

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 86/2

6240 SENATE HEALTH, EDUCATION AND SOCIAL SERVICES

644



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*Jim Gutter*

Signature of Camera Operator

*10/22/93*

Date

1989-1990

SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

LIST OF FILES (PAGE 1)

MICROFICHE #

EXECUTIVE ORDER 72

EXECUTIVE ORDER 76

SB 10

SB 12

SB 13

SB 14

SB 15 (FILE 1)

SB 15 (FILE 2)

SB 29

SB 36

SB 38

SB 50

SB 51

SB 53

SB 71

SB 72

SB 81

SB 100

SB 104

SB 106

SB 118

SB 121

SB 122

SB 136

SB 138

1989-1990

SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

LIST OF FILES (PAGE 2)

MICROFICHE #

SB 143

SB 147

SB 148

SB 156

SB 163

SB 166

SB 169

SB 179

SB 182

SB 183

SB 187

SB 189

SB 193

SB 194

SB 208

SB 219

SB 222

SB 223

SB 234

SB 251

SB 262

SB 278

SB 292

SB 304

SB 314

1989-1990

SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

LIST OF FILES (PAGE 3)

MICROFICHE #

SB 315

SB 319

SB 326

SB 330

SB 332

SB 334

SB 336

SB 341

SB 348

SB 350

SB 360

SB 363

SB 368

SB 372

SB 373

SB 382

SB 383

SB 389

SB 394

SB 395

SB 407

SB 408

SB 409

SB 410

SB 411

1989-1990

SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

LIST OF FILES (PAGE 4)

MICROFICHE #

SB 412

SB 413

SB 414

SB 423

SB 431

SB 441

SB 442

SB 444

SB 445

SB 458

SB 464

SB 471

SB 474

SB 481

SB 486

SB 493

SB 510

SB 548

SCR 13

SCR 18

SCR 19

SCR 26

SCR 38

SCR 40

SCR 44

1989-1990

SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

LIST OF FILES (PAGE 5)

MICROFICHE #

SCR 45

SCR 49

SJR 21

SJR 57

SR 12

HB 10

HB 54

HB 57

HB 65

HB 66

HB 89

HB 90

HB 97

HB 139

HB 146

HB 165

HB 171

HB 175

HB 201

HB 208

HB 216

HB 222

HB 325

HB 364

HB 393

1989-1990  
SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE  
LIST OF FILES (PAGE 6) MICROFICHE #

HB 398

HB 399

HB 402

HB 418

HB 441

HB 445

HB 479

HB 497

HB 508

HB 571

HCR 15

HCR 18

HJR 13 (FILE 1)

HJR 13 (FILE 2)

HJR 83

**EXECUTIVE  
ORDER  
72**



# NORTON SOUND HEALTH CORPORATION

P.O. BOX 966  
NOME, ALASKA 99762  
(907) 443-3311

February 2, 1989

Senator Paul Fischer  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Fischer:

Norton Sound Regional Hospital is opposed to Executive Order #72 and strongly urge that you do what you can to kill it through Committee Action. As a member of the Health, Education, and Social Service Committee, you are in an excellent position to insure a degree of equitability in rate setting.

We contend the Legislature should not change the current rate setting process until assurances can be given that a fair rate will be provided for reasonable costs incurred. My fear is that the rate setting process will become strictly "budget driven".

As a hospital and nursing home in "Bush" Alaska we are part of a fragile rural health care network that is in need of additional funding not less. If the Medicaid Rate Commission becomes Advisory to the Commissioner we can count on rate setting decisions based upon economic factors. If this is true it will have a devastating impact on the access to care for rural Alaskans.

Sincerely,

NORTON SOUND REGIONAL HOSPITAL

Wallace N. Boyd, Director  
Hospital Services Division

cc: Carolyn Michels  
Harlan Knudson



Heritage Place

JAN 25 1989

232 Rockwell Avenue  
Soldotna, Alaska 99669  
907-262-2545

January 18, 1989

Ms. Myra Munson, Commissioner  
Dept. of Health and Social Services  
P.O. Box H  
Juneau, Ak. 99811

Dear Commissioner:

In your letter of December 19 you asked facilities to assist you with gathering information concerning provider costs as they relate to the medicare "upper limits." You asked that facilities concentrate their review on the period of July 1, 1983 to June 30, 1986. Heritage Place did not begin admitting its first resident until June of 1986. Therefore, we cannot add any data to your efforts on behalf of facilities to demonstrate to the federal government reasons for the increased costs of long term care in Alaska during that period of time.

However, in your discussion with members of the Health Association in Anchorage on December 9 you indicated that facilities could offer information about their current operations which might assist you in the development of reasons why Alaska should receive certain exemptions and exceptions to the medicare "upper limits." Heritage Place would like to offer such argument and data to support the State of Alaska's efforts to secure adequate and fair funding from the Federal Government on behalf of the long term care providers in the State.

Although your request is limited to examination of routine costs, I would like to address an argument which I believe clouds the thinking about Alaska and the cost of long term care. It has been stated that Alaska's facilities are four (4) times as expensive as facilities in other states. I believe there is a fallacy of composition in that statement. That comparison is based upon averages. It does not adequately reflect the fact that Alaska's facilities on the whole are almost in new condition. For this reason there is a much higher capital portion reflected in the total daily per diem rate. This fact greatly askews the relative relationship with the average cost in other states where the majority of the facilities have paid off the mortgage and already depreciated a great portion of the assets. When the capital portion is backed out of the equation Alaska facilities are not four times as expensive.

I would like to address the questions in a generic manner. I will note where I have specific detailed information which may be available upon request from the department.

1. Name of Facility: Heritage Place
2. (a) Not available as facility was not in operation during period in question
- (b) In 1987 Heritage Place provided a total of 6,537 patient days of which 5,429 were medicaid days. Comparisons of Alaskan Labor Costs to facilities operated by LHHS in North Dakota indicate that the cost is twice that of those facilities. A side/by/side comparison of this may be available upon request by the Dept.

Costs for the 11 cost centers were as follows:

1. Direct Nursing:	\$295,892	or	\$45.26/pt. day
2. Admin/General	166,622	or	25.49/pt. day
3. Plant Operation	69,840	or	10.69/pt. day
4. Laundry/Linen	11,895	or	1.82/pt. day
5. Housekeeping	46,101	or	7.05/pt. day
6. Dietary	117,586	or	17.99/pt. day
7. Nursing Admin.	35,956	or	5.50/pt. day
8. Central Serv. (Not Available)			
9. Pharmacy	30,479	or	4.66/pt. day
10. Medical Records	281	or	.04/pt. day
11. Social Services	27,543	or	4.21/pt. day
12. Employee Benefits	133,233	or	20.38/pt. day
13. Building and Gr.	16,484	or	2.52/pt. day

Totals:                   \$ 951,912                   \$145.61/pt. day

The average hourly wage paid in 1987 was \$11.32/hr for all employees. The percentage of wages paid to total costs of the facility were 33.58% in 1987. As noted above the \$11.32/hr relates to a doubling affect of other LHHS facilities. However, medicare for rural areas in Alaska only recognizes 148% of the region average. Additionally, there is a tremendous body of data which demonstrates that the cost of wages and benefits for comparable occupations are greater in the non-urban areas than in Anchorage for which medicare provides 158% of the regional norm for wages.

3. Atypical costs for Heritage Place would include the following:
  - a. Cost of administrative support for a small

facility. Since Heritage Place has opened its occupancy has slowly developed. However, in 1987 the average occupancy for the year was 40%. In order to comply with all federal and state requirements for sufficient administrative support for accounting, program decisions, cost reports audits, travel to participate in regional and corporate meetings it was necessary to expend the monies noted in #2 (b). Heritage Place was able to provide an access to care for residents of the central peninsula, but due to size and occupancy could not spread its justifiable costs over more resident days. Distance, location and logistics created atypical situations for Heritage Place.

Examples:

- 1) Cost of Telephone: This cost was \$6,524 for the year. Almost all calls to vendors, major medical facilities, other long term care providers, state agencies responsible for authorizations and payments are long distance. Basic service is a threshold amount irrespective of size of facility.
- 2) Cost of Travel: This cost was \$10,658 for 1987 and included participation in state-wide meetings and conferences of LHHS in Denver and Fargo. It is certainly more expensive than costs of facilities where most of the transportation is by car.
- 3) Cost of an Audit: This cost in 1987 was \$6,203. It involved work both at Heritage Place and at the central office. Again the threshold costs of such a service are very great in portion to the size and occupancy of a facility. There would be no audit requirement were it not for the fact that Heritage Place has long term debt. By way of comparison, LHHS facilities in North Dakota without debt would not have a formal audit requirement and hence no separate audit costs.
- 4) Cost of Administrative Services from LHHS: This cost is again atypical for three reasons;
  - a) Size and occupancy of Heritage Place
  - b) Allocation method based on total revenues
  - c) Logistical costs for support of staff and travel. The cost for Heritage Place was \$55,845 in 1987. Of that amount it is

estimated that \$10,000 of that was spent on travel and related costs in order to provide direct supervisory support.

- 5) Cost of an Administrator: Again the cost for for this professional with certification as required is greater because it is only spread over 6,537 patient days. Yet the law requires this level of expertise for certification.
  - 6) Cost of Business Office Manager: The person in this position has a wide variety of job duties which necessitate recruitment at a higher wage scale. Although some of the duties performed could be accomplished by a less skilled person the size of the facility requires that a higher rate of pay be provided to attract competent employees.
- b. Another typical cost is the the interest on working capital due to the claims processing system of the Division of Medical Assistance and the fact that the majority of the residents served are reliant upon medicaid for payment. Heritage Place's accounts receivable on 10/31/88 was 67 days. Denali Center's was 80 days. The average among the other LHHS Rural Health Division facilities for the same period was 22 days. That means that Heritage had to wait three times as long for its money. Additionally it had to pay its bills and pay interest on the borrowed funds while it waited for the payors to respond. In North Dakota the State pays in advance for those residents for whom it is responsible. That is not the case in Alaska.
- c. Another atypical cost is the increased personnel costs due to the average length of stay of a resident at Heritage Place. As of 11/30/88 that was 207 days. By comparison, the average among other LHHS facilities is 600+ days. Every admittance and discharge generates increased staff time for all aspects of care. This would be one reason for the increased staffing costs. In addition to the length of stay issue the operating efficiency of Heritage Place is diminished by its fluctuating census. Facilities in other states and within LHHS are running 95--100% at capacity with waiting lists. Consequently their planning and staffing relationships are much more stable and predictable allowing a better resident/

staff ratio of efficiency.

- d. You included in your request for costs-pharmacy. That cost is part of ancillary services, but it is interesting to note that Alaska is one of the few states that include pharmacy in the medicaid rate. It is therefore an atypical cost.
- e. At the present time the Medicaid Rate Commission does not recognize either payment of property taxes of capital costs for related organizations under the capital portion of the rate. In 1987 these costs were reimbursed under the routine services portion of the operational expense. Therefore, they are atypical because other states recognize them as does medicare within the capital portion of the rate.
- f. The State of Alaska requires the staffing of RN's 24 hours a day, seven days a week for Skilled Nursing Facilities. This is not a requirement under federal medicare or all other states within which LHHS provides services. Using the cost in 1988 of RN's at \$13.38/hr and LPN's at \$10.64/hr and meeting the medicare requirement Heritage Place experienced an increased cost in order to comply with the State regulations of roughly \$25,000.

In closing, there are other atypical costs which are attributable to both ancillary services and capital.

- 4. Again, Heritage Place was not operating during the period in question. However, in 1987 and now in 1988 Heritage Place has experienced a severe shortage of Registered Nurses and Skilled Therapists. Even though Heritage Place is compensating RN's at a beginning wage of \$13.38/hr, the facility has not been able to attract sufficient staff. To remain competitive with other employers of Rn's Heritage Place has had to increase wages. This problem will continue to grow for the foreseeable future.
- 5. Population fluctuations have not affected Heritage Place at this time. The census data indicate that the elderly population is increasing in the area.
- 6. N/A
- 7. N/A
- 8. N/A
- 9. Heritage Place was not in existence during the period in question. Heritage Place did not seek special

exceptions or exemptions during its first 1 1/2 years of operation.

10. Again, Heritage Place was not operating during the period in question. However, in 1987 after occupancy levels were not achieved by the facility a salary freeze was implemented. Several positions were eliminated or reduced. These measures mitigated some of the adverse affects of low occupancy, but the facility continued to loose revenues during 1987 as it endeavored to meet the certification requirements of the federal and state law.
11. I can provide detailed information about the respective cost comparisons upon request. Yes, there are a myriad of cost savings available to our facilities in the lower 48 some of which I have already noted for you in this report. I would be happy to share more information if the state and LHHS corporate offic can agree on the format, intent and purpose to which the information will be used.
12. I have addressed the problems with RN and skilled therapist availability in response to #4 above.  
  
Recruitment has involved the use of the dept. of labor, lccal and state-wide advertising, incentives for employee recruitment, etc. None have been successful to date. Yes, the ability to provide full-time employment is an obstacle in recruitment of professional staff.
13. The nearest federally operated facility is Anchorage which is 147 miles from our facility through several mountain passes. I am not informed as to the extent of the impact of their operation on our ability to attract and maintain personnel.
14. N/A
15. The only problem I can identify is the cost of providing nutrition services for persons unable to take food by mouth and the incidence of those residents in our facility. I have to believe that it is a significant cost for Heritage Place, but at present have no data with which to compare it.
16. N/A
17. Again, Heritage Place did not operate during the period in question. However, the single biggest cause of Heritage Place's increased costs is its low and

Page 7  
Letter to Myra Munson  
January 18, 1969

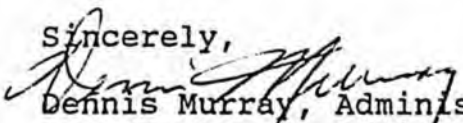
fluctuating occupancy. That fact is demonstrated throughout this report.

18. I believe Heritage Place should be entitled to several of the exemptions and exceptions to the medicare upper limits during the period of its operation. Most of the reasons are cited above.

Thank you for the opportunity to respond to your request for assistance. Although Heritage Place did not operate during the period in question, the facility is vitally interested in the state's efforts to secure a fair and equitable rate for long term care in Alaska.

If you have questions about the format or responses contained herein, please contact me.

Sincerely,

  
Dennis Murray, Administrator  
cc. Senator Paul Fischer  
Rep. C.E. Swackhammer  
Mr. Ron Waltz, VP-- LHHS  
Mr. Jim Gingerich, Chair-HAA  
Mr. Harlan Knudsen, HAA



Official Business

**COMMITTEE:**

SENATE HESS

**DATE:** February 22, 1989

**SIGN-IN**

**Subject of meeting:**

EXECUTIVE ORDER 72 - MEDICAID RATE COMMISSION

**PLEASE PRINT!**

NAME	ADDRESS (MAILING)	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
<del>Katherine Kelly</del>	<del>PO Box 1</del>	<del>586-5588</del>	<del>HESS</del> Div. of Public Health	<del>No</del>
Harlan Knudson	319 Seward Juneau	586-1710	Health Assoc	Yes
Jack Buck	St. Ann's Nursing Home 415-6th Juneau	586-3587	ST. ANN'S	Yes
Garth Hamblin	BARTLET MEMORIAL HOSPITAL 3260 HOSP DR. JUNEAU	586-2611	BARTLET MEMORIAL HOSPITAL	Yes

## Munson ...

*Continued from Page 3*

Some goals Munson said she would like to see the state focus on, in addition to the infant mortality and morbidity issue, are caring for other vulnerable populations, particularly the elderly. She also sees the need for a systematic approach to prevent violence against Alaskans.

Munson said she has become convinced that violence, whether it's suicide, murder or accidents, can be prevented in the same way a disease like typhoid is prevented.

"I'm convinced that the reduction of violence of all forms is subject to the same kind of interventions ... that affect diseases," she said.

She said the populations most likely to be injured or killed by violence can be identified now; the next job is to integrate existing programs so those populations are protected.

For example, a homeless Alaskan might need social service counseling, substance abuse counseling and mental health care. In the past, that person may have received one or none of these services. In the future, Munson hopes that health programs will work together to provide services to the same individual, if necessary.

Munson has other concerns besides those of setting statewide goals. She is also concerned about the cost of health care in Alaska, both at long-term and short-term facilities, and at home.

Long-term health care facilities now cost two to three times as much in Alaska as elsewhere, and Munson is intent on preventing the further escalation of these costs. Without state intervention in these costs through Medicaid reimbursements, the state legislature could decide to take matters into its own hands and force drastic cuts, she said.

"With every passing day [such a situation] could become more imaginable," she said.

Munson said an important ingredient in determining the cost and need for health facilities is community involve-

*Continued on Page 5*

## Calendar

### October

22-26

American Health Care Association Annual Meeting, New Orleans, La.

### November

National Alzheimer's Disease Month

3

American Hospital Association Conference: "Building An Effective Hospital Governing Board: Recruitment and Retention of Trustees," San Diego, Calif.

6-7

HAA Board of Directors/Membership Meeting, Westmark Hotel, Anchorage

26-Dec.2

National Home Care Week

### December

11-12

American Hospital Association Region 9 Policy Board Meeting, San Diego, Calif.

### January

10-13

Healthcare Forum Conference, "The Team Approach to Rural Health Care Leadership," Scottsdale, Ariz.

28-31

American Hospital Association Annual Meeting, Washington, D.C.

31

American Hospital Association: Winning Strategies for Small & Rural Hospitals, Washington, D.C.

### February

9

American Hospital Association: Winning Strategies for Small & Rural Hospitals, Sacramento, Calif.

### March

15-16

American Hospital Association Region 9 Policy Board, Kona, Hawaii

18-20

Health Association of Alaska Midyear Legislative Conference, Baranof Hotel, Juneau

### May

16-19

National Rural Health Association Conference, Seattle, Wash.

### June

11-13

American Health Care Association Congressional Conference, Washington, D.C.

16-18

American Hospital Association Congress of Hospital Trustees Conference, Seattle, Wash.

18-19

American Hospital Association Region 9 Policy Board, Seattle, Wash.

# Myra Munson

## Health plan needed, says DHSS commiss

It's before 8 in the morning in the office of Myra Munson, commissioner of Alaska's Department of Health and Social Services.

She has already held her first meeting of the day, and is looking at an agenda for the day that is a solid block of meetings.

"I don't think anyone can be prepared for the amount of time spent in meetings," said Munson, who has held the post for almost three years.

Munson said she came to the job with a better idea than many of her predecessors about its demands. "I had a really good idea about the array of issues ... even having that idea, the sheer complexity of the job takes everyone aback, I think."

Born in Juneau and raised in Fairbanks, Munson had worked for or around the department since 1971 as both a social worker and an attorney. Among positions she has held are a social worker in Fairbanks for the department, an assistant attorney general in Fairbanks and a social services program coordinator in Anchorage. These jobs had made her aware of the demands of being a DHSS commissioner.

But she still said that "just finding time" is a real issue with her work. "Virtually all of the paperwork I do is between 7 and 8 in the morning or at home at night," she said.

Some of the programs that are her responsibility warrant separate departments in many other states. They include public assistance; licensing every facility that cares for dependent Alaskans, from children to the elderly; family and youth services; public health; mental health; and substance abuse. In addition, about half of the department's roughly \$400 million budget is given out in grants, another huge administrative charge.

While Munson can't oversee many of the details of these programs, "all the



Photo by E

*DHSS Commissioner Myra Munson meets with Special Assistant*

issues about all of these things will get to my desk," she said.

The realization of the department's complexity -- most particularly, how it deals with Alaskans from cradle to grave -- has led Munson to believe a state health plan may be the most important goal the department can achieve in the near future.

This plan would not be a technical document intended solely for internal use, however. Munson said she sees it as a way for the public to help identify health needs in the state and then support them, from one administration to the next and one legislature to the next.

"We need one ... in which we decide on three or five or seven things we're committed to accomplishing," she said.

Those goals have only two criteria -- they must have public support and their achievement must be measurable. One such goal might include a variety of programs, she said. Munson used the issue of reducing child mortality and morbidity as an example.

This goal could be reached by reducing fetal alcohol syndrome, child abuse, car accidents in which children are unrestrained and hepatitis B, to name a few preventable causes of death



*Commissioner My*

of children in Alaska.

She said she has focus ing the gathering of vital state, to make the statist as possible. Such an effc include putting a medica the state, so death certifi more uniform informati

With better statistics, to measure the success ( administered by the dep said.

"I view us needing to l more outcome focused,"

*Continued on .*

health  
association  
of alaska

319 Seward St.; Juneau, Alaska 99801 • (907) 586-1790  
FAX (907) 463-3573

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

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Hospital

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Outpatient Facilities  
Representative  
Avis Hayden  
Alaska Treatment Center  
Anchorage

Executive Director  
Harlan R. Knudson

September 8, 1989

Senator Paul Fischer, Chairman  
Senate Committee On Health, Education  
and Social Services  
P.O. Box 784  
Soldotna, AK 99669

Dear Senator Fischer:

Mike Lockwood, Dennis Murray, Keith Campbell (HAA Chairman), and I  
look forward to meeting with you 1:00 p.m. Thursday September 14 at the  
hospital in Soldotna.

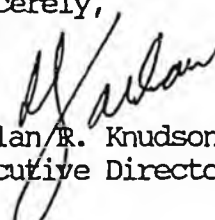
Purpose of the meeting is to review what we see as some of the health  
issues during the 1990 state legislative session.

Enclosed is our summary of the health issues from the 1989 session.

We look forward to seeing you on the 14th.

Best regards,

Sincerely,

  
Harlan R. Knudson  
Executive Director

enc.

cc Dave Moses  
Mike Lockwood  
Dennis Murray  
Keith Campbell

# health association of alaska

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

FAX (907) 463-3573

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

## FRIDAY MEMO

May 12, 1989

### WRAP-UP OF THE FIRST SESSION - 16TH ALASKA LEGISLATURE

All bills not enacted during the first session of the 16th Legislature remain alive and in place for consideration when the second session convenes in Juneau on January 9, 1990.

Most of HAA's major issues remain on that second session calendar. The Association and its individual members need to work hard and thoughtfully during the interim if solutions for liability, the medically indigent, guardianship, hospital construction, public inebriates, shortage of health professionals, and uncompensated care are to be enacted or funded.

The final "Health Legislative Status Sheet" will be published and sent with the next Friday memo. Here are the highlights of the Legislature's health care action (or nonaction) for 1989:

#### Budget

HB 100, the 1990 Operating Budget - The Medicaid appropriation (50 percent federal funds) for health care facilities was increased by over \$10 million, up from \$67.4 million in FY 89 to 78.3 million in FY 90.

The WAMI program was funded for approximately \$450,000.

Health Sciences Library funding was reduced by an estimated 6 percent.

(HAA lobbyist Jerry Reinwand, with strong support from a number of legislators, was instrumental in preventing budget reductions in health programs.)

HB 154, the Supplemental Budget - This legislation included \$3.2 million (in state and federal funds) for health facilities.

HB 163, Combined Reappropriation and Capital Budget - This bill contains \$455,000 to complete Wrangell Hospital renovation and \$450,000 for repairs to Fairbanks Memorial Hospital.

General Relief Medical Exceptions - Unfortunately, the efforts made in the dying hours of the session to increase funding were unsuccessful.

(MORE)

Chairman of the Board  
Jim Gingerich  
Fairbanks Memorial  
Hospital

Chairman-Elect  
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Forum  
Ed Malewski  
Sitka Community Hospital

Delegate to Congress of  
Hospital Trustees  
Jan Tretner  
Seward General Hospital

Government Institutions  
Representative  
Frank Sutton  
Mt. Edgecumbe Hospital  
Sitka

Outpatient Facilities  
Representative  
Avis Hayden  
Alaska Treatment Center  
Anchorage

Executive Director  
Marlan R. Knudson

## Tort Reform

HB 166, the 1989 Tort Reform Act - The legislation did not clear the House this session; however, there is good news. On the next to last day of the session, after more than 20 work sessions, including one at 9 p.m. Saturday evening, HB 166 finally escaped from the House Labor and Commerce Committee.

The bill left the frying pan of Labor and Commerce and moved into the fire of House Judiciary without the Jackson v. Powers section and with most other sections watered down, but at least it moved. House Judiciary will have the interim to work on the bill.

House Labor and Commerce Chairman Dave Donley deserves credit for doing what he and several members of his committee thought best and then moving the bill.

A number of other tort reform bills were introduced in the final days of the session (joining HB 333, 334, 335, 336, and 337, sent with the previous Friday Memo). They are:

HR 10, House Tort Reform Task Force - Passed by the House, this legislation will have the chairmen of House HESS, Labor and Commerce, and Judiciary join with citizens appointed by the Speaker to see if they can come up with better answers for tort reform by January 30, 1990. HAA will nominate individuals to serve on the task force.

HB 345/SB 323, Alaska Health Care Claims Board - Governor Cowper authored this far-reaching proposal to place medical malpractice before a five member (one attorney, one physician, three nonlegal-non health care) board to adjudicate claims. HAA will be giving this bill close review during the interim.

HB 349/HB 350, Medical Malpractice Matching Fund - Authored by Representatives Donley and Gruenberg, both of Anchorage, these bills provide funding and authority to use \$500,000 from the MICA revolving loan fund to purchase liability insurance for physicians who meet specialty and income qualifications.

## Medicaid

Executive Order #72 - Medicaid Rate Advisory Commission - HAA response to the passage of EO #72 will be a major topic for discussion during the 1989 Annual Meeting. Some might argue that its passage was a blessing in disguise, and some would not.

SB 166, Year End Conformance - Passage of SB 166 showed that needed legislation could be passed when it had to be. Again, a tip of the hat to Humana and Sitka hospitals for leading the way.

Medicaid/Pioneers' Home Eligibility - HAA is considering requesting an interim hearing on placement of individuals eligible for both Medicaid and Pioneers Homes.

### Access to Care

SB 326. Grants for Community Health Planning - Sponsored by Senator Lloyd Jones, Ketchikan, (it will be introduced in the House with help from Representatives Johnny Ellis, Anchorage, and Cheri Davis, Ketchikan), this bill is the result of Dr. Bruce Amundson's presentation during the HAA Midyear Meeting. The legislation will provide \$60,000 grants for up to ten communities or regions to develop strategic health plans.

### Cost of Care

SCR 23, the Task Force on State Employee Insurance - Recommendations were made on funding state employee insurance.

### Guardianship

No action was taken on this health issue during the first session.

### Hospital Construction

HB 342/SB 319, Hospital Construction Bonds - This legislation is still pending. If enacted in 1990, it will refer General Obligation Bonds for Ketchikan (\$16.2 million), Kodiak (\$14.5 million), and Seward (\$10.7 million) to the voters for approval in the November 1990 election.

### Inebriates

SB 66, Immunity for Treatment of Intoxicated Persons - As amended by the House Judiciary Committee, the legislation provides immunity for law enforcement officers if they decide not to take an intoxicated person into custody.

### Shortage of Health Professionals

HB 10, Student Loan Forgiveness for Health Professionals - This legislation did not pass this session.

SB 156, Regulation of Nurse Aids - This bill passed the Senate but is being held in the House HESS Committee for further review.

### Uncompensated Care

The House HESS Committee, with a grant from the National Conference of State Legislatures, will do an interim study on the medically indigent.

### Veterans Health Care

SJR 35, Community Health Care for Veterans - Sponsored by HAA, this resolution requests the Department of Defense and the Department of Veteran Affairs to provide Alaska veterans medical care in their home communities.

health  
association  
of alaska

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

7-23-89

10- Dave Moses

STATEMENT

EXECUTIVE ORDER #72

(Transfer Medicaid Rate Setting  
to Department of Health and Social Services)

By

Harlan R Knudson, Executive Director  
Health Association of Alaska

To

SENATE COMMITTEE ON HEALTH, EDUCATION  
AND SOCIAL SERVICES

3:30 p.m. Wednesday, February 22, 1989

The Health Association of Alaska, representing community and privately owned acute care hospitals and nursing homes requests that the Alaska State Legislature reject Executive Order #72.

Currently hospital and nursing home rates and regulations are established by the Medicaid Rate Commission. The Commission is administered under the Department of Health & Social Services, and has the final authority to establish rates and regulations governing hospital and nursing home reimbursement.

Executive Order #72 transfers the rate and regulatory authority to the Department of Health and Social Services, making the Rate Commission advisory to the Department.

Hospitals and nursing homes are opposed to Executive Order #72 for these reasons:

1. Having the Medicaid Rate Commission "advise" on hospital and nursing home Medicaid Rates instead of "set" those rates will result in less efficiency in the rate setting process, not more.
2. The Rate Commission has adhered to federal/state law and held hospital and nursing home rates to responsible levels for the past four years.
3. Hospitals and nursing homes are working to assure access to care for all citizens, while continuing to provide quality care as cost effectively as possible.
4. Increases in the Medicaid "Health facility" budget during the past four years reflect increases in rates, but also reflect new facilities, new services, and new technology.

(MORE)

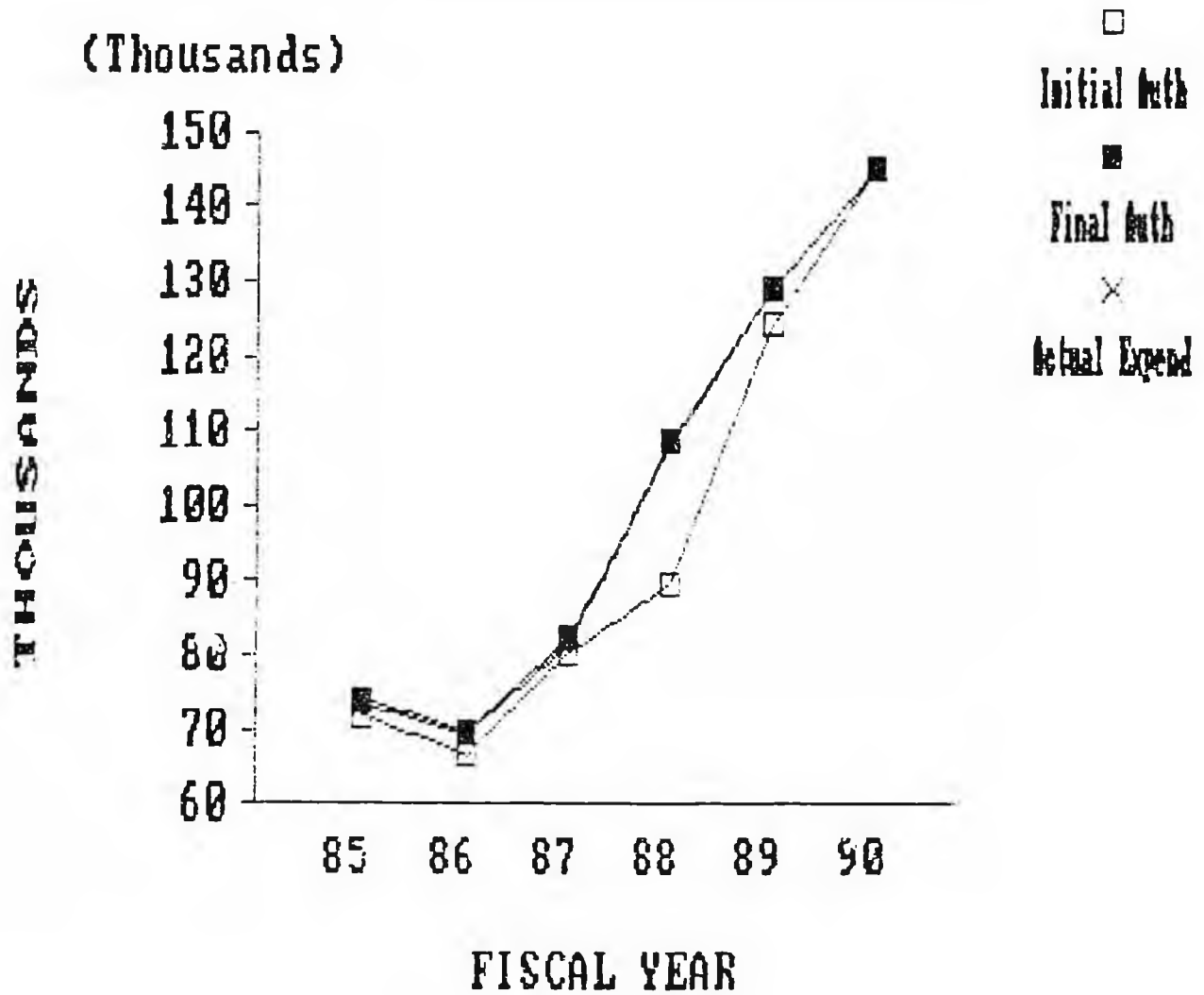
Attached is:

1. Medicaid Assistance Expenditures: 1985 - 1990
2. Medicaid Rate Commission Rate Setting Criteria
3. Hospital Medicaid Rates as a Percentage of Charges:  
1987 - 1989
4. Alaska Nursing Home Census
5. Uncompensated Care

Harlan R. Knudson  
Executive Director  
Health Association of Alaska  
319 Seward Street, #11  
Juneau, AK 99801  
586-1790

Medical Assistance

FY	Initial Authorization	Final Authorization	Actual Expended
85	71,799.0	74,013.1	73,256.2
86	66,701.5	69,540.8	69,263.1
87	80,302.3	82,223.4	81,436.0
88	89,671.7	108,506.3	107,636.3
89	123,942.0	w/Supp 128,720.5	128,720.5 Projected
90 Request	144,982.5	no Supp 144,982.5	144,982.5 Projected



ALASKA

MEDICAID RATE COMMISSION

RATE SETTING CRITERIA

- 7AAC43.685.(a) The following methodology and criteria will be used by the commission in reviewing and setting prospective payment rates for medical assistance programs; the relative importance of each criterion is a matter of commission discretion.
- 7AAC43.685.(a) (1) Whether the costs are reasonably given prudent and cost-effective management and operation of the facility,
- 7AAC43.685.(a) (3) Whether the prospective rate is reasonably related to costs;
- 7AAC43.685.(a) (4) Whether the prospective rates are the most reasonable under the circumstances;
- 7AAC43.685.(b) The commission will determine a fair rate of payment based on actual operating costs...
- 7AAC43.686(a) The commission will set prospective payment rates at a level sufficient to pay a fair rate for reasonable costs of a facility...
- 7AAC43.686(b) Operating costs are the costs of providing health care services that are necessary and reasonable.

MEDICAID RATE COMMISSION

02/01/89

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RATE SUMMARY

ACUTE CARE

Provider	9/1/86 Change	Effective Date	1987	Effective Date	1988	Effective Date	1989	Effective Date
Alaska Psych Institute			\$231.93	9/1/86 - 6/30/87	\$252.24	7/1/87 - 6/30/88	\$274.29	7/1/88 - 6/30/89
Alaska Surgery Center	87.07%	9/1/86 - 12/31/86	79.06%	1/1/87 - 12/31/87	81.75%	1/1/88 - 12/31/88	N/A	N/A
Alaska Treatment Center			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	100.00%	7/1/88 - 6/30/89
AK Women's Health Center			100.00%	10/1/86 - 9/30/87	100.00%	10/1/87 - 9/30/88	N/A	N/A
Bartlett Memorial Hosp			96.74%	9/1/86 - 6/30/87	93.66%	7/1/87 - 6/30/88	91.02%	7/1/88 - 6/30/89
Central Peninsula Hosp			98.07%	9/1/86 - 6/30/87	95.31%	7/1/87 - 6/30/88	86.41%	7/1/88 - 6/30/89
Charter North Hospital	67.53%	9/1/86 - 9/30/86	82.73%	10/1/86 - 9/30/87	71.79%	10/1/87 - 9/30/88	71.79%	10/1/88 - 2/28/89 Temporary
Cordova Community Hosp			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	100.00%	7/1/88 - 2/28/89 Temporary
Fairbanks Memorial Hosp	91.55%	9/1/86 - 12/31/86	87.78%	1/1/87 - 12/31/87	89.43%	1/1/88 - 12/31/88	60.00%	1/1/89 - 2/28/89 Temporary
Faith Hospital			94.93%	9/1/86 - 6/30/87	N/A	N/A	N/A	N/A
Geneva Woods Surg Ctr			84.00%	10/1/86 - 9/30/87	100.00%	10/1/87 - 9/30/88	N/A	N/A
Humana Hospital Alaska			66.45%	9/1/86 - 8/31/87	73.00%	9/1/87 - 8/31/88	34.90%	9/1/88 - 8/31/89
Ketchikan General Hosp			98.12%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	98.23%	7/1/88 - 6/30/89
Kodiak Island Hospital	95.26%	9/1/86 - 12/31/86	93.81%	1/1/87 - 12/31/87	80.11%	1/1/88 - 12/31/88	68.98%	1/1/89 - 12/31/89
Norton Sd Regional Hosp	95.33%	9/1/86 - 9/30/86	86.21%	10/1/86 - 9/30/87	99.82%	10/1/87 - 9/30/88	85.91%	10/1/88 - 9/30/89
Petersburg General Hosp			100.00%	9/1/86 - 6/30/87	93.04%	7/1/87 - 6/30/88	100.00%	7/1/88 - 2/28/89 Temporary
Providence Hospital	85.20%	9/1/86 - 12/31/86	84.53%	1/1/87 - 12/31/87	91.33%	1/1/88 - 12/31/88	52.36%	1/1/89 - 12/31/89
Seward General Hospital			100.00%	9/1/86 - 6/30/87	80.00%	7/1/87 - 6/30/88	86.41%	7/1/88 - 6/30/89
Sitka Community Hospital			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	71.29%	7/1/88 - 6/30/89
South Peninsula Hospital			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	100.00%	7/1/88 - 2/28/89 Temporary
Valdez Community Hospital	100.00%	9/1/86 - 12/31/86	100.00%	1/1/87 - 12/31/87	97.72%	1/1/88 - 12/31/88	100.00%	1/1/89 - 12/31/89
Valley Hospital	70.45%	9/1/86 - 12/31/86	78.75%	1/1/87 - 12/31/87	80.03%	1/1/88 - 12/31/88	77.89%	1/1/89 - 12/31/89
Wrangell General Hospital			100.00%	9/1/86 - 6/30/87	100.00%	7/1/87 - 6/30/88	70.06%	7/1/88 - 2/28/89 Temporary

## ALASKA NURSING HOMES CENSUS

As of December 31, 1988

	Per Diem Rate	Certified Capacity		Occupancy by Payment Source				Total Census	Vacant Beds	% Occupancy of Total Beds	
		SNF/ ICF	Swing Beds	Medicaid/GRM Placements		Non-DMA Placements				Overall	Medicaid
				ICF	SNF	Medi- care	Other**				
Cordova Hospital LTC	\$282.40	10	2	5	0	0	1	6	6	42%	42%
Denali Center (Fairbanks)	145.76	101	0	43	15	6	7	71	30	70%	57%
Heritage Place (Soldotna)	227.39	45	0	20	2	1	7	30	15	67%	49%
Island View Manor (Ketchikan)	232.28	46	0	26	1	3	4	34	12	74%	59%
Kodiak Island Hospital LTC	209.29	19*	4	17	0	0	1	18	5	78%	74%
Mary Conrad Center (Anch)	260.55	60	0	58	0	0	3	61	0	102%	97%
Norton Sound Reg. Hosp. (Nome)	222.09	15*	0	12	0	0	0	12	3	80%	80%
Our Lady (Anchorage)	162.96	224	0	141	36	6	30	213	11	95%	79%
Petersburg Hospital LTC	263.90	14	4	13	0	1	2	16	2	89%	72%
Sourdough Place (Valdez)	154.62	16*	0	12	0	0	4	16	0	100%	75%
South Penin. Hosp. LTC (Homer)	244.33	18	0	17	0	0	0	17	1	94%	94%
St. Ann's (Juneau)	143.12	45	0	23	9	0	2	34	11	76%	71%
Wesleyan (Seward)	117.52	66	0	47	0	0	4	51	15	77%	71%
Wrangell Gen. Hosp. LTC	222.09	14	4	8	1	0	4	13	5	72%	50%
Swing Beds (Acute to LTC):											
Cent. Pen. Hosp. (Soldotna)	162.57	0	4	0	0	0	0	0	4	0%	0%
Seward General Hospital	162.57	0	2	0	0	0	0	0	2	0%	0%
Sitka Community Hospital	162.57	0	2	0	0	1	0	1	2	50%	0%
Valdez Community Hospital	162.57	0	4	1	0	1	1	3	1	75%	25%
Valley Hospital (Palmer)	162.57	0	4	0	0	2	0	2	2	50%	0%
<b>TOTAL:</b>		<b>693</b>	<b>30</b>	<b>443</b>	<b>64</b>	<b>20</b>	<b>70</b>	<b>598</b>	<b>127</b>	<b>83%</b>	<b>70%</b>

\*beds are certified for ICF only

\*\*includes V.A., private pay, insurance, and other

  
 Karen Martz

Division of Medical Assistance

Date: 1/23/89

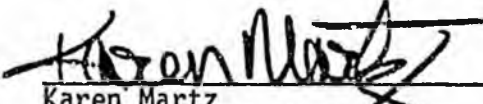
(907) 561-2171

ICF/MR and IMH Census

Date: December 31, 1988

Psychiatric Beds	Per Diem Rate	Certified Beds	Current Occupancy			Non-Medicaid	Current Census	Vacant Beds
			Total	Medicaid Under 22	Over 65			
Alaska Psychiatric Institute, Anchorage	252.24	160	25	19	6	95	120	40
Charter North Anchorage	N/A	60	15	15	0	42	57	3

ICF/MR Beds	Per Diem Rate	Certified Beds	Current Occupancy		Total Census	Vacant Beds
			Medicaid	Non-Medicaid		
Harborview Developmental Center, Valdez	302.00	64	57	0	57	7
Hope Cottages, Anchorage	261.49	40	40	0	40	0

  
 Karen Martz  
 Division of Medical Assistance  
 (907) 561-2171

Date 1/23/89

Please Note: ° On the November and December census reports, the number of certified beds Charter North was incorrect (80). It should have been 60.

burg increased swing beds by 2 effective November, 1988.

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**
**          MEDICAID RATE COMMISSION          May 13, 1988
**          STATS: Percent Uncompensated      file: C:\sympih\fac
**          Loss & Profit Margin             stats\margins.wrl
**          by Facility Fiscal Year
**
**
**          FACILITY          FY 1984          FY 1985          FY 1986          FY 1987
**          =====          =====          =====          =====
**
**  Bartlett Memorial
**  Hospital:
**
**      Total Patient          $12,088,250      $11,906,636      $12,682,939      $12,982,723
**      Service Revenue
**      Bad Debt, Charity        $363,365         $291,987         $210,999         $924,141
**      % Uncomp Loss            3.01%           2.45%           1.66%           7.12%
**      Net Income               $672,349        ($592,300)       $204,024        ($351,113)
**      N.I. / T. R.            5.56%          -4.97%          1.61%          -2.70%
**
**  Central Peninsula
**  Hospital:
**
**      Total Patient          $6,865,580       $8,011,398       $10,185,840      $10,625,224
**      Service Revenue
**      Bad Debt, Charity        $375,002         $673,501         $674,433         $954,964
**      % Uncomp Loss            5.46%           8.41%           6.67%           8.99%
**      Net Income               $1,353,654      $486,260         $1,463,790       $2,098,899
**      N.I. / T. R.            19.72%          6.09%           14.37%          19.75%
**
**  Charter North:
**
**      Total Patient          No Info          $6,716,426       $11,442,039      $11,374,218
**      Service Revenue
**      Bad Debt, Charity        No Info          $535,066         $645,377         $583,333
**      % Uncomp Loss            No Info          6.14%           5.64%           5.13%
**      Net Income               No Info          $917,652         $1,406,603       $1,519,347
**      N.I. / T. R.            No Info          10.53%          12.31%          13.36%
**
**  Cordova Community
**  Hospital:
**
**      Total Patient          $1,065,966       $1,337,558       $1,225,224       $1,659,092
**      Service Revenue
**      Bad Debt, Charity        $65,909          $46,341          $35,804           $29,486
**      % Uncomp Loss            6.18%           3.46%           2.92%           1.78%
**      Net Income               $100,709        $218,960         $65,340          ($342,295)
**      N.I. / T. R.            9.45%          16.37%          5.33%          -20.63%
**
**
**  continued on next page
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++	page 2				++
++					++
++					++
++	FACILITY	FY 1984	FY 1985	FY 1986	FY 1987
++	=====	=====	=====	=====	=====
++					++
++	Fairbanks Memorial				++
++	Hospital:				++
++					++
++	Total Patient	\$32,233,651	\$32,751,773	\$35,264,056	\$36,651,080
++	Service Revenue				
++	Bad Debt, Charity	\$1,222,677	\$2,358,757	\$1,496,134	\$2,725,264
++	% Uncomp Loss	3.79%	7.20%	4.24%	7.40%
++	Net Income	\$779,947	\$1,121,647	\$719,513	\$1,190,241
++	N.I. / T. R.	2.42%	3.42%	2.04%	3.23%
++					++
++	Faith Hospital:				++
++					++
++	Total Patient	\$617,231	\$617,090	\$657,735	
++	Service Revenue				N. / A.
++	Bad Debt, Charity	\$26,815	\$28,170	\$65,471	
++	% Uncomp Loss	4.34%	4.56%	9.95%	
++	Net Income	\$17,560	(\$1,569)	\$65,383	
++	N.I. / T. R.	2.84%	-0.25%	9.94%	
++					++
++	Humana Hospital:				++
++					++
++	Total Patient	\$53,540,243	\$40,245,932	\$58,897,501	\$63,500,602
++	Service Revenue				
++	Bad Debt, Charity	\$2,696,892	\$3,934,060	\$3,449,440	\$3,044,960
++	% Uncomp Loss	5.04%	6.53%	5.86%	4.80%
++	Net Income	\$3,793,820	\$7,012,126	\$2,825,979	\$3,600,774
++	N.I. / T. R.	7.09%	11.64%	4.80%	5.67%
++					++
++	Ketchikan General Hospital:				++
++					++
++	Total Patient	\$8,704,906	\$8,407,134	\$9,386,997	\$9,512,408
++	Service Revenue				
++	Bad Debt, Charity	\$285,217	\$270,961	\$312,152	\$331,634
++	% Uncomp Loss	3.28%	3.22%	3.32%	3.49%
++	Net Income	\$874,787	\$451,168	\$367,348	\$362,651
++	N.I. / T. R.	10.05%	5.37%	4.13%	3.81%
++					++
++	Kodiak Hospital:				++
++					++
++	Total Patient	\$4,664,200	\$5,085,453	\$5,579,432	\$6,484,413
++	Service Revenue				
++	Bad Debt, Charity	\$415,603	\$192,222	\$266,593	\$301,491
++	% Uncomp Loss	8.91%	3.76%	4.78%	4.65%
++	Net Income	(\$99,989)	\$898,303	\$274,259	\$1,063,466
++	N.I. / T. R.	-2.14%	17.66%	4.92%	16.40%
++					++
++					++
++					++
++					++
++	continued on next page				++
++					++
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## page 3 ##

## ##

## FACILITY FY 1984 FY 1985 FY 1986 FY 1987 ##

## ===== ##

## Norton Sound Re- ##

## gional Hospital: ##

## Total Patient \$4,221,221 \$5,744,767 \$4,583,365 \$5,250,726 ##

## Service Revenue ##

## Bad Debt, Charity \$137,858 \$119,160 \$154,558 \$312,909 ##

## % Uncomp Loss 3.27% 2.07% 3.37% 5.96% ##

## Net Income (\$68,845) \$785,606 \$276,368 \$518,683 ##

## N.I. / T. R. -2.10% 13.68% 6.07% 9.88% ##

## Petersburg General Hospital: ##

## Total Patient \$1,195,737 \$1,610,888 \$1,659,070 \$1,936,256 ##

## Service Revenue ##

## Bad Debt, Charity \$40,352 \$92,813 \$34,401 \$8,859 ##

## % Uncomp Loss 3.37% 5.76% 1.85% 0.46% ##

## Net Income \$34,660 (\$60,867) (\$231,125) (\$153,576) ##

## N.I. / T. R. 2.90% -3.78% -12.43% -7.93% ##

## Providence Hospital: ##

## Total Patient \$67,563,000 \$94,225,000 \$103,223,000 \$117,773,000 ##

## Service Revenue ##

## Bad Debt, Charity \$3,756,000 \$4,907,000 \$6,457,000 \$9,617,000 ##

## % Uncomp Loss 4.29% 5.21% 6.26% 8.17% ##

## Net Income \$10,849,000 \$7,990,000 \$1,101,000 \$1,489,000 ##

## N.I. / T. R. 12.39% 8.48% 1.07% 1.26% ##

## Seward Hospital: ##

## Total Patient \$1,105,275 \$1,254,424 \$1,515,061 \$1,643,653 ##

## Service Revenue ##

## Bad Debt, Charity \$51,164 \$89,031 \$57,178 \$129,524 ##

## % Uncomp Loss 4.63% 7.10% 3.77% 7.88% ##

## Net Income \$332,965 \$18,724 \$149,443 (\$54,049) ##

## N.I. / T. R. 30.13% 1.49% 9.86% -3.90% ##

## Sitka Community Hospital: ##

## Total Patient \$2,746,863 \$2,742,342 \$2,711,874 \$4,047,720 ##

## Service Revenue ##

## Bad Debt, Charity \$63,637 \$77,454 \$71,650 \$134,116 ##

## % Uncomp Loss 2.32% 2.82% 2.64% 3.31% ##

## Net Income \$0 (\$550,192) (\$247,180) \$399,162 ##

## N.I. / T. R. 0.00% -20.06% -9.11% 9.86% ##

## continued on next page ##

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**	page 4				**
**					**
**					**
**	FACILITY	FY 1984	FY 1985	FY 1986	FY 1987
**	=====	=====	=====	=====	=====
**					**
**	South Peninsula				**
**	Hospital:				**
**					**
**	Total Patient	\$2,779,252	\$3,976,571	\$5,064,850	\$5,064,974
**	Service Revenue				
**	Bad Debt, Charity	\$143,221	\$199,242	\$427,045	\$183,323
**	% Uncomp Loss	5.15%	5.01%	8.40%	3.62%
**	Net Income	(\$389,322)	(\$186,641)	(\$646,804)	(\$194,114)
**	N.I. / T. R.	-14.01%	-4.69%	-12.72%	-3.83%
**					**
**	Valdez Community Hospital:				**
**					**
**	Total Patient	\$584,924	\$659,437	\$612,140	\$807,342
**	Service Revenue				
**	Bad Debt, Charity	\$18,883	\$10,187	\$59,839	\$63,362
**	% Uncomp Loss	3.23%	1.54%	9.76%	10.33%
**	Net Income	\$20	(\$60,817)	(\$21,250)	\$32,482
**	N.I. / T. R.	0.00%	-9.22%	-3.47%	4.02%
**					**
**	Valley Hospital:				**
**					**
**	Total Patient	\$8,993,000	\$12,044,000	\$12,107,000	\$12,210,000
**	Service Revenue				
**	Bad Debt, Charity	\$1,157,000	\$1,007,000	\$970,000	\$957,000
**	% Uncomp Loss	12.87%	8.36%	8.01%	7.34%
**	Net Income	(\$488,000)	\$785,000	(\$297,000)	\$1,086,000
**	N.I. / T. R.	-5.43%	6.52%	-2.45%	8.89%
**					**
**	Wrangell General Hospital:				**
**					**
**	Total Patient	\$1,236,265	\$1,480,570	\$1,657,531	\$1,786,634
**	Service Revenue				
**	Bad Debt, Charity	\$20,829	\$26,328	\$27,607	\$4,347
**	% Uncomp Loss	1.68%	1.91%	1.67%	0.24%
**	Net Income	(\$27,833)	\$142,868	\$229,690	(\$138,353)
**	N.I. / T. R.	-2.25%	9.65%	13.86%	-7.74%
**					**
**	Total All Facilities:				**
**					**
**	Total Patient	\$230,225,423	\$260,817,399	\$278,677,676	\$303,542,667
**	Service Revenue				
**	Bad Debt, Charity	\$10,843,979	\$14,861,280	\$15,415,681	\$20,329,747
**	% Uncomp Loss (ave)	4.71%	7.41%	5.56%	6.70%
**	Net Income	\$17,715,482	\$19,378,130	\$7,662,429	\$12,117,225
**	N.I. / T. R. (ave)	7.69%	7.43%	2.75%	3.99%
**					**
**					**
**	continued on next page				**
**					**
*****					

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** page 5 **
**
**
**
**
**
**
** Information Source: Audited Financial Statements from the facilities is the
** primary source. In the event these were not available
** or did not contain the proper information the Year-end
** Nonformance forms submitted to the MRC was used. Still
** there were times when the exact figure for bad debt could
** not be separated from other allowances. In this case the
** combined figure was used. A bad debt entry followed by
** an "*" indicates that other allowances may be included
** in the figure.
**
** Comments:
**
** Faith Hospital converted to a clinic on Oct. 5, 1986.
**
** The data for Cordova, Ketchikan, Kodiak, Petersburg, South
** Peninsula, and Wranglel includes LTC revenues.
**
** It should also be noted that net income figures may include
** various local, state and federal government contributions.
**
**
**
**
**
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*****
*
* DELIVER TO: LIOGLE
*
*
* ORIGINAL
* SENT:          02/22/89  TIME: 16:22
* FROM:          LTCCHOK
* SUBJECT:       SEN. DUNCAN: PL#1; EO-72; 2-22-89
* PRINT DATE:   02/22/89  TIME: 16:22
*
*****

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T/C NO:          89-02-290

DATE:           2-22-89
SPONSOR:        SENATE HESS
SUBJECT:        MEDICAID
MODERATOR:     LYNETTE HUNT
SITE:          HOMER

```

PARTICIPANT LIST

\*\*\*\*\*  
TESTIFIED

	NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1.	MARY LOU KELSEY	PO BOX 894 HOMER 29603	235-7739	EO-72
2.				
3.				
4.				
5.				

\*\*\*\*\*  
\*  
\* DELIVER TO: LIOCGLE \*  
\*  
\* ORIGINAL \*  
\* SENT: 02/22/89 TIME: 15:48 \*  
\* FROM: LIOCMAB \*  
\* SUBJECT: PARTICIPANT LIST ANCH \*  
\* PRINT DATE: 02/22/89 TIME: 15:49 \*  
\*  
\*\*\*\*\*

\*\*\* ANCHORAGE PARTICIPANT LIST \*\*\*

TO: ALL TELECONFERENCE SITES  
FROM: MARYANN--> ANCHORAGE  
SUBJECT: \_\_\_EXECUTIVE ORDER 72 MEDICADE\_\_\_\_\_  
DATE: \_\_\_\_\_2-22-89\_\_\_\_\_  
TELECONFERENCE NO. \_\_\_89-02-290\_\_\_\_\_

TO TESTIFY:  
~~BARBARA SYMMES~~  
~~KATHY CRONAN~~

TO OBSERVE:  
EARL MILLER

GAYLE KNEPPER

\*\*\*\*\*  
\*  
\* DELIVER TO: LIOGGLE \*  
\*  
\* ORIGINAL \*  
\* SENT: 02/22/89 TIME: 16:06 \*  
\* FROM: LIOCKOD \*  
\* SUBJECT: SHESS; PL#1; EXOR-72; 2-2289 \*  
\* PRINT DATE: 02/22/89 TIME: 16:06 \*  
\*  
\*\*\*\*\*

T/C NO: 89-02-290

DATE: WEDNESDAY, FEBRUARY 22, 1989  
SPONSOR: SENATE H.E.S.S.  
SUBJECT: EXECUTIVE ORDER 72 - MEDICAID  
MODERATOR: LORNA STEELMAN  
SITE: KODIAK L.I.O.

KODIAK PARTICIPANT LIST#1

\*\*\*\*\*  
TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. <b>DDN WEE,</b>	KODIAK ISLAND HOSPITAL ADMINISTRATOR		

\*\*\*\*\*  
 \* DELIVER TO: LIOGGLLE \*  
 \* ORIGINAL \*  
 \* SENT: 02/22/89 TIME: 15:46 \*  
 \* FROM: LTCCKTN \*  
 \* SUBJECT: S HESS; MEDICAID; PL#1; 2-22 \*  
 \* PRINT DATE: 02/22/89 TIME: 15:46 \*  
 \*\*\*\*\*

T/C NO: 89-02-290  
 DATE: FEBRUARY 22, 1989  
 SPONSOR: SENATE HEALTH, EDUCATION & SOCIAL SERVICES  
 SUBJECT: EXECUTIVE ORDER #72--MEDICAID  
 MODERATOR: RAE RHODES  
 SITE: KETCHIKAN

PARTICIPANT LIST

\*\*\*\*\*  
 TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. SISTER BARBARA HAASE/KETCHIKAN	GENERAL HOSPITAL	EO72	
2.			
3.			
4.			
5.			

\* DELIVER TO: LIOGGLE \*  
 \* ORIGINAL \*  
 \* SENT: 02/22/89 TIME: 15:46 \*  
 \* FROM: LIOCSIT \*  
 \* SUBJECT: SMESS/PL#1; -MED; 2-22-89 \*  
 \* PRINT DATE: 02/22/89 TIME: 15:46 \*  
 \* \*\*\*\*\*

T/C NO: 89-02-290  
 DATE: 02-22-89  
 SPONSOR: SENATE MESS  
 SUBJECT: EXECUTIVE ORDER 72 - MEDICAID  
 MODERATOR: EVON  
 SITE: SITKA

PARTICIPANT LIST

\*\*\*\*\*  
 TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. ED MALEWSKI/SITKA	COMMUNITY HOSPITAL	747-3241	
2.			
3.			

\*\*\*\*\*  
\*  
\* DELIVER TO: LIOCGLE \*  
\*  
\* ORIGINAL \*  
\* SENT: 02/22/89 TIME: 15:48 \*  
\* FROM: LIOCPG \*  
\* SUBJECT: PART. LIST \*  
\* PRINT DATE: 02/22/89 TIME: 15:48 \*  
\*  
\*\*\*\*\*

PARTICIPANT LIST FROM **PETERSBURG** #1

TO TESTIFY:

1. GARY GRANDY PSG. HOSPITAL SUPERINTENDENT.

OBSERVE.

1. NORMA TENFJORD HOSPITAL BOARD

\*\*\*\*\*  
\*  
\* DELIVER TO: LIOCGLE  
\*  
\*  
\* ORIGINAL  
\* SENT: 02/22/89 TIME: 15:51  
\* FROM: LIOCVAL  
\* SUBJECT: S. HESS; PL; MEDICAID; 2-22-89  
\* PRINT DATE: 02/22/89 TIME: 15:52  
\*  
\*\*\*\*\*

TC #: 89-02-290  
SUBJECT: EXECUTIVE ORDER 72 - MEDICAID  
SITE: VALDEZ

PARTICIPANT LIST #1

TO TESTLEY  
1. JOY KEATING, VAL. COMMUNITY HOSP.

```

*****
*
* DELIVER TO: LIOOGLE
*
*
* ORIGINAL
* SENT:          02/22/89  TIME: 15:57
* FROM:          LTCCSOL
* SUBJECT:       89-02-290;SHESS,E072;PL#1;2-22
* PRINT DATE:   02/22/89  TIME: 15:57
*
*****

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T/C NO:         89-02-290

DATE:          2-22-89
SPONSOR:       SHESS
SUBJECT:       EXEC.ORDER 72:  MEDICAID
MODERATOR:    ARLENE
SITE:         SOLDOTNA

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PARTICIPANT LIST

\*\*\*\*\*  
TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. DENNIS MURRY/HERITAGE	232 ROCKWELL, SOLDOTNA	262-2545	EO 72
2.			
3.			
4.			
5.			

\*\*\*\*\*  
OBSERVED

PROVIDENCE HOSPITAL  
3200 PROVIDENCE DRIVE  
P.O. BOX 196604  
ANCHORAGE, ALASKA 99519-6604  
PHONE: (907) 562-2211



February 15, 1989

**MEDICAID RATE COMMISSION  
RATE SETTING AND COMPLIANCE PROCEDURES  
PROPOSED UNDER EXECUTIVE ORDER #72**

Due Date

I. Facility Submits Annual Budget

60 days prior to commencement of new fiscal year.

II. Medicaid Rate Commission Staff Analysis

Within 60 day period-subject to Rate Commission meeting schedule.

New Proviso

III. Rate Commission Recommendation of rate to Department of Health and Social Services.

New Proviso

III-A Department of Health and Social Services review and establishment of rate.

Undetermined

IV. Facility submits year end conformance report

Within 120 days of Fiscal year end date.

V. Medicaid Rate Commission Staff analysis of conformance

Prior to commencement of next fiscal year.

IV. Facility Audit (7AAC 43.693)

As time permits.

Note: Current status of Providence Hospital

Facility Audits: 1985 - Not Performed  
1986 - Not Performed  
1987 - Not Performed

DH:lp.0013h.2

PROVIDENCE HOSPITAL  
3200 PROVIDENCE DRIVE  
P.O. BOX 196604  
ANCHORAGE, ALASKA 99519-6604  
PHONE: (907) 562-2211



February 15, 1989

**MEDICAID RATE COMMISSION  
RATE SETTING AND COMPLIANCE PROCEDURES**

	<u>Due Date</u>
I. Facility Submits Annual Budget	60 days prior to commencement of new fiscal year.
II. Medicaid Rate Commission Staff Analysis	Within 60 day period-subject to Rate Commission meeting schedule.
III. Rate Commission Establishment of Rate	Per scheduled meeting.
IV. Facility submits year end conformance report	Within 120 days of Fiscal year end date.
V. Medicaid Rate Commission Staff analysis of conformance	Prior to commencement of next fiscal year.
IV. Facility Audit (7AAC 43.693)	As time permits.

Note: Current status of Providence Hospital  
Facility Audits: 1985 - Not Performed  
1986 - Not Performed  
1987 - Not Performed

DH:1p.0013h.1



Official Business

COMMITTEE:

Senate HESS

DATE: 11/1/89

Subject of meeting:

Executive Order 72

SB 166 -

Discussion of Effects since Implemented

SIGN-IN

PLEASE PRINT!

NAME ADDRESS (MAILING) PHONE REPRESENTING DO YOU WANT TO TESTIFY?

Table with 5 columns: NAME, ADDRESS (MAILING), PHONE, REPRESENTING, DO YOU WANT TO TESTIFY?. Rows include: Keith Campbell, Richard Jones, Mark Benthud, Alan Karason, CHARLES F. STOKES, HARON ANDERSON.

Senate HESS - 11/1/89  
Attendance List.

Name	Address	Phone #
Dennis Murray	232 Rockwell! Soldotna, AK	262-2545
Jack Bertilrud	1949 Gilliam Way Fairbanks, AK	452-1921
Patricia Osborne	44539 Sterling Way Soldotna, AK	262-4750
Randall Nichols	250 Hosp. Pl., Soldotna AK	262-4404
Robert J. Ozden	9100 Centennial Dr.	333-8100
John Donald Taylor	{ 3200 Providence Ave. P.O. Box 196604 Anchorage, AK 99519-6604	562-2211
DAVID HENNIGAN	→ SAME	261-3002

... RECOMMENDATION TO DEVELOP A REVISED  
HEALTH PLAN WHICH IS COMPREHENSIVE AND INVOLVES  
PUBLIC AND PROVIDER INPUT. SHE CONTINUED TO GIVE TESTIMONY  
SUPPORTING EXECUTIVE ORDER 7.

PAGE 236

COMMISSIONER MUNSON, DEPARTMENT OF HEALTH AND SOCIAL  
SERVICES, CAME BEFORE THE COMMITTEE MEMBERS. SHE REFERRED  
TO THE LETTER FROM THE GOVERNOR AND SAID IT POINTS OUT THAT  
THIS IS NOT ABOUT WILDLY ESCALATING HEALTH COSTS.  
COMMISSIONER MUNSON REFERRED TO THE FIRST TIME SHE HAD  
APPEARED BEFORE THE SENATE HESS COMMITTEE, AFTER SHE WAS  
APPOINTED AND BEFORE SHE HAD BEEN CONFIRMED AS THE  
COMMISSIONER. SHE SAID SHE HAD DISCUSSED THE PROBLEM OF  
THE MEDICAID BUDGET AND THE NEED FOR ADDITIONAL RESOURCES  
TO BE PUT IN TO SUPPORT THE HEALTH CARE SYSTEM. SHE SAID  
FUNCTION IN THAT BUDGET WOULD NOT ONLY LEAD TO REDUCTIONS  
IN MEDICAID OPTIONS BUT ALSO, DEPENDING ON THE CUTS,  
FACILITIES CLOSING. THAT WAS NOT NECESSARILY A PROBLEM OF  
RATE SETTING. WHAT WAS UNCERTAIN WAS HOW MUCH SHOULD IT OR  
HOW IT ACTUALLY COST TO RUN HEALTH FACILITIES AND INSURE  
QUALITY PATIENT CARE IN THE STATE.

COMMISSIONER MUNSON REFERRED TO THE RISING HEALTH CARE  
COSTS AND SAID SHE DOESN'T KNOW WHY THE RATES ARE RISING.  
SHE SAID WE MUST BEGIN TO UNDERSTAND WHY AS THERE ARE VERY  
DIFFICULT DECISIONS FACING US ABOUT SUPPORTING THE HEALTH  
CARE SYSTEM OF THE STATE. SHE SAID THEY ESTIMATE A \$21  
MILLION CONTINGENT LIABILITY WITH THE FEDERAL GOVERNMENT  
HEALTH CARE FINANCING AGENCY OVER THE RATES THAT WERE SET  
FOR LONG TERM CARE. COMMISSIONER MUNSON SAID THIS IS BEING  
LITIGATED WITH THE FEDERAL GOVERNMENT IN ORDER TO ASSURE  
MAXIMUM FEDERAL PARTICIPATION IN THE RATES THAT ARE PAID TO  
HEALTH CARE FACILITIES. SHE NOTED THE RATES IN ALASKA ARE  
HIGH COMPARED TO OTHER STATES. COMMISSIONER MUNSON  
CONTINUED TO DISCUSS HER FEELINGS WITH REGARD TO THE  
MEDICAID RATE COMMISSION AND THE RATE SETTING PROCESS.

COMMISSIONER MUNSON SAID AN INDEPENDENT COMMISSION CAN  
FUNCTION WELL OR BADLY AND THE DEPARTMENT CAN FUNCTION WELL  
OR BADLY. SHE SAID AT THE TIME WHEN RATE SETTING WAS MOVED  
TO AN INDEPENDENT COMMISSION, THE RATE SETTING PROCESS  
WAS OUT OF CONTROL. THAT WAS BECAUSE OF POOR  
ADMINISTRATION. SHE SAID THE STAFF OF THE RATE COMMISSION  
WILL REMAIN IN TACT AND, IF THE GOVERNOR'S BUDGET IS  
APPROVED, THERE WILL BE AN ADDITIONAL PERSON. THE  
COMMISSION WILL BE LOCATED WITHIN THE COMMISSIONER'S OFFICE  
AND WILL PROBABLY REPORT TO THE DEPUTY COMMISSIONER.  
COMMISSIONER MUNSON SAID IT IS HER INTENTION TO HAVE THE  
ADVISORY COMMISSION BE VERY STRONG AND THEY WOULD STILL  
CONSIDER ALL THE RATES AND MAKE A FORMAL RECOMMENDATION.  
IT IS HER INTENTION THAT ALL PROPOSED REGULATIONS COME  
BEFORE THE RATE COMMISSION BEFORE COMING TO HER FOR  
CONSIDERATION EXCEPT IN THE CASE OF AN EMERGENCY. SHE SAID  
SHE ISN'T CONTEMPLATING ANY MAJOR CHANGES.

PAGE 237

MEMBER JONES ASKED COMMISSIONER MUNSON IF SHE HAD ANY  
PROBLEMS WITH THE COMMISSION SETTING RATES AND DETERMINING  
IF THAT THE COSTS REALLY ARE TO BE PAID. COMMISSIONER  
MUNSON SAID SHE DIDN'T HAVE A PROBLEM AND PLANNED TO RELY  
ON THE COMMISSION'S ADVICE TO SHOW THE RATES SHOULD  
BE SET. SHE SAID THE ACCOUNTING IS ALREADY COMPLETED AND

*Munson*  
*S - Hess*  
*March 6, 22, 89*

STAFF FOR ANALYSIS. COMMISSIONER MONSON SAID SHE WOULD  
SEE TO SEE THE WORK BE CONSISTENT AND TO ANALYZE WHY IT  
DIDN'T WHAT IT DOES. SENATOR JONES ASKED WHAT COULD BE MORE  
CONSISTENT THAN THE WAY THE COMMISSION IS WORKING AT THE  
MOMENT TIME. HE SAID THESE PEOPLE ACTUALLY WORK IN THE  
FIELD. SENATOR JONES SAID HE FEELS IT IS IMPORTANT THAT  
THE COMMISSION SAY OUTSIDE OF THE COMMISSIONER'S INFLUENCE.

COMMISSIONER MONSON SAID THE STAFF OF THE RATE COMMISSION  
OR THE RATE COMMISSION HAD ALERTED HER THAT TWO HEALTH  
FACILITIES WOULD COME TO HER AND SAY THEY WERE ON THE VERGE  
OF CLOSING IF SOMETHING DOESN'T HAPPEN. SHE SAID IN  
OTHER CASE, ST. ANNE'S OR DENALI. DID THE COMMISSION GIVE  
THE FEELING THAT UNDER THE REGULATIONS THESE FACILITIES WOULD  
CLOSE. SHE CONTINUED TO DISCUSS THIS SUBJECT.

SENATOR DUNCAN SAID THE ONLY ACTION THE COMMITTEE COULD  
TAKE ON EXECUTIVE ORDER 72 WOULD BE TO HAVE A RESOLUTION  
PASSED THERE. HE SAID EXECUTIVE ORDER 72 CAN BE OVERTURNED  
BY A CONCURRENT RESOLUTION IS PASSED BY BOTH BODIES. HE  
SAID THERE HAD NOT BEEN SUCH A RESOLUTION INTRODUCED BY  
EITHER BODY. HE ADDED.

HRREP 474

THERE BEING NO FURTHER BUSINESS BEFORE THE COMMITTEE,  
SENATOR DUNCAN ADJOURNED THE SENATE HEALTH, EDUCATION, AND  
SOCIAL SERVICES COMMITTEE MEETING AT 5:03 P.M.

*February 22, 1989 HESS Meeting*

# Wesleyan Nursing Home, Inc.

431 First Avenue

Box 430

Seward, Alaska 99664

(907) 224-5241

October 26, 1989

The Honorable Paul Fischer  
P.O. Box 784  
Soldotna, Alaska 99669

Re: Department of Health and Social Services

Dear Senator Fischer:

In response to your request for Health Association members to participate in the Senate HESS meetings in Soldotna on November 1, 1989, I submit the following information.

I strongly urge the Senate to rescind Executive Order 72 and reinstate the Medicaid Rate Advisory Commission as the rate-setting entity for health care facilities in Alaska. I have served as the Administrator of Wesleyan Nursing Home since February, 1989, and during that short time have observed first-hand the following serious problems with the Medicaid reimbursement process as it currently functions.

Wesleyan is a long-term care facility primarily treating patients who are diagnosed as mentally retarded or mentally ill. Approximately 90 percent of Wesleyan's patients are Medicaid patients. Wesleyan has the lowest long-term care rate of any facility in the state -- 30 percent below the weighted average set by the MRAC for any other long-term care facility. Despite the fact that it is more costly to treat MR patients than geriatric patients, Wesleyan's rate is \$100 per day lower than Mary Conrad Center or Heritage Place.

Certification and licensing auditors from the Department of Health and Social Services conducted a review of Wesleyan's operations in December of 1988. As a result of that review, Wesleyan was placed on slow track decertification, citing the following deficiencies:

1. Deficient Ancillary therapy services;
2. Total absence of In-service training;
3. Failure to repair and maintain physical plant and facilities to such a serious extent that safety and sanitation standards were threatened;

Wesleyan was given 30 days to correct these deficiencies or be closed down by the state.

Wesleyan made dramatic improvements and avoided the threatened closure. The expenses incurred in upgrading the services and the facility in early 1989 (FY'89) would not ordinarily be taken into consideration in the rate-setting process for FY'90. The current Medicaid rate-setting system is a "history"-based system. The 1990 rate would therefore be based on 1988 expenses. Therefore Wesleyan requested an exception to the standard rate-setting methods in a hearing before the Medicaid Rate Advisory Commission on August 29, 1989. The exception request encompassed these areas:

1. Volumes rebase;
2. Ancillary therapy;
3. In-service training;
4. Repairs and maintenance;
5. Labor negotiation costs.

A copy of the exception request is enclosed for your information.

As was pointed out to the Advisory Commission, the State regulations and the State plan with the Federal Health Care Financing Administration require that the MRAC consider any unusual circumstances in determining whether to grant an exception to a facility's rate.

At the August 29 hearing, the MRAC voted unanimously to grant a volumes rebase, so that volumes used in the rate calculations would more accurately reflect current patient volume rather than using the higher history volumes that had resulted in a lower rate. Volumes are critical factors in determining rates. When base costs are divided by higher volumes than a facility is currently experiencing, patient day rates go down. When accurate current volumes are used in the calculations, the patient day rates correlate more reasonably to current costs.

The MRAC voted unanimously to reimburse Wesleyan for the mandated Medicaid ancillary therapy costs, and in-service training expenses. By a 3-1 vote, MRAC voted to grant the requested exception rate increase for repairs, maintenance, infection control and sanitation. The vote on the labor negotiations request was 2-2, resulting in no position being taken by MRAC on this issue.

The MRAC did not reach these decisions lightly, or based on superficial information. The hearing lasted more than three hours. Wesleyan brought its financial consultant, Donna Herbert, to the hearing to assist in the presentation and answer questions. During the presentation, the MRAC members and staff members, Jack Nielson and Mary Hilton asked numerous questions and there was a complete and thorough discussion of all exception issues. Commissioner Myra Munson did not attend the hearing, but was represented by her designee, Frank Hickey, who voted in favor on four of the five exception requests.

Wesleyan's representatives left the hearing feeling confident they would be allowed to continue to function as a viable health care provider, based on MRAC's granting of their requested

exceptions resulting in a reimbursement rate of \$152.71 per patient day. While this rate still left Wesleyan with the lowest reimbursement rate of any long term care facility in the state, it was adequate to cover base costs. When the decision and order letter was received, the rate was set at \$140.98 per patient day, which left Wesleyan with a \$239,795 shortfall for FY'90. No explanation for the rate reduction was given.

In a telephone conversation with Jack Nielson concerning the rate reduction, Donna Herbert was advised that Commissioner Munson had directed him to recalculate the rate based on Wesleyan's patient volume for 1987, 1988 and 1989. These were volumes much higher than Wesleyan's current volume. The three-year average of volumes for 1988, 1989 and the projected 1990 volume on which MRAC granted the \$152.71 rate at the August 29 hearing was the same formula followed by MRAC in granting recent rate exceptions to two other health care facilities. Commissioner Munson did not overturn those rate exceptions.

Commissioner Munson directed MRAC staff to disregard the entire hearing process, and to recalculate Wesleyan's rate based on arbitrary and unsubstantiated criteria; the formula she dictated has not been used in any other facility's rate calculation. She did not listen to any discussion of the important points affecting Wesleyan Nursing Home; however, she unilaterally overruled every single decision made by the MRAC. The five members of the MRAC are people with impressive credentials and with relevant expertise in the health care field. As required by statute, the MRAC membership includes a certified public accountant, a hospital administrator, a physician, an attorney and Commissioner Munson or her designee. If Commissioner Munson fails to attend a hearing, she has a moral responsibility to rely on the counsel and recommendations of her designee.

Wesleyan's request for a rate exception was not frivolous. In FY'86, Wesleyan's cash on hand was \$1.3 million (due in large part to generous church-affiliated support and donations, which are no longer available). Their operating loss in FY'88 was \$465,280; in 1989 it was \$896,981. These losses are the direct result of an inadequate reimbursement rate for more than three years, and have left Wesleyan with current cash reserves of less than \$150,000.

Wesleyan cannot continue to function with rates that do not cover its costs. If the facility is forced to close, its Medicaid patients must be transferred to other facilities in the state, any of whose rate is higher than even the \$152.71 rate granted by MRAC. Should Wesleyan close, the State of Alaska would be forced to pay approximately \$100 more per patient day than it pays Wesleyan to care for its patients.

Following Commissioner Munson's unilateral overruling of MRAC's recommendations, Wesleyan considered its options for relief. An appeal was considered, but the backlog of appeals is so great that the earliest time a decision could be expected would be two years away. Wesleyan cannot function for two years without adequate funding. The appeal process was disregarded, because Commissioner Munson has vetoed or otherwise remanded the vast majority of

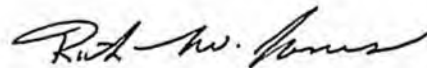
favorable decisions handed down by the appeals hearing officer for the past several months. It is clearly futile to force a facility to go through the arduous appeal process when the ultimate decision maker is the person who set the rates in the first place.

Seeing no alternative, Wesleyan has filed an action for relief in the Alaska Superior Court, asking only that the well-reasoned decision of the Medicaid Rate Advisory Commission be reinstated.

I believe that most, if not all of these deficiencies in the current system could be remedied if the Medicaid Rate Advisory Commission has restored to it the rate-setting decision powers it held prior to the enactment of Executive Order 72.

As a health care facility administrator, I take very seriously the responsibility of providing quality care for the Medicaid patients in the State of Alaska. I am grateful that you as a legislator have exhibited the concern for those patients, and are allowing an opportunity for health care providers to help explore remedies to this serious situation. I look forward to meeting with you in Soldotna on November 1.

Very truly yours,



Richard Jones, Administrator  
Wesleyan Nursing Home

RJ:ap

Enclosure

COPY

Wesleyan Nursing Home, Inc.

431 First Avenue  
Box 430  
Seward, Alaska 99664  
(907) 224-5241

August 23, 1989

State of Alaska  
Medicaid Rate Advisory Commission  
PO Box 240249  
Anchorage, AK 99524-0429

Dear Commission Members:

When I appeared before you on June 29, I informed you that Wesleyan Nursing Home was in very serious financial condition. The cash reserves in 1985 of \$1,300,000 has been depleted to \$250,000 in 1989 and that we were losing \$60,000 per month. My concern was that the proposed rate of \$130.72 was so far below expenses, that the facility could not continue in this mode of operation.

At that time I also suggested that Wesleyan should consider classification as a MR and/or MI facility since the majority of residents treated at the facility are MR or MI rather than geriatric residents. Since I spoke to you on June 22, I have had a great deal of assistance and enlightenment from Karen Martz, Mary Hilton, Jack Nielson, Donna Herbert and a team from the Division of Mental Health and Developmental Disabilities. Each of them have worked closely with me to bring clarity into the current situation. They have each assisted me in identifying and recreating what problems in the past may have lead into the serious predicament that we face today.

It has been clearly reinforced to me by the Health Division (DMA) that Wesleyan historically and currently provides services to MR & MI residents appropriately within its ICF certification and license. Further, that due to the type of MR

and MI residents at Wesleyan a MR / MI unit should not be designated within the facility. The types of MR and MI residents located at Wesleyan receive "educational" therapy not restorative "active treatment" program therapy as is provided at API and Harborview. To illustrate by example, one of our MR residents is 38 years old. However, mentally she is 14 months old, is on a baby bottle, wears diapers and walks on her tip-toes (as would an infant at that stage of development). She is unable to communicate (as are several of our MR & MI residents), and requires constant attention on an almost one to one basis in a similar manner as you would expect to find in any home where an infant is present. Two of our residents are both MR and MI. The care planning and assessment process is much more involved, requires more staff time, and a broader spectrum of input in the interdisciplinary approach than is required for geriatric residents.

If a MR / MI designated unit were "created" the types of programs that would be required to be developed and provided would be "active treatment" programs. The costs associated with the new service program would be significantly higher than experienced with the current program. This would be viewed as an unnecessary duplication of service programs currently provided by API and Harborview. Residents needing "active treatment" program development are initially admitted to API or Harborview. Then, after improvement or stabilization of the residents' condition is achieved the resident is transferred to Wesleyan which provides a long term educational program in a less institutionalized or structured setting. Later, with continued progress, some residents are able to be transferred to shelter homes, foster homes, domiciles, sheltered educational workshop programs and near independent living in the residents home community. This

system is supported by all effected facilities, the Health Division (DMA) and the Division of Mental Health and Developmental Disabilities. The system currently in place works well, has appropriate goals including the active participation of community based mental health counseling services and the current system of utilizing Wesleyan as the second program step resource should not be changed.

As you are aware the Wesleyan Nursing Home rate is over 30% below the weighted average of the other free standing under 100 bed facilities. After reviewing past years records, staff reports and rates with your staff when they were kind enough to visit the facility, it appears that there were many reasons for the low rates that were set over the years that depleted all cash reserves.

A new management team is in place at Wesleyan. This new management team is supported and supplemented by the assistance of financial, planning and quality of care consultants and by a new open working relationship with the MRAC staff, Health Division and the Division of Mental Health & Developmental Disabilities.

Our facility has taken steps to correct the past deficiencies that were due to previous errors and omissions. However, under the current methodology, there is no mechanism to adjust base years. Therefore our costs are contained from base year even though the base years were incorrect. It is my understanding that corrections cannot be made for prior years, but there are two current problems that also effect the low rates:

1. That 1990 routine rates are being set using 1985 volumes from the "F" calculation.
2. A substantial portion of current costs, many of which are required by certification and licensing are not in our base year.



COPY

ATTACHMENT

Donna Herbert, owner

(907) 586-9585

174 S. Franklin St.  
Suite 229  
Juneau, Alaska  
99801

August 23, 1989

State of Alaska  
Medicaid Rate Advisory Commission  
PO Box 240249  
Anchorage, Ak 99524-0429

Dear Commission Members:

Wesleyan Nursing Home is bringing forward to the Commission a number of important issues for your consideration during the meeting of August 29, 1989.

The issues and their impact on Wesleyan's rate that we bring before you today are:

	<u>Exception Request</u>	<u>Staff Proposal</u>
Volumes Rebase	\$143.39	\$131.81
Ancillary Therapy	\$6.28	-0-
Inservice Training	\$1.24	-0-
Repairs & Maintenance	\$1.80	-0-
<u>Labor Negotiations</u>	<u>\$1.00</u>	<u>-0-</u>
Total Rate:	\$153.71	\$131.81

Thank you for your understanding and consideration of these issues, each of which has a significant impact on Wesleyan Nursing Home.

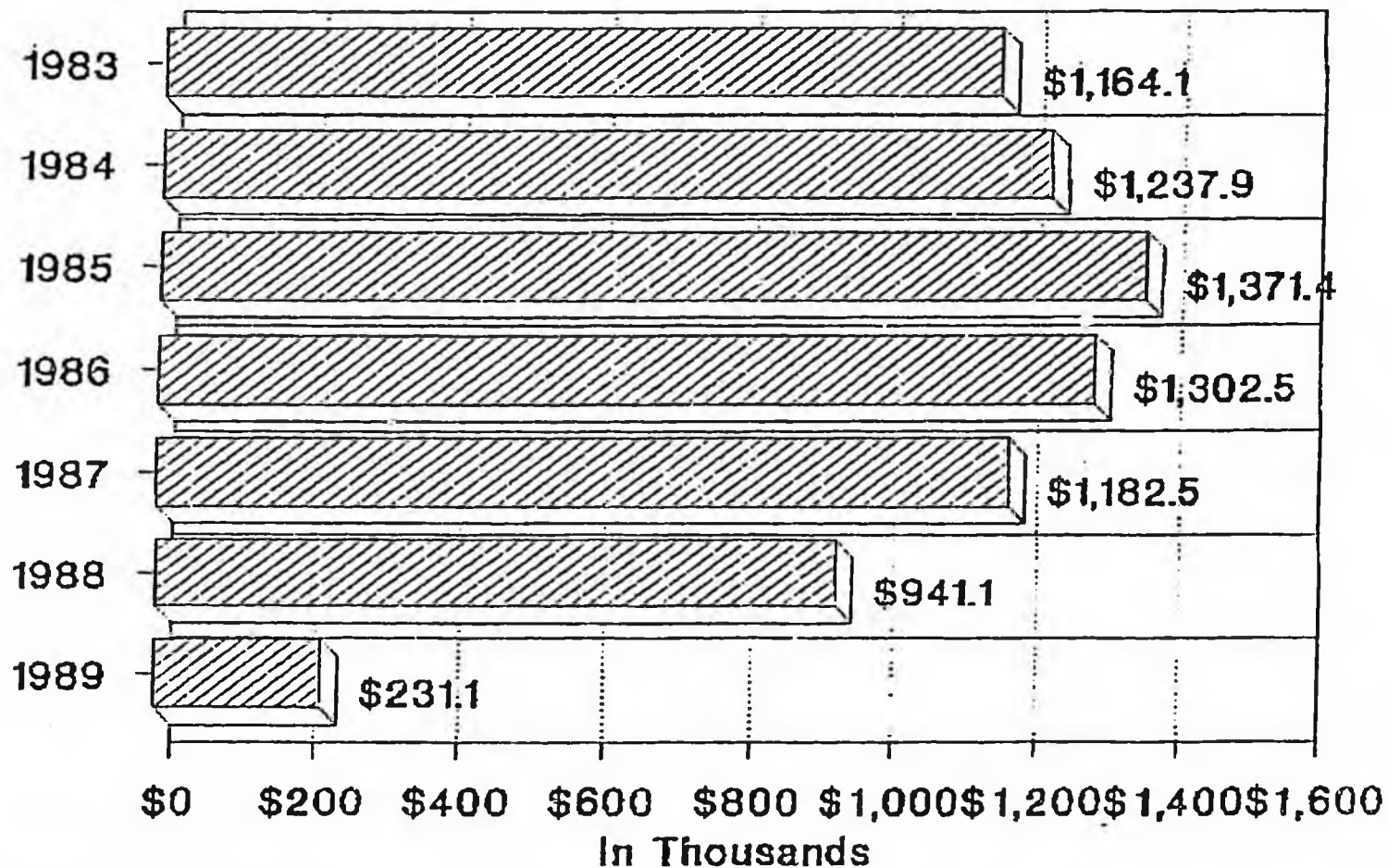
FOR WESLEYAN NURSING HOME:

Donna Herbert,  
Financial Consultants of Alaska

# WESLEYAN NURSING HOME

## Cash Position - '83 to '89

Fiscal Year



by: Financial Consultants of Alaska

WESLEYAN NURSING HOME  
Seward, Alaska

08/24/89

CASH and OPERATING LOSS POSITION

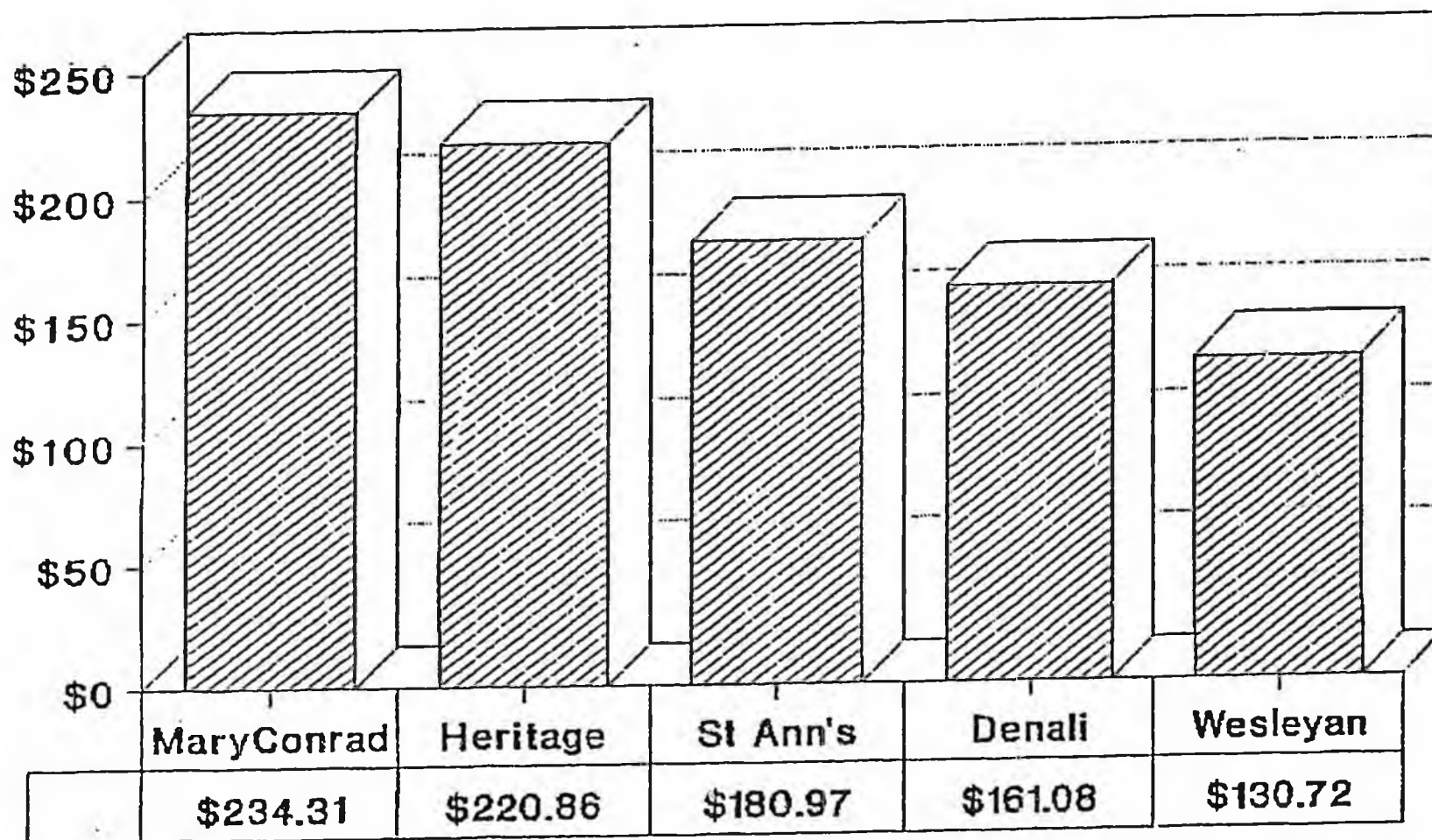
	F/Y 1983	F/Y 1984	F/Y 1985	F/Y 1986	F/Y 1987	F/Y 1988	F/Y 1989*	As of 08/15/89
Cash	\$1,164,087	\$1,237,918	\$1,371,411	\$1,302,510	\$1,182,448	\$941,051	\$393,981	\$231,118
Operating Loss	(\$12,818)	(\$168,836)	(\$161,757)	(\$184,479)	(\$291,760)	(\$465,290)	(\$714,056)	n/a
Other Sources of Revenue	\$209,156	\$228,361	\$227,808	\$228,635	\$177,691	\$154,056	\$124,056	\$69,937 **
Revenue over Expense	\$196,338	\$59,525	\$66,051	\$44,156	(\$114,069)	(\$311,234)	(\$590,000)	n/a

\*From General Ledger  
before final audit.

\*\*1990 Revenue Sharing

# 1989 REIMBURSEMENT RATES

## Free Standing Nursing Homes



**FACILITY & RATE**

by: Financia! Consultants of Alaska

WESLEYAN NURSING HOME  
Seward, Alaska

08/21/89

EXPENSES vs REIMBURSEMENT

	F/Y 1984	F/Y 1985	F/Y 1986	F/Y 1987	F/Y 1988	F/Y 1989	F/Y 1990	TOTAL Over 7 Years
Total Facility Expenses:	\$1,997,846	\$2,136,860	\$2,244,725	\$2,341,184	\$2,673,871	\$2,948,896	\$3,243,786	
\$\$ Increase:		\$139,014	\$107,865	\$36,459	\$332,687	\$275,025	\$294,890	\$1,245,940
%% Increase:		6.95%	5.05%	4.30%	14.21%	10.29%	10.00%	62.36%
Total Patient Days:	23,029	23,340	22,682	21,298	21,465	18,440	19,718	
Rate Based on								
Actual Expenses:	\$86.75	\$91.55	\$98.97	\$109.93	\$124.57	\$159.92	\$164.58	
Approved Medicaid Rate:	\$81.40	\$85.25	\$90.09	\$97.14	\$103.21	\$113.52	\$130.72	
Rate Differential:	\$5.35	\$6.30	\$8.88	\$12.79	\$21.36	\$42.40	\$33.86	
Total Facility Expenses:	\$1,997,846	\$2,136,860	\$2,244,725	\$2,341,184	\$2,673,871	\$2,948,896	\$3,243,786	\$17,587,168
Reimbursement:	\$1,874,561	\$1,989,735	\$2,043,421	\$2,068,888	\$2,215,403	\$2,167,069	\$2,576,491	\$14,935,567
Other Revenue Sources:	\$228,361	\$227,808	\$228,635	\$177,691	\$154,056	\$124,056	\$90,400	\$1,231,007
REIMBURSEMENT EXCESS or (SHORTFALL)	\$105,075	\$80,683	\$27,331	(\$94,605)	(\$304,412)	(\$657,771)	(\$576,895)	(\$1,420,594)
	*****	*****	*****	*****	*****	*****	*****	*****

WESLEYAN NURSING HOME  
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

PATIENT DAY VOLUMES

SYNOPSIS: Under the current rate-setting methodology, the routine component of the LTC rate is calculated using 1985 patient days as a base. A general statewide drop in census, along with the opening of Heritage Place, has resulted in Wesleyan volumes falling 27% since 1985. As an exception to normal practice, Wesleyan Nursing Home requests that a more realistic number of patient days be used in the calculation of the 1990 rate.

DISCUSSION:

PATIENT DAYS

	TOTAL	MEDICAID
1983	23,026	20,723
1984	23,029	20,956
1985	23,340	21,029
1986	22,682	20,243
1987	21,303	19,225
1988	21,465	19,298
1989	18,440	16,596
1990 - Based on 54 Patients	19,710	16,500
1988-1990 3-Year Average:	19,872	17,465
1985-1989 Decrease:	-26.57%	

Please also refer to patient census and discharge data on page 15.

WESLEYAN NURSING HOME  
 MEDICAID RATE ADVISORY COMMISSION PRESENTATION

PATIENT DAY VOLUMES (Cont'd)

The patient day average over a three year period has been used previously by the Medicaid Rate Advisory Commission when granting volume exceptions.

	AS PROPOSED	VOLUME EXCEPTION
	<u>1985 DAYS</u>	<u>THREE-YEAR AVERAGE</u>
<u>ROUTINE</u>	\$2,249,246	\$2,249,246
Patient Days	22,683	19,872
Routine Component	\$99.16	\$113.19
"F" Calculation Adj.	5.45	.54
Inflation Adj.	4.66	5.32
Total Routine Rate:	\$109.27	\$119.05
	<u>1988 DAYS</u>	<u>THREE-YEAR AVERAGE</u>
<u>CAPITAL</u>	\$125,459	\$125,459
Patient Days	21,465	19,872
Total Capital Rate:	\$5.92	\$6.31
	<u>MEDICAID</u>	<u>MEDICAID</u>
	<u>1988 DAYS</u>	<u>THREE-YEAR AVERAGE</u>
<u>ANCILLARY</u>		
Net Cost	\$258,516	\$258,516
Patient Days	19,298	17,465
Total Ancillary Rate:	\$13.39	\$14.80
Wesleyan Rate Sub-Total:	\$128.58	\$140.16
Year-End Conformance:	\$3.23	\$3.23
FY'90 WESLEYAN RATE:	\$131.81	\$143.39

WESLEYAN NURSING HOME  
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

PATIENT DAY VOLUMES (Cont'd)

PETITION TO THE COMMISSION:

Wesleyan Nursing Home requests the Commission to consider this critical volume issue and rebase the FY'90 "F" calculations using three-year average patient days, rather than 1985 patient days. Further, Wesleyan requests that the Commission instruct staff to calculate the ancillary component on the Medicaid three-year average volumes rather than the 1988 Medicaid days. This exception will add \$11.58 per LTC day to the proposed rate.

WESLEYAN NURSING HOME  
 MEDICAID RATE ADVISORY COMMISSION PRESENTATION

ANCILLARY THERAPISTS AND CONSULTANTS

SYNOPSIS: The state survey performed at Wesleyan Nursing Home in FY'89 cited the facility for the complete lack of occupational, physical, and speech therapists, lack of social workers, and inadequate recreational therapy department and programs.

DISCUSSION: In the table below, the therapy consultant and salaries for 1988 total \$2,079. Every LTC nursing home in the state is required to staff these ancillary departments with licensed consultants or licensed staff employees. Wesleyan has hired consultants and employees in each of the departments listed. There is \$109,733 of Medicaid Specific Ancillary Costs not included in their 1988 base rate. The partial Certification Report that is enclosed in the back of your packet has many of those deficiencies highlighted in yellow.

ANCILLARY THERAPIES NOT INCLUDED IN 1988 BASE

	<u>1990</u> <u>Expenses</u>	<u>1988</u> <u>Base</u>
OCCUPATIONAL THERAPY	55,253	1,640
PHYSICAL THERAPY	28,062	440
SPEECH	16,260	-0-
DIETICIAN	1,096	-0-
SOCIAL WORKER	1,696	-0-
RECREATIONAL THERAPY:		
2 Activities Aides	15,683	-0- <sup>1</sup>
1 Recreat. Therapist Consultant	<u>6,840</u>	<u>-0-</u>
TOTAL ANCILLARY THERAPIES	124,890	2,079
Less 1988 Costs in Base		
Plus 9.8% Inflation	<u>&lt;2,283&gt;</u>	
	122,607	
MEDICAID SPECIFIC (@ 89.50%)	109,733	
TOTAL AVERAGED MEDICAID DAYS	17,465	
REQUESTED EXCEPTION FOR ANCILLARY THERAPIES -	\$6.28 PER DAY	

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<sup>1</sup> Recreational Therapy is a part of expanded services due to certification in FY-89.

WESLEYAN NURSING HOME  
MEDICAID RATE ADVISORY COMMISSION PRESENTATION  
ANCILLARY THERAPISTS AND CONSULTANTS (Cont'd)

PETITION TO THE COMMISSION:

Wesleyan Nursing Home requests the Commission to consider the allowable therapy cost required by certification and by quality patient care logic and set a rate that includes an Ancillary Exception of \$6.28 per LTC day.

WESLEYAN NURSING HOME  
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

REPAIR AND MAINTENANCE

**SYNOPSIS:** Wesleyan Nursing Home had many deficiencies for repair and maintenance in the 1989 certification report. Wesleyan demonstrated to staff in a walk through the facility that repairs have been sadly neglected.

**DISCUSSION:** For the entire 1988 fiscal year, Wesleyan had repair and maintenance costs of only \$3,348. In a building that is 37 years old, the lack of costs speaks to the many repairs that must be done to meet certification health and safety standards. The administrator has carefully inspected the facility and listed the deficiencies that must be corrected. I have enclosed a partial list of those repairs in the back of your packets. The partial certification report that is enclosed has many of those items marked in green.

The estimate of the repair costs is \$39,500. \$35,824 of those costs are not in the base year.

REPAIR AND MAINTENANCE

	<u>1990</u>	<u>1988</u>
REPAIR & MAINTENANCE EXPENSE	39,500	3,348
Less 1988 Costs plus Inflation in Base	<u>&lt;3,676&gt;</u> 35,824	
PATIENT DAYS	19,872	
TOTAL EXCEPTION REQUESTED	\$ 1.80	

The majority of the deficiencies on repairs, infection control and sanitation were cited on the state survey.

**PETITION TO THE COMMISSION:**

Wesleyan Nursing Home requests that the Commission consider the badly needed repair costs and grant an exception of \$1.80 per LTC day for repairs.

WESLEYAN NURSING HOME  
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

INSERVICE TRAINING

**SYNOPSIS:** The 1989 Certification Review cited Wesleyan Nursing Home for a total lack of inservice training programs for the nursing staff. In 1988, Wesleyan recorded no inservice training costs.

**DISCUSSION:** Prior to the State's Certification Review, Wesleyan hired Whitman Nursing Consultants to review the facility before the State survey team's arrival. Marian Caudill performed the management certification survey and produced a 20-page report which delineated potential certification deficiencies that needed to be corrected before review.

Inservice training programs have been initiated and scheduled since the time of the State survey.

INSERVICE TRAINING

	<u>1990</u>		<u>1988</u>
STAFF IN SERVICE <sup>2</sup>	15,460	.78	-0-
BOARD AND ADMINISTRATION	5,000	.25	-0-
MANAGEMENT CERTIFICATION <sup>3</sup>	<u>4,177</u>	.21	-0-
	24,637		
PATIENT DAYS	19,872		
TOTAL EXCEPTION REQUESTED	\$ 1.24		

**PETITION TO THE COMMISSION:**

Wesleyan Nursing Home requests the Commission to consider the inservice training and allow an additional \$1.24 per LTC day.

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<sup>2</sup> Cited in Survey.

<sup>3</sup> Hired prior to survey to correct deficiencies.

WESLEYAN NURSING HOME  
MEDICAID RATE ADVISORY COMMISSION PRESENTATION

LABOR NEGOTIATION FEES

SYNOPSIS: Wesleyan Nursing Home hired a labor negotiating firm to negotiate its labor-union negotiations. Failure to do so would have resulted in even higher salaries and benefits than the facility has been forced to comply with.

DISCUSSION:

LABOR NEGOTIATION FEES

	<u>1990</u>	<u>1988</u>
WILCOX (Law Firm)	19,822	-0-
Patient Days	19,872	
TOTAL EXCEPTION REQUESTED	\$ 1.00	

PETITION TO THE COMMISSION:

Wesleyan Nursing Home requests the Commission to grant a \$1.00 per LTC day increase in the rate for legal fees that were not included in base years.

WESLEYAN NURSING HOME  
Seward, Alaska

PATIENT CENSUS

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	1985 =====	1986 =====	1987 =====	1988 =====	1989 =====
Jan	64	62	58	54	51
Feb	63	64	59	54	47
Mar	63	62	61	52	48
Apr	63	64	58	57	45
May	64	62	56	58	49
Jun	64	61	57	56	49
Jul	62	56	59	53	50
Aug	61	57	60	51	
Sep	63	57	62	51	
Oct	62	57	59	53	
Nov	63	61	60	52	
Dec	62	60	57	50	

PATIENT DISCHARGES

=====

Home	4	8	5
Expired	5	11	6
OLOC	1	2	
Pioneer's			2
Heritage Place	2	2	1
HarborView		3	1
API	2	5	6
Other	1	1	3

No. 13

FISCAL NOTE

REQUEST:

Revision Date: 1  
Title: Executive Order making the Medicaid Rate Commission advisory  
Sponsor: Rules Committee  
Requestor: Governor

Agency Affected: Health & Social Services  
BRU: Medicaid Rate Commission  
Components: Medicaid Rate Commission

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	...)-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

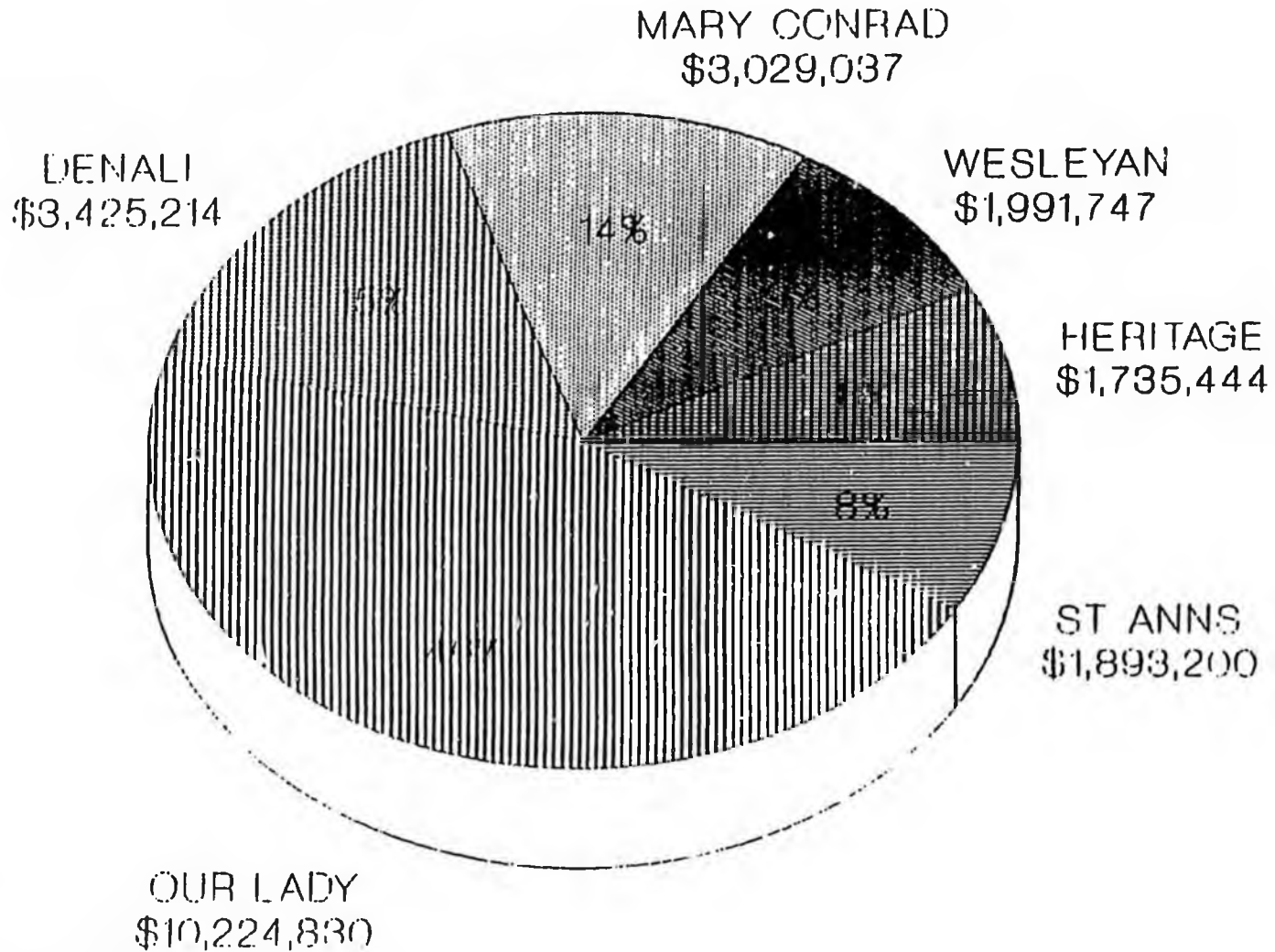
ANALYSIS : (Attach a separate page if necessary)

The Division does not anticipate a change in appropriations for the Medicaid Rate Commission as a result of passage of this bill.

Prepared by: For: Kim Busch *[Signature]* Phone: 465-3355  
Division: Medical Assistance Date: 11/1/88  
Approved by Commissioner: *[Signature]* Date: 1-2-89  
Agency: DISS

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

# LTC MEDICAID REIMBURSEMENT F/Y 1988



by Financial Consultants of Alaska



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 9, 1989

The Honorable Tim Kelly  
President of the Senate  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Kelly:

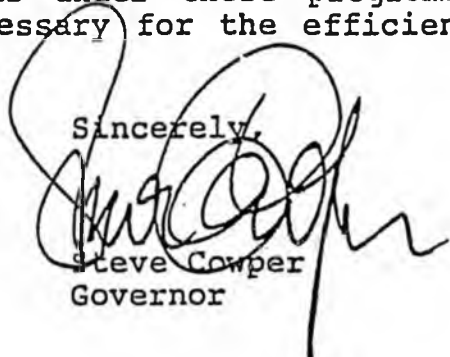
Under the authority of art. III, sec. 23, of the Alaska Constitution, I am transmitting Executive Order No. 72, transferring the rate-setting function, and some other related functions, regarding hospitals and long-term-care facilities under the medicaid and general relief-medical programs from the Medicaid Rate Commission to the Department of Health and Social Services. In line with that transfer, and in recognition that the commission will be providing advice to the department on rate-setting, the Executive Order changes the name of the commission to the Medicaid Rate Advisory Commission.

The Order reassigns the function of rate-setting to the department, to link it with the department's policy-setting and budgeting functions for the two programs, thus increasing overall efficiency in the administration of these closely integrated functions.

This transfer will allow the state to take effective management control so that rates set, in the aggregate, meet federal standards, thus assuring that the receipt of federal money under the medicaid program is not put in question by the rate-setting process. Additionally, this transfer will enable better management of the resources that Alaska allocates to the institutional care of its needy citizens and for better evaluation of the effectiveness of those services.

In summary, transferring the rate-setting function, and some other related functions, of the Medicaid Rate Commission to the Department of Health and Social Services will produce a single, more effective, and economically sound way of setting rates and developing policy for institutional care provided to needy Alaskans under these programs. I find that this transfer is necessary for the efficient administration of these programs.

Sincerely,



Steve Cowper  
Governor

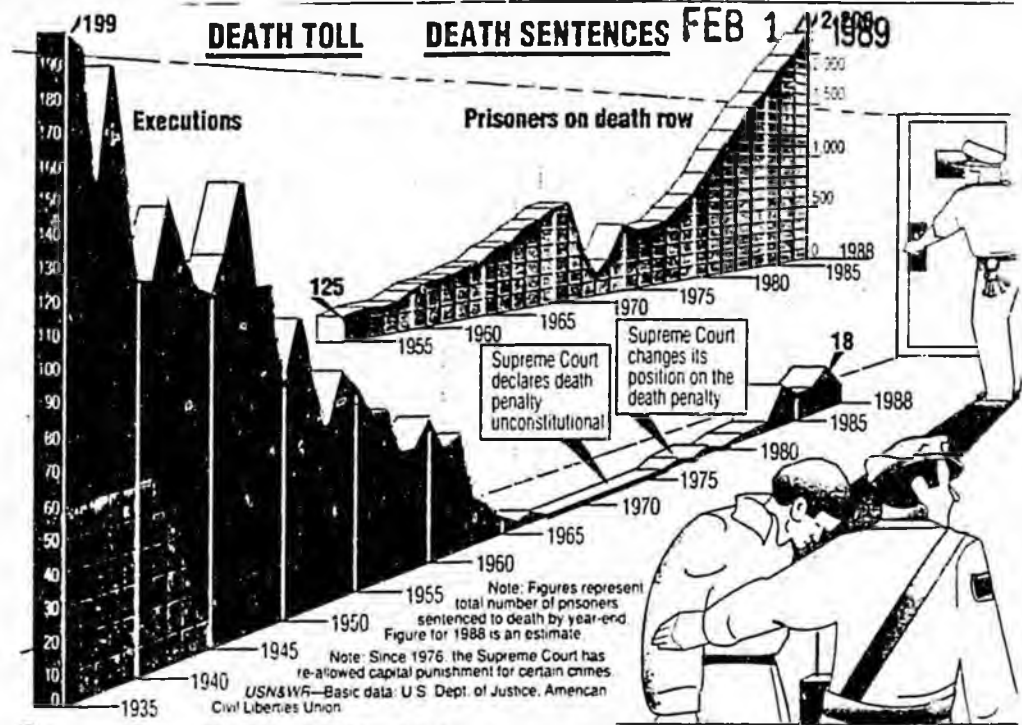
# WOMEN NEED MEN TO PLAN; MEN NEED WOMEN TO CHANGE THE PLAN.



BOB WESTER,  
15310 EASY ST. #2  
EAGLE RIVER, AK 99577  
(907) 694-4372

## Hospital-room costs for an average stay

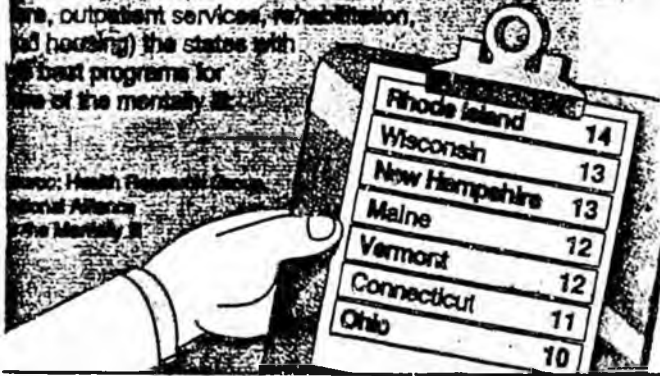
	Charge	Average length of stay (in days)
Dist. of Columbia	\$3,451.58	7.8
New York	\$2,415.55	9.2
Massachusetts	\$2,384.92	7.7
Connecticut	\$2,376.30	7.3
California	\$2,331.01	6.4
Pennsylvania	\$2,236.87	7.5
Vermont	\$2,227.07	7.4
Rhode Island	\$2,198.88	8.0
Minnesota	\$2,172.60	9.0
Michigan	\$2,134.52	7.3
Montana	\$2,081.44	9.4
Delaware	\$2,068.28	6.9
Hawaii	\$2,022.09	7.9
Illinois	\$2,007.84	7.4
Maine	\$2,005.57	7.9
North Dakota	\$1,972.03	10.1
Alaska	\$1,918.62	5.7
Ohio	\$1,895.98	6.9
<b>U.S. average</b>	<b>\$1,817.14</b>	<b>7.2</b>
Colorado	\$1,795.04	6.9
Nebraska	\$1,746.24	9.6
New Jersey	\$1,714.43	7.5
Missouri	\$1,697.85	7.5
South Dakota	\$1,675.96	9.2
Kansas	\$1,667.17	7.8
Iowa	\$1,663.29	8.2
Maryland	\$1,634.07	7.1
Idaho	\$1,603.55	6.5
Washington	\$1,602.44	5.7
New Hampshire	\$1,580.54	6.4
Florida	\$1,520.68	7.0
Oregon	\$1,502.07	5.3
Indiana	\$1,452.56	6.5
Wisconsin	\$1,451.10	7.5
Arizona	\$1,441.43	5.9
Nevada	\$1,398.06	6.0
Virginia	\$1,388.97	7.1
Wyoming	\$1,373.71	7.1
Kentucky	\$1,363.07	6.4
North Carolina	\$1,357.85	7.2
New Mexico	\$1,335.45	5.7
West Virginia	\$1,333.41	6.8
Utah	\$1,309.39	5.4
Alabama	\$1,279.88	7.0
Louisiana	\$1,266.24	6.3
Oklahoma	\$1,231.33	6.7
Texas	\$1,214.64	6.2
Tennessee	\$1,195.53	7.0
South Carolina	\$1,192.38	7.0
Georgia	\$1,108.42	6.9
Arkansas	\$1,011.71	6.6
Mississippi	\$ 955.40	6.8



## Top state mental health programs

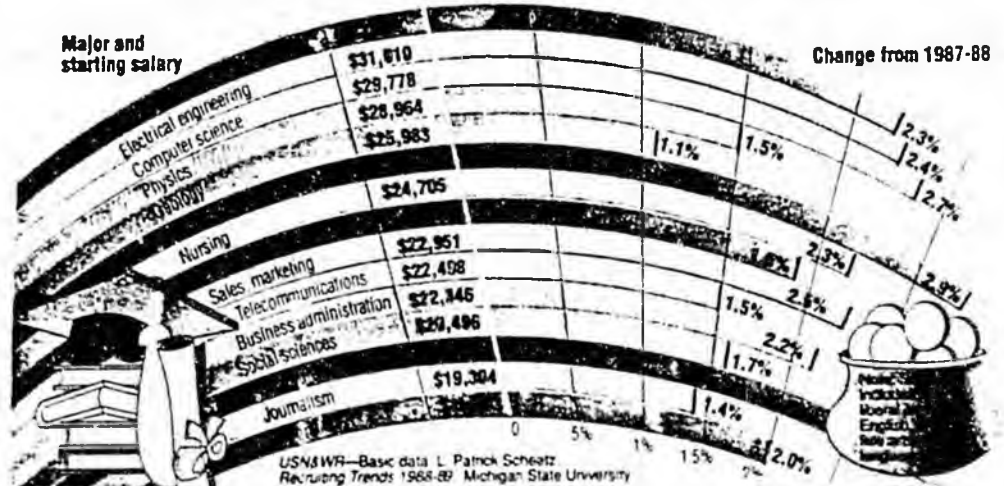
Ranked on a five-point scale in each of four areas: hospital care, outpatient services, rehabilitation, and housing) the states with the best programs for one of the mentally ill.

Source: Health Resources Development Administration, National Alliance for the Mentally Ill



## PAPER-CHASE PAYOFF

Estimated starting salaries for 1988-89 college graduates holding bachelor's degrees



Note: Costs are as of January, 1988, refer to hospital semiprivate room rates only and exclude all other hospital expenses; hospital stay figures are based on 1987 information.  
USNAWR—Basic data: Health Insurance Association of America, AHA Hospital Statistics, 1988 edition, American Hospital Association.

FEB 13 1989



Heritage Place

232 Rockwell Avenue  
Soldotna, Alaska 99669  
907-262-2545

February 8, 1989

Senator Paul Fischer  
P.O. Box V-MS 3100  
Juneau, Ak. 99811

Dear Paul:

Thanks for your call on the request you had from Sharon Cates. As I reported on the phone, the situation is not an easy one. Persons whose income is above the medicaid limit of \$1,104/month are simply falling through the cracks under the present system of payment for long term care. As Sharon may have noted, the family has applied for Ms. Cates to enter the Anchorage Pioneer Home. However, they have been informed that Ms. Cates is #19 with a wait of a minimum of one year or more.

I encouraged Sharon to contact you as I know you are a strong advocate for your constituents. I hope that was ok.

I shared with Sharon the disparity of treatment of elderly Alaskans as to long term care assistance. As we discussed on the phone, the legislature will probably not bat an eye lash on funding \$2.5 million for operation of the Juneau facility. Yet, you may find it difficult to address Ms. Cate's problem in a meaningful way. Why? Because she resides in Soldotna where there isn't a state operated facility. Heritage Place has the capacity and the desire to serve persons, but needs the financing to pay for the legitimate cost of that care.

As I mentioned on the phone, I see two avenues for relief. Both requiring money.


1) A legislative appropriation to fund the GRM Long Term Care exception program. I'm enclosing a copy of the regulations which are on the books. All the department needs is the money to fund the program. You may want to consider an upper threshold of \$2,000 in client income as a cut off for state assistance. The program is discretionary with the commissioner.

2) A special legislative appropriation for Heritage Place to provide care to aged Pioneers who don't qualify for medicaid or VA or Medicare. Heritage Place could use the grant of \$200,000 or whatever as a draw down against the cost of care for residents until the monies are exhausted. That would be something and it would be a recognition that Pioneers are not ignored on the Kenai.

Page 2  
Letter to Senator Paul Fischer  
February 8, 1989

Thank you, Paul, for your continued concern for the well-being of peninsula residents. The most vulnerable segment of our society are those needing acute and long term care health services. The situations which individuals and families confront can be truly hardships.

Sincerely,

  
Dennis Murray, Administrator

Encl.--GRM Regulations

**7 AAC 47.155. DETERMINATION OF GENERAL RELIEF MEDICAL FINANCIAL ELIGIBILITY.** (a) Financial eligibility for General Relief Medical assistance exists only if the household's monthly net income, as determined under this section, does not exceed the need standard in 7 AAC 47.150(b). The applicant must provide verification of the household's income, including, for example, tax and wage statements.

(b) Except as provided in (c) of this section and in 7 AAC 47.170(b), persons who are included in the household and who will therefore have their financial needs, income, and resources considered in determining financial eligibility, include the applicant and all persons related to the applicant by blood, marriage, or adoption who reside with the applicant.

(c) Persons who are receiving a cash assistance grant from Aid to Families with Dependent Children, Adult Public Assistance, or Supplemental Security Income will not have their financial needs, income, or resources considered in determining the General Relief Medical assistance applicant's financial eligibility.

(d) monthly net income as determined by

(1) counting all income earned or unearned, from any source, except payments made under the Alaska Native Claims Settlement Act which are not taxable by the Federal Internal Revenue Service, and Alaska Permanent Fund Dividends, received during the calendar month in which application is made; (to determine monthly income, income received weekly is multiplied by 4.3, that received every two weeks by 2.15, that received twice monthly by 2, and that received monthly by 1);

(2) subtracting from gross income all mandatory payroll deductions including federal income tax, FICA, unemployment insurance, union dues, health insurance premiums, and retirement; and

(3) not counting income received in the month before the month in which application is made, but considering that income a resource

as described in 7 AAC 47.160. (Eff. 8/1/86, Reg. 99; am 2/2/87, Reg. 101)

Authority: AS 47.05.010

AS 47.25.130

**7 AAC 47.160. RESOURCES.** (a) General Relief or General Relief Medical assistance may not be granted if the applicant, despite an excess of need over income, has a prior resource, as described in (b) of this section available to meet the specific need, or personal resources in excess of \$500 as described in (c) of this section.

(b) Prior resources include

(1) coverage by Social Security, workers' compensation, or medical and hospital insurance;

(2) eligibility for assistance from categorical programs such as Adult Public Assistance and Aid to Families with Dependent Children;

(3) qualification to receive other medical assistance or coverage, including, for example, assistance or coverage through the Veteran's Administration, Civilian Health and Medical

rogram of the Uniformed Services (CHAMPUS), Seaman's Act Program, Handicapped Children's Program, Office of Vocational Rehabilitation, Medicaid, Medicare, or free health clinics;

(4) potential treatment or assistance from the United States Public Health Service or Bureau of Indian Affairs health care and general relief programs;

(5) availability of cash, medical, or subsistence items and assistance from the Salvation Army, Red Cross, Lion's International, or other charitable organizations;

(6) payment for medical bills or medical insurance coverage available through a liable party, including payment for medical claims resulting from an accident; and

(7) payment for medical bills or medical insurance coverage available through an absent parent.

(c) Personal resources include

(1) liquid assets such as cash, savings, stocks, or bonds;

(2) any real or personal property with equity value, not including

(A) the home in which the applicant resides and the land on which it stands, unless the land has been surveyed for subdivision; if the land has been surveyed for subdivision, only the lot on which the house stands may be excluded;

(B) property actively marketed for sale at fair market value or less;

(C) property that is producing income;

(D) property that is essential to employment;

(E) either an automobile or a motorcycle or, in an area where local transportation needs require an alternative, a boat, snowmobile, all-terrain vehicle (ATV) or a combination of any two;

(F) the home of a nursing home resident to which the resident intends to return and the land on which it stands, unless the land has been surveyed for subdivision; if the land has been surveyed for subdivision, only the lot on which the house stands may be excluded;

(3) a limited entry fishing permit that was not used during the most recent season for reasons other than

(A) loss of essential fishing equipment before or during the most recent season;

(B) serious illness of the applicant or a household member for the period before and including the most recent season; and

(4) credit sufficient to directly or indirectly meet the specified need. (Eff. 3/23/78, Reg. 65; am 8/1/86, Reg. 99)

Authority: AS 09.65.010 AS 47.25.130  
AS 47.05.010 AS 47.25.170  
AS 47.25.120

7 AAC 47.170. AGE AT WHICH APPLICANT MAY BE ELIGIBLE. (a) Applicants 18 years of age or older may be found eligible for General Relief and General Relief Medical assistance.

(b) An applicant under 18 years of age may apply on his or her own behalf if the applicant is living apart from parents or guardian and is managing his or her own personal financial affairs. An applicant under 18 years of age living at home with her parents or guardian may apply without regard to her parents' or guardian's income if she is a female seeking a pregnancy-related service. (Eff. 3/23/78, Reg. 65; am 8/1/86, Reg. 99; am 11/28/86, Reg. 100)

Authority: AS 09.65.100 AS 47.25.130  
AS 47.05.010 AS 47.25.170  
AS 47.25.120

7 AAC 47.180. PROVISION OF MEDICAL BENEFITS. The division shall provide a written certification of eligibility for General Relief Medical benefits upon a form or card specified by it. This certification signifies that the person or persons named on it have been found eligible for medical assistance for the period if time stated. This certification neither guarantees to

(3) for items and services not properly prescribed or determined necessary by a health care actitioner;

(4) for more than 12 outpatient physician visits by a recipient in a calendar year;

(5) for outpatient physician visits that are not for a recipient with a diagnosis as described in 7 AAC 47.271(b), or for a General Relief Interim assistance recipient who has applied for Supplemental Security Income for the disabled and is waiting for the initial eligibility determination from the Social Security Administration;

(6) if persons are in the care and custody of penal facilities, including juveniles in detention facilities;

(7) for an elective procedure other than a pregnancy-related service as defined in 7 AAC 47.290;

(8) if the expense is for the first \$50 of each day of hospital stay up to a maximum of \$200 per hospital admission for major medical care;

(9) if the expense is for a prescription drug or prescribed medical supply for a recipient who does not have a diagnosis specified in 7 AAC 47.271(b) or who is not a General Relief Interim assistance recipient who has applied for Supplemental Security Income for the disabled and is waiting for the initial eligibility determination from the Social Security Administration;

(10) for dentist services that are excluded under 7 AAC 43.620 and that are not for a recipient of General Relief Interim assistance who has applied for Supplemental Security Income for the disabled and is waiting for the initial eligibility determination from the Social Security Administration. (Eff. 3/23/78, Reg. 65; am 5/2/79, Reg. 70; am 4/15/82, Reg. 82; am 5/25/82, Reg. 84; am 8/1/86, Reg. 99; am 11/28/86, Reg. 100)

Authority: AS 47.05.010  
AS 47.25.170

7 AAC 47.220. RESPONSIBILITY OF RECIPIENT. (a) It is the responsibility of the recipient to

(1) guard his certification of eligibility with reasonable care to prevent it being used by unauthorized persons;

(2) present it to the provider at the time service is rendered;

(3) provide the identification supporting the proper use of the certification which the provider may require; and

(4) refrain from using the certification after eligibility has expired.

(b) The recipient is responsible for

(1) all charges incurred if no certification is presented, and for charges incurred before and after the eligibility period;

(2) all charges incurred for services that are not covered under 7 AAC 47;

(3) paying the hospital \$50 for each day of stay up to a maximum of \$200 per hospital admission; and

(4) paying a \$1 copayment on each prescribed drug or medical supply.

(c) The department will restrict a General Relief Medical recipient in the recipient's choice of providers in the same manner and for the same reasons that the department restricts Medicaid recipients under 7 AAC 43.027.

(d) If the department has awarded a group service agreement to providers or to a health facility or health facilities in the recipient's community, only the services provided to the recipient by those providers or health facilities may be reimbursed by the division of medical assistance. (Eff. 3/23/78, Reg. 65; am 4/15/82, Reg. 82; am 5/25/82, Reg. 84; am 6/28/85, Reg. 94; am 8/1/86, Reg. 99; am 11/28/86, Reg. 100)  
Authority: AS 47.05.010 AS 47.25.170  
AS 47.25.130 AS 47.25.195

7 AAC 47.230. RESPONSIBILITIES OF PROVIDER. Providers under the General Relief Medical program are bound by the provisions of this chapter and the provisions of 7 AAC 43. If the provisions of the two chapters conflict, the

provisions contained in this chapter will take precedence over the provisions of 7 AAC 43 when the service is being provided under the General Relief Medical program. (Eff. 3/23/78, Reg. 65; am 5/2/79, Reg. 70)

Authority: AS 47.05.010  
AS 47.25.170

**7 AAC 47.240. REIMBURSEMENT OF PROVIDER.** (a) Providers shall submit all claims for payment on invoices prescribed by the division and in accordance with the provisions contained in the division's provider manuals.

(b) Claims for payment must be filed promptly following care. The division may not make payment for services provided more than six months before presentation of the claim.

(c) Payment will be made in the amount determined under the provisions of 7 AAC 43. For those services not covered by Medicaid, the division will furnish providers with information for those services covered exclusively under the General Relief Medical program.

(d) The division of medical assistance shall reimburse a provider at a rate that is determined by the division of medical assistance to be affordable within the amount appropriated to the department for General Relief Medical assistance. Payment must be based on a percent of charges at or below the rate set by the Medicaid Rate Commission. The division of medical assistance shall deduct the amount owed by the recipient for inpatient hospital services before reimbursing the hospital.

(e) Payment provided by the division represents full and total reimbursement for those covered services authorized under General Relief Medical assistance. By accepting reimbursement from the division of medical assistance, the provider of medical care or medically related services agrees not to charge the recipient for any difference between the amount billed and the amount received in payment from the division of medical assistance, except charges for which the recipient is responsible under 7 AAC 47.220(b). If the hospital was aware at the time of admission that the patient was a General Relief Medical assistance applicant or recipient, admission of the patient serves as agreement to

accept reimbursement from the division of medical assistance as full payment for hospital services. A recipient is responsible for payment of all services not reimbursable under General Relief Medical assistance and for the payments specified in 7 AAC 47.220(b). (Eff. 3/23/78, Reg. 65; am 5/2/79, Reg. 70; am 11/28/86, Reg. 100)

Authority: AS 47.05.010  
AS 47.25.170  
AS 47.25.195

**7 AAC 47.250. QUALITY AND COST OF BENEFITS.** Repealed 8/1/86.

**7 AAC 47.260. THIRD-PARTY LIABILITY.** If an applicant is granted General Relief Medical assistance for treatment of an injury negligently or intentionally caused by another person, institution, corporation, or public or private agency, details of the incident from which the injury arose must be noted on the application to facilitate possible recovery. Unless the tortfeasor is judgment-proof, the applicant will be required to assign his cause of action to the state, or repay the value of the assistance he has received if he refuses to make such an assignment. (Eff. 3/23/78, Reg. 65)

Authority: AS 47.05.010  
AS 47.25.150

**7 AAC 47.270. PRESCRIBED DRUGS AND MEDICAL SUPPLIES.** Repealed 8/1/86.

**7 AAC 47.271. PRESCRIBED DRUGS AND MEDICAL SUPPLIES.** (a) The division of medical assistance will not pay for a brand-name prescription drug if an FDA-approved generic drug of equal therapeutic effectiveness is available, unless the prescriber prohibits substitution.

(b) The division of medical assistance may only pay for prescription drugs and medical supplies prescribed to treat a person who

(1) is a recipient of General Relief Interim assistance who has applied for Supplemental Security Income for the disabled and is waiting for the initial eligibility decision from the Social Security Administration;

(2) has a terminal illness;

(3) has cancer and requires chemotherapy; or

(4) has a specific chronic condition that would normally in its untreated course result in the death or disability of the recipient, but which is amenable to outpatient medication; the chronic conditions for which drugs will be reimbursed are limited to the following diagnoses:

- (A) diabetes and diabetes insipidus;
- (B) seizure disorders;
- (C) chronic mental illness;
- (D) hypertension.

(c) The division of medical assistance shall pay the pharmacist's usual and customary charge to the public, less the recipient co-payment amount. The recipient co-payment amount is

(1) the financial obligation of the recipient, not the division of medical assistance, and must be collected by the pharmacist at the time of each service;

(2) \$1 for each purchase of a prescribed drug or prescribed medical supply.

(d) The division of medical assistance may not pay for more than a 30-day supply of a prescribed drug unless prior authorization has been obtained by the pharmacist from the division of medical assistance.

(e) The division of medical assistance may not pay for non-prescription drugs, except insulin. The division of medical assistance may grant an exception based on written information submitted on a request for authorization form, which is available from the division of medical assistance.

(f) The division of medical assistance may only pay for prescribed medical supplies that have been assigned a current specific billing code number by the division of medical assistance. The division of medical assistance may grant an exception based on written information submitted on a request for authorization form, which is available from the division of medical

assistance. (Eff. 8/1/86. Reg. 59; am 11/28/86, Reg. 100)

Authority: AS 08.80.295  
AS 47.05.010  
AS 47.25.170

**7 AAC 47.280. GENERAL RELIEF MEDICAL WAIVERS FOR PERSONS REQUIRING LONG-TERM CARE SERVICES.** (a) A person who requires a level of medical or rehabilitative care that could appropriately be provided in a skilled nursing facility or an intermediate care facility may apply to the department for waiver of any or all of the following standards of and requirements for eligibility for General Relief Medical assistance:

(1) the need standards of 7 AAC 47.150;

(2) the resource requirements of 7 AAC 47.160; and

(3) the service limitations of 7 AAC 47.200.

(b) A person who applies for a waiver of 7 AAC 47.150 or 7 AAC 47.160 must demonstrate by clear and convincing evidence, that

(1) he or she meets all requirements and standards for General Relief Medical assistance other than those standards and requirements for which he or she seeks a waiver; and

(2) unusual circumstances exist that prevent the eligibility criteria that would be waived from accurately reflecting his or her financial need.

(c) As a condition of a waiver of 7 AAC 47.150, the needy person receiving the waiver must participate in paying the cost of services for which the department will pay under the waiver, by expending, for his or her care, all of his or her total monthly income in excess of the personal needs allowance specified in 7 AAC 40.390. If the person has a spouse living at home, the department will allow the person to retain an additional amount for maintenance of the spouse which is equal to the appropriate individual need standard specified in 7 AAC 40.310. If the person has dependent children, as defined in AS 47.25.410(3), the department will allow the person to retain, for support of the dependent children, an amount equal to the

amount, or both the total amount and monthly amount of General Relief Medical assistance that may be paid as a result of the waiver.

(j) The commissioner will, in his or her discretion, terminate a waiver under this section at any time if he or she believes that sufficient money has not been appropriated to meet demand for General Relief Medical assistance, or any other assistance included in the same appropriation for the same fiscal year.

(k) The commissioner will, in his or her discretion, renew a waiver under this section for a period of up to one year. An applicant for renewal of a waiver must meet all of the requirements for a waiver. The department will consider all pending applications for renewal of existing waivers before considering any applications for new waivers.

(1) An applicant for a waiver, and all persons liable for the support of the applicant shall provide any and all evidence of their financial condition that the department requests. The department will deny an application for a waiver or terminate a waiver if an applicant, or a person

liable for the support of an applicant fails, without good cause, to cooperate with the department in the department's investigation of the physical condition of the applicant or the financial condition of the applicant and of persons liable for the support of the applicant. For the purposes of this subsection, "good cause" for failure to cooperate includes the inability of an applicant to locate a person liable for support of the applicant after reasonable efforts, and also includes good cause as determined by the commissioner.

(m) The department will consider an application complete upon receipt of all evidence of physical and financial conditions that it has requested, including a statement from a physician. Within 60 days after the department receives a completed application for a waiver or renewal for a waiver under this section, the commissioner will notify the applicant that

(1) the commissioner approves the waiver subject to conditions he or she has established; or

(2) the commissioner denies the waiver. (Eff. 12/24/85, Reg. 90)

Authority: AS 47.05.010

AS 47.25.230

AS 47.25.120

AS 47.25.252

7 AAC 47.290. DEFINITIONS. In 7 AAC 47.010 - 7 AAC 47.290

(1) "prescribed drug" means a simple or compound substance, or mixtures of substances, prescribed for the cure, mitigation, or prevention of disease, or for health maintenance that is prescribed by a physician or other licensed practitioner of the healing arts within the scope of practice as defined and limited by federal and state law, and is dispensed by a licensed pharmacist on a valid prescription that is recorded and maintained in the pharmacist's records.

(2) "disabled" or "disability" means being unable to or the inability to engage in substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months;

(3) "elective procedure" means a procedure that is subject to the choice or decision of the patient or physician regarding medical services that are advantageous to the patient but not necessary to prevent the death or disability of the patient;

(4) "major medical care" means non-elective inpatient hospital services that cannot be performed on an outpatient basis and that are certified as necessary by the professional review organization contracted by the division of medical assistance;

(5) "pregnancy-related service" or "pregnancy-related services" means a service or services reasonably necessary for an abortion;

(6) "recipient" means an individual who is financially eligible for General Relief Medical assistance and who may receive a covered medical service if determined to be eligible to receive the service. (Eff. 8/1/85, Reg. 95; am 12/4/85,

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February 15, 1989

**MEDICAID RATE COMMISSION  
RATE SETTING AND COMPLIANCE PROCEDURES**

	<u>Due Date</u>
I. Facility Submits Annual Budget	60 days prior to commencement of new fiscal year.
II. Medicaid Rate Commission Staff Analysis	Within 60 day period-subject to Rate Commission meeting schedule.
III. Rate Commission Establishment of Rate	Per scheduled meeting.
IV. Facility submits year end conformance report	Within 20 days of Fiscal year end date.
V. Medicaid Rate Commission Staff analysis of conformance	Prior to commencement of next fiscal year.
IV. Facility Audit (7AAC 43.693)	As time permits.

Note: Current status of Providence Hospital  
Facility Audits: 1985 - Not Performed  
1986 - Not Performed  
1987 - Not Performed

DH:lp.0013h.1

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SISTERS OF  
PROVIDENCE  
SERVING IN THE WEST SINCE 1856

February 15, 1989

**MEDICAID RATE COMMISSION  
RATE SETTING AND COMPLIANCE PROCEDURES  
PROPOSED UNDER EXECUTIVE ORDER #72**

	<u>Due Date</u>
I. Facility Submits Annual Budget	60 days prior to commencement of new fiscal year.
ii. Medicaid Rate Commission Staff Analysis	Within 60 day period-subject to Rate Commission meeting schedule.
New Proviso	
III. Rate Commission Recommendation of rate to Department of Health and Social Services.	
New Proviso	
III-A Department of Health and Social Services review and establishment of rate.	Undetermined
IV. Facility submits year end conformance report	Within 120 days of Fiscal year end date.
V. Medicaid Rate Commission Staff analysis of conformance	Prior to commencement of next fiscal year.
IV. Facility Audit (7AAC 43.693)	As time permits.

Note: Current status of Providence Hospital  
Facility Audits: 1985 - Not Performed  
1986 - Not Performed  
1987 - Not Performed

DH:1p.0013h.2