

LEG. FINANCE - BILLS 1981 - 1982 1678
CSSB 390 cont. 1678

CHARACTERISTICS OF THE SERVICE AREA

This section sets forth the location of the Hospital, the determination of Hospital's service area and analysis of selected demographic and economic factors relating to the service area of the Hospital.

LOCATION OF THE HOSPITAL

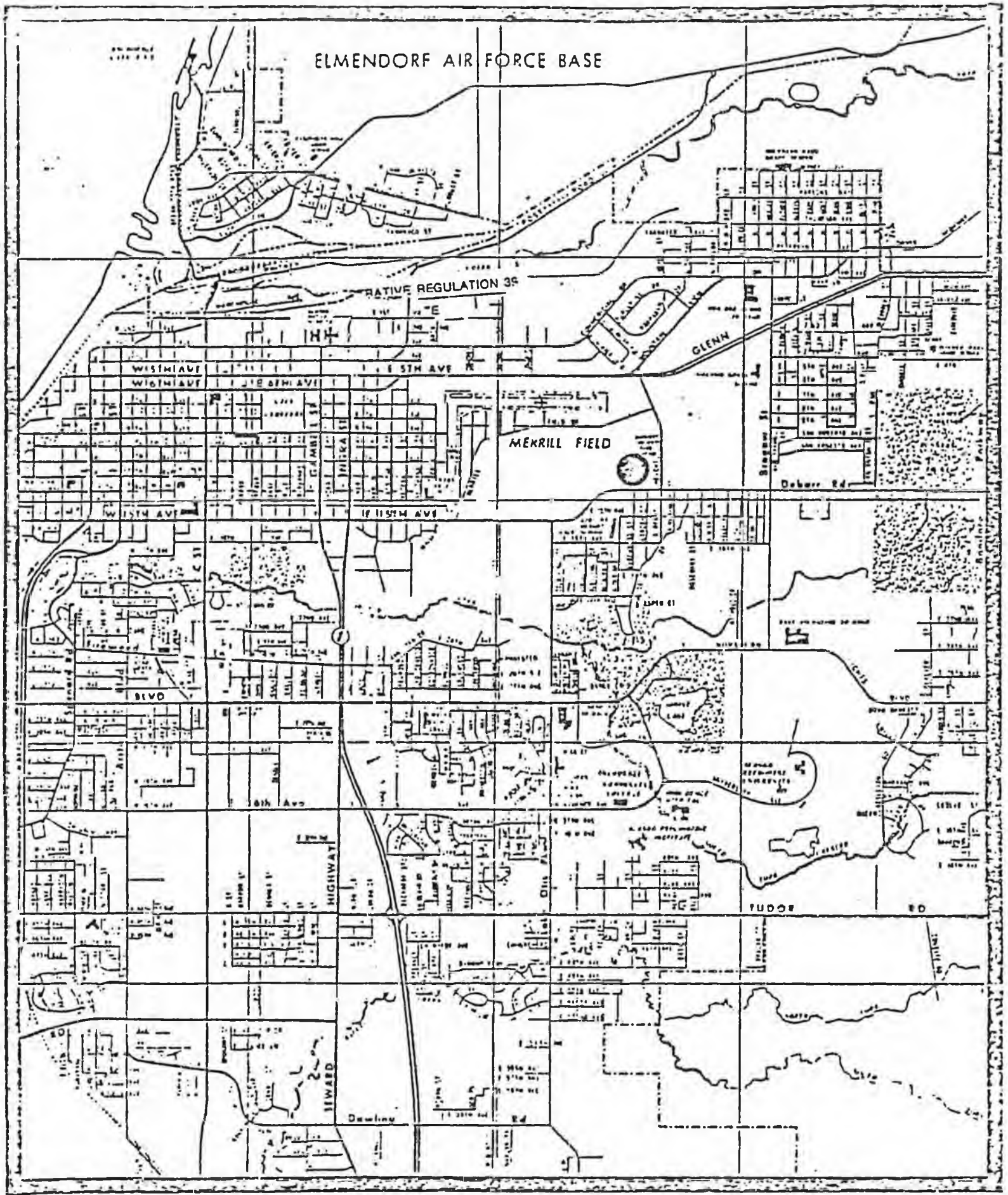
The Alaska Hospital and Medical Center, Inc. is located in Anchorage, Alaska. The Hospital is approximately three miles east of downtown Anchorage, adjacent to Merrill Airport and the Alaska Teamsters Mall, at 2801 DeBarr Road.

DeBarr Road is a major east-west thoroughfare providing access to the Hospital via Airport Heights Road. Additional access to the Hospital from metropolitan Anchorage is provided by 5th Avenue and Glenn Highway from the north and by 15th Avenue and Northern Lights Boulevard east and south of the Hospital.

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Ⓐ The Alaska Hospital and Medical Center

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CHARACTERISTICS OF THE SERVICE AREA

DETERMINATION OF SERVICE AREA

The geographic area served by the Hospital can be defined by an analysis of the location of the residences of patients discharged from the Hospital.

Analysis of the data regarding patients discharged from the Hospital for the years of 1978 and 1979 is contained in the table on the following page.

Based upon the patient discharge data it was determined that the Hospital's historical service area for the past two years has been the Metropolitan Anchorage area.

DEMOGRAPHIC AND ECONOMIC FACTORS

Set forth below and on the following pages is certain information concerning population, income, housing, employment and other demographic and economic characteristics of the Hospital's service area.

Population

The demand for hospital services is directly related to the number of people residing in a hospital's service area.

The population in the Anchorage area increased by 43,500 or 52.5 percent between the years of 1960 and 1970. The area's population increase between 1970 and 1975 is estimated to have been 51,484 or 40.8 percent, followed by an increase from 1975 to 1979 of 26,992, or 15.2 percent. In comparison, the total population of the State of Alaska increased 33.7 percent, 33.8 percent and 2.1 percent, respectively. The growth of the Anchorage area population has surpassed that of the State of Alaska in each of the years from 1970 to 1979, based upon data from the State of Alaska and the Municipality of Anchorage.

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The Alaska Hospital and Medical Center, Inc.

Total Patient Discharges and Patient Days by
Health Systems Agency Subareas

Subarea	1978					1979				
	Patients		Patient days		Average length of stay	Patients		Patient days		Average length of stay
	Number	Percent total	Number	Percent		Number	Percent total	Number	Percent	
Aleutian Pribilofs	12	.2%	58	.2%	4.8 days	24	.4%	102	.4%	4.3 days
Anchorage	6,193	82.4	26,938	80.4	4.4	4,777	84.3	24,095	84.1	5.0
Bristol Bay	23	.3	66	.2	2.9	31	.6	55	.2	1.8
Cook-Inlet:										
a. (Mat-Su)	346	4.6	1,673	5.0	4.8	307	5.4	1,441	5.0	4.7
b. (Kenai-Soldotna)	60	.8	303	.9	5.1	107	1.9	747	2.6	6.9
c. (Homer)	24	.3	69	.2	2.9	17	.3	174	.6	10.2
Copper River	27	.4	134	.4	4.9	13	.2	42	.2	3.2
Kodiak	14	.2	98	.3	7.0	18	.3	104	.4	5.8
North Pacific Rim:										
a. (Seward)	27	.4	198	.6	7.3	34	.6	174	.6	5.1
b. (Valdez)	29	.4	178	.5	6.1	28	.5	159	.5	5.7
c. (Cordova)	25	.3	106	.3	4.2	10	.3	247	.9	13.7
Norton Sound	34	.5	110	.3	3.2	17	.3	71	.2	4.2
Yukon-Kuskokwim	43	.6	140	.4	3.3	56	1.0	152	.5	2.7
Southeast	14	.2	53	.2	3.8	21	.4	108	.3	5.1
Northern	116	1.5	562	1.7	4.8	85	1.5	366	1.3	4.3
Out of State	69	.9	415	1.2	6.0	64	1.1	274	1.0	4.3
Unrecorded	457	6.0	2,394	7.2	5.2	51	.9	337	1.2	6.6
Total	7,513	100.0%	33,495	100.0%	4.5 days	5,668	100.0%	28,648	100.0%	5.1 days

Source: Medical Records Department, The Alaska Hospital and Medical Center, Inc.

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Preliminary data, from the U.S. Department of the Census, indicate the current population of the Anchorage area to be substantially less than that reported by the Municipality of Anchorage for 1979. The preliminary census data for Anchorage is a population of 173,992.

Population Trends

<u>Year</u>	<u>Total Anchorage area population</u>		<u>Total Alaska population</u>	
	<u>Population</u>	<u>Percent change</u>	<u>Population⁽²⁾</u>	<u>Percent change</u>
1960	82,833(1)	-	226,167	-
1970	126,333(1)	52.5%	302,361	33.7%
1971	135,777(2)	7.5	312,930	3.5
1972	144,215(2)	6.2	324,281	3.6
1973	149,440(2)	3.6	330,365	1.9
1974	162,499(2)	8.7	337,000	2.0
1975	177,817(2)	9.4	404,634	20.1
1976	185,179(2)	4.1	413,289	2.1
1977	197,793(3)	6.8	411,211	(.5)
1978	202,101(3)	2.2	406,956	(1.0)
1979	204,809(3)	1.3	413,516	1.6

Source: (1) U.S. Bureau of the Census, 1960 and 1970.

(2) Alaska Department of Labor, Research and Analysis.

(3) Municipality of Anchorage.

Projections of the future population of the Municipality of Anchorage and the State of Alaska from 1980 through 1990 are shown in the following table:

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CHARACTERISTICS OF THE SERVICE AREA

Projected Population

Year	Total Anchorage area population		Total Alaska population	
	Population(1)	Percent change	Population(2)	Percent change
1980	205,200	-	400,500	-
1981	214,700	4.6%	400,000	(.1%)
1982	223,000	3.9	408,000	2.0
1983	219,300	(1.7)	422,000	3.4
1984	224,900	2.6	454,000	7.6
1985	232,000	3.2	481,000	5.9
1986	238,900	3.0	495,000	2.9
1987	243,300	1.8	500,000	1.0
1988	253,000	4.0	503,000	.6
1989	265,800	5.1	509,000	1.2
1990	276,000	3.8	522,000	2.6

Source: (1) "South Central Alaska" Economy and Population, 1965-2025: A base study and projection, Institute of Social and Economic Research, University of Alaska, 1979.

(2) Projected Population and Components of Change: Alaska, 1980-2000, Institute of Social and Economic Research, September 1980.

The components of the population of the Municipality of Anchorage are identified on the following page.

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Anchorage, Alaska
Population Components

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Civilian, non-native	88,299	97,391 ⁽⁵⁾	105,617 ⁽⁵⁾	110,465 ⁽⁵⁾	125,454 ⁽⁵⁾	N.A.	N.A.	160,890	N.A.	166,559
Civilian, native	4,817 ⁽¹⁾	4,215 ⁽²⁾	4,452 ⁽²⁾	4,981 ⁽²⁾	5,246 ⁽²⁾	8,050 ⁽³⁾	N.A.	8,084 ⁽³⁾	N.A.	9,950 ⁽³⁾
Military ⁽⁴⁾	33,217	34,171	34,146	33,994	31,799	N.A.	30,375	28,811	28,489	20,300
Total popu- lation	126,333	135,777	144,215	149,440	162,499	177,817	185,179	197,793	202,101	204,809

N.A. - Not available.

- Sources:
- (1) U.S. Bureau of the Census, 1970.
 - (2) Greater Anchorage Borough Comprehensive Health Planning Council, June 1976.
 - (3) "Alaskan Natives in Anchorage", Anchorage Urban Observatory.
 - (4) "Military Population Data, 1967-1980", Department of the Air Force, Headquarters Alaska Air Command, July 1980.
 - (5) Derived from existing data.

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Military personnel and the Alaskan natives have hospitals in the Anchorage area to specifically handle their medical needs, and these hospitals are not available for general use by the remaining members of the community. These facilities are described more fully in separate sections of this report.

Age distribution is one of a variety of factors which influence the utilization of hospitals by a given population group. For example, persons over 60 years of age typically require hospital services more frequently.⁽¹⁾ Younger persons generally require less hospital services and shorter lengths of stay than older persons. The age distribution of the Anchorage area, Alaska and the United States are shown on the following page.

The population of Alaska and more specifically the Anchorage area is generally younger than the rest of the nation. This relatively young population is primarily the result of two particular migration patterns. First, the people who in-migrate to Alaska are relatively young; nearly all of the women in-migrates are of child-bearing age. Secondly, because of the high cost of living in Alaska, it is difficult for retired elderly people on fixed low incomes to maintain themselves so they tend to leave the state as soon as the wage earning members of the household retire.⁽²⁾

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- (1) U.S. National Center for Health Statistics, Current Estimate from the Health Interview Survey, United States, 1969.
- (2) Manpower and Employment Impact of the Trans-Alaska Pipeline, Human Resources Planning Institute, 1974.

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Age Distribution

Age	1960 (1)			1970 (1)			1977 (2)		
	Percent of population			Percent of population			Percent of population		
	Anchorage area	Alaska	United States	Anchorage area	Alaska	United States	Anchorage area	Alaska	United States
0-4	15.7%	15.1%	11.3%	10.6%	10.7%	8.9%	8.2%		
5-19	25.9	28.0	27.2	32.0	32.5	29.6	29.2		
20-44	46.3	42.1	32.2	42.9	40.9	31.4	46.5		<u>TO BE COMPLETED</u>
45-64	11.0	12.4	20.1	13.1	13.6	20.5	14.1		
65 years and over	1.1	2.4	9.2	1.4	2.3	9.6	2.0		
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		

Source: (1) U.S. Bureau of the Census, 1960 and 1970.

(2) Technical Report No. 48 Vol. 1, Alaska OCS Socioeconomic Studies Program.

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The change in the Anchorage area median age from 23.8 years in 1960 to 25.0 years in 1978 is shown on the following schedule:

Median Age

<u>Year</u>	<u>Anchorage area</u>	<u>Alaska</u>	<u>United States</u>
1950(1)	N.A.	25.8	30.2
1960(1)	23.8	23.3	29.5
1970	23.2(2)	22.9(1)	28.1(1)
1975	26.0(2)	24.3(5)	28.9(5)
1976	N.A.	N.A.	N.A.
1977	25.0(2)	N.A.	N.A.
1978	25.0(3)	N.A.	N.A.
1979	24.3(4)	24.1(4)	30.3(4)

Sources: (1)U.S. Bureau of the Census, 1950, 1960 and 1970.

(2)Unpublished Anchorage Health Systems Plan.

(3)1978 Population Profile, Municipality of Anchorage.

(4)Sales & Marketing Management, "1980 Survey of Buying Power".

(5)Sales & Marketing Management, "1976 Survey of Buying Power".

N.A. - Not Available

Sex characteristics also influence the utilization of hospitals by a given population group. For example, as a group, women usually have higher hospital utilization rates than men.(1) The percentage of women in the Anchorage area steadily increased from 1950 through 1970, and remained constant between 1970 and 1977, as shown in the following schedule.

(1)U.S. National Center for Health Statistics, Current Estimate from the Health Interview Survey, United States, 1969.

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Sex Distribution

<u>Year</u>	<u>Sex</u>	<u>Anchorage area</u>	<u>Alaska</u>	<u>United States</u>
1950(1)	Male	65.5%	61.8%	49.7%
	Female	34.5	38.2	50.3
		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
1960(1)	Male	55.6%	57.0%	49.2%
	Female	44.4	43.0	50.8
		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
1970(1)	Male	52.4	54.3%	48.8%
	Female	47.6	45.7	51.2
		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
1977	Male	52.4% (2)	N.A.	48.6% (3)
	Female	47.6		51.4
		<u>100.0%</u>		<u>100.0%</u>

N.A. - Not available.

Sources: (1) U.S. Bureau of the Census, 1950, 1960 and 1970.

(2) Anchorage Urban Observatory, 1977 Citizen Attitude Survey. Excludes military on-base population.

(3) U.S. Bureau of the Census, Statistical Abstract of the United States, 1977.

As is evidenced, the percentage of women in Alaska and the Anchorage area is lower than that of the United States.

Family Income

According to studies prepared by the U.S. National Center for Health Statistics, it has been shown nationally that hospital admissions per 1,000 population among lower income groups occur less frequently than for middle and upper income groups.

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In 1979, the median effective buying income⁽¹⁾ per household for the Municipality of Anchorage, the State of Alaska and the United States are as follows:

Median Effective Buying Income⁽¹⁾

	<u>1979</u>
Municipality of Anchorage	\$27,279
State of Alaska	26,107
United States	17,924

(1) Effective buying income is personal income, less personal taxes.

Source: Sales & Marketing Management, "Survey of Buying Power", 1980.

The income distribution in 1979 for residents of the Municipality of Anchorage, the State of Alaska and the United States is shown in the following table:

Household Income Distribution
Percentage of Households 1979

	<u>Less than \$8,000</u>	<u>\$8,000 to \$9,999</u>	<u>\$10,000 to \$14,999</u>	<u>\$15,000 to \$24,999</u>	<u>Over \$25,000</u>
Municipality of Anchorage	8.3%	2.8%	10.3%	23.1%	55.5%
State of Alaska	12.1	3.1	9.8	22.4	52.6
United States	21.2%	5.4%	14.4%	29.5%	29.5%

Source: Sales & Marketing Management, "Survey of Buying Power", 1980.

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Housing

Construction of new housing units has lagged behind demand since the early 1970's. In 1969, a surplus of 3,125 housing units existed; by 1971, this surplus had disappeared.

According to the Greater Anchorage Chamber of Commerce, the number of housing units has risen from 37,622 in 1970 to 48,437 in 1974, an increase of approximately 29 percent.

A schedule of building activity in the Municipality of Anchorage is shown below:

Anchorage Building Permits

<u>Year</u>	<u>Single-family</u>	<u>Duplex</u>	<u>Multi-family</u>	<u>Total housing units authorized</u>
1975	1,426	242	857	2,505
1976	952	240	1,885	3,077
1977	1,663	392	1,845	3,200
1978	1,280	298	1,049	2,627
1979	509	168	456	1,133
1980(1)	15	-	7	22

(1) First quarter 1980 figures.

Source: Municipality of Anchorage Quarterly Economic Indicators.

Employment

Government, wholesale and retail trades and the service sector have become the dominant sources of employment in the Anchorage area, replacing construction and transportation during the last fifteen years.

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The historical and projected employment figures by industry are presented on the following page, reflecting an increasing growth rate, particularly in the areas of mining, construction and trade.

Unemployment in the Anchorage area has typically been greater than the rest of the nation. In part, this is due to the seasonal weather conditions in the area and the large in-migration of job seekers. Set forth below are unemployment rates for the Anchorage area, the State of Alaska and the United States for the years 1975 through 1979 and for the three months ended March 31, 1980.

Comparison of Average Unemployment Rates

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Three months ended March 31, 1980</u>
Anchorage area(1)	5.9%	7.0%	7.1%	8.3%	7.0%	8.3%
State of Alaska(2)	6.9	8.4	9.0	11.0	8.9	10.8
United States(3)	8.5	7.7	7.0	6.0	5.8	5.1

Source: (1) Municipality of Anchorage Quarterly Economic Indicators.

(2) U.S. Department of Labor, Bureau of Labor Statistics, Historical Report on Labor Force and Employment.

(3) U.S. Department of Labor, Bureau of Labor Statistics.

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Anchorage Industry Employment

	1977 (1)	1978 (1)	1979 (2)	Projected		Percent increase (decrease)			
				1980 (2)	1981 (2)	1977/1978	1978/1979	1979/1980	1980/1981
Total nonagricultural wages and salaries (\$000)	N.A.	N.A.	419,338	464,186	520,326	N.A.	N.A.	10.7%	12.1%
Average quarterly earnings (\$000)	N.A.	N.A.	5,374	5,769	6,214	N.A.	N.A.	7.4	7.7
Total nonagricultural wage and salary employment	77,858	77,321	77,977	80,385	83,656	(.7%)	.8%	3.1	4.1
Mining	1,771	1,874	1,847	2,093	2,372	5.8	(1.4)	13.3	13.3
Construction	7,795	6,431	5,488	6,080	6,753	(17.5)	(14.7)	10.0	11.1
Manufacturing	1,687	1,683	1,846	1,899	1,985	(.2)	9.7	2.9	4.5
Transportation/communication/utilities	7,614	7,924	8,002	8,117	8,374	4.1	1.0	1.4	3.2
Transporation	N.A.	N.A.	5,743	5,825	6,029	N.A.	N.A.	1.4	3.5
Communication	N.A.	N.A.	1,655	1,669	1,695	N.A.	N.A.	.8	1.6
Public utilities	N.A.	N.A.	604	624	651	N.A.	N.A.	3.3	4.3
Trade	N.A.	16,864	17,410	18,003	19,078	N.A.	3.2	3.4	6.0
Wholesale	4,167	4,196	4,093	4,137	4,196	.7	(2.5)	1.8	1.4
Retail	12,409	12,668	13,317	13,866	14,882	2.1	5.1	4.1	7.3
Finance/Insurance/real estate	4,748	5,018	5,088	5,221	5,429	5.7	1.4	2.6	4.0
Services	16,207	15,990(3)	15,905	16,244	16,614	(1.3)	(.5)	2.1	2.3
Government (civilian)	21,159	21,541	21,874	22,234	22,593	1.8	1.5	1.6	1.6
Federal	10,059	9,848	9,903	9,978	10,052	(2.1)	.6	.8	.7
State	11,101(4)	4,552	4,831	4,913	4,995	N.A.	6.1	1.7	1.7
Local		7,141	7,141	7,344	7,546	N.A.	-	2.8	2.0
Miscellaneous	300	-	517	495	459	N.A.	N.A.	(4.3)	(7.3)

N.A. - Not available.

Source: (1) State of Alaska, Department of Labor, Research and Analysis Section.
 (2) Annual Planning Information Alaska Department of Labor.
 (3) Includes miscellaneous.
 (4) Includes local.

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Transportation

Anchorage, occupying a strategic location within the State, is served by a comprehensive transportation system. Anchorage is the midpoint control center for the Federally-owned and operated Alaska Railroad, which operates between the seaports of Seward and Whittier and the City of Fairbanks. Anchorage is at the center of a network of paved highways which gives the city direct highway connections to the important oil production and industrial centers of the Kenai Peninsula. In addition, Anchorage has direct highway connections to all points in the interior portion of the State, and to the Alaska Highway which provides a road connection through Canada to the lower 48 states.

Scheduled and nonscheduled airlines operating out of Anchorage International Airport provide direct flight service to all parts of the State, to the other states and to cities in Europe and Asia.

Utilities

Utility consumption in Anchorage has increased rapidly in recent years due to the influx of population. The year end number of city utility customers is shown on the following schedule.

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Year end Number of Residential Utility Customers

<u>Year</u>	<u>Telephone</u> ⁽¹⁾	<u>Water</u>	<u>Gas</u>	<u>Electric</u> ⁽⁵⁾
1975	41,833	15,994	23,895	46,293
1976	46,153	15,222	26,486	49,800
1977	48,074 ⁽³⁾	15,900	28,900	54,260
1978	49,873	16,548	31,700	57,781
1979	49,952	16,749	34,086	55,978
1980 ⁽⁴⁾	52,305	16,896 ⁽²⁾	34,637	56,479

(1) Number of main stations.

(2) Number of customers as of August 1980.

(3) Data for fourth quarter unavailable; presented data is for end of second quarter.

(4) First quarter data only.

(5) Includes both Municipal Light and Power and Chugach Electric.

Source: Municipality of Anchorage Quarterly Economic Indicators.

Between 1975 and 1980, the year end number of city utility customers has increased as follows: telephone, 25.0 percent; water, 5.6 percent; gas 45.0 percent; and electric, 22.0 percent.

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SUPPLY AND DEMAND ANALYSIS

This section outlines historical trends in utilization and service of hospitals within the primary service area of The Alaska Hospital and Medical Center, Inc.

COMPETITIVE HOSPITAL FACILITIES

There are presently five licensed hospitals in the Anchorage area, with a total of 718 acute-care beds, all within the Hospital's primary service area. A map showing the location of these facilities is found on page _____. Only two of these hospitals, The Alaska Hospital and Medical Center, Inc. and Providence Hospital are acute-care hospitals available to the Civilian, non-Alaska native population. The other three hospitals located within the Hospital's primary service area are the U.S. Air Force Hospital, located at the Elmendorf Air Force Base, the U.S. Public Health Service Alaska Native Medical Center, located in Anchorage, and the Alaska Psychiatric Institute, also located in Anchorage.

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The U.S. Air Force Hospital, located at the Elmendorf Air Force Base, has 105 beds. This hospital is the primary inpatient facility for Air Force and Army personnel, their dependents and relatives residing in Alaska. In the absence of a specifically designated Veterans hospital in the state, this hospital also accepts veterans who are qualified for Veterans Administration hospitalization benefits.

The Alaska Native Medical Services, a division of the U.S. Public Health Service, is responsible for the provision of comprehensive health services to the Alaskan natives throughout the state. The U.S. Public Health Service Alaska Native Medical Center, located in Anchorage, has 170 beds. The hospital provides both inpatient and outpatient services to Alaskan Natives in the service area. The Hospital is operated by the U.S. Department of Public Health.

The services of both the aforementioned hospitals are not available to the general population except in the event of disaster or emergency.

The Alaska Psychiatric Institute is a 133 bed psychiatric hospital located in Anchorage. This facility is the only state operated psychiatric hospital in the state.

The following schedule shows the utilization of the Alaska Hospital and Medical Center and Providence Hospital for the years of 1977-1980.

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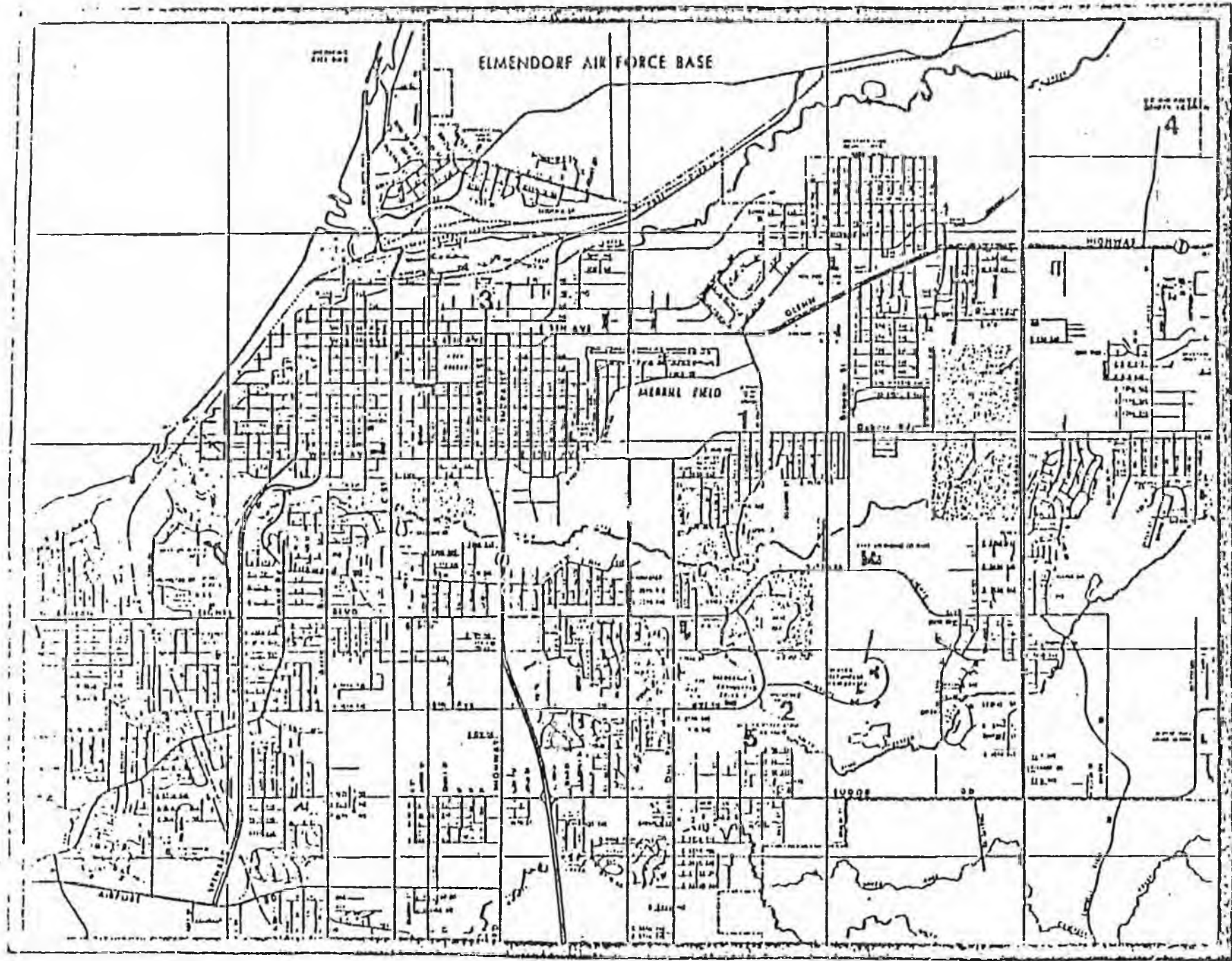
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Anchorage Area
Acute-care Hospitalization Data
Nongovernmental and Nonnative Hospitals

	<u>The Alaska Hospital and Medical Center, Inc.</u>				<u>Providence Hospital</u>			
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>January to June 1980</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>January to June 1980</u>
<u>Family practitioners</u>								
Discharges	809	1,012	1,191	806	1,263	1,482	1,601	753
Discharge days	3,166	3,467	3,474	2,609	4,279	4,911	5,513	2,338
Percent of total days	42.5%	41.4%	38.6%	52.9%	57.5%	58.6%	61.4%	47.1%
Average length of stay	3.91	3.43	2.92	3.24	3.39	3.31	2.90	3.09
<u>Surgery</u>								
Discharges	1,491	1,348	1,214	630	2,876	2,911	2,782	1,383
Discharge Days	6,646	6,442	5,446	2,810	12,627	14,780	16,185	7,264
Percent of total days	34.5%	30.3%	25.2%	27.9%	65.5%	69.7%	74.0%	72.1%
Average length of stay	4.46	4.78	4.49	4.46	4.39	5.08	5.82	5.25
<u>Medicine</u>								
Discharges	1,209	1,057	803	508	2,954	2,706	2,844	1663
Discharge Days	7,397	7,313	7,062	3,621	23,096	23,671	23,547	13,439
Percent of total days	24.3%	23.6%	23.1%	21.2%	75.7%	76.4%	77.0%	78.9%
Average length of stay	6.12	6.92	8.00	7.13	7.82	8.75	8.28	8.08
<u>Pediatrics</u>								
Discharges	1,009	1,125	825	514	1,504	1,623	1,820	910
Discharge Days	3,768	5,035	3,174	2,115	6,701	6,677	7,179	3,914
Percent of total days	36.0%	43.0%	30.7%	35.1%	64.0%	57.0%	69.3%	64.9%
Average length of stay	3.73	4.48	3.85	4.11	4.45	4.11	3.95	4.30
<u>Orthopedics</u>								
Discharges	532	722	738	492	1,577	1,552	1,607	817
Discharge Days	5,060	5,805	5,355	2,814	11,470	11,571	13,628	5,390
Percent of total days	30.6%	33.4%	28.2%	34.2%	69.4%	66.6%	71.8%	65.7%
Average length of stay	9.51	8.04	7.26	5.72	7.27	7.45	8.48	6.60

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Competitive Hospital Facilities



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- | | |
|---|---------------------------------|
| 1. The Alaska Hospital and Medical Center | 4. U.S. Air Force Hospital |
| 2. Providence Hospital | 5. Alaska Psychiatric Institute |
| 3. U. S. Public Health Service Alaska Native Medical Center | |

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Anchorage Area
 Acute-care Hospitalization Data
 Nongovernmental and Nonnative Hospitals

	The Alaska Hospital and Medical Center, Inc.				Providence Hospital			
	1977	1978	1979	1980	1977	1978	1979 January to June	1980
Available patient days	56,210	56,210	56,210	56,364	91,250 ⁽¹⁾	91,250 ⁽¹⁾	91,250 ⁽¹⁾	91,500 ⁽¹⁾
Patient days	31,643	30,087	26,721	29,908	63,645	62,428	68,076	69,752
Percentage of occupancy	56.3%	53.5%	47.5%	53.1%	69.7%	68.4%	74.6%	76.2%
Average length of stay (days)	4.42	4.63	4.85	5.08	5.48	5.53	6.74	5.58

(1) Based upon 250 licensed beds.

Source: The Alaska Hospital and Medical Center, Inc., March 1981.

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RATE OF PATIENT DAYS - HOSPITAL'S SERVICE AREA

Based on an analysis of the actual use rate of patient days per thousand of civilian non-native population for the years ended December 31, 1977 through 1980 for the Hospital's service area, total patient days, excluding the chemical dependency unit, the "CDU", can be projected as set forth in the following schedule:

Hospital's Service Area

Historical and Projected Use Rate

<u>Year</u>	<u>Civilian Non-native Population</u>	<u>Patient Days Excluding CDU</u>	<u>Total Service Area Use Rate Per 1,000 Population</u>
Actual:			
1977	160,898(1)	31,643	592.226
1978	163,704(3)	30,087	565.136
1979	166,559(1)	26,721	569.150
1980	167,629(2)	29,908	594.527
Projected:			
1981	175,728(2)	31,615	594.527
1982	182,752(2)	33,690	594.527
1983	178,045(2)	35,697	594.527
1984	182,410(2)	37,814	594.527
1985	188,152(2)	39,895	594.527
1986	195,123(2)	41,975	594.527

- Sources: (1) Population derived by subtracting the estimated number of Alaskan Natives obtained from, "Alaska Natives for Anchorage", published by the Anchorage Urban Observatory, 1980, and the military and dependent population obtained from the Department of the Air Force, Headquarters Alaska Air Command, July 1980, from the total population projections prepared by the Municipality of Anchorage.
- (2) Anchorage Urban Observatory, "Civilian Non-native Population Projections for the Municipality of Anchorage, 1980-2000", 1980.
- (3) Interpolated.

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RATE OF PATIENT DAYS - HOSPITAL'S SERVICE AREA

The Hospital's actual, estimated and projected share of total patient days, excluding the chemical dependency unit, in the Hospital's service area is as follows:

Percent of Patient Days
Years ending December 31,

<u>Year</u>	<u>Patient days</u> <u>The</u> <u>Alaska Hospital and</u> <u>Medical Center, Inc.</u>	<u>Total</u> <u>patient days</u> <u>Hospital's</u> <u>service area</u>	<u>Percentage</u> <u>of total</u> <u>patient</u> <u>days</u>	<u>Increase</u> <u>in</u> <u>market</u> <u>shares</u>
Actual:				
1977	31,643	95,288	33.2%	
1978	30,087	92,515	32.5	
1979	26,721	94,797	28.2	
1980	29,908	99,660	30.0	
Projected:				
1981	31,615	104,475	30.3	.3%
1982	33,690	108,651	31.0	.7
1983	35,697	105,853	33.7	2.7
1984	37,814	108,448	34.9	1.2
1985	39,895	111,861	35.7	.8
1986	41,975	116,006	36.2	.5

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ACUTE-CARE HOSPITAL BED NEED FORMULA

The following formula is generally used to calculate the acute-care bed need for a community:

$$\frac{\text{Population (in thousands)}}{\text{Average occupancy level}} \times \frac{\text{Patient days per 1,000 population}^{(1)}}{\text{Days in years (365)}}$$

(1) Civilian, non-native population used.

The 1980 Health Plan prepared by the South Central Health Planning and Development, Inc. utilizes an overall occupancy goal of 80 percent, excluding thermal and chemical dependency beds. Using the 1980 patient days per 1000 population of 594.527, there would be a community bed need of 383 beds in 1985. By applying the same formula to the data for 1986 indicates a community bed need of 397. The existing supply of beds, excluding thermal and chemical dependency beds, is 393, an excess of 10 beds in 1985 and a shortage of 4 beds in 1986.

South Central Health Planning and Development, Inc., utilizing varying occupancy goals for different components of the bed compliment, has calculated a bed need in 1985 of 408 to 421 beds, thus projecting a shortage of between 15 to 28 available beds.

COMPARISON OF FACILITIES AND SERVICES

The chart on the following page provides a comparison of the facilities and services of the five hospitals in the Anchorage area.

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Anchorage Area Hospital
Comparison of Facilities and Services

	Alaska Hospital (1) and Medical Center, Inc.	Providence (2) Hospital	Elmendorf (2)	Native (2) Medical Center	Alaska (2) Psychiatric Institute
Postoperative recovery room	X	X	X	X	
Intensive cardiac care unit	X	X			
Intensive care unit	X	X		X	
Open-heart surgery facilities		X			
Pharmacy with full-time registered pharmacist	X	X	X	X	
Pharmacy with part-time registered pharmacist					
X-ray radiation therapy		X			
Megavoltage radiation therapy					
Radioactive therapy		X			
Diagnostic radioisotope facility	X	X			
Therapeutic radioisotope facility					
Histopathology laboratory	X	X	X	X	
Organ bank					
Blood bank	X		X	X	
Electroencephalography	X	X	X		
Respiratory therapy department	X	X	X	X	
Premature nursery		X			
Self-care unit					
Skilled nursing or long-term care unit					
Hemodialysis (inpatient)	X	X			
Hemodialysis (outpatient)		X			
Burn care unit		X			
Physical therapy department	X	X	X	X	
Occupational therapy department			X	X	
Rehabilitation inpatient unit					
Rehabilitation outpatient service					
Psychiatric inpatient unit		X	X		
Psychiatric outpatient services			X	X	
Psychiatric partial hospitalization program		X		X	X
Psychiatric emergency services			X	X	X
Psychiatric foster and/or home care					
Psychiatric consultation and education services			X		
Clinical psychology services			X	X	
Organized outpatient department	X	X	X	X	
Emergency department	X	X	X	X	
Social work department	X	X	X	X	
Family planning service			X	X	
Genetic counseling service					
Abortion service (inpatient)	X				
Abortion service (outpatient)				X	
Home care department					
Dental services			X	X	
Podiatric services					
Speech pathology service					
Hospital auxillary	X	X		X	
Volunteer services department		X	X	X	
Patient representative services		X	X	X	
Alcoholism/chemical dependency inpatient unit	X				
Alcoholism/chemical dependency outpatient unit					
T.B. and other respiratory diseases unit					
Neonatal intensive care unit		X			
Pediatric inpatient unit	X	X	X	X	
CT scanner-full body		X			
CT scanner-head unit	X				

Source: (1)Alaska Hospital and Medical Center, Inc., October 1980.

(2)American Hospital Association "Guide to the Health Care Field", 1980 Edition.

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FUTURE HEALTH CARE FACILITIES

Several hospitals located within the state of Alaska have submitted Certificate of Need applications for capital expenditure projects to South Central Health Planning and Development, Inc.

Under Public Law 92-603 (section 1122 of the Social Security Act as amended) South Central Health Planning and Development, Inc. is the duly appointed Health System Agency (the "HSA"), responsible for review and approval of certain types of health care capital expenditures projects in the Anchorage area.

The following is a summary of Certificate of Need approvals which have been approved by the HSA from June of 1979 through October 1, 1980.

<u>Applicant</u>	<u>Project description</u>	<u>Status</u>
Providence Hospital Anchorage, Alaska	Purchase of a simulator	Completed
Faith Hospital Glennallen Area	Improvements in function arrangements and purchase of some equipment	Pending state approval
South Peninsula Hospital Homer, Alaska	Increase 21 beds	Approved by HSA pending state approval
Seward General Hospital Seward, Alaska	Energy Conservation Grant	Approved by HSA pending state approval
Providence Hospital Anchorage, Alaska	Purchase Linear Accelerator	Completed
Valley Hospital Mat-Su Valley, Alaska	Remodeling - decrease of 8 medical/surgical beds Increase of obstetrical/ gynecological beds by 9	Completed

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<u>Applicant</u>	<u>Project description</u>	<u>Status</u>
Valdez Community Hospital Valdez, Alaska	Replace X-ray unit	Completed
Central Peninsula Hospital Kenai/Soldatha, Alaska	Update existing ancillary department	Completed

The following Letters of Intent to file Certificate of Need Applications have been received by the HSA.

<u>Applicant</u>	<u>Project description</u>	<u>Status</u>
Alaska Kidney Center Anchorage, Alaska	Building of a free standing facility for outpatient renal hemodialysis unit to replace current leased space	Pending determination of location
Alaska Treatment Center Anchorage, Alaska	Building of an inpatient rehabilitation unit for 30 beds	Pending determination of location
Norton Sound Regional Hospital Nome, Alaska	Additional wing	Pending letter of full intent with more complete project description
Lake Otis Clinic Anchorage, Alaska	Build a new acute-care hospital	Pending registration of a letter of full intent
Providence Hospital Anchorage, Alaska	Replacement of Radiographic Unit	Application preparation in progress
Providence Hospital Anchorage, Alaska	132 bed expansion	Dormant
The Alaska Hospital and Medical Center, Inc. Anchorage, Alaska	Addition of 21 beds for chemical dependency treatment	Pending submission of application

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PROJECTION OF UTILIZATION

RESULTS OF MEDICAL STAFF SURVEY

In October 1980, 222 questionnaires were mailed to the members of the Hospitals' medical Staff. The responses to the questionnaire were analyzed to measure attitudes toward the Hospital and to gauge future utilization. There was a response by 117 physicians, who accounted for 58.7 percent of the admissions to the Hospital during the year ended June 30, 1980.

The clinical specialties represented by the physicians who responded to the questionnaire are listed on the following page.

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Results of Medical Staff Survey

<u>Clinical specialty</u>	<u>Medical Staff</u>	<u>Responses</u>	<u>Percentage of responses of specialty</u>
Anesthesiology	10	3	30.0%
Dentistry	23	8	34.8
Dermatology	2	1	50.0
Emergency room	6	3	50.0
Family practice	37	18	48.6
Internal medicine	29	19	65.5
Cardiology	2	1	50.0
Obstetrics/gynecology	16	7	43.8
Nephrology	1	1	100.0
Neurology	1	1	100.0
Ophthalmology	9	5	55.6
Otolaryngology	8	7	87.5
Pathology	4	1	25.0
Pediatrics	12	8	66.7
Physical medicine and rehabilitation	3	1	33.3
Psychiatry	10	6	60.0
Radiology	9	3	33.3
Radiology-oncology	1	0	0.0
Surgery:			
General	15	13	86.7
Neurosurgery	2	1	50.0
Orthopedic	19	9	47.4
Plastic	1	1	100.0
Urology	2	0	0.0
	<u>222</u>	<u>117</u>	<u>52.7%</u>

Of the 117 responding physicians, 86 were board certified. The average age of the responding physicians as of November 1, 1980 was 41.5 years. The age groups of the responding physicians were:

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<u>Age groups</u>	<u>Number of respondents</u>
26-30	3
31-35	29
36-40	26
41-45	21
46-50	17
51-55	5
56-60	11
61-65	1
Over 65	0
Unknown	<u>4</u>
	†17

The returned questionnaires indicated that the responding physicians were associated with the following types of practice:

<u>Types of practice</u>	<u>Number</u>	<u>Percentage</u>
Solo	53	45.3%
Group	35	29.9
Hospital-based	9	7.7
Partnership	18	15.4
Other	<u>2</u>	<u>1.7</u>
	†17	†100.0%

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The number of physicians who responded considering the Hospital their primary facility was as follows:

<u>Primary facility</u>	<u>Number</u>	<u>Percentage</u>
The Alaska Hospital and Medical Center, Inc.	46	39.3%
Providence Hospital	59	50.4
No one primary facility	10	8.5
Patient choice	1	.9
No response	1	.9
	<u>117</u>	<u>100.0%</u>

Thirty-four of the 117 or 29.1 percent of the physicians responding to the questionnaire indicated that, of the total number of hospital admissions for their practice, 80 percent or more are made to the Hospital. The following table shows the percentage of admissions made to the Hospital by physicians responding to the questionnaire:

<u>Percentage of admissions to The Alaska Hospital and Medical Center, Inc.</u>	<u>Number of respondents</u>	<u>Percentage of respondents</u>	<u>Cumulative percent of respondent</u>
Less than 10%	33	28.2%	28.2%
10-19	14	12.0	40.2
20-29	5	4.3	44.5
30-39	4	3.4	47.9
40-49	1	.9	48.8
50-59	11	9.4	58.2
60-69	4	3.4	61.6
70-79	4	3.4	65.0
80-89	4	3.4	68.4
90-99	12	10.2	78.6
100	18	15.4	94.0
Not applicable	3	2.6	96.6
No response	4	3.4	100.0
	<u>117</u>	<u>100.0%</u>	

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The frequency with which the responding physicians admit patients elsewhere, and the reasons for their admissions, are indicated below:

Ninety-one or 77.7 percent of those physicians who responded to the questionnaire utilize alternative admitting privileges, primarily to Providence Hospital, in addition to their admissions to the Hospital. Some of the reasons expressed by the physicians for admitting to other facilities are the following: better services at other facilities, such as laboratory, nursing, physical therapy and cardiac monitoring services; the preference of the associate, consulting or referring physician, patient preference; preference of physicians to have their patients located at one facility; and the sociopolitical problems present at the Hospital.

Sixty-four of the responding physicians indicated that the remainder of their admissions are made to the Providence Hospital, while six physicians listed Providence Hospital along with other facilities, such as Surgery Center and Valley Hospital. The other 23 physicians admitting to facilities other than the Hospital, either indicated a variety of facilities or did not list facilities where they admit their patients.

One hundred and one of the 117 physicians responding to the questionnaire indicated the status of their medical staff affiliation at other facilities as follows: 49 on active staff; 11 on associate staffs; ten on courtesy staffs; and three on consulting staff status elsewhere. Multiple medical staff status physicians with appointments at more than one other facility was reported by twenty-six physicians as follows: one maintained active and associate staff status at other facilities; three were on both active and courtesy staffs elsewhere; eleven were on active and consulting staff elsewhere; and thirteen did not indicate their medical staff status at other facilities.

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Physician's Reasons for Patient Admissions to Other Facilities

	<u>Frequently</u>		<u>Occasionally</u>		<u>Never</u>		<u>No response</u>	<u>Not applicable</u>	<u>Total</u>
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>			
Physicians' preference	46	39.3%	29	24.8%	22	18.8%	12	8	117
Patients' preference	54	46.2	35	30.1	8	6.8	12	8	117
Arrangement with referring physician	28	23.9	42	35.9	21	17.9	17	9	117
No beds available at The Alaska Hospital and Medical Center, Inc.	0	0.0	9	7.7	75	64.1	25	8	117
Lack of service at The Alaska Hospital and Medical Center, Inc.	4	3.4	27	23.1	53	45.3	25	8	117
Proximity to physicians' office	20	17.1	10	8.5	58	49.6	21	8	117
Other	12	10.3%	3	2.6%	15	12.8%	82	5	117

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The survey indicated that 66 physicians or 56.3 percent of the responding physicians expected their practice admissions to increase during the next five years, while 41 physicians or 35.0 percent of the responding physicians expected their practice admissions to remain constant during the next five years. The responses of the physicians are indicated below:

<u>Percentage change in admissions over the next five years</u>	<u>Number of respondents</u>	<u>Percentage of respondents</u>
Increase:		
0-5%	14	11.9%
5-10	22	18.8
10-20	19	16.2
Over 20	<u>11</u>	<u>9.4</u>
	<u>66</u>	<u>56.3</u>
Decrease:		
0-5%	0	0.0
5-10	2	1.7
10-20	1	.9
Over 20	<u>3</u>	<u>2.6</u>
	<u>6</u>	<u>5.2</u>
Remain constant	<u>41</u>	<u>35.0</u>
Not applicable	<u>1</u>	<u>.9</u>
No response	<u>3</u>	<u>2.6</u>
	<u>117</u>	<u>100.0%</u>

The physicians were asked whether, in their opinion, utilization of various ancillary services at the Hospital would increase, decrease or remain constant. Their responses are indicated in the following table.

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Summary of Physicians' Opinions Regarding Ancillary Utilization

<u>Services</u>	<u>Increase</u>		<u>Decrease</u>		<u>Remain constant</u>		<u>Not applicable</u>		<u>No response</u>	<u>Total</u>
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>		
EKG	<u>25</u>	<u>21.4%</u>	<u>3</u>	<u>2.6%</u>	<u>50</u>	<u>42.7%</u>	<u>18</u>	<u>15.4%</u>	<u>20</u>	<u>117</u>
EEG	<u>21</u>	<u>17.9</u>	<u>3</u>	<u>2.6</u>	<u>43</u>	<u>36.8</u>	<u>29</u>	<u>24.8</u>	<u>21</u>	<u>117</u>
Nuclear medicine (diagnostic)	<u>32</u>	<u>25.4</u>	<u>3</u>	<u>2.6</u>	<u>36</u>	<u>30.8</u>	<u>25</u>	<u>21.4</u>	<u>21</u>	<u>117</u>
Nuclear medicine (therapeutic) ⁽¹⁾	<u>19</u>	<u>16.2</u>	<u>4</u>	<u>3.4</u>	<u>38</u>	<u>32.5</u>	<u>33</u>	<u>28.2</u>	<u>23</u>	<u>117</u>
Laboratory (clinical)	<u>40</u>	<u>34.2</u>	<u>4</u>	<u>3.4</u>	<u>43</u>	<u>36.8</u>	<u>14</u>	<u>12.0</u>	<u>16</u>	<u>117</u>
Laboratory (anatomic pathology)	<u>20</u>	<u>23.9</u>	<u>4</u>	<u>3.4</u>	<u>48</u>	<u>41.0</u>	<u>18</u>	<u>15.4</u>	<u>19</u>	<u>117</u>
Pharmacy	<u>30</u>	<u>25.6</u>	<u>3</u>	<u>2.6</u>	<u>48</u>	<u>41.0</u>	<u>15</u>	<u>12.8</u>	<u>21</u>	<u>117</u>
Surgery	<u>44</u>	<u>37.6</u>	<u>4</u>	<u>3.4</u>	<u>35</u>	<u>29.9</u>	<u>16</u>	<u>13.7</u>	<u>18</u>	<u>117</u>
Inhalation therapy	<u>26</u>	<u>22.2</u>	<u>4</u>	<u>3.4</u>	<u>44</u>	<u>37.6</u>	<u>23</u>	<u>19.7</u>	<u>20</u>	<u>117</u>
Physical therapy	<u>21</u>	<u>17.9</u>	<u>4</u>	<u>3.4</u>	<u>46</u>	<u>39.3</u>	<u>23</u>	<u>19.7</u>	<u>23</u>	<u>117</u>
Pulmonary function	<u>10</u>	<u>15.4</u>	<u>3</u>	<u>2.6</u>	<u>40</u>	<u>34.2</u>	<u>31</u>	<u>26.5</u>	<u>25</u>	<u>117</u>
Hemodialysis	<u>8</u>	<u>6.8</u>	<u>3</u>	<u>2.6</u>	<u>29</u>	<u>24.8</u>	<u>40</u>	<u>41.0</u>	<u>29</u>	<u>117</u>
CT scanner (head only)	<u>27</u>	<u>23.1</u>	<u>3</u>	<u>2.6</u>	<u>43</u>	<u>36.8</u>	<u>25</u>	<u>21.4</u>	<u>19</u>	<u>117</u>
CT scanner (full body) ⁽¹⁾	<u>24</u>	<u>20.5%</u>	<u>3</u>	<u>2.6%</u>	<u>32</u>	<u>27.4%</u>	<u>32</u>	<u>27.4%</u>	<u>26</u>	<u>117</u>

(1) These services are not available at The Alaska Hospital and Medical Center, Inc.

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Forty-two of the Hospitals' medical staff members responding to the questionnaire indicated they anticipate adding physicians to their practice within the next one to two years.

Of the 117 physicians responding to the questionnaire, three physicians expect to retire within the next five years, three were uncertain as to their retirement plans over the next five years, and eight physicians did not respond to this question. One hundred and three physicians responded that they did not expect to retire within the next five years. Within the same time period, 92 physicians responding to the questionnaire anticipate remaining in the immediate area of their present practice, while two physicians expect to move away from the area and two were uncertain as to their future location plans. Twenty-one physicians did not respond to this question.

The majority of physicians responding to the questionnaire, or 88 members of the Hospitals' medical staff, expressed the opinion that their patients' average length of stay would remain constant. Seven physicians believed the average length of stay would decrease due to such trends as increased ambulatory care, and improvements in surgical and nursing services. Three physicians felt the average length of stay would increase, while nineteen physicians did not respond to this question.

Sixteen of the physicians responding to the questionnaire indicated that they would be interested in leasing office space in the Professional Office Building if the Hospital were to acquire and manage it. Thirteen of these physicians indicated the square footage they would desire for their office space as shown in the following table:

<u>Square feet of office space</u>	<u>Number of respondents</u>
Less than 500 square feet	2
501 to 750	2
751 to 1,000	1
1,001 to 1,500	3
1,501 to 2,500	1
Over 2,500	2
	<u>13</u>

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Seven physicians responding to the questionnaire indicated that they are currently using office space in the Professional Office Building.

In response to the question regarding what future events could potentially effect utilization of the Hospital, physicians listed the following points: a shortage of bed supply at Providence Hospital; the potential of the building of a Lake Otis Clinic Hospital; government support and a change back to a community hospital; sale of the Hospital to the Native Health Service; gas pipeline construction; and an increase in the population and/or the number of physicians.

In addition to the survey in October 1980, twenty-six members of the Hospitals' medical staff representing physicians who utilize the Hospital most frequently, and who accounted for 30.5 percent of the admissions to the Hospital for the year ended June 30, 1980, were interviewed in October and November of 1980 to further determine the Hospitals' medical staff's attitudes regarding the Hospital. A general summary of the key points brought out in these interviews is listed below:

- . The majority of those interviewed felt that the Hospital's facility was excellent or good.
- . The majority of those interviewed felt that the Hospital's services were excellent or good. Opportunity for improvement in the responsiveness of certain of the Hospital's ancillary services were noted by several physicians.
- . All of those interviewed indicated that they expected their admissions to the Hospital in the future to remain constant or increase. Reasons expressed for projected increases in admissions include anticipated growth in the physicians practice, increase in the general population, the potential impact of the gas-pipeline, and expectation of increased demand for obstetrical and pediatric services.
- . A number of those interviewed stressed their opinion of the communities need to offer two hospital facilities. Suggestions were made that the hospital embark upon an aggressive community relations program which stresses the community hospital image of the facility.

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INPATIENT ACTIVITY

Based upon the preceding information, the Hospital inpatient admissions, average daily census and ancillary utilization were projected. The average daily census represents the number of patients hospitalized on any given day during the year. To evaluate the inpatient admissions, average daily census, and ancillary utilization of the Hospital, the trend in admissions, the Medical Staff interview responses and the projected population trends were analyzed. To evaluate the projected average length of stay for inpatients, factors taken into consideration included the medical services offered by the Hospital, the historical average length of stay and the specialties of the physicians on the Hospital's Medical Staff.

The following factors were analyzed as to their potential effect upon the utilization of the Hospital:

- . The continued improvement of the Hospital's public image as a community Hospital;
- . The expansion of the chemical dependency unit;
- . The majority of the physicians surveyed indicated that their utilization of the Hospital would remain constant, or increase;
- . The population of Anchorage is projected to increase from 205,200 in 1980 to 238,900 in 1986; and
- . The relatively high occupancy levels periodically occurring at Providence Hospital.

The table on the following page summarizes the actual inpatient levels for the years ended December 31, 1977 through 1980 and projected activity levels for the years ending December 31, 1981 through 1986. These activity levels serve as the basis for the financial projections. The factors influencing both actual and projected inpatient utilization were discussed with the Hospital's administration and Medical Staff for reasonableness.

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The Alaska Hospital and Medical Center, Inc.

Actual and Projected Admissions, Patient Days,
Average Daily Census, Percentage of Occupancy
and Average Length of Stay

	Years ended or ending December 31,								
	1978	Actual 1979	1980	1981	1982	Projected			
						1983	1984	1985	1986
Admissions	6,482	5,729	6,690	7,156	7,696	8,188	8,648	9,101	9,553
Inpatient days	30,007	28,513	35,597	39,609	44,292	47,917	50,034	52,115	54,195
Beds available	175	175	175	178.50	184.67	190	190	190	190
Average daily census	82.4	78.1	97.5	100.7	121.4	131.5	137.1	142.8	148.5
Percent of occupancy	47.1%	44.6%	55.7%	60.9%	65.7%	69.1%	72.2%	75.2%	78.2%
Average length of stay	4.64	4.98	5.32	5.55*	5.76*	5.85*	5.79	5.73	5.67
Births	955	1,003	1,237	1,477	1,560	1,545	1,608	1,604	1,772
Newborn patient days	3,024	2,423	3,870	3,839	4,057	4,017	4,180	4,378	4,608
Bassinets available	27	27	27	27	27	27	27	27	27
Average daily census - newborn	8.3	6.6	10.6	10.8	11.1	11.0	11.5	12.0	12.6
Average length of stay - newborn	3.01	2.87	3.13	2.60	2.60	2.60	2.60	2.60	2.60

*Increase is due solely to expansion of chemical dependency unit, where average length of stay is projected at 20.5 days.

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ANCILLARY UTILIZATION

The major components of ancillary activity are surgery, laboratory, emergency room, radiology and pharmacy. The preparation of the projections of activity levels for these and other ancillary services included the following procedures:

- . An evaluation of the statistics relating to inpatient and outpatient activity levels for the years ended December 31, 1978 through 1980.
- . The trends in ancillary activity levels were discussed with the Hospital's Medical Staff and administration.
- . An evaluation of emergency and outpatient activity in the Hospital's service areas.
- . Inpatient utilization of ancillary services was projected based on the historic relationship between admissions, patient days and the ancillary activity.
- . Inpatient utilization of ancillary services for the years ending December 31, 1981 through 1986 was calculated by multiplying the projected ancillary use ratios by the appropriate inpatient admissions or patient day statistic.
- . Outpatient activity for the ancillary departments was projected based upon the historical relationship between outpatient visits and the ancillary activity.
- . Projected inpatient and outpatient activity levels were combined to form the basis for the revenue and expense projections.

The schedule on the following page summarizes the combined inpatient and outpatient ancillary utilization projections for the Hospital.

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Alaska Hospital and Medical Center
Projected Ancillary Utilization

Department	Statistical base	Years ended or ending December 31,								
		Actual		Projected						
		1970	1979	1980	1981	1982	1983	1984	1985	1986
Physical therapy	Revenue count	31,237	29,973	28,106	31,789	33,160	34,472	35,844	37,207	38,576
Nuclear medicine	Procedures	681	905	1,166	1,259	1,334	1,404	1,480	1,553	1,631
Radiology	Examinations	28,936	23,967	25,904	28,325	29,395	30,412	31,473	32,532	33,597
Electrocardiology Electroencephalography Rhythm strip	Procedures	3,073	2,528	2,073	3,260	3,660	3,670	4,160	4,340	4,530
Laboratory	Tests	211,831	153,636	146,641	156,500	164,000	169,000	177,900	184,600	191,300
CT scan	Procedures	863	936	879	918	973	1,024	1,080	1,133	1,190
Ultrasound	Procedures	1,472	544	406	433	459	483	509	535	561
Emergency room	Visits	17,527	13,159	13,313	13,764	14,065	14,373	14,687	15,009	15,337
Operating room	Operations	4,096	4,151	4,831	5,026	5,315	5,594	5,888	6,178	6,467
Health appraisal center*	Visits	2,434	2,101	1,871	575	-	-	-	-	-

*To be closed March 28, 1981

Source: The Alaska Hospital and Medical Center, Inc., March 1981.

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MAJOR ASSUMPTIONS

The projections of revenues and expenses presented in Exhibit 1 of this study are based on the following major assumptions, as well as the more detailed bases of projections presented later in this section. The unrestricted funds to which the following assumptions pertain include the operating fund and the depreciation reserve fund, as defined in the Hospital Audit Guide, prepared by the Committee on Health Care Institutions of the American Institute of Certified Public Accountants.

THE PROJECT

The Series 1981 Bonds are being issued to provide funds for the purposes of retiring certain existing debt of the Hospital, purchasing the adjoining office building, providing funds for capital projects, providing funds for working capital and to pay the costs of issuing the Series 1981 Bonds. For the purpose of the enclosed financial projection it was assumed that the chemical dependency unit would be expanded to 28 beds as of July 1, 1981, and to 36 beds as of September 1, 1982.

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FINANCIAL FEASIBILITY

For the purposes of preparing the financial projections, the following summary of the source and disbursement of funds was utilized:

The Alaska Hospital and Medical Center, Inc.
Series 1981 Bonds
Projected Source and Disbursement of Funds

Source of funds:

First Mortgage Hospital Bonds, Series 1981	
Principal	\$55,400,000
Less underwriters' discount	<u>1,108,000</u>
Total source of funds	<u>\$54,292,000</u>

Disbursements of funds:

Refinancing existing debt	\$36,747,000
Purchase of office building	14,236,000
Capital projects	1,500,000
Working capital	1,500,000
Cost of issuance	<u>309,000</u>
Total disbursements of funds	<u>\$54,292,000</u>

DESCRIPTION OF THE BONDS AND NOTE

The Series 1981 Bonds are assumed to be dated July 1, 1981 with interest payable on January 1, 1982 and each July 1 and January 1 thereafter. The Series 1981 Bonds are assumed to bear interest at 10.00 percent per annum and to mature in the principal amounts per annum as set forth in the schedule on the following page.

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The Alaska Hospital and Medical Center
Debt Service Schedule
Series 1981 Bonds

<u>Year ending July 1,</u>	<u>Principal maturities</u>	<u>Interest</u>	<u>Total debt service</u>
1982	\$ 340,000	\$ 5,540,000	\$ 5,880,000
1983	370,000	5,506,000	5,876,000
1984	410,000	5,469,000	5,879,000
1985	450,000	5,428,000	5,878,000
1986	495,000	5,383,000	5,878,000
1987	545,000	5,333,500	5,878,500
1988	595,000	5,279,000	5,874,000
1989	655,000	5,219,500	5,874,500
1990	720,000	5,154,000	5,874,000
1991	795,000	5,082,000	5,877,000
1992	875,000	5,002,500	5,877,500
1993	960,000	4,915,000	5,875,000
1994	1,055,000	4,819,000	5,874,000
1995	1,165,000	4,713,500	5,878,500
1996	1,280,000	4,597,000	5,877,000
1997	1,405,000	4,469,000	5,874,000
1998	1,545,000	4,328,500	5,873,500
1999	1,700,000	4,174,000	5,874,000
2000	1,870,000	4,004,000	5,874,000
2001	2,060,000	3,817,000	5,877,000
2002	2,265,000	3,611,000	5,876,000
2003	2,495,000	3,384,500	5,879,500
2004	2,740,000	3,135,000	5,875,000
2005	3,015,000	2,861,000	5,876,000
2006	3,315,000	2,559,500	5,874,500
2007	3,650,000	2,228,000	5,878,000
2008	4,015,000	1,863,000	5,878,000
2009	4,415,000	1,461,500	5,876,500
2010	4,855,000	1,020,000	5,875,000
2011	5,345,000	534,500	5,879,500
	<u>\$55,400,000</u>	<u>\$120,891,500</u>	<u>\$176,291,500</u>

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FINANCIAL SUMMARY

Debt service coverage is calculated by dividing annual debt service requirements into projected income available for debt service. Projected debt service coverage for the Hospital is presented on the following schedule.

Projected Financial Summary
For Interest and Principal Payments on
Series 1981 Bonds
 (Thousands)

Excess of revenues (expenses)	(\$4,482)	(\$4,107)	(\$3,186)	(\$1,744)	\$ 409	\$2,182
Add:						
Interest	4,759	5,704	5,655	5,608	5,558	5,502
Depreciation	2,065	2,421	2,362	2,310	2,105	2,128
Amortization	<u>51</u>	<u>86</u>	<u>85</u>	<u>84</u>	<u>84</u>	<u>83</u>
Funds provided from operations	2,393	4,104	4,916	6,258	8,156	9,895
Working capital funded in Series 1981 Bonds	1,500					
Income from the State of Alaska Statute number AS29.90.010	(1) <u>-0-</u>	<u>4,772</u>	<u>4,772</u>	<u>2,595</u>		
Funds available for debt service	3,893	8,876	9,688	8,853	8,156	9,895
Debt service on other debt	<u>467</u>	<u>361</u>	<u>301</u>	<u>230</u>	<u>278</u>	<u>276</u>
Funds available for debt service on Series 1981 Bonds	<u>\$3,426</u>	<u>\$8,515</u>	<u>\$9,387</u>	<u>\$8,623</u>	<u>\$7,878</u>	<u>\$9,619</u>
Debt service on Series 1981 Bonds	<u>\$2,770</u>	<u>\$5,863</u>	<u>\$5,858</u>	<u>\$5,859</u>	<u>\$5,856</u>	<u>\$5,854</u>
Debt service coverage on Series 1981 Bonds	<u>1.24x</u>	<u>1.45x</u>	<u>1.60x</u>	<u>1.47x</u>	<u>1.35x</u>	<u>1.64x</u>

(1)

Utilized to pay a portion of interest in arrears on debt to be refinanced. Interest in arrears is also excluded from debt service.

Note: The comments and assumptions contained in this study are an integral part of this projected schedule.

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FINANCIAL FEASIBILITY

PENDING LEGISLATION

A number of new laws which could affect health care facilities have in the past been proposed by the incumbent Administration and members of Congress, including establishing various hospital cost containment programs, imposing limitations on payments to hospitals under Medicare and Medicaid programs and national health insurance.

On June 17, 1980 a policy proposal published in the Federal Register proposed that no future federal grants, loans, loan subsidies, loan guarantees or tax-exempt bond financing be provided for the construction or renovation of hospitals in overbedded areas (defined as areas with more than four short-stay nonfederal hospital beds per 1,000 population or with an average annual daily occupancy rate of 80 percent or less), unless approved by the Department of Health and Human Services or by a state health planning agency.

On November 15, 1979 members of the House of Representatives voted for an amendment that deleted the mandatory portion from H.R. 2626, the "Hospital Cost Containment Act of 1979", and passed the Gephardt substitute (H.R. 3635) which authorized the following: A National Commission on Hospital Cost to monitor the Voluntary Effort; grants to states to help plan, establish and operate state voluntary or mandatory cost containment programs; establishment of the Voluntary Effort goal as a reduction in the rate of increase in total hospital expenses for 1979 and for each subsequent calendar year to four percentage points less than the rate for 1977; encouragement of philanthropic support by stipulating such income would not be deducted from operating costs of nonprofit hospitals; a requirement for common audit of Medicare and Medicaid; and long-term care services through the use of swing beds.

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No determination can be made at this time whether any of the proposed bills will be enacted into law, or what effect, if any, accompanying limitations would have on the operations of hospitals.

BASES FOR PROJECTION OF REVENUES AND EXPENSES - UNRESTRICTED FUNDS

The general procedure followed in the preparation of these projections was to evaluate actual historical trends in revenues, expenses and cost reimbursement relationships.

Specific bases for revenues and expenses are discussed in the following paragraphs, in the order of the projected statement of revenues and expenses, Exhibit 1.

NURSING, DIETARY AND ROUTINE CARE SERVICES

The charges for nursing, dietary and routine care are included in the daily room rates. Revenue from routine services is projected by multiplying the average daily room charge by the number of patient days for each of the projected years. Room charges for 1981 were projected based on the actual room rates of the Hospital increased by an average of 12.0 percent per annum on October 1 for each year 1981 through 1986.

The following is a schedule of nursing, dietary and routine care services rates:

Nursing, Dietary and Routine
Care Services Rates

	Years ending June 30,					
	1981	1982	1983	1984	1985	1986
Medical, surgical	\$230	\$258	\$289	\$324	\$362	\$406
ICU/CCU	523	585	656	734	822	921
Chemical dependency	180	202	226	253	284	318
Nursery (1)	153	171	192	215	241	269

(1) Includes Nursery Intensive Care.

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ANCILLARY SERVICES REVENUE

The major components of ancillary revenues are radiology, laboratory, pharmacy, surgery, inhalation therapy, physical therapy and emergency services. Rates for 1981 were projected based on the actual rates of the Hospital increased by an average of 12.0 percent per annum for 1981 through 1986.

CONTRACTUAL ALLOWANCES, FREE SERVICES
AND OTHER ALLOWANCES

Deductions from revenue include contractual allowances, free services and other allowances, which result from a hospital's participation in various cost reimbursement programs, medical services provided at reduced or no charge and estimates of uncollectible balances in accounts receivable.

The primary component of these deductions from revenue is the contractual allowance resulting from the Hospital's expected participation in various cost reimbursement programs with third-party payors, including Medicare and Medicaid. This contractual allowance represents the difference between full charges for services to covered beneficiaries and the actual reimbursement received from the third parties. In estimating the contractual allowances, the following third-party revenue relationships were utilized:

Revenue by Source of Payment

	<u>Estimated Actual - 1980</u>	<u>Projected basis</u>
Blue Cross	15.2%	15.2%
Medicare	6.7	6.7
Medicaid	10.2	10.2
Commercial insurance and private pay	<u>67.9</u>	<u>67.9</u>
	<u>100.0%</u>	<u>100.0%</u>

No changes in the foregoing percentages have been anticipated through the projection period, although new legislation or Federal programs could alter the percentages.

Medicare, Medicaid and Blue Cross all provide benefits, which include nursing care, room and board, drugs, diagnostic and therapeutic services, and other services necessary to provide health care to the patients. Medicare basically covers patients over 65 years of age and certain other patients, including individuals who require renal dialysis and certain disabled individuals. Medicaid covers indigent patients, and Blue Cross covers patients who are insured by one of the various Blue Cross plans.

Formulas vary for each of the third-party reimbursement programs. The basic assumption regarding Medicare and Medicaid is that the Hospital will be reimbursed based on patient care cost or charges, whichever is less.

Under the provisions of Section 203 of P.L. 92-603, limitations affecting certain aspects of third-party reimbursement for health care facilities providing services to Medicare patients have been established for routine care cost reimbursement. It is anticipated that during the projection period routine costs will exceed the limitation, as adjusted for inflation.

For financial projection purposes, it was assumed that all costs of operation will be allowable for reimbursement for Medicare and Medicaid. Blue Cross pays established charges.

Free service, discounts and bad debts were estimated at 3.8 percent of gross patient revenues, based on the current experience at the Hospital.

Commercial insurance and private payments, which are projected to comprise 67.9 percent of gross patient service revenue, are usually reimbursed on the basis of reasonable charges rather than cost as in the cost reimbursement programs, such as Medicare and Medicaid.

NET PATIENT SERVICE REVENUE

Net patient service revenue represents gross patient revenue reduced by the contractual allowances, free services and other allowances.

OTHER OPERATING REVENUE

The net income derived from the cafeteria, medical records, telephone, sundries, and other nonpatient income sources, is included in the statement of revenues and expenses (Exhibit 1) as other operating revenues. Projections of these other operating revenues are based upon the actual historical experience at the Hospital and are inflated at an annual rate of 10.0 percent.

OPERATING REVENUE, NET

Total operating revenue, net, is gross operating revenue reduced by contractual allowances, free services and other allowances.

OPERATING EXPENSES

Operating expenses were projected based on historical trends increased at the various inflation rates for the various components of expenses, as discussed below and on the following pages.

Salaries and wages. Salaries and wages are estimated by reference to the actual historical experience. Staffing in the patient care and ancillary areas, where increased utilization is projected, was increased accordingly. Salary levels for 1981 were

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increased at the following percentages based upon presently negotiated union contracts, and 12 percent after their expiration:

1981	12.75%
1982	8.55
1983	15.58
1984	12.00
1985	12.00
1986	12.00

The average annual percentage increase based upon the above is 12.1 percent.

Projected staffing ratios and wages for the Hospital are stated below:

Staffing Ratios and Wages

	Years ending December 31,					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
		(projected)				
Full-time equivalent employees	469.8	479.3	486.5	492.9	498.1	503.4
Salaries and wages (thousands)	\$11,920	\$13,223	\$15,522	\$17,604	\$19,916	\$22,538
Average annual full-time wages per full-time equivalent employees	\$25,373	\$27,588	\$31,905	\$35,715	\$39,984	\$44,772
Full-time equivalent employees per occupied bed	4.3	3.9	3.7	3.6	3.5	3.4

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Employee Benefits. Employee benefits are projected annually at the following percentages of the total salaries and wages, based on the current experience and a provision for projected increases in benefits for payroll tax increases and estimated insurance increases:

Years ending
December 31,

1981	25.00%
1982	26.00
1983	27.00
1984	28.00
1985	29.00
1986	30.00

Specialists' Fees. Specialists' fees, consisting of contractual arrangements with certain members of the Medical Staff, are computed according to the terms of the respective contracts, with the fees increased at 12.0 percent per annum for those contracts with a certain fee. For those contracts based on a fixed fee per unit of service, the specialists' fee was determined in accordance with the terms of the individual contracts. Included are contracts covering physicians' services for anesthesiology, pathology, electrocardiography, radiology, respiratory therapy and emergency room services.

Food. Food costs are projected by increasing the current average food cost per adult patient day by 15.0 percent per annum.

Utilities. Utility costs are projected based upon the 1980 actual costs per square foot of the Hospital. Utility costs were increased at 15 percent per annum.

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The projected increases in costs of utilities are based upon discussions with local utility companies.

Drugs and Pharmaceuticals. The cost of drugs and other pharmaceutical products is based upon the historical average cost per unit inflated at 12.0 percent annually.

Insurance. Insurance expense is projected to increase at 12.0 percent per annum during the projection period.

Supplies and Other Expense. The cost of supplies and other expense is projected for each department based upon historical usage rates and projected activity levels. It is assumed that inflationary increases in these expenses would average 12.0 percent per annum.

Hospital Portion of Professional Office Building. The Hospital portion of the Professional Office Building is based upon an allocation of expenses for the portion of the Professional Office Building utilized for Hospital services and is detailed on page 67. The balance of the expenses related to the Professional Office Building are reflected, net of rental income, as the loss on Professional Office Building.

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Professional Office Building
Projected Statement of Income (Loss)
 (Thousands)

	Years ending December 31,					
	1981	1982	1983	1984	1985	1986
Total square footage	78,300	78,300	78,300	78,300	78,300	78,300
Space utilized by Hospital	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
Available for lease	<u>42,300</u>	<u>42,300</u>	<u>42,300</u>	<u>42,300</u>	<u>42,300</u>	<u>42,300</u>
Percent occupancy of space available for lease	56.6%	56.6%	63.7%	70.8%	77.9%	85.0%
Rental income	\$ <u>251</u>	\$ <u>503</u>	\$ <u>622</u>	\$ <u>761</u>	\$ <u>921</u>	\$ <u>1,105</u>
Expenses:						
Operating expenses	248	559	630	711	799	898
Interest	730	1,456	1,447	1,437	1,425	1,413
Depreciation	258	558	558	558	558	558
Amortization	11	23	22	22	22	22
Allocable to Hospital	(<u>574</u>)	(<u>1,194</u>)	(<u>1,222</u>)	(<u>1,255</u>)	(<u>1,290</u>)	(<u>1,330</u>)
Total expenses	<u>673</u>	<u>1,402</u>	<u>1,435</u>	<u>1,473</u>	<u>1,514</u>	<u>1,561</u>
Loss from space held for lease in Professional Office Building	(\$ <u>422</u>)	(\$ <u>899</u>)	(\$ <u>813</u>)	(\$ <u>712</u>)	(\$ <u>593</u>)	(\$ <u>456</u>)

Note: The comments and assumptions contained in this study are an integral part of this projected statement.

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FINANCIAL FEASIBILITY

EXCESS OF REVENUES OVER EXPENSES BEFORE FIXED CHARGES AND NONOPERATING REVENUE, NET

Excess of revenue over expenses before fixed charges and nonoperating revenue (expenses), net represents net operating revenues reduced by operating expenses.

FIXED CHARGES

Fixed charges include Trustee's fee, interest, depreciation and amortization of financing costs.

Trustee's Fee. Trustee's fee is estimated to be \$5,000 per annum commencing with fiscal year 1981.

Interest Expense. Annual interest expense is estimated based upon the following assumptions:

Series 1981 Bonds	\$55,400,000
Maximum bond maturity	30 years
Interest	10 percent

- . Interest on the Series 1981 Bonds will be paid semi-annually by the Trustee on July 1 and January 1. Principal payments will be paid once a year on July 1 by the Trustee.
- . Interest expense as included in Exhibit 1 is based upon the accrual method of accounting.
- . The Series 1981 Bonds will be dated July 1, 1981 and sold July 1, 1981.

In addition to the Series 1981 Bonds, the Hospital has certain other debts that will not be refinanced. The following schedule details the debt service on this debt.

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Debt Service on Other Debt
(Thousands)

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
1981	\$272	\$195	\$467
1982	180	181	361
1983	133	168	301
1984	71	159	230
1985	125	153	278
1986	132	144	" 276

The following schedule details the allocation of interest expense.

(Thousands)

<u>Years ending December 31,</u>	<u>Other Debt</u>	<u>On Debt to be Refinanced</u>	<u>Series 1981 Bonds</u>	<u>Total</u>	<u>Reflected on Profes- sional Office Building</u>	<u>Shown on Exhibit 1</u>
1981	\$195	\$1,794	\$2,770	\$4,759	\$ 730	\$4,029
1982	181		5,523	5,704	1,456	4,248
1983	168		5,487	5,655	1,447	4,208
1984	159		5,449	5,608	1,437	4,171
1985	153		5,405	5,558	1,425	4,133
1986	144		5,358	5,502	1,413	4,089

FINANCIAL FEASIBILITY

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Depreciation. The following cash outlays for capital expenditures for new equipment and improvements have been estimated by the Hospital's management:

Years ending
December 31,

1981	\$1,500,000
1982	500,000
1983	500,000
1984	500,000
1985	500,000
1986	500,000

Depreciation on these capital expenditures is calculated based upon the straight-line method as provided by the current Medicare regulations and is projected as follows:

Projected Schedule of Depreciation
(Thousands)

	Years ending December 31,					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Hospital</u>						
Existing assets	\$1,654	\$1,668	\$1,567	\$1,474	\$1,228	\$1,209
Capital expenditures	21	63	105	146	187	229
	<u>\$1,675</u>	<u>\$1,731</u>	<u>\$1,672</u>	<u>\$1,620</u>	<u>\$1,415</u>	<u>\$1,438</u>
<u>Professional Office Building</u>						
Acquisition	237	475	475	475	475	475
Capital expenditures	21	83	83	83	83	83
	<u>258</u>	<u>558</u>	<u>558</u>	<u>558</u>	<u>558</u>	<u>558</u>
<u>Property held for Lease</u>						
Existing assets	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>
Total Depreciation	<u>\$2,065</u>	<u>\$2,421</u>	<u>\$2,362</u>	<u>\$2,310</u>	<u>\$2,165</u>	<u>\$2,128</u>

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The asset lives used to estimate depreciation are as follows:

<u>Assets</u>	<u>Life</u>
Buildings	30 years
Major Moveable Equipment	12 years

Amortization. Amortization includes the write-off of the underwriter's discount and costs of issuance of the bond issue. Costs of issuance include legal expenses, accounting and consulting fees and printing costs. The underwriter's discount and cost of issuance for the Series 1981 Bonds are estimated at \$1,417,000 and will be amortized over the remaining life of the bond issue.

NONOPERATING REVENUE (EXPENSE)

Aid to Operations. Aid to operations provided by the State of Alaska is estimated at \$1,000 per bed per year.

Loss on property held for lease. The loss from property held for lease is estimated at \$112,000 per year, based on the historical experience of the Hospital.

Loss on Professional Office Building. The loss on the Professional Office Building is detailed on page 67.

BASES FOR PROJECTION OF CASH FLOW AND PROJECTED BALANCE SHEET

Projected statements of cash flow were prepared for the years ending December 31, 1981 through 1986 and are presented as Exhibit 2 of this study. The projections of cash flow are based upon the revenues and expenses projected in Exhibit 1 and adjusted by noncash items and anticipated proceeds from the Series 1981 Bonds, payment of capital expenditures and other cash receipts and disbursements as discussed elsewhere in this study.

Projected balance sheets as of December 31, 1981 through 1986, are presented as Exhibit 3.

Changes in the balance of assets and liabilities were estimated by projecting the year and balances in those accounts. Projections are based on the following relationships.

Cash projections are based upon the results of the cash flow analysis.

Accounts receivable balances, net of allowances, are estimated at 90 days of net patient service revenue plus half of the amounts due from the State of Alaska under AS29.90.010 in the ensuing year.

Inventories are estimated at 11 percent of operating expenses, excluding salaries and wages, specialists' fees and related expenses.

Prepaid expenses are estimated at 4 percent of operating expenses, excluding salaries and wages, specialists' fees and related expenses.

Property, plant, equipment and accumulated depreciation are projected based upon the historical records for the existing capital assets, acquisition costs, estimated normal retirements and estimated annual depreciation.

Deferred charges represents the financing costs, net of any accumulated amortization expense.

Long-term debt is projected on the basis of the schedule of debt retirement. The current portion of long-term debt represents that amount which will be paid within one year.

Accounts payable balances are projected at 20.9 percent of operating expenses, excluding salaries and wages, specialists' fees and related expenses in 1981 and 16.5 percent thereafter.

Accrued salaries, wages and fees are projected at 8 percent of salaries, wages, fees and related expenses.

Accrued interest expense represents interest accrued but unpaid as of the fiscal year end.

Fund equities represent the equity accumulation of undistributed income and the income received under provisions of Statute AS29.90.010 from the State of Alaska.

FINANCIAL FEASIBILITY

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The following schedule details the income to be received under AS29.90.010.

1981	\$4,771,830
1982	4,771,830
1983	4,771,830
1984	2,594,530
1985	-0-

Exhibit 4 details the changes in fund equities.

DRAFT AS OF 19-MAR-'81
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THE ALASKA HOSPITAL AND MEDICAL CENTER, INC.
 PROJECTED STATEMENTS OF REVENUES AND EXPENSES
 UNRESTRICTED FUNDS
 (Thousands)

	Years ending December 31,					
	1981	1982	1983	1984	1985	1986
Gross operating revenues:						
Nursing, dietary and routine care services	\$10,055	\$12,399	\$14,883	\$17,458	\$20,431	\$23,874
Ancillary services revenue	15,918	18,545	21,637	25,274	29,447	34,306
	25,973	30,944	36,520	42,732	49,878	58,180
Less contractual allowances, free services and other allowances	1,267	1,705	2,262	2,893	3,386	4,510
Net patient service revenue	24,706	29,239	34,258	39,839	46,492	53,670
Other operating revenue	312	382	455	523	599	685
Operating revenue, net	25,018	29,621	34,713	40,362	47,091	54,355
Operating expenses:						
Salaries and wages	11,920	13,223	15,522	17,604	19,916	22,538
Employee benefits	2,980	3,438	4,191	4,929	5,776	6,761
Specialists' fees	1,683	1,893	2,161	2,465	2,810	3,204
Food	364	455	540	644	752	876
Utilities	201	232	266	306	352	405
Drugs and pharmaceuticals	632	790	957	1,120	1,307	1,522
Insurance	433	511	572	641	718	804
Supplies and other expense	4,598	5,119	5,785	6,650	7,631	8,762
Hospital portion of Professional Office Building	574	1,194	1,222	1,255	1,290	1,330
	23,385	26,855	31,216	35,614	40,552	46,202
Excess of revenues over expenses before fixed charges and nonoperating revenue (expense)	1,633	2,766	3,497	4,748	6,539	8,153
Fixed charges:						
Trustee's fee	5	5	5	5	5	5
Interest	4,029	4,248	4,208	4,171	4,133	4,089
Depreciation	1,675	1,731	1,672	1,620	1,415	1,438
Amortization	51	63	63	62	62	61
	5,760	6,047	5,948	5,858	5,615	5,593
Excess of revenues (expenses) before nonoperating revenue (expense)	(4,127)	(3,281)	(2,451)	(1,110)	924	2,560
Nonoperating revenue (expense):						
Aid to operations	179	185	190	190	190	190
Loss on property held for lease	(112)	(112)	(112)	(112)	(112)	(112)
Loss on Professional Office Building held for lease	(422)	(899)	(813)	(712)	(593)	(456)
	(355)	(826)	(735)	(634)	(515)	(378)
Excess of revenues (expenses)	(\$ 4,402)	(\$ 4,107)	(\$ 3,186)	(\$ 1,744)	\$ 409	\$ 2,182

Note: The comments and assumptions contained in this study are an integral part of this projected statement.

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 FINAL REVIEW AND POSSIBLE EXTENSION.

THE ALASKA HOSPITAL AND MEDICAL CENTER, INC.

PROJECTED STATEMENTS OF CASH FLOW
(Thousands)

	Years ending December 31,					
	1981	1982	1983	1984	1985	1986
Cash and short-term securities, beginning of year	\$ 62	\$ 2,973	\$3,886	\$5,940	\$ 8,154	\$ 9,622
Cash provided:						
Excess of revenues (expenses)	(4,482)	(4,107)	(3,186)	(1,744)	409	2,182
Depreciation	2,065	2,421	2,362	2,310	2,105	2,128
Amortization	51	86	85	84	84	83
Funds provided from (used in) operations	(2,366)	(1,600)	(739)	650	2,598	4,393
Increase (decrease) in accounts payable and accrued expenses	(938)	14	415	434	488	562
Proceeds from Series 1981 Bonds AS29.90.010	55,400	4,772	4,772	2,595		
	<u>4,772</u>	<u>4,772</u>	<u>4,772</u>	<u>2,595</u>		
	<u>56,868</u>	<u>3,186</u>	<u>4,448</u>	<u>3,679</u>	<u>3,086</u>	<u>4,955</u>
Less increase in:						
Accounts receivable	551	1,121	1,239	288	343	1,770
Inventories	87	97	111	137	154	178
Prepaid expenses	32	35	41	49	56	65
	<u>670</u>	<u>1,253</u>	<u>1,391</u>	<u>474</u>	<u>553</u>	<u>2,013</u>
Total cash provided	<u>56,198</u>	<u>1,933</u>	<u>3,057</u>	<u>3,205</u>	<u>2,533</u>	<u>2,942</u>
Total cash available	<u>56,260</u>	<u>4,906</u>	<u>6,943</u>	<u>9,145</u>	<u>10,697</u>	<u>12,564</u>
Cash applied:						
Acquisition of Professional Office Building	14,236					
Financing costs	1,386					
Capital expenditures	1,500	500	500	500	500	500
Principal payments:						
Series 1981 Bonds		340	370	410	450	495
Other		100	133	71	125	132
	<u>36,165</u>	<u>100</u>	<u>133</u>	<u>71</u>	<u>125</u>	<u>132</u>
Total cash applied	<u>53,287</u>	<u>1,020</u>	<u>1,003</u>	<u>981</u>	<u>1,075</u>	<u>1,127</u>
Cash and short-term securities, end of year	\$ 2,973	\$3,886	\$5,940	\$8,164	\$ 9,622	\$11,437
Consisting of:						
Unrestricted funds	\$ 203	\$1,133	\$3,205	\$5,450	\$6,930	\$8,770
Debt service fund	<u>2,770</u>	<u>2,753</u>	<u>2,735</u>	<u>2,714</u>	<u>2,692</u>	<u>2,667</u>
	<u>\$2,973</u>	<u>\$3,886</u>	<u>\$5,940</u>	<u>\$8,164</u>	<u>\$9,622</u>	<u>\$11,437</u>

Note: The comments and assumptions contained in this study are an integral part of this projected statement.

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THE ALASKA HOSPITAL AND MEDICAL CENTER, INC.

PROJECTED BALANCE SHEETS
(Thousands)

	December 31,					
	1981	1982	1983	1984	1985	1986
ASSETS						
Current assets:						
Cash and short-term securities	\$ 203	\$ 1,133	\$ 3,205	\$ 5,450	\$ 6,930	\$ 8,770
Accounts receivable	8,568	9,609	10,928	11,216	11,559	13,329
Inventories	685	782	893	1,030	1,184	1,362
Prepaid expenses	249	284	325	374	430	495
Total current assets	<u>9,705</u>	<u>11,808</u>	<u>15,351</u>	<u>18,070</u>	<u>20,103</u>	<u>23,956</u>
Fixed assets held for Hospital operations:						
Plant, property and equipment, at cost	33,655	34,155	34,655	35,155	35,655	36,155
Less accumulated depreciation	<u>9,541</u>	<u>11,272</u>	<u>12,944</u>	<u>14,564</u>	<u>15,979</u>	<u>17,417</u>
	<u>24,114</u>	<u>22,883</u>	<u>21,711</u>	<u>20,591</u>	<u>19,676</u>	<u>18,738</u>
Fixed assets held as Professional Office Building:						
Plant, property and equipment, at cost	15,236	15,236	15,236	15,236	15,236	15,236
Less accumulated depreciation	<u>258</u>	<u>816</u>	<u>1,374</u>	<u>1,932</u>	<u>2,490</u>	<u>3,048</u>
	<u>14,978</u>	<u>14,420</u>	<u>13,862</u>	<u>13,304</u>	<u>12,746</u>	<u>12,188</u>
Fixed assets held for lease:						
Plant, property and equipment, at cost	5,056	5,056	5,056	5,056	5,056	5,056
Less accumulated depreciation	<u>1,949</u>	<u>2,081</u>	<u>2,213</u>	<u>2,345</u>	<u>2,477</u>	<u>2,609</u>
	<u>3,107</u>	<u>2,975</u>	<u>2,843</u>	<u>2,711</u>	<u>2,579</u>	<u>2,447</u>
Other assets:						
Deferred charges	1,374	1,208	1,203	1,119	1,035	952
Deposits	30	30	30	30	30	30
Other receivables	34	34	34	34	34	34
Funds held by trustee, debt service fund	<u>2,770</u>	<u>2,753</u>	<u>2,735</u>	<u>2,714</u>	<u>2,692</u>	<u>2,667</u>
	<u>4,208</u>	<u>4,105</u>	<u>4,002</u>	<u>3,897</u>	<u>3,791</u>	<u>3,683</u>
	<u>\$56,112</u>	<u>\$56,271</u>	<u>\$57,769</u>	<u>\$58,573</u>	<u>\$58,895</u>	<u>\$61,012</u>

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THE ALASKA HOSPITAL AND MEDICAL CENTER, INC.

PROJECTED BALANCE SHEETS (CONTINUED)
(Thousands)

	December 31,					
	1981	1982	1983	1984	1985	1986
LIABILITIES AND FUND BALANCE (DEFICIT)						
Current liabilities:						
Current portion of long-term debt:						
Series 1981 Bonds	\$ 340	\$ 370	\$ 410	\$ 450	\$ 495	\$ 545
Other	180	133	71	125	132	140
Accounts payable	1,300	1,173	1,340	1,545	1,775	2,043
Accrued salaries, wages and related benefits	1,326	1,484	1,750	2,000	2,280	2,599
Accrued interest	2,770	2,753	2,735	2,714	2,692	2,667
Total current liabilities	5,916	5,913	6,306	6,834	7,374	7,994
Long-term debt:						
Series 1981 Bonds	55,060	54,690	54,280	53,830	53,335	52,790
Other	2,425	2,292	2,221	2,096	1,964	1,824
Total liabilities	63,401	62,895	62,807	62,760	62,673	62,608
Fund balance (deficit)	(7,289)	(6,624)	(5,038)	(4,187)	(3,778)	(1,596)
	<u>\$56,112</u>	<u>\$56,271</u>	<u>\$57,769</u>	<u>\$58,573</u>	<u>\$58,895</u>	<u>\$61,012</u>

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EXHIBIT 2
 (Continued)

THE ALASKA HOSPITAL AND MEDICAL CENTER, INC.
PROJECTED STATEMENTS OF FUND BALANCE (DEFICIT)
 (Thousands)

Balance, January 1, 1981	(\$7,579)
Excess of expenses over revenues	(4,482)
AS29.90.010	<u>4,772</u>
Balance, December 31, 1981	(7,289)
Excess of expenses over revenues	(4,107)
AS29.90.010	<u>4,772</u>
Balance, December 31, 1982	(6,624)
Excess of expenses over revenues	(3,186)
AS29.90.010	<u>4,772</u>
Balance, December 31, 1983	(5,038)
Excess of expenses over revenues	(1,744)
AS29.90.010	<u>2,595</u>
Balance, December 31, 1984	(4,187)
Excess of revenues over expenses	<u>409</u>
Balance, December 31, 1985	(3,778)
Excess of revenues over expenses	<u>2,182</u>
Balance, December 31, 1986	<u><u>(\$1,596)</u></u>

Note: The comments and assumptions contained in this study are an integral part of this projected statement.

DRAFT AS OF 19-MAR-'81
 TO BE USED ONLY FOR MANAGEMENT DISCUSSION PURPOSES: