

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8377 SENATE LABOR & COMMERCE

commission's workload. We found that the electric and telephone industries, on a combined basis, have represented approximately 79 percent of APUC's workload. The graph of these two industries illustrates the significance, variation, and trend that complicates setting of an RCC rate. The following table compares the commission's estimated FY 93 RCC receipts with the amount calculated based upon the workload over the past three years.

Industry	Flat Rate Allocation		Workload Allocation		Over (Under) Allocation	
	Estimated Gross Revenues	RCC Percent	Estimated FY 93 RCC	Percent of Workload		
Electric	\$260,673,485	.577%	\$1,504,086	34%	\$1,311,670	\$192,416
Telephone	153,306,332	.577%	884,577	45%	1,736,033	(851,456)
Pipeline	99,532,100	.577%	574,300	4%	154,314	419,986
Gas	99,152,056	.577%	572,107	3%	115,736	456,371
Water	22,955,320	.577%	132,452	4%	154,314	(21,862)
Sewer	17,129,576	.577%	98,838	2%	77,157	21,681
Refuse	15,856,758	.577%	91,493	4%	154,314	(62,821)
Cable	0	.577%	0	3%	115,736	(115,736)
Other	0	.577%	0	1%	38,579	(38,579)
Total	\$668,605,627		\$3,857,853	100%	\$3,857,853	\$ 0

This table demonstrates that, based upon the workload over the past three years, the flat across-the-board rate significantly undercharges telephone and overcharges electric, pipeline, and gas utilities. Of course, the over or under allocation amount by industry varies depending on how many years of workload are considered. The use of an across-the-board rate incorrectly assumes that an industry's gross revenues are closely correlated to the workload that it creates. Given the significance of the electric and telephone workload, variation, and trend, we do not believe that the allocation methodology should assume that all workload cycles reverse themselves and that all industries create the same amount of workload in the long run. Therefore, we recommend that the legislature amend AS 42.05.253 to require APUC to periodically adjust the RCC factors to reflect workload on an industry by industry basis.

Notwithstanding the above, we support the current RCC program; we believe that it provides a measure of equity and responsiveness to unwarranted regulation that was lacking prior to the program. Our recommendation is intended to further the equity and regulatory responsiveness objective of this program.

The RCC program was established as a trial program utilizing an automatic repeal of December 31, 1994. As we consider this program to be effective, we recommend that this repeal provision be deleted.

Recommendation No. 2

Alaska Statute 42.05.711 should be amended to make it easier for utility consumers to opt in or opt out of economic regulation.

In the 1989 sunset audit report, we recommended the deregulation of several industries as well as the smaller utilities in each industry. We continue to believe that not all industries need to be regulated and that the cost of regulation may exceed its benefits, particularly for the smaller utilities. With the recent adoption of a user fee approach under the RCC program, the impetus exists to make state government more responsive; what is lacking is a reasonable mechanism to allow consumers to select whether or not they want their utility to be regulated.

Alaska Statute 42.05.711 exempts electric and telephone utilities with revenues less than \$50,000 and refuse utilities with revenues under \$200,000. However, customers can obtain economic regulation by petitioning APUC. Alaska Statute 42.05.711 presently requires 25% of an exempted utility's subscribers to sign the petition. We believe that this is too great an obstacle to overcome and recommend that an election be called if APUC receives a petition demonstrating significant consumer interest. We recommend that the petition and election requirements be modeled after the deregulation election procedures in AS 42.05.712. These procedures call for an election if the petition is signed by 10% of the first 5,000 subscribers and 3% of the subscribers in excess of 5,000. These elections may only be held once every two years for a given utility.

Alaska Statute 42.05.711 also allows deregulation elections to be held for electric and telephone utilities with revenues of less than \$325,000 and other utilities with revenues under \$100,000. We believe that more consumers should be given the option to deregulate by substantially raising the cut-off amount.

In combination, these two changes would allow APUC and the user fee approach of the new RCC program to be more responsive to the regulatory needs of the utility consumer. The regulatory cost/benefit decision should be made by the consumer.

Recommendation No. 3

APUC should establish a timekeeping system.

We initially recommended, in 1979, that the commission implement the time system they had purchased. As part of a 1978 management audit of APUC, Arthur Young & Co. developed a time management system to assist the commission in prioritizing, planning, scheduling, and

monitoring the workflow. In response to our recommendation, the commission concurred that a time management system is a useful administrative tool. They indicated that the time system would be implemented.

In our 1989 sunset audit report we recommended that APUC establish a timekeeping system as an integral part of a direct-allocation RCC program. As the legislature selected an RCC program that was not time based, APUC was not required to implement this recommendation. However, as costs to establish and operate a time system are minimal and the benefits are substantial, we continue to recommend it.

The costs of a timekeeping system are minimal.

- The commission should determine what management reports are needed. While we acknowledge that the 1978 time management system is likely outdated, we recommend that the commission review it to assist them in developing this needs definition.
- Purchase and install "canned" software. There is very inexpensive software on the market that should meet the commission's needs. APUC already has a programmer on staff that could handle the installation.
- The ongoing cost to record time would be insignificant. An employee would need only a few minutes a day to electronically enter their time.
- The time system would also require a small amount of computer and personnel time to accumulate the data and generate periodic management reports.

The benefits of a timekeeping system are substantial.

- A time system would give APUC management a greater ability to prioritize, plan, schedule, and monitor their workload. We believe this information would be invaluable to the commission.
- The legislature is often involved in regulatory matters. Using these management reports, APUC would be better able to estimate the full effect of any regulatory changes.
- There is a potential for increased staff efficiency as a result of time sheet accountability.
- Time sheets would provide a defensible basis for the RCC allocation discussed in Recommendation No. 1. However, regardless of the action taken on Recommendation No. 1, the benefits of implementing a timekeeping system far outweigh the costs.

The nature of the commission's business is very different from most state agencies; they deal with a relatively small number of companies and work on discrete projects. APUC's workload is similar to that in the Attorney General's Office and the Department of Transportation and Public Facilities' maintenance and construction divisions, all of which maintain project time systems.

Recommendation No. 4

APUC should consider how to best ensure commission member access to adequate staff support and advice.

The commission members are inundated with technical information and complex issues. These issues must be thoroughly explored and the commission's decisions must be fully documented. The legislature recognized this difficult task and appropriately established full-time commission members with six-year terms. Nevertheless, there remains a substantial need for staff support and professional advice.

We are concerned that in the instances when commission staff are named as a party in an adjudicatory proceeding, the commission members do not have full access to support staff, professional staff, or legal counsel. The judicial model requires adversarial parties to present the case. APUC staff is frequently designated as a party to a case to provide this necessary balance. The assistant attorney generals advise APUC staff and effectively become a party to the case. Under this judicial model, ex parte communication rules prevent the commission members from directly obtaining assistance or advice from their staff or attorneys; this can only be accomplished if the utility is also present. This may often be impractical.

We believe that the commission would benefit from greater access to their staff and attorneys. The commission should consider how to best ensure full access. We offer the following alternatives:

- A group could be assigned, on a rotational basis, to each case. These individuals would be the party to the case; all others would be available to the commission members.
- Several staff could be assigned, on a rotational basis, directly to the commission. The criteria for selection may vary. The team could include all the professional disciplines, it could target the disciplines currently needed, or it could be a team of executive assistants. The remaining staff would be the party of record.

Although the above approaches have certain drawbacks, we believe that some separation would be achieved thus diminishing the ex parte communication problem. We believe this will enhance the commission's overall efficiency and effectiveness.

Recommendation No. 5

The APUC member's terms of office should be staggered.

The Alaska Public Utilities Commission has five members who are appointed by the governor and confirmed by the legislature in joint session to serve six-year terms. On October 31, 1993 two commission seats become available. Because the potential for

disruption of commission activity would be high with two new members coming in at the same time, we recommend the terms be staggered.

Currently, the terms are scheduled to end as follows:

Consumer seat (1)	October 31, 1993
Engineering seat	October 31, 1993
Legal seat	October 31, 1994
Consumer seat (2)	October 31, 1996
Finance seat	October 31, 1998

We propose this staggering be implemented by modifying the upcoming term of the engineering seat. We propose the following language be added to a temporary or special act:

The term of the Alaska Public Utilities Commission Engineering seat, which is scheduled to begin on November 1, 1993, shall end on October 31, 1995. This adjustment to the normal six-year term, as established under AS 42.05.030(a), is necessary to appropriately stagger commission membership.

ANALYSIS OF PUBLIC NEED

Limited Analysis

The following analyses of commission activities indicate both positive and negative factors as they relate to the public need factors as defined in AS 44.66.050. These analyses were not intended to be all-inclusive, but address those areas we were able to cover within the scope of our review.

The extent to which the board, commission, or program has operated in the public interest.

The commission has conscientiously attempted to allow only qualified applicants to provide utility services and to regulate them in such a manner as to ensure adequate service at the lowest reasonable rates. In finding that no public interest would be served through regulation, APUC administratively exempted some utilities through the discretionary power granted at AS 42.05.711(d).

The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.

The potential effectiveness of the commission was greatly enhanced by the passage of the 1992 RCC legislation; we believe that it provides a measure of equity and responsiveness to unwarranted regulation that was lacking prior to this program. We recommend that the RCC program's automatic repeal date of December 31, 1994 be repealed. However, we also believe that this equity and regulatory responsiveness could be further enhanced by periodic realignment of the charges on an industry by industry basis (see Recommendation No. 1).

Alaska Statute 42.05.711 should be amended to make it easier for utility consumers to opt in or opt out of economic regulation. The regulatory cost/benefit decision should be made by the consumer (see Recommendation No. 2).

APUC should establish a timekeeping system to prioritize, plan, schedule, and monitor the workflow. The costs to establish and operate a time system are minimal and the benefits would be substantial (see Recommendation No. 3).

APUC should consider how to best ensure commission member access to adequate staff support and advice. When staff is named as a party to a case, the commission members do not always have full access to support staff, professional staff, or legal counsel (see Recommendation No. 4).

The APUC member's terms of office should be staggered. On October 31, 1993 two commission seats become available. The potential for disruption of commission activity

would be high with two new members coming in at the same time (see Recommendation No. 5).

APUC has recently completed the development of a topical reference system for commission orders and court decisions. This had been a long-standing recommendation of the Division of Legislative Audit as well as being specified by legislative intent.

The extent to which the board, commission, or agency has recommended statutory changes that are generally of benefit to the public interest.

In their FY 92 Annual Report, APUC highlighted certain problems they perceive with the current statutes and also outlined options and recommended solutions.

The commission requested that the legislature clarify or delete two factors from AS 44.83.162(d)(2) which are to be used to adjust the power cost limitation under the Power Cost Equalization Program. The commission believes these two factors, the rate of change in fuel cost and the power demand, are not logically related. In a January 1987 report on the Power Cost Equalization Program, the Division of Legislative Audit recommended that these two factors be clarified.

The commission requested that the legislature clarify AS 42.05.253(a) and (d). The commission finds that subsection (a) limits the annual amount paid by a utility to .61 percent of annual gross revenues and subsection (d) requires each electric utility to pay an equal per kilowatt-hour charge. This could allow a single utility with very low rates to force the RCC rates down for the entire electric utility industry. As we do not believe that this was what the legislature intended, we recommend clarification.

The commission requested that the legislature substitute "may" for "shall" in AS 42.06.400(b) and (c) to allow the commission the discretion to determine whether monies received on suspended and temporary tariffs should be held in escrow. We concur with this request.

The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided.

Formal proceedings are properly and timely noticed and are open to the public. The commission has made public hearings and formal proceedings within the service areas of the utilities before them to facilitate the public attendance and participation. APUC also staffs a Consumer Protection and Information Section to resolve complaints and disseminate information.

The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

All formal proceedings, including hearings on proposed regulations, are noticed and open to the public. Any interested person or party may intervene in a formal proceeding if that intervention will benefit, but not unduly delay the proceeding. The commission has also held informal workshops with attorneys and utility representatives in an attempt to be more responsive to the needs and concerns of these groups.

The efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

The commission has adopted regulations for informal and formal complaint procedures. Procedures include a requirement that the complaint be made first with the utility before being filed with the commission. If the complaint cannot be resolved informally, formal procedures, including an investigation, may be initiated. The Office of the Ombudsman also occasionally handles utility or APUC-related complaints. We found the complaint resolution process to be operating satisfactorily.

The extent to which the board or commission which regulated entry into an occupation or profession has presented qualified applicants to serve the public.

The commission, prior to granting a Certificate of Public Convenience and Necessity to a public utility, is required to determine that the applicant is fit, willing, and able to provide the service. APUC employs utility financial analysts and utility engineers to perform the necessary analyses to make this determination.

The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

We found no evidence of hiring practices or commission appointments that are contrary to state personnel practices. No complaints have been filed with the Human Rights Commission or the Division of Equal Employment Opportunity.

The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

Please refer to the previous section, Findings and Recommendations.

In addition, a statute change may become necessary in response to the federal Cable Television Consumer Protection and Competition Act of 1992. Whether this act will lead to active economic regulation of cable systems in Alaska is uncertain. The regulations to implement this new program are scheduled to be adopted in April 1993.

APPENDICES

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APPENDIX A

Department of Commerce and Economic Development
 Alaska Public Utilities Commission
Summary of Appropriations and Expenditures
 For Fiscal Years 1992 and 1993
 (Unaudited)

<i>Funding Sources</i>	<i>FY 92</i>	<i>FY 93</i>
<i>General Fund</i>	\$3,627,000	\$ -0-
<i>Program Receipts</i>	-0-	3,740,800
<i>Total</i>	\$3,627,000	\$3,740,800

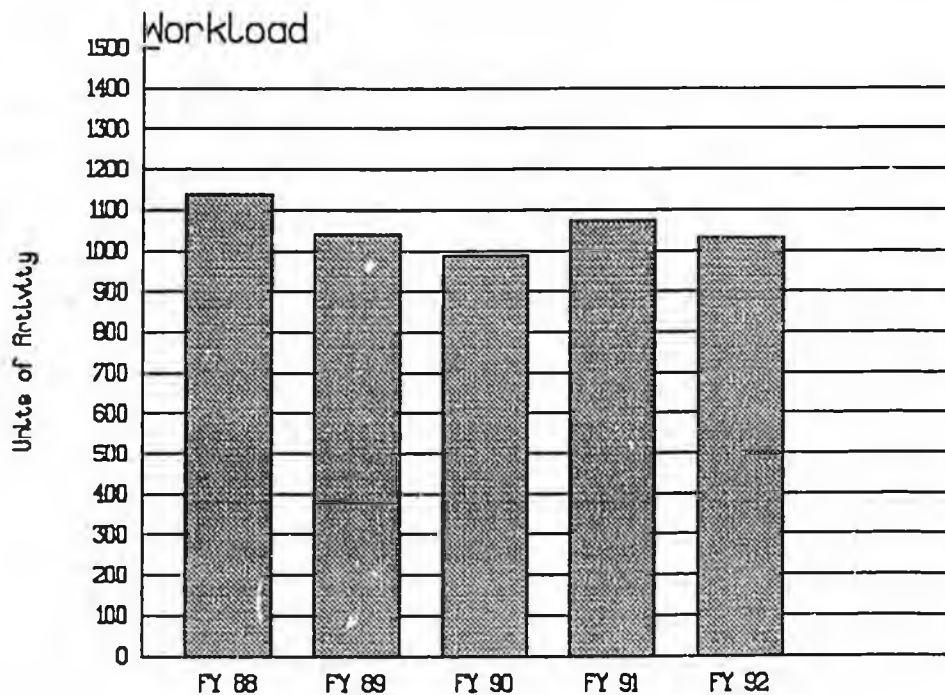
<i>Expenditures and Encumbrances</i>	<i>FY 92</i>		<i>FY 93 Authorized</i>
	<i>Authorized</i>	<i>Actual</i>	
<i>Personal Services</i>	\$2,430,300	\$2,431,602	\$2,541,500
<i>Travel</i>	51,400	40,383	57,800
<i>Other Services & Charges</i>	1,114,800	1,021,645	1,077,400
<i>Supplies</i>	27,600	79,583	43,700
<i>Machinery and Equipment</i>	2,900	52,556	20,400
<i>Total</i>	\$3,627,000	\$3,625,769	\$3,740,800

Note: The information included in this summary was obtained from the state accounting system. This information has not been audited by us and, accordingly, we express no opinion on it.

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APPENDIX B

Department of Commerce and Economic Development
Alaska Public Utilities Commission
Expenditure and Workload Analyses
For Fiscal Years 1988 through 1993



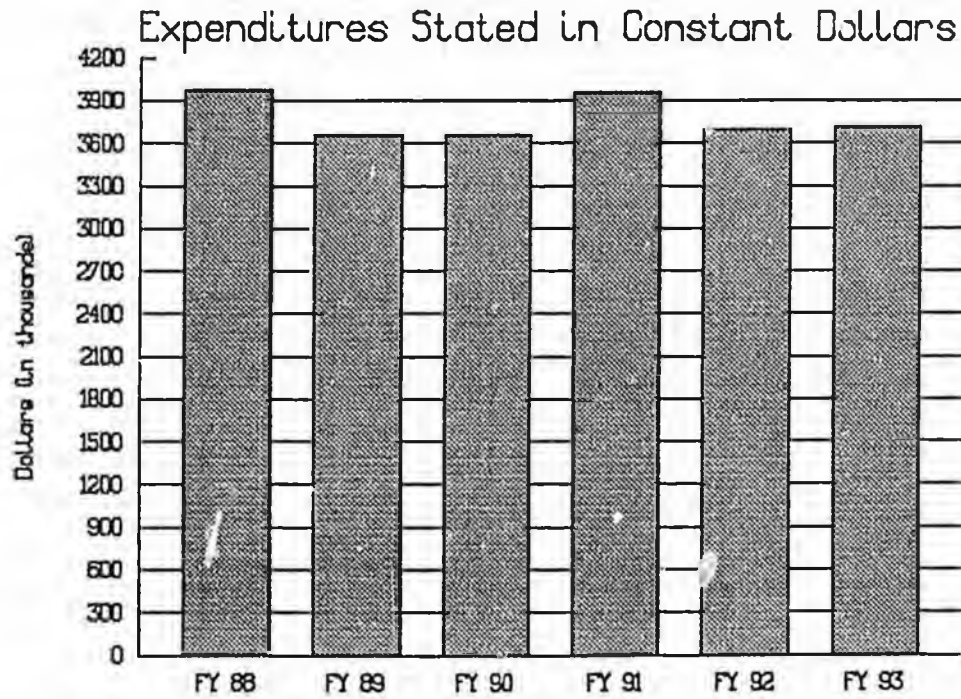
Workload: Each bar in the graph represents a consolidated measurement of the commission's workload for each fiscal year. Each unit of activity is a function performed by APUC such as a tariff filing, formal proceeding, certification proceeding, or formal and informal complaints. Each activity was weighted using an estimate of the relative effort generally required to accomplish each task.

The weighting was accomplished using rough estimates provided on an unofficial basis by commission staff. While we acknowledge the weighting in this analysis is imperfect, we believe it provides an adequate indication of the commission's workload.

This analysis indicates that the commission's workload fluctuated moderately from year to year, yet no clear trend is evident.

APPENDIX B (cont.)

Department of Commerce and Economic Development
Alaska Public Utilities Commission
Expenditure and Workload Analyses
For Fiscal Years 1988 through 1993



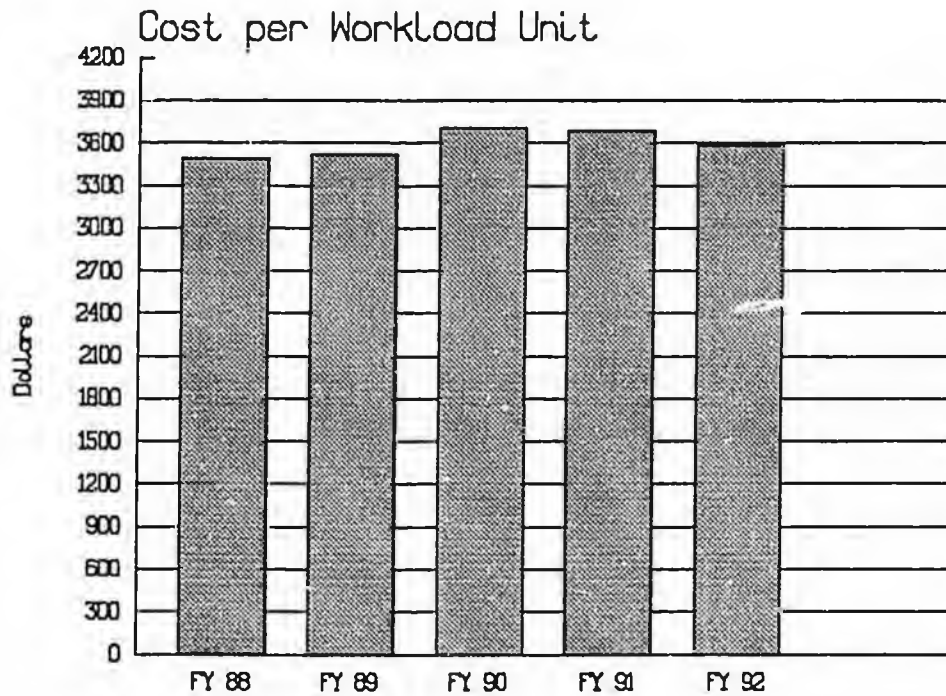
Expenditures Stated in Constant Dollars: The FY 88 through FY 92 actual expenditures and the FY 93 authorizations are stated in constant dollars. A constant dollar reflects the purchasing power of a dollar by adjusting it using a price-level index. We used the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for all urban consumers in Anchorage to adjust the amounts to FY 93 dollars. This analysis includes amounts for personal services, travel, contractual, and supply; equipment purchases were excluded because they are less directly related to the workload of each individual year.

The dollar amounts used in this analysis were taken directly from APUC Annual Reports. The amounts have not been audited by us and, accordingly, we express no opinion on them.

This analysis is generally consistent with the workload graph. The fluctuations were moderate and without a clear trend.

APPENDIX B (cont.)

Department of Commerce and Economic Development
Alaska Public Utilities Commission
Expenditure and Workload Analyses
For Fiscal Years 1988 through 1993



Cost per Workload Unit: Each workload unit cost was calculated by dividing fiscal year expenditures stated in constant dollars by the weighted workload units. This calculated cost per workload unit is a measure of the commission's efficiency.

This analysis which indicates that the commission's efficiency decreased from FY 88 through FY 90. However, in FY 91 through FY 92 the commission's efficiency improved somewhat. Over the five year period, there is no clear trend.

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WALTER J. HICKEL, GOVERNOR

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March 1, 1993

Mr. Randy S. Welker, CPA
Legislative Auditor
Legislative Budget and Audit Committee
P.O. Box 113300
Juneau, Alaska 99811-3300

Ref: Audit Control No. 08-1404-93

Dear Mr. Welker:

On behalf of the Alaska Public Utilities Commission (Commission), I appreciate the opportunity to respond to your agency's audit of the Alaska Public Utilities Commission (08-1404-93). The Commission concurs with your finding in the "Report Conclusions" that the life of the Commission be extended until June 30, 2003. Therefore, this letter will focus on the Commission's response to your "Findings and Recommendations".

The audit states on page 1 "APUC was created to regulate public utilities so that citizens could enjoy adequate service at the lowest reasonable rates" (emphasis added). The actual ratemaking standard applied by the statute is "just and reasonable".

Recommendation No. 1 Alaska Statute 42.05.253 should be amended to require APUC to periodically adjust the regulatory cost charge (RCC) on an industry by industry basis. Further, the automatic repeal date of this statute should be deleted.¹

The Commission agrees that the program should be made permanent by deleting the automatic repeal date for the Regulatory Cost Charge Program (RCC). Last year the legislature switched the funding source for the Commission from general funds to this regulatory assessment. The Commission expended significant resources in developing regulations and procedures to make the program work and to make compliance by affected entities as straightforward as possible. The program is in place and running smoothly.

However, the Commission cannot support the recommendation to require itemization of the rates under the RCC program by utility/pipeline carrier type. Although in theory the recommendation has some merit, it is not at all clear to the Commission that it would be either practical or cost-effective to attempt to implement it at this time.

¹ To carry out this recommendation fully, the repeal date for AS 42.06.285 (pipeline carrier regulatory cost charge) should also be deleted.

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Individual RCC rates would require full and direct allocation of the Commission's costs. The recommendation, if implemented as drafted, would substantially increase the cost of the RCC program. Full cost allocation would be expensive, especially during the year when it was implemented. A permanent increment to the Commission's budget would be required. The Commission would face a new administrative burden of setting individual RCC rates and handling protests to the rates.

One of the key principles guiding the development of the RCC was simplicity. The Commission has been able to absorb the ongoing costs of the RCC program from its existing budget, because the program has been kept simple and workable. Your recommendation for further refinement of the RCC would require the statutory cap of .61% of adjusted gross revenues (AS 42.05.253(a)) to be substantially increased. Based on your estimates by utility type for purposes of discussion, the current authorized budget for the Commission would require increasing the cap to .85% for certain utility groups, at a minimum.

From the perspective of most utility customers facing a regulatory cost charge bill of less than \$20 per year, different rates for different utility types would not have a measurable effect on their total bill.

Recommendation No. 2 Alaska Statute 42.05.711 should be amended to make it easier for utility consumers to opt in or out of regulation.

The Commission agrees in part. Since the legislature reached a policy conclusion that small utilities ought to be provided the statutory option to deregulate by majority vote, it seems appropriate to periodically adjust the gross revenue cutoff levels to maintain this as a realistic option. These gross revenue cutoff levels have not been adjusted since they were enacted in 1980.

Increasing the cut-off from \$325,000 to \$500,000, for example, would allow the members of nine additional economically regulated electric utilities to decide whether to vote for deregulation. They are Bettles, Far North, Gustavus, Manley, Middle Kuskokwim, Napakiak, Northway, PUI and Teller. Middle Kuskokwim is already eligible to vote for deregulation as a cooperative under AS 42.05.711(h). Attachment #1 lists electric and telephone utility gross revenues.

The cut-off for local exchange telephone companies would have to be increased from \$325,000 to approximately \$850,000 in order for any other utility to qualify for the option of voting to deregulate.

The Commission does support increases in the cutoff levels if there

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is some compelling evidence that the benefits of regulation are not commensurate with the cost. Although the enactment of the RCC has quantified the cost side, the benefits, although tangible, are still difficult to quantify.

Recommendation No. 3 APUC should establish a timekeeping system.

The Commission agrees that this recommendation is worthwhile to pursue. If accomplished for internal management purposes, the system could be designed relatively economically. However, if the system is required to serve as the basis for billings, such as those recommended in Recommendation #1, it would be substantially more costly. In either case a fiscal note would be required to carry out this recommendation.

Recommendation No. 4 APUC should consider how to best ensure commission member access to adequate staff support and advice.

The Commission agrees.

Commission staff become a party to a proceeding only when designated to be so by Commission order. This decision is typically made by the Commissioners in adjudicatory session soon after a docket is established.

The Commission is familiar with the alternate models for deployment of the staff resources outlined in your report and will continue to entertain possibilities for improvement.

The Commission believes that a simplified method of obtaining counsel to support the Commission under contract is needed for cases where the attorney general represents staff as a party. Extended procurement procedures and the approval of the attorney general to selected the legal contractor both complicate this process.

Recommendation No. 5 The APUC member's terms of office should be staggered.

The Commission agrees. Legislation would be required to accomplish this change.

Thank you for the opportunity to respond.

Sincerely,
Don Schröer



Chairman

Electric Utilities

(1991 Calendar Year)

Utility	Revenues ¹			Users
	Net Plant	Total Revenues	Net Income	
(Gross Operating Revenue \$5,000,000 or Greater)				
Alaska Electric Generation & Transmission Cooperative, Inc.	\$ 15,132,391	\$ 36,107,128	\$ 520,344	1
Alaska Electric Light and Power Company	39,698,352	20,393,975	2,359,645	12,580
Alaska Village Electric Cooperative, Inc.	27,702,360	14,422,892	2,055,036	5,317
Arctic Utilities, Inc. ²	7,408,846	5,438,438	165,654	65
Bethel Utilities Corporation, Inc.	2,940,363	5,837,208	253,258	1,796
Chugach Electric Association, Inc.	405,044,506	113,063,777	6,528,017	61,069
Copper Valley Electric Association, Inc.	13,823,094	8,772,239	761,652	2,747
Golden Valley Electric Association, Inc.	129,119,361	44,786,182	4,921,758	26,569
Homer Electric Association, Inc.	85,626,945	33,936,610	2,124,098	18,173
Kodiak Electric Association, Inc.	42,079,649	16,037,039	1,685,511	15,154
Matanuska Electric Association, Inc.	97,965,827	39,421,396	4,718,151	29,008
Municipal Light & Power Department, Municipality of Anchorage d/b/a	141,035,282	69,064,766	2,545,094	29,144
Subtotal	\$1,007,576,976	\$407,281,656	\$28,638,218	191,623
(Gross Operating Revenue Greater Than \$1,500,000 but Less Than \$5,000,000)				
Alaska Power & Telephone Company	\$ 6,735,677	\$4,521,539	\$1,104,194	1,957
Barrow Utilities and Electric Cooperative, Inc.	4,599,233	1,989,787	153,281	1,357
Kotzebue Electric Association, Inc.	7,029,760	3,051,630	131,097	1,002
Subtotal	\$18,364,670	\$9,562,956	\$1,388,572	4,316
(Gross Operating Revenue Greater Than \$500,000 but Less Than \$1,500,000)				
Aniak Light and Power Company, Inc.	\$ 859,291	\$ 794,818	\$ 65,560	186
G & K, Inc.	2,003,537	1,185,853	69,083	77
Gwitchyaa Zhee Utility Company ³	555,237	629,705	63,223	329
Haines Light and Power Co, Inc.	1,882,384	1,408,805	67,375	848
McGrath Light & Power Company ⁴	1,149,378	980,749	149,809	222
Sand Point Electric, Inc.	1,120,558	1,080,533	55,349	464
Tanana Power Company, Inc.	899,312	542,833	32,518	175
Unalakleet Valley Electric Cooperative, Inc., Matanuska Electric Assoc., Inc. d/b/a	1,055,161	825,060	160,336	299
Subtotal	\$9,524,858	\$7,448,356	\$663,253	2,600

¹ Revenue classes per 3 AAC 48.277.

² Information presented for year ending 4/30/92.

³ Information presented for year ending 9/30/91.

⁴ Information presented for year ending 9/30/91.

Electric Utilities (Continued)

Utility	Revenues ¹			
	Net Plant	Total Revenues	Net Income	Users
(Gross Operating Revenue Less Than \$500,000)				
Bettles Light & Power, Inc.	\$ 255,340	\$ 422,033	\$ 23,551	46
Far North Utilities	273,946	161,566	(15,056)	38
Gustavus Electric, Inc.	490,309	458,937	41,946	222
Manley Utility Company, Inc.	383,809	163,609	(30,527)	79
Middle Kuskokwim Electric Cooperative, Inc.	1,533,699	411,642	8,586	169
Napakiak Ircinaq Power Company	67,481	226,524	(35,757)	106
Northway Power & Light, Inc.	431,545	369,825	(14,328)	116
PUI Acquisition Corporation	496,692	476,240	154,502	124
Teller Power Company, Inc.	299,739	413,578	(16,043)	99
Subtotal	\$ 4,232,560	\$ 3,103,954	\$ 116,864	999
TOTALS	\$ 1,039,699,064	\$ 427,396,922	\$ 30,806,907	197,107

¹ Revenue classes per 3 AAC 48.277.

Telecommunications Utilities
(Interexchange & Local Exchange Carriers)
 (1991 Calendar Year)

Utility	Net Plant	Revenues ¹		Main Access Lines
		Gross Revenues	Net Income	
Gross Operating Revenue \$5,000,000 or Greater)				
Alascom, Inc.	\$389,266,807	\$344,212,115	\$ 5,028,215	N/A
Anchorage Telephone Utility, Municipality of Anchorage d/b/a	190,755,816	84,884,602	5,192,433	134,831
GTE Alaska, Incorporated	13,362,737	9,364,978	2,011,904	14,808
Interior Telephone Company	12,352,184	6,213,625	216,179	3,752
Matanuska Telephone Association, Inc.	81,116,559	35,761,990	4,280,751	31,326
Telephone Utilities of Alaska, Inc.	20,967,634	13,885,396	1,782,221	22,404
Telephone Utilities of the Northland, Inc.	79,745,875	49,739,760	6,622,934	43,450
United Utilities, Inc.	17,077,641	9,653,401	697,453	3,444
Subtotal	\$804,645,253	\$553,715,867	\$25,832,090	254,015
(Gross Operating Revenue Greater Than \$1,000,000 but Less Than \$5,000,000)				
Arctic Slope Telephone Association Cooperative, Inc.	\$ 3,488,504	\$ 3,425,631	\$ 416,805	1,795
Bristol Bay Telephone Cooperative, Inc.	2,404,223	1,841,143	(113,312)	1,230
Bush-Tell, Inc.	2,873,912	1,205,352	113,928	664
Copper Valley Telephone Cooperataive, Inc.	11,238,813	3,818,023	1,024,531	4,000
Mukluk Telephone Company, Inc.	2,568,937	1,532,478	75,786	763
National Utilities, Inc.	3,027,723	2,328,354	579,589	2,221
Nushagak Telephone cooperative, Inc.	3,315,506	1,679,981	249,703	1,609
OTZ Telephone Cooperative, Inc.	3,923,235	2,198,207	1,045,872	1,971
Subtotal	\$ 32,840,853	\$ 18,029,169	\$ 3,392,902	14,253

¹Revenue classes per 3 AAC 48.277.

(Continued)

Telecommunications Utilities
(Interexchange & Local Exchange Carriers) (Continued)

Utility	Net Plant	Revenues ¹		Main Access Lines
		Gross Revenues	Net Income	
(Gross Operating Revenue Less Than \$1,000,000)				
Bettles Telephone Company, Inc.	\$ 99,036	\$ 153,022	\$ (2,390)	70
North Country Telephone Company	163,194	103,479	16,172	110
Summit Telephone Company, The Summit Telephone and Telegraph Company of Alaska, d/b/a	222,809	169,751	57,628	65
Yukon Telephone Company, Inc.	848,601	813,948	61,246	378
Subtotal	\$ 1,333,640	\$ 1,240,200	\$ 132,656	623
TOTAL	\$838,819,746	\$572,985,236	\$29,357,648	268,891

¹ Revenue classes per 3 AAC 48.277.

SB

91



SENATOR LOREN LEMAN

Northwest Anchorage

3111 "C" Street Anchorage, AK 99503 561-7614 During Session: State Capitol Juneau, AK 99801 465-2095

CSSSSB 91(HES): An Act prohibiting unfair discrimination against direct entry midwives who perform services within the scope of their certification; providing for coverage of midwife services under Medicaid; reordering the priority of optional services provided by the state under Medicaid; and providing for an effective date.

SPONSOR STATEMENT

This legislation adds certified direct entry midwives to the optional services covered by Medicaid. At least 42% of the pregnant women in Alaska are eligible for Medicaid. This bill allows those women to use midwifery services instead of mandating that they use clinics or hospitals for birthing services. In expanding the options for using midwifery services for births, the state will stretch its Medicaid dollars.

The Department of Health and Social Services estimates that payment of direct entry midwife services may save the state money to the extent that pregnant women choose this option instead of the more costly physician and hospital services.

Cost is not the only issue. Care of the mother and newborn is of utmost concern. I am satisfied that the prenatal care, the nutrition information, the flexibility within midwifery and the postpartum care by midwives increases the good health of the baby and mother.

My grandmother was a midwife who safely delivered 54 babies in her time. For low-risk pregnancies, this option should be available.

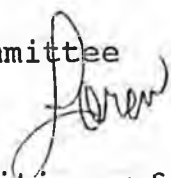
SENATOR LOREN LEMAN

Northwest Anchorage

311 "C" Street Anchorage, AK 99503 561-7614 During Session: State Capitol Juneau, AK 99801 465-2095

March 22, 1993

TO: SENATOR TIM KELLY, Chairman
Senate Labor and Commerce Committee

FROM: SENATOR LOREN LEMAN, Sponsor 

Re: CSSSSB 91(HES): An Act prohibiting unfair discrimination against direct entry midwives who perform services within the scope of their certification; providing for coverage of midwife services under Medicaid; reordering the priority of optional services provided by the state under Medicaid; and providing for an effective date.

Please schedule CSSSSB 91(HES) at your earliest convenience.

SPONSOR STATEMENT

This legislation adds certified direct entry midwives to the optional services covered by Medicaid. At least 42% of the pregnant women in Alaska are eligible for Medicaid. This bill allows those women to use midwifery services instead of mandating that they use clinics or hospitals for birthing services. In expanding the options for using midwifery services for births, the state will stretch its Medicaid dollars.

The Department of Health and Social Services estimates that payment of direct entry midwife services may save the state money to the extent that pregnant women choose this option instead of the more costly physician and hospital services.

Cost is not the only issue. Care of the mother and newborn is of utmost concern. I am satisfied that the prenatal care, the nutrition information, the flexibility within midwifery and the postpartum care by midwives increases the good health of the baby and mother.

My grandmother was a midwife who safely delivered 54 babies in her time. For low-risk pregnancies, this option should be available.

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CSSSSB 91 (HES)

Revision Date: _____

Department Affected: Commerce and Economic Development

Title: Medicaid Coverage for Midwives

BRU: Insurance

Component: Operations

Sponsor: Senators Leman, Ellis

Requestor: _____

COMPONENT SERIAL NO. 354

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact.

Prepared by: Joan Brown, Administrative Officer

Phone: 465-2597

Division: Insurance

Date: March 30, 1993

Approved by Commissioner: Paul Fuhs

Agency: Commerce and Economic Development

Date: _____

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FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CSSSSB91 (HES)

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance
 Sponsor: Leman Component: Medicaid Non-facility
 Requestor: _____ COMPONENT SERIAL NO. 00229

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	65.0	75.8	88.3	102.9	119.9	139.8
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	65.0	75.8	88.3	102.9	119.9	139.8

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	32.5	37.9	44.2	51.4	59.9	69.9
1003 GF Match	32.5	37.9	44.1	51.5	60.0	69.9
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	65.0	75.8	88.3	102.9	119.9	139.8

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: 0.0

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). Cost figures for hospitals, physicians, midwives, and claims processing are identified in the attachment.

Prepared by: Dave W. Williams, HPIII *DW*
 Division: Medical Assistance

Phone: 465-5826
 Date: Mar. 24, 1993

Approved by Commissioner: Theodore A. Mala, MD, MPH *T. Mala*
 Agency: Department of Health & Social Services

Date: 3-25/93

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
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Passage of SB 91 would provide another choice to expectant mothers who are dependent upon medical assistance for pregnancy care and childbirth assistance. At present, physician and hospital services are payable under medical assistance along with some pregnancy related nursing services. Payment of direct entry midwife services may have some downward effect on medical assistance program costs to the extent that expectant mothers choose to use midwife services instead of the more costly physician and hospital services.

There are now 10 licensed direct entry midwives in Alaska; a number which might grow to 25 over the next year. The estimated number of births that will be delivered by these professionals during FY94 is 250 of which an estimated 125 would be eligible for reimbursement under the medical assistance program. Of the 125 eligible for Medicaid an estimated 50%, or about 60 births, would be shifted from hospital and physician care to direct entry midwife care.

FY94 Costs:

Medicaid Facility

A survey completed last year of the uncomplicated Medicaid births shows that a course of prenatal care by current licensed providers, with a hospital birth, averages about \$5,000. Based on that survey and updated information the average cost for the hospital portion of services for a birth is calculated as \$3,000. The cost of Medicaid facility services would be reduced by \$180,000 for the 60 births shifted away from hospitals under this bill.

Medicaid Non-facility

Non-facility costs would increase under the bill by the cost of the 125 birthing services provided by direct entry midwives, the cost of any birthing facilities involved, and be reduced by the alternative cost of physician fees for prenatal, delivery, and post-partum care. Direct entry midwife services are costed at an average of \$1,480 per birth (80 percent of the \$1,850 average general public rate). Physician costs are estimated at \$2,000 per birth for pre-natal, delivery, and post-partum.

Midwife services	$\$1,480 \times 125 = \$185,000$
Physician fees	$\$2,000 \times 60 = \underline{(\$120,000)}$
Net Medicaid Non-facility	\$ 65,000

Claims Processing

Based on current experience, the addition of a new provider category and services to the Medicaid Management Information System (MMIS, claims payment system) will require \$30,000. Another \$1,500 cost is required for development of a provider manual. These first year costs for changes to the system receive a 75% federal match and require 25% state general funds.

Additional contractual costs will be incurred for processing the claims submitted by nurse midwives. The cost is shown as \$6.23 per claim. This fiscal note assumes that the midwives will submit 2 to 3 claims per month more than would be done by physicians and the submissions would cover 5 months. For the 125 births the cost for claims processing would be approximately \$9,700.

NOTES:

The Alaska Midwife's Association reports a range of fees for service of \$1,400 to \$2,300 with a statewide, non-weighted average fee of \$1,850.

Current statistics from the Bureau of Vital Statistics indicate that approximately 42% of births are to persons meeting eligibility guidelines for Medicaid services. Reports from the Alaska Midwife's Association indicate a much higher percentage of Medicaid eligibility of 70% to 80%.

This fiscal note assumes 50% eligibility for those using the services.

FY 95 and subsequent year's claims are adjusted for growth at 11% and medical inflation at 5%.

Net fiscal impact of all Division of Medical Assistance fiscal notes for SSSB91 is as follows:

Totals:	FY94	FY95	FY96	FY97	FY98	FY99
Medicaid Facility	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
Med. Non-facility	65.0	75.8	88.3	102.9	119.9	139.8
Claims	41.2	11.3	13.2	15.4	17.9	20.9
NET	(73.8)	(122.7)	(143.0)	(166.7)	(194.3)	(226.5)

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CSSSSB91 (HES)

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance
 Sponsor: Leman Component: Medicaid Facility
 Requestor: _____ COMPONENT SERIAL NO. 00230

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	(90.0)	(104.9)	(122.2)	(142.5)	(166.0)	(193.5)
1003 GF Match	(90.0)	(104.9)	(122.3)	(142.5)	(166.1)	(193.6)
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: 0.0

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). Cost figures for hospitals, physicians, midwives, and claims processing are identified in the attachment.

Prepared by: Dave W. Williams, HPIII *DK KS*
 Division: Medical Assistance

Phone: 465-5826
 Date: Mar. 24, 1993

Approved by Commissioner: Theodore A. Mala, MD, MPH
 Agency: Department of Health & Social Services

Date: 3/25/93

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Passage of SB 91 would provide another choice to expectant mothers who are dependent upon medical assistance for pregnancy care and childbirth assistance. At present, physician and hospital services are payable under medical assistance along with some pregnancy related nursing services. Payment of direct entry midwife services may have some downward effect on medical assistance program costs to the extent that expectant mothers choose to use midwife services instead of the more costly physician and hospital services.

There are now 10 licensed direct entry midwives in Alaska; a number which might grow to 25 over the next year. The estimated number of births that will be delivered by these professionals during FY94 is 250 of which an estimated 125 would be eligible for reimbursement under the medical assistance program. Of the 125 eligible for Medicaid an estimated 50%, or about 60 births, would be shifted from hospital and physician care to direct entry midwife care.

FY94 Costs:

Medicaid Facility

A survey completed last year of the uncomplicated Medicaid births shows that a course of prenatal care by current licensed providers, with a hospital birth, averages about \$5,000. Based on that survey and updated information the average cost for the hospital portion of services for a birth is calculated as \$3,000. The cost of Medicaid facility services would be reduced by \$180,000 for the 60 births shifted away from hospitals under this bill.

Medicaid Non-facility

Non-facility costs would increase under the bill by the cost of the 125 birthing services provided by direct entry midwives, the cost of any birthing facilities involved, and be reduced by the alternative cost of physician fees for prenatal, delivery, and post-partum care. Direct entry midwife services are costed at an average of \$1,480 per birth (80 percent of the \$1,850 average general public rate). Physician costs are estimated at \$2,000 per birth for pre-natal, delivery, and post-partum.

Midwife services	\$1,480 X 125 = \$185,000
Physician fees	<u>\$2,000 X 60 = (120,000)</u>
Net Medicaid Non-facility	\$ 65,000

Claims Processing

Based on current experience, the addition of a new provider category and services to the Medicaid Management Information System (MMIS, claims payment system) will require \$30,000. Another \$1,500 cost is required for development of a provider manual. These first year costs for changes to the system receive a 75% federal match and require 25% state general funds.

Additional contractual costs will be incurred for processing the claims submitted by nurse midwives. The cost is shown as \$6.23 per claim. This fiscal note assumes that the midwives will submit 2 to 3 claims per month more than would be done by physicians and the submissions would cover 5 months. For the 125 births the cost for claims processing would be approximately \$9,700.

NOTES:

The Alaska Midwife's Association reports a range of fees for service of \$1,400 to \$2,300 with a statewide, non-weighted average fee of \$1,850.

Current statistics from the Bureau of Vital Statistics indicate that approximately 42% of births are to persons meeting eligibility guidelines for Medicaid services. Reports from the Alaska Midwife's Association indicate a much higher percentage of Medicaid eligibility of 70% to 80%.

This fiscal note assumes 50% eligibility for those using the services.

FY 95 and subsequent year's claims are adjusted for growth at 11% and medical inflation at 5%.

Net fiscal impact of all Division of Medical Assistance fiscal notes for SSSB91 is as follows:

Totals	FY94	FY95	FY96	FY97	FY98	FY99
Medicaid Facility	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
Med. Non-facility	65.0	75.8	88.3	102.9	119.9	139.8
Claims	41.2	11.3	13.2	15.4	17.9	20.9
NET	(73.8)	(122.7)	(143.0)	(166.7)	(194.3)	(226.5)

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CSSSSB91 (HES)

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance Administration
 Sponsor: Leman Component: Claims Processing
 Requestor: _____ COMPONENT SERIAL NO. 00243

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	41.2	11.3	13.2	15.4	17.9	20.9
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	41.2	11.3	13.2	15.4	17.9	20.9

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING:

(Thousands of Dollars)

FUNDING	FY94	FY95	FY96	FY97	FY98	FY99
1002 Federal Receipts	28.5	5.6	6.6	7.7	9.0	10.5
1003 GF Match	12.7	5.7	6.6	7.7	8.9	10.4
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	41.2	11.3	13.2	15.4	17.9	20.9

POSITIONS:

POSITIONS	FY94	FY95	FY96	FY97	FY98	FY99
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: 0.0

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). The FY94 cost includes one-time costs for \$30,000 changes to the Medicaid Information System and \$1,500 for development of a provider manual. Costs continuing over fiscal years are for an FY94 claims processing cost estimated to include 2 to 3 claims per month for 5 months for each birth. The cost of each claim is estimated at the current \$6.23. Growth in utilization is estimated at 11% and inflation at 5% per year. Federal participation is shown at 75% for claims processing. Additional information and cost figures for hospitals, physicians, midwives, and claims processing are identified in the attached notes.

Prepared by: Dave W. Williams, HPIII *DW*
 Division: Medical Assistance

Phone: 465-5826
 Date: Mar. 24, 1993

Approved by Commissioner: Theodore A. Mala, MD, MPH *Jay L...*
 Agency: Department of Health & Social Services

Date: 3/25/93

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Passage of SB 91 would provide another choice to expectant mothers who are dependent upon medical assistance for pregnancy care and childbirth assistance. At present, physician and hospital services are payable under medical assistance along with some pregnancy related nursing services. Payment of direct entry midwife services may have some downward effect on medical assistance program costs to the extent that expectant mothers choose to use midwife services instead of the more costly physician and hospital services.

There are now 10 licensed direct entry midwives in Alaska; a number which might grow to 25 over the next year. The estimated number of births that will be delivered by these professionals during FY94 is 250 of which an estimated 125 would be eligible for reimbursement under the medical assistance program. Of the 125 eligible for Medicaid an estimated 50%, or about 60 births, would be shifted from hospital and physician care to direct entry midwife care.

FY94 Costs:

Medicaid Facility

A survey completed last year of the uncomplicated Medicaid births shows that a course of prenatal care by current licensed providers, with a hospital birth, averages about \$5,000. Based on that survey and updated information the average cost for the hospital portion of services for a birth is calculated as \$3,000. The cost of Medicaid facility services would be reduced by \$180,000 for the 60 births shifted away from hospitals under this bill.

Medicaid Non-facility

Non-facility costs would increase under the bill by the cost of the 125 birthing services provided by direct entry midwives, the cost of any birthing facilities involved, and be reduced by the alternative cost of physician fees for prenatal, delivery, and post-partum care. Direct entry midwife services are costed at an average of \$1,480 per birth (80 percent of the \$1,850 average general public rate). Physician costs are estimated at \$2,000 per birth for pre-natal, delivery, and post-partum.

Midwife services	\$1,480 X 125 = \$185,000
Physician fees	\$2,000 X 60 = <u>(120,000)</u>
Net Medicaid Non-facility	\$ 65,000

Claims Processing

Based on current experience, the addition of a new provider category and services to the Medicaid Management Information System (MMIS, claims payment system) will require \$30,000. Another \$1,500 cost is required for development of a provider manual. These first year costs for changes to the system receive a 75% federal match and require 25% state general funds.

Additional contractual costs will be incurred for processing the claims submitted by nurse midwives. The cost is shown as \$6.23 per claim. This fiscal note assumes that the midwives will submit 2 to 3 claims per month more than would be done by physicians and the submissions would cover 5 months. For the 125 births the cost for claims processing would be approximately \$9,700.

NOTES:

The Alaska Midwife's Association reports a range of fees for service of \$1,400 to \$2,300 with a statewide, non-weighted average fee of \$1,850.

Current statistics from the Bureau of Vital Statistics indicate that approximately 42% of births are to persons meeting eligibility guidelines for Medicaid services. Reports from the Alaska Midwife's Association indicate a much higher percentage of medicaid eligibility of 70% to 80%.

This fiscal note assumes 50% eligibility for those using the services.

FY 95 and subsequent year's claims are adjusted for growth at 11% and medical inflation at 5%.

Net fiscal impact of all Division of Medical Assistance fiscal notes for SSSB91 is as follows:

Totals	FY94	FY95	FY96	FY97	FY98	FY99
Medicaid Facility	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
Med. Non-facility	65.0	75.8	88.3	102.9	119.9	139.8
Claims	41.2	11.3	13.2	15.4	17.9	20.9
NET	(73.8)	(122.7)	(143.0)	(166.7)	(194.3)	(226.5)

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Bill Version: SSSB 91
(S) Publish Date: 3-22-93

Revision Date: _____ Dept. Affected: Health and Social Services
Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance
Sponsor: Leman Component: Medicaid Non-facility
Requestor: _____ COMPONENT SERIAL NO. 00229

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	65.0	75.8	88.3	102.9	119.9	139.8
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	65.0	75.8	88.3	102.9	119.9	139.8

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts	32.5	37.9	44.2	51.4	59.9	69.9
1003 GF Match	32.5	37.9	44.1	51.5	60.0	69.9
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	65.0	75.8	88.3	102.9	119.9	139.8

POSITIONS:

FULL-TIME	0	0
PART-TIME	0	0
TEMPORARY	0	0

Changes in CS SSSB 91 (HSS) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.
3/22/93 kh
date Comte Aide (initial)

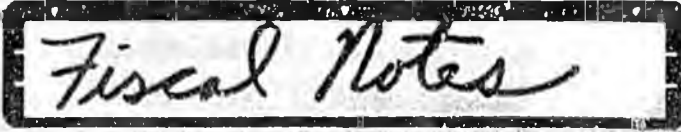
Estimate of current year (FY93) impact: 0.0

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). Cost figures for hospitals, physicians, midwives, and claims processing are identified in the attachment.

Prepared by: Dave W. Williams, HPIII DW Williams Phone: 465-5826
Division: Medical Assistance Date: Mar. 18, 1993
Approved by Commissioner: Theodore A. Mala, MD, MPH Date: 3-19-93
Agency: Department of Health & Social Services

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Passage of SB 91 would provide another choice to expectant mothers who are dependent upon medical assistance for pregnancy care and childbirth assistance. At present, physician and hospital services are payable under medical assistance along with some pregnancy related nursing services. Payment of direct entry midwife services may have some downward effect on medical assistance program costs to the extent that expectant mothers choose to use midwife services instead of the more costly physician and hospital services.

There are now 10 licensed direct entry midwives in Alaska; a number which might grow to 25 over the next year. The estimated number of births that will be delivered by these professionals during FY94 is 250 of which an estimated 125 would be eligible for reimbursement under the medical assistance program. Of the 125 eligible for Medicaid an estimated 50%, or about 60 births, would be shifted from hospital and physician care to direct entry midwife care.

FY94 Costs:

Medicaid Facility

A survey completed last year of the uncomplicated Medicaid births shows that a course of prenatal care by current licensed providers, with a hospital birth, averages about \$5,000. Based on that survey and updated information the average cost for the hospital portion of services for a birth is calculated as \$3,000. The cost of Medicaid facility services would be reduced by \$180,000 for the 60 births shifted away from hospitals under this bill.

Medicaid Non-facility

Non-facility costs would increase under the bill by the cost of the 125 birthing services provided by direct entry midwives, the cost of any birthing facilities involved, and be reduced by the alternative cost of physician fees for prenatal, delivery, and post-partum care. Direct entry midwife services are costed at an average of \$1,480 per birth (80 percent of the \$1,850 average general public rate). Physician costs are estimated at \$2,000 per birth for pre-natal, delivery, and post-partum.

Midwife services	$\$1,480 \times 125 = \$185,000$
Physician fees	$\$2,000 \times 60 = (120,000)$
Net Medicaid Non-facility	\$ 65,000

Claims Processing

Based on current experience, the addition of a new provider category and services to the Medicaid Management Information System (MMIS, claims payment system) will require \$30,000. Another \$1,500 cost is required for development of a provider manual. These first year costs for changes to the system receive a 75% federal match and require 25% state general funds.

Additional contractual costs will be incurred for processing the claims submitted by nurse midwives. The cost is shown as \$6.23 per claim. This fiscal note assumes that the midwives will submit 2 to 3 claims per month more than would be done by physicians and the submissions would cover 5 months. For the 125 births the cost for claims processing would be approximately \$9,700.

NOTES:

The Alaska Midwife's Association reports a range of fees for service of \$1,400 to \$2,300 with a statewide, non-weighted average fee of \$1,850.

Current statistics from the Bureau of Vital Statistics indicate that approximately 42% of births are to persons meeting eligibility guidelines for Medicaid services. Reports from the Alaska Midwife's Association indicate a much higher percentage of Medicaid eligibility of 70% to 80%.

This fiscal note assumes 50% eligibility for those using the services.

FY 95 and subsequent year's claims are adjusted for growth at 11% and medical inflation at 5%.

Net fiscal impact of all Division of Medical Assistance fiscal notes for SSSB91 is as follows:

Totals	FY94	FY95	FY96	FY97	FY98	FY99
Medicaid Facility	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
Med. Non-facility	65.0	75.8	88.3	102.9	119.9	139.8
Claims	41.2	11.3	13.2	15.4	17.9	20.9
NET	(73.8)	(122.7)	(143.0)	(166.7)	(194.3)	(226.5)

H:\POLICY\HSSPLAN3\LEG93\SSSB91.NTS

FISCAL NOTE

Bill Version: SSSB 91

(S) Publish Date: 3-22-93

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance Administration
 Sponsor: Leman Component: Claims Processing
 Requestor: _____ COMPONENT SERIAL NO. 00243

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	41.2	11.3	13.2	15.4	17.9	20.9
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	41.2	11.3	13.2	15.4	17.9	20.9

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts	28.5	5.6	6.6	7.7	9.0	10.5
1003 GF Match	12.7	5.7	6.6	7.7	8.9	10.4
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	41.2	11.3	13.2	15.4	17.9	20.9

POSITIONS:

FULL-TIME	0	0	0
PART-TIME	0	0	0
TEMPORARY	0	0	0

Changes in SSSB 91 (HSS)
 reflect NO FISCAL CHANGE from the original
 fiscal note. This fiscal note is appropriate.
3/22/93 bh
 'date' Comte Aide (initial)

Estimate of current year (FY93) impact: 0.0

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). The FY94 cost includes one-time costs for \$30,000 changes to the Medicaid Information System and \$1,500 for development of a provider manual. Costs continuing over fiscal years are for an FY94 claims processing cost estimated to include 2 to 3 claims per month for 5 months for each birth. The cost of each claim is estimated at the current \$6.23. Growth in utilization is estimated at 11% and inflation at 5% per year. Federal participation is shown at 75% for claims processing. Additional information and cost figures for hospitals, physicians, midwives, and claims processing are identified in the attached notes.

Prepared by: Dave W. Williams, HPIII *DW Williams*
 Division: Medical Assistance

Phone: 465-5826
 Date: Mar. 18, 1993

Approved by Commissioner: Theodore A. Mala, MD, MPH *Jansbury*
 Agency: Department of Health & Social Services

Date: 3-19-93

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Passage of SB 91 would provide another choice to expectant mothers who are dependent upon medical assistance for pregnancy care and childbirth assistance. At present, physician and hospital services are payable under medical assistance along with some pregnancy related nursing services. Payment of direct entry midwife services may have some downward effect on medical assistance program costs to the extent that expectant mothers choose to use midwife services instead of the more costly physician and hospital services.

There are now 10 licensed direct entry midwives in Alaska; a number which might grow to 25 over the next year. The estimated number of births that will be delivered by these professionals during FY94 is 250 of which an estimated 125 would be eligible for reimbursement under the medical assistance program. Of the 125 eligible for Medicaid an estimated 50%, or about 60 births, would be shifted from hospital and physician care to direct entry midwife care.

FY94 Costs:

Medicaid Facility

A survey completed last year of the uncomplicated Medicaid births shows that a course of prenatal care by current licensed providers, with a hospital birth, averages about \$5,000. Based on that survey and updated information the average cost for the hospital portion of services for a birth is calculated as \$3,000. The cost of Medicaid facility services would be reduced by \$180,000 for the 60 births shifted away from hospitals under this bill.

Medicaid Non-facility

Non-facility costs would increase under the bill by the cost of the 125 birthing services provided by direct entry midwives, the cost of any birthing facilities involved, and be reduced by the alternative cost of physician fees for prenatal, delivery, and post-partum care. Direct entry midwife services are costed at an average of \$1,480 per birth (80 percent of the \$1,850 average general public rate). Physician costs are estimated at \$2,000 per birth for pre-natal, delivery, and post-partum.

Midwife services	\$1,480 X 125 =	\$185,000
Physician fees	<u>\$2,000 X 60 =</u>	<u>(120,000)</u>
Net Medicaid Non-facility		\$ 65,000

Claims Processing

Based on current experience, the addition of a new provider category and services to the Medicaid Management Information System (MMIS, claims payment system) will require \$30,000. Another \$1,500 cost is required for development of a provider manual. These first year costs for changes to the system receive a 75% federal match and require 25% state general funds.

Additional contractual costs will be incurred for processing the claims submitted by nurse midwives. The cost is shown as \$6.23 per claim. This fiscal note assumes that the midwives will submit 2 to 3 claims per month more than would be done by physicians and the submissions would cover 5 months. For the 125 births the cost for claims processing would be approximately \$9,700.

NOTES:

The Alaska Midwife's Association reports a range of fees for service of \$1,400 to \$2,300 with a statewide, non-weighted average fee of \$1,850.

Current statistics from the Bureau of Vital Statistics indicate that approximately 42% of births are to persons meeting eligibility guidelines for Medicaid services. Reports from the Alaska Midwife's Association indicate a much higher percentage of Medicaid eligibility of 70% to 80%.

This fiscal note assumes 50% eligibility for those using the services.

FY 95 and subsequent year's claims are adjusted for growth at 11% and medical inflation at 5%.

Net fiscal impact of all Division of Medical Assistance fiscal notes for SSSB91 is as follows:

Totals	FY94	FY95	FY96	FY97	FY98	FY99
Medicaid Facility	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
Med. Non-facility	65.0	75.8	88.3	102.9	119.9	139.8
Claims	41.2	11.3	13.2	15.4	17.9	20.9
NET	(73.8)	(122.7)	(143.0)	(166.7)	(194.3)	(226.5)

FISCAL NOTE

No. 1

STATE OF ALASKA
1993 LEGISLATIVE SESSION

B Bill Version: SSSB 91
(S) Publish Date: 3-22-93

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance
 Sponsor: Leman Component: Medicaid Facility
 Requestor: _____ COMPONENT SERIAL NO. 00230

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts	(90.0)	(104.9)	(122.2)	(142.5)	(166.0)	(193.5)
1003 GF Match	(90.0)	(104.9)	(122.3)	(142.5)	(165.1)	(193.6)
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: 0.0

Changes in SSSB 91 (HSS)
reflect NO FISCAL CHANGE from the original
fiscal note. This fiscal note is appropriate.
3/22/93 hln
date Comte Aide (initial)

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). Cost figures for hospitals, physicians, midwives, and claims processing are identified in the attachment.

Prepared by: Dave W. Williams, HPIII *DW* *[Signature]*
Division: Medical Assistance

Phone: 465--5826
Date: Mar. 18, 1993

Approved by Commissioner: Theodore A. Mala, MD, MPH *[Signature]*
Agency: Department of Health & Social Services

Date: 3-19-93

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FY94 Costs:

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Physician fees	<u>\$2,000 X 60 = (120,000)</u>
Net Medicaid Non-facility	\$ 65,000

Claims Processing

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NOTES:

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Net fiscal impact of all Division of Medical Assistance fiscal notes for SSSB91 is as follows:

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Claims	41.2	11.3	13.2	15.4	17.9	20.9
NET	(73.8)	(122.7)	(143.0)	(166.7)	(194.3)	(226.5)

H:\POLICY\HSSPLAN3\LEG93\SSSB91.NTS

SB 91 (HES): "An Act providing unfair discrimination against direct-entry midwives who perform services within the scope of their certification; providing for coverage of midwives' services under medicaid; reordering the priority of optional services provided by the state under medicaid; and providing for an effective date."

One of the more challenging issues facing this country and Alaska is the ever increasing number of medical professions relying on alternative programs and persons for the delivery of health care services.

If direct-entry midwives have a scope of practice under Alaska law, they should not be discriminated against when performing within that scope of practice. Section 1 of the bill bans such a discrimination.

Paul Fulis
Paul Fulis, Commissioner

3/31/93
Date



STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY
DIVISION OF PUBLIC SERVICES

Josh

DATE: 3-30-93

Please accept the enclosed original(s) of written testimony
for the State Harbor & Commerce teleconference hearing that was
scheduled on 3-30-93.

A copy of this testimony was transmitted to your committee via
fax on 3-30-93.

Thank you,

mat-sui



Alaska State Legislature

Please enter into the record my testimony to the Senate Labor & Commerce committee name

committee on SB91 , dated 3/30-93 bill/subject

We qualified for "Pregnant Women's Medicaid" when pregnant with our son Crosby. We chose to go with midwifery care even tho we could not use our medicaid stickers. We paid little by little to our midwives.

People need to be able to chose their prenatal care and birthing attendants. Medicaid needs to be available for midwifery services. Women are denied an incredible experience by not having that option. The prenatal care, love, and birthing experience is wonderful. I hope you will seriously work to make →

Signed: Jana Griffin
Testifier

Mat - Su Borough
Representing (Optional)

HC 34 Box 2029 Wasilla, Ak 99654
Address

373-4145
Phone No.

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 22, 1993

SUBJECT: Amendment to AS 21.36.090(d)(SSSB 91)

TO: Senator Loren Leman
ATTN: Annette Kreitzer

FROM: Terri Lauterbach *TML*
Legislative Counsel

You have asked whether the Senate HESS amendment to SSSB 91 that added direct-entry midwives to AS 21.36.090(d) means that coverage of direct-entry midwives would be a mandated coverage for all insurers.

The answer is yes and no. If an insurer covers maternity services of the type that can be performed by a direct-entry midwife, then the insurer may not limit its coverage to physicians and nurses who perform those services, but must also cover those services when they are performed by direct-entry midwives. However, if an insurer does not cover maternity services at all, this amendment will not force new coverage.

I hope this explanation is helpful. Please let me know if I can be of further assistance.

TML:gc
93-256.glc

Enclosure

*Legal Memo on HESS
Committee Amendment*

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SSSB91

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance
 Component: Medicaid Non-facility
 Sponsor: Leman
 Requestor: _____ COMPONENT SERIAL NO. 00229

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	65.0	75.8	88.3	102.9	119.9	139.8
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	65.0	75.8	88.3	102.9	119.9	139.8

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	32.5	37.9	44.2	51.4	59.9	69.9
1003 GF Match	32.5	37.9	44.1	51.5	60.0	69.9
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	65.0	75.8	88.3	102.9	119.9	139.8

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: 0.0

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). Cost figures for hospitals, physicians, midwives, and claims processing are identified in the attachment.

Prepared by: Dave W. Williams, HPIII *DW Kim Bruce* Phone: 465-5826
 Division: Medical Assistance Date: Mar. 18, 1993

Approved by Commissioner: *Jay Lewis* Theodore A. Mala, MD, MPH Date: 3-19-93
 Agency: Department of Health & Social Services

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FY94 Costs:

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Medicaid Non-facility

Non-facility costs would increase under the bill by the cost of the 125 birthing services provided by direct entry midwives, the cost of any birthing facilities involved, and be reduced by the alternative cost of physician fees for prenatal, delivery, and post-partum care. Direct entry midwife services are costed at an average of \$1,480 per birth (80 percent of the \$1,850 average general public rate). Physician costs are estimated at \$2,000 per birth for pre-natal, delivery, and post-partum.

Midwife services	\$1,480 X 125 = \$185,000
Physician fees	<u>\$2,000 X 60 = (120,000)</u>
Net Medicaid Non-facility	\$ 65,000

Claims Processing

Based on current experience, the addition of a new provider category and services to the Medicaid Management Information System (MMIS, claims payment system) will require \$30,000. Another \$1,500 cost is required for development of a provider manual. These first year costs for changes to the system receive a 75% federal match and require 25% state general funds.

Additional contractual costs will be incurred for processing the claims submitted by nurse midwives. The cost is shown as \$6.23 per claim. This fiscal note assumes that the midwives will submit 2 to 3 claims per month more than would be done by physicians and the submissions would cover 5 months. For the 125 births the cost for claims processing would be approximately \$9,700.

NOTES:

The Alaska Midwife's Association reports a range of fees for service of \$1,400 to \$2,300 with a statewide, non-weighted average fee of \$1,850.

Current statistics from the Bureau of Vital Statistics indicate that approximately 42% of births are to persons meeting eligibility guidelines for Medicaid services. Reports from the Alaska Midwife's Association indicate a much higher percentage of Medicaid eligibility of 70% to 80%.

This fiscal note assumes 50% eligibility for those using the services.

FY 95 and subsequent year's claims are adjusted for growth at 11% and medical inflation at 5%.

Net fiscal impact of all Division of Medical Assistance fiscal notes for SSSB91 is as follows:

Totals	FY94	FY95	FY96	FY97	FY98	FY99
Medicaid Facility	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
Med. Non-facility	65.0	75.8	88.3	102.9	119.9	139.8
Claims	41.2	11.3	13.2	15.4	17.9	20.9
NET	(73.8)	(122.7)	(143.0)	(166.7)	(194.3)	(226.5)

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SSSB91

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act providing for coverage of midwife services under Medicaid BRU: Medical Assistance
 Component: Medicaid Facility
 Sponsor: Leman
 Requestor: _____ COMPONENT SERIAL NO. 00230

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	(90.0)	(104.9)	(122.2)	(142.5)	(166.0)	(193.5)
1003 GF Match	(90.0)	(104.9)	(122.3)	(142.5)	(166.1)	(193.6)
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 CF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: 0.0

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). Cost figures for hospitals, physicians, midwives, and claims processing are identified in the attachment.

Prepared by: Dave W. Williams, HPIII *DW* *K. V. Bouch*
 Division: Medical Assistance

Phone: 465-5826
 Date: Mar. 18, 1993

Approved by Commissioner: Theodore A. Mala, MD, MPH *Jay L...*
 Agency: Department of Health & Social Services *(B)*

Date: 3-19-93

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Midwife services	\$1,480 X 125 = \$185,000
Physician fees	<u>\$2,000 X 60 = (120,000)</u>
Net Medicaid Non-facility	\$ 65,000

Claims Processing

Based on current experience, the addition of a new provider category and services to the Medicaid Management Information System (MMIS, claims payment system) will require \$30,000. Another \$1,500 cost is required for development of a provider manual. These first year costs for changes to the system receive a 75% federal match and require 25% state general funds.

Additional contractual costs will be incurred for processing the claims submitted by nurse midwives. The cost is shown as \$6.23 per claim. This fiscal note assumes that the midwives will submit 2 to 3 claims per month more than would be done by physicians and the submissions would cover 5 months. For the 125 births the cost for claims processing would be approximately \$9,700.

NOTES:

The Alaska Midwife's Association reports a range of fees for service of \$1,400 to \$2,300 with a statewide, non-weighted average fee of \$1,850.

Current statistics from the Bureau of Vital Statistics indicate that approximately 42% of births are to persons meeting eligibility guidelines for Medicaid services. Reports from the Alaska Midwife's Association indicate a much higher percentage of medicaid eligibility of 70% to 80%.

This fiscal note assumes 50% eligibility for those using the services.

FY 95 and subsequent year's claims are adjusted for growth at 11% and medical inflation at 5%.

Net fiscal impact of all Division of Medical Assistance fiscal notes for SSSB91 is as follows:

Totals	FY94	FY95	FY96	FY97	FY98	FY99
Medicaid Facility	(180.0)	(209.8)	(244.5)	(285.0)	(332.1)	(387.1)
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FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SSSB91

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act providing for coverage of midwife BRU: Medical Assistance Administration
services under Medicaid Component: Claims Processing
 Sponsor: Lemau
 Requestor: _____ COMPONENT SERIAL NO. 00243

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	41.2	11.3	13.2	15.4	17.9	20.9
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	28.5	5.6	6.6	7.7	9.0	10.5
1003 GF Match	12.7	5.7	6.6	7.7	8.9	10.4
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
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This fiscal note is to be read in conjunction with notes for other components of the medical assistance programs. For this bill the components included are Medicaid Facility (00230), Medicaid Non-facility (00229) and Claims Processing (00243). The FY94 cost includes one-time costs for \$30,000 changes to the Medicaid Information System and \$1,500 for development of a provider manual. Costs continuing over fiscal years are for an FY94 claims processing cost estimated to include 2 to 3 claims per month for 5 months for each birth. The cost of each claim is estimated at the current \$6.23. Growth in utilization is estimated at 11% and inflation at 5% per year. Federal participation is shown at 75% for claims processing. Additional information and cost figures for hospitals, physicians, midwives, and claims processing are identified in the attached notes.

Prepared by: Dave W. Williams, HPIII *DW Williams*
 Division: Medical Assistance

Phone: 465-5826
 Date: Mar. 18, 1993

Approved by Commissioner: Theodore A. Mala, MD, MPH *Theodore A. Mala*
 Agency: Department of Health & Social Services

Date: 3-19-93

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Position Paper

The Department of Health and Social Services supports SSSB 91 which would provide payment under Alaska's Medicaid program for direct entry midwife services.

Passage of SSSB 91 would provide another alternative for expectant mothers who depend upon the medical assistance program for pregnancy care and childbirth assistance. At present, physician and hospital services are payable under medical assistance along with some pregnancy related nursing services.

Licensure of direct entry midwives was established following passage of HB 382 by the 17th Legislature. In the short time since, 10 direct midwives have been licensed; that number may be expected to reach up to 25 over the next year.

Draft regulations of the Division of Occupational Licensing indicate the direct entry midwife services must include appropriate prenatal care, the delivery, and post-partum care over the 6 weeks following the birth. The draft regulations are very specific about the type of care to be delivered and the times of delivery. Births delivered under a midwife's care typically take place within the home, at the midwife's office, or at a birthing center. AS 8.65.140 specifies a protocol for direct entry midwives to follow for determining when a "difficult" birth should be referred to a physician's care.

The literature on this topic and our consultation with other states indicates that where licensure of midwives has been instituted it was done to improve pregnancy outcomes through increasing the skill level of persons practicing midwifery, improving the awareness of expectant mothers of the impact of nutrition and similar activities, improving the accessibility to services, and by providing a professional alternative that is acceptable to those who choose to not pursue services from a more institutional source.

Data on the impact of licensed midwife services is very limited. Information from the Bureau of Vital Statistics indicates that of all births, 42% are to persons meeting eligibility guidelines for Medicaid services. Reports from the Alaska Midwife's Association indicate a much higher percentage of medicaid eligibility of 70% to 80%. (The accompanying fiscal notes assumes 50%)

A comparison of vital statistics to payment information also indicates that a large number of the births involving medicaid payment are of low birth weight. Under the draft licensure requirements for direct entry midwives some low birth weight

POSITION PAPER

STATE OF ALASKA ★ DEPARTMENT OF HEALTH & SOCIAL SERVICES

pregnancies would be referred to a physician while others may be delivered by the mid-wife, having benefitted from the frequent lab test, nutrition counselling and referral for medical examination that are required.

Payment of direct entry midwife services may have some downward effect on medical assistance program costs to the extent that expectant mothers choose to use midwife services instead of the more costly physician and hospital services. The accompanying fiscal note estimates a net cost savings of \$73,800 during FY94 and greater in following years. While this is a estimate based on no experience, the department certainly does not anticipate a requirement for additional funding as a result of SSSB 91.

The placement of direct entry midwife services as (1) in AS 47.07.035 is the appropriate placement. Of the optional services available under Medicaid, direct entry midwives services should have the lowest priority for payment because other alternative services are available.

Recommended by:

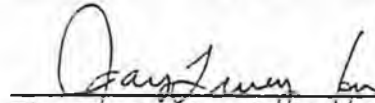


Kimberly B. Busch
Director
Div. of Medical Assistance

Date:

3-18-93

Approved by:



Theodore A. Mala, MD, MPH
Commissioner

Date:

3-19-93

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Personal Attention for the childbearing Family

Kaye Kanne
C.D.M. Registered Midwife

P.O. Box 22624
Juneau, Alaska 99802
(907) 730-4518

To: Senate HESS Committee Members

March 19, 1993

Subject: Testimony in support of Senate Bill 91

The improvement in the outcome of pregnancy resulting from the greater use of well-trained midwives has become increasingly evident. In countries that enjoy an incidence of infant mortality significantly lower than that of the United States the major proportion of obstetric care is provided by trained midwives. It is obvious from the good outcomes of infants delivered by midwives that we could reduce the numbers of newborn infants requiring intensive care by increasing the number of midwives and expanding the services offered by them.

One study by the Health Insurance Association of America (HIAA) published in 1989 sites a number of ways that midwives can save money in health care.

Lower Fees: A midwives fee typically covers more time spent before, during, and after the birth and is much lower than a physicians.

Reduced use of Technology: Midwives rely much less on technical procedures, but can access them if necessary. Midwife attended births have a c-section rate 50 to 70 percent lower than physician attended births in comparable populations. The savings to be realized from this aspect of the midwifery model are enormous.

Lower Liability Costs: People who choose a midwife commit themselves to sharing risks and responsibilities of pregnancy and birth. The midwife actively encourages this informed participation.


Lower Health Care Costs after Birth: The costs of childbirth pale beside those of taking care of premature and sick infants. According to the HIAA survey, it costs nearly \$1000 a day to keep a baby in a neonatal intensive care unit. Studies on midwifery care have documented success over a range of settings and income levels in reducing the incidence of low birth weight, which is directly associated with prematurity.


To the extent that midwives' emphasis on a healthy environment during pregnancy can reduce the short and long term effects of malnutrition, smoking, drinking, and drug use on maternal child health, the contribution of midwives to reducing health care costs may be incalculable.


In the case of midwifery the evidence is overwhelming that better care can cost less.


Dollars and Sense: Midwifery Care is Cost-Effective Care

Midwifery Fact Sheet

 The average professional fees of midwives are lower than those of physicians. Therefore, midwifery care can offer a cost-effective, quality-assured alternative to otherwise prohibitive and escalating maternity fees across the state.

 Midwives use fewer expensive technologies to provide safe care. Consequently, client charges are significantly lower. Comparisons of midwifery care and physician care have shown that midwives have equally good outcomes, while using fewer interventions. ^{1,2,3}

 Midwifery care is preventive care. Midwives spend time to provide education, information and social support to their clients. All of these factors have been cited as significant contributors to reducing adverse outcomes, especially prematurity and low birthweight. ^{7,8}

 Midwives are able to offer a choice of birth settings. Out-of-hospital births, either at home or in a licensed birth center, offer the low-risk, healthy woman a safe option at considerable savings. The cost of an out-of-hospital birth is 50% to 70% less than a hospital birth. ³ Recognizing these substantial savings in health dollars, a majority of private health insurance plans now encourage midwife-attended out-of-hospital birth by reimbursing 80- 100% of these charges. ^{12,13}

Midwives Association of Alaska
1655 Sitka, #204
Anchorage, AK, 99501 (907) 274-1222

Published by Midwives Association
of Alaska, the professional
midwifery organization serving the
Alaskan childbearing population.

1/93

Birth Outside the Hospital

Midwifery Fact Sheet

Trends in birth setting.

① In 1940, 50% of births in this country took place at home, with a doctor or midwife in attendance. By 1960, birth had been moved almost exclusively into the hospital. During the 1970's, a notable increase in out-of-hospital births signaled a new debate among consumers and health professionals on the appropriate place for labor and birth.

Today, approximately 1% of American families choose to give birth outside the hospital. These families choose home birth, or delivery in a free-standing birth center (not a hospital facility). The majority of out-of-hospital births, in Alaska, as well as throughout the United States, are attended by midwives.

Reasons for out-of-hospital birth

② Why do families choose out-of-hospital birth? A number of consistent themes emerge from the literature including:

- ① increase of control over the childbirth experience;
- ② avoidance of unnecessary medical routines and interventions;
- ③ continuous care by a known and supportive birth attendant;
- ④ labor and delivery among loved ones and in familiar surroundings;
- ⑤ avoidance of the high cost of hospitalization.

Safety: What the Studies Say

③ For most people concerned with childbirth, a central issue is safety. What do we know about the relative risks of childbirth in various settings? Studies reporting outcomes from well-organized out-of-hospital birth practices, both in the U.S. and abroad, show very low rates of adverse outcomes for mothers and infants. Holland, for example, where 35% of deliveries take place in the home, has one of the lowest perinatal mortality rates in the world. There is no evidence that birth in the hospital is safest for women at low medical risk. ^{3,4}

Some early reports on outcomes of out-of-hospital births were misleading because they compared hospital and non-hospital births without determining whether those births were planned and/or attended by a qualified person. In other words, late miscarriages, premature births, taxi cab deliveries, and other unexpected out-of-hospital births were included in the outcome data. ^{5,6}

Other studies which considered these factors found that the neonatal mortality rates of the planned out-of-hospital births with a qualified attendant averaged 4/1000, below the national rate, while for the unplanned groups the rates averaged 97/1000. ^{7,8,9}

In controlled studies, those births planned to occur outside the hospital with midwives in attendance were associated with lower rates of obstetrical interventions than births planned to occur in the hospital with physicians and other care providers. In some studies, planned out-of-hospital births also had lower rates of complications than the hospital births. ^{10,11,12}

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Anchorage, AK 99501 (907) 274-1222

Published by Midwives Association of Alaska, the professional midwifery organization serving the Alaskan childbearing population.

Several authors have estimated that the probability of an emergent complication arising during an out-of-hospital labor, in a well-screened, healthy population of women, in which the loss of time in transit to a hospital could increase the risk of an adverse outcome, would be less than 1 in 1,000. ^{13,14}

Midwifery Practice Ensures Safety

Midwives attending out-of-hospital births ensure optimum safety for their clients by:

- ① Accepting into care only women who have no pre-existing medical conditions, who want to have natural labor and birth (without medical interventions or pain medication) and who are experiencing a normal pregnancy;
- ② Providing comprehensive prenatal care that includes on-going screening for complications, education, support and personal attention;
- ③ Ensuring continuous, one-to-one care during labor, carefully monitoring the progress of labor, and maternal/fetal condition;
- ④ Maintaining the skills and equipment needed for treating emergent and unexpected conditions, such as hemorrhage or neonatal resuscitation;
- ⑤ Establishing consultation and referral relationships with obstetricians and pediatricians who can provide hospital treatment if indicated.

In summary, an out-of-hospital birth that is planned, with a well-trained attendant, is a safe, satisfying, and economical choice.

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Published by Midwives Association of Alaska, the professional midwifery organization serving the Alaskan childbearing population.

What do international experts say about midwifery?

"...I came to see that midwifery wasn't just a way of substituting cheaper obstetrical care for the poor and deprived...I discovered that the countries with the lowest infant mortality rates in the world also had medical care systems in which the whole of normal obstetrical practice was carried on by midwives."

George A. Silver, M.D.
Professor Emeritus of Public Health, Yale University

Source: *The Next Fifty Years of Nurse-Midwifery Education*, Maternity Center Association, New York, 1983, page 66.

"...there is evidence that a strong independent midwifery profession is an important counterbalance to the obstetrical profession in preventing excessive interventions in the normal birth process. Consequently, it is perhaps not surprising that in the U.S. one finds the highest obstetrical intervention rates as well as serious problem with malpractice suits. The European experience and our data strongly support the urgent need for the introduction of widespread, independent midwifery practice in the United States as a most important counterbalance to the present situation."

Mursden G. Wagner, M.D.
Maternal and Child Health Officer for the European Region, World Health Organization

Source: "Infant Mortality in Europe: Implications for the United States; Statement to the National Commission to Prevent Infant Mortality". *Journal of Public Health Policy*, Winter 1988: 473-484.

"Midwifery provides a balance between the family and medical perspectives on birth. To negotiate and balance the different meanings and perspectives of birth within the health care system, it is essential for midwives to have a legitimate and powerful role within the system. Midwifery should be powerful enough to influence both the nature and delivery of services. This, I believe, would greatly enhance maternity care, which ultimately is the crux of the matter...the safe, loving and skilled care of women, their babies and their families at one of the most important points of life...birth."

Leslie Page
Director of Midwifery, Oxfordshire, England

Source: "The midwife's role in modern health care." In *The Midwife Challenge*, Sheila Eitzinger, ed. Pandora: London, 1988, page 259-260.

"The midwife must be able to advise the expectant mother, give her moral support, to make her enthusiastic for a natural childbirth, and above all, to supervise her in such a way that all minor and major abnormalities are recognized or at least suspected as early as possible. I am convinced that she is able to do this as well as a doctor, and very often better...Without the presence and acceptance of the midwife obstetrics becomes aggressive, technologic, and inhuman."

G.J. Kloosterman, M.D.
Former President, International Federation of Obstetricians and Gynecologists

Source: "The Midwife: Her Task and Responsibility in a Technologic World" in *The Five Standards for Safe Childbearing*, David Stewart, ed. NAPSAC International: Marble Hill, Missouri, 1981, pages 157-158.

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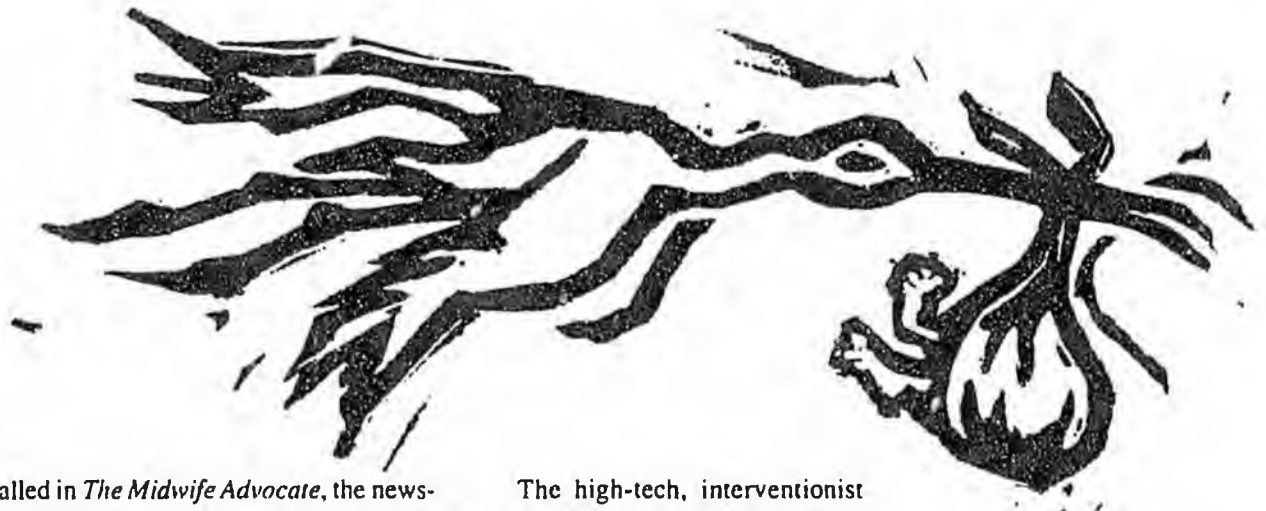
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HOME DELIVERY

MIDWIFERY WORKS. SO SHOULD MIDWIVES.

When Janet Podell became pregnant in 1989, she determined to have "the real thing" — the fully natural, satisfying birth experience that had eluded her when her first two children were born. Although midwives had assisted her in the two unmedicated births, the impersonality, tension, conflict, and pointless restrictions she experienced in the hospital had left her feeling frustrated and violated. Both times, for example, she was separated from the baby and from her husband after the birth. After moving to western Massachusetts, Podell found a pair of midwives to attend her birth at home. What resulted was a qualitatively different experience: She felt as if she had really given birth under her own power, in an atmosphere of loving support.

BY ARCHIE BRODSKY



As Podell later recalled in *The Midwife Advocate*, the newsletter of Massachusetts Friends of Midwives: "I came away from my hospital births with a sense of helplessness. I came away from my home birth feeling that I had learned deep and amazing lessons about my own strength and resilience, about trusting my body and my instincts....What would happen in this fearful society of ours if all the mothers who gave birth had such an experience?"

Podell is one of many American women who have chosen to give birth outside of a hospital during the last 10 to 15 years. Disillusioned with the routine intrusiveness of conventional hospital obstetrics, they have voted with their feet by giving birth at home with the help of family, friends, and supportive attendants. Some of these women, inspired by the rediscovery of birth as a natural and social event, have become midwives themselves, learning their trade by working with more experienced midwives or with sympathetic physicians.

This social movement, until recently marginalized by organized medicine as a softheaded countercultural rebellion, is now finding common ground with mainstream economic and public-health concerns: the rapid escalation of health-care costs; the loss of obstetricians resulting from the epidemic of malpractice suits; and the high rate of infant mortality among the inner-city poor. Midwifery works, people want it, and it provides an answer to some urgent policy questions. But although midwifery has made progress in recent years, a variety of laws and regulations still prevent midwives from offering their services to everyone who could benefit from them.

The advantages of midwifery depend on a more thoroughgoing change than just plugging in one type of practitioner in place of another. If the law confines midwives to the role of obstetrical handmaidens working exclusively in hospitals under the direction of physicians, it will prevent them from making their full contribution. For the word *midwifery* really stands for a fundamentally different model of maternity care: different people doing different things, often in a different place.

Midwives reject the view that giving birth is a medical procedure like having a gall bladder removed. Instead, they understand it as a natural process that ordinarily does not require drugs, surgery, or high-tech equipment. Obstetricians, whose skills and techniques are best reserved for complicated births, are in most cases not well prepared to attend normal births. They know how to intervene but not how to support without intervening.

KERI ROSEBRAUGH

The high-tech, interventionist approach of obstetricians is illustrated by the widespread use of electronic fetal monitoring. EFM—which records fetal heart tones and the pressure of uterine contractions, either through electrodes passed through the birth canal and attached to the baby's scalp or through a transducer placed on the mother's abdomen—may have a legitimate rationale in high-risk births. But from the beginning it was marketed indiscriminately to physicians hungry for precise diagnostic information.

As a result, by the mid-1970s most U.S. hospitals had adopted EFM for routine use, without any controlled studies showing it to be more effective than traditional, noninvasive methods of listening to the baby's heart. Now studies published in the last two years in such prestigious publications as the British journal *The Lancet* and *The New England Journal of Medicine* have shown that, in the absence of specific indications for its use, EFM not only has no demonstrated benefit in reducing childhood disabilities but may even be dangerous.

EFM plays a major role in the futile cycle of defensive obstetrics brought on by malpractice hysteria. For legal protection the physician uses the monitor so he can show, if anything goes wrong, that he "did all he could." But with the monitor readings a matter of record, his actions will be further scrutinized to see if he once again "did all he could" in response to an abnormal reading.

Alarmist reactions to insignificant variations in monitor readings contribute to the current 24-percent cesarean-section rate in the United

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States (a rate twice as high as the World Health Organization recommends). Indeed, any medical intervention in childbirth tends to necessitate further intervention by disrupting the normal physiology of labor and by immobilizing, enervating, disabling, and dispiriting the mother.

A midwife strives to avoid such intervention. Rather than "deliver" the baby, she brings out the birthing woman's own physical and emotional strength—resources left untapped or suppressed by standard obstetrical practices. This is more than touchy-feely rhetoric. It translates into concrete clinical expertise: an appreciation of the variations of normal labor, of the way some problems can correct themselves with time, of the influence of emotional support and a sense of well-being during labor, and of many nonchemical, noninvasive means of encouraging progress.

An obstetrician's highly specialized knowledge represents only a narrow segment of the whole range of knowledge relevant to childbirth. A midwife draws upon a traditional body of knowledge that guides her both in forming a supportive bond with a pregnant woman and in shaping a positive experience of—and attitude toward—birth. In addition to emphasizing prenatal education and preparation, she comes to know the woman, her environment, and the way she lives, and thus can better understand her reactions and assist her during labor.

Podell writes: "The midwives gave me all the room I needed, but they were never distant; they were always right there, offering energy, a sip of juice, a word of encouragement. Their presence comforted me and gave me confidence. One thing I didn't understand... Without internal exams, how could they tell how the labor was progressing?... They said my body would know what to do and when. And to my very great surprise, they were right."

Instead of pain medication, midwives use noninvasive methods, physical as well as psychological, to help women cope with pain. The midwifery model in its pure form does not allow the use of anesthetic or analgesic drugs in normal births, since these medications interfere with the natural process of labor. Home-birth attendants avoid the use of such drugs entirely, since the safety of a home birth depends on supporting the natural process and not creating added risks. In hospitals, on the other hand, nurse-midwives sometimes make pragmatic compromises, giving pain medication to women who want it in order to make other benefits of midwifery available to them.

It should always be a woman's right to choose between

midwifery and obstetrics for whatever reasons matter to her, including her preferences regarding pain medication. At the same time, as the midwifery model comes to be more widely known and better understood, more women may approach the pain of childbearing in a positive way, as Podell did: "The labor was short, intense, and sweet. It wasn't any less painful than the others, but I tried to put all my concentration on welcoming the pain, on assenting to open up. Away from the interference of the hospital, comfortable in my own familiar house, I felt a lovely sense of freedom. I wasn't anybody's patient. I was myself, doing a task I had really been preparing for since childhood."

The beneficial effects of the laboring woman's sense of well-being, comfort, and control are enhanced in the home or (to a lesser degree) in the home-like setting of a midwife-run birth center. In the words of the prominent Dutch obstetrician G.J. Kloosterman: "The advantages of home confinements are that in her own home the expectant mother is not considered a patient, but a woman, fulfilling a natural and highly personal task. She is the real center around which everything (and everybody) revolves. The midwife or doctor and the maternity aide nurse are all her guests, there to assist her. This setting reinforces her self-respect and self-confidence."

This endorsement of home birth runs counter to the prejudices of most Americans, who have been led to believe that the

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best outcomes occur when childbirth is managed by obstetricians in hospitals where medical technology is readily available and where there is little hesitation about using it. This view equates safety with active technological intervention carried out by highly specialized personnel in an institutional setting.

Proponents of this position offer three main arguments. First, they cite the decline in maternal and infant mortality that coincided with the shift to medicalized, institutionalized childbirth in this century. But such a sweeping historical comparison is meaningless because it disregards many other changes that occurred at the same time: better nutrition, sanitation, and personal hygiene; fewer large families and closely spaced children; the development of antibiotics; and improvements in diagnosis, risk assessment, and instrumentation. Contemporaneous comparisons, such as one conducted by the New York Academy of Medicine from 1930 to 1932, have almost invariably shown that midwife-attended or home births have outcomes as good as or better than physician-attended or hospital births.

British statistician Marjorie Tew, in her 1990 book *Safer Childbirth? A Critical History of Maternity Care*, uses data from the special British birth surveys of 1958 and 1970 to make detailed comparisons—regional, historical, and individual—of the outcomes of home vs. hospital birth and of high-intervention vs. low-intervention birth in populations closely matched for risk factors. Tew concludes that increased hospitalization and obstetrical intervention cannot be credited with improving the safety of childbirth. To her, in fact, the weight of the evidence suggests that these changes have done more harm than good.

Second, opponents of midwifery argue that mortality statistics show babies are at greater risk if they are born outside a hospital. This fallacious comparison, first made in a 1978 press release by the American College of Obstetricians and Gynecologists, rests on raw statewide figures showing that the risk to a baby's life was two to five times greater in an out-of-hospital birth. But the "out-of-hospital" category included not only intentional home births, but also late miscarriages, premature and precipitous births, and unplanned home births. Such undifferentiated data say nothing about the safety of planned, properly attended home births.

Finally, when forced to confront the lack of statistical evidence in their favor, proponents of orthodox obstetrics say, "OK, so the differences in safety are too small to show up in the data. But even one unnecessary infant death is too many—especially if it's yours." This argument, while highly effective in inducing fear and guilt in parents, fails to take into account the countervailing risks of medicalized birth, such as infections resulting from hospital sepsis or from unnecessary surgical procedures and the many complications that can result from interfering with the progress of labor.

Opponents of midwifery also ignore a large body of evidence that low-intervention maternity care by midwives results in outcomes as good as or better than those of hospital births. Since 1925, for example, the Frontier Nursing Service in Ken-

tucky has provided outstanding maternity care to a poor, geographically remote population. The service, whose midwives attended nearly all births at home (sometimes on horseback) until the late 1960s, has compiled an outcome record that compares favorably with that of mainstream America.

In a remarkable real-life experiment in Madera County, California, neonatal mortality dropped from 24 to 10 per 1,000 when nurse-midwives were introduced into a poor agricultural area in 1960. Pressure from the state medical association ended the program in 1963. Midwives were replaced by obstetricians, whereupon neonatal mortality rose to 32 per 1,000. The number of women receiving no prenatal care doubled.

Midwifery programs are having an important impact among the urban poor as well. With one-third of its largely black and Hispanic clients classified as high-risk, the North Central Bronx Hospital midwifery service has the lowest cesarean-section rate in New York City and lower-than-average rates of low birth weight and perinatal and neonatal mortality. In a well-controlled study involving low-income women in a Houston hospital, published in 1991 in *The Journal of the American Medical Association*, the continuous companionship of a *doula*—a woman trained to provide labor support—shortened the duration of labor, cut the cesarean-section rate in half, and reduced the need for other interventions along with the incidence of maternal fever and prolonged infant hospitalization. And the *doula* provides only part of a midwife's comprehensive skills and services.

Two years ago the National Birth Center Study reported on birth outcomes for nearly 12,000 women admitted to freestanding birth centers in the United States, three-fourths of them operated by midwives. In this largely low-risk population, the low overall perinatal-neonatal mortality rate of 1.3 per 1,000 was comparable to that of low-risk hospital births. Moreover, it was achieved with minimal intervention (most notably, a 4.4-percent cesarean-section rate), low morbidity, and high levels of satisfaction. Similar findings were obtained in a review of more than 3,000 out-of-hospital (mainly home) births attended by licensed direct-entry midwives in Arizona between 1978 and 1985.

Further evidence comes from Holland, where the national health-care system deliberately reversed a trend toward American-style hospital births a decade ago. In a study published recently in the British journal *Midwifery*, researchers who analyzed all Dutch births in 1986 found that, at all risk levels after 32 weeks' gestation, perinatal mortality was "much lower under the noninterventionist care of midwives than under the interventionist management of obstetricians." And this is in a country with an ethnically diverse population (including guest workers).

Studies also find that midwifery is much less expensive than conventional obstetrics. The cost-effectiveness of the midwifery model follows from its reliance on natural processes and settings rather than on expensive technology. In one of the first demonstrations of the cost-saving potential of midwifery, Blue Cross/Blue Shield estimated that its costs for a birth in the Maternity Center Association's Childbearing Center in Manhattan in 1976-77 averaged only 37.6 percent of the cost of an



uncomplicated birth in a nearby hospital (including both hospital and physician charges). As documented in a report prepared for the Federal Trade Commission, Blue Cross/Blue Shield's decision (against formidable opposition) to authorize reimbursement for the center was a major breakthrough in making the freestanding birth center a viable concept in the United States.

Since then, this initial indication of the savings to be achieved through broader application of the midwifery model has been borne out by other research, most notably a Health Insurance Association of America (HIAA) study published in 1989. These savings can be realized in a number of ways:

Lower fees. According to the HIAA study, the average physician's fee for a normal pregnancy and birth is \$1,492, while a midwife's fee averages \$994. A midwife's fee typically covers more time spent before, during, and after the birth and includes comprehensive services that otherwise would require a team of providers.

Lower site-related costs. According to the HIAA study, a normal birth involving a one-day stay in a birth center costs \$2,111, compared with \$3,233 for a one-day hospital stay. (These figures include practitioners' fees.) Since the average length of stay in a hospital is longer than in a birth center, the difference in practice is even greater. Thus, the average hospital cost for a normal vaginal delivery is \$2,842 in addition to the physician's fee of \$1,492, for a total of \$4,334.

In a home birth there are no site-related expenses. In Australia, for example, an estimate published in the journal *Family Physician* indicated that insurers and families might save A\$83 million a year if 30 percent of births took place at home. Of course, the cost of maintaining hospital backup for cases requiring transfer must be factored into the overall cost of out-of-hospital birth services. But such on-call auxiliary services require only a fraction of the institutional resources routinely used and paid for under the present system.

Reduced use of technology. Midwives rely much less on technical procedures that entail material costs, increased practitioners' fees, and (often) longer hospital stays. A birth by cesarean section costs an average of \$7,186, compared to \$4,334 for a vaginal birth in a hospital. Since midwife-attended births have a cesarean-section rate 50 percent to 70 percent lower than physician-attended births in comparable populations with equivalent outcomes, the savings to be realized from this aspect of the midwifery model are enormous. If all of New York state's hospitals operated in the manner of the North Central Bronx midwifery service, the reduction in

cesareans alone might save nearly \$150 million annually. Ending the indiscriminate use of other specialized procedures, such as electronic fetal monitoring, ultrasound, IVs, and episiotomy, would also save money.

Lower training costs. The Congressional Office of Technology Assessment calculated that the cost of training a certified nurse-midwife in 1985 averaged \$16,800, compared with \$86,100 to train a general physician, let alone an obstetrician. Since midwifery training is more appropriate for a large majority of births, there is great potential for savings here.

Lower liability costs. As of 1987, 71 percent of obstetrician-gynecologists had been named in one or more liability claims, compared with 10 percent of nurse-midwives. Direct-entry midwives (those not trained and regulated by the nursing profession) are even more rarely sued. Why these disparities? First, obstetricians deal with more complicated cases with a greater likelihood of a tragic outcome. Second, obstetricians have deeper pockets. (Like physicians, certified nurse-midwives—registered nurses with additional training in midwifery—have malpractice insurance; direct-entry midwives generally do not, except in states where they are licensed.)

Third, and perhaps most important, people who choose a midwife (especially a direct-entry midwife) commit themselves to sharing the risk, and responsibili-

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ties of birth. Rather than expect a guaranteed perfect outcome, they participate with an understanding of nature's uncertainties. The midwife actively encourages this informed participation. And because she establishes a relationship of trust, full and open communication, and emotional support, the midwife does not leave her clients feeling abandoned and resentful in the event of a tragic outcome.

Lower health-care costs after birth. The costs of childbirth pale beside those of taking care of premature and sick infants and children. According to the HIAA survey, it costs nearly \$1,000 a day to keep a baby in a neonatal intensive care unit; a 30-day stay can cost \$30,000. Hospitals that bear these often uncompensated costs should heed the documented success of midwifery programs, over a range of settings and income levels, in reducing the incidence of low birth weight, which is directly associated with prematurity. To the extent that midwives' emphasis on a healthy environment during pregnancy can reduce the short- and long-term effects of malnutrition, smoking, heavy drinking, and drug use on maternal and child health—in some cases preventing lifelong disability—the contribution of midwives to reducing health-care costs may be incalculable.

In the case of midwifery, the evidence is overwhelming that better care can cost less. Indeed, the American system of obstetrics is so inappropriate and inefficient that only as a protected monopoly could it have gained and held its dominant position. It could not have survived, and cannot now survive, in a free market. But the monopoly is well entrenched by law.

Direct-entry midwives are legal in some states, illegal in others. In a plurality of states their legal status is uncertain. But if a state's medical-practice act includes childbirth among the conditions exclusively reserved for medicine, then direct-entry midwifery is presumed to be illegal. And in the Catch-22 of midwifery regulation, some states (such as Rhode Island) won't let midwives practice without a license but won't license them either.

This patchwork of laws resulted in part from deliberate efforts by organized medicine to create a protected monopoly and in part from an unconscious societal assumption that midwifery had disappeared. During the past few decades, midwifery has been allowed back in a limited role in the form of certified nurse-midwives. CNMs practice legally in every state, but their scope of practice—indeed, their ability to practice at all—is often severely restricted when physicians withhold the requisite institutional or logistical support.

Direct-entry midwives are often prosecuted for practicing either medicine or midwifery without a license. Sometimes these prosecutions help clarify the legal status of midwives. In 1990, after charges were brought against a Pennsylvania midwife who attended Amish clients, a judge ruled that state law did not prohibit the unlicensed practice of "lay" midwifery. But in Illinois in 1991 a court decision calling for clarification of the state's medical-practice act led to legislation that included childbirth within the scope of the act. Midwives have also

suffered setbacks in Southern states such as Alabama, where public-health departments have forcibly retired the experienced "granny" midwives who often were the only providers of maternity care for the rural or urban poor. In Arkansas, public outcry over such action persuaded the legislature to legalize direct-entry midwifery. In Georgia, however, recently issued regulations have made the practice of direct-entry midwifery a felony.

A decade ago in REASON, Sarah Foster documented the various tactics that the medical establishment uses to intimidate and exclude midwives ("Up Against the Birth Monopoly," September 1982). In one of the more prominent cases to have occurred since then, a local obstetrician pilloried nurse-midwife Debby Sweeney in front of her students at the Medical College of Georgia School of Nursing in 1986, falsely charging that she was practicing medicine illegally and endangering her patients. The obstetrician's group practice prevented Sweeney from continuing to teach in one of the hospitals affiliated with the college, complaining that they "could not allow their patients to be exposed to students who are being instructed by one who advocates the home delivery concept." Sweeney had run afoul of the medical establishment by advertising her home-birth practice.

Such anticompetitive tactics thus far have limited the availability of qualified attendants for out-of-hospital births and deprived women and families of information about birth options. Unless a woman happens to know someone who knows the local midwife, she may see and hear only horror stories about home birth.

Reform is coming, however. Many prestigious institutions are calling for more widespread adoption of midwifery or a low-intervention approach to childbirth. These include the World Health Organization, the European Economic Community, the Institute of Medicine, the Office of Technology Assessment, the General Accounting Office, the American Public Health Association, and the National Commission to Prevent Infant Mortality. The strongest advocacy has come from the women's health movement. A detailed position paper issued jointly in 1990 by the Women's Institute for Childbearing Policy, the National Women's Health Network, the National Black Women's Health Project, and the Boston Women's Health Book Collective argues for a midwifery-based maternity care system that favors out-of-hospital birth settings.

The great stone face of the birth monopoly is visibly cracking. Hospitals hit hard by the loss of obstetricians are advertising for midwives. HMOs, after considerable resistance, are incorporating midwifery services. Boston will be joining New York, San Diego, and other localities in setting up a public out-of-hospital birth center for low-income women. At the federal level, direct reimbursement for midwives has been mandated for the armed services, Civilian Health and Medical Programs of Uniformed Services (CHAMPUS), and Medicaid. One by one, state governments are authorizing limited prescrip-



tion privileges for certified nurse-midwives and licensed direct-entry midwives. They are also beginning to remove the statutory and regulatory barriers to direct third-party reimbursement for midwives.

In a major breakthrough, Ontario recently recognized midwifery as an independent, self-regulating profession authorized to practice in the home, birth center, or hospital. Ontario's action set a precedent for Canada, which had made no provision for midwifery in its national health-care system. In the United States, legislative efforts continue in New York, California, and other states to legalize midwifery as an independent profession.

Licensing clearly is preferable to illegality; however, in states where midwives currently are unregulated, midwives and their supporters are divided over whether it is better to be licensed or to continue on a laissez-faire basis. Midwives who oppose licensing consider midwifery a "spiritual art," in the words of Ohio midwife Kimberly French, that cannot be regulated by uniform standards as medicine is. "Would we be willing to give up certain aspects of our craft in exchange for certification, such as handling breech births, vaginal births after cesareans, and twins?" asks French in the periodical *Friends of Homebirth*. "What about the woman who is left with no other option but a cesarean if we, as midwives, were restricted...by law?"

Furthermore, opponents of licensing are reluctant to exclude midwives who might not meet the formal criteria established by the law. "I feel strongly," writes Maine midwife Jill Breen in *The Midwife Advocate*, "that there always will and should be a place for the apprentice-trained midwife, the community-called midwife, the non-medically-oriented midwife."

With few exceptions, midwives who support licensing do so not to protect their hard-won turf or to save the public from unqualified practitioners, but because they are weary of their denigrated status as "lay practitioners." They are interested not so much in excluding others as in including themselves in the professional health-care system. Longtime Oregon midwifery advocate Alan Solares, whose arguments against licensing were influential a decade ago, has now changed his position. He addresses the concerns of many midwives today who feel that "they cannot fairly compete in a health-care system based increasingly on third-party payment."

Implicit in Solares's argument is the assumption that, in today's highly professionalized society, the benefits of third-party reimbursement, public visibility and trust, and secure hospital backup cannot be obtained without some concession to "professional standards" and "consumer protection."

For this reason, most people on both sides of the debate would welcome a system of voluntary certification such as New Hampshire's, which sets standards for certification but does not bar uncertified midwives from practicing as long as they do not claim to be certified. But this is not a likely prospect in many states.

For now, midwives and others who seek to open up the health-care market will continue to face rear-guard obstacles such as unequal access to reimbursement, regulatory mechanisms that place competing practitioners under the control of physicians, an information monopoly that can frustrate informed choice even when more overt restraints are halted, and a long accumulation of prejudice against non-technological alternatives to conventional health care. The hardest obstacle, however, may well be a certain faintheartedness in the American public, an ingrained reliance on "consumer protection" even at the expense of consumer choice. ■

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SENATE COMMITTEE REPORT

DATE: 3/22/93

FURTHER: FINANCE

DATE TURNED INTO OFFICE: 3/30/93

L&C Committee considered SPONSOR SUBSTITUTE FOR SENATE BILL NO. 91

"An Act providing for coverage of midwife services under Medicaid; reordering the priority of optional services provided by the state under Medicaid; and providing for an effective date."

and recommends:

[] replace with _____ CS _____ ()

or [x] adopt previous _____ CS SSSB 91 (HES)

[] attaches amendment(s)

[] same title
[x] new title
[] technical title change (HB only)

[] adopts _____ Letter of Intent

[] further referral to the _____

[] do pass

[] do not pass

[] no recommendation

[x] Individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
HES	3/19		✓
"	3/19		✓
"	3/19		✓

[] Appropriation No Fiscal Note

DO PASS:

Tom Kelly
Jim Sato
John Harris

OTHER RECOMMENDATIONS:

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no recommendation

Individual recommendations

NEW FISCAL NOTES

CSSS (Hess)

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

3)

Department	Date	Zero	Fiscal
<i>Hess</i>			<input checked="" type="checkbox"/>

Appropriation No Fiscal Note

DO PASS:

Tom Kell
Tom Kell
Tom Kell
Tom Kell

OTHER RECOMMENDATIONS:



Alaska State Legislature

Kelly

Please enter into the record my testimony to the

Senate Labor & Commerce
committee name

committee on SB91, dated _____
bill/subject

3/30-93

We qualified for "Pregnant Women's Medicaid" when pregnant with our son Crosby. We chose to go with midwifery care even tho we could not use our medicaid stickers. We paid little by little to our midwives.

People need to be able to chose their prenatal care and birthing attendants. Medicaid needs to be available for midwifery services. Women are denied an incredible experience by not having that option. The prenatal care, love, and birthing experience is wonderful.

I hope you will seriously work to make →

Signed:

Jana Griffin
Testifier

Mat-Su Borough
Representing (Optional)

HC 34 Box 2029 Wasilla, AK 99654
Address

373-4145
Phone No.

midwifery services available to
medicaid people. 😊