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G 7

DRAFT

*OK
adopted 06/11/91*

LETTER OF INTENT
SENATE HESS COMMITTEE
SENATE BILL 67

It is the intent of the Legislature that this grant program not provide an unfair competitive advantage to eligible applicants for similar services or facilities compared to those providers not eligible for this grant program.

FISCAL NOT

No. 2

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: CSSB67(FIN)

(S) Publish Date: 5/1/91

Revision Date: April 24, 1991 Dept. Affected: Health & Social Services
 Title: An Act relating to aid for nonprofit health facilities and providing for an effective date BRU: Administrative Services
 Sponsor: Jones, Zharoff Component: Facilities/CIP
 Requestor: by the HESS Committee COMPONENT SERIAL NO. 0325

Expenditures/revenues:

(Thousands of Dollars)

OPERATING	FY92	FY93	FY94	FY95	FY96	FY97
PERSONAL SERVICES	65.4	68.4	68.4	68.4	68.4	68.4
TRAVEL	17.4	17.9	17.9	21.4	17.9	17.9
CONTRACTUAL	38.8	38.8	38.8	41.8	38.8	38.8
SUPPLIES	0.9	0.9	0.9	0.9	0.9	0.9
EQUIPMENT	6.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	128.5	126.0	126.0	132.5	126.0	126.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING:

(Thousands of Dollars)

GENERAL FUND	128.5	126.0	126.0	126.0	126.0	126.0
FEDERAL FUNDS						
OTHER						
TOTAL	128.5	126.0	126.0	126.0	126.0	126.0

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: No FY91 fiscal impact.

ANALYSIS: (Attach a separate page if necessary)

This legislation mandates establishment of a seven member Health Facilities Review Board, and includes specific requirements for objectives of the Board and the department. At a minimum, a Health and Social Services Planner II (R19) is needed to perform full administration of all duties related to the implementation of CSSB67. Duties of this position include: writing regulations; analysis and comparison of all 5-year master plans; contact with facilities and resolution of unclear master plans which they have submitted; verification and review of project budgets; analysis and review of all grant applications; staff support for the Health Facilities Review Board

(Continued)

Prepared by: Janet Clarke, Director
 Division: Division of Administrative Services

Phone: 465-3082
 Date: 04/24/91

Approved by Commissioner: Jan Shuy for
 Agency: Department of Health and Social Services

Date: 4/24/91

Distribution (by preparer):

Legislative Finance OMB
 Legislative Sponsor Impacted Agency(ies)
 Requestor

ANALYSIS (cont.):

such as making travel arrangements, meeting preparation and meeting support; preparation and submission of all advertising for public hearings; staffing the hearings; administration of all appeals including coordination with board, hearing officers and the Department of Law; administration and execution of grant agreements; review of all grant request documentation and approval of grant payments; accurate accounting of all grant funds, and compilation of grant closeouts; preparation of reports to board on final grant accounting.

DESCRIPTION	COMMENT #	FY92	FY93
Line 100 - Personal Services			
H&SS Planner II, PFT, 12 months, (R19) Juneau	(1)	65,388	68,425
Line 200 - Travel			
72330 Board Travel - Member Travel			
2.5 meetings * 7 members * 3 days = 52.5 days	(2)		
Meetings will be 2 days and 1 day travel			
7 * \$475 average airfare * 2.5 meetings	(3)	8,313	8,750
7 members * \$35 misc. expenses * 2.5 meetings		613	613
72500 Board Travel Per Diem			
52.5 days * \$115		6,038	6,038
72300 Staff Travel for Board Meetings			
(2 meetings * 1 staff * 3 days = 6 days)			
1 staff * \$475 airfare * 2 meetings		950	1,000
1 staff * \$35 misc. expense * 2 meetings		70	70
72500 Staff Travel Per Diem for Board Meetings			
6 days * \$115 per diem		690	690
72300 Staff Travel for Public Hearings			
(1 hearing * 1 staff * 2 days = 2 days)	(4)		
1 staff * \$475 airfare * 1 hearing		475	500
1 staff * \$35 misc. expense * 1 hearing		35	35
72500 Per Diem for Public Hearing			
2 days * \$115		230	230
	TOTAL TRAVEL	<u>17,414</u>	<u>17,926</u>
Line 300 - Contractual Services			
73100 Hearing Officer Professional Services			
(2 appeals @ \$5,000 each)		10,000	10,000
Attorney time and costs related to litigations	(5)	12,000	12,000
Transcription of Public Hearings		1,500	1,500
73300 Communications, including local, long distance, fax and postage			
		9,500	9,500
73500 Advertising for 2 board meetings, 1 public hearing (display ads)			
		3,000	3,000
Printing and Binding of Reports, Minutes and Transcriptions*			
		2,500	2,500
73300 Space Rental for meetings			
		300	300
	TOTAL CONTRACTUAL	<u>38,800</u>	<u>38,800</u>

ANALYSIS (cont.):

DESCRIPTION	COMMENT #	FY92	FY93
Line 400 - Supplies			
74200 Office Supplies		600	600
Board Meeting supplies		300	300
	TOTAL SUPPLIES	<u>900</u>	<u>900</u>
Line 500 - Equipment			
75830 Data Processing Equipment (PC and Peripherals) and software		6,000	0
	TOTAL EQUIPMENT	<u>6,000</u>	<u>0</u>
	TOTAL for PROJECT	<u>128,502</u>	<u>126,051</u>

-
- (1) The staff cost for FY93 assumes a 5% cost of living increase.
 - (2) This assumes one meeting for the board to rank hospital grant proposals and one meeting for the board to review appeals. One half of a meeting is budgeted for the board to allow a few board members to attend the public hearing.
 - (3) For FY93, it is assumed that average travel costs will increase from \$475 to \$500 per trip.
 - (4) This assumes one day for travel and one day to hold the public hearing.
 - (5) The \$12,000 figure was provided by the Department of Law as what they would charge to handle all costs related to litigation for two hearings.

ANALYSIS (cont.):

meeting preparation and meeting support; preparation and submission of all advertising for public hearings; staffing the hearings; administration of all appeals including coordination with the board, hearing officers and the Department of Law; administration and execution of grant agreements; review of all grant request documentation and approval of grant payments; accurate accounting of all grant funds, and compilation of grant closeouts; preparation of reports to board on final grant accounting.

DESCRIPTION	COMMENT #	FY92	FY93
Line 100 - Personal Services			
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Line 200 - Travel			
72330 Board Travel - Member Travel			
2.5 meetings * 7 members * 3 days = 52.5 days	(2)		
Meetings will be 2 days and 1 day travel)			
7 * \$475 ave airfare * 2.5 meetings	(3)	8,313	8,750
7 members * \$35 misc expenses * 2.5 meetings		613	613
72500 Board Travel Per Diem			
52.5 days * \$115		6,038	6,038
72300 Staff Travel for Board Meetings			
(2 meetings * 3 staff * 3 days = 18 days)			
3 staff * 475 airfare * 2 meetings		2,850	3,000
3 staff * \$35 misc expense * 2 meetings		210	210
72500 Staff Travel Per Diem for Board Meetings			
18 days * \$115 per diem		2070	2070
72300 Staff Travel for Public Hearings			
(1 hearing * 1 staff * 2 days = 2 days)	(4)		
1 staff * \$475 airfare * 1 hearing		475	500
1 staff * \$35 misc expense * 1 hearing		35	35
72500 Per Diem for Public Hearing			
2 days * \$115		230	230
TOTAL TRAVEL		20,834	21,446
Line 300 - Contractual Services			
73100 Hearing Officer Professional Services			
(2 appeals @ \$5,000 each)		10,000	10,000
Attorney time and costs related to litigation	(5)	12,000	12,000
Transcription of Public Hearings		1,500	1,500
73300 Communications, including local, long distance, fax and postage			
		9,500	9,500
73500 Advertising for 2 board meetings, 1 public hearing (display ads)			
		3,000	3,000
Printing and Binding of Reports, Minutes and Transcriptions			
		2,500	2,500
73800 Space Rental for meetings			
		300	300
Lease space for staff		3,000	3,000
TOTAL CONTRACTUAL		41,800	41,800

ANALYSIS (cont.):

DESCRIPTION	COMMENT #	FY92	FY93
Line 400 - Supplies			
74200	Office Supplies	600	600
	Board Meeting supplies	300	300
	TOTAL SUPPLIES	900	900
Line 500 - Equipment			
75830	Data Processing Equipment (PC and Peripherals) and software	7,500	0
76050	Furniture and Office Equipment Desk, chair, file cabinets, calculator	2,500	0
	TOTAL EQUIPMENT	10,000	0
	TOTAL for PROJECT	138,922	132,571

- (1) The staff cost for FY93 assumes a 5% cost of living increase.
- (2) This assumes one meeting for the board to rank hospital grant proposals and one meeting for the board to review appeals. One half of a meeting is budgeted for the board to allow a few board members to attend the public hearing.
- (3) For FY93 it is assumed that average travel costs will increase from \$475 to \$500 per trip.
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FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. _____ SB67 _____

Revision Date: _____ Dept. Affected: Health & Social Services
 Title: An Act relating to aid for nonprofit health facilities, and providing for an effective date BRU: Administrative Services
 Component: Facilities/CIP
 Sponsor: Jones, Zharoff
 Requestor: by the HESS Committee COMPONENT SERIAL NO. 0325

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY92	FY93	FY94	FY95	FY96	FY97
PERSONAL SERVICES	65.4	68.4	68.4	68.4	68.4	68.4
TRAVEL	20.8	21.4	21.4	21.4	21.4	21.4
CONTRACTUAL	41.8	41.8	41.8	41.8	41.8	41.8
SUPPLIES	0.9	0.9	0.9	0.9	0.9	0.9
EQUIPMENT	10.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	138.9	132.5	132.5	132.5	132.5	132.5
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	138.9	132.5	132.5	132.5	132.5	132.5
FEDERAL FUNDS						
OTHER						
TOTAL	138.9	132.5	132.5	132.5	132.5	132.5

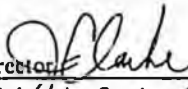
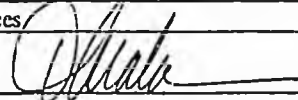
POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: No FY91 fiscal impact.

ANALYSIS: (Attach a separate page if necessary)

This legislation mandates establishment of a seven member Health Facilities Review Board, and includes specific requirements for objectives of the Board and the department. At a minimum, a Health and Social Services Planner II (R19) is needed to perform full administration of all duties related to the implementation of SB67. Duties of this position include: writing regulations; analysis and comparison of all 5-year master plans; contact with facilities and resolution of unclear master plans which they have submitted; verification and review of project budgets; analysis and review of all grant applications; staff support for the Health Facilities Review Board, such as making travel arrangements, (Continued)

Prepared by: Janet Clarke, Director 
 Division: Division of Administrative Services
 Approved by Commissioner: 
 Agency: Department of Health and Social Services

Phone: 465-3082
 Date: 01/29/91
 Date: 1/31/91

Distribution (by preparer):
 Legislative Finance OMB
 Legislative Sponsor Impacted Agency(ies)
 Requestor

ANALYSIS (cont.):

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Alaska State Legislature

SENATOR ARLISS STURGULEWSKI, Chairman
SENATOR PAUL FISCHER, Vice Chairman
SENATOR SAM COTTEN
SENATOR LYMAN HOFFMAN
SENATOR CURT MENARD



P.O. BOX V
ROOM 427
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3782

Senate Committee on Health, Education and Social Services

MEMORANDUM

28 February 1991

TO: Senator Arliss Sturgulewski
Chair, Senate HESS Committee

FROM: Staff

RE: Amendments to SB 67

We have requested a committee substitute for SB 67. The changes to the bill incorporate technical changes made in the proposed sponsor substitute. Other changes include those suggested by the participants during the bill hearing, by the Alaska State Hospital and Nursing Home Association, and by the Department of Health & Social Services.

Major policy changes include expanding the list of criteria to be considered by the board, limiting to 15 percent the amount spent for planning and design that may be paid for costs incurred before approval of the grant, and allowing the value of the land and site preparation to be included in the grantee's share of the total cost.

The list of persons to be appointed to the board has been changed. A representative nominated by the Alaska State Hospital & Nursing Association has been replaced by a representative of a non-profit health facility and a representative from the division of fire prevention in the Department of Public Safety has been replaced to a representative of the Alaska Area Native Health Service.

An issue that needs discussion by the committee is that of limiting eligibility for grants. There is concern that large hospitals with substantial financial resources may compete with smaller hospitals with less access to other sources of funds. It was suggested that limiting the size of an eligible hospital to under 200 beds would accommodate that concern. Another suggested method of addressing this concern was to include financial need in the criteria used by the board to evaluate project applications.

Alaska State Legislature

Chair, Resources Committee
Vice-chair, Transportation Committee
Member, Rules Committee
Member, Committee on Committees



District A
Ketchikan, Wrangell, Petersburg,
Hyder, Myers Chuck, Kupreanof

Senator Lloyd Jones

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Juneau, AK 99811
907 485-3743
Fax: 907 485-3922

352 Front Street
Ketchikan, AK 99901
907 225-8082
Fax: 907 225-8546

MEMORANDUM

To: All Senators
From: Senator Lloyd Jones
Date: May 3, 1991
Subj: Senate Bill 67

A handwritten signature in dark ink, appearing to read "LJ", written over the "From:" line of the memorandum.

Senate Bill 67 sets up a mechanism by which hospitals and nursing homes can be prioritized for funding. The bill is scheduled for floor action on Friday, May 3 and I would like to take this opportunity to ask for your support.

As you may know, many of our health care facilities in Alaska desperately need to be renovated and/or replaced. Many of the projects have been in line since 1982, which was the last time a survey of projects was done. The problems, such as health/safety code violations, space insufficiencies and outmoded equipment, have only gotten worse.

SB 67 establishes a health care facility review board which will prioritize projects, enabling the administration and the legislature to make rational funding decisions regarding health care facility construction. In my opinion, it's a positive step toward a statewide health care plan.

Attached is a Fact Sheet on SB 67. Please take the time to review it. If you have any questions on the bill, I will be happy to discuss them with you. Your support is greatly appreciated.

LJ:gmc
Attachment

Alaska State Legislature

Chair, Resources Committee
Vice-Chair, Transportation Committee
Member, Rules Committee
Member, Committee on Committees



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Senator Lloyd Jones

MEMORANDUM

To: All Senators
From: Senator Lloyd Jones
Date: May 3, 1991
Subj: Senate Bill 67

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SB 67 establishes a health care facility review board which will prioritize projects, enabling the administration and the legislature to make rational funding decisions regarding health care facility construction. In my opinion, it's a positive step toward a statewide health care plan.

Attached is a Fact Sheet on SB 67. Please take the time to review it. If you have any questions on the bill, I will be happy to discuss them with you. Your support is greatly appreciated.

LJ:gmc
Attachment

SENATE BILL 67 - FACT SHEET

by Senator Lloyd Jones

Purpose of the Bill

Senate Bill 67 is an attempt to rationally fund the renovation and replacement of hospital and nursing home facilities in our state. It sets up a priority ranking system to be used by the legislature and the administration when decisions are being made about what capital projects should be funded. In the past, these facilities have had to compete with other capital project funds. This bill establishes a Health Care Facility Review Board whose main duty is to accept grant applications and prioritize projects based on criteria set by the board.

Key provisions of the bill

- Establishes a seven member board appointed by the governor, serving staggered terms of three years. Members must be representative of all areas of the state.
- Facilities must meet criteria as established in the bill. The Board will also establish other criteria.
- Facilities must have a valid certificate of need.
- Health care facilities as defined in the bill are acute care hospitals and nursing homes of no more than 200 beds.
- The state will award 75-percent of the total construction grant. Facilities must match a total of 25-percent with no more than 5-percent being in-kind contribution.
- The bill outlines and an extensive appeals process, however, award of grants may not be delayed regardless of any administrative or judicial review pending.
- Once a grant has been awarded, the Department and the applicant must formerly enter into a written agreement. Conditions of the agreement are outlined in the bill.

Alaska State Legislature

Chair, Resources Committee
Vice-chair, Transportation Committee
Member, Rules Committee
Member, Committee on Committees

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MEMORANDUM

To: Senator Arliss Sturgulewski, Chair
Health, Education & Social Services Committee

From: Senator Lloyd Jones *LJ*

Date: January 28, 1991

Subj: Hearing on SB 67--Health Facility Construction

Please consider hearing Senate Bill 67 at the Health, Education and Social Services Committee meeting of February 5. Hospital administrators from Fairbanks, Kodiak, Ketchikan and Seward are scheduled to be in town for other meetings and I would like them to be able to testify on SB 67 at this time.

SB 67 is a comprehensive bill which sets up a structure by which the legislature can objectively fund health care facilities in need of renovation and construction. As you know, many of our health care facilities are in serious disrepair and/or code violations. The cost of maintaining and upgrading these facilities is expensive. In the past, these facilities have had to compete with other capital project funds without much avail, even though the upkeep of health care facilities is recognized as vital.

My bill proposes the establishment of a Health Care Facilities Review Board, whose duties include prioritizing health care facilities projects on a fiscal year basis. This priority list and the Board's recommendation for funding would be transmitted to the Governor and the Legislature each year.

The bill is modeled after the school construction measure passed a year ago by the legislature (HB 37), which I believe is a good model for hospital and nursing home construction. My intention is not to build

→ new facilities, but to renovate and maintain the facilities we now have.
*Purpose 5 year plan (from school plan) → the typical
Hospitals/nursing homes (what about clinics) (used C.O.N.)
what about some facilities - especially of facilities to be used
from other sources.*

Senator Sturgulewski: SB 67

Page 2

January 28, 1991

I've enclosed a copy of the Sectional Analysis and fiscal note for SB 67. Also included are letters of support from various hospital administrators across the state. These hospital administrators have been diligent in reviewing the bill and I would appreciate it if you would give them a chance to testify on SB 67 when they are in town on February 5.

LAJ:gmc
Enclosures

Alaska State Legislature

Chair, Resources Committee
Vice chair, Transportation Committee
Member, Rules Committee
Member, Committee on Committees



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Senator Lloyd Jones

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352 Front Street
Ketchikan, AK 99901
907 225 9082
Fax: 907 225-8546

MEMORANDUM

To: All Senators

From: Senator Lloyd Jones *LJ*

Date: January 21, 1991

Subj: Requests for co-Sponsors on Senate Bill 67 - Relating to state aid for nonprofit health facilities

I would appreciate your co-sponsorship on **SB 67**, which I have attached for your perusal.

Basically, the bill is modeled after the school construction bill passed by the legislature last year. As you know, health facility construction, like school construction, is costly. As we've deliberated funding various projects in the past, it was hard to prioritize which facilities should be funded first. This bill would de-politicize the system by setting up an independent board to prioritize the projects, based on specific criteria, such as threat to life and emergency needs of the facility.

The Health Facilities Review Board, as established in **SB 67**, will be made up of an architect, an engineer, a representative nominated by the Alaska Municipal League, a representative from the Department of Health and Social Services, and a representative nominated by the Alaska State Hospital and Nursing Association. The board will have comprehensive duties, including:

- reviewing health facilities master plans
- establishing a revised and updated five-year construction grant schedule
- making recommendations to DHSS, the Governor and the Legislature regarding which three projects to fund each fiscal year.

As we see capital funds decreasing, I think it is essential that we have an orderly system by which the neediest and most worthwhile health facilities projects receive funds. With a priority list, established by this bill's proposed Health Facilities Review Board, the legislature and the governor will be able to make rational funding decisions.

Senate Bill 67
Page 2
January 21, 1991

I've worked with hospital administrators, DHSS representatives and the Alaska State Hospital and Nursing Association to shape **SB 67**, and all agree it is a much needed piece of legislation.

I would appreciate you taking the time to look through the bill. If you have any questions, please call Glenda Carino of my office at 3743. Your support of **SB 67** would be greatly appreciated.

LAJ:gmc
Attachment

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

P.O. Box Y, Juneau, Alaska 99811
(907) 465-3867 or 465-2450
FAX (907) 465-2029

Deliveries to: 240 Main Street
Court Plaza, Room 500
Mail Stop 3101

MEMORANDUM

March 1, 1991

SUBJECT: Additional changes made to draft (CSHB 67 (HESS))

TO: Senator Arliss Sturgulewski
Chair, Health, Education, and Social Services Committee
Attn: Melissa Fouse

FROM: Theresa L. Bannister *TB*
Legislative Counsel

This memo accompanies the draft that you requested of CSHB 67 (HESS), relating to grants for nonprofit health facilities.

Please note that the prohibition against appealing subjective determinations has been placed in a new subsection (g) so that it applies to sec. 18.25.023 generally.

Please also note that the following additional changes were made to the bill, in addition to the other changes that were requested:

1. p. 1, l. 5, "APPLICATIONS" replaces "REQUESTS";
2. p. 3, l. 17, "grant application" replaces "project request";
3. p. 3, l. 26, "application" replaces "request";
4. p. 4, l. 1, "applications" replaces "requests";
5. p. 5, l. 23, "applicant's" replaces "municipality's";
6. p. 7, l. 20, paragraph (2) of HB 67 has been deleted.

Changes 1 - 3 were technical corrections made to reflect that under sec. 18.25.011, a person submits a grant application, not a grant request. Change 4 was a technical change to reflect that nonprofit organizations, as well as municipalities, make requests under this bill. Change 5 was deleted at the committee's request because the department does not approve the applications.

Senator Arliss Sturgulewski
March 1, 1991
Page 2

If I may be of further assistance, please advise.

TLB:pl
91-121.plm:mi

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

JAN 23 1991

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Deliveries to: 240 Main Street
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MEMORANDUM

January 23, 1991

SUBJECT: Sectional summary of SB 67

TO: Senator Lloyd Jones

FROM: Theresa L. Bannister *TB*
Legislative Counsel

You have requested a sectional summary of SB 67, "An Act relating to state aid for nonprofit health facilities; and providing for an effective date". Please remember that this is only a summary of the bill and that the bill is the best source of its contents.

Section 1 contains the main provisions of the bill.

Sec. 18.25.011(a) authorizes municipalities and nonprofit organizations to apply for a nonprofit health facility construction grant. Sets the application deadline.

Sec. 18.25.011(b) requires that projects for which certificates of need are required under AS 18.07.031 - 18.07.111 must have a current certificate in order to be eligible for a grant.

Sec. 18.25.011(c) states that a project is not eligible for a grant unless the applicant submits a five-year master plan for the construction of the health facility on or before September 1 of the fiscal year preceding the fiscal year when the application is submitted. Describes what the plan must include.

Sec. 18.25.011(d) requires that the grant application include certain insurance evidence, and evidence satisfactory to the Department of Health and Social Services that the proposed project is a capital construction project and not part of a preventive maintenance program or regular custodial care program.

Sec. 18.25.013 establishes a seven-member Health Facilities Review Board in the Department of Health and Social Services. Gives specific qualifications for the members. States that the members are to be appointed by the governor. Sets staggered terms of three years for the members. Directs the members to elect one of the members to chair the board. Requires the board to hold at least one meeting

each year. Authorizes the board to hold additional meetings at the call of the chair or a majority of the members.

Sec. 18.25.015 establishes the duties of the board.

Sec. 18.25.015(a) directs the board to review the master plans submitted by grant applicants. Also requires the board to establish and transmit to the department a five-year construction grant schedule that establishes the priorities among the proposed grant projects. States that the prioritized schedule must serve the best interests of the state and the municipality or area in which the health facility is to be located.

Sec. 18.25.015(b) directs the board to establish by regulation its criteria for establishing priorities. Lists certain factors that must be included in the criteria.

Sec. 18.25.015(c) authorizes the board to reject a project request and omit it from the construction grant schedule in certain circumstances.

Sec. 18.25.017 directs the department to verify the budget items in the board's grant schedule. Also directs the department to transmit the board's grant schedule and the verified budget to the governor and the legislature by certain dates.

Sec. 18.25.019 requires the department to provide public notice of the grant requests and the priorities established by the board and a hearing on the priorities by certain dates each year. Defines "public notice" for the section.

Sec. 18.25.021(a) directs the department to award the grants in the order of the projects' priorities when the appropriation bill funding the grant fund becomes law, regardless of pending reviews of the grant applications. Prohibits review from delaying the funding of the grants.

Sec. 18.25.021(b) establishes that a project re-prioritized after the funding appropriation becomes law is to be awarded according to the new priority at the next time grants are awarded.

Sec. 18.25.023(a) authorizes a grant applicant to request reconsideration of certain board decisions. Establishes certain criteria that the reconsideration request must satisfy. Directs the board to review its decision and issue a written decision by a certain date.

Sec. 18.25.023(b) authorizes a grant applicant to appeal an adverse decision of the board under (a) of this section. Establishes certain criteria for making the appeal. Establishes that the omission of an issue from the notice of appeal waives the right to have the issue considered. Directs the commissioner to appoint a hearing officer

Senator Lloyd Jones

January 23, 1991

Page 3

with certain qualifications and by a certain date. Describes the hearing officer's duties. Establishes that denial of an appeal by the hearing officer is a final decision that may be appealed under (d) of this section. Directs the board to consider the hearing officer's recommended decision by a certain date and indicates what action the board may take at that point. Directs the board to issue its decision in writing by a certain date.

Section 18.25.023(c) authorizes the hearing officer to consolidate appeals.

Section 18.25.023(d) authorizes a grant applicant to appeal an adverse decision of the hearing officer or the board under (b) of this section to the superior court.

Section 18.25.023(e) directs the board to adopt regulations governing reconsideration and appeal procedures.

Section 18.25.023(f) prohibits a grant applicant from requesting a reconsideration or appeal of a priority determination because the reprioritization of another project due to a reconsideration or appeal under this section has resulted in a lower priority for the applicant's project. (On line 18 of page 5, "municipality's" should read "applicant's")

Section 18.25.025(a) requires the department to enter into a written grant agreement before distributing the funds.

Section 18.25.025(b) requires that the grant agreement contain certain listed conditions.

Section 18.25.025(c) allows a cost of construction for a health facility to be paid under a grant even if the cost was incurred before certain listed events, except as provided in subsection (b) or (d).

Section 18.25.025(d) prohibits the payment under the grant of certain early project costs.

Sec. 18.25.025(e) prohibits the direct administrative expenses of the grantee from exceeding 10 percent of the grant.

Sec. 10.25.027 requires the governor to include an appropriation for the nonprofit health facility construction grants in the governor's general appropriation bill.

Sec. 10.25.029 states that each grant will pay 80 percent of the total costs of construction for the project each year.

Senator Lloyd Jones
January 23, 1991
Page 4

Sec. 18.25.031 directs the department to advance 20 percent of a grant after the effective date of the grant agreement. Requires the department to base subsequent payments on payment requests submitted by the grantee. Prohibits the department from making further payments until the grantee exhausts the advance.

Sec. 18.25.033 establishes the nonprofit health facility construction grant fund for grants under AS 18.25.011 - 18.25.035.

Sec. 18.25.035 defines certain terms for the new sections.

Section 2 directs the department to adopt regulations to implement AS 18.25.

Section 3 has the effect of exempting grants under AS 18.25.011 - 18.25.035 from the requirements of AS 46.11.

Section 4 repeals certain statutes.

Section 5 gives the Act an effective date.

If I may be of further assistance, please advise.

TLB:pl
91-020.plm

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR DUNCAN

TC: CSSB 67(HES)

Page 9, following line 14:

Insert a new section to read:

"* Sec. 5. RETROACTIVE GRANTS. (a) A grant may be made under AS 18.25.011 - 18.25.035, added by sec. 1 of this Act, for construction costs that are incurred before the effective date of this Act and if the construction project is begun or completed before the effective date of this Act and if the project began after December 31, 1985.

(b) Notwithstanding AS 18.25.011(b), the certificate of need required for a construction project described in (a) of this section must have been in effect when the project was begun.

(c) The determination of the priority of a construction project described in (a) of this section shall be based on the circumstances existing when the construction project was begun.

(d) If the grant is for construction costs described in (a) of this section, the written agreement required under AS 18.25.025 may not include the provisions contained in AS 18.25.025(b)(1) - (11), (13), and (14).

(e) Notwithstanding AS 18.25.029, for each grant described in (a) of this section, the state shall pay ⁷⁵~~30~~ percent of the costs of construction incurred for the project by the grantee before the effective date of this Act.

(f) Notwithstanding AS 18.25.031, after the effective date of the agreement for a grant under AS 18.25.011 - 18.25.035, the Department of Health and Social Services shall advance the entire grant to the grantee if the grant is authorized by (a) of this section."

Renumber the following bill section accordingly.

See pg 3, line 16

CS FOR SENATE BILL NO. 67 (HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS JONES, Zharoff, Menard

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to state aid for nonprofit health facilities; and providing for an effective
2 date."

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

4 * Section 1. AS 18.25 is amended by adding new sections to read:

5 Sec. 18.25.011. GRANT APPLICATIONS. (a) On or before June 15, a municipality
6 or a nonprofit organization may submit a grant application to the department for a nonprofit
7 health facility construction grant.

8 (b) A project for which a certificate of need is required under AS 18.07.031 - 18.07.111
9 at the time of the grant application is not eligible for a grant under AS 18.25.011 - 18.25.035
10 unless a certificate has been issued to the health facility that is the subject of the application, and
11 the certificate is in effect at the time of the application.

12 (c) A project is not eligible for a grant under AS 18.25.011 - 18.25.035 unless the
13 applicant has submitted a five-year master plan for the construction of the health facility on or
14 before September 1 of the fiscal year in which the application is submitted; the master plan must

1 include a description of the applicant's fixed asset inventory system and preventive maintenance
2 program, a detailed scope of work, an estimated project budget, an operation, maintenance, and
3 financial feasibility study, and a documentation of the conditions justifying the project, including
4 a signed statement by an architect or engineer verifying any code violation documented in the
5 plan.

6 (d) The grant application must include

7 (1) evidence that the applicant has secured and will maintain adequate property
8 loss insurance for the replacement cost of the health facility or a program of insurance acceptable
9 to the department; and

10 (2) evidence acceptable to the department that the proposed project is a capital
11 construction project and not part of a preventive maintenance program or regular custodial care
12 program.

13 Sec. 18.25.013. HEALTH FACILITIES REVIEW BOARD ESTABLISHED. (a) There
14 is created in the Department of Health and Social Services the Health Facilities Review Board
15 composed of seven members consisting of the following persons appointed by the governor and
16 who serve at the pleasure of the governor:

17 (1) an architect licensed under AS 08.48;

18 (2) an engineer licensed under AS 08.48;

19 (3) a representative nominated by the Alaska Municipal League;

20 (4) a representative from the department;

21 (5) a representative of a nonprofit health facility;

22 (6) a representative of the Alaska Area Native Health Service; and

23 (7) a member of the general public.

24 (b) The members serve for staggered terms of three years.

25 (c) The members of the board shall elect a member of the board as chair.

26 (d) The board shall hold at least one meeting each year. The board may hold additional
27 meetings at the call of the chair or of a majority of the board members.

28 Sec. 18.25.015. BOARD DUTIES. (a) The board shall annually

29 (1) review the master plans submitted by applicants under AS 18.25.011;

30 (2) with regard to the plans reviewed under (1) of this subsection, establish and
31 transmit to the department a revised and updated five-year construction grant schedule that

1 establishes the priorities among the proposed health facility construction projects and serves the
2 best interest of the state and the municipality or area in which the health facility is located.

3 (b) The board shall establish by regulation its criteria for establishing the priorities under
4 (a) of this section. The criteria must include at least the following factors:

- 5 (1) the degree of threat to the health or safety of facility occupants;
- 6 (2) the degree of potential harm to building integrity as it affects the building's
7 ability to support health care functions in a cost effective and efficient manner;
- 8 (3) the ability of the project or project phase to be self-supporting;
- 9 ✓ (4) access to other sources of funding;
- 10 (5) the overall capital requirements and operating cost efficiency over the lifetime
11 of the facility;
- 12 (6) the community or area need for the facility as compared to alternative means
13 for providing the care;
- 14 (7) the level of care required to provide basic cost effective and efficient health
15 services;
- 16 (8) the effect of the grant award on the overall position of the applicant as
17 compared to health facilities that are not eligible to receive grants under AS 18.25.011 -
18 18.25.035.

19 (c) The board may reject a grant application and omit it from the construction grant
20 schedule if

- 21 (1) the applicant provides incomplete information or documentation on the project;
- 22 (2) the board determines that existing facilities can adequately serve the program
23 requirements, or that an alternative project is in the best interests of the state; or
- 24 (3) the board determines that the project is not in the best interests of the state
25 or the municipality or area in which the health facility is located.

26 Sec. 18.25.017. DEPARTMENT ACTION. (a) Before a grant application is submitted
27 to the board, the department shall verify the amounts and reasons for the items in the budget for
28 each grant application.

29 (b) With regard to the construction grant schedule established by the board under
30 AS 18.25.015, the department shall transmit the construction grant schedule, including the
31 budgets verified under (a) of this section, to the governor by October 15 of each year and to the

1 legislature within the first 10 days of each regular legislative session.

2 Sec. 18.25.019. PUBLIC NOTICE AND HEARING. On or before July 15 of each year,
3 the department shall provide public notice of the grant applications made under AS 18.25.011
4 and the priorities established under AS 18.25.015. After public notice has been given, the
5 department shall, not later than August 15 of each year, hold a public hearing on the priorities
6 established under AS 18.25.015. In this subsection, "public notice" means notice published in
7 a newspaper of general circulation and notice to each person who has requested notice about the
8 grant requests from the department.

9 Sec. 18.25.021. AWARD. (a) The department shall award grants in the order of the
10 projects' priorities on the date the appropriation bill funding the nonprofit health facility
11 construction grant fund becomes law, regardless of an administrative or judicial review pending
12 under AS 18.25.023. An administrative or judicial review pending under AS 18.25.023 at the
13 time that grants are awarded may not delay the funding of grants.

14 (b) If a project is assigned a new priority ranking under AS 18.25.023 after the date the
15 appropriation bill for the nonprofit health facility construction grant fund becomes law, a grant
16 shall be awarded for the project in accordance with the new priority ranking at the next time that
17 nonprofit health facility construction grants are awarded under AS 18.25.011 - 18.25.035.

18 Sec. 18.25.023. ADMINISTRATIVE AND JUDICIAL REVIEW. (a) An applicant
19 under AS 18.25.011 may not request reconsideration of a decision of the board unless the request
20 is based on reasonable issues of fact or law. The request must be in writing and include a
21 statement of the specific changes desired, and a summary of the evidence supporting the
22 applicant's claim that the board has erred in its review of the applicant's grant application. A
23 request for reconsideration must be submitted to the board by the first day of the public hearing
24 held under AS 18.25.019. The board shall review its decision on the basis of the request by the
25 applicant and determine whether its decision should be changed. The board shall issue its deter-
26 mination in writing within 15 days after the last day of the public hearing held under
27 AS 18.25.019.

28 (b) An applicant under AS 18.25.011 may appeal an adverse decision of the board under
29 (a) of this section by filing a written notice of appeal with the commissioner within 15 days after
30 the date of the board's decision. The notice of appeal must state the legal and factual basis for
31 the appeal and the precise relief sought. The failure of the applicant to include an issue in a

1 notice of appeal constitutes a waiver of the right to have the issue considered. Not later than 10
2 days after receipt of a notice of appeal, the commissioner shall appoint a hearing officer who is
3 qualified under AS 44.62.350(c) to consider the appeal. If the hearing officer finds that the
4 notice of appeal does not raise a reasonable issue of fact or law, the hearing officer shall issue
5 a written decision denying the appeal. Denial of an appeal by a hearing officer is a final decision
6 that may be appealed under (d) of this section. If the hearing officer finds that the notice of
7 appeal raises a reasonable issue of fact or law, the hearing officer shall conduct a hearing on
8 those issues and recommend a decision to the board. The hearing officer shall issue a decision
9 on the appeal not later than 60 days after being appointed. The commissioner shall consider the
10 recommended decision of the hearing officer within 10 days after receipt and may adopt all, part,
11 or none of the recommended decision or may remand the issue to the hearing officer for further
12 hearings. The commissioner shall issue a decision in writing within 10 days after consideration
13 of the hearing officer's decision.

14 (c) The hearing officer may consolidate appeals under (b) of this section if the notices
15 of appeal raise related issues of fact or law.

16 (d) An applicant under AS 18.25.011 may appeal an adverse decision of a hearing officer
17 or the board under (b) of this section to the superior court in the manner provided by
18 AS 44.62.560 - 44.62.570 and the Alaska Rules of Appellate Procedure.

19 (e) The board shall adopt regulations governing procedures for the reconsideration and
20 appeal of decisions under (a) - (c) of this section. The regulations adopted under this subsection
21 are not required to conform to AS 44.62.330 - 44.62.630, but must be consistent with minimum
22 standards of due process.

23 (f) An applicant under AS 18.25.011 may not request reconsideration of or appeal a
24 priority determination on the grounds that a revised priority assigned to another project, due to
25 a reconsideration or appeal under this section, has resulted in a lower priority being accorded to
26 the applicant's project.

27 Sec. 18.25.025. GRANT AGREEMENT AND CONDITIONS. (a) The department shall
28 enter into a written agreement with the grantee before it distributes grant funds under
29 AS 18.25.011 - 18.25.035.

30 (b) The department shall require in the grant agreement that the grantee

31 (1) agree to construction of the health facility as described by the certificate of

1 need, if any, issued to the facility under AS 18.07.031 - 18.07.111;

2 (2) provide reasonable assurance by a means acceptable to the department that
3 the cost of the project will be uniform with the costs of the most current construction projects
4 in the area;

5 (3) agree to submit to the department for department approval a description and
6 justification of a cost overrun before the grantee agrees to pay for the overrun and before the
7 department distributes money to the grantee to pay for the overrun;

8 (4) agree to place the grant funds in an interest-bearing account and not to use
9 the interest or the grant funds for a purpose other than the project;

10 (5) agree to limit equipment purchases to that required for the facility operation;

11 (6) submit project budgets for department review and agree that the grant amount
12 may, at the discretion of the department, be reduced or increased by amounts equal to the
13 amounts by which contracts vary from the budget amounts approved by the department;

14 (7) submit to the department for approval, before advertising for bids for the
15 construction contract, a plan for construction that includes specifications, final construction
16 drawings, and proposed contract documents;

17 (8) submit for department review a tabulation of all bids received, a complete
18 copy of the lowest bid, a copy of the proposed notice to proceed with construction, and a copy
19 of the proposed construction contract;

20 (9) submit for department review and acceptance documentary evidence that the
21 project is being accomplished in accordance with all the assertions in the grantee's five-year
22 master plan and grant application;

23 (10) submit sufficient assurances that the project will be used for the stated
24 purposes of the grant for the expected useful lifetime of the facility;

25 (11) agree to conform to all applicable governmental codes and standards,
26 including the most recently adopted state statutes and regulations on building, health, mechanical,
27 electrical, fire, safety, and handicap accessibility, and those covering the planning, construction,
28 and operation of the health facility;

29 (12) agree to comply with

30 (A) the department's single audit requirements;

31 (B) AS 37.05.321, prohibiting the use of grant funds and earnings to

1 influence legislative action;

2 (C) the reporting requirements of AS 36.05 and AS 36.10; and

3 (D) 42 U.S.C. 2000a - 2000h-6 (Civil Rights Act of 1964), 29 U.S.C. 621-
4 634 (Age Discrimination in Employment Act of 1967), 7 U.S.C. 2027 (Food Stamp Act
5 of 1977), and the department's requirements for implementation of the federal statutes
6 listed in this subparagraph;

7 (13) identify anticipated operating costs and revenue and the sources of funding
8 that may be requested if costs exceed projected revenue;

9 (14) complete the project in a timely manner to a fully functional condition and
10 submit periodic status reports not less than every six months to the department detailing work
11 completed to date, a summary of expenditures compared with the approved budget, and an
12 explanation of any deviation from the approved work, schedule, or budget; and

13 (15) agree to comply with other requirements that the department, notwithstanding
14 AS 37.05.318, may reasonably impose on grantees and that are necessary to meet the intent of
15 the grant.

16 (c) Except as provided under (b) or (d) of this section, a cost of construction for a health
17 facility may be paid under a grant awarded under AS 18.25.021 without regard to whether the
18 cost was incurred before the

19 (1) award of the grant; or

20 (2) effective date of an appropriation to the nonprofit health facility construction
21 grant fund for the year in which the grant is funded.

22 (d) The maximum percentage of the costs of planning and designing, including
23 engineering, that are incurred before awarding a grant and that may be paid under the grant may
24 not exceed 15 percent.

25 (e) The fair market value of land acquisition and site preparation may be included in the
26 grantee's share of the total cost of the health facility. The fair market value shall be determined
27 as of the date when the grant application is submitted under AS 18.25.011.

28 (f) The direct expenses of the grantee to administer the project may not exceed 10
29 percent of the grant.

30 Sec. 18.25.027. GRANT APPROPRIATIONS. Within the general appropriation bill
31 submitted to the legislature under AS 37.07.020, the governor shall include an appropriation for

1 nonprofit health facility construction grants in the succeeding fiscal year as determined by the
2 priority list and budgets transmitted to the governor under AS 18.25.017.

3 Sec. 18.25.029. AMOUNT OF GRANTS. For each project included in a grant awarded
4 under AS 18.25.021, the state shall pay 80 percent of the total costs of construction incurred for
5 the project by the grantee during the fiscal year for which the grant is made.

6 Sec. 18.25.031. DISTRIBUTION OF GRANT. After the effective date of the agreement
7 for a grant under AS 18.25.011 - 18.25.035, the department shall advance 20 percent of the grant
8 to the grantee. The department shall base subsequent payments from the grant on payment
9 requests submitted by the grantee for the costs of construction incurred by the grantee for the
10 grant project. The department may not make a further payment under the grant until the grantee
11 has exhausted the advance.

12 Sec. 18.25.033. NONPROFIT HEALTH FACILITY CONSTRUCTION GRANT FUND.
13 The nonprofit health facility construction grant fund is created as an account in the general fund.
14 The fund shall be used to make grants under AS 18.25.011 - 18.25.035 for the costs of
15 construction of nonprofit health facilities. Legislative appropriations under AS 18.25.011 -
16 18.25.035 for the costs of construction of nonprofit health facilities shall be deposited in the fund.

17 Sec. 18.25.035. DEFINITIONS. In AS 18.25.011 - 18.25.035,

18 (1) "board" means the Health Facilities Review Board;

19 (2) "costs of construction" means the cost of acquiring, constructing, enlarging,
20 repairing, remodeling, equipping, or furnishing nonprofit health facilities and includes the total
21 of all costs of financing and carrying out the project, including

22 (A) the cost of necessary studies, surveys, plans and specifications,
23 architectural, engineering and other special services, the acquisition of real property, site
24 preparation and development, and the acquisition of machinery and equipment necessary
25 for the project;

26 (B) the direct expenses of the grantee to administer the project;

27 (C) the cost of financing the project, including interest on bonds issued
28 to finance the project; and

29 (D) the cost of other items, including indemnity and surety bonds and
30 premiums on insurance, legal fees, fees and expenses of trustees, depositaries, financial
31 advisors, and paying agents for the bonds issued;

1 (3) "health facility" means a nursing home or a facility that provides
2 hospitalization for inpatient medical and surgical care of acute illness or injury or obstetric care;

3 (4) "nonprofit" means qualified for an exemption under 26 U.S.C. 501 from
4 federal income tax.

5 * Sec. 2. AS 18.25.100 is repealed and reenacted to read:

6 Sec. 18.25.100. REGULATIONS. The department shall adopt regulations to implement
7 this chapter.

8 * Sec. 3. AS 46.11.900(7) is amended to read:

9 (7) "state financial assistance" means a loan, grant, guarantee, insurance, payment,
10 rebate, subsidy, or other form of state assistance other than aid under AS 05.35.010 - 05.35.070,
11 AS 14.11, AS 18.25.011 - 18.25.035, and AS 29.60, including the purchase by a state agency of
12 a loan to finance the construction or purchase of a residential building;

13 * Sec. 4. AS 18.25.010, 18.25.020, 18.25.030, 18.25.070, 18.25.080, 18.25.090, and 18.25.110 are
14 repealed.

15 * Sec. 5. This Act takes effect July 1, 1991.

7-LS0085G
Bannister
2/28/91

CS FOR SENATE BILL NO. 67 (HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS JONES, Zharoff, Menard

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to state aid for nonprofit health facilities; and providing for an effective
2 date."

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

4 * Section 1. AS 18.25 is amended by adding new sections to read:

5 Sec. 18.25.011. GRANT APPLICATIONS. (a) On or before June 15 of the fiscal year
6 preceding the fiscal year for which the application is made, a municipality or a nonprofit
7 organization may submit a grant application to the department for a nonprofit health facility
8 construction grant.

9 (b) A project for which a certificate of need is required under AS 18.07.031 - 18.07.111
10 at the time of the grant application is not eligible for a grant under AS 18.25.011 - 18.25.035
11 unless a certificate has been issued to the health facility that is the subject of the application, and
12 the certificate is in effect at the time of the application.

13 (c) A project is not eligible for a grant under AS 18.25.011 - 18.25.035 unless the
14 applicant has submitted a five-year master plan for the construction of the health facility on or

1 before September 1 of the fiscal year in which the application is submitted; the master plan must
2 include a description of the applicant's fixed asset inventory system and preventive maintenance
3 program, a detailed scope of work, an estimated project budget, an operation, maintenance, and
4 financial feasibility study, and a documentation of the conditions justifying the project, including
5 a signed statement by an architect or engineer verifying any code violation documented in the
6 plan.

7 (d) The grant application must include

8 (1) evidence that the applicant has secured and will maintain adequate property
9 loss insurance for the replacement cost of the health facility or a program of insurance acceptable
10 to the department; and

11 (2) evidence acceptable to the department that the proposed project is a capital
12 construction project and not part of a preventive maintenance program or regular custodial care
13 program.

14 Sec. 18.25.013. HEALTH FACILITIES REVIEW BOARD ESTABLISHED. (a) There
15 is created in the Department of Health and Social Services the Health Facilities Review Board
16 composed of seven members consisting of the following persons appointed by the governor and
17 who serve at the pleasure of the governor:

18 (1) an architect licensed under AS 08.48;

19 (2) an engineer licensed under AS 08.48;

20 (3) a representative nominated by the Alaska Municipal League;

21 (4) a representative from the department;

22 (5) a representative of a nonprofit health facility;

23 (6) a representative of the Alaska Area Native Health Service; and

24 (7) a member of the general public.

25 (b) The members serve for staggered terms of three years.

26 (c) The members of the board shall elect a member of the board as chair.

27 (d) The board shall hold at least one meeting each year. The board may hold additional
28 meetings at the call of the chair or of a majority of the board members.

29 Sec. 18.25.015. BOARD DUTIES. (a) The board shall annually

30 (1) review the master plans submitted by applicants under AS 18.25.011;

31 (2) with regard to the plans reviewed under (1) of this subsection, establish and

1 transmit to the department a revised and updated five-year construction grant schedule that
2 establishes the priorities among the proposed health facility construction projects and serves the
3 best interest of the state and the municipality or area in which the health facility is located.

4 (b) The board shall establish by regulation its criteria for establishing the priorities under
5 (a) of this section. The criteria must include at least the following factors:

6 (1) the degree of threat to the health or safety of facility occupants;

7 (2) the degree of potential harm to building integrity as it affects the building's
8 ability to support health care functions in a cost effective and efficient manner;

9 (3) the ability of the project or project phase to be self-supporting;

10 (4) access to other sources of funding;

11 (5) the overall capital requirements and operating cost efficiency over the lifetime
12 of the facility;

13 (6) the community or area need for the facility as compared to alternative means
14 for providing the care;

15 (7) the level of care required to provide basic cost effective and efficient health
16 services.

17 (c) The board may reject a grant application and omit it from the construction grant
18 schedule if

19 (1) the applicant provides incomplete information or documentation on the project;

20 (2) the board determines that existing facilities can adequately serve the program
21 requirements, or that an alternative project is in the best interests of the state; or

22 (3) the board determines that the project is not in the best interests of the state
23 or the municipality or area in which the health facility is located.

24 Sec. 18.25.017. DEPARTMENT ACTION. (a) Before a grant application is submitted
25 to the board, the department shall verify the amounts and reasons for the items in the budget for
26 each grant application.

27 (b) With regard to the construction grant schedule established by the board under
28 AS 18.25.015, the department shall transmit the construction grant schedule, including the
29 budgets verified under (a) of this section, to the governor by October 15 of each year and to the
30 legislature within the first 10 days of each regular legislative session.

31 Sec. 18.25.019. PUBLIC NOTICE AND HEARING. On or before July 15 of each year,

1 the department shall provide public notice of the grant applications made under AS 18.25.011
2 and the priorities established under AS 18.25.015. After public notice has been given, the
3 department shall, not later than August 15 of each year, hold a public hearing on the priorities
4 established under AS 18.25.015. In this subsection, "public notice" means notice published in
5 a newspaper of general circulation and notice to each person who has requested notice about the
6 grant requests from the department.

7 Sec. 18.25.021. AWARD. (a) The department shall award grants in the order of the
8 projects' priorities on the date the appropriation bill funding the nonprofit health facility
9 construction grant fund becomes law, regardless of an administrative or judicial review pending
10 under AS 18.25.023. An administrative or judicial review pending under AS 18.25.023 at the
11 time that grants are awarded may not delay the funding of grants.

12 (b) If a project is assigned a new priority ranking under AS 18.25.023 after the date the
13 appropriation bill for the nonprofit health facility construction grant fund becomes law, a grant
14 shall be awarded for the project in accordance with the new priority ranking at the next time that
15 nonprofit health facility construction grants are awarded under AS 18.25.011 - 18.25.035.

16 Sec. 18.25.023. ADMINISTRATIVE AND JUDICIAL REVIEW. (a) An applicant
17 under AS 18.25.011 may request reconsideration of a decision of the board based on reasonable
18 issues of fact or law. The request must be in writing and include a statement of the specific
19 changes desired, and a summary of the evidence supporting the applicant's claim that the board
20 has erred in its review of the applicant's grant application. A request for reconsideration must
21 be submitted to the board by the first day of the public hearing held under AS 18.25.019. The
22 board shall review its decision on the basis of the request by the applicant and determine whether
23 its decision should be changed. The board shall issue its determination in writing within 15 days
24 after the last day of the public hearing held under AS 18.25.019.

25 (b) An applicant under AS 18.25.011 may appeal an adverse decision of the board under
26 (a) of this section by filing a written notice of appeal with the commissioner within 15 days after
27 the date of the board's decision. The notice of appeal must state the legal and factual basis for
28 the appeal and the precise relief sought. The failure of the applicant to include an issue in a
29 notice of appeal constitutes a waiver of the right to have the issue considered. Not later than 10
30 days after receipt of a notice of appeal, the commissioner shall appoint a hearing officer who is
31 qualified under AS 44.62.350(c) to consider the appeal. If the hearing officer finds that the

1 notice of appeal does not raise a reasonable issue of fact or law, the hearing officer shall issue
 2 a written decision denying the appeal. Denial of an appeal by a hearing officer is a final decision
 3 that may be appealed under (d) of this section. If the hearing officer finds that the notice of
 4 appeal raises a reasonable issue of fact or law, the hearing officer shall conduct a hearing on
 5 those issues and recommend a decision to the board. The hearing officer shall issue a decision
 6 on the appeal not later than 60 days after being appointed. The commissioner shall consider the
 7 recommended decision of the hearing officer within 10 days after receipt and may adopt all, part,
 8 or none of the recommended decision or may remand the issue to the hearing officer for further
 9 hearings. The commissioner shall issue a decision in writing within 10 days after consideration
 10 of the hearing officer's decision.

11 (c) The hearing officer may consolidate appeals under (b) of this section if the notices
 12 of appeal raise related issues of fact or law.

13 (d) An applicant under AS 18.25.011 may appeal an adverse decision of a hearing officer
 14 or the board under (b) of this section to the superior court in the manner provided by
 15 AS 44.62.560 - 44.62.570 and the Alaska Rules of Appellate Procedure.

16 (e) The board shall adopt regulations governing procedures for the reconsideration and
 17 appeal of decisions under (a) - (c) of this section. The regulations adopted under this subsection
 18 are not required to conform to AS 44.62.330 - 44.62.630, but must be consistent with minimum
 19 standards of due process.

20 (f) An applicant under AS 18.25.011 may not request reconsideration of or appeal a
 21 priority determination on the grounds that a revised priority assigned to another project, due to
 22 a reconsideration or appeal under this section, has resulted in a lower priority being accorded to
 23 the applicant's project.

24 (g) A subjective judgment of the board or board members may not be a basis for
 25 reconsideration or appeal unless it can be conclusively demonstrated that the board or a board
 26 member has acted in an arbitrary or capricious manner in making the judgment.

27 Sec. 18.25.025. GRANT AGREEMENT AND CONDITIONS. (a) The department shall
 28 enter into a written agreement with the grantee before it distributes grant funds under
 29 AS 18.25.011 - 18.25.035.

30 (b) The department shall require in the grant agreement that the grantee
 31 (1) agree to construction of the health facility as described by the certificate of



- 1 need, if any, issued to the facility under AS 18.07.031 - 18.07.111;
- 2 (2) provide reasonable assurance by a means acceptable to the department that
- 3 the cost of the project will be uniform with the costs of the most current construction projects
- 4 in the area;
- 5 (3) agree to submit to the department for department approval a description and
- 6 justification of a cost overrun before the grantee agrees to pay for the overrun and before the
- 7 department distributes money to the grantee to pay for the overrun;
- 8 (4) agree to place the grant funds in an interest-bearing account and not to use
- 9 the interest or the grant funds for a purpose other than the project;
- 10 (5) agree to limit equipment purchases to that required for the facility operation;
- 11 (6) submit project budgets for department review and agree that the grant amount
- 12 may, at the discretion of the department, be reduced or increased by amounts equal to the
- 13 amounts by which contracts vary from the budget amounts approved by the department;
- 14 (7) submit to the department for approval, before advertising for bids for the
- 15 construction contract, a plan for construction that includes specifications, final construction
- 16 drawings, and proposed contract documents;
- 17 (8) submit for department review a tabulation of all bids received, a complete
- 18 copy of the lowest bid, a copy of the proposed notice to proceed with construction, and a copy
- 19 of the proposed construction contract;
- 20 (9) submit for department review and acceptance documentary evidence that the
- 21 project is being accomplished in accordance with all the assertions in the grantee's five-year
- 22 master plan and grant application;
- 23 (10) submit sufficient assurances that the project will be used for the stated
- 24 purposes of the grant for the expected useful lifetime of the facility;
- 25 (11) agree to conform to all applicable governmental codes and standards,
- 26 including the most recently adopted state statutes and regulations on building, health, mechanical,
- 27 electrical, fire, safety, and handicap accessibility, and those covering the planning, construction,
- 28 and operation of the health facility;
- 29 (12) agree to comply with
- 30 (A) the department's single audit requirements;
- 31 (B) AS 37.05.321, prohibiting the use of grant funds and earnings to

1 influence legislative action;

2 (C) the reporting requirements of AS 36.05 and AS 36.10; and

3 (D) 42 U.S.C. 2000a - 2000h-6 (Civil Rights Act of 1964), 29 U.S.C. 621-
4 634 (Age Discrimination in Employment Act of 1967), 7 U.S.C. 2027 (Food Stamp Act
5 of 1977), and the department's requirements for implementation of the federal statutes
6 listed in this subparagraph;

7 (13) identify anticipated operating costs and revenue and the sources of funding
8 that may be requested if costs exceed projected revenue;

9 (14) complete the project in a timely manner to a fully functional condition and
10 submit periodic status reports not less than every six months to the department detailing work
11 completed to date, a summary of expenditures compared with the approved budget, and an
12 explanation of any deviation from the approved work, schedule, or budget; and

13 (15) agree to comply with other requirements that the department, notwithstanding
14 AS 37.05.318, may reasonably impose on grantees and that are necessary to meet the intent of
15 the grant.

16 (c) Except as provided under (b) or (d) of this section, a cost of construction for a health
17 facility may be paid under a grant awarded under AS 18.25.021 without regard to whether the
18 cost was incurred before the

19 (1) award of the grant; or

20 (2) effective date of an appropriation to the nonprofit health facility construction
21 grant fund for the year in which the grant is funded.

22 (d) The maximum percentage of the costs of planning and designing, including
23 engineering, that are incurred before awarding a grant and that may be paid under the grant may
24 not exceed 15 percent.

25 (e) The fair market value of land acquisition and site preparation may be included in the
26 grantee's share of the total cost of the health facility. The fair market value shall be determined
27 as of the date when the grant application is submitted under AS 18.25.011.

28 (f) The direct expenses of the grantee to administer the project may not exceed 10
29 percent of the grant.

30 Sec. 18.25.027. GRANT APPROPRIATIONS. Within the general appropriation bill
31 submitted to the legislature under AS 37.07.020, the governor shall include an appropriation for

1 nonprofit health facility construction grants in the succeeding fiscal year as determined by the
2 priority list and budgets transmitted to the governor under AS 18.25.017.

3 Sec. 18.25.029. AMOUNT OF GRANTS. For each project included in a grant awarded
4 under AS 18.25.021, the state shall pay 80 percent of the total costs of construction incurred for
5 the project by the grantee during the fiscal year for which the grant is made.

6 Sec. 18.25.031. DISTRIBUTION OF GRANT. After the effective date of the agreement
7 for a grant under AS 18.25.011 - 18.25.035, the department shall advance 20 percent of the grant
8 to the grantee. The department shall base subsequent payments from the grant on payment
9 requests submitted by the grantee for the costs of construction incurred by the grantee for the
10 grant project. The department may not make a further payment under the grant until the grantee
11 has exhausted the advance.

12 Sec. 18.25.033. NONPROFIT HEALTH FACILITY CONSTRUCTION GRANT FUND.
13 The nonprofit health facility construction grant fund is created as an account in the general fund.
14 The fund shall be used to make grants under AS 18.25.011 - 18.25.035 for the costs of
15 construction of nonprofit health facilities. Legislative appropriations under AS 18.25.011 -
16 18.25.035 for the costs of construction of nonprofit health facilities shall be deposited in the fund.

17 Sec. 18.25.035. DEFINITIONS. In AS 18.25.011 - 18.25.035,

18 (1) "board" means the Health Facilities Review Board;

19 (2) "costs of construction" means the cost of acquiring, constructing, enlarging,
20 repairing, remodeling, equipping, or furnishing nonprofit health facilities and includes the total
21 of all costs of financing and carrying out the project, including

22 (A) the cost of necessary studies, surveys, plans and specifications,
23 architectural, engineering and other special services, the acquisition of real property, site
24 preparation and development, and the acquisition of machinery and equipment necessary
25 for the project;

26 (B) the direct expenses of the grantee to administer the project;

27 (C) the cost of financing the project, including interest on bonds issued
28 to finance the project; and

29 (D) the cost of other items, including indemnity and surety bonds and
30 premiums on insurance, legal fees, fees and expenses of trustees, depositories, financial
31 advisors, and paying agents for the bonds issued;

1 (3) "health facility" means a nursing home or a facility that provides
2 hospitalization for inpatient medical and surgical care of acute illness or injury or obstetric care;

3 (4) "nonprofit" means qualified for an exemption under 26 U.S.C. 501 from
4 federal income tax.

5 * Sec. 2. AS 18.25.100 is repealed and reenacted to read:

6 Sec. 18.25.100. REGULATIONS. The department shall adopt regulations to implement
7 this chapter.

8 * Sec. 3. AS 46.11.900(7) is amended to read:

9 (7) "state financial assistance" means a loan, grant, guarantee, insurance, payment,
10 rebate, subsidy, or other form of state assistance other than aid under AS 05.35.010 - 05.35.070,
11 AS 14.11, AS 18.25.011 - 18.25.035, and AS 29.60, including the purchase by a state agency of
12 a loan to finance the construction or purchase of a residential building;

13 * Sec. 4. AS 18.25.010, 18.25.020, 18.25.030, 18.25.070, 18.25.080, 18.25.090, and 18.25.110 are
14 repealed.

15 * Sec. 5. This Act takes effect July 1, 1991.

*Profit
not for profit } tax status
Amend*

*Clinic. part of a hospital (include)
(exclude)*

SENATE BILL NO. 67

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS JONES, Zharoff

Introduced: 1/21/91

Referred: HESS and Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to state aid for nonprofit health facilities; and providing for an effective
2 date."

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

4 * **Section 1.** AS 18.25 is amended by adding new sections to read:

5 Sec. 18.25.011. GRANT REQUESTS. (a) On or before June 15 of the fiscal year
6 preceding the fiscal year for which the application is made, a municipality or a nonprofit
7 organization may submit a grant application to the department for a nonprofit health facility
8 construction grant.

9 (b) A project for which a certificate of need is required under AS 18.07.031 - 18.07.111
10 is not eligible for a grant under AS 18.25.011 - 18.25.035 unless a certificate has been issued to
11 the health facility that is the subject of the application, and the certificate is in effect at the time
12 of the application.

13 (c) A project is not eligible for a grant under AS 18.25.011 - 18.25.035 unless the
14 applicant has submitted a five-year master plan for the construction of the health facility on or

(WHEN LOOKING AT TIMELINE WE REALIZED IT WOULD BE 21 MONTHS BETWEEN SUBMISSION OF MASTER PLAN & APPLICATION. BY STRIKING THIS LANGUAGE WE KEEP WITHIN A REASONABLE TIME PERIOD)

1 before September 1 of the fiscal year ~~preceding the fiscal year~~ in which the application is
2 submitted; the master plan must include a description of the applicant's fixed asset inventory
3 system and preventive maintenance program, a detailed scope of work, an estimated project
4 budget, an operation, maintenance, and financial feasibility study, and a documentation of the
5 conditions justifying the project, including a signed statement by an architect or engineer
6 verifying any code violation documented in the plan.

7 (d) The grant application must include

8 (1) evidence that the applicant has secured and will maintain adequate property
9 loss insurance for the replacement cost of the health facility or a program of insurance acceptable
10 to the department; and

11 (2) evidence acceptable to the department that the proposed project is a capital
12 construction project and not part of a preventive maintenance program or regular custodial care
13 program.

14 Sec. 18.25.013. HEALTH FACILITIES REVIEW BOARD ESTABLISHED. (a) There
15 is created in the Department of Health and Social Services the Health Facilities Review Board
16 composed of seven members consisting of the following persons appointed by the governor:

17 (1) an architect licensed under AS 08.48;

18 (2) an engineer licensed under AS 08.48;

19 (3) a representative nominated by the Alaska Municipal League;

20 (4) a representative from the department;

21 (5) a representative nominated by the Alaska State Hospital and Nursing

22 Association;

23 (6) a representative from the division of fire prevention in the Department of
24 Public Safety; and

25 (7) a member of the general public.

26 (b) The members serve for staggered terms of three years.

27 (c) The members of the board shall elect a member of the board as chair.

28 (d) The board shall hold at least one meeting each year. The board may hold additional
29 meetings at the call of the chair or of a majority of the board members.

30 Sec. 18.25.015. BOARD DUTIES. (a) The board shall annually

31 (1) review the master plans submitted by applicants under AS 18.25.011;

1 (2) with regard to the plans reviewed under (1) of this subsection, establish and
2 transmit to the department a revised and updated five-year construction grant schedule that
3 establishes the priorities among the proposed health facility construction projects and serves the
4 best interest of the state and the municipality or area in which the health facility is located.

5 (b) The board shall establish by regulation its criteria for establishing the priorities under
6 (a) of this section. The criteria must include at least the following factors:

*What if priority
to So. Health
priority?*

- 7 (1) emergency requirements;
- 8 (2) priorities assigned by the applicant to the projects requested; and
- 9 (3) whether the project is needed to avert imminent danger or correct life-
10 threatening situations.

11 (c) The board may reject a project ^{APPLICATION} request and omit it from the construction grant
12 schedule if

- 13 (1) the applicant provides incomplete information or documentation on the project;
- 14 (2) the board determines that existing facilities can adequately serve the program
15 requirements, or that an alternative project is in the best interests of the state; or
- 16 (3) the board determines that the project is not in the best interests of the state
17 or the municipality or area in which the health facility is located.

18 Sec. 18.25.017. DEPARTMENT ACTION ON GRANT SCHEDULE. With regard to
19 the construction grant schedule established by the board under AS 18.25.015, the department shall

20 (1) verify the amounts and reasons for the items in the budget for each grant
21 request; and

22 (2) transmit the construction grant schedule and the budget verified under (1) of
23 this section to the governor by October 15 of each year and to the legislature within the first 10
24 days of each regular legislative session.

25 Sec. 18.25.019. PUBLIC NOTICE AND HEARING. On or before July 15 of each year,
26 the department shall provide public notice of the grant ^{APPLICATIONS} requests made under AS 18.25.011 and
27 the priorities established under AS 18.25.015. After public notice has been given, the department
28 shall, not later than August 15 of each year, hold a public hearing on the priorities established
29 under AS 18.25.015. In this subsection, "public notice" means notice published in a newspaper
30 of general circulation and notice to each person who has requested notice about the grant requests
31 from the department.

1 Sec. 18.25.021. AWARD. (a) The department shall award grants in the order of the
2 projects' priorities on the date the appropriation bill funding the nonprofit health facility
3 construction grant fund becomes law, regardless of an administrative or judicial review pending
4 under AS 18.25.023. An administrative or judicial review pending under AS 18.25.023 at the
5 * time that grants are awarded may not delay the funding of grants.

6 (b) If a project is assigned a new priority ranking under AS 18.25.023 after the date the
7 appropriation bill for the nonprofit health facility construction grant fund becomes law, a grant
8 shall be awarded for the project in accordance with the new priority ranking at the next time that
9 nonprofit health facility construction grants are awarded under AS 18.25.011 - 18.25.035.

10 Sec. 18.25.023. ADMINISTRATIVE AND JUDICIAL REVIEW. (a) An applicant
11 under AS 18.25.011 may request reconsideration of a decision of the board assigning a priority
12 to the applicant's project, establishing the scope of the project, or establishing the budget for the
13 project. The request must be in writing and include a statement of the specific changes desired,
14 and a summary of the evidence supporting the applicant's claim that the board has erred in its
15 review of the applicant's grant application. A request for reconsideration must be submitted to
16 the board by the first day of the public hearing held under AS 18.25.019. The board shall review
17 its decision on the basis of the request by the applicant and determine whether its decision should
18 be changed. The board shall issue its determination in writing within 15 days after the last day
19 of the public hearing held under AS 18.25.019.

20 (b) An applicant under AS 18.25.011 may appeal an adverse decision of the board under
21 (a) of this section by filing a written notice of appeal with the commissioner within 15 days after
22 the date of the board's decision. The notice of appeal must state the legal and factual basis for
23 the appeal and the precise relief sought. The failure of the applicant to include an issue in a
24 notice of appeal constitutes a waiver of the right to have the issue considered. Not later than 10
25 days after receipt of a notice of appeal, the commissioner shall appoint a hearing officer who is
26 qualified under AS 44.62.350(c) to consider the appeal. If the hearing officer finds that the
27 notice of appeal does not raise a reasonable issue of fact or law, the hearing officer shall issue
28 a written decision denying the appeal. Denial of an appeal by a hearing officer is a final decision
29 that may be appealed under (d) of this section. If the hearing officer finds that the notice of
30 appeal raises a reasonable issue of fact or law, the hearing officer shall conduct a hearing on
31 those issues and recommend a decision to the board. The hearing officer shall issue a decision

1 on the appeal not later than 60 days after being appointed. The board shall consider the
2 recommended decision of the hearing officer within 10 days after receipt and may adopt all, part,
3 or none of the recommended decision or may remand the issue to the hearing officer for further
4 hearings. The board shall issue its decision in writing within 10 days after consideration of the
5 hearing officer's decision.

6 (c) The hearing officer may consolidate appeals under (b) of this section if the notices
7 of appeal raise related issues of fact or law.

8 (d) An applicant under AS 18.25.011 may appeal an adverse decision of a hearing officer
9 or the board under (b) of this section to the superior court in the manner provided by
10 AS 44.62.560 - 44.62.570.

11 (e) The board shall adopt regulations governing procedures for the reconsideration and
12 appeal of decisions under (a) - (c) of this section. The regulations adopted under this subsection
13 are not required to conform to AS 44.62.330 - 44.62.630, but must be consistent with minimum
14 standards of due process.

15 (f) An applicant under AS 18.25.011 may not request reconsideration of or appeal a
16 priority determination on the grounds that a revised priority assigned to another project, due to
17 a reconsideration or appeal under this section, has resulted in a lower priority being accorded to
18 the ^{APPLICANT'S} municipality's project.

19 Sec. 18.25.025. GRANT AGREEMENT AND CONDITIONS. (a) The department shall
20 enter into a written agreement with the grantee before it distributes grant funds under
21 AS 18.25.011 - 18.25.035.

22 (b) The department shall require in the grant agreement that the grantee

23 (1) agree to construction of the health facility as described by the certificate of
24 need, if any, issued to the facility under AS 18.07.031 - 18.07.111;

25 (2) provide reasonable assurance by a means acceptable to the department that
26 the cost of the project will be uniform with the costs of the most current construction projects
27 in the area;

28 (3) agree to submit to the department for department approval a description and
29 justification of a cost overrun before the grantee agrees to pay for the overrun and before the
30 department distributes money to the grantee to pay for the overrun;

31 (4) agree to place the grant funds in an interest-bearing account and not to use

1 the interest of the grant funds for a purpose other than the project;

2 (5) agree to limit equipment purchases to that required for the construction plan;

3 (6) submit project budgets for department review and agree that the grant amount
4 may, at the discretion of the department, be reduced or increased by amounts equal to the
5 amounts by which contracts vary from the budget amounts approved by the department;

6 (7) submit to the department for approval, before advertising for bids for the
7 construction contract, a plan for construction that includes specifications, final construction
8 drawings, and proposed contract documents;

9 (8) submit for department review a tabulation of all bids received, a complete
10 copy of the lowest bid, a copy of the proposed notice to proceed with construction, and a copy
11 of the proposed construction contract;

12 (9) submit for department review and acceptance documentary evidence that the
13 project is being accomplished in accordance with all the assertions in the grantee's five-year
14 master plan and grant application;

15 (10) submit sufficient assurances that the project will be used for the stated
16 purposes of the grant for not less than five years;

17 (11) agree to conform to all applicable governmental codes and standards,
18 including the most recently adopted state statutes and regulations on building, health, mechanical,
19 electrical, fire, safety, and handicap accessibility, and those covering the planning, construction,
20 and operation of the health facility;

21 (12) agree to comply with

22 (A) the department's single audit requirements;

23 (B) AS 37.05.321, prohibiting the use of grant funds and earnings to
24 influence legislative action;

25 (C) the reporting requirements of AS 36.05 and AS 36.10; and

26 (D) 42 U.S.C. 2000a - 2000h-6 (Civil Rights Act of 1964), 29 U.S.C. 621-
27 634 (Age Discrimination in Employment Act of 1967), 7 U.S.C. 2027 (Food Stamp Act
28 of 1977), and the department's requirements for implementation of the federal statutes
29 listed in this subparagraph;

30 (13) identify anticipated operating costs and revenue and the sources of funding
31 that may be requested if costs exceed projected revenue;

1 (14) complete the project in a timely manner to a fully functional condition and
2 submit periodic status reports not less than every six months to the department detailing work
3 completed to date, a summary of expenditures compared with the approved budget, and an
4 explanation of any deviation from the approved work, schedule, or budget; and

5 (15) agree to comply with other requirements that the department, notwithstanding
6 AS 37.05.318, may reasonably impose on grantees and that are necessary to meet the intent of
7 the grant.

8 (c) Except as provided under (b) or (d) of this section, a cost of construction for a health
9 facility may be paid under a grant awarded under AS 18.25.021 without regard to whether the
10 cost was incurred before the

11 (1) award of the grant;

12 (2) ^{REVIEW}~~approval~~ of the grant application by the department; or

13 (3) effective date of an appropriation to the nonprofit health facility construction
14 grant fund for the year in which the grant is funded.

15 (d) The costs of planning and designing, including engineering, of a health facility may
16 not be paid under a grant awarded under AS 18.25.021 if the cost is incurred more than 120 days
17 before the award of the grant, except that the cost of land acquisition and site preparation may
18 be included in the grantee's share of the total cost regardless of the date of the acquisition or site
19 work.

20 (e) The direct expenses of the grantee to administer the project may not exceed 10
21 percent of the grant.

22 Sec. 18.25.027. GRANT APPROPRIATIONS. Within the general appropriation bill
23 submitted to the legislature under AS 37.07.020, the governor shall include an appropriation for
24 nonprofit health facility construction grants in the succeeding fiscal year as determined by the
25 priority list and budgets transmitted to the governor under AS 18.25.017.

26 Sec. 18.25.029. AMOUNT OF GRANTS. For each project included in a grant awarded
27 under AS 18.25.021, the state shall pay 80 percent of the total costs of construction incurred for
28 the project by the grantee during the fiscal year for which the grant is made.

29 Sec. 18.25.031. DISTRIBUTION OF GRANT. After the effective date of the agreement
30 for a grant under AS 18.25.011 - 18.25.035, the department shall advance 20 percent of the grant
31 to the grantee. The department shall base subsequent payments from the grant on payment

1 requests submitted by the grantee for the costs of construction incurred by the grantee for the
2 grant project. The department may not make a further payment under the grant until the grantee
3 has exhausted the advance.

4 Sec. 18.25.033. NONPROFIT HEALTH FACILITY CONSTRUCTION GRANT FUND.

5 The nonprofit health facility construction grant fund is created as an account in the general fund.
6 The fund shall be used to make grants under AS 18.25.011 - 18.25.035 for the costs of
7 construction of nonprofit health facilities. Legislative appropriations under AS 18.25.011 -
8 18.25.035 for the costs of construction of nonprofit health facilities shall be deposited in the fund.

9 Sec. 18.25.035. DEFINITIONS. In AS 18.25.011 - 18.25.035,

10 (1) "board" means the Health Facilities Review Board;

11 (2) "costs of construction" means the cost of acquiring, constructing, enlarging,
12 repairing, remodeling, equipping, or furnishing nonprofit health facilities and includes the total
13 of all costs of financing and carrying out the project, including

14 (A) the cost of necessary studies, surveys, plans and specifications,
15 architectural, engineering and other special services, the acquisition of real property, site
16 preparation and development, and the acquisition of machinery and equipment necessary
17 for the project;

18 (B) the direct expenses of the grantee to administer the project;

19 (C) the cost of financing the project, including interest on bonds issued
20 to finance the project; and

21 (D) the cost of other items, including indemnity and surety bonds and
22 premiums on insurance, legal fees, fees and expenses of trustees, depositories, financial
23 advisors, and paying agents for the bonds issued;

24 (3) "health facility" means a nursing home or hospital;

25 (4) "nonprofit" means qualified for an exemption under 26 U.S.C. 501 from
26 federal income tax.

27 * Sec. 2. AS 18.25.100 is repealed and reenacted to read:

28 Sec. 18.25.100. REGULATIONS. The department shall adopt regulations to implement
29 this chapter.

30 * Sec. 3. AS 46.11.900(7) is amended to read:

31 (7) "state financial assistance" means a loan, grant, guarantee, insurance, payment,

1 rebate, subsidy, or other form of state assistance other than aid under AS 05.35.010 - 05.35.070,
2 AS 14.11, AS 18.25.011 - 18.25.035, and AS 29.60, including the purchase by a state agency of
3 a loan to finance the construction or purchase of a residential building;

4 * Sec. 4. AS 18.25.010, 18.25.020, 18.25.030, 18.25.070, 18.25.080, 18.25.090, and 18.25.110 are
5 repealed.

6 * Sec. 5. This Act takes effect July 1, 1991.

Senate Bill 67
State Aid to NonProfit Health Facilities
Typical Project Chronology

<u>FY 92*</u>	<u>FY 93</u>		<u>FY 94</u>				<u>FY 95</u>	
July 1	Sept. 1	June 15	July 15	Aug. 15	Oct. 15	Jan.	Jan.	July
SB 67	Submit	Grant	Public Notice	Public	Dept.	Dept.	Gov. Submits	Effective Date of
Becomes	5 Year	Application	on the Priorities	Hearing on	Transmits	Transmits	An Appropriation	Appropriation
law	Master	is submitted	Established by	Priorities	Grant	Grant	for health facility	
	Plan		the Board		Schedule to	Schedule to	grants	
<i>1991</i>		<i>1992</i>	<i>1992</i>	<i>1992</i>	<i>1992</i>	<i>1993</i>	<i>1993</i>	<i>1994</i>

***Note:**

The Department plans to issue emergency regulations for the first year after SB 67 becomes law. These emergency regulations are necessary to implement SB 67 (without regard to the above timeline) in order to begin the program as soon as possible.

Position Paper
Senate Bill 67

"An Act relating to state aid for nonprofit health facilities; and providing for and effective date."

While the Department of Health and Social Services supports in general terms Senate Bill 67, some important changes are required before we can actively provide our support. Those changes are:

*How is this
workin' @ school*

*may be explain
the number*

1. Add a representative to the Health Facilities Review Board from the Alaska Native Health Board.
2. Allow the Department to charge up to 1.5% in any one year in which an \$8 million or more appropriation is made to cover additional administrative and contractual cost potentially associated with the larger volume of work, and/or complexity implicit in the larger appropriation.
3. The appeals process appears to be too broad and cumbersome. The legislative legal staff should work to narrow and simplify the appeals process. The Department is concerned that there will be endless appeals from health facilities who are upset at not being on the top of the five year construction grant schedule.
4. Language needs to be inserted in Senate Bill 67 that specifically states that members of the Health Facilities Review Board serve at the pleasure of the Governor.
5. A mechanism needs to be put in SB67 to end the existence of the Health Facilities Review Board, such as "sunsetting" it in five years.

If the changes that are outlined in items 1-5 above are made to Senate Bill 67, the Department of Health and Social Services will actively support it. Also the Department feels that the fiscal note that has been developed is the minimum required to carry out the provisions and requirements of this legislation.

Recommended by: *J. Clarke*
Janet Clarke
Director
Division of Administrative
Services

Date: 2/1/91

Approved by: *Theodore A. Mala*
Theodore A. Mala, MD, MPH
Commissioner
Department of Health and
Social Services

Date: 2/4/91

Resolution of the Alaska Municipal League

Resolution No. 91-6

**A RESOLUTION CALLING FOR STATE SUPPORT OF
HEALTH CARE FACILITIES**

WHEREAS, the Alaska Constitution makes the health of the citizens of Alaska a responsibility of the State of Alaska, and

WHEREAS, *Newsweek* magazine has identified Alaska as the most unhealthy state of any of the 50 states, and

WHEREAS, access to health care was a major factor in this rating, and

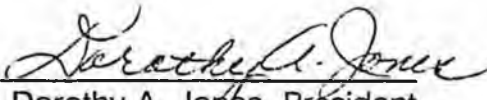
WHEREAS, the image of Alaska being an unhealthy place to live or visit damages many aspects of the state economy, especially tourism and the attraction of new business development to the state, and

WHEREAS, the need for high-quality health care is especially acute in the rural areas of the state, and


WHEREAS, the Alaska Legislature has not appropriated significant funding for health care facilities for several years;

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges the Governor of the State of Alaska and the State Legislature to responsibly fund health care facilities in Alaska, with the first priority going to projects that are ready to construct within one year and have some federal or local match funds (cash or in-kind) provided.

Adopted this 16th day of November 1990 in Anchorage, Alaska.


Dorothy A. Jones, President

ATTEST:


Scott A. Burgess, Executive Director

Ketchikan General Hospital

3100 TONGASS AVE.
KETCHIKAN, ALASKA 99901-5746
PHONE 907-225-5171
FAX 907-225-2173

90A
File w/
SB67
msmg

March 18, 1991

Senator Arliss Sturgulewski
P.O. Box V (MS 3100)
Juneau, Alaska 99811

Dear Senator:

The Administration and Staff of Ketchikan General Hospital would like to thank you for your hard work and support of Senate Bill 67 and Senate Bill 111 during the Senate HESS Committee meetings.

Without your guidance and diligence working for the improvement of Alaska's health care facilities, these bills would not be before the Senate Finance Committee today. We appreciate all the efforts by you and your staff for continuing to fight for the betterment of Alaska.

As I'm sure you well know, we continue to hope for the best outcome during the legislative session. We are optimistic for the bills knowing that senators like yourself are behind them 100 percent.

Sincerely,



Edward Mahn
Administrator

Ketchikan General Hospital

3100 TONGASS AVE.
KETCHIKAN, ALASKA 99901-5746
PHONE 907-225-5171
FAX 907-225-2173

January 28, 1991

Honorable Arlis Sturgulewski
Chairman Senate HESS Committee
P.O. Box V
Juneau, AK 99811

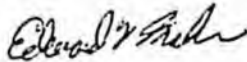
Subject: Senate Bill #67

Dear Senator Sturgulewski:

I would like to ask you to hold a hearing on Senate Bill #67, An Act Relating to State Aid For Nonprofit Health Facilities as quickly as possible. The state health care facilities are in desperate need of upgrading to meet the needs of the communities we serve. The proposed bill would set up a systematic statewide approach to addressing the health facilities' needs.

The Governing Board of Ketchikan General Hospital strongly endorses this bill and looks forward to offering any assistance you may request.

Sincerely,



Edward F. Mahn
Administrator

cc: Glenda Carino

KGH

Ketchikan General Hospital

3100 TONGASS AVE.
KETCHIKAN, ALASKA 99901

JAN 23 1991

January 18, 1991

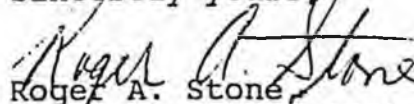
Senator Lloyd Jones
Alaska State Senate
Box V
Juneau, Alaska 99811

Dear Senator Jones:

This letter is to clarify the dollar amount needed to accomplish the planned facility expansion at Ketchikan General Hospital. According to our Certificate of Need dated 5-23-90, we needed \$17,774,000 as a lump sum to complete our facility expansion project all at the same time if construction started during the 1990 construction season. Since construction did not start in the 1990 construction season, our architects, John Rigdon & Mills, estimate our costs have increased approximately 5.5% over last year. Therefore, our current funding need to complete the facility expansion as a single project is estimated to be \$18,751,570. If our expansion project were to be built in three phases our 1990 Certificate of Need estimated the cost at \$19,257,457. Again assuming our costs have increased approximately 5.5%, the phased cost is now estimated to be \$20,316,617.

If you need any additional information or require additional details on the above cost estimates, please contact either Ed Mahn, our Administrator here in Ketchikan, or me if Ed is not available. We sincerely hope the Alaska State Legislature can fund this badly needed project for the Ketchikan Community in the upcoming legislative session.

Sincerely yours,


Roger A. Stone
Chief Financial Officer

KCH

CITY OF SEWARD

P.O. BOX 167
SEWARD, ALASKA 99664



- Main Office (907) 224-3331
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- Telecopier (907) 224-3248

*Filing
bill*

March 7, 1991

THE MEMBERS OF STANDING COMMITTEE
HEALTH, EDUCATION & SOCIAL SERVICES
Arless Sturgulewski, Chairman
P. O. Box V
Juneau, AK 99811

Dear Committee Members:

Thank you so very much for taking time from your busy schedule to meet with us last week in discussion of legislation that would appropriate funding for the renovation and construction of Seward General Hospital. This project is extremely important to the citizens of our region and will greatly improve the hospital's ability to provide quality health care services.

We certainly appreciate all of your support and dedicated work in our behalf.

Sincerely,

CITY OF SEWARD, ALASKA

Michael J. Meehan

MICHAEL J. MEEHAN
Seward City Council Member

MJM:alm

Seward General Hospital

P.O. BOX 365 417 FIRST AVENUE
SEWARD, ALASKA 99664 0365
PHONE (907) 224-5205

7 rule of book

March 4, 1991

Senator Arliss Sturgulewski
P.O. Box V
Juneau, AK 99811

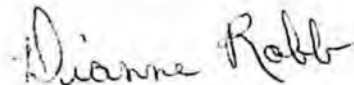
Dear Senator Sturgulewski:

Thank you so very much for your continued support for Seward General Hospital. We appreciate your working to assure that the citizens of the Seward area will have access to a modern up to date health care facility.

We appreciate also, your taking time from a busy schedule to meet with me and Councilman Michael Meehan.

Please feel free to contact me if I can answer additional questions or provide assistance in any way. Again, our deepest appreciation for your continued support.

Best regards,



Dianne Rabb, M.H.A.
Chief Executive Officer

DR/sj

Seward General Hospital

P.O. BOX 365 417 FIRST AVENUE
SEWARD, ALASKA 99664-0365
PHONE (907) 224-5205

January 28, 1991

Senator Arliss Sturgulewski
Chairman
Health, Education & Social Services Committee
P.O. Box V
Juneau, AK 99811

Dear Senator Sturgulewski:

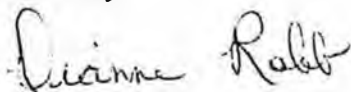
We would greatly appreciate your support for Senate Bill #67 which will be up for consideration February 5, 1991.

Our Seward group will be in Juneau February 3rd through February 6th. The Group from Seward will include Seward General Hospital Board Chairman John Burckhardt, Chief Financial Officer Alan Streeter and myself.

Thank you for your interest and support for the health care needs for the people in our region. I can not imagine a project which will have more direct impact on the health and well being of our citizens. We appreciate your support for this much needed funding and look forward to seeing you in Juneau.

Best regards for a happy, healthy and successful 1991.

Sincerely,



Dianne Rabb, M.H.A.
Chief Executive Officer

DR/sj

JAN 26 1991

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

January 24, 1991

Senator Arliss Sturgulewski, Chair
Health, Education & Social Services
Committee
Alaska State Senate
P. O. Box V
Juneau, AK 99801

RE: Hearing SB 67, Health Facility Construction

Dear Senator Sturgulewski:

We would like to respectfully request a hearing on SB 67, sponsored by Senator Jones, that establishes a Health Facilities Review Board within the Department of Health & Social Services.

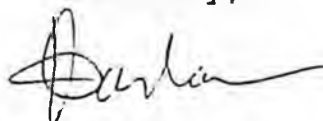
That Board will bring an orderly process (we hope) to state funding of community, non-profit hospitals and nursing homes.

We will have representatives of Fairbanks, Kodiak, Ketchikan and Seward in Juneau on February 4-5 and would greatly appreciate having SB 67 scheduled for hearing before your committee on that date. Would save additional travel for them.

We look forward to working with you.

Many thanks.

Sincerely,



Harlan R. Knudson

HRK/ma
cc: ✓ Senator Jones
Ms. Fouse
Mr. Homan

JAN 23 1991

KENAI PENINSULA CAUCUS
AN ORGANIZATION REPRESENTING
MUNICIPAL GOVERNMENTS AND CHAMBERS OF COMMERCE
OF THE KENAI PENINSULA BOROUGH
177 North Birch Street, Soldotna, AK 99669
Phone: 262-9107

January 23, 1991

Alaska Legislators
State of Alaska
P.O. Box V (Mail Stop 3100)
Juneau, AK 99811

Dear Legislators:

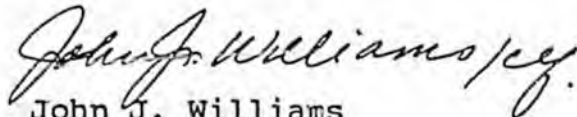
Enclosed please find a copy of the Kenai Peninsula Caucus resolution supporting a legislative grant to fund the replacement of the Seward General Hospital.

The replacement of the Seward General Hospital is the high priority project of the City of Seward for the 1991 legislative session and the Caucus strongly supports the request for funding.

Thank you for your cooperation in this matter.

Sincerely,

KENAI PENINSULA CAUCUS



John J. Williams
Secretary

JJW/clf

KENAI PENINSULA CAUCUS

RESOLUTION 90-12

A RESOLUTION SUPPORTING A LEGISLATIVE GRANT TO FUND REPLACEMENT OF SEWARD GENERAL HOSPITAL.

WHEREAS, Seward General Hospital is one of three acute care hospitals within the Kenai Peninsula Borough; and,

WHEREAS, in 1981 Seward General Hospital was inspected by state and federal regulators and found to be in violation of numerous federal, state and local life safety and accessibility codes; and,

WHEREAS, the State of Alaska, Department of Health and Social Services, pursuant to the provisions of AS 18.07.031-111 and 7AAC 07.010-130, on September 9, 1989, granted Seward General Hospital a Certificate of Need for replacement; and,

WHEREAS, the Certificate of Need authorizes a replacement project of up to ten double-bed, acute-patient-care rooms with a total expenditure authorized for the project of \$9,500,000, not including land and in-kind contributions; and,

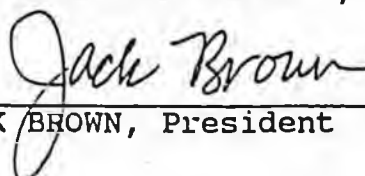
WHEREAS, the replacement of the Seward General Hospital is the single highest priority project for the City of Seward for funding by the 1991 legislative session.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE KENAI PENINSULA CAUCUS:

Section 1. The Kenai Peninsula Caucus supports the appropriation of \$9.5 million by the 1991 Alaska Legislature for the replacement of Seward General Hospital.

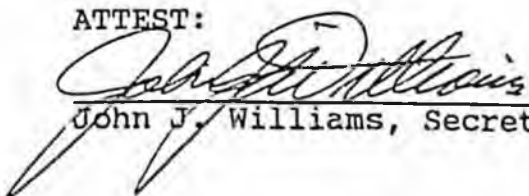
Section 2. The secretary is hereby directed to send copies of this resolution to The Honorable Walter J. Hickel, Governor, State of Alaska; all members of the 1991 Alaska State Legislature; Theodore Mala, Commissioner, Department of Health and Social Services; and the Alaska Hospital Association.

ADOPTED BY THE KENAI CAUCUS BOARD OF DIRECTORS, this 18th day of January, 1991.



JACK BROWN, President

ATTEST:



John J. Williams, Secretary



Kodiak Island Hospital and Care Center

1915 East Rezanof Drive
Kodiak, Alaska 99615
907-486-3281

Kodiak Island fax transmittal memo 7671		# of pages • 2
To Glenda Corino	From W. Cameron	
Co. Senator Jones c/o	Co. KIH/CC	
Dept.	Phone # 907-486-3281	
Fax # 465-3922	Fax # 907-486-2336	

January 28, 1991

The Honorable Arliss Sturgulewski
Chair, Education and Social Services Committee
Alaska State Senate
P.O. Box V
Juneau, AK 99811

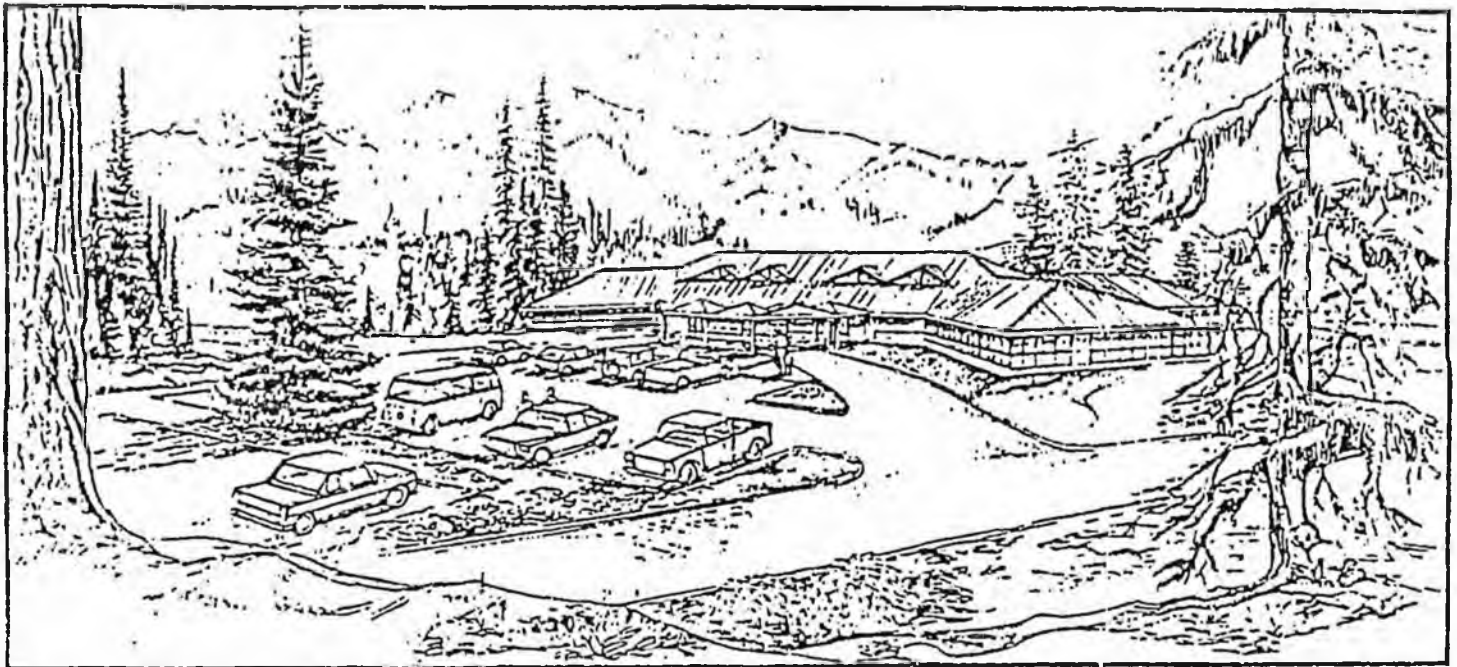
Dear Senator Sturgulewski:

This is to request your assistance in seeing that Senate Bill No. 67, which would provide vitally needed assistance to non-profit health care facilities in Alaska, receives a timely and favorable hearing before the Education and Social Services Committee. This legislation, introduced by Senator Jones, addresses one of the most critical issues facing Alaska's smaller (and some not so small) communities.

Several of our community hospitals are in jeopardy of losing their ability to continue to provide high quality health care services. Several factors have contributed to this crisis. Over the last ten years, increasing Federal regulation of the health care industry has increased the physical requirements that hospitals face. At the same time, higher interest rates and falling bond ratings for hospitals in general have made it more difficult for smaller facilities to raise the capital necessary to make the necessary physical plant improvements. As a result, some of Alaska's smaller health care facilities are falling behind in terms of technology and new services. People in smaller communities do not have adequate access to modern diagnosis and treatment facilities. This physical inadequacy, in turn, makes it increasingly difficult for us to recruit and retain qualified physicians and other professional staff.

JAN. 13. 1988

**KODIAK ISLAND (BOROUGH) HOSPITAL
AND CARE CENTER**



REPLACEMENT FACILITY PROPOSAL



Kodiak Island Hospital and Care Center

1915 East Rezanof Drive
Kodiak, Alaska 99615
907-486-3281

January 18, 1991

Senator Lloyd Jones
Attn: Glenda Carino
P.O. Box V
Juneau, AK 99811

Via FAX: 465-3922

Dear Senator Jones:

Enclosed is a brief summary of the Kodiak Island Hospital & Care Center's replacment facility plan including estimated financial needs.

If you have any questions, please feel free to contact me.

Sincerely,

N. Campeau
Interim Administrator

NC/dr
Enclosures

Post-It™ brand fax transmittal memo 7671		# of pages ▶ 5
To Glenda Carino	From N. Campeau	
Co. Senator Jones	Co. KIH/CC	
Dept.	Phone # 486-3281	
Fax #	Fax # 486-2336	

cc: Senator Fred Zharoff
Harlan Knudson, ASHNHA

KODIAK ISLAND (BOROUGH) HOSPITAL AND CARE CENTER

HISTORICAL PERSPECTIVE

Kodiak Island (Borough) Hospital and Care Center has been trying for nine years to achieve funding for a badly needed modern health care facility. The State of Alaska has not funded rural health care facility construction for the past seven years.

During this nine years, several studies have been completed. They have studied the needs of the Borough, the present facilities, the need for either remodeling/additions to the present facility, or a replacement facility; the projected health care needs of Kodiak Island Borough; and the respective costs of remodeling/additions versus a replacement facility.

In 1982, the State of Alaska contracted with ECI-Hyers, Architects and Planners, to study the existing need in the state. Their conclusions were that replacement of the present facility would be the most cost effective methods of providing needed health care.

In 1985, Mills, John & Rigdon Architects determined that the most prudent method of providing the needed health care was a replacement facility. Their findings were that the present facility's problems in the areas of asbestos control, mechanical systems, air handling systems, traffic flow, earthquake protection and multiple code violations made a replacement facility the only choice.

In May of 1986, the Health System Agency came to the conclusion as the two previous studies: replacement is the only cost effective and realistic approach to the problems of health care delivery in Kodiak Island Borough.

The present facility has 66 deficiencies under Federal Codes, 19 deficiencies under the Handicapped Code, 4 major deficiencies under Life Safety Code, and it does not meet the state requirements for earthquake protection.

When the hospital was built in 1968, it met the medical needs of that time. Then, we had 2,300 outpatient visits a year; now, we have over 9,000. Then, we had about 10 patients a day in the hospital; now, we have over 15 a day. Then, we had one x-ray machine; now, we need three machines and our CT Scanner is going to have to be put in a building outside the hospital because there is no room inside. Then, we had three laboratory machines performing 1,500 tests a year; now, we have five state-of-the-art machines performing over 9,000 tests. But we are still in the same building with the same 22-year-old mechanical, ventilation and electrical system.

The State of Alaska appropriated \$200,000 to Kodiak Island Borough for planning of a new facility. Kodiak Island Hospital and Care Center has donated over \$2,000,000 to the Borough for site acquisition, architect's drawings and specifications, and site preparation. There are currently plans, specifications and documents ready for construction. Due to a lack of funding, the Certificate of Need which was granted, and extended twice in anticipating of funding, has expired. The Certificate of Need has been resubmitted to the State for review.

The Kodiak Island Borough and the City of Kodiak have both made the replacement of the present hospital with a new facility their number one priority again this year.

To date, the Kodiak Island Borough and Hospital have spent \$1,813,962.00 in preparation for the new hospital. There is over \$1,000,000 in reserves dedicated for the construction of the new hospital. We are currently researching the possibility of a fund developing program to further assist ourselves and the state in providing the necessary health care for our borough.

Over the nine years of waiting, we have spent large sums of money studying the problem and developing the most economical solution and the plans and specifications to implement the replacement facility. The delays have increased the cost of construction, through inflation and increasing technology, from \$11,500,000 in 1982 to \$19 million in 1991. These are costs that are directly born by the hospital, borough, citizens and State of Alaska.

KODIAK ISLAND HOSPITAL REPLACEMENT

COST ESTIMATE

1. New Construction	\$ 14,000,000
2. Site Work	484,500
3. Site Acquisition	495,000
4. Landscaping	250,000
5. Mechanical Balancing	40,000
6. Movable Equipment	450,000
7. Architectural/Engineering Fees	1,200,000
8. Site Survey/Soils & Materials Testing	50,000
9. Special Inspections	42,000
10. Administrative Expense	250,000
11. Contingency	<u>1,738,500</u>

TOTAL PROJECT COST (1991) \$ 19,000,000

LOCAL FUNDING \$ 4,000,000

BALANCE REQUESTED FROM STATE OF ALASKA \$ 15,000,000

Alaska Hospitals and Nursing Homes

Certificate of Need Information¹

for the

Senate Special Committee on Health Care Facility Assessment

Ketchikan General Hospital and Island View Manor \$17.8 - \$19.3 Million

A Certificate of Need was issued on June 15, 1990 to Ketchikan General Hospital and Island View Manor authorizing a maximum capital expenditure of \$17,800,000 for a single phased project and the alternative amount of \$19,300,000 for a three phased project. A three phased approach, even though more expensive, was approved as a viable alternative in the event that project funding was not achieved in a single lump sum. The Certificate of Need authorizes the correction of all life/safety code violation, remodel and enlarge outpatient and ancillary support areas, a bed capacity of 39 acute care beds and 35 long-term care bed, and no change in services offered. The Certificate of Need expires on July 30, 1995. The City of Ketchikan currently has no funds to complete this project.

Seward General Hospital - \$9.5 Million

A Certificate of Need was first issued to Seward General Hospital for a remodeling and replacement project in May of 1985, and was modified on September 9, 1989, to reduce the authorization from \$10.5 million to \$9.5 million. The Certificate of Need authorizes remodeling in the existing building and a replacement project. The replacement portion of the project will consist of new construction on a site adjacent to the existing hospital. The project will include no more than ten double rooms for acute patient care and involves no change in services currently attended by the facility. The Certificate of need expires on April 30, 1994.

¹ The amounts supplied in this report are only the amounts authorized by Certificate of Need. The Certificate of need regulations allow for 15% increase in cost above inflation, before additional Certificate of Need approval is required. As a result the actual amounts need by hospitals may be greater then what is listed in this report. For actual amounts needed, it is suggested that the individual hospitals be contacted.

Kodiak Island Hospital - Cost Unknown

A Certificate of Need was granted to Kodiak Island Hospital in August of 1986 for a replacement facility at a cost of up to \$18.2 million. Upon completion of the design phase of the project, the estimated cost had gone up to \$22.8 million. The Hospital Administration was very displeased with the high cost overrun. In addition, the Hospital Administration was very displeased with the architectural plans, feeling that in addition to being very expensive, they were not very efficient or effective. Kodiak Island Hospital was granted 2 extension to their Certificate of Need; the last of which expired on August 25, 1990. The Hospital Administration has decided that the present architectural plans are too expensive, as well as inefficient, and are starting over on the design phase. Therefore, Kodiak Island will be submitting a new Certificate of Need application for a replacement facility. They are possibly going to pursue a "design-build" approach rather than a traditional design process, in anticipation that this will save a significant amount of money. An informal conversation with the Hospital Administration indicated that an initial guess estimated the replacement cost with a designer build approach at approximately \$12 - \$14 million.

Denali Nursing Home

As reported in the press last year, Denali Nursing Home in Fairbanks is in a very deteriorated condition without sufficient funds to ensure remedy to these problems and assure ongoing operations. Total scope of the physical plant needs and costs are unknown. They have also talked about possibly replacing the building. Last year they indicated that \$8.2 million would be needed for replacement. No Certificate of Need has been applied for.

Wesleyan Nursing Home \$3.83 Million

A Certificate of Need was issued in 1985 for \$3.83 million to Wesleyan Nursing Home in Seward. The activities approved included the construction of a new wing, and extensive renovations, with no charge in the licensed capacity of 66 beds. The Certificate of Need expired in May 1, 1990. Undoubtedly, the cost for these activities has risen due to inflation. The last information received from Wesleyan indicated that the cost has gone up to \$4.45 million.

Unalaska Health Clinic/Infirmary

Over the past few years, Unalaska has sought help to upgrade and expand their health facility. The latest request indicated a need for approximately \$4.5 to \$5.0 Million. The need is basically for a trauma care center. As proposed this will not be subject to Certificate of Need review as it does not meet the definition of a health care facility set out in the Certificate of Need statute.

Alaska Psychiatric Institute

A Certificate of Need application is anticipated to replace the current 162 bed state mental health hospital, the Alaska Psychiatric Institute (API). In FY 91, the Governor requested funds to continue planning and undertake Certificate of Need processes to replace API. This was not funded in FY 91 but will be requested again in FY 92. API is in a badly deteriorated condition after 28 plus years of continuous operation. Mechanical, electrical, plumbing, building and other systems have or are failing. Repair, renovation and ongoing staff and patient safety is potentially compromised by the large amount of asbestos contained behind walls and above ceilings. Estimated replacement cost in 1989 was \$70.8 million.

Bartlett Memorial Hospitals 6 Million

Bartlett Memorial Hospital in Juneau received a Certificate of Need in 1986 approving an expenditure of \$11.2 million for extensive renovations. These renovation were mostly completed, but the Hospital Administrators has indicated they would like to modify the Certificated of Need to allow for an expenditure of another \$6 million for additional renovations.

SB67

05004 TDA PETERSBURG ALASKA 20 05-02 1430 ADT

PMS

SENATOR ARLISS STURGELEWSKI

PO BOX U

JUNEAU AK 99811

PETERSBURG GENERAL HOSPITAL SUPPORTS SB67 AND SUPPORTS HAVING
PROVIDENCE AND HUMANA HOSPITALS ELIGIBLE TO PARTICIPATE IN
STATE MATCHING GRANTS.

GARY GRANDY, ADMINISTRATOR

REPORT ON RURAL ALASKA HOSPITALS AND NURSING HOMES
INVENTORY AND EVALUATION
SURVEY

PREPARED FOR
ALASKA LEGISLATURE

BY

DIVISION OF STATE HEALTH PLANNING AND DEVELOPMENT
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
HELEN D. BEIRNE, COMMISSIONER

MARCH 8, 1982

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INTRODUCTION

Ensuring access to and availability of care is an important planning responsibility of the State of Alaska. The needs for and adequacy of health care facilities, manpower, services and equipment are all important considerations in determining an appropriate health care delivery system for Alaska.

With the support of a 1981 legislative appropriation, the Department of Health and Social Services has conducted an inventory of 15 rural hospitals and nursing homes and a survey of more than 200 clinics in the State to assess their physical plant condition and functional adequacy. This report describes the inventory design and process, the findings, and alternative construction funding sources. In a separate effort, the Department surveyed all health clinics in the State and has provided an initial report on the needs for clinic construction to the legislature.

Information provided in these reports is intended to serve as a guide in determining an appropriate level of State support for health facility construction, since the number and size of construction aid requests and/or appropriations are increasing each year. Cost estimates are provided to outline the dimension of construction need, but cannot be interpreted as a recommended level of State support.

I. HEALTH FACILITY INVENTORY DESIGN AND IMPLEMENTATION

The Need for a Health Facility Inventory

The Department of Health and Social Services has become increasingly aware that many health care facilities, particularly rural hospitals and nursing homes,

are in need of renovation or replacement. This awareness has sharpened as the Department fulfills its responsibilities for review and approval of facility construction plans, for issuing construction licenses, for annual operational licensure surveys, for certification for Medicare and Medicaid reimbursement and in analyzing applications for certificate of need. Knowledge that there were significant needs for upgrading facilities was accompanied by an awareness that many communities were unable to undertake hospital or nursing home renovations because the community's economic base could not support the total costs. The Department initially outlined its concerns related to health facility construction and operation in a 1981 report to the Legislature on health facility revenue sharing.

Designing the Inventory

As a result of an appropriation by the 1981 Legislature to inventory health facilities, the Department defined its scope as those rural hospitals and nursing homes designated as Level III facilities in the State Health Plan. This designation includes communities with sufficient population and health care services, manpower, equipment and facilities to provide basic hospital services and long term care services. The inventory was limited to these communities because construction, licensing and certification staffs had identified major deficiencies in these facilities which communities had been unable to correct. These deficiencies included:

- Building, fire and life safety code violations;
- Lack of adequate mechanical ventilation to patient care areas;
- Mechanical and electrical inadequacies resulting from acquisition and use of modern equipment which places higher demands on original mechanical and electrical systems;

- Structural constraints which inhibit facility flexibility to respond to changes in health care practices, patterns of use, medical technology and community attitudes;
- Space shortages resulting from increased complexity of information processing and records storage requirements;
- Space shortages resulting from more medical equipment;
- Storage shortages related to greater use of disposables rather than reusable items.

Changes in service area populations (growth or decreases) modifying needs for space.

To determine interest in participating in the survey, the Department contacted all rural hospitals and nursing homes to advise them of the survey and to request their participation. Anchorage and Fairbanks hospitals were not included as they are not considered rural facilities and were not experiencing code compliance correction issues faced by rural facilities. For-profit facilities such as Nakoyia Health Care Center in Anchorage and Careage North in Fairbanks were also excluded since they are not eligible for State assistance. All rural hospitals and nursing homes elected to participate in the inventory with the exception of Valley Hospital in Palmer, since financing had been secured for renovation/replacement of the facility and project design was in progress. Sitka Community Hospital also declined to participate since construction of a replacement facility was underway.

Conducting the Inventory

Once the listing of facilities to be inventoried had been finalized, the Department of Health and Social of Services issued a Request for Proposal to architectural firms for the completion of an on-site inventory and evaluation survey of fifteen rural health care facilities in the State.

The purpose of the survey is two-fold: 1) to develop a detailed record of the current condition of each subject facility, emphasizing physical condition and functional adequacy; and, 2) based on an analysis of those current conditions and any anticipated future developments (expressed in long-range plans, and certificate of need applications, for example), to formulate recommended activities for the correction of noted deficiencies and provide preliminary cost estimates for the recommended activities.

The inventory and condition survey was organized into three basic phases:

Phase One: Pre-inventory Activity

The first phase consisted of pre-inventory activity including:

- preparation of request for proposals
- selection of architectural firm
- initial consultation with selected firm
- collection and review of available documents/plans
- confirmation of site visit schedule
- development of forms and questionnaires
- final coordination meeting between architectural firm and DHSS

Phase Two: On-site Inventory

The second phase included all the on-site inventory activity. To accomplish this portion of the work in the limited time available, two survey teams were formed, each with a hospital systems planner, an architectural investigator, a mechanical investigator, and an electrical investigator. The facilities surveyed were divided into an eastern region and a western region with one survey team assigned to each region. Pre-determined survey formats were used to assure consistency between the two regions.

Each site survey consisted of the following steps:

Document Review:

Examination of existing documents including plans, code reviews, pertinent facilities board actions, pending physical plant changes, fire marshal reports, licensing agency recommendations and long-range plans.

Staff Interview:

An interview session including representatives from the facility's administration and medical staff (as deemed appropriate by the facility's administrator).

Facility Examination:

The survey team inspected all portions of the facility to gather first-hand information on all systems. Standardized forms and checklists were used to assure thorough investigation and standardized reporting. Field notes were used to itemize deficiencies not covered by the standardized forms and checklists.

Final Meeting:

A final meeting was held with the facility's administrator to communicate the results of the facility examination, preliminary findings of the team, and to discuss the nature of the report.

Phase Three - Evaluation of Reports

The third phase of the inventory and condition survey included the evaluation of collected data, and preparation and submission of draft reports. The Health Resources Development Section of the Division of State Health Planning and Development, DHSS analyzed several drafts and worked with the consulting architectural firm toward the completion and printing of the report.

II. OVERVIEW OF SURVEYED FACILITIES

During its evaluation of the physical facilities of each hospital/nursing home the architectural team discovered a number of serious deficiencies. Generally, the deficiencies result from advances and changing techniques in the medical field, coupled with more stringent building, fire and life safety codes which have been adopted over the years since construction of the facilities. Space and flexibility limitations in the facilities were also judged to be important deficiencies and were considered in arriving at the recommendations for corrective measures.

The majority of nursing units were found to lack required electrical capacity, mechanical ventilation systems and nurse call systems. Surgical units

in some hospital facilities were found not to meet minimum area requirements and to be poorly ventilated. Often the surgical areas were laid out in a manner providing undesirable circulation patterns which created cross-contamination problems.

Advanced laboratory and treatment equipment is increasingly being placed in service at the facilities. Usage of the radiology and laboratory units of the facilities is also increasing. These areas require large amounts of mechanical and electrical service to accommodate these increases. Most of the facilities surveyed were drastically short on space in these areas. Most of the older facilities provide insufficient waiting areas for outpatients, causing the use of corridors, foyers, and other access areas for waiting areas. These conditions result in Life Safety Code violations.

Many facilities have found it necessary to store medical equipment in corridors due to the lack of storage space, thus compounding circulation problems.

New obstetrical practices such as "birthing rooms" and "rooming in" have become popular in recent years causing changes in space requirements for obstetrical areas.

Administration areas in most facilities are cramped, with records storage space lacking. As these facilities convert to the use of computerized data storage systems, this problem will increase due to the sophisticated mechanical and electrical requirements for this equipment. Retrofitting most facilities to handle this type of equipment will be costly and difficult.

Bringing some of the surveyed facilities into compliance with the governing

mechanical and electrical codes is expected to be more costly than new construction. This is due, in part, to a lack of physical space in which to install the required systems. Examples of this are:

The existence of concrete floor slab-on-grade construction, where the floor would have to be removed to install new plumbing or mechanical systems; and,

Buildings that have little or no space between ceilings and the roof framing for the installation of mechanical systems.

Although, in some instances the report recommends facility replacement based upon the conclusion that it would not be cost-efficient to attempt to bring the facility up to current hospital construction standards by remodeling or renovation, many of those facilities may still be useful for non-hospital programs.

The reports do not recommend the correction of noted deficiencies when the costs involved appear to outweigh the benefits. In such instances replacement is suggested. In other instances the reports recommend immediate remedial action to correct hazards even though the final conclusion is for replacement of the facility.

III. PRIORITIZATION OF SURVEY FACILITIES

In conducting the inventory and evaluation study of the fifteen hospitals and long-term care facilities, the architectural consultants identified six facilities which are in greater need of immediate attention than others, due

to their more severe physical and functional deficiencies. To arrive at a ranking of all surveyed facilities based upon relative need for construction to correct noted deficiencies, the Department assembled a committee to review the report. This committee consisted of one member of:

The Alaska Medical Facility Authority;
The Alaska State Hospital Association
Southeast Alaska Health Systems Agency, Inc;
South Central Health Planning and Development, Inc.;;
The Medical Care Advisory Committee, and
The Statewide Health Coordinating Council.

The ranking provided by this committee was based only upon the relative severity of all physical and functional deficiencies found at each facility and did not consider other factors such as facility utilization or population trends: The committee ranking was as follows:

- 1.) Cordova Community Hospital and Long-Term Care Facility
- 2.) Petersburg General Hospital and Long-Term Care Facility
- 3.) Seward General Hospital
- 4.) Kodiak Island Hospital and Long-Term Care Facility
- 6.) Wesleyan Nursing Home
- 7.) Wrangell General Hospital
- 8.) South Peninsula General Hospital and Long-Term Care Facility
- 9.) Ketchikan General Hospital and Island View Manor
- 10.) Central Peninsula General Hospital
- 11.) Bartlett Memorial Hospital
- 12.) Valdez Community Hospital

13.) St. Ann's Nursing Home

14.) Norton Sound Regional Hospital

To develop a construction plan for addressing the need for correcting the noted deficiencies, the Department considered the recommendations given in the report and the recommended ranking provided by the review committee in light of factors other than physical characteristics such as occupancy rates, population trends, accessibility, and alternative sources of health care. The construction plan (attached as an appendix) recognizes the need for an orderly progression for each facility on a year to year basis from preparation of long-range planning to design and then to construction. The plan also recognizes the fact that some of the facilities have completed the planning phase or design phase and are prepared to proceed with the correction of deficiencies. For these reasons the construction plan is not entirely consistent with the prioritized listing which was based only upon the severity of deficiencies. The plan also spreads the estimated costs for planning and construction over a five year period.

For some facilities the consultants report provided estimated costs for correcting deficiencies. For other facilities where estimated costs were more difficult to assess the report recommended long-range planning before establishment of cost estimates. Readers of this report should note that the estimated costs have been proposed without the benefit of detailed long-range planning and should only be viewed as guidelines. The costs shown in the report and construction plan are estimated 1982 values without projection for inflation and do not include other project costs such as fees, equipment, or site acquisition. More accurate figures have been presented for the Petersburg facility since that facility is nearing the end of the design phase.

The estimated costs shown are provided as a guideline in determining the dimensions of a given community's need. No estimates have been made or indeed can be made from this inventory as to the level of State assistance appropriate to any one community.

The construction plan emphasises the need for long-range planning prior to construction. The consultant report indicates that sufficient long-range planning was not done before construction of several of the facilities surveyed. The Department recommends a requirement for formal long-range planning for those facilities which have not begun or have not have adopted a long-range plan before any State funding is provided. One important aspect of long-range planning is to identify possible future expansion and thereby, avoid "boxing in" service areas which can reasonably be expected to require more space in future years. Long-range planning and State policy development should also consider both Pioneers and non-Pioneers requiring long-term nursing care. The expected growth of the age group of Alaskans eligible for Pioneer services, which include skilled nursing care, make this an important consideration.

IV. ALTERNATIVE SOURCES OF CONSTRUCTION FUNDS

Possible sources for construction funds are limited and apparently do not meet the needs of most of the surveyed facilities. Existing sources are:

Revenue Sharing

Under AS 29.90 municipalities or other hospital or health facilities sponsors may receive reimbursement for up to 25% of total project costs. This partial reimbursement is available only to those facilities which have successfully secured financing and have completed a health facility construction project. Most rural facilities do not have the capacity for debt required to secure

financing for completion of a facility. For this reason access to the partial reimbursement is essentially denied to those facilities.

Alaska Medical Facility Authority

Under AS 18.26 medical facilities may apply to the Alaska Medical Facility Authority for State backing relative to the sale of tax-exempt bonds for the purpose of financing medical facility construction. One project has been financed through this program to date -- a 1978 Fairbanks Memorial Hospital expansion project in the amount of approximately \$12 million. Alaska Hospital and Medical Center, Anchorage, is presently working with the Authority for the refinancing of that facility and the acquisition of the adjacent professional office building.

One determination which the Authority must make before bonds may be issued under this statute is that the lease or operator agreement for the medical facility being financed by that issue is at least sufficient to meet all obligations in connection with the lease or operator agreement, including all costs necessary to service the bonds. This prerequisite essentially disallows / use of the program by rural facilities, most of which do not have more than a minimal capacity for servicing bonds.

Federal Funding

Federal funding for health facility construction provided under the Hill-Burton program is no longer available.

Congress has approved a program which may provide construction funds for the purpose of converting existing hospitals and long-term care facilities to

other uses. The intent of this program is to provide for an orderly closure of an unneeded hospital or long-term care facility. This program has not been funded and would not serve the needs of Alaskan facilities which are seeking funds for renovation or replacement.

The only Federal funds which are available for health facility construction are essentially limited to construction or renovation of Federally owned facilities such as Public Health Service hospitals or Veterans hospitals.

Municipal or Borough Bonds

The issuance of municipal or borough bonds is a possible source of funds for community hospitals. Most of the surveyed facilities are, however, located in municipalities or boroughs which do not have the bond capacity necessary to meet more than a portion of estimated construction costs.

Direct Legislative Funding

Direct legislative funding through the sale of bonds or from general funds has been an important source of State support for health facility construction, particularly for rural facilities. There are, however, several problems which may result from a direct legislative appropriation to a named recipient. This method of funding has provided excess funding in some instances, and insufficient funding in other instances, since, under this method, funding levels are necessarily set before reliable cost estimates are available. An excess of funds usually results in additions to the original building concept such as additional administrative space, another operatory or another feature which may not be essential. Insufficient funding either causes delays

in project construction, incomplete projects, or the construction of a facility which is reduced in scope from the original design.

Conventional Loans

Conventional loans from lending institutions may be another source of construction dollars for hospitals; however, lending institutions usually have more stringent requirements and higher interest rates than previously mentioned alternatives.

V. DETERMINING A STATE ROLE IN HEALTH FACILITY CONSTRUCTION

The question of the appropriate state role in assisting construction needs of existing facilities is a complex one. This report has noted that the State and Federal Government have previously had roles in establishing and/or assisting with the construction of many health care facilities. With the discontinuation of Federal funds which had previously supported construction of health care facilities, the State's role has become less clear and in need of further exploration and definition. Regardless of the extent of the State's role, the fact remains that many of Alaska's health care facilities, which are deemed to be needed facilities by virtue of access to the services they provide, are in need of renovation, modernization or replacement in order to continue to make quality health care reasonably accessible to Alaskans as well as to the many visitors to this State.

Health facility construction funding is presently limited to the aforementioned alternatives. The likelihood of Federal assistance for which Alaska facilities would be eligible any time in the near future is remote. Health facility construction need not be bound by current programs if it is determined that the State has a role in assisting with systematic health facility upgrading and construction.

Two legislative proposals address the need for a statutorily established health facility construction program. House Bill 844 and the identical Senate Bill 782 pose one possible format for a program addressing health facility construction. These bills would create a fund within the Department of Health and Social Services for plant improvements and maintenance at rural health facilities. The bills provide that the Statewide Health Coordinating Council will make recommendations to the Commissioner of the Department of Health and Social Services as to the prioritization of projects. Under these bills the prioritization of projects would be based upon:

- 1) The condition of the existing physical plant of a rural health facility (as determined by an annual inventory prepared by the Department of Health and Social Services);
- 2) The ability of the rural health facility to continue to provide quality health services;
- 3) The need in the community for additional services; and
- 4) The ability of the rural health facility to meet current licensure standards.

Although the concept of providing state assistance to rural health facilities as outlined in these bills appears valid, the bills do have some shortcomings. The bills apparently provide for total State funding of construction of rural health facilities. It can be argued that the State has a responsibility for ensuring access to quality health care facilities by its citizens by providing

grant funds when other sources of funding are non-existent or insufficient; however, the Department does not believe the State has a responsibility to totally fund health facility construction. Some level of local support for health facility construction is essential.

The Department has historically supported the establishment of a formalized health facility construction program in Alaska to better guide the allocation of limited resources. The completed rural hospital and nursing home inventory and condition survey and the committee's review comments described in this report are viewed as the first step in the development of a systematic approach to state assistance for health facility construction. Such an approach should include the following components as well:

- a Statewide Medical Facilities Plan
- certificate of need review
- a funding mechanism
- construction progress assessments

A proposed format and discussion of these components follows:

Statewide Medical Facilities Plan

A hospital construction assistance program should be based upon a Statewide Medical Facilities Plan which sets out the future needs for medical facilities in the State. This plan may be included as a part of the State Health Plan prepared on a regular basis by the Department of Health and Social Services and the Statewide Health Coordinating Council. The purpose of the Statewide Medical

Facilities Plan would be to orderly set forth and prioritize the need for construction of health facilities. The format of such a plan should be determined by the Department of Health and Social Services; however, the development and approval of the plan would involve the individual hospital, the Statewide Health Coordinating Council, the Alaska State Hospital Association, the State Health Planning and Development Agency, and the health systems agencies or successor organizations. To provide a data base for the plan, each facility would be requested to submit, on a voluntary basis, a long-range plan. The long-range plan would, at a minimum, anticipate the facility's program needs and construction needs for the current year and the next five years. These institution-specific plans would be included and prioritized in the Statewide Medical Facilities Plan by the Division of State Health Planning and Development and approved by the Statewide Health Coordinating Council (SHCC). In its consideration for approval of the Statewide Medical Facility Plan the SHCC would consider public input, certification and licensure reports, the State Health Plan, and other pertinent information.

Funding Mechanism

The funding mechanism should allow sufficient flexibility to permit non-grant financing to be used in conjunction with grant funds. Planning and design of a hospital construction project should be completed to the degree necessary to establish reliable construction cost estimates before construction funding levels are determined. The mechanism might also serve to reduce the inaccuracy of funding levels by providing separate allocations for 1) planning and design, and 2) construction. Although some adjustments to cost estimates will occur during construction this method of determining funding levels

will reduce the excess funding and funding shortfalls which have resulted from current methods of funding hospital construction.

The first step in any building program is the perception that a need exists. Typically, the perception of the need for a building program results from observable facility inadequacies: The facility is too small, too old, does not provide sufficient space for a recently perceived need such as birthing room, long-term care rooms, ultra-sound services, for example. As such, the need for a building program is generally perceived on a local level by physicians, facility staff, the community served by the facility and is subsequently brought before the facility's board of directors for approval. The State may point out the need for a building program as a result of licensure or architectural surveys; however, it is essential that the people who work in the facility and are served by the facility be involved in the development of a solution to an identified need if the solution is to be acceptable.

Once a need has been perceived, active planning begins with a need survey and feasibility evaluation. The work required by the need survey will depend upon the specific points of the perceived need. If the perceived need is to meet a code requirement, the need survey may simply be a statement of the facts. If the perceived need is for a new facility, the need survey would be more extensive, identifying what services the community desires, what services may reasonably be offered in the community, and workloads for those services. The most important point to determine with the need survey is whether the perceived need is an actual need.

Certificate of Need Review

The certificate of need review is essential to any process whereby State funds are provided for hospital and nursing home construction. It is this review which offers a safeguard against the proliferation of health care beds, avoids unnecessary duplication of facilities, and gives assurance that the size and cost of facilities are reasonable.

The above noted need survey and feasibility evaluation are the major components of a certificate of need application. A positive indication by the need survey and feasibility evaluation usually result in the issuance of a certificate of need approving the requested construction project. (When a negative indication results from the need survey or feasibility study the facility's board generally does not proceed with the submission of an application for a certificate of need. As such, few certificate of need applications are disapproved.)

Where construction of a health facility is proposed the certificate of need review addresses considerations such as:

1. The relationship of the project to the State Health Plan;
2. The relationship of the proposed project to the long-range plan of the facility;
3. The relationship of the proposed project to the Health Systems Plan and Annual Implementation Plan of the Health Systems Agencies;

4. The need of the population to be served served by the facility;
5. The availability of less costly or more effective alternative methods of meeting the needs of the area to be served by the facility;
6. The immediate and long-term financial feasibility of the proposed facility;
7. The relationship of the facility to other existing health care facilities in the area;
8. The availabilitly of resources including health manpower, management personnel and the availability of funds needed for construction or those funds needed for operating costs;
9. The probable impact of the construction project on the cost of providing health services to the citizens to be served.

Level of State Assistance

Assuming certificate of need approval, one major decision regarding a proposed health facility project would remain: the appropriate level of state assistance for the project. The appropriate level could be determined in a simple and straight forward manner by the provision of a ratio of State assistance to local assistance, such as 70% State funding and 30% local match. Obviously several variations in the ratio are possible. An important consideration which this simple formula would overlook is the capability of the community served to provide the matching funds. The discontinued Federal Hill-Burton program for health facility construction worked on this basis: however, in Alaska the local match was provided by the State.

It may be more appropriate to establish an application process by which the facility would request an amount of State assistance with accompanying justification to support the request. Department of Health and Social Services staff or an advisory committee would review the application for State assistance and provide to the Commissioner a recommended level of State participation in the form of a grant, loan, loan guarantee or a combination. In this model a procedure would be established to coordinate the expenditure of grant funds with lenders, the Alaska Medical Facility Authority, and other possible funding sources.

Once any level of State funding has been established, the recipient should be required to demonstrate the availability of total construction funds necessary for the completion of the project before the expenditure of State funds. Such a demonstration will help avoid situations where funding is depleted before the project is completed or where the scope of a project is reduced to the point where the completed facility will be inadequate to fulfill needs and requirements for which it was originally planned.

Construction Progress Assessments

To give further assurance that funds will be sufficient to complete the project, it is advisable for the disbursement of funds to be made in phases according to the percentage of work completed. The Department of Health and Social Services currently reviews plans and specifications for hospital construction and intermittently visits construction sites to assure that the completed facility meets codes and it is acceptable for Medicare and Medicaid certification and State licensure. Under this program the Department of

Health and Social Services representatives would have the added responsibilities of verifying the percentage of project completion and reporting that percentage to the disbursement officer in charge of State funds for each project.

APPENDIX

FIVE-YEAR CONSTRUCTION PLAN FOR STATE HEALTH PLAN LEVEL III

HOSPITALS AND NURSING HOMES

Notes to Five-Year Construction Plan for State Health Plan Level III

Bartlett Memorial Hospital

A long-range plan has recently been completed. Preparation of plans and specifications for the correction of deficiencies may begin once the facility's board has assessed the long-range plan. The five year plan indicates \$2,000,000 for design during FY 85 with construction costs determined thereby in FY 86. The source of financing has not been identified.

Central Peninsula General Hospital

Facility operations have recently expanded into a major addition for outpatient and administration departments. Another addition for needed beds and surgery department improvements is in the contracting phase. A borough bond issue has been approved for the purpose of financing the project and a certificate of need has been issued.

Cordova Community Hospital and LTC Facility

Has recently completed a certificate of need application for a new structure. A bill for funding of the design phase is currently before the legislature. A decision regarding this application is expected in late March. The five-year plan indicates an estimated \$1,000,000 for design during FY 83 and \$13,000,000 toward construction in FY 84.

Faith Hospital

Has completed preliminary drawings for an addition and renovation project. Funding has not been arranged. This facility's board has in the past indicated reluctance to accept State funding. The five-year plan suggests a sum of \$1,200,000 as needed for this project.

Ketchikan General Hospital and Island View Manor Nursing Home

Has recently completed an extensive addition and renovation project. Funds shown anticipate future needs of \$50,000 in FY 84 for planning and \$1,000,000 in FY 85 for design. Construction costs as determined during these phases would follow in FY 86.

Kodiak Island Hospital and LTC Facility

Is currently completing long-range planning and program work and has submitted a certificate of need application. \$1,000,000 for design and \$10,000,000 for construction are estimated for FY 84 and FY 85.

Norton Sound Community Hospital

Recently occupied a new hospital wing and remodeled facility. \$50,000 for formal long-range planning is estimated for FY 85 with funds required for subsequent phases to follow in succeeding years. Long-range planning should consider both Pioneer and non-Pioneer long-term nursing care.

Petersburg General Hospital and LTC Facility

\$10,000,000 is before the legislature. Planning and design has ben completed with funds provided from previous state grants.

Seward General Hospital and Wesleyan Nursing Home

Should be encouraged to join in cooperative planning at an early date in order to maintain quality standards consistent with recognized goals. Long-range planning funds of \$40,000 for each facility are scheduled in FY 84 and design funds of \$1,500,000 in FY 85. Approximate construction costs for joint usage are shown at \$15,000,000 in FY 86. Long-range planning should consider both Pioneer and Non-Pioneer long-term nursing care.

Sitka Community Hospital

A new Facility is under construction.

South Peninsula Hospital

Has completed some preliminary planning and has been granted a certificate of need for an addition. A bill for funding has been introduced into the legislature to provide \$4,000,000 for construction in FY 83.

St. Ann's Nursing Home

Occupies quarters which were remodeled and expanded in the late 1970s. Establishment of a Pioneer Home providing other nursing home services in Juneau would profoundly affect this facility. The five-year plan schedules long-range planning funds of \$40,000 in FY 84 and design funds of \$500,000 in FY 85. Construction funds as necessary would be designated in FY 86 following the design phase.

Valdez Community Hospital

Is deficient in certain respects and should be studied particulary in regard to overall Harborview Developmental Center relationship and future need. Long-range planning funds of \$50,000 in FY 85 would establish probable costs to be considered in FY 86 and 87.

Valley Hospital

Is currently completing construction drawings in accordance with the certificate of need issued. Construction is expected to begin in early summer of 1982

Wrangell General Hospital and LTC facility

Has expressed a need for additional space to satisfy current standards and goals. Design funds of 1,000,000 are indicated for FY 83 with construction funds of \$8,000,000 in FY 84.

FIVE-YEAR CONSTRUCTION PLAN FOR STATE HEALTH PLAN LEVEL III

HOSPITALS AND NURSING HOMES

FACILITY	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987
Bartlett Memorial Hospital Juneau	long-range plan is complete		\$2,000,000 for design	const. cost to be determined during design phase	
✓ Central Peninsula General Hospital Soldotna	Addition & remodel design is complete and construction to begin in 1982	construction is to be completed in FY 84 with borough funds			
Cordova Community Hospital & LTCF Cordova	\$1,000,000 for design of new facility	\$13,000,000 for construction of new facility			
Faith Hospital Glennallen	Addition & remodel \$1,200,000 for construction of new facility				
Ketchikan General Hospital and Island View Manor Ketchikan	new addition & remodeling has been completed	\$50,000 for long-range planning	\$1,000,000 for design	construction costs to be determined during design phase	
Kodiak General Hospital & LTCF Kodiak		\$1,000,000 for design	\$10,000,000 for construction		
Horton Sound Hospital & LTCF Nome			\$50,000 for long range planning	design costs to be determined in planning phase	construction costs to be determined in planning
✓ Petersburg General Hospital & LTCF Petersburg	\$10,000,000 for construction design to be comp. w/state grant fund				
Seward General Hospital Seward		\$40,000 for long range planning	\$1,500,000 for design	\$15,000,000 for construction	
Weselyan Nursing Home Seward		\$40,000 for long range planning (cooperative program)			
Sitka Community Hospital Sitka	A new facility is under construction				
✓ South Pen. General Hospital & LTCF Homer	\$4,000,000 for construction				
✓ St. Ann's Nursing Home Juneau		\$40,000 for planning	^{200,000} \$500,000 for design	Construction costs to be determined in design phase	
✓ Valley Hospital & LTCF Palmer	Addition & remodel design is complete to be under construction in 1982				
Valdez Community Hospital Valdez			\$50,000 for long-range planning	design costs to be determined in planning phase	const. costs to be determined in design phase
Wrangell General Hospital & LTCF Wrangell	\$1,000,000 for design	\$8,000,000 for construction			
OTHER				unknown	unknown
TOTAL	\$17,200,000	\$22,170,000	\$15,100,000	\$15,000,000 plus	\$15,000,000 plus

* LTCF = Long-Term Care Facility

APPROXIMATE COSTS SHOWN ARE ESTIMATED 1982 VALUES WITHOUT PROJECTIONS FOR FUTURE INFLATION AND DO NOT INCLUDE OTHER PROJECT COSTS SUCH AS FEES, EQUIPMENT, SITE ACQUISITION, ETC. THE ESTIMATED COSTS SHOWN ARE PROVIDED AS A GUIDELINE IN DETERMINING THE DIMENSIONS OF A GIVEN COMMUNITY'S NEED. NO ESTIMATES HAVE BEEN MADE OR INDEED CAN BE MADE FROM THIS INVENTORY AS TO THE LEVEL OF STATE ASSISTANCE APPROPRIATE TO ANY ONE COMMUNITY.

File

Humana tries to block access to funds

4.12.91

By PATRICIA SOLOVEICHIK

TIMES BUSINESS WRITER

Humana Hospital—Alaska is working hard in the state Legislature this week trying to eliminate competing Providence Hospital from eligibility in a program designed to prioritize requests for millions of dollars in state aid on hospital construction projects.

Senate Bill 67, sponsored by Sen. Lloyd Jones, R-Juneau, is now in the Senate Finance Committee, where lobbyists for Humana are tussling over how to best "level the playing field" for the two Anchorage hospitals.

As the bill is written, Humana is excluded from receiving state grant money for health care facility con-

struction because it is a for-profit facility, while Providence is eligible for the aid as a non-profit organization.

Charles P. Stokes, Humana's executive director, said he backs amendments that would channel state aid to the smaller, rural hospitals and keep the larger facilities from the grant money.

"Humana or other large facilities should not have access to that money. I support giving it to the hospitals that need it," he said Thursday.

He said he is not convinced that the "basis of need" criteria set forth in the bill would weed out Providence Hospital as a beneficiary of state monies.

"I just want a level playing field," he said. "I have no problem with anyone getting the money if they need it."

Sen. Jones said the bill was born of a task force created to investigate the problems of rural hospitals in need of state aid for improvements. The small hospitals had little political backing and so were unsuccessful in getting state financial aid.

The proposal under discussion would create a board to prioritize requests on the basis of objective criteria, including need, and make recommendations to the Legislature, he said.

"Then we got into a problem with Humana. They didn't want to be in See Humana, page C5

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the process, but they wanted to hold Providence out," Jones said. He said the Humana lobbyist is pushing for an amendment sponsored by Sen. Albert Adams, D-Juneau, that would limit state aid to facilities with less than 200 beds.

"We decided to go back to the level playing field that they want by allowing for-profits to apply for state aid. Humana doesn't want it, but I can't see limiting access to the funds by statute. Down the road, there may be a 200-bed hospital that may really need the help," he said.

Humana's Stokes said he does not believe the state would allow

his facility to apply for funds because of its for-profit status.

Finance committee members were expected to submit at least two amendments for consideration today to address the perceived skewing of competition in favor of Providence, Jones said.

Janet Oates, spokeswoman for Providence, said the hospital

favors a bill that would open up the application process for all health care facilities, but added that Providence would not likely apply for the state money.

"We're leaving it up to the state Hospital and Nursing Home Association to settle this. We're trying to keep out of it," Oates said.