

**HB**

**297**

(7)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: February 18, 2000

FURTHER REFERRALS:

Date of Committee Action: 3/16/00

The STATE AFFAIRS Committee considered:

HB 297

HOUSE BILL NO. 297

CERTIFICATE OF NEED PROGRAM

"An Act relating to the certificate of need program; and providing for an effective date."

recommends it be replaced with the following committee substitute CSHB 297 (STA)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

fiscal note(s) HSS

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Janette James</i>	✓			
<i>Hal Sullivan</i>			✓	
<i>Bob ...</i>			✓	
<i>Beel ...</i>	✓			
<i>M. ...</i>			✓	

CHAIR'S SIGNATURE *Janette James*

# ALASKA STATE LEGISLATURE

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## Sponsor Statement

### HB 297 Certificate of Need

3/15/00

In 1976 the federal government enacted a law requiring all states to have a Certificate of Need (CON) program. The process was intended to keep down health care costs by limiting construction of health care facilities and the acquisition of expensive medical equipment. The federal government determined that the law did not produce the desired results and it was repealed in 1982. Legislation repealing and amending CON laws are now being considered in many states.

Alaska's certificate of need law was amended in 1983 to establish a threshold of one million dollars on intended capital expenditures before a CON is necessary. Originally, HB 297 raised that threshold to seven million dollars.

The question of what to do with Alaska's CON program is a very controversial one, though all parties agree the goal is to provide good health care at a reasonable price.

***The current version of HB 297 is quite different from the original, because after a great deal of discussion we have found a solution to the immediate problem without raising the \$1,000,000 floor.***

***This version allows relocation of a health care facility to a new site in the same community without a C.O.N. as long as there is no increase in the services offered.***

***It disallows use of the vacated site for another health care facility without a C.O.N.***

All parties still admit that Alaska's Certificate of Need process needs a thorough examination and possible changes, and I am committed to spending the next two years doing that.

## CS FOR HOUSE BILL NO. 297(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 2/18/00

Referred: State Affairs

Sponsor(s): REPRESENTATIVES JAMES, Rokeberg, Kott

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to the certificate of need program; and providing for an  
2 effective date."

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

4 \* Section 1. AS 18.07.031(a) is amended to read:

5 (a) A person may not make an expenditure of

6 (1) \$7,000,000 [\$1,000,000] or more for any of the following unless  
7 authorized under the terms of a certificate of need issued by the department:

8 (A) [(1)] construction of a health care facility that is not a  
9 nursing home;

10 (B) [(2)] alteration of the bed capacity of a health care facility  
11 that is not a nursing home; or

12 (C) [(3)] addition of a category of health services provided by  
13 a health care facility that is not a nursing home;

14 (2) \$1,000,000 or more for any of the following unless authorized

1 under the terms of a certificate of need issued by the department:

2 (A) construction of a health care facility that is a nursing  
3 home;

4 (B) alteration of the bed capacity of a health care facility  
5 that is a nursing home; or

6 (C) addition of a category of health services provided by a  
7 health care facility that is a nursing home.

8 \* Sec. 2. AS 18.07.031(c) is amended by adding a new subsection to read:

9 (c) In determining the expenditure threshold in (a) of this section, the  
10 department may consider only the estimated costs associated with the excavation,  
11 erection, building, alteration, reconstruction, improvement, extension, or modification  
12 of the health care facility under this chapter, and the lease or purchase of equipment,  
13 necessary furnishings, and ancillary requirements for the health care facility, but may  
14 not consider the estimated costs of associated facilities such as the offices of health  
15 care professionals maintaining a private practice that are incorporated into or are made  
16 part of the health care facility.

17 \* Sec. 3. AS 18.07.111 is amended by adding a new paragraph to read:

18 (10) "nursing home" has the meaning given in AS 08.70.180.

19 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section  
20 to read:

21 APPLICABILITY. AS 18.07.031(a), as amended by sec. 1 of this Act, applies to an  
22 activity listed in AS 18.07.031 even if a certificate of need for the activity is pending on the  
23 day before the effective date of this Act.

24 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).



**ANALYSIS (cont.):**

Smaller projects, e.g., many pieces of major medical equipment or construction of some outpatient facilities will no longer require a certificate of need.

**Short Term Impacts**

To the extent that the higher threshold results in the construction of health care facilities which create excess health care capacity in a community, the Medicaid program would likely incur additional costs which would not otherwise be incurred. The impact on the Medicaid budget will depend on the location, cost, and date new projects are brought online. The Department lacks sufficient detailed information about the universe of possible projects to provide a credible and concrete estimate of these potential costs.

**Long Term Impacts**

The longer-term fiscal impacts of increased health care competition in a community are extremely difficult to predict. Excess capacity, where it exists, may be absorbed by population increases over time. Increased competition may result in other cost efficiencies within the community health system. The results of increased competition will likely result in different outcomes in different communities over time. Again, the Department lacks sufficient community-specific information to determine the fiscal impact of these longer-term impacts on the Medicaid budget.