

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1594 SHESS HB 844 - HCR 26

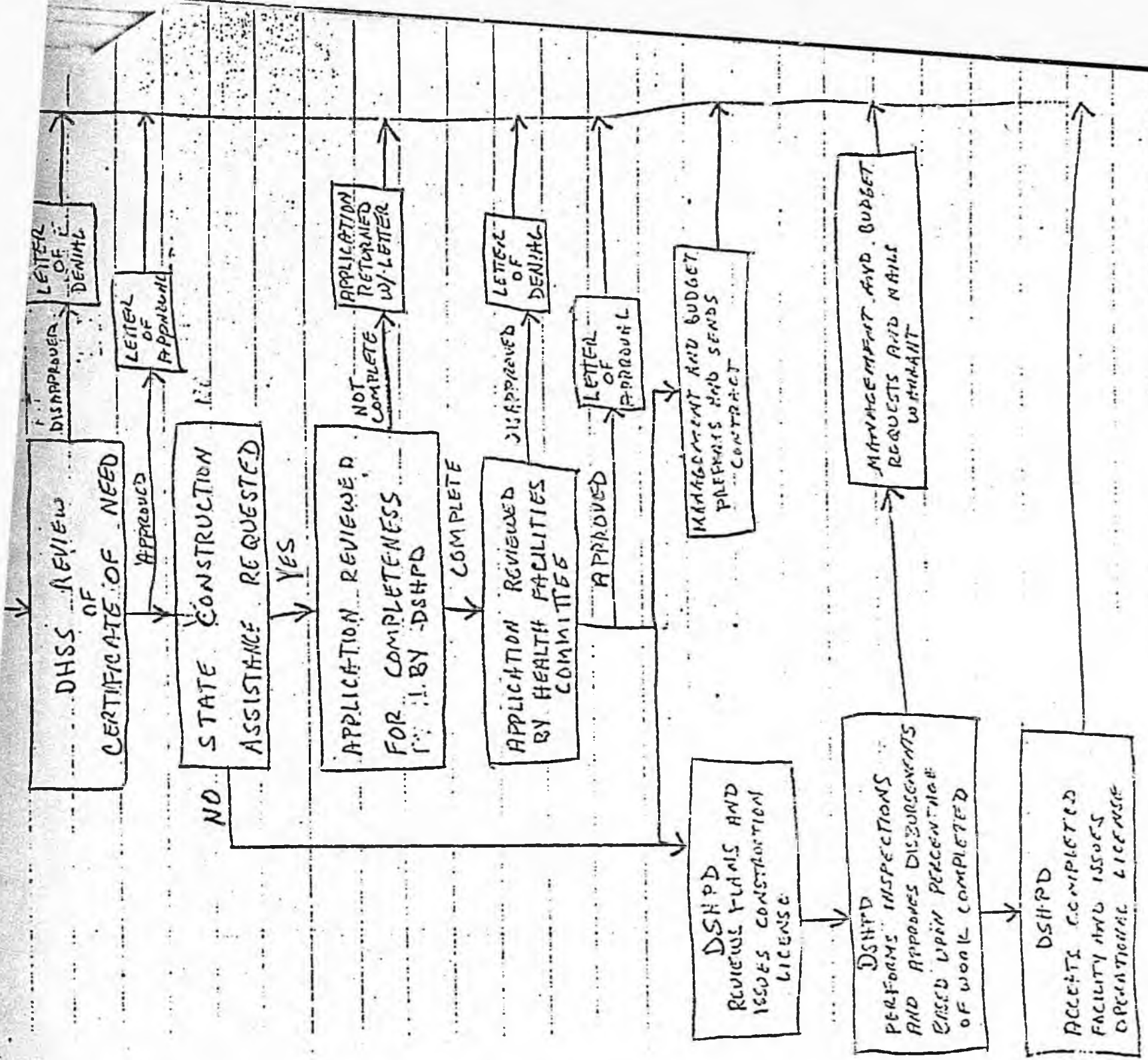
Several alternative approaches have been developed within the architectural and construction industries; however, the construction of hospitals generally follows one of two approaches: The "traditional approach" in which all design documents are prepared and approved prior to any construction or the "fast track" approach in which design is accomplished concurrently with construction. Although the traditional approach usually causes less problems than the fast track approach, a properly administered fast track project often saves dollars and is often preferred by communities. A health facilities construction assistance program should be flexible so as to accommodate either of these approaches.

V. Development of a Planning, Design, and Construction Schedule

The schedule for the construction project may take one of several generally accepted formats, but must describe the entire flow of work, show assignments among committee and team members, and relate reviews and approvals by the facility and governmental authorities.

IV. Opening of the Completed Facility

The opening of a completed facility must be as well planned as is the design of the facility. The hiring and organizing of staff, orientation and training, preparation of policy and procedure manuals, systems and equipment testing, etc. must all be carefully planned and coordinated prior to the opening of the completed facility.



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I. DHSS Review of Certificate of Need

This stage of the program determines the relative need for the project, considering: workload projections, project feasibility, consistency with the facilities LRP & SHP, and the relationship of the project to other health care providers. This relationship of the project to other health care providers. This stage of the program compliments the second basic step in the design and construction of health care facilities. A final determination to issue or not issue a certificate of need is made by the commissioner DHSS.

II. State Construction Assistance Requested

In this stage of the program the facilities makes application to the DHSS for construction assistance. In making application the facility describes the project, target dates for completion of plans and construction, the level of state assistance necessary for the project, and gives assurances that should state provide the requested funding that:

- (A) It possesses adequate finances to construct the proposed facilities; that a resolution, motion, or similar action has been adopted or passed as an official act of the applicant's governing board, authorizing the submission of the application, including all understandings and assurances contained therein and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required;
- (B) It will comply with the provisions of Chapter 7 and Chapter 9 of Title 7 of the Alaska administrative Code relating to the construction of health facilities;
- (C) Sufficient funds will be available to meet the cost of constructing the facility prior to the commencement of construction, and that sufficient funds will be available when construction is completed to assure effective operation and maintenance of the facility for the purposes for which constructed;
- (D) Approval by the Health Resources Development Section, Division of State Health Planning and Development, Department of Health and Social Services of the final drawings and specifications will be obtained before the project is advertised or placed on the market for bidding; that it will construct the project, or cause it to be constructed, to final completion in accordance with the application and approved drawings and specification; that it will submit to the Health Resources Development Section for prior approval changes that materially alter the scope, cost, use of space, or functional layout of the project.
- (E) On projects which are financed in whole or in part by State funds, all contractors and subcontracts working on the project will pay the prevailing rate of pay established by the Alaska Department of Labor as required under Title 36 "Public Contracts" of the Alaska Statutes and will comply with regulations adopted pursuant to Title 36.
- (F) CIVIL RIGHTS STUFF
- (G) It will provide and maintain competent and adequate architectural and engineering supervision and inspection at the construction site to ensure that the completed work conforms with the approved drawings and specifications; that it will furnish progress reports as required by the Health Resources Development Section, Division of State Health Planning and Development, Department of Health and Social Services.
- (H) The facility will be operated and maintained in accordance with the requirements of applicable Federal, state and local agencies for the maintenance and operation of such facilities.

III. Application Reviewed By DSHPD for Completeness

This stage of the program involves a review of the application to determine that all information necessary for the committee to make a decision is included in the application. At this stage the DSHPD would also prepare a review and summary of the application

IV. Application Reviewed by Health Facilities Committee

A health facilities committee reviews application for state assistance. Based upon information given in the application, the facilities LRP, and the State Plan for construction of Health Facilities the committee prepares a report to the commissioner DHSS. The report would include a recommendation as to the level of State assistance for the proposed project.

The state assistance could be either a grant or loan. The amount given as a grant should be based upon a percentage of the total construction costs to allow the flexibility needed in meeting change orders, alternates, and other unforeseeable cost. If the facility has applied for a grant, but the committee finds a loan to be more appropriate than a grant, the facility should be advised of the availability of the Alaska Medical Facilities Authority bond program.

V. Review of plans and Issuance of Construction Licence

This stage is routine with all hospital and longterm care facilities construction, and is established in 7AAC 09.

VI. This stage is also routine, but in this model the responsibility for preparation and management of the contract has been transferred to the Division of Management and Budget

Dave
Davidson
3rd floor - Public Assessor

EXECUTIVE SUMMARY

Background

The need for a comprehensive and systematic approach to hospital construction in Alaska has been of concern to the Department of Health and Social Services for some time. As a step toward the development of a rational approach to hospital construction the Department of Health and Social Services has begun an inventory and condition survey of rural Alaskan hospitals. The purpose of the survey is two-fold: 1) to develop a detailed record of the current condition of each participating facility, emphasizing physical condition and functional adequacy, and; 2) to identify possible means for upgrading each facility to correct any deficiencies. This survey is scheduled for completion in mid-February 1982.

Although it is still too early in the survey to determine a justifiable estimate of the costs involved in bringing the rural Alaskan hospitals up to current standards, from past contacts and informal observations it is evident to the Department that several of Alaska's rural hospitals are in need of extensive renovation and, in some cases, replacement.

Health Facilities Future Needs

The hospital construction assistance program would be based upon a Statewide Medical Facilities Plan which sets out the future needs for each facility. The format of the plan will be determined by the Department of Health and Social Services; however, the development and approval of the plan would involve: the individual hospitals, the Statewide Health Coordinating Council, the Alaska State Hospital Association, the State Health Planning and Development Agency, and the Health Systems Agencies.

To provide a data base for the plan, each facility would be requested to submit, on a voluntary basis, a long-range plan. The long-range plan would, at a minimum, anticipate the facilities program needs and construction needs for the current year and the next five years. These institution

specific plans would be included with other pertinent data into the Statewide Medical Facilities Plan.

Funding of Statewide Hospital Needs

Department of Health and Social Services is aware of several problems which have occurred as a result of the present methods of funding hospital construction. Smaller facilities have found the existing loan program available through the Alaska Medical Facilities Authority to be inadequate to meet their needs. Such facilities have been requesting State grants for each specific project. This method of funding has provided excess funding in some instances, and insufficient funding in other instances, funding levels have been set before reliable cost estimates are available.

The program set out in this summary proposes to avoid inaccurate funding levels by providing separate funds for 1) planning and design, and; 2) construction. Planning and design of a hospital construction project should be completed to the degree necessary to establish reliable construction cost estimates before construction funding levels are determined. Although some adjustments to cost estimates will occur during construction, this method of determining funding levels will avoid the large excess funding and funding shortfalls which have resulted from current methods of funding hospital construction.

The attached charts describe the flow of information and decisions for this program. To understand the flow chart, it is desirable to observe how one project would proceed, step to step, toward completion.

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

Once a need has been perceived, active planning begins with a need survey and feasibility evaluation. The work required by the need survey will

depend upon the parameters of the perceived need. If the perceived need is to meet a code requirement the need survey may simply be a statement of the facts. If the perceived need is for a new facility the need survey would be more extensive, identifying what services the community desires, what services may reasonably be offered in the community, workloads for those services, etc. The most important point to determine with the need survey is whether the perceived need is an actual need.

These steps usually result in a certificate of need application and approval. (When following investigations and data collection, the perceived need does not prove to be an actual need the facility generally does not submit an application for a certificate of need. As such, few certificate of need applications are disapproved.) Should the certificate of need application be disapproved the State would, of course, supply no funding for the project.

Assuming certificate of need approval, two major decisions remain: 1) the priority of the project for State funding with respect to other hospital construction projects identified in the Statewide Medical Facilities Plan, and 2) the appropriate level of State assistance for the project.

The priority of the proposed project for State funding is determined by the Department of Health and Social Services based upon the Statewide Medical Facilities Plan, public input, certification and licensing reports, the State Health Plan, and other relevant information.

To assist in determining the appropriate level of State financial participation in the planning and design phase and in the construction phase the facility would supply information by means of an application for State assistance to the Alaska Medical Facilities Authority. Based upon the application, recommendations from the Department of Health and Social Services, and other information which may properly come before the Board, the Alaska Medical Facilities Authority determines the level of State participation in the project and whether the State participation will be in the form of a grant, loan, loan guarantee, etc.

Once the level of state funding has been established the facility would be required to demonstrate the availability of total construction funds necessary to the completion of the project. Such a demonstration will help avoid situations where the funds run out before the project is complete.

To give further assurance that funds will be sufficient to complete the project it is necessary for the disbursement of funds to be made in phases according to the percentage of work completed.

The Department of Health and Social Services currently reviews plans and specifications for hospital construction and observes construction in progress to assure that the completed facility meets codes and is acceptable for Medicaid Certification and State licensure. Under this program the Department of Health and Social Services representative would have the added responsibility of determining the percentage project completion and reporting that percentage to the disbursement officer in charge of State funds for the project.

Required Legislation

Existing statutes provide authority for most of this proposed program. Enabling legislation may be required to permit the Alaska Medical Facilities Authority to make decisions on funding which differs from State backing for bond sales.

PROPOSED AMENDMENTS TO HB 844

1. Add 18.25.140(e)

- e. Rural Health Facility means a health facility license pursuant to AS 18.20 located in an unorganized borough or an organized borough with a population of less than 45,000 people.

2. Add 18.25.150

The Governor's Annual Budget shall contain the proposed appropriation to the rural health facility improvements and maintenance fund including an itemized listing of projects to be funded, the amount proposed to be granted to each facility and the estimated total cost of each project.

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March 7, 1982

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President
Dennis L. DeWitt
Juneau

The Honorable Michael F. Beirne
Alaska State House of Representatives
Pouch V, State Capital Building
Juneau, Alaska 99811

Dear Representative Beirne:

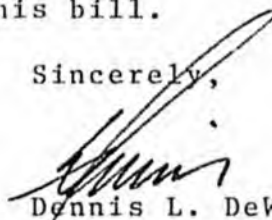
The Alaska State Hospital Association requests your support for House Bill 844 by Representatives Haugen, Cato, Fuller, Malone and Sutcliff.

This measure is an attempt to create order and reason in the process by which the state involves itself in the construction of rural hospitals and nursing homes. We believe that the prioritization of facility needs will encourage the systematic addressing of the needs of each facility rather than the current hit or miss process. HB 844 provides for the prioritization of the needs of facilities by the Commissioner of Health & Social Services with the assistance of the statewide Health Coordinating Council. Once the priority is established, the Governor will decide the number of priorities that will be proposed for funding in the Governor's budget. The legislature will involve itself in the process via budget considerations.

While we acknowledge that HB 844 leaves open the potential for a zero funding decision, we are hopeful that the state will continue to accept its role in funding assistance to rural facilities.

We have attached three proposed amendments which clarify the intent of HB 844 and respectfully request your favorable consideration of this bill.

Sincerely,



Dennis L. DeWitt
President

DLD:bf
cc: Rep. Haugen

PROPOSED AMENDMENTS TO HB 844

1. Page 2, line 20 strike "totally" and insert "enable the facility to".

2. Add 18.25.140 (e) after line 29 on page 2.

(e) Rural Health Facility means a health facility licensed pursuant to AS 18.20 located in an unorganized borough with a population less than 45,000 people.

3. Add 18.25.150

The Governor's Annual Budget shall contain a proposed appropriation to the rural health facility improvements and maintenance fund including an itemized listing of projects to be funded, the amount proposed to be granted to each facility and the estimated cost of each project.

Nancy -

TRY This on for size!

Let me know if it ~~satisfies~~ satisfies
your impression of Charles's
request

I believe it prioritizes
everyone STATE, Fed, non profit,
urban, rural, etc. hosp + nursing homes

Funding goes to rural less than
AND clinics in rural
good population communities.

Give me a call either at
The office 506-1790 or
Home 789-4259

Dennis

D. Williams

CS HB 844 (am)

- only licensed facilities - should address all
- STRIKE word RURAL throughout bill
- 18.20 reference to licensed limits to nursing homes & hospitals

- limits state add't to GRANTS only

1. loans

loan guarantee

Bond backing Med. Soc. Auth

Consider

- community should request funds
- state should be able to request info from community
- no accountability for funds.

X

April 26
12:15

Charlie

Basie Hedrick, Director of
University Museum called
asking for support in
Senate Budget for
collection acquisition
appropriation (\$100,000 total)
He's calling Don Bennett
but wanted me to let you
know he had called

Nancy

Nancy -
your opinion on Dept
position paper/draft CS for
844?

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

PREPARED FOR
ALASKA LEGISLATURE

BY

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

MARCH 8, 1982

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INTRODUCTION

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

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

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

I. HEALTH FACILITY, INVENTORY DESIGN AND IMPLEMENTATION

The Need for a Health Facility Inventory

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

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

Designing the Inventory

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

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

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

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

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

Conducting the Inventory

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

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

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

Phase One: Pre-inventory Activity

The first phase consisted of pre-inventory activity including:

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

Phase Two: On-site Inventory

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

Each site survey consisted of the following steps:

Document Review:

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

Staff Interview:

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

Facility Examination:

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

Final Meeting:

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

Phase Three - Evaluation of Reports

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

II. OVERVIEW OF SURVEYED FACILITIES

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

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

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

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

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

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

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

Bringing some of the surveyed facilities into compliance with the governing

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

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

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

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

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

III. PRIORITIZATION OF SURVEY FACILITIES

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

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

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

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

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

13.) St. Ann's Nursing Home

14.) Norton Sound Regional Hospital

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

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

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

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

IV. ALTERNATIVE SOURCES OF CONSTRUCTION FUNDS

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

Revenue Sharing

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

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

Alaska Medical Facility Authority

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

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

Federal Funding

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

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

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

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

Municipal or Borough Bonds

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

Direct Legislative Funding

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

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

Conventional Loans

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

V. DETERMINING A STATE ROLE IN HEALTH FACILITY CONSTRUCTION

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

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

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

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

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

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

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

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

A proposed format and discussion of these components follows:

Statewide Medical Facilities Plan

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

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

Funding Mechanism

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

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

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

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

Certificate of Need Review

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

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

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

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

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

Level of State Assistance

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

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

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

Construction Progress Assessments

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

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

APPENDIX

FIVE-YEAR CONSTRUCTION PLAN FOR STATE HEALTH PLAN LEVEL III

HOSPITALS AND NURSING HOMES

FIVE-YEAR CONSTRUCTION PLAN FOR STATE HEALTH PLAN LEVEL III

HOSPITALS AND NURSING HOMES

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

* LTCF = Long-Term Care Facility

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

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

Bartlett Memorial Hospital

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

Central Peninsula General Hospital

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

Cordova Community Hospital and LTC Facility

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

Faith Hospital

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

Ketchikan General Hospital and Island View Manor Nursing Home

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

Kodiak Island Hospital and LTC Facility

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

Norton Sound Community Hospital

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

Petersburg General Hospital and LTC Facility

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

Seward General Hospital and Wesleyan Nursing Home

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

Sitka Community Hospital

A new Facility is under construction.

South Peninsula Hospital

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

St. Ann's Nursing Home

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

Valdez Community Hospital

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

Valley Hospital

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

Wrangell General Hospital and LTC facility

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

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