and benefits than the facility has been forced to comply with.

DISCUSSION:

LABOR NEGOTIATION FEES

	1990	1988
WILCOX (Law Firm)	19,822	-0-
Patient Days	19,872	
TOTAL EXCEPTION REQUESTED	$ 1.00	

PETITION TO THE COMMISSION:

Wesleyan Nursing Home requests the Commission to grant a $1.00 per LTC day increase in the rate for legal fees that were not included in base years.

WESLEYAN NURSING HOME
Seward, Alaska

PATIENT CENSUS

	1985	1986	1987	1988	1989
Jan	64	62	58	54	51
Feb	63	64	59	54	47
Mar	63	62	61	52	48
Apr	63	64	58	57	45
May	64	62	56	58	49
Jun	64	61	57	56	49
Jul	62	56	59	53	50
Aug	61	57	60	51	
Sep	63	57	62	51	
Oct	62	57	59	53	
Nov	63	61	60	52	
Dec	62	60	57	50	

PATIENT DISCHARGES

Home	4	8	5
Expired	5	11	6
OLOC	1	2	
Pioneer's			2
Heritage Place	2	2	1
HarborView		3	1
API	2	5	6
Other	1	1	3

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: EO 72
PUBLISH DATE: 1/9/89

No. 13

FISCAL NOTE

REQUEST:

Revision Date: /
Title: Executive Order making the Medicaid Rate Commission advisory
Sponsor: Rules Committee /
Requestor: Governor /

Agency Affected: Health & Social Services
BRU: Medicaid Rate Commission
Components: Medicaid Rate Commission

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The Division does not anticipate a change in appropriations for the Medicaid Rate Commission as a result of passage of this bill.

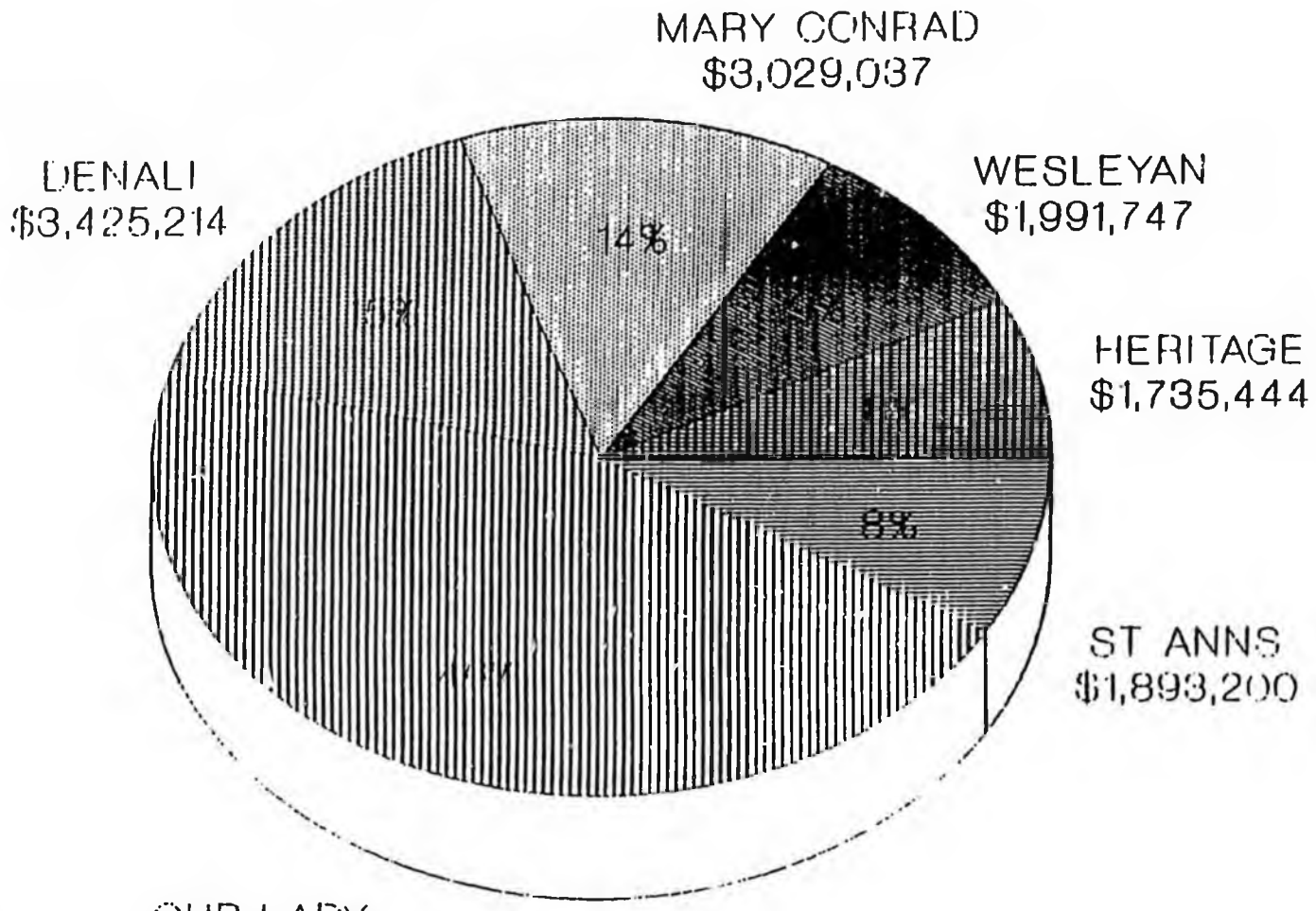
Prepared by: FOR: Kim Busch
Division: Medical Assistance
Phone: 465-3355
Date: 11/11/88

Approved by Commissioner: (R) Myla M Nicholson
Agency: DHSS
Date: 12-89

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Fiscal Note

LTC MEDICAID REIMBURSEMENT
F/Y 1988



by Financial Consultants of Alaska

Chart #4

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 1989

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Kelly:

Under the authority of art. III, sec. 23, of the Alaska Constitution, I am transmitting Executive Order No. 72, transferring the rate-setting function, and some other related functions, regarding hospitals and long-term-care facilities under the medicaid and general relief-medical programs from the Medicaid Rate Commission to the Department of Health and Social Services. In line with that transfer, and in recognition that the commission will be providing advice to the department on rate-setting, the Executive Order changes the name of the commission to the Medicaid Rate Advisory Commission.

The Order reassigns the function of rate-setting to the department, to link it with the department's policy-setting and budgeting functions for the two programs, thus increasing overall efficiency in the administration of these closely integrated functions.

This transfer will allow the state to take effective management control so that rates set, in the aggregate, meet federal standards, thus assuring that the receipt of federal money under the medicaid program is not put in question by the rate-setting process. Additionally, this transfer will enable better management of the resources that Alaska allocates to the institutional care of its needy citizens and for better evaluation of the effectiveness of those services.

In summary, transferring the rate-setting function, and some other related functions, of the Medicaid Rate Commission to the Department of Health and Social Services will produce a single, more effective, and economically sound way of setting rates and developing policy for institutional care provided to needy Alaskans under these programs. I find that this transfer is necessary for the efficient administration of these programs.

Sincerely,

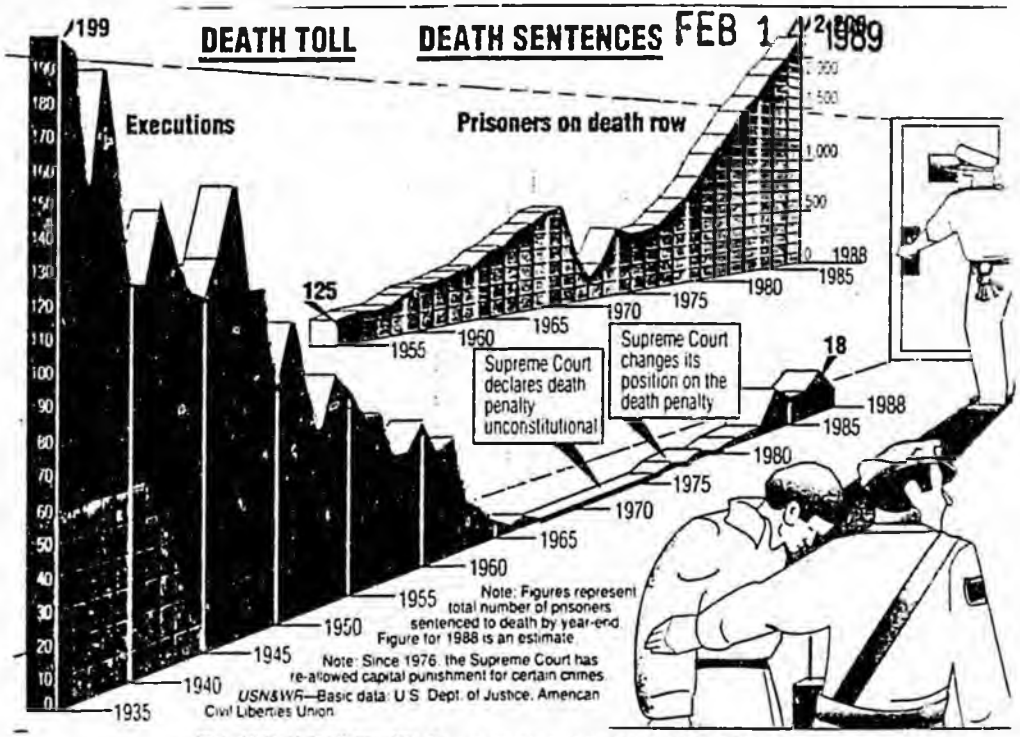
Steve Cowper
Governor

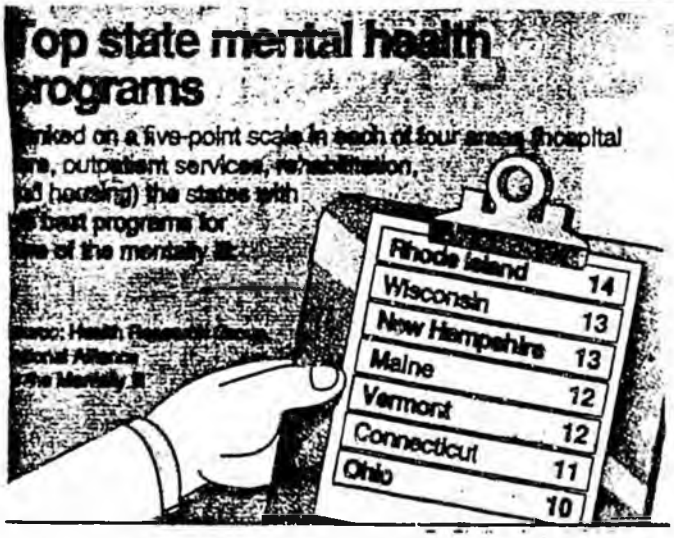
WOMEN NEED MEN TO PLAN; MEN NEED WOMEN TO CHANGE THE PLAN.

Hospital-room costs for an average stay

	Charge	Average length of stay (in days)
Dist. of Columbia	$3,451.58	7.8
New York	$2,415.55	9.2
Massachusetts	$2,384.92	7.7
Connecticut	$2,376.30	7.3
California	$2,331.01	6.4
Pennsylvania	$2,236.87	7.5
Vermont	$2,227.07	7.4
Rhode Island	$2,198.88	8.0
Minnesota	$2,172.60	9.0
Michigan	$2,134.52	7.3
Montana	$2,081.44	9.4
Delaware	$2,068.28	6.9
Hawaii	$2,022.09	7.9
Illinois	$2,007.84	7.4
Maine	$2,005.57	7.9
North Dakota	$1,972.03	10.1
Alaska	$1,918.62	5.7
Ohio	$1,895.98	6.9
U.S. average	**$1,817.14**	**7.2**
Colorado	$1,795.04	6.9
Nebraska	$1,746.24	9.6
New Jersey	$1,714.43	7.5
Missouri	$1,697.85	7.5
South Dakota	$1,675.96	9.2
Kansas	$1,667.17	7.8
Iowa	$1,663.29	8.2
Maryland	$1,634.07	7.1
Idaho	$1,603.55	6.5
Washington	$1,602.44	5.7
New Hampshire	$1,580.54	6.4
Florida	$1,520.68	7.0
Oregon	$1,502.07	5.3
Indiana	$1,452.56	6.5
Wisconsin	$1,451.10	7.5
Arizona	$1,441.43	5.9
Nevada	$1,398.06	6.0
Virginia	$1,388.97	7.1
Wyoming	$1,373.71	7.1
Kentucky	$1,363.07	6.4
North Carolina	$1,357.85	7.2
New Mexico	$1,335.45	5.7
West Virginia	$1,333.41	6.8
Utah	$1,309.39	5.4
Alabama	$1,279.88	7.0
Louisiana	$1,266.24	6.3
Oklahoma	$1,231.33	6.7
Texas	$1,214.64	6.2
Tennessee	$1,195.53	7.0
South Carolina	$1,192.38	7.0
Georgia	$1,108.42	6.9
Arkansas	$1,011.71	6.6
Mississippi	$ 955.40	6.8

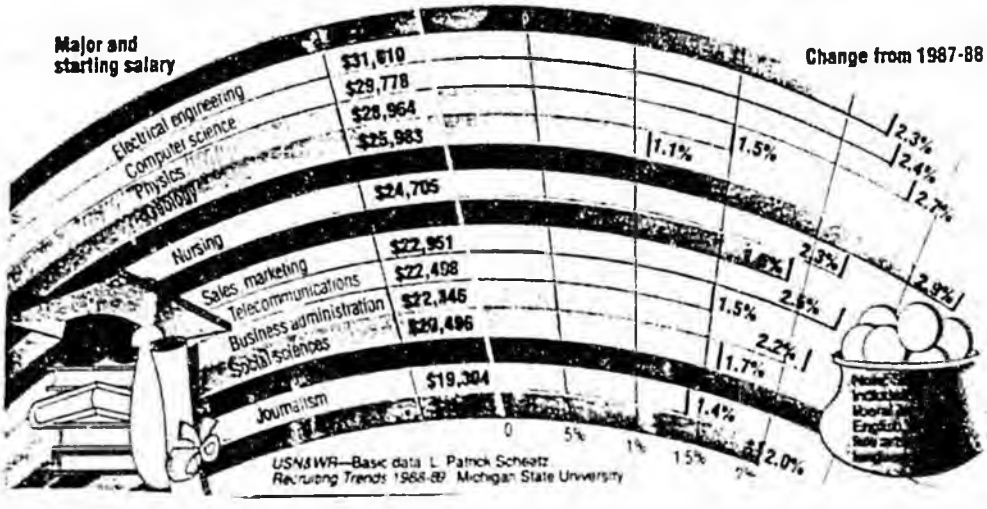
Note: Costs are as of January 1988, refer to hospital semiprivate-room rates only and exclude all other hospital expenses; hospital stay figures are based on 1987 information.
USN&WR—Basic data: Health Insurance Association of America, *AHA Hospital Statistics, 1988 edition*, American Hospital Association





PAPER-CHASE PAYOFF

Estimated starting salaries for 1988-89 college graduates holding bachelor's degrees



FEB 1 3 1989

Heritage Place

232 Rockwell Avenue
Soldotna, Alaska 99669
907-262-2545

February 8, 1989

Senator Paul Fischer
P.O. Box V-MS 3100
Juneau, Ak. 99811

Dear Paul:

Thanks for your call on the request you had from Sharon Cates. As I reported on the phone, the situation is not an easy one. Persons whose income is above the medicaid limit of $1,104/month are simply falling through the cracks under the present system of payment for long term care. As Sharon may have noted, the family has applied for Ms. Cates to enter the Anchorage Pioneer Home. However, they have been informed that Ms. Cates is #19 with a wai of a minimum of one year or more.

I encouraged Sharon to contact you as I know you are a strong advocate for your constituents. I hope that was ok.

I shared with Sharon the disparity of treatment of elderly Alaskans as to long term care assistance. As we discussed on the phone, the legislature will probably not bat an eye lash on funding $2.5 million for operation of the Juneau facility. Yet, you may find it difficult to address Ms. Cate's problem in a meaningful way. Why? Because she resides in Soldotna where there isn't a state operated facility. Heritage Place has the capacity and the desire to serve persons, but needs the financing to pay for the legitimate cost of that care.

As I mentioned on the phone, I see to avenues for relief. Both requiring money.

1) A legislative appropriation to fund the GRM Long Term Care exception program. I'm enclosing a copy of the regulations which are on the books. All the department needs is the money to fund the program. You may want to consider an upper threshold of $2,000 in client income as a cut off for state assistance. The program is discretionary with the commissioner.

2) A special legislative appropriation for Heritage Place to provide care to aged Pioneers who don't qualify for medicaid or VA or Medicare. Heritage Place could use the grant of $200,000 or whatever as a draw down against the cost of care for residents until the monies are exhausted. That would be something and it would be a recognition that Pioneers are not ignored on the Kenai.

Thank you, Paul, for your continued concern for the well-being of peninsula residents. The most vulnerable segment of our society are those needing acute and long term care health services. The situations which individuals and families confront can be truely hardships.

Sincerely,

Dennis Murray, Administrator

Encl.--GRM Regulations

7 AAC 47.155. DETERMINATION OF GENERAL RELIEF MEDICAL FINANCIAL ELIGIBILITY. (a) Financial eligibility for General Relief Medical assistance exists only if the household's monthly net income, as determined under this section, does not exceed the need standard in 7 AAC 47.150(b). The applicant must provide verification of the household's income, including, for example, tax and wage statements.

(b) Except as provided in (c) of this section and in 7 AAC 47.170(b), persons who are included in the household and who will therefore have their financial needs, income, and resources considered in determining financial eligibility, include the applicant and all pesons related to the applicant by blood, marriage, or adoption who reside with the applicant.

(c) Persons who are receiving a cash assistance grant from Aid to Families with Dependent Children, Adult Public Assistance, or Supplemental Security Income will not have their financial needs, income, or resources considered in determining the General Relief Medical assistance applicant's financial eligibility.

(d) monthly net income as determined by

(1) counting all income earned or unearned, from any source, except payments made under the Alaska Native Claims Settlement Act which are not taxable by the Federal Internal Revenue Service, and Alaska Permanent Fund Dividends, received during the calendar month in which application is made; (to determine monthly income, income received weekly is multiplied by 4.3, that received every two weeks by 2.15, that received twice monthly by 2, and that received monthly by 1);

(2) subtracting from gross income all mandatory payroll deductions including federal income tax, FICA, unemployment insurance, union dues, health insurance premiums, and retirement; and

(3) not counting income received in the month before the month in which application is made, but considering that income a resource as described in 7 AAC 47.160. (Eff. 8/1/86, Reg. 99; am 2/2/87, Reg. 101)

Authority: AS 47.05.010
AS 47.25.130

7 AAC 47.160. RESOURCES. (a) General Relief or General Relief Medical assistance may not be granted if the applicant, despite an excess of need over income, has a prior resource, as described in (b) of this section available to meet the specific need, or personal resources in excess of $500 as described in (c) of this section.

(b) Prior resources include

(1) coverage by Social Security, workers' compensation, or medical and hospital insurance;

(2) eligibility for assistance from categorical programs such as Adult Public Assistance and Aid to Families with Dependent Children;

(3) qualification to receive other medical assistance or coverage, including, for example, assistance or coverage through the Veteran's Administration, Civilian Health and Medical

rogram of the Uniformed Services (CHAMPUS), ". Seaman's Act Program, Handicapped Children's Program, Office of Vocational Rehabilitation, Medicaid, Medicare, or free health clinics;

(4) potential treatment or assistance from the United States Public Health Service or Bureau of Indian Affairs health care and general relief programs;

(5) availability of cash, medical, or subsistence items and assistance from the Salvation Army, Red Cross, Lion's International, or other charitable organizations;

(6) payment for medical bills or medical insurance coverage available through a liable party, including payment for medical claims resulting from an accident; and

(7) payment for medical bills or medical insurance coverage available through an absent parent.

(c) Personal resources include

(1) liquid assets such as cash, savings, stocks, or bonds;

(2) any real or personal property with equity value, not including

(A) the home in which the applicant resides and the land on which it stands, unless the land has been surveyed for subdivision; if the land has been surveyed for subdivision, only the lot on which the house stands may be excluded;

(B) property actively marketed for sale at fair market value or less;

(C) property that is producing income;

(D) property that is essential to employment;

(E) either an automobile or a motorcycle or, in an area where local transportation needs require an alternative, a boat, snowmobile, all-terrain vehicle (ATV) or a combination of any two;

(F) the home of a nursing home resident to which the resident intends to return and the land on which it stands, unless the land has been surveyed for subdivision; if the land has been surveyed for subdivision, only the lot on which the house stands may be excluded;

(3) a limited entry fishing permit that was not used during the most recent season for reasons other than

(A) loss of essential fishing equipment before or during the most recent season;

(B) serious illness of the applicant or a household member for the period before and including the most recent season; and

(4) credit sufficient to directly or indirectly meet the specified need. (Eff. 3/23/78, Reg. 65; am 8/1/86, Reg. 99)

Authority: AS 09.65.010 AS 47.25.130
AS 47.05.010 AS 47.25.170
AS 47.25.120

7 AAC 47.170. AGE AT WHICH APPLICANT MAY BE ELIGIBLE. (a) Applicants 18 years of age or older may be found eligible for General Relief and General Relief Medical assistance.

(b) An applicant under 18 years of age may apply on his or her own behalf if the applicant is living apart from parents or guardian and is managing his or her own personal financial affairs. An applicant under 18 years of age living at home with her parents or guardian may apply without regard to her parents' or guardian's income if she is a female seeking a pregnancy-related service. (Eff. 3/23/78, Reg. 65; am 8/1/86, Reg. 99; am 11/28/86, Reg. 100)

Authority: AS 09.65.100 AS 47.25.130
AS 47.05.010 AS 47.25.170
AS 47.25.120

7 AAC 47.180. PROVISION OF MEDICAL BENEFITS. The division shall provide a written certification of eligibility for General Relief Medical benefits upon a form or card specified by it. This certification signifies that the person or persons named on it have been found eligible for medical assistance for the perind if time stated. This certification neither guarantees to

(3) for items and services not properly prescribed or determined necessary by a health care actitioner;

(4) for more than 12 outpatient physician visits by a recipient in a calendar year;

(5) for outpatient physician visits that are not for a recipient with a diganosis as described in 7 AAC 47.271(b), or for a General Relief Interim assistance recipient who has applied for Supplemental Security Income for the disabled and is waiting for the initial eligibility determination from the Social Security Administration;

(6) if persons are in the care and custody of penal facilities, including juveniles in detention facilities;

(7) for an elective procedure other than a pregnancy-related service as defined in 7 AAC 47.290;

(8) if the expense is for the first $50 of each day of hospital stay up to a maximum of $200 per hospital admission for major medical care;

(9) if the expense is for a prescription drug or prescribed medical supply for a recipient who does not have a diagnosis specified in 7 AAC 47.271(b) or who is not a General Relief Interim assistance recipient who has applied for Supplemental Security Income for the disabled and is waiting for the initial eligibility determination from the Social Security Administration;

(10) for dentist services that are excluded under 7 AAC 43.620 and that are not for a recipient of General Relief Interim assistance who has applied for Supplemental Security Income for the disabled and is waiting for the initial eligibility determination from the Social Security Administration. (Eff. 3/23/78, Reg. 65; am 5/2/79, Reg. 70; am 4/15/82, Reg. 82; am 5/25/82, Reg. 84; am 8/1/86, Reg. 99; am 11/28/86, Reg. 100)

Authority: AS 47.05.010
AS 47.25.170

7 AAC 47.220. RESPONSIBILITY OF RECIPIENT. (a) It is the responsibility of the recipient to

(1) guard his certification of eligibility with reasonable care to prevent it being used by unauthorized persons;

(2) present it to the provider at the time service is rendered;

(3) provide the identification supporting the proper use of the certification which the provider may require; and

(4) refrain from using the certification after eligibility has expired.

(b) The recipient is responsible for

(1) all charges incurred if no certification is presented, and for charges incurred before and after the eligibility period;

(2) all charges incurred for services that are not covered under 7 AAC 47;

(3) paying the hospital $50 for each day of stay up to a maximum of $200 per hospital admission; and

(4) paying a $1 copayment on each prescribed drug or medical supply.

(c) The department will restrict a General Relief Medical recipient in the recipient's choice or providers in the same manner and for the same reasons that the department restricts Medicaid recipients under 7 AAC 43.027.

(d) If the department has awarded a group service agreement to providers or to a health facility or health facilities in the recipient's community, only the services provided to the recipient by those providers or health facilities may be reimbursed by the division of medical assistance. (Eff. 3/23/78, Reg. 65; am 4/15/82, Reg. 82; am 5/25/82, Reg. 84; am 6/28/85, Reg. 94; am 8/1/86, Reg. 99; am 11/28/86, Reg. 100)

Authority: AS 47.05.010 AS 47.25.170
AS 47.25.130 AS 47.25.195

7 AAC 47.230. RESPONSIBILITIES OF PROVIDER. Providers under the General Relief Medical program are bound by the provisions of this chapter and the provisions of 7 AAC 43. If the provisions of the two chapters conflict, the

provisions contained in this chapter will take precedence over the provisions of 7 AAC 43 when the service is being provided under the General Relief Medical program. (Eff. 3/23/78, Reg. 65; am 5/2/79, Reg. 70)

Authority: AS 47.05.010
AS 47.25.170

7 AAC 47.240. REIMBURSEMENT OF PROVIDER. (a) Providers shall submit all claims for payment on invoices prescribed by the division and in accordance with the provisions contained in the division's provider manuals.

(b) Claims for payment must be filed promptly following care. The division may not make payment for services provided more than six months before presentation of the claim.

(c) Payment will be made in the amount determined under the provisions of 7 AAC 43. For those services not covered by Medicaid, the division will furnish providers with information for those services covered exclusively under the General Relief Medical program.

(d) The division of medical assistance shall reimburse a provider at a rate that is determined by the division of medical assistance to be affordable within the amount appropriated to the department for General Relief Medical assistance. Payment must be based on a percent of charges at or below the rate set by the Medicaid Rate Commission. The division of medical assistance shall deduct the amount owed by the recipient for inpatient hospital services before reimbursing the hospital.

(e) Payment provided by the division represents full and total reimbursement for those covered services authorized under General Relief Medical assistance. By accepting reimbursement from the division of medical assistance, the provider of medical care or medically related services agrees not to charge the recipient for any difference between the amount billed and the amount received in payment from the division of medical assistance, except charges for which the recipient is responsible under 7 AAC 47.220(b). If the hospital was aware at the time of admission that the patient was a General Relief Medical assistance applicant or recipient, admission of the patient serves as agreement to accept reimbursement from the division of medical assistance as full payment for hospital services. A recipient is responsible for payment of all services not reimbursable under General Relief Medical assistance and for the payments specified in 7 AAC 47.220(b). (Eff. 3/23/78, Reg. 65; am 5/2/79, Reg. 70; am 11/28/86, Reg. 100)

Authority: AS 47.05.010
AS 47.25.170
AS 47.25.195

7 AAC 47.250. QUALITY AND COST OF BENEFITS. Repealed 8/1/86.

7 AAC 47.260. THIRD-PARTY LIABILITY. If an applicant is granted General Relief Medical assistance for treatment of an injury negligently or intentionally caused by another person, institution, corporation, or public or private agency, details of the incident from which the injury arose must be noted on the application to facilitate possible recovery. Unless the tort feasor is judgment-proof, the applicant will be required to assign his cause of action to the state, or repay the value of the assistance he has received if he refuses to make such an assignment. (Eff. 3/23/78, Reg. 65)

Authority: AS 47.05.010
AS 47.25.150

7 AAC 47.270. PRESCRIBED DRUGS AND MEDICAL SUPPLIES. Repealed 8/1/86.

7 AAC 47.271. PRESCRIBED DRUGS AND MEDICAL SUPPLIES. (a) The division of medical assistance will not pay for a brand-name prescription drug if an FDA-approved generic drug of equal therapeutic effectiveness is available, unless the prescriber prohibits substitution.

(b) The division of medical assistance may only pay for prescription drugs and medical supplies prescribed to treat a person who

(1) is a recipient of General Relief Interim assistance who has applied for Supplemental Security Income for the disabled and is waiting for the initial eligibility decision from the Social Security Administration;

(2) has a terminal illness;

(3) has cancer and requires chemotherapy; or

(4) has a specific chronic condition that would normally in its untreated course result in the death or disability of the recipient, but which is amenable to outpatient medication; the chronic conditions for which drugs will be reimbursed are limited to the following diagnoses:

(A) diabetes and diabetes insipidus;

(B) seizure disorders;

(C) chronic mental illness;

(D) hypertension.

(c) The division of medical assistance shall pay the pharmacist's usual and customary charge to the public, less the recipient co-payment amount. The recipient co-payment amount is

(1) the financial obligation of the recipient, not the division of medical assistance, and must be collected by the pharmacist at the time of each service;

(2) $1 for each purchase of a prescribed drug or prescribed medical supply.

(d) The division of medical assistance may not pay for more than a 30-day supply of a prescribed drug unless prior authorization has been obtained by the pharmacist from the division of medical assistance.

(e) The division of medical assistance may not pay for non-prescription drugs, except insulin. The division of medical assistance may grant an exception based on written information submitted on a request for authorization form, which is available from the division of medical assistance.

(f) The division of medical assistance may only pay for prescribed medical supplies that have been assigned a current specific billing code number by the division of medical assistance. The division of medical assistance may grant an exception based on written information submitted on a request for authorization form, which is available from the division of medical assistance. (Eff. 8/1/86, Reg. 99; am 11/28/86, Reg. 100)

Authority: AS 08.80.295
AS 47.05.010
AS 47.25.170

7 AAC 47.280. GENERAL RELIEF MEDICAL WAIVERS FOR PERSONS REQUIRING LONG-TERM CARE SERVICES. (a) A person who requires a level of medical or rehabilitative care that could appropriately be provided in a skilled nursing facility or an intermediate care facility may apply to the department for waiver of any or all of the following standards of and requirements for eligibility for General Relief Medical assistance:

(1) the need standards of 7 AAC 47.150;

(2) the resource requirements of 7 AAC 47.160; and

(3) the service limitations of 7 AAC 47.200.

(b) A person who applies for a waiver of 7 AAC 47.150 or 7 AAC 47.160 must demonstrate by clear and convincing evidence, that

(1) he or she meets all requirements and standards for General Relief Medical assistance other than those standards and requirements for which he or she seeks a waiver; and

(2) unusual circumstances exist that prevent the eligibility criteria that would be waived from accurately reflecting his or her financial need.

(c) As a condition of a waiver of 7 AAC 47.150, the needy person receiving the waiver must participate in paying the cost of services for which the department will pay under the waiver, by expending, for his or her care, all of his or her total monthly income in excess of the personal needs allowance specified in 7 AAC 40.390. If the person has a spouse living at home, the department will allow the person to retain an additional amount for maintenance of the spouse which is equal to the appropriate individual need standard specified in 7 AAC 40.310. If the person has dependent children, as defined in AS 47.25.410(3), the department will allow the person to retain, for support of the dependent children, an amount equal to the

mount, or both the total amount and monthly nount of General Relief Medical assistance that ay be paid as a result of the waiver.

(j) The commissioner will, in his or her discretion, terminate a waiver under this section at any time if he or she believes that sufficient money has not been appropriated to meet demand for General Relief Medical assistance, or any other assistance included in the same appropriation for the same fiscal year.

(k) The commissioner will, in his or her discretion, renew a waiver under this section for a period of up to one year. An applicant for renewal of a waiver must meet all of the requirements for a waiver. The department will consider all pending applications for renewal of existing waivers before considering any applications for new waivers.

(l) An applicant for a waiver, and all persons liable for the support of the applicant shall provide any and all evidence of their financial condition that the department requests. The department will deny an application for a waiver or terminate a waiver if an applicant, or a person ble fo' the support of an applicant fails, without good cause, to cooperate with the department in the department's investigation of the physical condition of the applicant or the financial condition of the applicant and of persons liable for the support of the applicant. For the purposes of this subsection, "good cause" for failure to cooperate includes the inability of an applicant to locate a person liable for support of the applicant after reasonable efforts, and also includes good cause as determined by the commissioner.

(m) The department will consider an application complete upon receipt of all evidence of physical and financial conditions that it has requested, including a statement from a physician. Within 60 days after the department receives a completed application for a waiver or renewal for a waiver under this section, the commissioner will notify the applicant that

(1) the commissioner approves the waiver subject to conditions he or she has established; or

(2) the commissioner denies the waiver. (Eff. 12/24/85, Reg. 96)

Authority: AS 47.05.010 AS 47.25.230
AS 47.25.120 AS 47.25.252

7 AAC 47.290. DEFINITIONS. In 7 AAC 47.010 – 7 AAC 47.290

(1) "prescribed drug" means a simple or compound substance, or mixtures of substances, prescribed for the cure, mitigation, or prevention of disease, or for health maintenance that is prescribed by a physician or other licensed practitioner of the healing arts within the scope of practice as defined and limited by federal and state law, and is dispensed by a licensed pharmacist on a valid prescription that is recorded and maintained in the pharmacist's records.

(2) "disabled" or "disability" means being unable to or the inability to engage in substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months;

(3) "elective procedure" means a procedure that is subject to the choice or decision of the patient or physician regarding medical services that are advantageous to the patient but not necessary to prevent the death or disability of the patient;

(4) "major medical care" means non-elective inpatient hospital services that cannot be performed on an outpatient basis and that are certified as necessary by the professional review organization contracted by the division of medical assistance;

(5) "pregnancy-related service" or "pregnancy-related services" means a service or services reasonably necessary for an abortion;

(6) "recipient" means an individual who is financially eligible for General Relief Medical assistance and who may receive a covered medical service if determined to be eligible to receive the service. (Eff. 8/1/85, Reg. 95; am 12/4/85,

PROVIDENCE HOSPITAL
3200 PROVIDENCE DRIVE
P.O. BOX 196604
ANCHORAGE, ALASKA 99519-6604
PHONE (907) 562-2211

SISTERS OF PROVIDENCE
SERVING IN THE WEST SINCE 1856

February 15, 1989

MEDICAID RATE COMMISSION
RATE SETTING AND COMPLIANCE PROCEDURES

		Due Date
I.	Facility Submits Annual Budget	60 days prior to commencement of new fiscal year.
II.	Medicaid Rate Commission Staff Analysis	Within 60 day period-subject to Rate Commission meeting schedule.
III.	Rate Commission Establishment of Rate	Per scheduled meeting.
IV.	Facility submits year end comformance report	Within 120 days of Fiscal year end date.
V.	Medicaid Rate Commission Staff analysis of conformance	Prior to commencement of next fiscal year.
IV.	Facility Audit (7AAC 43.693)	As time permits.

Note: Current status of Providence Hospital
Facility Audits: 1985 - Not Performed
1986 - Not Performed
1987 - Not Performed

DH:lp.0013h.1

PROVIDENCE HOSPITAL
3200 PROVIDENCE DRIVE
P.O. BOX 196604
ANCHORAGE, ALASKA 99519-6604
PHONE (907) 562-2211

SISTERS OF PROVIDENCE
SERVING IN THE WEST SINCE 1856

February 15, 1989

MEDICAID RATE COMMISSION
RATE SETTING AND COMPLIANCE PROCEDURES
PROPOSED UNDER EXECUTIVE ORDER #72

	Due Date
I. Facility Submits Annual Budget	60 days prior to commencement of new fiscal year.
II. Medicaid Rate Commission Staff Analysis	Within 60 day period-subject to Rate Commission meeting schedule.
New Proviso	
III. Rate Commission Recommendation of rate to Department of Health and Social Services.	
New Proviso	
III-A Department of Health and Social Services review and establishment of rate.	Undetermined
IV. Facility submits year end comformance report	Within 120 days of Fiscal year end date.
V. Medicaid Rate Commission Staff analysis of conformance	Prior to commencement of next fiscal year.
IV. Facility Audit (7AAC 43.693)	As time permits.

Note: Current status of Providence Hospital
Facility Audits: 1985 - Not Performed
1986 - Not Performed
1987 - Not Performed

DH:lp.0013h.2

Ladies and Gentlemen:

I am Jack Buck, administrator of St Ann's Nursing Home here in Juneau.

I appreciate this opportunity to testify before you concerning Medicaid reimbursement as it relates to St. Ann's Nursing Home.

St Ann's position is that Executive Order #72 will not create a more cost efficient reimbursement system, but will in fact deny the fair representation and objectivity currently in place with the free standing Commission.

If the objectives given to the Commission in the last three years were to implement the current regulations and methodology and contain costs, they have indeed met those objectives.

Through this testimony and presentation, I will attempt to convince you, as most health care providers in Alaska are convinced, that the current Medicaid rate setting mechanism has done an adequate job at keeping Alaska health care costs favorable in comparison with national inflation statistics. However, quite simply stated - reasonable costs are not covered using this current methodology.

St. Ann's Nursing Home's controllable costs have not escalated disproportionately in comparison to cost of living indicators. In fact, total expenses and expenses net of uncontrollable costs have both lagged behind recognized medical care cost of living indicators.

Although our facility has followed many strict cost containment measures over the past 5 years, such as embargoing pay increases, cutting employee benefits, and decreasing staff, there are some costs, totally beyond our control, that escalated wildly -- malpractice insurance and workers' compensation insurance. Additionally, in 1988, the nationwide nursing shortage caused St. Ann's to hire contract nurses at significantly higher costs than if we were able to engage direct employees. These uncontrollable cost increases are not being covered by Medicaid reimbursement rates.

I would like to direct your attention to chart #1, titled "Annual Expense Percentage Increase vs Cost of Living Indicators". This chart demonstrates that the four year increase in St. Ann's total expenses and St. Ann's expenses net of uncontrollable costs have increased respectively at a rate less than the Medical Care Consumer Price Index as well as the National Consumer Price Index (CPI) for all areas, as published by the U.S. Department of Labor.

Over the 4 years, St. Ann's total expense increased at a rate of 24.77% and net expenses at only 11.18%. The medical care component of the CPI increased at a rate of 27.3% and the national CPI at 13%.

St. Ann's operates efficiently with reasonable costs as shown by this chart.

Now if you will please direct your attention to chart #2, titled "St. Ann's Expense vs Reimbursement". This chart shows St. Ann's total expenses vs actual reimbursement paid over the five year period. The shortfall in reimbursement is also shown. Over the five year period, the total shortfall in reimbursement is $697,000.

St. Ann's has reasonable costs and operates efficiently. Medicaid requires reasonable costs to be reimbursed. Clearly, Medicaid reimbursement over the years has not done so.

Please direct your attention to chart #3, titled "St. Ann's Reimbursement Rates". This chart depicts the rates necessary for St. Ann's to fully recover costs compared to the actual Medicaid reimbursement paid. The rates shown are both calculated using total patient day volumes.

If total patient day volumes increase, a facility will receive excess reimbursement. If volumes decrease, as they have over the past 5 years due to more strict Medicaid eligibility standards as well as declining populations, costs are not reimbursed.

If I could direct your attention to chart #4, titled "LTC Reimbursement". This chart is the percentage of the total long term care medicaid budget paid to each of the six free standing long term care facilities. As demonstrated, St Ann's received 8 % of the total budget.

Now if we can turn your attention to chart #5, titled "Malpractice Insurance" and "Worker's Compensation Insurance". As you can see, malpractice premiums in 1984 were $21,837 and by 1988 they had reached $108,164; an increase of 395%. Worker's compensation insurance premiums in 1984 were $27,932 and in 1988 they were $77,913; an increase of 178.94%. These costs are mandated and completely beyond the control of our facility and normal free-market competition. St. Ann's only recourse was to attempt to absorb these unusually high costs over the past 5 years.

Also included in your handouts are worksheets forming the basis for these graphs. All of the facts are from audited financial statements and other verfiable sources.

Although the Department of Health and Social Services has stated that Medicaid long term care rates are escalating rapidly, page three of the attached worksheets demonstrate that the long term care Medicaid reimbursement from 1984-1988 has increased only 19% compared to a 33% increase on nationwide medical care inflation. Given the facts presented here today, I believe some perpective needed to be placed around the issues and I hope that I have done so. Again, I certainly appreciate this opportunity to address you here today.

St. Ann's Expense Percentage Increase
vs Cost of Living Indicators

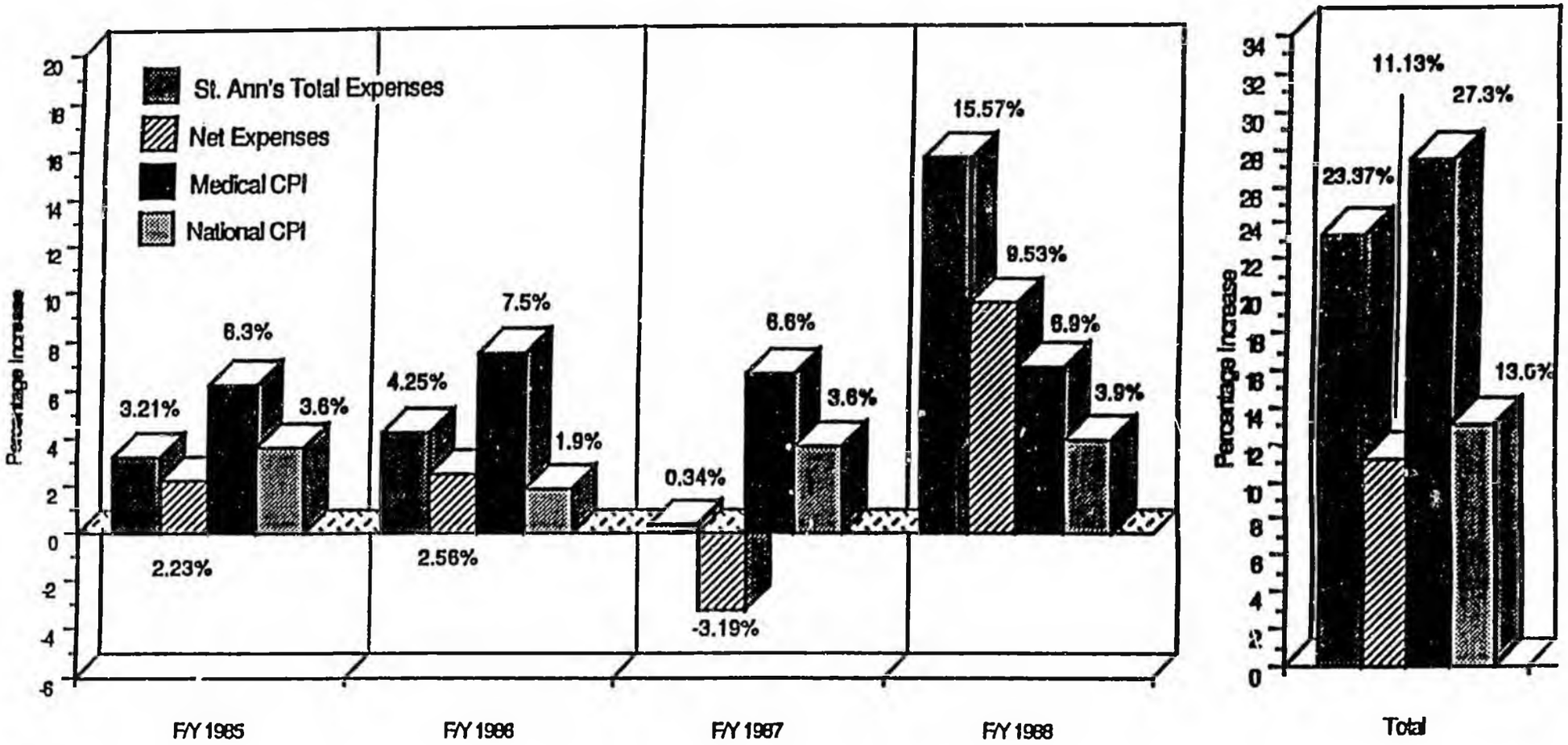


Chart #1

St. Ann's Expense vs Reimbursement

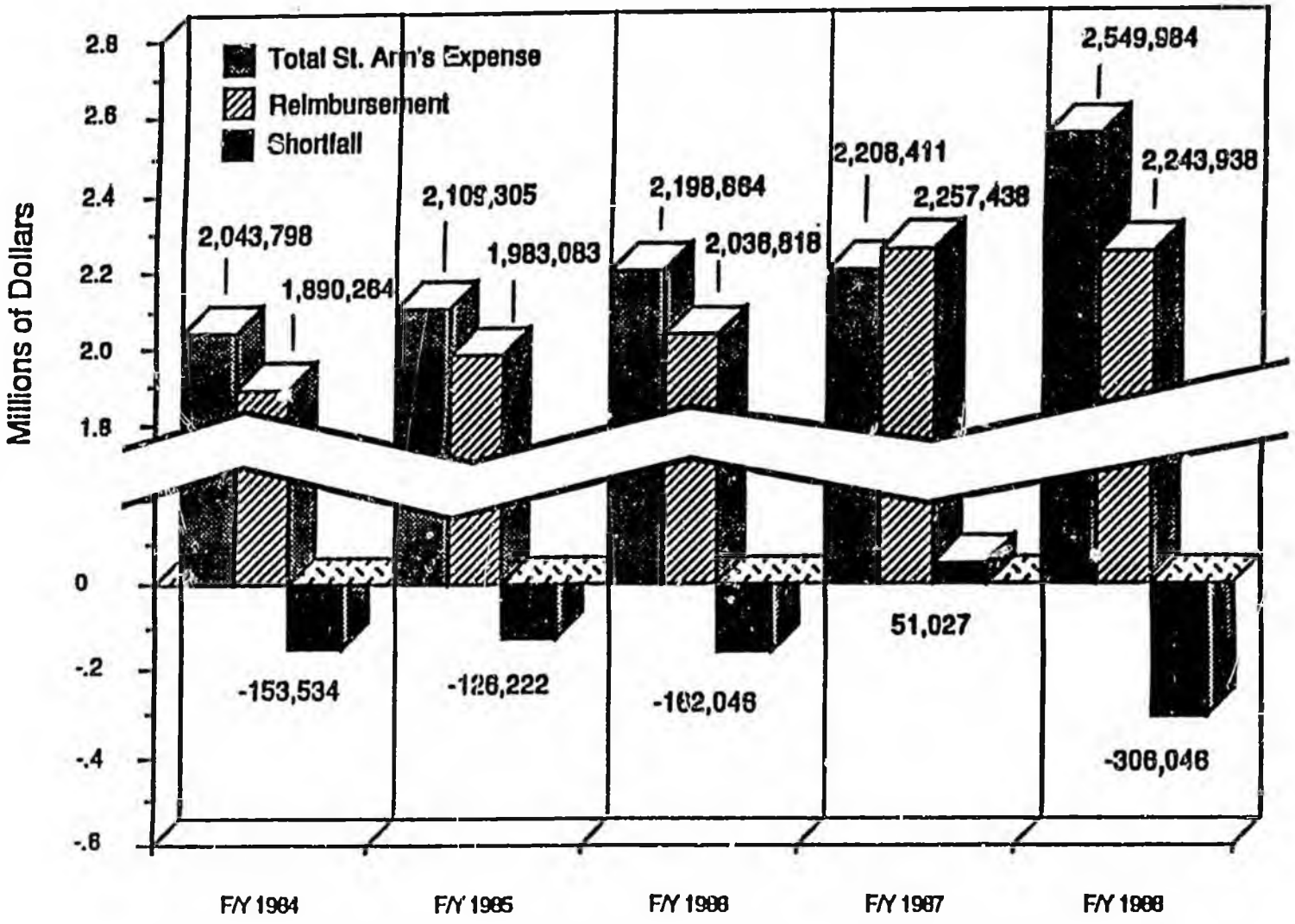


Chart #2

St. Ann's Reimbursement Rates

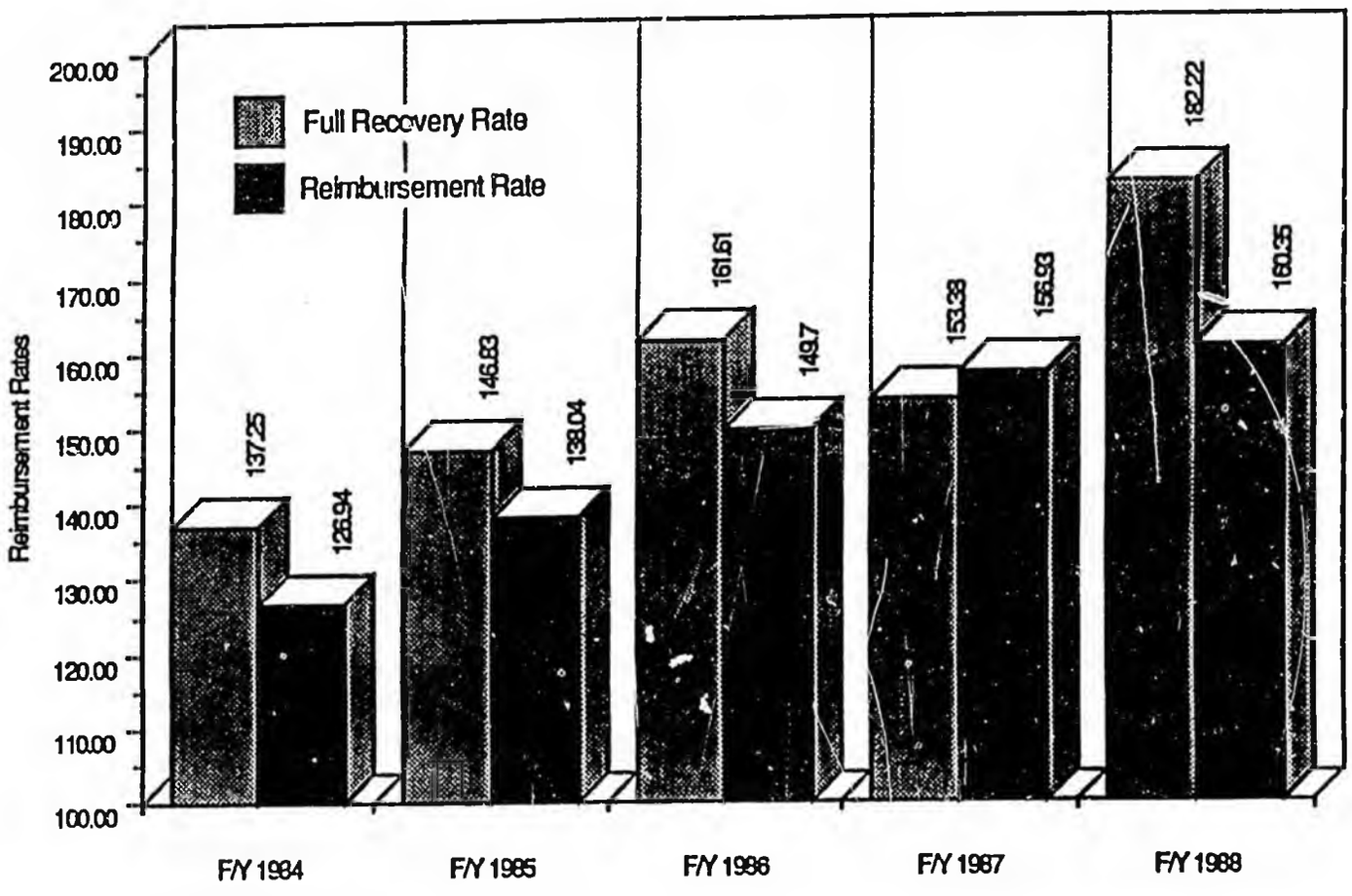
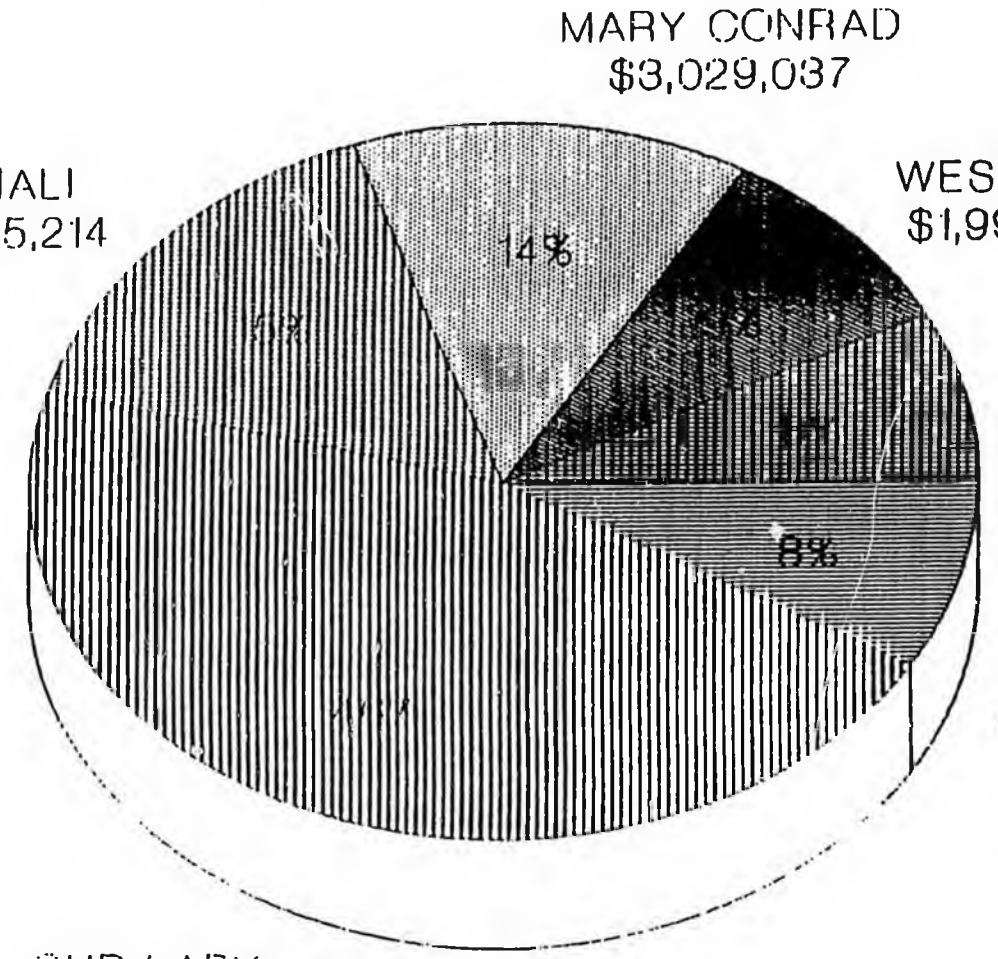


Chart #3

LTC MEDICAID REIMBURSEMENT
F/Y 1988

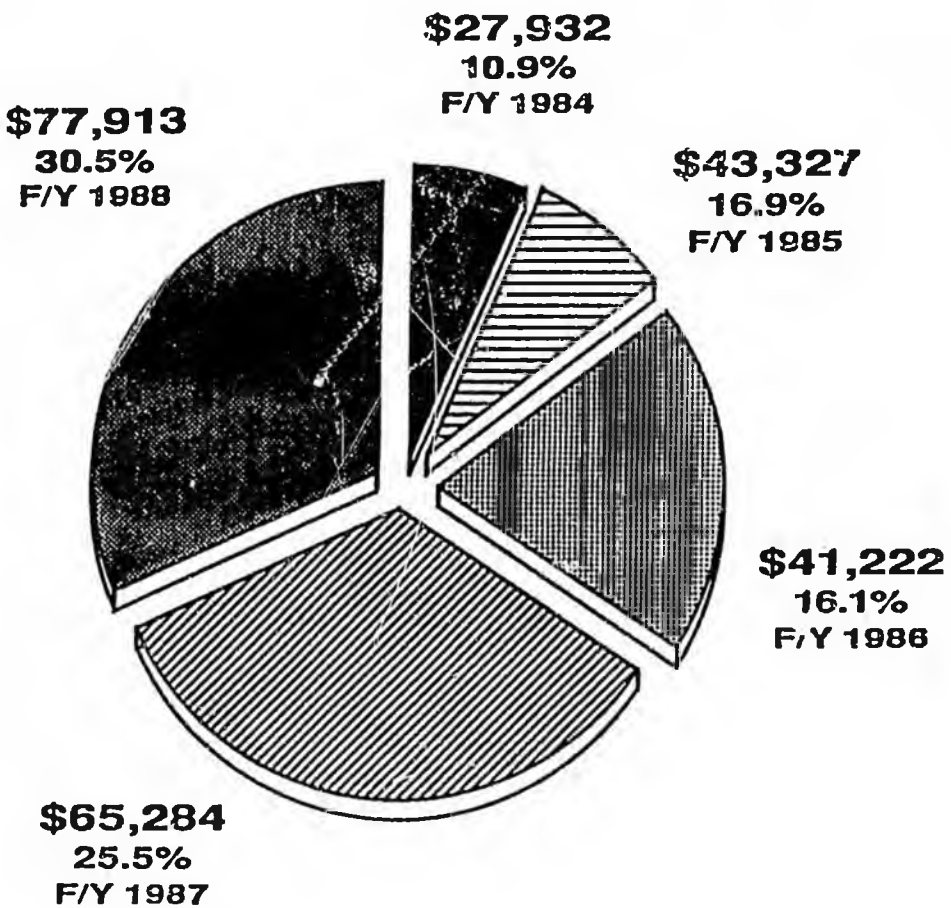


by Financial Consultants of Alaska

Chart #4

St. Ann's Uncontrollable Costs

Workman's Comp. Insurance



Malpractice Insurance

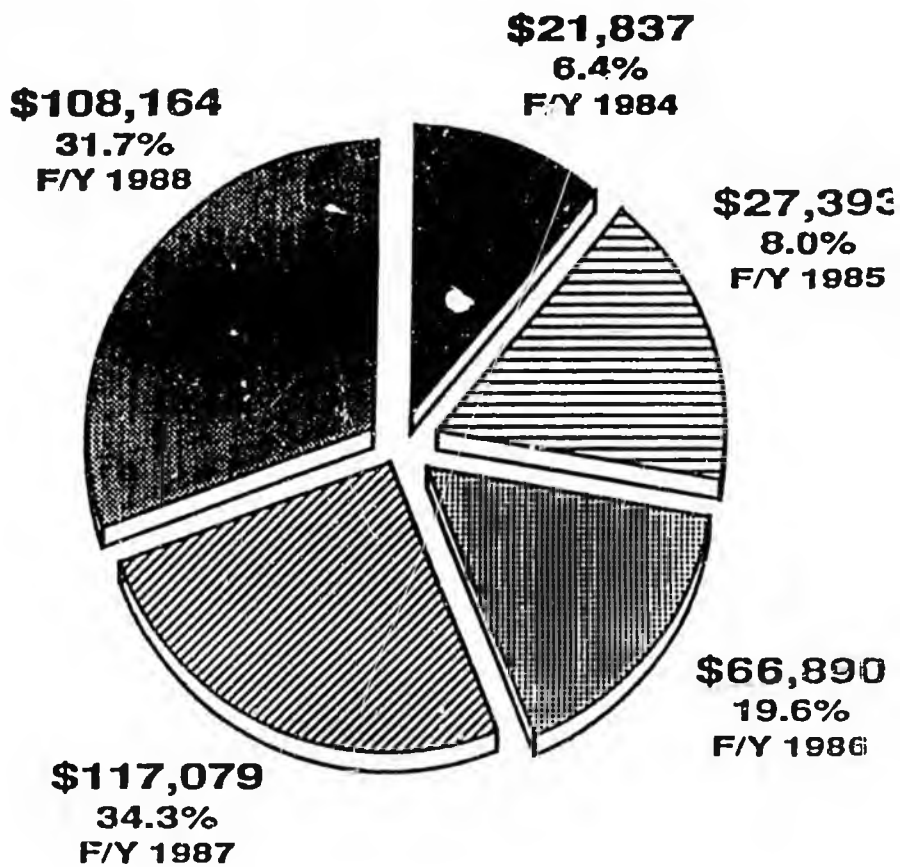


Chart #5

ST. ANN'S NURSING HOME, INC.
STATISTICAL ANALYSIS

ANNUAL EXPENSE PERCENTAGE INCREASE
vs
COST of LIVING INDICATORS

	F/Y 1985	F/Y 1986	F/Y 1987	F/Y 1988	TOTAL
St.Ann's Total Expenses:	3.21%	4.25%	0.34%	15.57%	23.37%
St. Ann's Expenses Net of UnControllable Items:	2.22%	2.56%	-3.19%	9.53%	11.13%
U.S.Dept. of Labor Medical Care Inflation Component of CPI:	6.30%	7.50%	6.80%	6.90%	27.30%
U.S. National CPI	3.80%	1.90%	3.60%	3.90%	13.00%

ST. ANN'S NURSING HOME, INC.
STATISTICAL ANALYSIS

FACILITY EXPENSE SUMMARY SINCE 1984

	F/Y 1984	F/Y 1985	F/Y 1986	F/Y 1987	F/Y 1988	Five Year Change
Total Facility Expenses:	$2,043,798	$2,109,305	$2,198,864	$2,206,411	$2,549,984	
%% Increase:		3.21%	4.25%	0.34%	15.57%	24.77%
UnControllable Factors:						
Malpractice Ins.:	$21,837	$27,393	$68,890	$117,079	$108,164	
%% Increase:		25.44%	144.19%	75.03%	-7.61%	395.32%
Workmans Comp. Ins.:	$27,932	$43,327	$41,222	$65,284	$77,913	
%% Increase:		55.12%	-4.86%	58.37%	19.34%	178.94%
NursingShortage:					$146,950	
Total UnControllable:	$49,769	$70,720	$108,112	$182,363	$333,027	
%% Increase:		42.10%	52.87%	68.68%	82.62%	569.15%
Expenses Net of UnControllable Items:	$1,994,029	$2,038,585	$2,090,752	$2,024,048	$2,216,957	
%% Increase:		2.23%	2.56%	-3.19%	9.53%	11.18%
Total Facility Expenses:	$2,043,798	$2,109,305	$2,198,864	$2,206,411	$2,549,984	
Reimbursement:	$1,890,264	$1,983,083	$2,036,818	$2,257,438	$2,243,938	
Reimbursement Excess(Shortfall)	($153,534)	($126,222)	($162,046)	$51,027	($306,046)	Over Five Years ($696,822)

INCREASES IN LONG TERM
CARE MEDICAID REIMBURSEMENT

1984-1988

FACILITY	RATE	F/Y 1984 VOLUME	REIMBURSEMENT	PERCENT of TOTAL	RATE	F/Y 1988 VOLUME	REIMBURSEMENT	PERCENT of TOTAL	'84 to '88 % INCREASE
DENALI	$120.38	29,443	$3,544,346	24.06%	$145.76	23,499	$3,425,214	19.53%	-3.36%
OUR LADY	$135.97	57,954	$7,881,161	53.53%	$161.23	63,399	$10,224,829	58.31%	29.66%
ST. ANN'S	$126.94	13,253	$1,682,326	11.42%	$165.80	11,559	$1,893,200	10.80%	12.53%
WESLEYAN	$79.54	20,525	$1,613,988	10.99%	$103.21	19,298	$1,991,747	11.36%	22.30%
TOTAL FREE-STANDING NURSING HOMES:			$14,726,[illegible]				$17,534,991		19.01%
The following facilities did not exist in 1984									
HERITAGE		[illegible]		0.00%	$197.13	8,904	$1,755,444	9.30%	
MARY CONRAD		[illegible]		0.00%	$268.27	11,331	$3,039,087	[illegible]%	

32. Annual data: Consumer Price Index, U.S. city average, all items and major groups

88 estimate

(1982-84 = 100)

Series	1979	1980	1981	1982	1983	1984	1985	1986	1987
Consumer Price Index for All Urban Consumers:									
All items:									
Index	72.6	82.4	90.9	96.5	99.6	103.9	107.6	109.6	113.6
Percent change	11.3	13.5	10.3	6.2	3.2	4.3	3.6	1.9	3.6
Food and beverages:									
Index	79.9	86.7	93.5	97.3	99.5	103.2	105.8	109.1	113.5
Percent change	10.7	8.5	7.8	4.1	2.3	3.7	2.5	3.1	4.0
Housing:									
Index	70.1	81.1	90.4	96.8	98.5	103.8	107.7	110.9	114.2
Percent change	12.3	15.7	11.5	7.2	2.7	4.1	4.0	3.0	3.0
Apparel and upkeep:									
Index	84.9	90.9	95.3	97.8	100.2	102.1	105.0	105.9	110.6
Percent change	4.3	7.1	4.8	2.6	2.5	1.9	2.8	.9	4.4
Transportation:									
Index	70.5	83.1	93.2	97.0	99.3	103.7	106.4	102.3	105.4
Percent change	14.3	17.9	12.2	4.1	2.4	4.4	2.6	-3.9	3.0
Medical care:									
Index	67.5	74.9	82.9	92.5	100.6	106.8	113.5	122.0	130.1
Percent change	9.2	11.0	10.7	11.6	8.8	6.2	6.3	7.5	6.6
Entertainment:									
Index	78.7	83.6	90.1	96.0	100.1	103.8	107.9	111.6	115.3
Percent change	8.7	6.0	7.8	6.5	4.3	3.7	3.9	3.4	3.3
Other goods and services:									
Index	68.9	75.2	82.6	91.1	101.1	107.9	114.5	121.4	128.5
Percent change	7.2	9.1	9.8	10.3	11.0	6.7	6.1	6.0	5.8
Consumer Price Index for Urban Wage Earners and Clerical Workers:									
All items:									
Index	73.1	82.9	91.4	98.9	99.8	103.3	106.9	108.6	112.5
Percent change	11.4	13.4	10.3	8.0	9.0	3.5	3.5	1.6	3.6

3.9

6.9

Source: Monthly Labor Review, February 1989

FEB 0 6 1989

MARY CONRAD CENTER

February 1, 1989

Governor Steve Cowper
P.O. Box A
Juneau, Alaska 99811-0101

Dear Governor Cowper:

All organizations that I am aware of i.e. hospitals, nursing homes, the Department of Health and Social Services, Congress, our legislature, etc. are wrestling with the issue of increasing health care costs. It is not an easy problem, especially in Alaska, because Alaska's health system is so fragilely balanced financially between federal, state and private payment sources. A significant reduction in payments through any source may cripple the industry.

The scrutiny of health care providers as to their efficiency, cost effectiveness and quality is appropriate and, in fact, the responsibility of the Department of Health and Social Services. However, when the scrutiny gets one sided and becomes so focused on one aspect of the industry and not others it is damaging. The Department of Health and Social Services has for the last two years been focusing on the question "why are nursing home costs so high in Alaska?" I believe the question has been answered through the work of your Governor's Interim Commission on Health Care and Medicaid Rate Commission actions and debate. Nursing home costs in Alaska are higher than the lower forty-eight states for the same reasons it costs more to run prisons, pioneer homes, hotels, and state operated hospitals and nursing homes. Primarily because of labor costs, building costs, supply costs and most importantly the higher quality of facility and services.

When we get frustrated with our high costs in Alaska compared to the lower forty-eight states, we, in my opinion, are making the wrong comparison. It's apples and oranges again. We should be comparing Alaska services to each other to determine which are efficiently and cost effectively operated and which is the "best buy."

Some Alaskan comparisons for your consideration:

3400 Centennial Drive
Anchorage, Alaska 99503

Private Nursing Homes:

At present, according to page 7 of the Governor's Interim Commission on Health Care, it costs an average of $20,400 in State General Fund dollars to keep a person in a private nursing home for one year. This figure seems low to me as I believe the average rate in Alaska is $162.57. If $162.57 is multiplied by 365 days in a year you get $59,335.05 total per year. This total is matched with federal dollars at 50% therefore it costs the State General Fund, $29,669.03 per person.

$29,669.03/year per person
State General Fund

Pioneer Home

Again page 7 of the Governor's interim Commission on Health care reports the cost of a person at the Anchorage Pioneer Home is about $57,000 per year. All General Fund dollars.

$57,000/year per person
State General Fund

Alaska Psychiatric Institute

The attached report of the department of Health and Social Services shows the cost of providing care to a Medicaid recipient at API is $252.24 per day. ($252.24 x 365 day = $92,067.60 (one half of this is federal funds).

$46,033.80/year per person
State General Fund

Harborview Developmental Center

Reference the attached Department of Health and Social Services report wherein it costs $302.00 per day to care for a Medicaid recipient at Harborview ($302.00 x 365 = $110,230). One half of the amount is federally funded therefore the State General fund impact is $55,115.

$55,115.00/year per person
State General Fund

Alaska Prisons

I do not have a written reference for the annual inmate cost per year but I recall a recent newspaper article that indicated $45,00 per year per inmate. Whatever is true, please compare it to the costs above.

$45,000/year per person
State General Fund

With the above comparisons, one might ask the question, "Shouldn't the Department of Health and Social Services and state government be providing the same scrutiny to the cost of operating its own facilities as it does for one aspect of the private industry?"

We are all concerned about the cost of health care and the effect it has on the State General Fund. However, private nursing homes cannot and should not be asked to bear the full burden of "cost containment" actions by the State. Look to your own facilities to explain why health facility costs are high in Alaska and apply the same "cost containment" pressures to them, as you are the private industry.

The press release on Executive Order #72 said you issued the order to contain costs in health care. This sounds good to the public. Remember, you have already contained costs so aggressively in the private nursing home area, that some may close. Your Executive Order does nothing to improve cost containment, quality of services or patient access. It does however, set your Commissioner up for many political and legal battles in the future.

It seems that a comparison of Alaskan facilities show that it is by far the "best buy" for the state to have persons in a private nursing home rather than in one operated by State Government. Let us hope that the private nursing homes survive, continue to provide nursing home services to those in need, and are still operating when needed.

Sincerely,

Robert G. Ogden
Administrator

cc: Myra Munson, Commissioner
Department of Health and Social Services

Health Association of Alaska
Representative Mark Boyer
Senator Paul Fisher

Long Term Care

Reg Service - 120+ day
Personal Care ? 150 day.
Ancilary Sv - i.e. CIP cath. Bed.

Set up → **Rate Commission** → 5
to be there
2 openings
Thur. 26 > Jan - Anch
Fri. 27

Medicaid
Reimbursement - New Vendor ?
Virginia - Computer Co.

3 - agencies to verify - reimbursement.
Soldotna Fin. Elg. 1 - Medical Elgibility - Div Pub. Asst.
Medical Elgibility 2 - " " Div. Med. Asst.
Billing 3 -

The Virgin Computer Co., Anch.

Paid on number of claims processed
includes denial

— Need - Providers be allowed into the system -
will be coded
has a release from client

→ Erik Hanson - "Kim Bush" →

Uncompensated Care

CASE FILE FORMAT

DATE 1-31-89

TIME 5:00

NAME SHARON CATES

Box 925, Soldotna, Alaska 99669

TELEPHONE NUMBER 262-4171 / SS or Acct #

DESCRIPTION OF CALL Sharon Cates mother is in Heritage Place in Soldotna, she's 71 years old, has Alzheimer's disease, and is diabetic. She's been at Heritage Place for three years now, and has been a resident of the state sice 1951. She doesn't speak, she doesn't walk. She is in real need of constant care. Her husband passed away in December. The state was paying for her stay at Heritage Place, but since her husband has passed away, and she's receiving his retirement benefits and social security totallying about $1500.00 a month. That's about 100-200 over the amount she's allowed to have at Heritage Place, and the state's giving her until March 1 to move out to her daughter's Sharon's house. Sharon says her mother needs constant care, and she's in no position to care for her. Is there anything we an do for her. Her husband had been in Seattle working, no work here. ARe struggling to care for their own family.

ACTION TAKEN BY STAFF

GRM - $ Discretionary fund

FOLLOW-UP CALLS 2/13/89

INITIALS

SITKA COMMUNITY HOSPITAL

209 MOLLER AVENUE • SITKA, ALASKA 99835 • (907) 747-3241

January 30, 1989

The Honorable Paul Fischer
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Fischer:

I have grave reservations about Executive Order Number 72 which deals with the abolition of the Medicaid Rate Commission as an independent rate setting body and assigns it to the Department of Health and Social Services as an advisory group.

Why do I have reservations?

(1) Executive Order 72 was signed and forwarded to the Legislature without notification of, nor consultation with, the Health Association of Alaska. The Health Association of Alaska had entered into an agreement with the Commissioner of the Department of Health and Social Services to work out a restructuring of the Medicaid Rate Commission. The members of the Health Association of Alaska were under the assumption that these good faith negotiations were still ongoing, up until the release of the Executive Order.

(2) In spite of its shortcomings - which were in the process of being addressed - the Medicaid Rate Commission did attempt to set rates while considering legitimate expenses, quality of care and cost containment efforts of Alaska care facilities.

(3) An assurance that the Medicaid Rate Commission will not become a perfunctory body under the direction of the Commissioner of Health and Social Services is not present.

(3) Without the above assurance my hospital could have a 20% reimbursement rate imposed upon it with no real recourse. Why would I say that? The answer is the Commissioner of Health and Social Services is attempting to force the Medicaid Rate Commission to do that now. A 20% reimbursement rate is not reasonable.

Finally, I recognize the energy that would be consumed by the Legislature in overturning this Executive Order. It deserves to be overturned! However, your energy is needed in several other areas also. If there would be legislative safeguards put in place to assure the practical application of the principles intended by the rate setting process, we could live with the change. However, it must be reiterated that if we are to provide quality healthcare, there must be protection from actions such as the attempted 20% reimbursement rates.

A similar letter has been sent to Representative Grussendorf, Senator Eliason and the other members of the Health, Education and Social Services Committees for both the House and the Senate.

Your attention is appreciated.

Sincerely,

Ed Malewski
Administrator

cc: HAA

EM/AM/am

Alaska State Legislature

Senate

Office of the Secretary

OFFICIAL BUSINESS

PO. BOX V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

January 9, 1989

MEMORANDUM

TO: Senator Paul Fischer, Chairman
Health, Education and Social Services Committee

FROM: Nancy Quinto
Secretary of the Senate

RE: Executive Order No. 72

The President has referred Executive Order No. 72 (transferring the rate-setting and some other related function of the Medicaid Rate Commission to the Department of Health and Social Services).

Section 23, Article III of the Constitution states:

> The governor may make changes in the organization of the executive branch or in the assignment of functions among its units which he considers necessary for efficient administration. Where these changes require the force of law, they shall be set forth in executive orders. Unless disapproved by resolution concurred in by a majority of the members in joint session, these orders become effective at a date thereafter to be designated by the governor.

Attachment

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Office of the Minority Leader

Official Business
Room 24
State Capitol

P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-4841

JAN 23 1989

MEMORANDUM

BLT

TO: ALL HOUSE AND SENATE HESS COMMITTEE MEMBERS

FROM: REPRESENTATIVE TAYLOR

RE: EXECUTIVE ORDER # 72 AND BUDGET PROPOSALS

DATE: 23 JANUARY 1989

I am sending each of you a copy of some correspondence I received from a hospital administrator. As you will see this letter could be from any district in our state, the proposals effect each of us. I hope that we can all work together to see that they do not come about. Please feel free to contact me about these issues and thank you for your time.

PETERSBURG GENERAL HOSPITAL
and Long Term Care Facility
Phone: (907) 772-4291
P.O. Box 589
Petersburg, Alaska 99833

January 18, 1989

Steve Cowper, Governor
3rd Floor, State Capital
P.O. Box A
Juneau, Alaska 99811

Honorable Governor Cowper:

I understand that you have adopted an executive order which will be effective in 60 days and transfers the Medicaid Rate Commission into the Department of Health & Social Services. I want you to know that I find this action to be in very poor taste and I really question the legality of such a drastic step. I view this as a step towards the degradation of the medical care for the residents of Alaska and particularly to rural Alaskans.

Governor, with whom did you confer regarding the necessity of this change? Did you discuss this with legislators or was this strictly based on the Health and Welfare Commissioner's request and by using the the report from the Governor's Commission on Health as the foundation. May I quickly remind you that the Health & Social Services Commissioner very adequately, as a member of the Health Commission, manipulated the results of some of those proposals. Have you really heard the other side of the issue? Do you understand how the State of Alaska, with their Pioneer Homes, is in direct competition with community nursing homes?

Need I remind you that the legislature established the Medicaid Rate Commission. Does the Governor have the right to change that without showing some sort of an emergency?

Granted, there are problems with the Medicaid Rate Commission. On November 1, 1988, we received a payment rate reduction thru a questionable emergency regulation adopted by that rate commission which reduced payments to Petersburg General Hospital by $144,000 per year. There have been numerous appeals of rates and even lawsuits. We do not profess that the system is perfect. Many of the problems developed because of the attitude and policy changes of a prior Medicaid Rate Commission director. However, and I clarify that I do not speak for the health association collectively, I felt that the problems could be resolved. The association has attempted to resolve these problems. Part of the blockade to an amenable solution has been your Commissioner of Health and Social Services.

The Association and I have participated personally in some discussions and have met on several occasions with the Commissioner to review and resolve the issues. Most of these meetings were a waste of time and money. The Commissioner does an excellent job of always directing the course of the debate which ends in her demanding drastic measures with the Medicaid Rate Commission in the form of a "supposed" emergency regulation or the arm twisting, demanding approach of a letter such as the attachment "A" enclosed which further puts the Association members on the defensive.

I believe, Governor, that you need to understand our feelings. We believe your Commissioner desires to maneuver Medicaid funds away from hospitals and nursing homes to be used for expanding her pet programs for women and children.

We consider her to be against standard institutional medical care provided by hospitals and particularly nursing homes. The fact that the Medicaid regulations places a priority on hospital and nursing home care before any other Medicaid programs can be funded seems to be a problem. The fact that we are entitled to a fair and reasonable reimbursement rate should not be intermingled with budgetary constraints of other programs. Placing the Medicaid Rate Commission in the hands of one individual who could and probably will dictate rates will only compound the disputes over fair and reasonable rates and hospital and nursing homes being first entitled to Medicaid dollars.

We recognize that this is a very complex issue. I hope that I can stimulate your thinking to desire to have input from the Health Association of Alaska before this order is adopted.

Incidentally, Petersburg General Hospital has reduced their cost per nursing home patient day thru an increased patient census and a cost reduction program by $73.47 per patient day. This is over $280,000 per year. We are trying to do our part, but changing the rate commission from a five person decision group (only 1 of them is an industry representative) into a one person dictatorship infuriates those of us who still believe in a democratic process.

Believe me, I think you will see a mass request for changes in the Commissioner of Health & Social Services office if some policy and attitude changes are not forthcoming. I hate to see the "Medicaid" program made a political football because of the "whims" of one person. I strongly believe that the citizens in rural Alaska and the senior citizen population will become very upset when the full story is revealed. Let's work together to resolve this beforehand and please withdraw your executive order.

I also take this opportunity to express my views on some other matters. I suggest that the proposed 1% sales tax be required only in communities which do not have at least a 5% sales tax. To add 1% sales tax to the citizens of Petersburg, who presently have a 5% sales tax, while the citizens of Anchorage, or other communities, have no sales tax is a disproportionate method of taxation.

Next, I strongly believe there are areas of state government that can and should be reduced. The capital expenditures in emergency medical services for the growing years of Alaska was appropriate. These funds need to now be scaled back drastically. The burden should now be on communities to replace ambulances and equipment. Further, I am always amazed when I walk into the Department of Labor building in Juneau and see the mass of bodies supposedly pushing papers across their desks. I could not determine that so many people were necessary. I believe that what you need is an efficiency expert to review all offices and departments of state government to cut the costs.

I believe that a careful evaluation of capital projects is needed. The proposed Bradfield road connection with the Canadian highway system of $20 million would be recovered in a few years thru reduced marine highway subsidized travel costs between Prince Rupert, B.C. and Southeast Alaska and could also be a toll road. In addition, the ferry system, which is our Southeast Alaska highway, should allow booking priorities to Alaska residents who require it for return to their regular work schedules or getting to the lower states for various family and medical needs. To us it is a necessity, to tourists it is a luxury.

The initiation of capital projects before <u>all</u> funding is resolved is a disgrace and places an undue burden on state government. The community gym project in Petersburg is a classic example and supports the premise that capital dollars <u>must</u> be carefully evaluated and not placed on the block the last week of a legislature for political games and the resultant, partial, inappropriate funding. How many years will a foundation sit and deteriorate before the balance of the building funds are available.

I also get very concerned about the continued plea for more education funding. Has anyone considered that a school teacher works 180 school days per year (most people work 236 days per year) for six hours per day in class and preparation time and that is $41.67 per hour, not counting benefits, on a $45,000 salary, which is a fair average school-teaching salary for Alaska. That is certainly a high hourly wage compared to our registered nurse salaries of $15.05 per hour worked.

Lastly, you should understand that I support you as the Governor. I commend you for doing an excellent job these past two years.

Please call on me to discuss these matters further with you, if you desire. I want to help in any way possible.

Sincerely,

Gary W. Grandy

Gary W. Grandy
Administrator

cc: Hospital Board
Lloyd Jones
Robin Taylor
Sheri Davis
Mark Boyer - HESS Committee
HAA

NORTON SOUND
HEALTH CORPORATION

P.O. BOX 966
NOME, ALASKA 99762
(907) 443-3311

February 2, 1989

Senator Paul Fischer
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Fischer:

Norton Sound Regional Hospital is opposed to Executive Order #72 and strongly urge that you do what you can to kill it through Committee Action. As a member of the Health, Education, and Social Service Committee, you are in an excellent position to insure a degree of equitability in rate setting.

We contend the Legislature should not change the current rate setting process until assurances can be given that a fair rate will be provided for reasonable costs incurred. My fear is that the rate setting process will become strictly "budget driven".

As a hospital and nursing home in "Bush" Alaska we are part of a fragile rural health care network that is in need of additional funding not less. If the Medicaid Rate Commission becomes Advisory to the Commissioner we can count on rate setting decisions based upon economic factors. If this is true it will have a devastating impact on the access to care for rural Alaskans.

Sincerely,

NORTON SOUND REGIONAL HOSPITAL

Wallace N. Boyd, Director
Hospital Services Division

cc: Carolyn Michels
Harlan Knudson