ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 8672

2321 SHESS SB 82 - SB 85

2321

* Sec. 32. Section 4, ch. 25, SLA 1982, page 18, line 23, is amended to read:

Mainline Vessel Repower [REPOWER M/V COLUMBIA] Supplemental 1,000,000

* Sec. 33. Section 30, ch. 82, SLA 1981, page 177, line 25, is amended to read:

Mainline Vessel Repower [REPOWER M/V COLUMBIA] 7,700,000

* Sec. 34. Section 28, ch. 139, SLA 1982, is amended to read:

* Sec. 28. The appropriations made in secs. 12, 13, 15, 16, and 17 of this Act are for capital projects or are otherwise not one-year appropriations and do not lapse under AS 37.25.010 [AND ARE SUBJECT TO AS 37.25.020].

* Sec. 35. Chapter 101, SLA 1982, is amended by adding a new section to read:

* Sec. 83. SPECIAL LAPSE DATE. (a) Notwithstanding the lapse date set out in sec. 78 of this Act, the unexpended and unobligated portions of the appropriations made in sec. 37 of this Act lapse into the general fund on June 30, 1985.

* Sec. 36. Section 19, ch. 101, SLA 1982, page 59, line 20, is amended to read:

The appropriation of $6,711,100 in federal receipts for CETA and the appropriation of $1,000,000 in general funds for the State Training Program will not lapse until June 30, 1984.

* Sec. 37. Section 2, ch. 90, SLA 1980, is amended to read:

* Sec. 2. The unexpended and unobligated portion of the appropriation made by this Act lapses into the general fund June 30, 1986 [THE ALASKA RENEWABLE RESOURCES DEVELOPMENT FUND JUNE 30, 1983].

Sec 30

* Sec. 38. Section 14, ch. 139, SLA 1982, page 3, lines 14 -- 23, is amended to read:

* Sec. 14. The following appropriation items are for operating expenditures from the general fund or other funds as set out in the fiscal year 1983 budget summary by funding source to the state agencies named and for the purposes set out in the new legislation for the fiscal year beginning July 1, 1982 and ending June 30, 1983, except as otherwise noted in sec. 31 of this Act. The appropriation items contain funding for legislation assumed to have passed during the Second Session of the Twelfth Legislature and are to be considered part of the agency operating budget. Should a measure listed in this section either fail to pass, its substance fail to be incorporated in some other measure, or be vetoed by the governor, the appropriation for that measure shall lapse.

Sec 31

* Sec. 39. Chapter 139, SLA 1982 is amended by adding a new section to read:

* Sec. 31. (a) Of the $6,188,200 appropriated in sec. 14 of this Act at page 10, line 21, $6,026,500 are for capital expenditures and do not lapse under AS 37.25.010.

(b) Of the $1,597,000 appropriated in sec. 14 of this Act at page 11, line 18, $897,000 are for capital expenditures and do not lapse under AS 37.25.010.

(c) Of the $336,700 appropriated in sec. 14 of this Act at page 12, line 1, $276,000 are for capital expenditures and do not lapse under AS 37.25.010.

* Sec. 40. The unexpended and unobligated part of the appropriation made in sec. 2 of this Act lapses into the general fund June 30, 1984.

* Sec. 41. This Act takes effect immediately in accordance with AS 01.-10.070(c).

PROPOSED AMENDMENTS TO SENATE BILL NO. 82

Section _____. The sum of $125,400 is appropriated from the general fund to the following legislative agencies for salary increases for the fiscal year ending June 30, 1983, to be allocated as follows:

Legislative Council	
LAA Executive Administration (10 positions)	21,900
Senate Advisory Council	33,900
Ombudsman's Office	69,600

SB

85

CS FOR SB 85 (HESS) - SECTIONAL ANALYSIS

SECTION 1. FINDINGS AND DECLARATION OF POLICY

*THAT THERE ARE PROBLEMS WITH THE CERTIFICATE OF NEED PROGRAM AS IT EXISTS.
*THAT THE LEGISLATURE FINDS UNCERTAINTY ON THE FEDERAL LEVEL CONCERNING THE PROGRAM, AND THEREFORE SUSPENDS IT.
*THAT THE RETROSPECTIVE METHOD OF PAYMENT TO HEALTH FACILITIES IS INADEQUATE, AND THAT THE LEGISLATURE INTENDS TO CHANGE TO A PROSPECTIVE METHOD OF PAYMENT.

SECTION 2. THIS SECTION CONCERNING THE CERTIFICATE OF NEED PROGRAM WILL GO INTO EFFECT IN FOUR YEARS (SECTION 16) FOLLOWING THE SUSPENSION.

SECTION 3. AMENDS THE STATE HEALTH PLANNING LAW

SECTION 4. REANCTMENT OF SECTION REMOVES REFERENCE TO THE CERTIFICATE OF NEED PROGRAM. THIS SECTION WILL BE LAW DURING THE TIME OF SUSPENSION.

SECTION 5. THIS SECTION (CURRENT LAW) WILL BE LAW WHEN SUSPENSION PERIOD IS OVER, AND TAKES EFFECT FOUR YEARS FROM THE EFFECTIVE DATE OF THIS BILL.

SECTION 6. LIMITS REVENUE SHARING FOR HOSPITALS TO HOSPITALS WITH 50 OR LESS ACUTE CARE BEDS.

SECTION 7. INTENT IS TO GIVE THE MEDICAL RATE COMMISSION SOME AUTHORITY IN RATE SETTING FOR OVERBUILT OR OVERBEDDED FACILITIES.

SECTION 8. EACH HEALTH FACILITY IS REQUIRED TO SUBMIT A FINANCIAL REPORT TO THE MEDICAL RATE COMMISSION BY 120 DAYS AFTER THE END OF THEIR FISCAL YEAR.

THE COMMISSION WILL SUBMIT A REPORT TO THE GOVERNOR BY SEPTEMBER 30 OF EACH YEAR ON PERSPECTIVE PAYMENTS MADE AND AN ESTIMATE OF CURRENT AND SUBSEQUENT YEAR'S PROSPECTIVE PAYMENTS.

A UNIFORM BUDGETING AND ACCOUNTING SYSTEM WILL BE ESTABLISHED BY THE COMMISSION BY REGULATION, TAKING INTO CONSIDERATION CURRENT SYSTEMS, DIFFERENCES IN FACILITIES AND THEIR SERVICES.

THE COMMISSION HAS THE POWER TO WAIVE OR MODIFY A REQUIREMENT IN ACCOUNTING ON A CASE BY CASE BASIS.

AUDITS ARE REQUIRED, AND HEALTH FACILITIES SHALL ALLOW REASONABLE ACCESS TO FINANCIAL RECORDS BY THE COMMISSION, THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES AND ANY FEDERAL AGENCIES REQUIRED BY LAW.

ACTIONS OF THE COMMISSION ARE SUBJECT TO THE ADMINISTRATIVE PROCEDURES ACT.

SECTION 9. DEFINITIONS

SECTION 10. CREATION OF THE MEDICAL RATE COMMISSION WITHIN THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES.

LISTS THE FIVE MEMBERS TO BE APPOINTED BY THE GOVERNOR FOR THREE YEAR STAGGERED TERMS.

COMPENSATION FOR BOARD MEMBERS IS TRAVEL AND PERDIEM.

BOARD MEMBERS WILL SELECT A CHAIR AT THEIR FIRST YEARLY MEETING.

THE COMMISSION MEETS AS OFTEN AS NECESSARY, AND THREE MEMBERS CONSTITUTES A QUORUM.

DUTIES OF THE COMMISSION IS TO REVIEW AND ESTABLISH RATES PAID TO HEALTH FACILITIES FOR MEDICAID AND GENERAL RELIEF PROGRAMS.

THE COMMISSION MAY EMPLOY AN EXECUTIVE DIRECTOR WHO MAY HIRE ADDITIONAL STAFF AT THE APPROVAL OF THE COMMISSION. PERSONNEL OF THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES WILL PROVIDE STAFF ASSISTANCE TO THE COMMISSION.

SECTION 11. GIVES THE DEPARTMENT AUTHORITY TO ESTABLISH A PROSPECTIVE PAYMENT SYSTEM FOR THE GENERAL RELIEF ASSISTANCE PROGRAM TO HEALTH FACILITIES.

SECTION 12. GIVES THE DEPARTMENT THE AUTHORITY TO SET INTERIM PAYMENT RATES WHILE THE COMMISSION IS COMING ON LINE.

SECTION 13. GUARANTEES THAT FUNDING PREVIOUSLY AWARDED THROUGH AS 29.90 WILL CONTINUE. (HOSPITAL CONSTRUCTION FUNDS).

SECTION 14. SUSPENDS THE CERTIFICATE OF NEED PROGRAM FOR FOUR YEARS.

SECTION 15. REPEALS THE HOSPITAL CONSTRUCTION FUND(AS 29.90) AND THE RETROSPECTIVE PAYMENT METHOD OF COST SETTLEMENT.

SECTION 16. REENACTS THE CERTIFICATE OF NEED PROGRAM IN FOUR YEARS FROM THE EFFECTIVE DATE OF THE BILL.

SECTION 17. EFFECTIVE DATE.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT

Sheffield Response to

HEALTH ISSUES QUESTIONNAIRE

Please circle the symbol that most closely corresponds to your opinion. If you wish, add any comments in the blank provided.

Strongly Support | Support | Oppose | Strongly Oppose

(SS) S O SO A formal mechanism should exist for citizen involvement in State health program decision-making.

Comment see Comment No. 1, attached

Governed by volunteer boards made up of health care providers as well as a "consumer" majority, the three Health Systems Agencies (HSAs) in Alaska have provided a process for citizen involvement in health care decisions. The HSAs operate with both Federal and State financial support. Federal support, previously at up to $500,000. and currently approximately $125,000., constituted 75% of each HSA's funding in the past. State support was $125,000. in FY 1976-77 and $100,000. in FY 1978-81. The most recent allocation reduced the subsequent annual authorized amount by 50% to $50,000. The Federal government has proposed eliminating support for Health Systems Agencies after the current fiscal year. Indicate your feelings about the following statements.

SS (S) O SO The State should increase the current level of State support to each agency to at least $300,000. to maintain citizen involvement in health decisions at the local level.

SS S (O) SO The State should continue support at the authorized level of $100,000. to maintain citizen involvement in health decisions at the local level.

SS S (O) SO The State should provide no support.

Comment see Comment No. 2, attached .

A program administered by the State requires that health care providers apply for a Certificate of Need prior to any capital expenditures in excess of $150,000. and/or any change in licensed bed capacity of 10 beds or 10 percent. Indicate your feelings about the alternative suggestions below.

SS S (O) SO The Certificate of Need program should continue as presently designed with review, public comment, and analysis at the regional level and the final decision at the Commissioner level.

SS (S) O SO The Certificate of Need program should continue with an increase in levels to at least $600,000.

SS S O (SO) The role of regional Health Systems Agencies should be eliminated, leaving the review, analysis, and final decision with the Commissioner of Health and Social Services.

Comment see Comment No. 3, attached

A number of groups have indicated support for health education in the schools as a way to prevent some of the major health problems in Alaska. Indicate your feelings about the following proposals.

(SS) S O SO Schools should have health education programs.

SS (S) O SO Comprehensive health education should address the range of health problems in Alaska including sessions on alcohol and drug abuse, mental health, sex education, and values clarification.

SS S (O) SO The Legislature should require comprehensive health education in all Alaskan schools.

SS (S) O SO The Legislature, while not requiring health education, should provide financial assistance and other incentives to school districts to encourage development of school health education programs.

Comment see Comment No. 4, attached

Strongly Support / Support / Oppose / Strongly Oppose

Alcohol abuse is widely recognized as a problem in Alaska. In addition to prevention and treatment programs, legislative changes have been proposed.

Indicate your feelings about the following legislative changes:

SS S O (SO) Increase the sales tax on alcohol.

SS S O (SO) Reduce the bar hours statewide (e.g., require closure for a minimum of 6 hours/day).

SS S (O) SO Raise the drinking age to 21 years.

SS S (O) SO Restrict alcohol advertising.

SS (S) O SO Implement more stringent penalties for driving while intoxicated/operating a motor vehicle while intoxicated.

SS (S) O SO Continue and/or increase State funding of treatment programs.

SS (S) O SO Continue and/or increase State support for prevention programs.

Comment see Comment No. 5, attached

Traditionally the State has provided prevention and public health services in all parts of Alaska leaving the provision of direct health care services to the private sector and the Federal government. The Federal government is cutting back on direct services offered. Due to the isolation of many areas of the State, it has not been economically feasible for the private sector to provide direct health care services in all areas. Indicate your opinion about the idea

SS S * O SO that the State should financially support direct health care services in those areas that are medically underserved.

Comment see Comment No. 6, attached

In the past legislative session, a bill was introduced proposing a comprehensive health insurance plan which would allow a choice of coverage for residents on a cost-sharing basis based on ability to pay. Indicate your feelings about some

SS S * O SO form of state-supported comprehensive health insurance.

Comment see Comment No. 7, attached

Name Bill Sheffield

Comment No. 1

- A formal mechanism should exist for citizen involvement in the expenditure of public funds for health program expenditures.

- Health outlays in recent years have been increasing at a greater rate than in other areas.

- The Federal and State outlays for health are increasing rapidly.

- Since substantial and increasing public monies provided by tax revenues are involved, citizen involvement in public program decision making is of increasing importance.

- The present formal mechanism for accomplishing citizen involvement could be open to changes and improvement based on careful analysis of past and present arrangements and potential new arrangements.

Comment No. 2

- Based on statutory and regulatory changes which are finally made, if any, in Federal and State laws related to State health planning efforts, including the health systems agencies, adequate financial support from the State and Federal level should be made available.

- An integral relation exists between a State Certificate of Need Program and outlays for health planning.

- Should the Certificate of Need Program on the Federal or State level, or both, be repealed, the financial outlays for the health systems agencies would be affected substantially as well, if not eliminated.

- A $100,000 authorized support level for each health systems agency will not be sufficient to have an effective planning staff capacity. Should only $100,000 be available for each agency, one of two developments would be indicated:

  1. Close the activity for three health systems agencies; or

  2. Combine the funds available into a single health systems agency with amended, limited functions and powers.

Comment No. 3

- It is my understanding that the Certificate of Need Programs on both Federal and State levels are faced with a measure of uncertainty.

- If the Certificate of Need Program is repealed by the State of Alaska, an appropriate program relating to planning of health services and facilities will be required based on the substantial public interest issues involved.

- While I oppose the continuation of the Certificate of Need Program "as presently designed", I could support an amended Certificate of Need Program within the State under two conditions:

  1. That no substantial multi-million dollar Federal penalty become applicable to Alaska due to the absence of a Certificate of Need Program; or

  2. The revised or amended Certificate of Need Program could remove some of the burdensome provisions as related to the health facilities under a simplified and more efficient application and review process.

Comment No. 4

My views are expressed generally in line with the markings in the questionnaire under health education.

Comment No. 5

- Consideration should be given to a uniform "development of maturity" age for Alaskans which would take into account responsibilities related to voting age, military service age, and drinking age.

- To assume that a young person can exercise adequately some of the privileges and responsibilities of military service, voting for officials and using alcoholic beverages at different ages, I find problematical. However, substantial discussion and public input should be required before making changes in such important activities related to youth.

Comment No. 6

- It is understood that the private health sector may not under present arrangements be able to provide direct health services in all areas. This is especially the case in unusually remote locations and very small communities.

- The State should encourage wherever possible the providing of direct health services by the private sector, understanding that the Federal government has provided, and doubtless will continue to provide, a substantial level of direct health services in the rural regions.

- The State should not consider the automatic assumption of those direct health services which have been or may be terminated by the Federal government.

- The State should take all reasonable measures to work with the Federal government and insist that the Federal government continue an adequate level of direct health services which has been its historic responsibility and current responsibility under the applicable Federal statutes, programs, and policies.

Comment No. 7

- While I favor strongly the adequate and reasonable access to health services on behalf of every Alaskan, I am not convinced that a "comprehensive health insurance plan" with certain other provisions would be the best plan for the following reasons:

  1. Health insurance for tens of thousands of Alaskans is a program based upon negotiated labor agreements between hundreds of employers, employees, and their respective unions.

     The State should not take action to disrupt that part of the insurance arrangements which have worked exceedingly well, except for the growing costs.

  2. The Federal government has certain levels of responsibility for approximately 60,000 Alaskan Natives with an annual outlay of more than $100,000,000 for program services alone, excluding capital expenditures. Any program of comprehensive health insurance,

Comment No. 7 (cont'd)

in order to be equitable, must include all Alaskans. The implication of a State-sponsored comprehensive health insurance program must be considered only in relation to the Indian Health Service Program.

3. I strongly support the concept of cost sharing, co-payment, and deductible plans since such have been demonstrated to reduce over-utilization and abuse of both public and private and other health care insurance programs. If such arrangements are adopted, they should be fair, reasonable, and equitable and related to broad categories of ability to pay.

- With a population of approximately 450,000 in Alaska, a recent research study indicated that only 29,000 Alaskans (estimated) do not now have either private or public coverage. Any reasonable State program should probably focus on the uncovered populations. To do otherwise would be to displace program and financial responsibilities and result in shifting to the State financial responsibility not now assumed.

- The best plan for improving health coverage and financing should focus on improvement to Medicaid, General Relief Medical, and Catastrophic Illness Programs, including the possibility of creation of a high risk pool for persons who are not low income but cannot afford coverage of any kind, because they are unemployed, part-time employed, or too ill.

- While, for the above reasons, I oppose a comprehensive health insurance plan per se, any plan which would meet some of the more important objectives outlined above without creating counter-productive elements as indicated above would meet with my great interest and open mind.

* * *

WJS/jes

- dental, vision, and hearing care;
- prescription drugs; and
- alcoholism treatment.

The elderly population covered only by Medicare faces the risk of high out-of-pocket medical expenses. Similarly, many persons covered by private plans must make significant out-of-pocket payments to receive their benefits. The supposedly comprehensive Native health care benefits are quite limited in certain instances due to the AANHS budget constraints.

B.5. Expenditures and Expenditure Trends

The total health care bill in Alaska was $480 million in 1979; approximately 14% of that amount was paid by state and local governments, 31% by the federal government, and 55% by the private sector. About 64% of the state and federal share was used to provide direct services, and the other 36% was used to pay for various public health programs. About 63% of the private sector share was paid directly by consumers for out-of-pocket expenses and health insurance premiums, and 37% was paid by employers for health insurance premiums (See Figure I-1 in Volume I).

The total cost of health care has been rising dramatically in Alaska. Population increases and decreases in the relative price of medical care account for some of this, but the largest part is due simply to general inflation. Health care expenditures could reach $1 billion by 1990 if inflation continues at current rates.

C. OPTIONS FOR STATE ACTION

Weaknesses in the health care system determined during the survey of Alaska health care resources and financing were used to identify the types of options the state of Alaska could consider to improve the comprehensiveness and accessibility of health care. The principal barriers which reduce the accessibility of health care among the Alaska population, and specific actions that the state could consider for eliminating these barriers and improving

Summary of Private and Public Health Care Coverage in Alaska

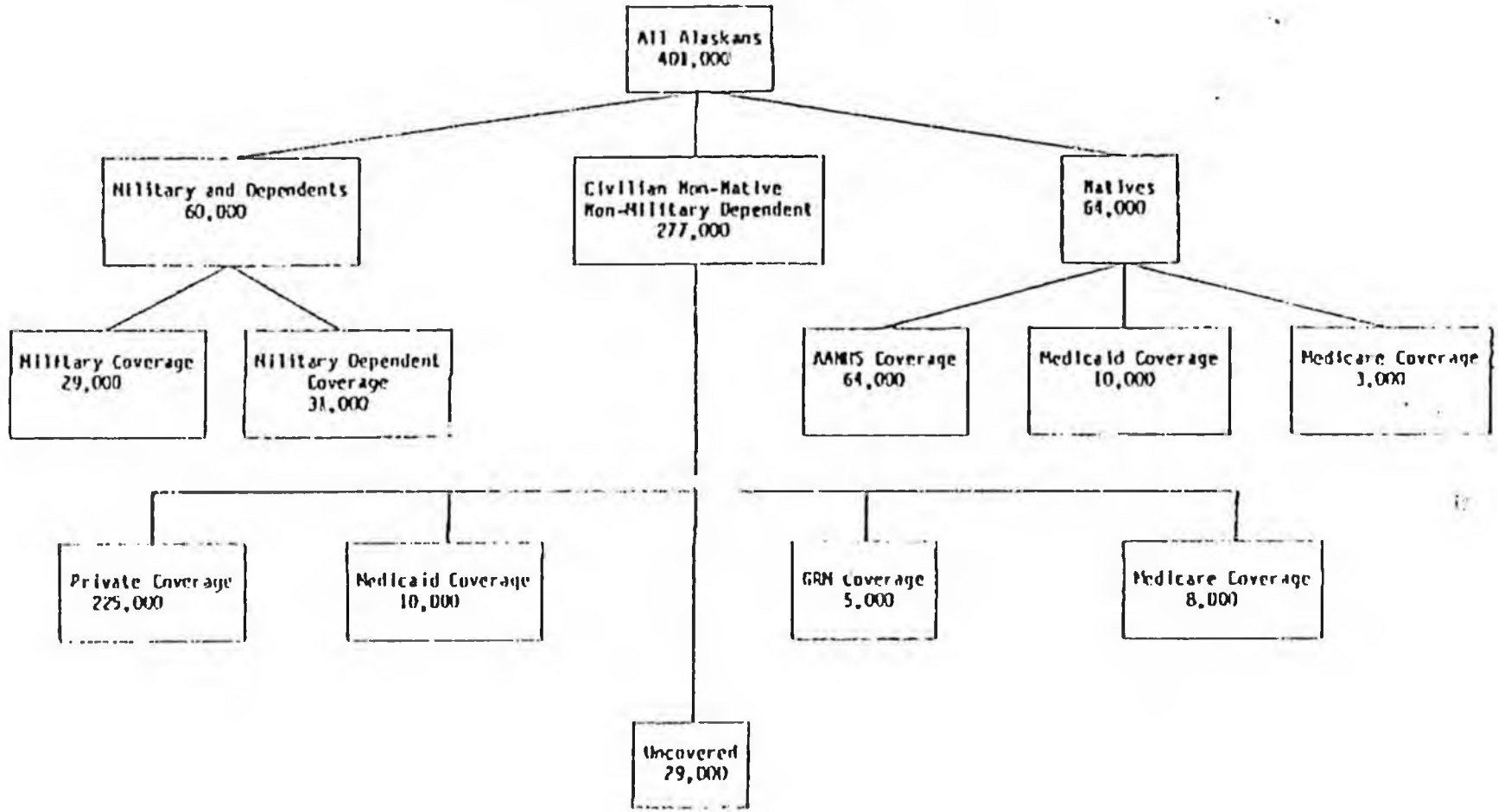

Figure 1.

Battelle Report —
F.A.C.T. — March, 1982

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

FY 1981 MUNICIPAL REVENUE SHARING ENTITLEMENTS (112) FEBRUARY 22, 198

TOTAL ENTITLEMENT = $55,707,600

KEY	COMMUNITY	PUBLIC ROAD MILES	ICE ROAD MILES	HOSPITAL ENTITLEMENT	HEALTH FACILITIES ENTITLEMENT	HOSPITA CONST. A
BOROUGHS AND SERVICE AREAS						
0010	ANCHORAGE A.W.	400.60	0.00	$463,825	$688,405	$5,483,87
0020	CITY S.A.	0.00	0.00	$0	$0	$
0030	EAGLE RIVER	25.39	0.00	$0	$0	$
0040	CHUGIAK	0.00	0.00	$0	$0	$
0060	GIRDWOOD	10.54	0.00	$0	$0	$
0070	GLEN ALPS	10.59	0.00	$0	$0	$
0080	FIRE S.A.	0.00	0.00	$0	$0	$
0090	ROADS & DRAINAGE	0.00	0.00	$0	$0	$
0095	LIMITED ROAD S.A.	0.00	0.00	$0	$0	$
0100	POLICE S.A.	0.00	0.00	$0	$0	$
0110	PARKS & REC	0.00	0.00	$0	$0	$
0120	P & R/CHUGIAK	0.00	0.00	$0	$0	$
0130	SOLID WASTE S.A.	0.00	0.00	$0	$0	$
0140	CHUGIAK/SOLID WASTE	0.00	0.00	$0	$0	$
0150	BUILDING SAFETY	0.00	0.00	$0	$0	$
0160	CITY SA ROADS & DRAINAGE	0.00	0.00	$0	$0	$
0170	SERVICE AREA 55	0.00	0.00	$0	$0	$
0175	UPPER O'MALLEY	14.60	0.00	$0	$0	$
0180	PORT OF ANCH.	0.00	0.00	$0	$0	$
0185	ROADS	58.16	0.00	$0	$0	$
0190	AIRPORT S.A.	0.00	0.00	$0	$0	$
0195	PUBLIC TRANSIT	0.00	0.00	$0	$0	$
0200	PARKING S.A.	0.00	0.00	$0	$0	$
0210	BRISTOL BAY BOROUGH	6.87	0.00	$0	$38,414	$
0230	FAIRBANKS BOROUGH	93.60	0.00	$0	$0	$
0240	ESTER F.P.	0.00	0.00	$0	$0	$
0250	NORTH STAR F.P.	0.00	0.00	$0	$0	$
0260	UNIVERSITY F.P.	0.00	0.00	$0	$0	$
0270	HAINES BOROUGH	0.00	0.00	$0	$0	$

FY 1981 MUNICIPAL REVENUE SHARING ENTITLEMENTS (#2) FEBRUARY 22, 1982

TOTAL ENTITLEMENT = $55,707,600

KEY	COMMUNITY	PUBLIC ROAD MILES	ICE ROAD MILES	HOSPITAL ENTITLEMENT	HEALTH FACILITIES ENTITLEMENT	HOSPITAL CONST. AI
0230	FIRE DISTRICT	0.00	0.00	$0	$0	$0
0290	JUNEAU BOROUGH A.W.	0.00	0.00	$231,942	$159,576	$33,21
0300	S.A. 1	14.23	0.00	$0	$0	$0
0310	S.A. 2	5.08	0.00	$0	$0	$0
0320	S.A. 3	38.67	0.00	$0	$0	$0
0330	S.A. 4	0.00	0.00	$0	$0	$0
0340	S.A. 5	0.00	0.00	$0	$0	$0
0350	S.A. 6	0.00	0.00	$0	$0	$0
0360	S.A. 7	0.00	0.00	$0	$0	$0
0370	S.A. 8	0.00	0.00	$0	$0	$0
0380	KENAI PENINSULA BOROUGH	2.79	0.00	$0	$0	$0
0385	CENTRAL PENINSULA HOSPITAL	0.00	0.00	$249,662	$0	$0
0390	NIKISKI F.P.	0.00	0.00	$0	$0	$0
0395	SOUTH PENINSULA HOSPITAL	0.00	0.00	$249,662	$0	$0
0400	NORTH KENAI REC.	0.00	0.00	$0	$0	$0
0410	BEAR CREEK F.P.	0.00	0.00	$0	$0	$0
0420	KETCHIKAN BOROUGH	0.00	0.00	$0	$0	$0
0430	SHORELINE S.A.	0.00	0.00	$0	$0	$0
0440	KODIAK ISLAND BOROUGH	0.00	0.00	$249,662	$125,830	$0
0450	FIRE DISTRICT 1	0.00	0.00	$0	$0	$0
0455	SERVICE DISTRICT	0.00	0.00	$0	$0	$0
0460	ROAD DISTRICT	15.00	0.00	$0	$0	$0
0470	MAT-SU BOROUGH	0.00	0.00	$0	$0	$0
0480	WASILLA F.P.	0.00	0.00	$0	$0	$0
0490	BUTTE F.P.	0.00	0.00	$0	$0	$0
0500	GREATER PALMER F.P.	0.00	0.00	$0	$0	$0

FY 1981 MUNICIPAL REVENUE SHARING ENTITLEMENTS (#2) FEBRUARY 22, 1982

TOTAL ENTITLEMENT = $55,707,600

KEY	COMMUNITY	PUBLIC ROAD MILES	ICE ROAD MILES	HOSPITAL ENTITLEMENT	HEALTH FACILITIES ENTITLEMENT	HOSPITAL CONST. AID
0510	SUTTON F.P.	0.00	0.00	$0	$0	$0
0520	NON AREA-WIDE	0.00	0.00	$0	$0	$0
0525	TALKEETNA FLOOD S.A.	0.00	0.00	$0	$0	$0
0530	TALKEETNA F.P.	0.00	0.00	$0	$0	$0
0540	GARDEN TERRACE	0.00	0.00	$0	$0	$0
0541	MIDWAY	581.89	12.00	$0	$0	$0
0550	LAKES F.P.	0.00	0.00	$0	$0	$0
0560	NORTH SLOPE BOROUGH	54.47	0.00	$0	$82,700	$0
0570	SITKA BOROUGH	16.05	0.00	$240,640	$32,727	$0
	FIRST CLASS CITIES					
1000	BARROW	0.00	0.00	$0	$0	$0
1010	CORDOVA	8.55	0.00	$268,751	$25,800	$0
1020	CRAIG	4.91	0.00	$0	$22,266	$0
1030	DILLINGHAM	7.77	0.00	$0	$0	$0
1040	FAIRBANKS	87.20	0.00	$268,751	$165,551	$1,181,855
1050	GALENA	5.58	0.00	$0	$10,337	$0
1060	HAINES	10.44	0.00	$0	$0	$0
1070	HOMER	11.70	0.00	$0	$15,978	$0
1080	HOONAH	4.00	0.00	$0	$0	$0
1090	HYDABURG	3.17	0.00	$0	$0	$0
1100	KAKE	5.17	0.00	$0	$0	$0
1110	KENAI	45.87	0.00	$0	$15,978	$0
1120	KETCHIKAN	16.60	0.00	$231,942	$37,110	$40,659
1140	KING COVE	3.10	0.00	$0	$9,603	$0
1150	KLAWOCK	1.69	0.00	$0	$7,422	$0
1160	KODIAK	14.68	0.00	$0	$0	$0
1170	NENANA	13.26	0.00	$0	$0	$0
1180	NOME	13.60	0.13	$323,049	$51,687	$0
1190	NORTH POLE	10.72	0.00	$0	$0	$0
1200	PALMER	19.36	0.00	$240,640	$0	$0
1210	PELICAN	1.10	0.00	$0	$7,989	$0
1220	PETERSBURG	9.48	0.00	$240,640	$23,101	$0
1230	SAND POINT	8.34	0.00	$0	$9,603	$0
1240	SAINT MARY'S	7.93	10.21	$0	$9,964	$0
1250	SELDOVIA	6.31	0.00	$0	$7,989	$0

FY 1981 MUNICIPAL REVENUE SHARING ENTITLEMENTS (H2) FEBRUARY 22, 198

TOTAL ENTITLEMENT = $55,707,600

KEY	COMMUNITY	PUBLIC ROAD MILES	ICE ROAD MILES	HOSPITAL ENTITLEMENT	HEALTH FACILITIES ENTITLEMENT	HOSPITA CONST. A
1260	S WARD	18.35	0.00	$249,662	$143,805	$
1270	SKAGWAY	9.50	0.00	$0	$7,989	$
1280	SOLDOTNA	24.78	0.00	$0	$0	$
1290	UNALASKA	38.42	0.00	$0	$9,603	$
1300	VALDEZ	15.80	0.00	$278,818	$8,922	$
1330	WRANGELL	7.13	0.00	$240,640	$15,400	$
1360	YAKUTAT	3.31	0.00	$0	$7,989	$
SECOND CLASS CITIES						
5000	AKHIOK	4.00	0.00	$0	$0	$
5010	AKIACHAK	1.59	9.00	$0	$9,964	$
5020	AKIAK	0.00	0.00	$0	$9,964	$
5030	AKOLMIUT	0.00	44.75	$0	$19,928	$
5040	AKUTAN	0.00	0.00	$0	$0	$
5050	ALAKANUK	4.00	8.00	$0	$9,964	$
5060	ALEKNAGIK	0.00	0.00	$0	$9,603	$
5070	ALLAKAKET	2.70	0.00	$0	$0	$
5080	AMBLER	5.22	0.00	$0	$10,337	$
5090	ANAKTUVUK PASS	0.00	0.00	$0	$0	$
5100	ANDERSON	5.00	0.00	$0	$0	$
5110	ANGOON	5.18	0.00	$0	$0	$
5120	ANIAK	8.10	24.00	$0	$20,675	$
5130	ANVIK	0.00	0.00	$0	$10,337	$
5140	ATMAUTLUAK	0.00	0.00	$0	$9,964	$
5150	BETHEL	10.85	48.00	$0	$13 ,026	$
5160	BREVIG MISSION	0.00	0.00	$0	$,	$
5170	BUCKLAND	0.00	0.00	$0	$0	$
5180	CHEFORNAK	0.00	0.00	$0	$9,964	$
5190	CHEVAK	0.50	0.00	$0	$9,964	$
5200	CHUATHBALUK	4.00	6.00	$0	$10,337	$
5210	CLARK'S POINT	0.00	0.00	$0	$9,603	$
5220	DEERING	0.00	0.00	$0	$10,337	$
5230	DELTA JUNCTION	10.88	0.00	$0	$8,600	$
5240	DIOMEDE	0.00	0.00	$0	$0	$

FY 1981 MUNICIPAL REVENUE SHARING ENTITLEMENTS (H2) FEBRUARY 22, 1982

TOTAL ENTITLEMENT = $55,707,600

KEY	COMMUNITY	PUBLIC ROAD MILES	ICE ROAD MILES	HOSPITAL ENTITLEMENT	HEALTH FACILITIES ENTITLEMENT	HOSPITAL CONST. AI
6250	EAGLE	2.39	0.00	$0	$0	$
6260	EEK	0.00	0.00	$0	$0	$
6270	EKWOK	0.00	0.00	$0	$0	$
6280	ELIM	1.60	0.00	$0	$10,338	$
6290	EMMONAK	3.41	7.50	$0	$9,964	$
6300	FORT YUKON	13.50	0.00	$0	$0	$
6310	FORTUNA LEDGE	5.00	0.00	$0	$9,964	$
6320	GAMBELL	0.00	0.00	$0	$0	$
6330	GOLOVIN	0.00	0.00	$0	$10,337	$
6340	GOODNEWS BAY	0.00	0.00	$0	$0	$
6350	GRAYLING	0.00	0.00	$0	$0	$
6360	HOLY CROSS	4.00	0.00	$0	$10,337	$
6370	HOOPER BAY	0.00	0.00	$0	$0	$
6380	HOUSTON	30.75	0.00	$0	$0	$
6390	HUGHES	0.00	0.00	$0	$0	$
6400	HUSLIA	17.70	0.00	$0	$10,337	$
6410	KACHEMAK	0.00	0.00	$0	$0	$
6420	KAKTOVIK	0.00	0.00	$0	$0	$
6430	KALTAG	0.00	0.00	$0	$0	$
6440	KASAAN	0.00	0.00	$0	$7,422	$
6460	KIANA	2.20	0.00	$0	$10,337	$
6470	KIVALINA	0.00	0.00	$0	$0	$
6480	KOBUK	0.00	0.00	$0	$0	$
6490	KOTLIK	0.00	0.00	$0	$9,964	$
6500	KOTZEBUE	15.50	3.50	$0	$0	$
6510	KOYUK	1.79	0.00	$0	$10,337	$
6520	KOYUKUK	1.00	0.00	$0	$10,337	$
6530	LUPREANOF	0.00	0.00	$0	$0	$
6540	KWETHLUK	0.00	0.00	$0	$0	$
6550	LARSEN BAY	0.00	0.00	$0	$0	$
6555	LOWER KALSKAG	3.86	40.00	$0	$10,337	$
6560	MANOKOTAK	0.43	0.00	$0	$9,603	$
6570	MCGRATH	10.95	0.00	$0	$10,337	$
6580	MEKORYUK	0.00	0.00	$0	$9,964	$
6590	MOUNTAIN VILLAGE	3.50	18.00	$0	$9,964	$
6600	NAPAKIAK	2.48	0.00	$0	$9,9 4	$

FY 1981 MUNICIPAL REVENUE SHARING ENTITLEMENTS (H2) FEBRUARY 22, 198

TOTAL ENTITLEMENT = $55,707,600

KEY	COMMUNITY	PUBLIC ROAD MILES	ICE ROAD MILES	HOSPITAL ENTITLEMENT	HEALTH FACILITIES ENTITLEMENT	HOSPIT CONST. A
3610	NAPASKIAK	0.00	0.00	$0	$9,964	
3620	NEWHALEN	0.00	0.00	$0	$9,603	
3630	NEW STUYAHOK	0.00	0.00	$0	$9,603	
3640	NEWTOK	0.00	0.00	$0	$9,964	
3650	NIGHTMUTE	0.00	0.00	$0	$9,964	
3660	NIKOLAI	0.00	0.00	$0	$0	
3670	NONDALTON	1.50	0.00	$0	$9,603	
3680	NOORVIK	2.42	0.00	$0	$10,337	
3690	NULATO	5.80	0.00	$0	$10,337	
3700	NUIQSUT	0.00	0.00	$0	$0	
3710	OLD HARBOR	4.45	0.00	$0	$0	
3720	OUZINKIE	3.10	0.00	$0	$0	
3730	PILOT STATION	2.00	0.00	$0	$0	
3740	PLATINUM	0.00	0.00	$0	$0	
3750	POINT HOPE	0.00	0.00	$0	$0	
3760	PORT ALEXANDER	0.00	0.00	$0	$0	
3770	PORT HEIDEN	26.60	0.00	$0	$9,603	
3780	PORT LIONS	3.39	0.00	$0	$0	
3790	QUINHAGAK	1.25	0.00	$0	$9,964	
3800	RUBY	0.00	0.00	$0	$0	
3810	RUSSIAN MISSION	0.00	0.00	$0	$0	
3820	SAINT MICHAEL	0.00	0.00	$0	$10,337	
3830	SAINT PAUL	37.50	0.00	$0	$0	
3840	SAVOONGA	0.00	0.00	$0	$10,337	
3850	SAXMAN	3.20	0.00	$0	$0	
3860	SCAMMON BAY	1.25	0.00	$0	$0	
3870	SELAWIK	0.00	0.00	$0	$0	
3880	SHAGELUK	2.00	0.00	$0	$0	
3890	SHAKTOOLIK	3.50	18.00	$0	$10,337	
3900	SHELDON POINT	0.00	0.00	$0	$9,964	
3910	SHISHMAREF	1.98	0.00	$0	$0	
3920	SHUNGNAK	0.00	0.00	$0	$10,337	
3930	STEBBINS	0.00	0.00	$0	$10,337	
3940	TANANA	31.69	0.00	$0	$0	
3950	TELLER	2.69	0.00	$0	$10,337	
3980	TENAKEE SPRINGS	2.00	0.00	$0	$7,700	

FY 1981 MUNICIPAL REVENUE SHARING ENTITLEMENTS (H2) FEBRUARY 22, 1982

TOTAL ENTITLEMENT = $55,707,600

KEY	COMMUNITY	PUBLIC ROAD MILES	ICE ROAD MILES	HOSPITAL ENTITLEMENT	HEALTH FACILITIES ENTITLEMENT	HOSPITA CONST. AI
BOROUGHS AND SERVICE AREAS						
0010	ANCHORAGE A.W.	400.60	0.00	$463,885	$688,405	$5,483,87
0020	CITY S.A.	0.00	0.00	$0	$0	$
0030	EAGLE RIVER	25.99	0.00	$0	$0	$
0040	CHUGIAK	0.00	0.00	$0	$0	$
0060	GIRDWOOD	10.74	0.00	$0	$0	$
0070	GLEN ALPS	10.59	0.00	$0	$0	$
0080	FIRE S.A.	0.00	0.00	$0	$0	$
0090	ROADS & DRAINAGE	0.00	0.00	$0	$0	$
0095	LIMITED ROAD S.A.	0.00	0.00	$0	$0	$
0100	POLICE S.A.	0.00	0.00	$0	$0	$
0110	PARKS & REC	0.00	0.00	$0	$0	$
0120	P & R/CHUGIAK	0.00	0.00	$0	$0	$
0130	SOLID WASTE S.A.	0.00	0.00	$0	$0	$
0140	CHUGIAK/SOLID WASTE	0.00	0.00	$0	$0	$
0150	BUILDING SAFETY	0.00	0.00	$0	$0	$
0160	CITY SA ROADS & DRAINAGE	0.00	0.00	$0	$0	$
0170	SERVICE AREA 35	0.00	0.00	$0	$0	$
0175	UPPER O'MALLEY	14.60	0.00	$0	$0	$
0180	PORT OF ANCH.	0.00	0.00	$0	$0	$
0185	ROADS	58.16	0.00	$0	$0	$
0190	AIRPORT S.A.	0.00	0.00	$0	$0	$
0195	PUBLIC TRANSIT	0.00	0.00	$0	$0	$
0200	PARKING S.A.	0.00	0.00	$0	$0	$
0210	BRISTOL BAY BOROUGH	6.87	0.00	$0	$38,414	$
0230	FAIRBANKS BOROUGH	93.60	0.00	$0	$0	$
0240	ESTER F.P.	0.00	0.00	$0	$0	$
0250	NORTH STAR F.P.	0.00	0.00	$0	$0	$
0260	UNIVERSITY F.P.	0.00	0.00	$0	$0	$
0270	HAINES BOROUGH	0.00	0.00	$0	$0	$

DEPARTMENT OF HEALTH & HUMAN SERVICES
Public Health Service

Region X
M/S 239 Arcade Plaza Building
1321 Second Avenue
Seattle WA 98101

RECEIVED
MAR 22 1982
DSHPD

Ms. Phoebe Lindsey, Director
Division of State Health Planning & Development
Department of Health and Social Services
Pouch H 01A
Juneau, Alaska 99811

Dear Phoebe:

In response to your letter to Jack Whitney, a listing is provided below of the project and formula grants funded for Alaska, along with the dollar amount involved.

PROJECT GRANTS	NUMBER	AMOUNT AWARDED
Health Systems Agencies	3	$ 980,836
State Health Planning & Development Agencies	1	$ 442,551
Immunization, Financial Assistance	1	$ 130,188
Direct Assistance		$ 38,853
Venereal Disease, Financial	1	$ 155,392
Direct		$ 72,229
Community Health Centers	1	$ 560,535
General Community Health	1	$ 120,000
Family Planning	2	$ 310,239
Maternal & Child Health R/B	1	$ 422,012
Crippled Children's Services R/B	2	$ 141,000
Community Mental Health; Initial Oper.	1	$ 787,229
TOTAL PROJECT GRANTS	14	$4,161,064

FORMULA GRANTS		
Alcohol Formula	1	$ 182,238
Health Incentive	1	$ 38,300
Maternal & Child Health A Funds	1	$ 364,000
B Funds	1	$ 70,000
Crippled Children's A Funds	1	$ 175,100
B Funds	1	$ 70,000
TOTAL FORMULA GRANTS	6	$ 899,638
TOTAL OF ALL GRANTS	20	$5,060,702

If you need clarification of the above or any further information, please let us know.

Sincerely,

Rebecca J. Dyer

Rebecca J. Dyer, Director
Office of Grants Management

cc: Jack Whitney

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT

alaska state hospital association

319 Seward St., Juneau, Alaska 99801 • (907) 586-1790

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

Alaska State Hospital Association

Position Paper

Certificate of Need Repeal

The Certificate of Need program in Alaska (AS.07) should be repealed. It is both inequitable and unnecessary. Its basic presumption is that the Department of Health and Social Services can make better decisions for hospitals and nursing homes than can the facilities themselves.

Basic Issues

1. Equity

- While controlling non-state construction of skilled nursing facilities (SNF's) and intermediate care facilities (ICF's), the prgram exempts these beds constructed in Pioneers' Homes. Thus any determination of need based on the current program is flawed because forces external to the program can and have - in Anchorage, Juneau, and Ketchikan - altered the factual situation.

- Alaska Native Health Service and the Armed Forces facilities are also exempt from coverage. Their activities have a direct bearing on many other facilities in terms of both service area and referrals.

- Physician office construction and equipment purchase are also exempt.

The inequities are clearly illustrated in the Anchorage area: Providence Hospital, Humana Hospital, Nakoyia Health Care Center, Hope Cottages and the Alaska Treatment Center are included in the CON program while the Alaska Native Health Service Hospital, Elmendorf AFB Hospital, the Anchorage Pioneers's Home and the Diamond Emergency Center are not included. All of these facilities share the same basic service area.

2. Unnecessary

Market place economics and competition should be the determinant of capital expansion for health facilities. In Anchorage, the Municipal Health Commission as well as open board meetings provide the public input into a facility's planning process. In smaller communities the city council or borough assembly who own the facility provide the public input opportunity.

Alaska is a developing state of many isolated regions without any appeal for duplication of services or need to limit access to health care, which is the basic intent of the CON program.

3. Conformity

42 USC 300 m-(d) requires that states conform to the federal program or face a reduction of specified public health service funds.

- Conformity is not achievable without the inclusion of the Pioneers' Homes.

- There are 30 states, including New York and California as well as Alaska, which are not in conformity.

- The penalties have been deferred every year since passage. In December of 1982 they were deferred until October 1, 1983.

- The Reagan Administration is not supportive of continuing his program. Congress is working to create a state optional program without penalties. Thus the likelihood of imposition of penalties is remote at best and the across the board elimination of CON would not change Alaska's current status.

4. Other States

- Louisiana does not have a certificate of need law.

- According to the American Hospital Association, 30 states currently do not conform.

- At least seven states have termination clauses or specific sunset provisions.

5. Attachments

- Alaska State Hospital Association Policy Paper on Repeal of Certificate of Need

- Providence letter to Mayor Knowles explaining opposition to CON.

- U.S. Department of Health and Human Services letter to Dennis DeWitt discussing Alaska's non-conformity.

(Attachments cont.)

- Alaska Department of Administration letter to Representative Don Clocksin discussing Pioneers' Homes exemption, conformity problem, and potential for penalties.

- 42 USC 300m-(d)

- Alaska Department of Health and Social Services letter to Representative Mike Beirne indicating lack of compliance with federal program.

- Alaska State Medical Association Resolution calling for the repeal of certificate of need.

- Alaska State Hospital Association letter to Stevens on CON repeal.

- Governor Sheffield's response to the Association letter to Senator Stevens.

alaska state hospital association

319 Seward St., Juneau, Alaska 99801 • (907) 586-1790

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

POLICY STATEMENT

CERTIFICATE OF NEED

Position: The Alaska State Hospital Association advocates the repeal of the certificate of need (CON) law, AS 18.07.

Rationale: The CON process has proven costly, wasteful, and unnecessary. The program has become excessively bureaucratic to the point that it undermines economic incentives throughout the decision-making process and so increases the cost of capital projects it takes valuable dollars from patient care. The certificate of need process also removes community control from local jurisdictions in respect to municipally-owned facilities and local advisory boards in respect to corporate ownership.

A alternative approach to state control would permit marketplace economics to control expansion and would rely on local decision-makers to make decisions for their own communities. We see a value in state government continuing its planning function with input from regional and local groups.

Note: This does not contemplate repeal of construction or licensure standards.

ALASKA STATE MEDICAL ASSOCIATION
707 Laurel Street • Suite 1 • Anchorage, Alaska 99504 • (907) 277-6891

ADOPTED BY THE ALASKA STATE MEDICAL ASSOCIATION HOUSE OF DELEGATES AT ITS ANNUAL MEETING IN FAIRBANKS, ALASKA JUNE 8, 1982

RESOLUTION NO. 82-23

SUBJECT: Certificate of Need

WHEREAS, the certificate of need process has increased the cost of health care rather than reduced it; and

WHEREAS, the certificate of need process has wreaked havoc upon the orderly development of hospitals in Alaska, therefore

BE IT RESOLVED, the Alaska State Medical Association urges and encourages the Legislature to repeal the certificate of need law.

DISTRIBUTION: Legislature
Alaska State Hospital Association
Press

#1

Dec Dennis Knowles

PROVIDENCE HOSPITAL

SISTERS OF PROVIDENCE

SERVING IN THE WEST SINCE 1856

3200 PROVIDENCE DRIVE - POUCH 6604
ANCHORAGE, ALASKA 99502
PHONE: (907) 276-4511

December 27, 1992

Mayor Tony Knowles
Municipality of Anchorage
Pouch 6-650
Anchorage, Alaska 99502

Dear Mayor Knowles:

Thank you for the opportunity on December 13 to share Providence's plans and some of our concerns with you.

One point came up during our discussion regarding Certificate of Need (CON). I would like to elaborate for you in more detail why the health care providers in Alaska oppose CON and have so strongly supported its repeal.

As you know, the CON law was passed in this and most other states as a requisite to receive Federal funds. The major impetus for the law were:

1. Excess hospital beds in many large cities, and
2. rising health care costs.

The belief was that by controlling the number of beds, capital expenditures and new services, costs would be contained. The results have been much less than desired throughout the country. The law is cumbersome, wasteful and, in fact, costly.

The lack of "success" is especially true in Alaska for some basic reasons:

1. The process which the law sets in place is cumbersome and wasteful. The institution must:
   - submit a letter of intent at least 60 days prior to an application (for no apparent reason);
   - submit an elaborate, repetitive application (most are well over 100 pages). There are 12 separate "criteria" which must be addressed in any application;
   - wait to be declared complete (minimum 20 days; several of our applications were delayed months);
   - then go through a 90-day review process--with three or four public meetings.

2. The costs of CON to the institution are enormous to prepare this cumbersome document (at least 35 copies) and submit to the minimum 110-day process. There are also the institutional costs of delaying implementation and watching the price of a piece of equipment or construction project increase several percent points with inflation.

   The cost to the public is also great in the state, regional and local staff needed to coordinate the program, prepare staff analyses and hold public meetings.

3. The dollar limit for what must be reviewed has been ridiculously low--$150,000. The federal law has allowed that limit to be raised to $400,000 and $600,000 although the Alaska legislature failed in its last session to raise the limits. Some states have raised the limit to $1 million or more. To have a limit of $150,000 or even $600,000 when the hospital's annual operating budget is $75,000,000 (such as Providence's) is overkill.

   In just 1982 alone, Providence has prepared 6 CON applications, including two equipment replacements (for a CT Scanner and a Cath Lab), a $250,000 computer enhancement for an x-ray machine and most absurd, a $167,000 replacement incinerator (25 years old, replacement required by State and EPA codes!). The State did not give final approval on the incinerator until the 90th day.

4. The law itself is overkill in Alaska. Designed for areas of heavy population, excess hospital beds and competition, the law does not work for Alaska for several reasons:

   - The law only covers private facilities--not public health, nor state owned (API or Pioneer Homes), nor military.

   - Alaska has only one city with more than one hospital and only three private ("eligible") hospitals of over 100 beds.

5. The law is reactive to existing decision making processes. Most hospitals in the State already have local public review and approval designed in their own budget review processes. Many hospitals are owned by municipalities, and all have governing or advisory boards of local citizens. These citizens should have control of the expansion and budgetary decisions of their own institutions. Several other layers are unnecessary. Hospitals and their boards are capable of making sound financial and program decisions.

As the attached Policy Statement of the Alaska State Hospital Association (ASHA) notes, we are supportive of state and local planning for the health care needs. The process should be positive and proactive-- encouraging institutions to respond to needs in the community rather than reactive, cumbersome and negative.

We encourage the city to support the ASHA position on repealing the state CON law. Your own Municipal Health Commission is a strong local planning body which helps identify health needs and encourages solutions. It also serves to review public expenditures in health. Those roles are appropriate. It should be freed from the cumbersome CON review.

Thank you for giving me the opportunity to share our concerns with you.

Best wishes for a presperous 1983.

Sincerely,

Al M. Camosso
Administrator

Enclosure

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C
JUNEAU, ALASKA 99811

465-2200

May 29, 1981

Honorable Donald E. Clocksin
Chairman, Health, Education and
Social Services
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Clocksin:

This is in response to your request to put in writing my verbal testimony before your committee on CSSB 225. I will try and confine my remarks to the major issues.

Administration's position is that the Legislature has always implicitly exempted Pioneers' Homes from the certificate of need program. The Senate has concurred with this position as evidenced by CSSB 225. We are asking that the House members be afforded the same opportunity to express their will as the Senate.

There appears to be some confusion existing with the recent State Supreme Court decision of South Central Health Planning and Development, Inc. vs the Department of Administration, on certificate of need. At issue was whether or not the Legislature exempted Pioneers' Homes from certificate of need. The court found that there is no language in State statutes which can reasonably be read as exempting skilled nursing facilities from the certificate of need process when they are contained in Pioneers' Homes. Consequently, whether or not the Legislature intended to exempt Pioneers' Homes now becomes moot. The Legislature's intent can now be established only through the legislative process of amending existing law to allow this exemption.

There has been a substantial amount of discussion centering around the need for proper planning so that health facilities in Alaska are not overbuilt. This is an admirable and worthy objective, and I can assure you that this Department supports health facility planning. However, the existing system under the certificate of need program is fraught with inequities and frustrations; further, it does not represent a comprehensive planning effort.

There are three providers of health facilities; the federal government, the State government, and the "private sector." However, the federal health facilities don't come under the certificate of need program, and in most states this wouldn't pose any problem. The military contingent in California, for instance, would represent a small portion of the state's total population and as such would not greatly impact the planning process for certificate of need. In Alaska, the opposite is true. The federal government is a major provider of health care and facilities. Roughly one-fourth of the state's population are eligible to use federal health facilities (military base, Public Health, Indian Health, etc.). This has a devasting effect on trying to logically plan for state and "private sector" health facilities when a critical component is missing.

In addition, if we look closely at the "private sector" we see that it is not truly private. A substantial portion of the revenues of private nursing homes and health facilities originate through state and federal programs. State and federal rules, regulations, requirements, and laws, guide and govern, in minute detail, the construction and operation of private health facilities. This includes the proper ratios of professional staff to patients, the type of equipment allowed, size of hallways, reporting procedures, and many others. In effect, the "private sector" is part of the "public sector." Consequently, the charge that the State, through the establishment of Pioneers' Homes, is unfairly competing with the private sector is a fallacious argument.

There has also been considerable discussion on the impact of granting Pioneers' Homes an exemption from certificate of need as it relates to federal programs. Mr. Vern Perry, Director of the Division of Pioneers' Benefits spoke with Mr. Jim Egan, Regional Project Officer of the Office of Health Planning, Region X, U. S. Department of Health, Education and Welfare, on Wednesday May 27, regarding the certificate of need program.

QUESTION: What effect would there be on the State of Alaska if Pioneers' Homes were exempted from the certificate of need program?

ANSWER: It would have no effect on medicare, medicaid, AFDC or Indian Health Service. It could only affect categorical programs such as alcoholism, EMS, Neighborhood Health Clinics, Mental Health Clinics, Day Care, etc.

QUESTION: Would the federal government actually discontinue such programs as alcoholism and mental health if Pioneers' Homes were exempted from the certificate of need program?

ANSWER: No! Absolutely not. In his opinion, under the new administration, there would be no federal sanctions whatsoever in health care programs, especially since the responsibility for this is being turned over to the states.

Further, discussions were held with the States of California and Washington regarding their certificate of need programs. In California, Mr. Ken Umbach (916/323-6955) of the Office of Statewide Health Planning and Development was contacted. He stated that California has been out of conformance with the federal certificate of need program since 1969. Their latest date for coming into conformance is October. He stated that if they did not meet the deadline that the feds would probably extend it. Mr. Jim Bettridge of Washington Health Care Facilities Authority (206/753-6185) indicated that the feds were withdrawing total support from the certificate of need program by 1983.

These conversations indicate that:

i. The federal government is not inclined to impose sanctions on a State for nonconformance with the certificate of need program;

ii. There are states which are nonconforming, and have been nonconforming for a number of years, on which federal sanctions have not been imposed; and

iii. The federal government is withdrawing total support for the certificate of need program by 1983. If the state wants to continue a planning process for health facility development it will have to provide for the process by using General Funds monies. Based on the aforementioned problems, now would be the appropriate time to revise this planning process to make it more meaningful.

Finally, a compromise position has been mentioned in which the new nursing wing at the Anchorage Pioneers' Home and the new Pioneers' Home in Ketchikan would be totally grandfathered into law and not made subject to certificate of need. This compromise does not address a truly complex problem.

The Fairbanks Pioneers' Home presently is serving twelve skilled nursing beds in unlicensed beds. Unless a certificate of need is issued which allows licensing of these beds, these twelve pioneers would have to be discharged.

The Fairbanks and Palmer Pioneers' Homes are full to capacity with skilled nursing patients at the present time. If we are to accommodate anticipated need in the near future, additional skilled nursing facilities will have to be constructed within the next few years. This expansion would be impossible unless a certificate of need is issued.

The Department of Health and Social Services, in recent licensing inspections, has advised a significant number of residents in the ambulatory sections of all the Pioneers' Homes should be designated intermediate care patients. Intermediate care requires both a certificate of need and a significant increase in staffing, installation of call buttons or other signalling devices, and closer attention to patients when taking medications, etc. The number of patients which might be considered in need of intermediate care are: thirty at Sitka, twenty at Fairbanks, twenty at Palmer and forty at Anchorage (in the new wing).

Funding to provide intermediate care was not included in the FY 82 operating budget. Although a dollar figure is not available at the present time, a significant increase will be necessary if we must comply with the certificate of need program. Passage of SB 225 would eliminate this situation.

In summary:

1. Administration believes the Legislature had always intended to exclude Pioneers' Homes from certificate of need;

2. The certificate of need process is not appropriate for Alaska;

3. There needs to be planning for health care facilities and a more responsive process needs to be developed;

4. Grandfathering the nursing wing at Anchorage and the new Pioneers' Home at Ketchikan will not solve the complex problems existing at the Fairbanks, Palmer, and Sitka Pioneers' Home; and,

5. Passage of CSSB 225 will eliminate the potential for pain and suffering by allowing Pioneers' Homes residents to remain in their home.

If I can be of any further assistance to you or your committee, please give me a call.

Sincerely,

Frederick B. Muller
Deputy Commissioner for
Personnel Management

FBM/mjc
cc: Honorable Charles Parr
Honorable Robert Ziegler
Honorable Jalmar Kerttula
Honorable Patrick Rodey
Pioneers' Homes Advisory Board
Dennis Dewitt, Executive Director
Alaska State Hospital Association

accordance with subsection (b)(2), or (b)(3) of this section (as the Secretary determines appropriate), enter into another agreement with the Governor for the designation of a State Agency.

Failure to designate State Agency within specified period; reduction in allotment, grant, loan, loan guarantee, or contract

(d)(1) If an agreement under subsection (b)(3) of this section for the designation of a State Agency for a State is not in effect upon the expiration of—

(A) the fourth fiscal year which begins after 1975; or

(B)(i) if the legislature of the State is in a regular session on December 17, 1980 and the legislature will be in session for at least twelve months from such date, twenty-four months from such date, or

(ii) if the legislature of the State is in session on December 17, 1980, but twelve months do not remain in such session after such date or if the legislature of the State is not in session on such date, twenty-four months after the beginning of the first regular session of the legislature beginning after such date,

whichever occurs later, the Secretary shall take the action prescribed by paragraph (2).

(2) If upon the expiration of the period applicable under paragraph (1) an agreement is not in effect for the designation of a State Agency for a State, the Secretary shall until such an agreement is in effect take the following action:

(A) During the first twelve months after the date of the expiration of the applicable period, the Secretary shall reduce by 25 percent the amount of each allotment, grant, loan, and loan guarantee made to and each contract entered into with an individual or entity in such State during such period under this chapter or the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970.

(B) During the second twelve months after such expiration date, the Secretary shall reduce by 50 percent the amount of each such allotment, grant, loan, loan guarantee, and contract.

(C) During the third twelve months after such expiration date, the Secretary shall reduce by 75 percent the amount of each such allotment, grant, loan, loan guarantee, and contract.

(D) After the expiration of thirty-six months after such expiration date, the Secretary may not make or enter into any such allotment, grant, loan, loan guarantee, or contract.

(July 1, 1944, c. 373, Title XV, § 1521, as added Jan. 4, 1975, Pub.L. 93-641, § 3, 88 Stat. 2242, and amended Aug. 1, 1977, Pub.L. 95-83, Title I, § 106(*l*), (m), 91 Stat. 385; Dec. 19, 1977, Pub.L. 95-215, § 6(b), 91 Stat. 1507; July 16, 1979, Pub. L. 96-33, 93 Stat. 86; Oct. 4, 1979, Pub.L. 96-79, Title I, § 123(a), (b)(1)(A), (2), (d), (f), (g)(2), 93 Stat. 624-627; Oct. 17, 1979, Pub.L. 96-88, Title V, § 509(b), 93 Stat. 695; Dec. 17, 1980, Pub.L. 96-538, Title III, § 303(b), 94 Stat. 3190; Aug. 13, 1981, Pub.L. 97-35, Title IX, §§ 902(g)(5), 936(b), 95 Stat. 561, 572.)

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES
OFFICE OF THE COMMISSIONER

POUCH H 01
JUNEAU, ALASKA 99811
PHONE: 465-3030

May 10, 1982

The Honorable Mike Beirne
Chairman
House HESS Committee
Alaska State House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Rep. sentative Beirne:

I am enclosing a Program Policy Notice we recently received from the Bureau of Health Planning in the U. S. Department of Health and Human Services. This Notice emphasizes that states which do not have State Health Planning and Development Agencies which fully comply with federal requirements will lose federal support for health planning efforts and will also lose most federal Public Health Service dollars. Alaska currently receives some $5 million annually in such federal funds. Our lack of compliance would result in one quarter of these funds being withheld for four years until certain federal public health service funds are no longer available to Alaska.

We appreciate the hearing you conducted on House Bill 195. We believe this bill, with the amendments we offered, would bring our State Health Planning and Development Agency into full compliance with federal requirements. Your assistance in helping to move this legislation would be very much appreciated.

We appreciate your assistance and support in this matter.

Sincerely,

Helen D. Beirne

Helen D. Beirne
Commissioner

Enclosure

cc: Phoebe A. Lindsey

P38LH

ALASKA STATE MEDICAL ASSOCIATION
4107 Laurel Street • Suite 1 • Anchorage, Alaska 99504 • (907) 277-6891

ADOPTED BY THE ALASKA STATE MEDICAL ASSOCIATION HOUSE OF DELEGATES AT ITS ANNUAL MEETING IN FAIRBANKS, ALASKA JUNE 8, 1982

RESOLUTION NO. 82-23

SUBJECT: Certificate of Need

WHEREAS, the certificate of need process has increased the cost of health care rather than reduced it; and

WHEREAS, the certificate of need process has wreaked havoc upon the orderly development of hospitals in Alaska, therefore

BE IT RESOLVED, the Alaska State Medical Association urges and encourages the Legislature to repeal the certificate of need law.

DISTRIBUTION: Legislature
Alaska State Hospital Association
Press

alaska
state
hospital
association

319 Seward St., Juneau, Alaska 99801 • (907) 586-1790
REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

November 4, 1982

The Honorable Ted Stevens
United States Senate
Washington, D.C. 20510

Similar letter sent to:
Senator Murkowski and
Congressman Young

Dear Senator Stevens:

As you are well aware the State of Alaska is not in conformity with the National Health Planning and Development Act and without federal action in 1982 faces penalties in grant monies under the Public Health Service Act and the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970. To avoid this penalty it is imperative that Congress repeal 42 U.S.C. 300m-(d) (copy attached).

This Association as well as the Alaska State Medical Association (resolutions attached) are opposed to the continuation of the state Certificate of Need law. Both are committed to its repeal in 1983. Repeal of 42 U.S.C. 300m-(d) will greatly assist our efforts.

We have communicated our support for various measures considered by this Congress to restructure the federal law. It appears however, that a full reform may be a consideration which must be left to the next Congress. If that is so, it is imperative that you secure repeal of 42 U.S.C. 300m-(d) before the current Congress adjourns in December.

All of those concerned with this issue including Congressman Waxman, the National Governors Conference, the American Hospital Association, etc., agree on removing sanctions against states which do not conform to the federal program. The notion of further delay of the sanctions does not assist anyone, it simply prevents states such as Alaska from dealing with its own law on anything beyond a temporary basis.

For these reasons we urge you to secure the repeal of 42 U.S.C. 300m-(d). This will permit the legislature of the State of Alaska to deal with its law in whatever manner it deems appropriate. Further, we urge that this repeal be secured prior to the adjournment of the 97th Congress.

Sincerely,

Dennis L. DeWitt
President

DLD:lf
cc: Friday Mailing
Alaska State Medical Society
Governer Jay Hammond
Governer Elect Sheffield
Lt. Governer Terry Miller
Lt. Governer Elect McAlpine
American Hospital Association - Lynn Hart
Federation of American Hospitals

BILL SHEFFIELD, GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

December 22, 1982

Mr. Dennis L. DeWitt
President
Alaska State Hospital Association
319 Seward Street
Juneau, Alaska 99801

Dear Mr. DeWitt:

Thank you for sending me a copy of your letter to Senator Stevens regarding the state Certificate of Need law.

As you know, I am in agreement with you in your opposition to this law. Please keep me posted as to what I can do to change the law in Alaska.

Best regards.

Sincerely,

Bill Sheffield
Governor

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

PROVIDENCE
HOSPITAL

3200 PROVIDENCE DRIVE - POUCH 6604
ANCHORAGE, ALASKA 99502
PHONE: (907) 276-4511

SISTERS OF
PROVIDENCE

SERVING IN THE WEST SINCE 1856

March 22, 1983

The Honorable Donald Clocksin
House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Clocksin:

We read with interest your article on hospital expansion in the March 14 issue of the Anchorage Daily News.

Several issues and statistics were addressed in the article. There were some significant errors. Evidently, we have failed to let you know all the facts about Project 90 and we would like to clear up some of the errors and misconceptions, especially as the legislature proceeds to consider a number of health care issues. Attached is a fact sheet which highlights some of the most important points.

We would encourage you to come and visit us sometime soon when you are in Anchorage. It would be a pleasure to discuss your concerns, share our plans, show you the crowded conditions at the hospital and explore the needs we foresee in the years to come.

Please contact me or Chris Beardsley at any time; we will set up a tour and meeting time. Thank you for your consideration of these comments.

Sincerely,

Al M. Camosso
Administrator

PROJECT 90 UPDATE FACT SHEET
IN RESPONSE TO THE HONORABLE DONALD CLOCKSIN'S
LETTER OF MARCH 14, 1983, IN THE ANCHORAGE DAILY NEWS

1. Providence's expansion, Project 90, is a totally integrated program to keep pace with the growing demands of Alaskans for highly specialized hospital care provided by this major referral center.

   As a prudent and responsible institution and community asset, Providence would only open and staff the patient care beds and units as needed. However, some of those units are needed right now. The hospital is so full that we are experiencing inverse efficiency and tremendous patient and community disruption. For example, elective surgery is often cancelled because there are no beds. Patients are transferred from room to room to accommodate emergencies of more critical patients.

2. The Providence and Humana projects are very different. One project (Humana) is primarily adding beds, the other (Providence) includes significant expansion to the ancillary departments, laboratory, surgery, radiology, etc.

   The most accurate way to compare construction costs of projects is to compare the cost per square foot, not cost per bed. Project 90 would add 270,000 new and remodeled square feet. Humana would add 86,525 square feet.

   Cost estimates done by an independent Alaskan contractor familiar with projects of this size, estimated Project 90 to cost $286 per square foot (in 1984 dollars). This estimate is below our Certificate of Need estimates of $296 per square foot.

   To further put these figures in context, these 1984 estimates were compared with two recent health facility projects. Using 1980 dollars, the extended care facility at the Anchorage Pioneer Home had projected costs of $250 per square foot. The Anchorage Neighborhood Health Center, a project far less complicated or sophisticated than a medical referral center, had projected costs of $210 per square foot.

3. Providence Hospital has a policy of funding depreciation and earning an amount for growth and development. These funds, funded depreciation and growth and development, are used to replace and add equipment and facilities and to introduce new technology to enable the hospital to continue to render effective and efficient services in accordance with the needs of the community and state on a solvent basis. These funds have been invested prudently and earned interest. The total of these funds is a community asset. Providence has accumulated $20 million, not $55 million, in the past several years which will become the equity in financing Project 90 and will help keep rate increases to patients at a reasonable level.

4. Projections which include the use of $46 million of State funds for building Project 90 need to be revised as they are now dated.

   Although current law (29.90) established eligibility for hospitals to receive State construction revenue sharing funds after completion of a project, Providence Hospital did not include any amount of that construction aid in the projected rates (charges to the patient). These rates include debt financing cost independent of State aid. If funds were received, they would be used to retire debt, therefore reducing operating expense and lowering the charges to the public.

   Since submitting the Certificate of Need application in July, 1982, Providence and the State Hospital Association have urged repeal or suspension of the Certificate of Need law and we also have recommended repeal or suspension of the Alaska Statute 29.90, construction revenue sharing program.

5. The average per diem rate increase from 1979 through 1982 has been 11.4%, well below the 18% quoted in March 14 letter. Rate increases between 1983 and 1990, including Project 90 costs, are projected to average less than 9% per year (see the Certificate of Need Application Section VII, Statistics and Ratios).

6. If both hospitals build, the total number of civilian, non-Native beds in Anchorage would be 692, including 40 rehabilitation beds. There would only be an "excess" of 83 beds over the 606 beds estimated by the HSA, not 170 as stated in the March 14 letter. That 692 is, in fact, below the 3.5 beds per thousand population maximum allowed by the State Health Plan.

7. Providence and Humana Hospitals have just gone through the entire Certificate of Need process so strongly advocated by some. This process included over 30 hours of public meetings and hearings, involving a Project Review Committee, Anchorage Municipal Health Commission and the HSA Board. At the end of that extensive process, these bodies either could not or did not answer the many complex questions posed or they concluded that both projects should be approved.

In conclusion, to put the Alaskan situation in a national context, Alaska is ranked last of all 50 states in the increases in hospital expenses, both by per capita and by patient admissions, according to the annual survey of hospitals conducted by the American Hospital Association. Alaska also has the shortest length of stay in a hospital and the fewest beds per capita of any state.

The National Center for Health Services Research has recently completed an economic study of the relationship of hospital operating costs to capital investments. Results show that operating costs lag behind investment, so that the full operating cost increase is not realized until after the first year that a new capital asset is completed or brought on-line. The average annual gain in operating costs is 22¢ for each dollar of capital investment, about 12¢ of which stems from increased non-labor costs resulting from expanded hospital purchases of supplies, services, and energy. Rising labor costs account for the remainder and they are due to increased hospital employment made possible by new capital expenditures. ~~There also is a difference according to type of investment: a dollar spent on equipment will generate greater future operating~~ The report concludes that each dollar invested in capital improvement over a 10-year period will result in average additional operating costs with a present value of $1.84. This $1.84 figure does not include depreciation or debt service and is a quick means of estimating the annual operating costs related to a capital expenditure.

Using the $1.84 figure to estimate the annual operating cost for the two Anchorage projects provides estimates of annual operating cost increases of $147,000,000 for Humana Hospital and $341,533,000 for Providence Hospital.

Providence (projected ~~construction~~ costs allocated by program as a percentage of total cost

		Construction	Operating
Medicaid	8%	14,849,280	
Medicare	9%	16,705,440	
Commercial Ins.	59%	109,513,440	
Blue Cross	16%	29,698,560	
Kaiser	2%	3,712,320	
Aetna	2%	3,712,320	
Other	4%	7,424,640	
	100%	185,616,000	

		Const. Humana	Operating
Medicaid	6%	3,356,320	
CHAMPUS	3.5%	1,959,020	
Medicare	9%	5,027,460	
Medicaid	1.2%	671,[illegible]	
Commercial Ins.	39.1%	21,[illegible]	
Blue Cross	14.7%	7,236,0[illegible]	
Aetna	8.5%	4,921,[illegible]	
Champus	18%	447,77[illegible]	
Other	17.5%	9,7[illegible]	
	100.1%		

Total 55,972,[illegible]

alaska state hospital association

319 Seward St., Juneau, Alas' - 99801 • (907) 586-1790

REPRESENTING ACUTE, LONG TERM AND OU ATIENT FACILITIES

RECEIVED

MAR 2 8 1983

March 28, 1983

Josephson,

The Honorable Bill Sheffield
Governor
State of Alaska
Pouch V
Juneau, Alaska 99811

Subject: Senate Bill 85.

Dear Governor Sheffield:

I have reviewed the Committee Substitute for SB85 with the Executive Committee of the Alaska State Hospital Association and can inform you of our support for this Committee Substitute. This omnibus legislation addresses Certificate of Need, prospective payment for Medicaid and GRM, and revenue sharing in a manner acceptable to us on the whole.

While this bill does not repeal Certificate of Need, we are confident that the experience gained over the next 7 years will prove the point we have been making as to its uselessness. The prospective payment portion embodies an independent commission approach, basic principles of reimbursement, and a fair appeals mechanism. The suspension of Capital Revenue Sharing for 7 years is consistent with our committment that CON and Capital Revenue Sharing should be dealt with on the same basis. Capping operational revenue sharing at $250,000 per facility is in our judgement appropriate in the context of this bill.

While this measure does not accomplish totally our desire, we believe it merits your support as well as ours. This will, over the long run, accomplish our mutual goal of improving health care delivery with sensitivity to both cost and quality. The Alaska State Hospital Association respectfully requests your support for CSSB85(HESS).

Sincerely,

Dennis L. DeWitt
President

DLD:hb

cc: Senator Joe Josephson
Larry Crawford
Allen Blume

Health, Education and
Social Services Committee

Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811
465-4907
465-4908

January 21, 1983

re: Certificate of Need

Mr. Ronald A. Pavellas
Executive Director
Humana Hospital Alaska
2801 DeBarr Road
Anchorage, Alaska
99508

Dear Ron:

Thank you for sharing with me a copy of your letter of the 19th to Governor Sheffield. I read your letter with interest.

Truth to tell, I was unaware that the Task Force had apparently not been supported of the abolition of the Certificate of Need.

As you know, Dr. Fritz has sponsored legislation in the House. You can be sure that the Senate Committee on Health, Education and Social Services will attempt to give the fullest consideration to his proposal, or a Senate bill to the same effect.

Best wishes.

Sincerely,

Joe P. Josephson

January 19, 1983

Governor Bill Sheffield
State Capitol Building
Juneau, AK 99811

Dear Governor Sheffield:

I served on your Transition Task Force on Human Services, representing The Alaska State Hospital Association.

Upon reading the final published report, I was dismayed to see the recommendation regarding the State's "Certificate of Need" law.

I wish to be on record personally, professionally, and as a representative of The Alaska State Hospital Association that I am in complete disagreement with the recommendation (#6).

My input to the Task Force's work was clear: I was in favor of completely eliminating the "Certificate of Need" law, statutes and administrative machinery. I did not see the final draft of the recommendation and, therefore, did not vote on it. It is not my recommendation.

I did enjoy assisting in your transition to power, and have the highest respect for the people with whom I worked on the Task Force. I just need to make my position clear on this one issue.

Sincerely,

Ronald A. Pavellas

Ronald A. Pavellas
Executive Director

RAP:jb
cc: Dennis DeWitt, President, Alaska State Hospital Assn.
Robert Smith, Commissioner of Health & Social Services
Mae Tisher, Chairman, House H & SS Committee
Joe Josephson, Chairman, Senate H & SS Committee
Ilene Sackett

As has been previously noted, even though the promotion of competitve pricing may have great merit, no acceptable transistion plan has as yet been identified. When and if an acceptable plan is identified, several years may be required to implement the necessary changes. Health care care economists conservatively estimate the implementation period to be 10-20 years. Competition in the health care field presently exists in a very different form from that of competitive pricing in the general economy. The present competition in health care relates primarily to the ability of a health facility to attract physicians and to secure a greater share of the health care market.

This type of competition does not promote cost containment, but in the absence of the Certificate of Need program can be expected to sharply increase the cost of health care in Alaska. The cost of any constructed health care beds, whether utilized or not, will be considered in determining the rates to be charged for hospital services.

In the more rural areas of the state, recognition of "construction competition" is perhaps more difficult to identify, but nevertheless does exist. The 1982 Inventory and Evaluation of rural Alaskan health care facilities identified many deficiencies in existing rural health facilites which will require new construction and/or renovation. As the rural facilities are planning for this new construction, a trend is developing among those plans toward construction of replacement or renovated facilities which make it possible to offer more specialized services within the community. The proposed Cordova facility, for example, is planned to provide a capability to offer a justifiably higher level care, thereby, obviating the present need to travel to Anchorage for some specialized services. Since Anchorage facilities have been available to provide specialized services to the residents of Cordova it can be said that the proposed construction is in competition with the Anchorage facilities for the offering of those specialized services.

Some of the rural hospitals are assessing the possiblity of becoming regional referral centers for certain specialized services. Most communities believe it is desirable to have as many specialized services available locally as is practical. In order to make the provision of specialized services feasible, a rural facility will find it necessary to secure patients needing the specialized services emanationed from beyond its present service area.

Another facet of construction competition is the race for State funding. One of the responsibilites of the Health Resources Development Section of the Division of State Health Planning and Development has been to produce a six-year construction plan for rural health facilities which includes a rational plan for state financial assistance for the construction of hospitals, nursing homes, and intermediate care facilities. Competition for State funding of health facilities construction has been evident since the 1960s and has steadily increased in following years.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT

Law Department
151 Farmington Avenue
Hartford, CT 06156

James E. Brown
Counsel
Government Relations
(203) 273-0343

February 14, 1983

Senator Joe Josephson, Chairman
Health, Education and Social Services Committee
State Capitol
Juneau, Alaska 99811

Dear Senator Josephson:

It is my understanding that your committee will be considering S. B. 85, An Act Repealing the Certificate of Need Program, at a hearing to be held on Wednesday, February 16, 1983. While it is not possible for me to attend in person, I would appreciate your reviewing the enclosed statement in opposition to this bill and entering it into the hearing record.

On behalf of the Ætna Life Insurance Company, I thank you for considering our comments.

Sincerely,

JEB/jem

Enclosure

RECEIVED
FEB 17 1983
Josephson

STATEMENT OF

ÆTNA LIFE INSURANCE COMPANY

IN OPPOSITION TO

S.B. 85

As a major writer of commercial health insurance, the Ætna Life Insurance Company has for years been deeply concerned about health care cost increases and has consistently supported viable health planning programs. We strongly oppose S.B. 85, An Act Repealing the Certificate of Need Program. We believe that enactment of this legislation would represent a large step backward in Alaska's effort to realize an efficient and effective health care delivery system.

Health planning is one of the elements in the armamentarium of programs that are necessary to help in the reduction of the escalation of health costs and to ensure that the health care delivery system of the future is one that has been rationally and systematically planned.

We feel that it is most important that there be a mechanism in place for participation in the planning and development of health programs to improve the distribution of health services, ensuring that services are available to those citizens who need them, while restricting the investment in unnecessary facilities and services.

An important portion of a viable health planning program is state certificate of need legislation. We find it is essential to have such legislation in order that the necessity of capital expenditures can be determined, because of the two-pronged effect on the growth of health care costs. In the short run, the purchase, installation, and financing of expenditures increases annual health care expenditures. In the long run, operation and maintenance of capital expenditures continue to add to health care costs, to increased use of highly skilled labor (for maintenance and operation) and non-labor inputs (i.e., energy, supplies, etc.).

It has been estimated that every dollar of capital investment adds an additional 50¢ to annual operating cost. An important element in today's economy, which has had a dramatic effect on health care costs related to capital expenditures, is the interest rate now being charged on the finance debt. Efforts must be made to ensure that all capital expenditures made today are necessary and consistent with the goals of Alaska's Health Systems Plan and necessity for such expenditures.

Alaska's Certificate of Need Program is an important tool for implementation of the area health plan. We urge that this program be continued.

Alaska State Legislature RECEIVED FEB 15 1983

SENATOR
DON BENNETT
P.O. BOX 2801
FAIRBANKS, ALASKA 99707

Senate

LEGISLATIVE ADDRESS
POUCH V - STATE CAPITOL
JUNEAU, ALASKA 99811

February 11, 1983

J.B. Carnahan
President, Northern Alaska Health Resources Association, Inc.
529 5th Avenue, Suite 6
Fairbanks, Alaska 99701

Dear Mr. Carnahan:

Thank you for your letter concerning legislation that would repeal the requirement for a certificate of need for health facilities.

SB 85, the Senate version of this legislation, is now before the Committee on Health, Education and Social Services and has a further referral to the Committee on Community and Regional Affairs. HB 19, the comparable House bill, is before the HESS Committee right now.

In the past I have observed major problems and delays associated with certificate of need procedures, however, I do agree with your assessment that some form of review process is preferable to a Laissez faire policy.

I appreciate knowing of your opinion on this issue and hope you will feel free to contact me on matters of importance to you.

Best Regards,

Senator Don Bennett

DB/jrk

Alaska State Legislature

House of Representatives

Office of The Majority Leader

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

February 14, 1983

Mr. J.B. Carnahan, President
Northern Alaska Health Resources
Association, Inc.
529 Fifth Avenue, Suite 8
Fairbanks, Alaska 99701

Dear Mr. Carnahan:

Thank you very much for your very interesting and informative letter of February 3, regarding House Bill 19 and its proposed repeal of the requirements for certificates of need (CON) for health care facilities.

I am generally in agreement with each major point you raised. I also feel that the repeal of the CON requirement would result in overbuilding and a significant increase in the cost of medical care. There is presently a struggle between major hospitals in Anchorage over who gets a CON for major expansion. If no CON was required, probably both would do so; resulting in an excess of beds and a commensurate increase in costs per bed. I also share your concern over the exorbitant rise in the cost of medical care in general -- costs that I cannot explain by considering inflation, staffing, and plant/equipment costs, etc.

In short, I agree with your proposal to retain the CON program with revisions as necessary; e.g. to exempt non-clinical capital expenditures and to change threshold figures to reflect more realistic costs. I am sure we will have expert testimony to determine whether the levels you proposed are the most realistic.

Again, thanks for your excellent letter and you may be assured of my support. Your comments are always welcome.

Very truly yours,

Ramona

Ramona L. Barnes
House Majority Leader

RLB:jl

Alaska State Legislature

House of Representatives

Rep. Mike Davis

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

February 9, 1983

Mr. J.B. Carnahan, President
Northern Alaska Health Resources Asso., Inc.
529 5th Ave., Suite 8
Fairbanks, AK 99701

Dear Mr. Carnahan,

Thank you very much for your recent correspondence regarding HB 19 and the Certificate of Need process. I am very supportive of the position that it is more favorable to amend the current law rather than repeal it. It is information of the type you sent that helps make for a more persuasive argument.

I am currently researching this issue , and will do all I can to insure the best possible outcome regarding the CON law. I would also appreciate hearing from you if you can provide additional information.

Again, thank you for contacting me. Please continue to keep me informed of your concerns.

Sincerely,

Mike

Rep. Mike Davis

md/kh

Alaska State Legislature

House of Representatives

John J. Liska

Official Business

While in Session
Pouch V
Juneau, Alaska 99811
(907) 465-3733

Home - District 15
P.O. Box 421
Eagle River, Alaska 99577
(907) 688-2526

February 11, 1983

J. B. Carnahan
President
Northern Alaska Health Resources Association, Inc.
529 5th Avenue, Suite 8
Fairbanks, Alaska 99701

Dear J. B. Carnahan,

Thank you for your in depth letter of Feburary 3, 1983, regarding House Bill 19, "An Act repealing the certificate of need program; and providing for an effective date."

The information you supplied will be very useful when we consider the Bill. It is always good to hear how the industry feels about proposed changes in the laws that will affect them.

Sincerely,

John J. Liska
Representative - District 15

JJL/le

Alaska State Legislature

Representative Mae Tischer
District 11
3305 Oregon Drive
Anchorage, Alaska 99503

While in Juneau
Pouch V
Juneau, Alaska 99811
(907) 465-3759

House of Representatives

MAE TISCHER

February 11, 1983

J.B. Carnahan, President
Northern Alaska Health Resources Assoc., Inc.
529 5th Avenue, Suite 8
Fairbanks, Alaska 99701

Dear Mr. Carnahan,

Thank you for your letter of February 3, 1983. Your comments are interesting and appropriate arguements on the future of CON in Alaska.

On Friday, February 18, 1983, the House Health, Education & Social Services Committee will hold its first public hearing on HB 19. As co-chairman of House HESS, I will introduce your written comments during the hearing. They will be considered pertinent testimony of record.

I appreciate your comments. Please feel free to contact me again regarding this issue and other concerns you may have.

Sincerely,

Mae Tischer

Rep. Mae Tischer
District 11

MT/hb

Alaska State Legislature

REPRESENTATIVE
BARBARA LACHER
PO BOX 478
PALMER, ALASKA 99645
(907) 376-4215

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4894

House of Representatives

February 14, 1983

J.B. Carnahan
Northern Alaska Health Resources Institute
529 5th Avenue, Suite 8
Fairbanks, Alaska 99701

Dear Mr. Carnahan:

Thank you for taking the time to outline your position on HB19, an act repealing the certificate of need program.

I will continue to study both sides of this issue so that I can be properly informed when casting me vote.

I would be more than happy to read any additional information you could provide me.

Sincerely,

Barbara Lacher
Representative
District 16

REP. JOHN G. (JACK) FULLER

DISTRICT 23

NOME
SAVOONGA
SCAMMON BAY
SHAKTOOLIK
SHELDON'S POINT
SHISHMAREF
STEBBINS
ST MICHAEL
TELLER
UNALAKLEET
WALES
WHITE MOUNTAIN

CHAIRMAN, RULES COMMITTEE

MEMBER
FINANCE COMMITTEE
POLICY COMMITTEE
COMMITTEE ON COMMITTEES
REAA BUDGET OVERSIGHT COMMITTEE
BLUE RIBBON COMMISSION ON PERSONNEL

Alaska House of Representatives

February 16, 1983

J. B. Carnahan, President
Northern Alaska Health Resources
Association, Inc.
529 5th Avenue, Suite 8
Fairbanks, Alaska 99701

Dear J. B. :

Thank you for your letter concerning House Bill 19 - An Act repealing the certificate of need program.

A hearing has been scheduled on this bill for February 24-25. I have taken the liberty of forwarding your letter on to the House Health and Social Services Committee for their review and consideration.

I will certainly take your views into consideration when we begin work on this bill when it is brought to the House for debate.

Again, thank you for sharing your comments with me.

Sincerely,

Jack

Rep. Jack Fuller
District 23

HOME
P.O. BOX 689
NOME, ALASKA 99762
907-443-2568

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3789
465-3764 465-3765

Alaska State Legislature

REPRESENTATIVE
BETTE CATO
DISTRICT 5
BOX 775
VALDEZ, ALASKA 99686
(907) 835-4568

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4859

House of Representatives

COMMITTEES

CHAIRMAN
HOUSE TRANSPORTATION

MEMBER
COALITION POLICY COMMITTEE
HOUSE HEALTH EDUCATION AND SOCIAL SERVICES

February 14, 1983

J.B. Carnahan, President
Northern Alaska Health Resources
Association, Inc.
529 5th Avenue, Suite 8
Fairbanks, Alaska 99701

Dear J.B.:

Thank you for writing to me about HB 19 which proposes to repeal the State Certificate of Need program. Your letter provided me with some very good recommendations for improving the program without actually eliminating it, and for this reason I have forwarded a copy of the Chairmen of the House Health and Social Services Committee.

As you may know, I am a co-sponsor of HB 19. However, when the HESS committee addresses this bill, February 18th being the first date for a hearing, I will consider very closely all the information submitted.

Thank you, once again, for writing.

Sincerely,

Bette

Bette Cato
Alaska State Representative
District 6

BC:jm

Alaska State Legislature

House of Representatives

Al Adams
Chairman
Committee on Finance

WHILE IN SESSION
Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3706

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3320

1024 W. 6th
Anchorage, Alaska 99501
(907) 274-0615

Official Business

February 14, 1983

J.B. Carnahan
President
Northern Alaska Health Resources Assn., Inc.
529 5th Avenue, Suite 8
Fairbanks, Alaska 99701

Dear Mr. Carnahan:

I have received your letter regarding repeal of the certificate of need statute. At this time, I do not support repeal. However, I agree with you that some revisions are needed and I have directed my staff to look into the matter further. In this light, your letter was particularly useful because of its many suggestions for revision of the statute. You will be hearing from my staff about your suggestions if HB 19 or SB 85 reach the House Finance Committee.

Thank you for your input.

Sincerely,

Al Adams, Chair
House Finance Committee

AA:lc

U.S. House of Representatives
Committee on Energy and Commerce
Room 2125, Rayburn House Office Building
Washington, D.C. 20515

February 2, 1983

Pierre Howard, Chairman
Senate Human Resources Committee
The State Senate
Atlanta, Georgia 30334

Dear Senator Howard:

Thank you for your letter concerning the consideration of Certificate of Need legislation by the Georgia Senate.

I can appreciate your interest in CON legislation. It is clear that without a strong health planning program, hospital and nursing home expansion will wildly inflate State and private, as well as Federal, health care payments. I suspect that Georgia, and Georgia's employers and employees, can ill afford to waste their resources on unnecessary or over-priced health services.

I am pleased to report to you that there is a firm Federal commitment to support a health planning system throughout the nation. A bill to extend Federal assistance to State and local health planning agencies was passed by the House of Representatives last year by a vote of 302 to 14. Although it was not possible to work out an agreement with the Senate in this regard at the end of the 97th Congress, the program was extended through FY 1983 by the Continuing Resolution.

As the 98th congress begins its work, I am sure that health planning legislation will again be on the agenda. While it is not possible to predict what the exact result of the legislative process will be, I think it is reasonable to assume:

1. The Federal government will continue to provide substantial funds to the States and local agencies to support health planning activities; and

2. In order to be elgible to receive such funds, States and local agencies will have to meet certain standards of organization and operation necessary to ensure their effectiveness.

3. States will be required to conduct a certificate of need program which covers hospital and nursing homes and otherwise complies with Federal law.

In this context, I would suggest that the prudent course for Georgia, or any other State, at this time is to maintain the current program without any major change. This will insure that both State and local agencies remain eligible for Federal support this year under the FY 1983 Continuing Resolution. It will also mean that, once all of the details of the Federal legislation are settled, Georgia can, in a single step, make changes in its CON program with a clear understanding of what its effect on eligibility for Federal support may be. If Georgia revises its CON program this year, further revisions, even contradictory changes, may be necessary next year or the year after.

With specific regard to the provisions of SB 121, I can report that they are not consistent with the current requirements of the Federal statute. I cannot guess whether these provisions will or will not be consistent with that legislation that will be developed this year. I can point out, by way of example, that the legislation endorsed by the House last year did include detailed requirements for State CON programs and that the provisions of SB 121 are not consistent with all of the provisions of that bill.

Again, I appreciate your interest in the future of the health planning program. As a Federal-State partnership, planning can only be successful with the understanding and support of State officials throughout the nation.

My best regards to you and your colleagues in the Georgia Senate.

Sincerely,

HENRY A. WAXMAN
Chairman, Subcommittee on
Health and the Environment

HAW/bbg

HOSPITAL GROUP WANTS PATIENT FEES IN MEDICARE PAY PLAN

While determined to see Congress pass a prospective payments system, the American Hospital Assn. wants Congress to make some significant changes in HHS' proposed plan. The group's major concern is to have the plan allow hospitals to charge Medicare patients a fee above wh.' Medicare will pay for hospitalization. AHA Vice President Jack Owen urged members at the group's annual meeting to press Congress to give the go-ahead to such payments by Medicare beneficiaries.

The group also will lobby Congress to base the pay plan on each hospital's cost per diagnosis group, rather than use national average costs as proposed by HHS. The association claims this will not raise total costs for Medicare, merely allocate funds more accurately.

AHA also hopes legislators will exempt some small and rural hospitals from the plan. Another area of worry is that the HHS secretary will be the one to decide the actual dollar figure on which payment for each diagnosis will be based (WHCL, Jan. 7, page 1). The non-profit hospital group wants an independent panel of economists to decide this. Owen also urged AHA members to lobby for health planning programs that are locally-run, rather than federally controlled.

CAPITAL COSTS CURBED BY HEALTH PLANNING PROGRAMS

Proponents of the highly criticized health planning program will note with satisfaction a study for the Health Resources Administration which found that certificate-of-need programs have succeeded in curbing increased capital costs. The program in particular averted capital expenditures for acute care services and facilities, said the study(*) prepared by Arthur D. Little, Inc. Health planning programs were studied in six states. N.J., Iowa, Colo., Va., S.C., Wash.

Projects were blocked because they did not meet objectives set forth in state and health systems plans. Review of programs before applications were submitted meant that some programs were stopped early on. Iowa's program of a presubmission conference between the applicant and local health planning staff on the need for a project eliminated the expense of preparation and review for projects which were immediately rejected.

Decisions on certificate-of-need were made on the basis of specific objectives, standards for programs and need estimates. The latter included the volume and utilization of existing and proposed health services. The issue of financial feasibility came into most decisions, particularly at the state level. The effect of new capital spending on operating costs and patient charges was evaluated.

More than two-thirds of the acute care capital expenditures approved were for renovation/replacement and/or conversion of existing capacity. This may be related to the fact that while standards exist for adding acute care capacity, there are no guidelines for renovation and replacement of such services. Many of the new or additional services approved were equipment. Nearly half of N.J.'s new/additional capacity was equipment.

Certificate-of-need programs are especially effective when integrated with state cost containment plans such as rate setting, the study said. It also recommended better standards for long-term care and renovation of acute care facilities.

(*) - Document used in article is available from our affiliated *Regulatory Watchdog Service* (202) 47[illegible]

Central Peninsula General Hospital

P. O. Box 1268
SOLDOTNA, ALASKA 99669

OPERATED BY
LUTHERAN HOSPITALS AND HOMES SOCIETY
FARGO, NORTH DAKOTA 58102

February 15, 1983

RECEIVED
FEB 22 1983
Josephson,

Senator Joe Josephson
Alaska State Senate
State Capitol
Pouch V
Juneau, Alaska 99811

Subject: Senate Bill #85

Dear Senator Josephson:

Central Peninsula General Hospital, along with the other hospitals of the Alaska State Hospital Association, would encourage the earliest possible passage of Senate Bill #85.

It is a premise of this organization that the Certificate of Need process is both cumbersome and ineffective in a state such as Alaska. The original purpose was developed to help contain health care costs by discouraging over-building of hospital beds. The State's major health care problem is not over-bedding, but the continuing lack of accessibility to health care programs and facilities due to the rural nature of our state.

I would encourage our legislators to promote the health care agencies in the planning and providing for better health care, and not tying up their time with the fruitless Certificate of Need process.

Please find attached a copy of a letter from the Central Peninsula General Hospital Service Area Board to the Kenai Peninsula Borough Assembly in support of the repeal of the Certificate of Need process.

Again, passage of this legislation at the earliest time is desirable.

Sincerely yours,

Michael J. Lockwood,
Administrator

MJL/pt

Enc. (1) Resolution of the Central Peninsula General Hospital Service Area Board for Repeal of the C.O.N.

Central Peninsula General Hospital

P. O. Box 1268
SOLDOTNA, ALASKA 99669

OPERATED BY
LUTHERAN HOSPITALS AND HOMES SOCIETY
FARGO, NORTH DAKOTA 58102

February 11, 1983

Kenai Peninsula Borough Assembly

At its regular meeting on February 10, 1983, the Service Area Board of the Central Peninsula General Hospital unanimously endorsed Resolution 83-13 "Urging the Alaska Congressional Delegation to work for Repeal of 42 USC 300 M (D) and Urging the State to subsequently repeal AS18.07 03L-111 which provides for a Certificate of Need program for the Construction, Alteration of Bed Capacity, or Addition or Elimination of a Category of Health Services of a Health Care Facility.

To this end the Service Area Board also endorses House Bill 19 and Senate Bill 85, 2 bills that have been introduced in the 1983 Alaska State Legislature.

Copies of this endorsement have been sent to Senators Stevens, Murkowski and to Congressman Young as well as the Alaska State Legislators.

Robert F. Jensen

ROBERT F. JENSEN
Chairman
Service Area Board

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED AS A UNIT IN THE ORIGINAL DOCUMENT.

P.O. Box 72
Glennallen, Alaska 99588
March 5, 1983

Mr. Ronald A. Pavellas
Executive Director
Humana Hospital
2801 DeBarr Road
Anchorage, Alaska 99501

Dear Mr. Pavellas:

As a former member of the SCHPD Board of Directors I want to express my profound praise to you and your staff for the most professional way in which you conducted yourselves during the recent reviewing process for the Humana expansion.

I sincerely regret that an efficient process does not exist by which a hospital may proceed to expand and deliver health services to its community.

Unfortunately, the CON process is expensive, exhaustive, quite repetitive and evidently not very beneficial to either the consumer or the provider.

Personally, I want to express to you and your staff my best wishes as you continue to walk through the process of the CON. In the present form NO ONE WINS!

Just a few minutes ago I submitted my resignation to the SCHPD Board of Directors for the CON process is a real deterent for effective health planning. I am speaking as a private consumer who indeed is interested in EFFECTIVE health planning. The CON is not one of those marked EFFECTIVE!

I thoroughly enjoy receipt of the Humana bulletins but since I am no longer on the SCHPD Board you may desire to take my name off your list.

Thanks again for your professional attitude. It has been a real enjoyable experience to have met and talked with you and some members of your staff.

Sincerely,
Maxwell L. Fancher
Former SCHPD Board member

Attachment: Letter of resignation to SCHPD

March 5, 1983
P.O. Box 72
Glennallen, Alaska 99588

Lillie McGarvey, President
Southcentral Health Planning & Development Board
1135 West Eighth
Anchorage, Alaska 99501

Dear Lillie:

Please accept this letter as my formal notice of resignation as a Board Member of SCHPD, to be effective the date of this letter.

This past work session confirmed for me the decision I have made.

To the SCHPD Staff I want to offer my most hearty thanks for the superb work and advise you have provided.

To the other Commissioners on the Board I want to say I have really enjoyed the opportunity of meeting you and discovering what is transpiring in other parts of the region.

To the many who have come before the SCHPD to present a project I would say you have been indeed most professional.

The CON process is my reason for resigning. Three specific incidents have been provided me for reaction. First, was the process through which Faith Hospital had to go in order to develop LOCALLY the ability to expand the outpatient segment of the hospital. Unfortunately, the costs for the CON process were heavy for Faith Hospital.

Secondly, the two projects we reviewed relating to Alcohol treatment programs for Anchorage increased my frustration level.

Finally, this past weekend we were in a "catch 22" process in the review of Humana and Providence. Because the Project Review Committee had not priortized the projects or reviewedthem in such a light, the Commissioners were somewhat bound to be "lost in the system".

Never have so many spent so much time in planning with such poor results. I was highly embarassed to see we had painted ourselves into such a predicament. I agree that indeed the CON process is a real franchise with perhaps not the best outcome for the delivery of health services.

To me, the CON process is far from being a cost effective process. As a consumer I believe it must be reviewed in terms of health planning. To merely revise it may make no difference to anyone. Yes, we do need planning but it must stem from the Health Commissioner and permeate all phases of the health planning process. If the SCHPD is to advise then a new structure is needed. I am reminded of the blind leading the blind.

Tonight, as I submit this letter I am positive my action is correct and I trust that those who have the time will be able to create order out of this present chaos. For me, the time is too short to be part of the process. I have other interests which are more important and need my attention.

I hate paralysis for it leads to immobility. The current CON process is laden with a type of paralysis which is not consistent with health planning.

Lillie, my sincere thanks to you and the other Board members who are eager to promote health planning in this region. I have come to appreciate health facilities and programs in a new viewpoint since I have had the opportunity of being part of the Board.

Sincerely,

Maxwell L. Fancher

Maxwell L. Fancher, Consumer

cc: Copper River Native Association
Commissioner Robert Smith
Peggy Wilson, Ex Director SCHPD
Senator Jalmar Kerttula
Senator Pappy Moss
Representative Dick Schultz

Alaska State Legislature
Senate

OFFICIAL BUSINESS

RULES COMMITTEE

March 14, 1983

JAN FAIKS
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3770

MEMORANDUM

To: Senator Josephson

From: Senator Faiks

Subject: Millett Keller Letter

Attached is a copy of a letter I received from Millett Keller dealing with Certificate of Need and other related issues. He expresses my own views on this topic very well. As a good Republican, I strongly support the free enterprise system and a hospital's right to proceed with needed improvements without jumping through a series of hoops positioned by the government.

I urge you to please schedule SB 85 for a final hearing. I would ask that you do whatever is necessary to move the bill out of the HESS Committee as expeditiously as possible.

Attachment (letter)

RECEIVED
MAR 14 1983
Josephson,

Millett Keller Company

921 West 6th Avenue
Anchorage, Alaska 99501
(907) 279-8441

February 24, 1983

The Honorable Jan Faiks
Alaska State Senate
Pouch V (MS3100)
Juneau, AK 99811

Dear Jan:

The purpose of this letter is to pass on some thoughts regarding the certificate of need process that Humana and Providence are currently going through. I understand that you are reviewing the statutes that created this process.

During the last two weeks, I have attended two of the "process review meetings" and witnessed the public bodies fulfilling the requirements of the law. For those who truly believe that the government is smarter than the marketplace, these meetings are a dream come true.

Watching the commission's activities provided, in microcosm, a case study in why the government, despite its noble intentions, acts counter to the best interests of the consumer. The outcome that is desired by the government will be arrived at; the only problem is adjusting the facts to allow the outcome results to be rationalized. A society that relies on this process precludes the "Freedom to Choose" mechanism of the private sector and thereby penalizes consumers by creating artificial inefficiencies in capital investment and less productive operations.

In the case of the Health Commission, the facts of the matter are that if both Providence and Humana proceed, all rational forecasts indicate a significant surplus of beds in the near term (1986-1990), with the excess inventory eventually being worked down by the late 1990's. Even after reconfirming the assumptions used in forecasting population increase and per capita bed needs, the basic forecast of bed needs has not changed during the last nine months.

However, the dynamics of both Health Commission meetings is that they want to approve both hospital proposals because they don't want to have to choose sides.

Therefore, knowing they were recommending a plan which would result in an excess of beds in the near term, the commissions spent most of their time trying to adjust the bed need forecast. This takes on comical proportions when one recognizes that the whole certificate of need process openly and knowingly defies the fundamental dynamics of the marketplace and as such is antithetical to a sound decision making process.

It seems to me that if a hospital institution is willing to forego the use of any public funds, it ought to be able to proceed on the basis of its own judgments about the marketplace. We usually refer to this "unusual" technique as "free enterprise". Therefore, I would recommend that the certificate of need process be exposed for what it is, namely an affront to the consumer.

However, it is equally important that medical institutions recognize that if they seek to utilize state funds in their construction process, they must be subject to some amount of state review and certification. The major difference between the two proposals is, of course, that the Humana proposal involves 100% private funding whereas the Providence proposal is relying on a significant amount (at least $40 million) of state funds. It seems to me that the incentive should be provided to Providence to allow them to avoid the certificate of need process by avoiding the use of state funds.

In the Providence presentation this week, they indicated that their construction plans can go ahead without any state funding. Given that acknowledgment it seems to me that the certificate of need law should be changed to reflect the removal of constraints on institutions who are willing to develop their facilities with no state or federal funds. It would seem appropriate that the government should not become involved in funding or certification as long as private investment can do the job. (Didn't Abraham Lincoln have some recommendations in this regard?) Anchorage is very fortunate to have two strong hospitals which both have the ability and financial strength to improve their plant and equipment without help from the government.

Sincerely,

Millett Keller

MK:lw

CS FOR SB 85 (HESS) - SECTIONAL ANALYSIS

SECTION 1. FINDINGS AND DECLARATION OF POLICY

*THAT THERE ARE PROBLEMS WITH THE CERTIFICATE OF NEED PROGRAM AS IT EXISTS.
*THAT THE LEGISLATURE FINDS UNCERTAINTY ON THE FEDERAL LEVEL CONCERNING THE PROGRAM, AND THEREFORE SUSPENDS IT.
*THAT THE RETROSPECTIVE METHOD OF PAYMENT TO HEALTH FACILITIES IS INADEQUATE, AND THAT THE LEGISLATURE INTENDS TO CHANGE TO A PROSPECTIVE METHOD OF PAYMENT.

SECTION 2. THIS SECTION CONCERNING THE CERTIFICATE OF NEED PROGRAM WILL GO INTO EFFECT IN FOUR YEARS (SECTION 16) FOLLOWING THE SUSPENSION.

SECTION 3. AMENDS THE STATE HEALTH PLANNING LAW

SECTION 4. REANCTMENT OF SECTION REMOVES REFERENCE TO THE CERTIFICATE OF NEED PROGRAM. THIS SECTION WILL BE LAW DURING THE TIME OF SUSPENSION.

SECTION 5. THIS SECTION (CURRENT LAW) WILL BE LAW WHEN SUSPENSION PERIOD IS OVER, AND TAKES EFFECT FOUR YEARS FROM THE EFFECTIVE DATE OF THIS BILL.

SECTION 6. LIMITS REVENUE SHARING FOR HOSPITALS TO HOSPITALS WITH 50 OR LESS ACUTE CARE BEDS.

SECTION 7. INTENT IS TO GIVE THE MEDICAL RATE COMMISSION SOME AUTHORITY IN RATE SETTING FOR OVERBUILT OR OVERBEDDED FACILITIES.

SECTION 8. EACH HEALTH FACILITY IS REQUIRED TO SUBMIT A FINANCIAL REPORT TO THE MEDICAL RATE COMMISSION BY 120 DAYS AFTER THE END OF THEIR FISCAL YEAR.

THE COMMISSION WILL SUBMIT A REPORT TO THE GOVERNOR BY SEPTEMBER 30 OF EACH YEAR ON PERSPECTIVE PAYMENTS MADE AND AN ESTIMATE OF CURRENT AND SUBSEQUENT YEAR'S PROSPECTIVE PAYMENTS.

A UNIFORM BUDGETING AND ACCOUNTING SYSTEM WILL BE ESTABLISHED BY THE COMMISSION BY REGULATION, TAKING INTO CONSIDERATION CURRENT SYSTEMS, DIFFERENCES IN FACILITIES AND THEIR SERVICES.

THE COMMISSION HAS THE POWER TO WAIVE OR MODIFY A REQUIREMENT IN ACCOUNTING ON A CASE BY CASE BASIS.

AUDITS ARE REQUIRED, AND HEALTH FACILITIES SHALL ALLOW REASONABLE ACCESS TO FINANCIAL RECORDS BY THE COMMISSION, THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES AND ANY FEDERAL AGENCIES REQUIRED BY LAW.

ACTIONS OF THE COMMISSION ARE SUBJECT TO THE ADMINISTRATIVE PROCEDURES ACT.

SECTIONAL ANALYSIS OF CS FOR SB 85(HESS) 3-17-83

SECTION 1	FINDINGS AND POLICY (SAME)
SECTION 2	LAW TO BE IN EFFECT DURING CERTIFICATE OF NEED SUSPENSION(SAME)
SECTION 3	CERTIFICATE OF NEED STATUTE TO BE RETURNED TO EFFECT AFTER SUSPENSION PERIOD(SAME)
SECTION 4	FACILITY COMPLIANCE STATUTE TO BE IN EFFECT DURING PERIOD OF SUSPENSION(SAME)
SECTION 5	FACILITY COMPLIANCE LAW TO BE IN EFFECT AFTER PERIOD OF SUSPENSION(SAME)
SECTION 6	CAPS MUNICIPAL REVENUE SHARING FOR HOSPITALS AT A MAXIMUM AMOUNT OF $250,000 FOR ALL FACILITIES WITH 10 OR MORE ACUTE CARE BEDS.
SECTION 7	LINE 23 ADDED THE WORD "PROSPECTIVELY" TO THE CURRENT LANGUAGE, SLIGHT SENTENCE RESTRUCTURING. (b) LINES 28, page 3-lines 1-8, page 4 ADDED GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REQUESTED BY HOSPITAL ASSOCIATION. THE DEPARTMENT ALREADY PAYS A PORTION OF THESE EXPENSES IN MEDICAID REIMBURSEMENT AS REQUIRED BY FEDERAL LAW. (c) PAGE 4, LINES 3-11 RESTRUCTURE OF PREVIOUS SUBSECTION CHANGING THE CONCEPT OF OCCUPANCY TO UTILIZATION, AND NOT RESTRICTING THE SECTION TO THE PERIOD OF SUSPENSION.
SECTION 8	SUBSECTION (d) THE ONLY NEW ADDITION, ALLOWING THE COMMISSION, BY REGULATION, TO MAKE EXCEPTIONS IN THE ACCOUNTING METHODS FOR SMALL FACILITIES OF LESS THAN 25 ACUTE CARE BEDS.
SECTION 9	ADDED "INTERMEDIATE CARE FACILITY FOR THE MENTALLY RETARDED" TO THE DEFINITION OF HEALTH FACILITY.
SECTION 10	CHANGED COMMISSION NAME FROM "MEDICAL " TO "MEDICAID"
SECTION 11	ADDED "INTERMEDIATE CARE FACILITY FOR THE MENTALLY RETARDED" TO THE DEFINITION OF HEALTH FACILITY.
SECTION 13	NO CHANGE
SECTIONS 14-16	CHANGED SUSPENSION FROM 4 TO 7 YEARS, AND SUSPENDED AS 29.90 RATHER THAN REPEAL(HOSPITAL CONSTRUCTION FUNDING)

NEW MEXICO STATUTES 1978

ANNOTATED

Chapter 24: Health and Safety

Pamphlet 44: 24-1-1 through 24-15A-6

1981 REPLACEMENT PAMPHLET

Pamphlet 44 includes laws enacted through the First Regular Session and First Special Session of the Thirty-Fifth Legislature (1981) and annotations through 623 P.2d 1209, 447 U.S. 529, 638 F.2d 1234, 505 F. Supp. 1123, 88 F.R.D. 367 and 1980 Op. Att'y Gen. No. 80-40.

Repealed effective 7/1/83

THE MICHIE COMPANY

Law Publishers

CHARLOTTESVILLE, VIRGINIA

(3) the making available without cost to any person unable to afford the services of a physician, tests to diagnose sickle cell trait and sickle cell anemia.

History: 1953 Comp., § 12-3-45, enacted by Laws 1973, ch. 300, § 1; 1977, ch. 253, § 25.

Cross-references. — As to education and testing relating to phenylketonuria, see 24-1-6 NMSA 1978.

Effective dates. — Laws 1973, ch. 300, § 3, makes the act effective on July 1, 1973.

Appropriations. — Laws 1973, ch. 300, § 2 appropriates $15,000 from the general fund to the former health and social services department for the sixty-second fiscal year for carrying out the provisions of the act.

ARTICLE 3A

Certificates of Need for New Health Services

Sec.

(Effective until July 1, 1983)

24-3A-1. Short title.

The provisions of this act [24-3A-1 to 24-3A-13 NMSA 1978] may be cited as the "Certificate of Need Act."

History: 1978 Comp., § 24-3A-1, enacted by Laws 1978, ch. 104, § 1.

(Effective July 1, 1983)

24-3A-1. Repealed.

Repeals. — Laws 1981, ch. 300, § 9, repeals 24-3A-1 NMSA 1978, being the Certificate of Need Act short title, effective July 1, 1983.

(Effective until July 1, 1983)

24-3A-2. Purpose.

It is the purpose of the Certificate of Need Act [24-3A-1 to 24-3A-13 NMSA 1978] to conserve limited health resources, to contain and reduce health care costs by minimizing the duplication and fragmentation of health care facilities resources, to explore alternative methods of health care delivery and to assure provision of health services not currently available or insufficiently provided within the state