

**HB**

**528**

SFIN

FILE

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

No. 1  
Bill Version: CSHB 528(HES)  
(H) Publish Date: 3/18/96

Revision Date: \_\_\_\_\_ Dept. Affected: Health and Social Services  
Title: Relating to applications of certificate of need BRU: Medical Assistance  
and licensing of nursing homes: Component: Medicaid Services  
Sponsor: House Finance COMPONENT SERIAL NO. 2077  
Requestor: House HES Sec also (SN#): \_\_\_\_\_

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES						
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**FUND SOURCE**

(Thousands of Dollars)

FUND SOURCE	FY97	FY98	FY99	FY00	FY01	FY02
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY98) cost: \$0.0

**POSITIONS:**

POSITIONS	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:**

(Attach a separate page if necessary)

This bill does not directly reduce the Medical Assistance budget. It is aimed at avoiding future costs which will be incurred by the Medical Assistance program if a 2 year CON moratorium is not implemented and the industry builds the planned projects. CON Applications, Letters of Intent (LIO), or Strategic Plans have been received from 5 facilities interested in adding a total of 115 new beds and 45 replacement beds in the next 3 years. Failure to pass this moratorium and the initiation of construction will result in additional incremental budget funding requests to meet the new costs associated with those beds totaling \$47,025,000 over the five fiscal years.

	FY97	FY98	FY99	FY00	FY01	FY02
Medical Assistance	0	(3,599)	(8,433)	(11,272)	(11,660)	(12,061)

Half of these costs are paid by federal funds and the other half by general fund match. Operating costs could continue to increase substantially after the first two years. Failure to avoid these new beds could have a deleterious effect on home and community-based services which enable elderly Alaskans to avoid entirely or postpone nursing home placement.

Prepared by: Randy Super *RS*  
Division: Medical Assistance  
Approved by Com: Karen Verdue, Commissioner  
Agency: Department of Health & Social Services

Phone: 465-5833  
Date: 03/04/96  
Date: 3/5/96

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**ANALYSIS (cont.):**

In 1996, the average annual Medicaid amount for a nursing home bed is \$85,607. Typical annual costs for community-based care are much lower, ranging from \$16,045 to \$47,821 per client with an average of \$30,544. The growth and maintenance of community-based care will be threatened if unnecessary nursing home beds are built. Alaska seniors prefer to stay at home as long as possible and avoid nursing home placement.

A two year moratorium on long term care beds would allow time for the community-based service programs to develop more fully. It would also allow the Department of Health and Social Services and Division of Senior Services time to develop a plan for the orderly development and proper mix of community-based and long term care beds.

FY98 Medicaid costs were determined by projecting occupancy from estimated construction completion date and the Medicaid rate defined in regulations to be paid for new facility beds during the first two years of operation. The statewide swingbed rate, which is the average statewide nursing home rate of \$234.54 for FY96 is inflated forward by the 4 year average annual percentage change in that rate or 3.44% per year. This results in a rate of \$250.95 per day per new occupied bed in FY98. The following table displays the present status of new beds.

CON, Letter of Intent (LOI), Plan	Status	Number Beds	Estimated Construction Cost	Estimated Completion Date	FY98 Medicaid Cost	Annualized Medicaid Cost
Valley Hospital	Applied	60	10,488,500	Feb-97	2,890,944	5,495,805
Heritage Place	Pended	15	1,200,000	Apr-97	557,109	1,373,951
St. Ann's	LOI	45	13,720,000	Sep-98	0	0
South Peninsula	Plan	26	unknown	unknown	0	2,381,516
Sitka Community	LOI	14	>1,000,000	Mar-98	150,570	1,282,355
		160			3,598,623	10,533,625

The Annualized Medicaid Cost column displays what the Medicaid program would expend if every bed in that facility were occupied by a Medicaid recipient every day of the fiscal year.

# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 4/22/96

FURTHER: Finance

DATE TURNED INTO OFFICE: 4/26/96

The HESS Committee considered CS FOR HOUSE BILL NO. 528(FIN)

Relating to applications for certificates of need and licensing of nursing homes; efd.

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>J. Ellis</i>	✓	<i>Lynda Green</i>	✓		
<i>J. E. Sapp</i>	✓				
<i>Loren A. Herman</i>	✓				
CHAIR:		CHAIR:			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal
H.S.S.	3/4/96	✓	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill