

**HB**

**187**

**SFIN**

**FILE**

RECORDED OUT OF 5/15/99

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/10/99

FURTHER:

DATE TURNED IN TO OFFICE: 5/15/99

Finance Committee considered CS FOR HOUSE BILL NO. 187(FIN)  
 CERTIFICATES OF NEED FOR HEALTH FACILITY

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>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			
Co-Chair: <i>[Signature]</i>		Co-Chair:			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

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

Department	Date	Zero	Fiscal
DHSS / Admin Services	4/26/99		26.5

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

**FISCAL NOTE**

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

5/15/99 No: 1  
Bill Version: HB 187  
(H) Publish Date: 4/26/99

Revision Date: \_\_\_\_\_  
Title: An Act relating to certificates of need for nursing home beds and providing an effective date  
Sponsor: House HESS  
Requestor: \_\_\_\_\_

Dept. Affected: Health and Social Services  
BRU: Administrative Services  
Component: Health Planning and Facilities Management  
COMPONENT SERIAL NO. 2020  
See also (SN#): \_\_\_\_\_

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY00	FY01	FY02	FY03	FY04	FY05
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	1.0	0.0	0.0	0.0	0.0	0.0
CC ,TRACTUAL	25.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.5	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>26.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGES IN REVENUES ( )	0.0	0.0	0.0	0.0	0.0	0.0
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**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts	13.3	0.0	0.0	0.0	0.0	0.0
1003 GF Match	13.3	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (please specify)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>26.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME	none	none	none	none	none	none
PART-TIME	none	none	none	none	none	none
TEMPORARY	none	none	none	none	none	none

Estimate of any current year (FY99) cost: \$0.0

**ANALYSIS:** (Attach a separate page if necessary)

Chapter 84, SLA 96 placed a moratorium on nursing home beds and established a Legislative Working Group on Long-Term Care. One recommendation of the Legislative Working Group was the importance of developing a State plan which outlines the desired long-term care system in a comprehensive manner. The Division of Senior Services already produces a comprehensive long-term care plan but it does not include nursing home beds. New standards for the approval of new nursing home beds need to be developed and a plan section written. Certificate of need applicants would be required to demonstrate how well their proposal fits into the standards and the plan to be approved. The fiscal note is for the cost of hiring a consultant, travel and supplies to research and develop new State nursing home review standards. Standards would take into consideration the existing and desired system, trends in care and nursing home use rates in Alaska; the effect of home health, assisted living and adult day care on the need for new nursing home beds; barriers to the development and use of home and community based services; gaps in services; and would develop a model that can be used to estimate the future need for nursing beds, and alternatives to institutional care such as assisted living. The standards would be used to review projects and develop a plan section that could be added as an appendix to the annual Division of Senior Services plan. This bill is a cost saving measure designed to avoid potential future costs to the state general fund of up to \$9.3 million annually due to construction of up to 234 new nursing home beds in the next 5 to 15 years.

Prepared by: Janet Clarke  
Division: Administrative Services

Phone: 465-1630  
Date: 04/15/99

Approved by Commissioner: Karen Perdue, Commissioner  
Agency: Department of Health & Social Services

Date: 4/16/99

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# Alaska State Legislature



Official Business

State Capitol  
Juneau AK  
99801-1182

## Long-Term Care Task Force

### House Bill No. 187

**An Act relating to the certificate of need program for nursing care facilities and other facilities; and providing for an effective date.**

Alaska has had a Certificate of Need (CON) law since 1976. The purpose of this law is to insure the development of an accessible, cost-effective health care system with quality service. Currently the Department of Health and Social Services reviews all nursing home expansion projects that cost over \$1 million. However, the review of each request is limited to the factors of *accessibility* and *quality*, that is whether the service is currently available and can be provided in a quality manner.

Under this proposed legislation, a new standard of need is adopted for nursing home certificate of need requests. The revised standard allows decisions to be made based on additional criteria such as need, financial feasibility and availability of alternatives. Under this change, a new nursing home project will need to demonstrate the cost-effectiveness of each request and the appropriateness of the service.

The Department of Health and Social Services estimates that on average, ten new nursing home beds increase the Medicaid budget by about \$1 million annually. The decision to expand existing nursing home facilities has long-term implications to both the state treasury and our seniors and persons with disabilities. This legislation will give the Department of Health and Social Services the needed tools in which to make a more informed decision.

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 110601  
JUNEAU, ALASKA 99811-0601  
PHONE: (907) 465-3030  
FAX: (907) 465-3068

May 14, 1999

Honorable Gary Wilken  
Alaska State Senate  
State Capitol Room 514  
Juneau, AK 99811

Dear Senator Wilken,

I would like to take this opportunity to reiterate the importance of enacting this session House Bill 187 relating to certificates of need for nursing homes.

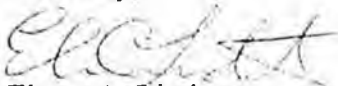
Under the proposed long-range fiscal plans of both the House and Senate little or no growth in total expenditures for formula programs is projected for the foreseeable future. Providing the Commissioner of the Department of Health and Social Services with more stringent statutory criteria to review applications for additional nursing home beds is a key element of any strategy to contain costs in the Medicaid program.

As you know, for every ten additional nursing home beds the Medicaid program will incur approximately \$1 million in additional unavoidable annual costs. Based on interest expressed by communities over the past three years, the department believes there is the potential for significant growth in nursing home beds in the future.

Today, however, there are no new certificate of need applications or letters of intent to submit applications pending. The Alaska State Hospital and Nursing Home Association supports House Bill 187 at this time. The House of Representatives has passed the bill by a vote of thirty-nine yeas and zero nays. I am unaware of any opposition to the bill. I believe this support will evaporate the moment a letter of intent or certificate of need application is submitted however. Therefore I believe that failure to pass HB 187 this session would be extremely unfortunate—a missed opportunity to enact meaningful cost-containment legislation.

Again, thank you for your support of House Bill 187.

Sincerely,



Elmer A. Lindstrom  
Special Assistant to the Commissioner

CC: Pat Pourchot, Legislative Director  
Office of the Governor

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*LTC* **TASK FORCE**  
Long-Term Care Task Force

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FINAL REPORT  
January 1999

*Representative Con Bunde, Co-chairman*  
*Senator Gary Wilken, Co-chairman*

*State Capitol Building*  
*Juneau, Alaska 99801-1182*

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## CERTIFICATE OF NEED

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RECOMMENDATION

21

The Task Force recommends that legislation be drafted and introduced to adopt the nursing home certificate of need recommendations developed by the *Legislative Working Group on Long-Term Care (1997)*.

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*“The certificate of need review process is required of any health facility planning to spend a million dollars or more for construction.”*

Under AS 18.07, the Department of Health and Social Services administers the Certificate of Need Program. This program was created as a tool to control health care costs and prevent unnecessary or duplicative facilities or services. A certificate of need is required of any health facility planning to spend one million or more for construction, expansion or remodeling.

The certificate of need review is initiated when a health care facility submits a letter of intent to the Department of Health and Social Services. This letter of intent provides the project description, estimated cost, and starting and completion dates for the project. Based on the letter of intent, the department determines whether a detailed certificate of need application is needed. Once the application is received and declared complete, department staff analyzes the request and makes a recommendation to the Commissioner of Health and Social Services, who decides to approve or deny the application. The decision to grant or deny a certificate of need may be appealed.

In June 1996, HB 528 was signed into law (Chapter 84, SLA 96). This placed a two-year moratorium on the issuance of certificates of need or licenses for any new nursing home beds in Alaska effectively preventing any nursing home beds from being added until the moratorium expired. This two-year moratorium expired May 1, 1998. The law was passed due to concerns over the potential rapid growth of nursing home beds that became imminent as the result of the planned addition of 147 new nursing beds costing \$11 million annually. The moratorium allowed time to develop alternatives to nursing home beds and assess what could be done to promote cost containment.<sup>46</sup>

The six-member working group established under HB 528 thoroughly analyzed the current procedure to grant certificates of need to long-term care health facilities and determined several weakness in existing law. As currently written, AS 18.07.041 requires the Department of Health and Social Services to grant a certificate of need if “the availability and quality of existing health care resources or the

accessibility to those resources is less than the current or projected requirement for health services to maintain the good health of citizens of this state." In other words, the Department must grant a certificate of need for new construction, expansion or remodeling of a nursing home facility if the service is not available or sufficiently accessible, and the applicant can demonstrate that the proposed service will be provided in a quality manner.

In its report the *Legislative Working Group* stated the following:

While availability, accessibility and quality are important, they are insufficient for assessing a current or projected requirement for health services. Meeting a current requirement does not mean that there is a long-term need for the service or facility or there will be the resources necessary to sustain the service or facility throughout its life cycle. Similarly, meeting a current or projected need does not mean that it is the most cost-effective method for doing so; nor does it mean that the State, facing declining resources, should encourage and support a low priority service in the face of more pressing priorities. The certificate of need program requires more explicit statutory and regulatory definition in these areas to better control costs and better target the health care priorities of Alaskans.<sup>47</sup>

*"The Legislative Working Group states that the certificate of need program requires more explicit statutory definition."*

Currently there is a potential in Alaska for many new nursing beds to be built and, if built, these beds will cost the state a great deal. Using a medium growth projection, it is estimated that the senior population in Alaska will grow from 31,398 in 1997 to 80,927 by 2015.<sup>48</sup> In FY97, the Alaska Medicaid program spent \$43.8 million for 720 licensed nursing home beds. If the need for beds remains constant in the future, the number of beds could grow to 1,861 by 2015, a 250 percent growth at the annual cost to Medicaid of an additional \$109.5 million. "Proposed projects need to be compared against feasible alternatives to determine if the proposal is the most cost effective way of achieving comparable results."<sup>49</sup>

*"Under the legislation, new nursing home projects will need to demonstrate cost effectiveness."*

Under the legislation proposed by the *Legislative Working Group on Long-Term Care*, new nursing home projects will need to demonstrate the cost-effectiveness of each request. Proposed projects will be compared against feasible alternatives to determine if the proposal is the most effective way to achieve comparable results. The Task Force recognizes that this issue needs more discussion and recommends that legislation be introduced for further consideration. (Please see Appendix B, page 69, for further detail. ❖



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## Alaska Commission on Aging

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### Resolution 99-5

*In support of HB 187: An act relating to the certificate of need program for nursing care facilities and other facilities*

Whereas Alaska's rapidly growing statewide senior citizen community is part of a national and international trend of increased longevity due to better nutrition, health care, and increased standards of living, and

Whereas the statewide community of older Alaskans age 65+ is projected to grow from 22,095 in 1990 to 80,927 by 2015, and

Whereas the availability of appropriate long-term care is vital to the well-being of disabled, chronically ill and frail Alaskans of all ages now, and in the future, and

Whereas developing the capacity to meet present and projected long-term care needs challenges us to plan strategically and allocate long-term care resources accordingly; and

Whereas SB 59 will amend Alaska's Certificate of Need Program to improve the State's ability to assure that future long-term care development is strategic, responsive to public need and preference, and cost-effective, and

Whereas the Legislative Long Term Task Force Report of January, 1999, recommended the introduction of this legislation in its Recommendation #21;

Now therefore the Alaska Commission on Aging strongly encourages the Twenty-First Alaska Legislature to pass SB 59.

Adopted this 9<sup>th</sup> day of March, 1999.

A handwritten signature in cursive script, reading "Alaire E. Stanton". The signature is written in black ink and is positioned above a horizontal line.

Alaire Stanton  
Chair

SENATE FINANCE COMMITTEE

SIGN-IN

HB 187-CERTIFICATES OF NEED FOR HEALTH FACILITY

NAME: Elmer Lindstrom / Jay Lively Sub./Bill No: HB 187  
Co./Dept./Title: DASS Phone: 465-3030  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond to Questions

NAME: \_\_\_\_\_ Sub./Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond to Questions

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