

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8567 HOUSE HEALTH EDUCATION & SOCIAL SERVICES

AMENDMENT

OFFERED IN THE HOUSE  
TO: HB 528

- 1 Page 2, line 19:
- 2 Delete "may [SHALL]"
- 3 Insert "shall"

# Alaska State Legislature

MAR 11 1996



Official Business  
Fax: (907) 465-3472

Speaker of the House of Representatives

State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-3720  
(907) 465-2689

March 11, 1996

Ms. Brenda Steenblock  
Homer Senior Citizens, Inc.  
PO Box 808  
Homer, AK 99603

Dear Ms. Steenblock:

Thank you for your letter regarding House Bill 528 on setting a two year moratorium prohibiting the issuance of a certificate of need or a license for additional nursing home capacity in the state. Currently HB 528 is in the House HESS Committee, and I will pass a copy of your letter along to the HESS Committee Co-Chairs for inclusion in the committee members' bill packets to assure that they give thorough consideration to your concerns.

Again, I appreciate hearing from you, and I assure you that if this bill makes it to the House floor for a vote, I will keep your comments in mind.

Sincerely,

A handwritten signature in cursive script that reads "Gail Phillips".

Gail Phillips  
SPEAKER OF THE HOUSE

GP:jmj

cc: Rep. Cynthia Toohay

A M E N D M E N T

OFFERED IN THE HOUSE.

BY REPRESENTATIVE TOOHEY

TO: HB 528

1 Page 1, line 5, following "1998;":

2           Insert "establishing a working group to study and issue a report about long-term  
3 care;"

4 Page 3, following line 18:

5           Insert new bill sections to read:

6           "\* Sec. 4. WORKING GROUP; REPORT. (a) There is established a six-member  
7 working group to analyze issues regarding long-term care services in the state. The members  
8 of the group are

9                   (1) two individuals appointed by the governor who are involved in providing  
10 long-term care services;

11                   (2) two individuals appointed by the governor who are receiving long-term  
12 care services, at least one of whom must be at least 60 years of age;

13                   (3) the commissioner of administration, or the commissioner's designee; and

14                   (4) the commissioner of health and social services, or the commissioner's  
15 designee.

16           (b) The working group established under this section may select a presiding officer  
17 from among its members.

18           (c) After gathering information through methods considered appropriate by the group,  
19 the working group established under this section shall prepare a report that includes the  
20 following:

21                   (1) a description of the current status and costs of the state's system for long-  
22 term care services;

23                   (2) the projected number of state residents who will be needing long-term care  
24 services through the year 2000, the year 2005, the year 2010, and the year 2015;

1           (3) the projected costs to the state, based on the projection of needs under (2)  
2 of this subsection, if no changes are made to the state's present system of long-term care  
3 services;

4           (4) an estimated number of state residents who are currently receiving care  
5 in nursing facilities that could more appropriately be receiving home- and community-based  
6 care outside of nursing facilities;

7           (5) a description of the alternative methods available to provide nursing care  
8 for state residents and the relative cost to the state for these methods; and

9           (6) recommendations for principles that should be used to guide the  
10 development of the state's long-term care system, including principles that should guide the  
11 certificate-of-need process under AS 18.07.

12           (d) The working group shall deliver its report to the governor by the first day of the  
13 First Regular Session of the Twentieth Alaska State Legislature and notify the legislature that  
14 the report is available.

15       \* Sec. 5. Section 4 of this Act is repealed on the first day of the First Regular Session of  
16 the Twentieth Alaska State Legislature."

17       Renumber the following bill sections accordingly.

A M E N D M E N T

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TO: HB 528

BY REPRESENTATIVE TOOHEY

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16 the Twentieth Alaska State Legislature."

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ALASKA STATE  
**HOSPITAL & NURSING HOME**  
ASSOCIATION

March 7, 1996

**Memo To:** Representatives Cythia Toohey & Con Bunde, Co-Chair  
House Committee on Health, Education & Social Services

**From:** Harlan Knudson, President, ASHNHA

**Subject:** Oppose HB 528, Amendments Certificate of Need Law

ASHNHA representing community hospitals and nursing homes from across the state is opposed to HB 528, relating to the Certificate of Need Program.

Page 1, Line 8, Section 1, FINDINGS, Subparagraphs (1), (2), (5), (6) and (7) are erroneous and should be deleted.

Attachment A shows the nursing home rates and occupancy for January 31, 1992, 1994 and 1996.

These Nursing Home Census reports show that the two Anchorage nursing homes, Our Lady of Compassion Care Center with 224 beds (renamed Providence Extended Care Center, 1995) and the Mary Conrad Center with 89 beds have an occupancy rate of better than 96% from 1992 through 1996.

These two nursing homes represent 41% the nursing beds in the state. A Certificate of Need for a new nursing home in the Mat Su Valley is pending.

By placing a two year moratorium on the issuing of a Certificate of Need for long term, the Department increases the cost of health care to Medicare, and individuals with private insurance who would be referred to lower cost nursing beds for rehabilitation and convalescence following an in-hospital stay.

Your attention is called to the rates paid by Medicaid at the Mary Conrad Center in 1992 (\$232.55 per day) versus the rate today (\$223.49). The rate at Our Lady in 1992 was \$184.92. That rate for January, 1996 was \$204.41.

The staff at the Department of Health & Social Services will not be the ones to tell the very elderly and very ill or frail in the Anchorage Bowl and Mat Su Valley if you want nursing care, go to Seward. The message the public will get from the Department is "The Legislature" has denied you access to long term care.

ASHNHA members agree with subparagraphs (3) and (4), though paragraph (3) should be amended so that level of care needed is measured by a "common assessment" tool.

Attachment B is a summary of the DHSS Medicaid budget. Your attention is called to how that budget, which for the most part is 50% state funding and 50% federal funding has increased since 1991.

Facility costs have increased by 54% while non-facility costs have increased \$101%. HB 528 does not address the fastest growing costs within the Medicaid program.

Page 2, Line 17 Section 2 This section makes three significant changes in the current Certificate of Need law.

First. "shall" is changed to "may" (page 2, line 19). The effect of this change would be that, even if the standards for granting a certificate of need were satisfied, the Department would not be obligated to issue a certificate. The Manual of Legislative Drafting (published by the Legislative Affairs Agency for use by Legislative Staff) includes the following comments on the use of "shall" and "may" in statutes (page 51):

Use the word "shall" only to impose a duty upon someone. . . . Use the word "may" to grant a privilege or discretionary power. . . . For example:

The commissioner shall issue a license duty to do so. . . .

The commissioner may inspect records. . . . i.e., the commissioner may if it is necessary or proper, but the commissioner is not obligated to do so.

Applied literally, the use of "may" would permit the Department to deny an application for a certificate of need, even if all factors under the statute weighed in favor of granting the certificate. In fact, however, the Department's discretion would not be that broad because, under basic principles of due process, an administrative agency's decision must be based on the evidence presented and may not be "arbitrary and capricious." If the Department were to deny an application where all the statutory requirements had been satisfied, that decision would be subject to legal challenge on due process grounds, as a arbitrary and capricious administrative decision, even if "may" were used in the statute. Nevertheless, using "may" does broaden the scope of the Department's discretion somewhat.

Second, the phrase "in the state" is added (page 2, lines 21-22) and "accessibility" is eliminated as a standard (page 2, line 24). With these changes, the

amended statute would permit the Department to evaluate "availability" on a statewide basis rather than on a community basis. For example, under the amended version, the Department, theoretically at least, could deny a certificate of need for new nursing home beds in Nome on the ground that beds are "available" in Seward. In the language of the amended statute, if beds were available anywhere in the State, the Department could deny an application for a certificate of need on the ground that there was no "lack of available health care resources in the state" (lines 2-21).

Third, cost-effectiveness and availability of state and federal financing are added as new review standards (page 2, lines 22-24). The amended version requires that Department to "consider" these factors before granting a certificate. Thus, even if the Department found "a lack of available health care resources" (page 2, line 20-21), the Department could still deny an application for a certificate of need, if it also found that inadequate Medicaid funding would be available to pay for the anticipated utilization of the new facility or new beds. In essence, the availability of Medicaid funding, not the patients need for the services, could become the determining factor in whether a certificate of need is granted--whether the certificate is for a new hospital, a new nursing home, additional beds for an existing hospital, or any other new program exceeding the \$1 million threshold.

The second and third changes described above represent a real change in emphasis from the present statute. The significant factors under the present statute are (1) "availability," (2) "quality," (3) "accessibility," and (4) "maintain[ing] the good health of Citizens of this state." These patient-oriented factors are missing from the amended version, and, in their place, the amended version emphasizes financial factors. This change represents a disturbing change of focus that could result in a certificate of need review process that eliminates any consideration of the real health needs of Alaska citizens.

Page 2, Line 28 (Section 3): The effect of this section would be that no new nursing home beds could be added until at least July 1, 1998, either by new construction or by conversion of existing beds. There is one exception to this "moratorium." It would be possible for the Department to issue a certificate of need in response to an application that had been filed before the effective date of the amended statute, but the new review standards would be applied to that application (page 3, lines 5-9--subsection (b)).

This exception to the moratorium, however, would have little effect because of subsection (c) (page 3, lines 10-13). As the legislation is currently worded, the Department is absolutely prohibited from issuing a construction license or an operating license for new beds during the moratorium, even if a certificate of need has been properly issued under subsection (b). If there are applications now in the pipeline that might be granted under subsection (b), it would be important that subsection

(c) be amended to recognize that the Department could issue construction and operating licenses for the beds authorized by those certificates of need. If the wording is not changed, a certificate could be issued in response to a currently-pending application but nothing could be built or placed in operation because no license could be issued.

This problem could be eliminated by making the following change in House Bill 528:

Page 3, line 10: A new sentence should be added to subsection (c), to read as follows:

- (c) Notwithstanding AS 18.20, the department may not issue a license for
- (1) construction of a health care facility that includes new nursing home bed; or
  - (2) additional new nursing home beds in a health care facility.

This subsection does not apply to projects for which a certificate of need has been issued under subsection (b) of this section.

Under section 4 of the bill (page 3, line 19), the effect of the moratorium is limited to the period before July 1, 1998. On that date, section 1 ("Findings") and section 3 ("Moratorium for Certificate of Need") are repealed and would no longer have any effect. There is nothing in the amended statute that would prohibit anyone from filing an application for a certificate of need during the moratorium period. Presumably an application could be submitted and reviewed while the moratorium was in effect, but the Department could not actually issue a certificate or license until after July 1, 1998.

As an alternative to HB 528, we would recommend that a substitute bill be written, dropping sections one and two, changing section 3 to one year, with a new section calling for a joint study by the Department of Health & Social Services, Department of Administration, consumer organizations representing both seniors and disabled, but also groups that represent rural and bush Alaska, along with provider group, including home health, assisted living, the medical profession and acute and long term care.

Have this group look at the February, 1996 AARP Public Policy Institute report (#9602, February, 1996) on New Directions for State Long Term Care Systems. This report begins the discussion on:

- Limiting the Use of Nursing Homes;
- Expanding Home and Community-Based Services;
- The importance of maintaining family residences
- Consolidating state long term care systems
- Assuring a single point of entry into the long term care system.

Lets also look at the AARP report on the "cost-effectiveness" of using home or community based care as an alternative to nursing facility or other institutional care.

It would be good to all of us to hear from the authors of a report completed in November, 1995 on "The Relationship Between Certificate of Need, Long Term Care, and Medicaid Expenditures: A National Analysis."

Working together, state administrative agencies, consumer and advocacy groups and providers can recommend policies and programs to meet the health care needs of Alaskans.

HB 528 does not address the health care needs of Alaskans. It is merely an indirect way to ration health care.

###

Attachments (2)

*in the New Senior Assisted Living Apartments*



**ONE MONTHLY PAYMENT COVERS**

**1 BEDROOM APARTMENT** - Each apartment is handicapped accessible. All utilities are paid. There's a kitchenette, living room/dining room combo and bath with a shower.

**COOKING** - Three delicious meals will be served seven days a week in rooms facing the beautiful Kachemak Bay and snow capped mountains.

**HOUSEKEEPING** - Our staff will assist you in keeping your prized possessions sparkling.

**LAUNDRY** - Your laundry will be done to your specifications once a week.

**TRANSPORTATION** - For shopping or medical needs our staff will assist you.

**MEDICATION** - If all you need is a friendly face to remind you, our staff will assist you.

All this for **\$1,850** per month  
Need help with the costs? Call us.  
Telephone and cable t.v. are extra.

**HOMER SENIOR CITIZENS, Inc.**  
3935 Svedlund Street . Homer, Ak 99603  
(907) 235-7655 phone . (907)235-3739 (fax)



# Providence Options For Older Alaskans



## Providence Home Health Care – 261-3173

The oldest home health care provider in Alaska, caring for the medical needs of Alaskans while they remain in their own homes. We provide assistance with daily activities, medical services and rehabilitative services, backed by the resources of Providence Alaska Medical Center. We also provide Lifeline personal emergency response service.



## Providence Horizon House – 261-4140

An assisted living, residential community for older Alaskans that combines housing, personal care assistance, meals and activities, all under one roof. Residents live in their own one- or two-bedroom studio apartments and help decide which services they need.



## Mary Conrad Center – 333-8100

A 90-bed long-term care facility in east Anchorage providing 24-hour skilled nursing care that reflects the Providence mission of compassion, respect for the dignity of persons and excellence of service. (Mary Conrad Center is operated by Cook Inlet Housing Development Corporation and managed by the Providence Health System.)



## Providence Extended Care Center – 562-2281

A 224-bed long-term care facility in mid-town Anchorage providing 24-hour skilled nursing care and rehabilitation services. Our care also reflects the Providence mission emphasizing compassion and respect and striving for excellence. (Formerly Our Lady of Compassion Care Center.)



## Senior Connection – 762-0260

A health promotion membership program for seniors 55 and over that provides a newsletter, insurance billing counseling and discounts on cafeteria meals and health screenings.

Extended care services of



Providence Health System

# ALASKA NURSING HOMES CENSUS

**RECEIVED**

MAR - 5 1992

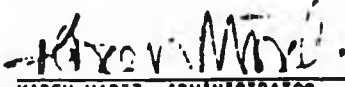
AS OF: January 31, 1992

Page 1 of 2

AK HOSPITAL &  
NURSING HOME ASSOC.

FACILITY	MEDICAID PERDIEM RATE	CERTIFIED CAPACITY		MEDICAID/GRM PLACEMENTS		NON-DMA PLACEMENTS		TOTAL CENSUS	VACANT BEDS	% OCCUPANCY OF TOTAL BEDS	
		SNF/ ICF	SWING BEDS	ICF	SNF	MEDI- CARE	OTHER*			OVERALL	MEDICAID
CORDOVA HOSPITAL LTC	333.34	10	4	11	0	n/a	0	11	3	79%	79%
DEHALI CENTER (Fairbanks)	228.99	101	0	47	10	9	11	77	24	76%	56%
HERITAGE PLACE (Soldotna)	232.85	45	0	27	2	7	4	40	5	89%	64%
ISLAND VIEW MANOR	269.71	46	0	12	3	5	15	35	11	74%	33%
KOTZEBUE SENIOR CIT., SEN CARE CTR.	205.87	9	0	4	4	0	0	8	1	89%	89%
KODIAK ISLAND HOSPITAL LTC	269.32	19	4	16	0	2	1	19	4	83%	70%
MARY CONRAD CENTER (Anchorage)	232.55	84	0	82	0	n/a	2	84	0	100%	98%
OUR LADY OF COMPASSION (Anchorage)	184.92	224	0	141	46	5	28	220	4	98%	83%
PETERSBURG HOSPITAL LTC	271.60	14	4	11	0	0	2	13	5	72%	61%
QUYAANA CARE CENTER (Nome)	279.47	15	0	10	1	n/a	2	13	2	87%	73%
SOURDOUGH PLACE (Valdez)	233.18	16	0	10	0	n/a	3	13	3	81%	63%
SOUTH PENINSULA HOSP. LTC ( Homer)	306.53	18	4	12	3	n/a	3	18	4	82%	68%
ST. ANN'S NURSING HOME (Juneau)	203.08	45	0	27	5	0	6	38	7	84%	71%
WESLEY REHAB. CARE CTR. (Seward)	183.07	66	0	42	1	n/a	3	46	20	70%	65%
WRANGELL GENERAL HOSPITAL LTC	265.78	14	4	5	1	1	4	11	7	61%	33%
SWING BEDS (Acute to LTC):											
CENT. PENINSULA HOSP (Soldotna)	198.18	0	4	0	0	2	1	3	1	75%	0%
SEWARD GENERAL HOSPITAL	198.18	0	2	0	0	2	0	2	0	100%	0%
SITKA COMMUNITY HOSPITAL	198.18	0	2	0	0	0	0	0	2	0%	0%
VALDEZ COMMUNITY HOSPITAL	198.18	0	6	0	0	0	1	1	5	17%	0%
VALLEY HOSPITAL (Palmer)	198.18	0	4	0	0	0	0	0	4	0%	0%
<b>TOTAL</b>			<b>764</b>	<b>457</b>	<b>76</b>	<b>33</b>	<b>86</b>	<b>652</b>	<b>112</b>	<b>85%</b>	<b>70%</b>

\* - Includes VA, private pay, insurance and other.

  
 KAREN MARTZ, ADMINISTRATOR  
 DIVISION OF MEDICAL ASSISTANCE (907) 561-8081  
 DEPARTMENT OF HEALTH & SOCIAL SERVICES

2/27/92  
 DATE

A

## ICF/MR AND IMH CENSUS

AS OF: January 31, 1992

PAGE 2 of 2

PSYCHIATRIC BEDS	PERDIEM RATE	CERTIFIED BEDS	CURRENT OCCUPANCY			NON-MEDICAID	TOTAL CENSUS	VACANT BEDS
			TOTAL	MEDICAID				
				UNDER 22	OVER 65			
ALASKA PSYCHIATRIC INSTITUTE Anchorage	\$336.59	160	19	15	4	50	69	91
CHARTER NORTH HOSPITAL Anchorage	N/A	60	33	33	0	22	55	5
NORTH STAR HOSPITAL Anchorage	N/A	34	16	16	0	0	16	18

ICF/MR BEDS	PERDIEM RATE	CERTIFIED BEDS	CURRENT OCCUPANCY		TOTAL CENSUS	VACANT BEDS
			MEDICAID	NON-MEDICAID		
HARBORVIEW DEVELOPMENTAL CENTER Valdez	339.61	64	47	0	47	17
HOPE COTTAGES Anchorage	335.98	40	40	0	40	0

  
 KAREN MARTZ, ADMINISTRATOR  
 DIVISION OF MEDICAL ASSISTANCE (907) 561-8081  
 DEPARTMENT OF HEALTH & SOCIAL SERVICES

DATE

# ALASKA NURSING HOMES CENSUS

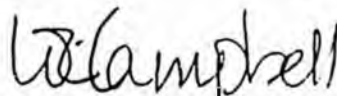
AS OF: JANUARY 31, 1994

Page 1 of 2

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		SNF/ ICF	SWING BEDS	ICF	SNF	MEDI-CARE	OTHER *			OVERALL	MEDICAID
CORDOVA HOSPITAL LTC	\$435.97	10	4	8	0	n/a	0	8	6	57%	57%
DENALI CENTER (Fairbanks)	209.48	101	0	48	11	5	6	70	31	69%	58%
HERITAGE PLACE (Soldotna)	186.71	45	0	38	1	1	4	44	1	98%	87%
ISLAND VIEW MANOR (Ketchikan)	299.94	46	0	11	2	7	3	23	23	50%	28%
KODIAK ISLAND HOSPITAL LTC	292.18	19	4	11	0	0	3	14	9	61%	45%
MARY CONRAD CENTER (Anchorage)	231.25	87	0	82	0	n/a	3	85	2	98%	94%
OUR LADY OF COMPASSION (Anchorage)	192.45	224	0	115	64	12	24	215	9	96%	80%
PETERSBURG HOSPITAL LTC	282.58	14	4	11	0	0	0	11	7	61%	61%
JUYANNA CARE CENTER (Home)	344.69	15	0	9	5	n/a	0	14	1	93%	93%
SOURDOUGH PLACE (Valdez)	245.46	16	0	15	0	n/a	0	15	1	94%	94%
SOUTH PENINSULA HOSP. LTC (Homer)	341.54	18	4	12	5	n/a	0	17	5	77%	77%
ST. ANN'S NURSING HOME (Juneau)	208.00	45	0	23	12	0	3	38	7	84%	78%
WESLEY REHAB. CARE CTR. (Seward)	196.82	66	0	42	1	n/a	2	45	21	68%	45%
WRANGELL GENERAL HOSPITAL LTC	288.31	14	4	9	1	0	2	12	6	67%	56%
SWING BEDS (Acute to LTC):											
CENT. PENINSULA HOSP (Soldotna)	218.52	0	4	0	0	0	1	1	3	25%	0%
SEWARD GENERAL HOSPITAL	218.52	0	2	0	0	1	0	1	1	50%	0%
SITKA COMMUNITY HOSPITAL	218.52	0	4	0	0	1	0	1	3	25%	0%
VALDEZ COMMUNITY HOSPITAL	218.52	0	6	0	0	2	0	2	4	33%	0%
VALLEY HOSPITAL (Palmer)	218.52	0	4	0	0	2	0	2	2	50%	0%
<b>TOTAL</b>		<b>760</b>		<b>434</b>	<b>102</b>	<b>31</b>	<b>51</b>	<b>618</b>	<b>142</b>	<b>81%</b>	<b>71%</b>

\* - Includes VA, private pay, insurance and other.

NOTE: Rate increase for Denali Center, Heritage Place and Our Lady of Compassion all effective 1/1/94. Swing Bed rate increase effective 1/1/94.

  
 KAREN MARTZ, ADMINISTRATOR  
 DIVISION OF MEDICAL ASSISTANCE (907) 561-8081  
 DEPARTMENT OF HEALTH & SOCIAL SERVICES

2/22/94  
 DATE

# ICF/MR AND IMH CENSUS

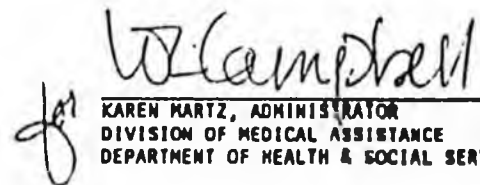
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PAGE 2 of 2

PSYCHIATRIC BEDS	PERDIEM RATE	CERTIFIED BEDS	CURRENT OCCUPANCY			TOTAL CENSUS	VACANT BEDS	
			TOTAL	MEDICAID				
				UNDER 22	OVER 65			
ALASKA PSYCHIATRIC INSTITUTE Anchorage	\$446.01	130	30	24	6	75	105	25
CHARTER NORTH HOSPITAL Anchorage	N/A	60	20	20	0	13	33	27
NORTH STAR HOSPITAL Anchorage	N/A	34	8	8	0	7	15	19

ICF/MR BEDS	PERDIEM RATE	CERTIFIED BEDS	CURRENT OCCUPANCY		TOTAL CENSUS	VACANT BEDS
			MEDICAID	NON-MEDICAID		
HARBORVIEW DEVELOPMENTAL CENTER Valdez	397.24	64	41	0	41	23
HOPE COTTAGES Anchorage	360.91	41	41	0	41	0

NOTE:


2/22/94  
 KAREN MARTZ, ADMINISTRATOR  
 DIVISION OF MEDICAL ASSISTANCE (907) 561-8081  
 DEPARTMENT OF HEALTH & SOCIAL SERVICES

DATE

# ALASKA NURSING HOMES CENSUS

AS OI: January 31, 1996

PAGE 1 OF

FACILITY	MEDICAID PER DIEM RATE	CERTIFIED CAPACITY		MEDICAID PLACEMENTS		NON-DMA PLACEMENTS		TOTAL CENSUS	VACANT BEDS	% OCCUPANCY OF TOTAL BEDS					
		NF BEDS	SWING BEDS	ICF	SNF	MEDI-CARE	OTHER			OVERALL	MEDICAID				
CONDOVA COMMUNITY MEDICAL CENTER LTC	\$414.28	10	4	8	1	0	0	9	5	64%	64%				
DENALI CENTER (Fairbanks)	***264.64	90	0	51	17	9	7	64	6	93%	76%				
HERITAGE PLACE (Soldotna)	**172.49	45	0	37	1	0	3	41	4	91%	84%				
KETCHIKAN GENERAL HOSPITAL LTC	299.37	46	0	13	3	5	2	23	23	50%	35%				
KODIAK ISLAND HOSPITAL CARE CENTER	312.48	19	4	11	0	1	0	12	11	52%	48%				
MARY CONRAD CENTER (Anchorage)	**223.29	89	0	73	11	1	1	86	3	97%	94%				
PROVIDENCE EXTENDED CARE CENTER (Anchorage)	**204.41	224	0	102	78	17	18	215	9	96%	80%				
PETERSBURG MEDICAL CENTER LTC	272.11	14	4	10	0	1	2	13	5	72%	58%				
QUYAANA CARE CENTER (Nome)	***439.69	15	0	15	0	0	0	15	0	100%	100%				
SITKA COMMUNITY HOSPITAL LTC	230.31	8	4	4	1	1	0	6	3	87%	58%				
SOURDOUGH PLACE (Valdez)	309.70	16	0	15	0	0	1	16	0	100%	94%				
SOUTH PENINSULA HOSP. LTC (Homer)	375.55	20	4	16	3	2	1	22	2	92%	79%				
ST. ANN'S CARE CENTER (Juneau)	**239.26	45	0	20	13	1	3	37	8	82%	73%				
WESLEY REHABILITATION CARE CENTER (Seward)	203.14	66	0	42	1	1	3	47	19	71%	85%				
WRANGELL GENERAL HOSPITAL LTC	***286.02	14	4	11	0	0	1	12	6	87%	61%				
SWING BEDS (Acute to LTC):															
CENTRAL PEN. HOSPITAL (Soldotna)	**234.54	0	4	0	0	0	0	0	4	0%	0%				
SEWARD GENERAL HOSPITAL	**234.84	0	2	0	0	0	0	0	2	0%	0%				
VALDEZ COMMUNITY HOSPITAL	**234.54	0	6	0	0	1	0	1	6	17%	0%				
VALLEY HOSPITAL (Palmer)	**234.54	0	4	0	0	0	0	0	4	0%	0%				
<b>TOTAL</b>			<b>768</b>			<b>421</b>	<b>129</b>			<b>40</b>	<b>42</b>	<b>639</b>	<b>119</b>	<b>84%</b>	<b>72%</b>

- \* Includes VA, private pay, insurance, and other.
- \*\* Effective 1/1/96 - 12/31/96
- \*\*\* Effective 1/1/96 - 4/30/96 (Temp.)
- \*\*\*\* Effective 7/1/95 - 6/30/96

  
 SHELBERT LARSEN, ACTING ADMINISTRATOR  
 DIVISION OF MEDICAL ASSISTANCE (907) 561 8081  
 HEALTH FACILITIES LICENSING & CERTIFICATION  
 2/14/96  
 DATE

# ICF/MR AND IMH CENSUS


AS OF: January 31, 1996

PAGE 2 OF 2

PSYCHIATRIC BEDS	PER DIEM RATE	CERTIFIED BEDS	CURRENT OCCUPANCY			TOTAL CENSUS	VACANT BEDS
			MEDICAID		NON-MEDICAID		
			UNDER 22	OVER 65			
ALASKA PSYCHIATRIC INSTITUTE Anchorage	\$507.82	130	11	2	47	60	70
CHARTER NORTH HOSPITAL Anchorage	N/A	46	17	0	15	32	14
NORTH STAR HOSPITAL Anchorage	N/A	34	10	0	6	16	18

ICF/MR BEDS	PER DIEM RATE	CERTIFIED BEDS	CURRENT OCCUPANCY		TOTAL CENSUS	VACANT BEDS
			MEDICAID	NON-MEDICAID		
HARBORVIEW DEVELOPMENTAL CENTER Valdez	425.56*	84	23	1	24	40
HOPE COTTAGES Anchorage	360.84*	41	41	0	41	0

\* Retro rate - effective 7/1/95 - 6/30/96

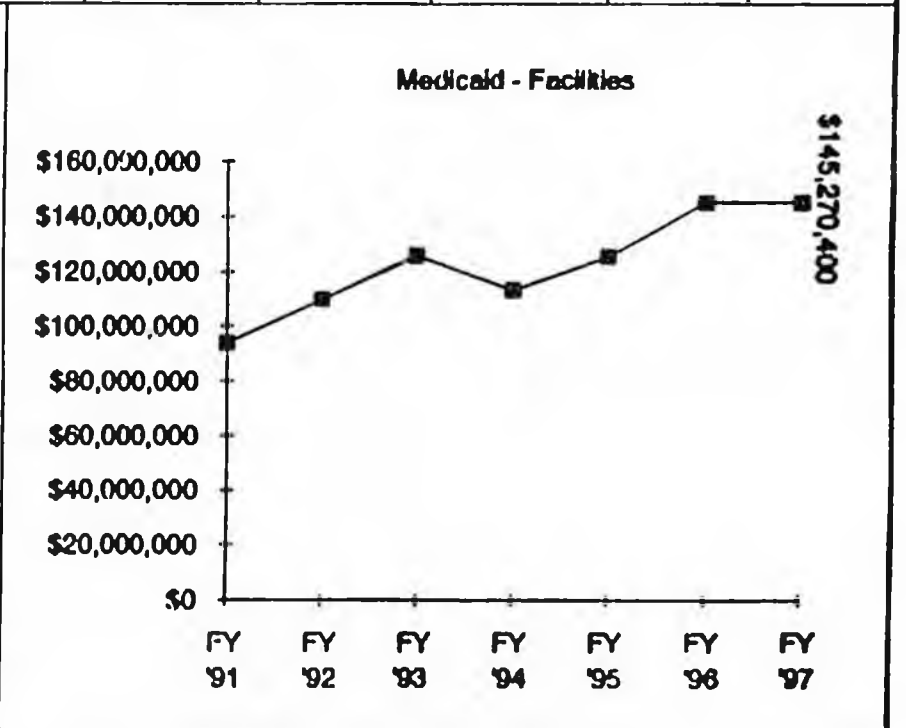
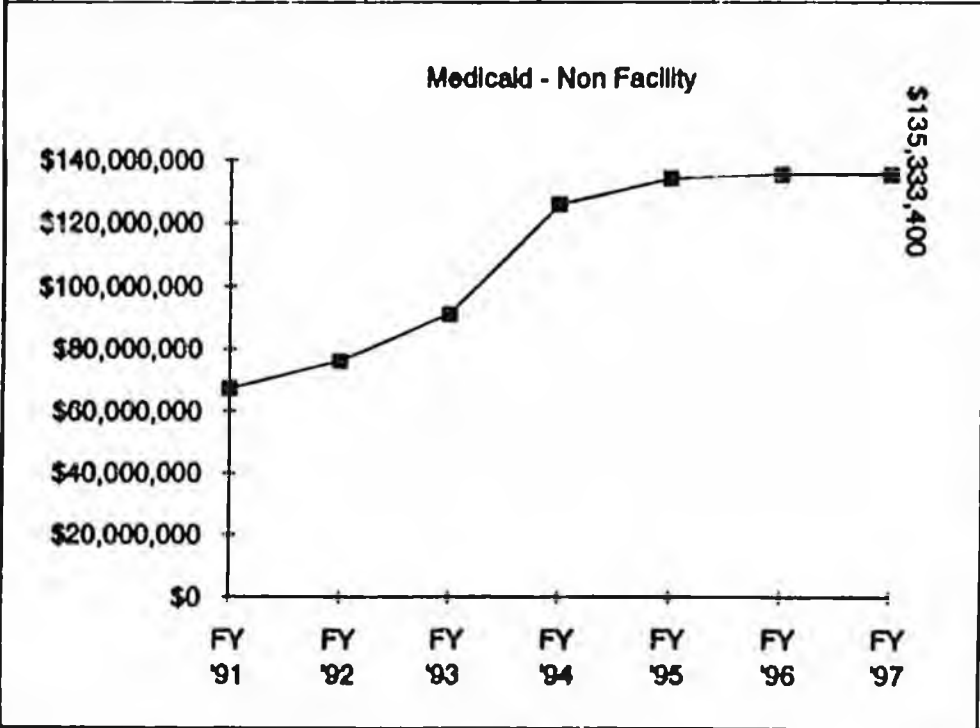
  
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 SHELBERT LARSEN, ACTING ADMINISTRATOR  
 DIVISION OF MEDICAL ASSISTANCE (907) 581-8081  
 HEALTH FACILITIES LICENSING & CERTIFICATION

2/14/96  
 DATE

B

Medical Assistance Division Budget History - 1991 to 1997 request - Total All Funds

	FY '91	FY '92	FY '93	FY '94	FY '95	FY '96	Governor's Request FY '97	FY '91 - '97 Percent Increase (Decrease)
Medical Assistance Allocations:	Budget	Budget	Budget	Budget	Budget	Budget	Budget	
Medicaid - Non Facility	\$67,280,200	78,108,700	90,893,200	125,701,000	133,892,600	\$135,333,400	\$135,333,400	101.15%
Medicaid - Facilities	\$93,913,300	109,821,200	125,978,600	113,132,800	125,387,300	\$145,270,400	\$145,270,400	54.68%
Indian Health Service	\$9,457,900	15,101,100	16,529,800	17,016,400	19,822,000	\$24,432,700	\$24,432,700	158.33%
Perm. Fd. Div. Hold Harmless	\$1,795,800	2,621,200	2,621,200	1,600,000	1,100,000	\$1,100,000	\$1,100,000	-(38.75%)
Longevity Bonus Hold Harmless	\$1,433,100	1,825,200	0	58,400	65,700	\$25,700	\$25,700	-(98.21%)
General Relief Medical	\$5,812,700	8,718,500	5,455,600	6,090,000	6,584,500	\$5,311,100	\$5,311,100	-(5.37%)
Waivered Services (CHOICE)	\$0	0	0	5,078,600	8,881,500	\$11,248,800	\$11,248,800	121.49% '94-'97
Medicaid State Programs	\$3,807,600	3,793,800	5,174,700	11,543,900	19,385,200	\$19,945,200	\$19,945,200	423.83%
Medical Assistance Totals	\$183,300,600	\$217,987,700	\$246,653,100	\$280,219,100	\$315,118,800	\$342,667,300	\$342,667,300	86.94%



B

## DIVISION OF SENIOR SERVICES

	<u>FY96</u> <u>Authorized</u>	<u>FY97</u> <u>Governor's</u>
<b>Longevity Bonus Grants</b>	<b>72,152.6</b>	<b>72,152.6</b>
<b>Pioneers' Homes</b>	<b>29,842.3</b>	<b>31,038.7</b>
<b>Protection, Community Services &amp; Administration</b>	<b>3,569.9</b>	<b>3,691.8</b>
<b>Nutrition, Transportation &amp; Support Services Grant</b>	<b>5,505.1</b>	<b>5,505.1</b>
<b>Senior Employment Services Grants</b>	<b>1,752.3</b>	<b>1,752.3</b>
<b>Home &amp; Community Based Care Grants</b>	<b>2,732.2</b>	<b>2,982.2</b>
<b>Senior Residential Services Grants</b>	<b>1,015.0</b>	<b>933.8</b>
<b>Foster Care Review</b>	<b>136.0</b>	<b>138.3</b>

# STATE OF ALASKA

**DEPT. OF HEALTH AND SOCIAL SERVICES**

*OFFICE OF THE COMMISSIONER*

**TONY KNOWLES, GOVERNOR**

P.O. BOX 110601  
JUNEAU, ALASKA 99811-0601  
PHONE: (907) 465-3030  
FAX: (907) 465-3068

## **ISSUES ANALYSIS HOUSE BILL 528**

"An Act relating to applications for certificates of need and licensing of nursing homes; amending the standard of review for certificates of need for health care facilities in the state; establishing a moratorium with respect to new applications by prohibiting the issuance of a certificate of need or a license for additional nursing home capacity in the state until July 1, 1998; and providing for an effective date."

The Department of Health and Social Services strongly supports House Bill 528 and agrees with the legislative findings that are included in the bill.

This bill sets out legislative findings that no new beds are needed and that home and community-based services should be promoted. House Bill 528 places a two year moratorium on construction or addition of nursing care beds and changes review standard language for the certificate of need (CON) program.

The adoption of House Bill 528 will:

1. Contain Medicaid costs;
2. Encourage the development of home and community based services;
3. Allow time for Alaska to move towards a more balanced long-term care system;
4. Provide more appropriate placement of seniors;
5. Redirect resources towards the services that can best meet the needs of recipients; and
6. Provide seniors with more choices in long-term care services.

The new CON review standard language will reflect current trends in care delivery, is more understandable, and gives the department more flexibility in meeting long-term care needs. The new standard gives greater consideration to client choice, alternatives, cost effectiveness,

**DEPARTMENT OF HEALTH AND SOCIAL SERVICES  
ISSUES ANALYSIS  
HOUSE BILL 528  
PAGE 2**

population base, and the continuum of care rather than just looking at the availability and quality of a service.

No new nursing care beds need to be built in the foreseeable future because of low statewide occupancy rates and the movement to more community based services. Although some Alaskan nursing homes may have high occupancy rates, the statewide occupancy rates remain low. In 1992, Alaska's statewide occupancy rate was only 77.5%, compared with the national average of 89.0%. In 1995, statistics show that the statewide nursing home occupancy rate had risen to only 85%, which is still low by national standards.

The health care industry in Alaska plans to build 218 new nursing home beds by the year 2000. If all of the beds are built, the Medicaid budget will increase an estimated \$11.2 to \$12.6 million. Half of the money (\$5.7 to \$6.3 million) will come out of the State general fund. Alaska's existing long-term care system is already "unbalanced" in favor of institutional nursing home services. This means that seniors often have to choose a nursing home which is the most intensive, restrictive, and expensive type of care because there are not enough community-based services available. The growth and maintenance of community based care is threatened by construction of unnecessary nursing home beds. Medicaid growth is likely to be capped or severely reduced in the future. If new nursing care beds are added, seniors' choices will be restricted because funding new nursing beds competes directly with funds available for community based services. A moratorium on new nursing home beds will encourage the development of home and community based services and allow time for Alaska to move towards a more balanced long-term care system.

A very large percent of nursing home care is paid for by Medicaid. Nursing care beds in Alaska are extremely costly (nearly \$86 thousand per year per bed) which is much higher than other states (an estimated \$30 thousand more annually per bed than Oregon). This high cost exhausts most nursing home patient's resources in a short time. Most nursing home patients are forced to turn to welfare (Medicaid) to pay for care. As a result, 89% of all clients in Alaska nursing homes as of July 31, 1995, were Medicaid funded.

Nursing home care is not what Alaskan seniors want. They have indicated through surveys an overwhelming preference for alternatives to nursing homes. They want to live in the least restrictive setting close to family and friends. Community based alternatives to nursing homes allow seniors to stay at home longer and therefore avoid entirely or delay expensive nursing care. Nursing home care beds are much more costly than community based services. In 1993, the average annual Medicaid rate for a nursing home bed was \$80 thousand while typical costs for community based care range from \$19 thousand to \$52 thousand per client. Before committing

DEPARTMENT OF HEALTH AND SOCIAL SERVICES  
ISSUES ANALYSIS  
HOUSE BILL 528  
PAGE 3

scarce financial resources to unneeded new nursing beds, Alaska needs to ensure better access to community based services.

House Bill 528 also allows for the conversion of existing acute care beds to skilled nursing beds used for transitional short-term care. This will allow Alaska's hospitals the flexibility to transition patients out to the appropriate setting.

In addition to the moratorium, HB 528 amends the standard of review for applications for certificates of need. The current review language in AS 18.07.041 is based on an old federal law from the 1970's which does not reflect the current health care trend towards less intensive care and shorter inpatient stays. The current language does not require consideration of less costly alternatives, the appropriate placement of clients, client choice, whether the population base is large enough to financially support the service, or if the state can afford it. The new language will redefine the standard by reflecting current trends, making the language more understandable, and giving the department more flexibility in considering the most cost effective means of providing services.

Recommended By: Jay Livey  
Jay Livey, Deputy Commissioner  
Department of Health and Social Services

Date: 3-5-96

Approved by: Karen Perdue  
Karen Perdue, Commissioner  
Department of Health and Social Services

Date: 3-5-96



**TONY KNOWLES, GOVERNOR**  
State of Alaska

**GOVERNOR'S COUNCIL ON DISABILITIES AND SPECIAL EDUCATION**

P.O. Box 240249 • Anchorage, Alaska 99524-0249 • Phone: 907-563-5355 • Fax: 907-563-5357

Representative Mark Hanley  
Room 507  
State Capitol  
Juneau, Alaska 99801-1182

March 1, 1996

Dear Representative Hanley;

Thank you for your efforts in addressing the long-term care needs of Alaskans with disabilities through House Bill 528. The Governor's Council on Disabilities and Special believes that House Bill 528 will encourage the development of home care services.

After looking into this issue with you last session, we found that Alaska has more long-term care beds in some communities than are required. In addition, the state currently has virtually no way to halt the process that hospitals and nursing homes use to increase the number of beds or convert from one kind of service to another. The operational costs fall to the state. For example, ten new long-term care beds cost the state roughly \$1 million in unplanned, unbudgeted Medicaid program expenses. If excess beds are available, the current nursing home rate structure creates an incentive for institutions to work diligently to fill them with Medicaid recipients.

Facility-based care belongs on the spectrum of services to individuals who have disabilities. However, it should be a service of last resort. Alaskans who have disabilities benefit more from care which keeps them in their homes and communities. Facility-based care, at an average cost of \$100,000 per person per year, is much more expensive than community-based care, at an average cost of \$3,920 per person per year. Consequently, the state loses money when Alaskans stay in facilities.

This bill provides for a much needed moratorium on the construction of long-term care beds. During the moratorium, state agencies will provide more appropriate placement of seniors and people with disabilities, resources will be redirected towards services that can best meet the needs of recipients, and Medicaid costs will be contained. Enclosed please find the Council's position paper from last year.

Again, thank you for your attention to the needs of Alaskans with disabilities. If we can assist in any way, please call the Council's Executive Director, David Maltman, at (907) 563-5355.

Sincerely,

Kathy Fitzgerald  
Governor's Council on Disabilities  
and Special Education, Chair

Enclosure  
cc: (H)HESS Chair



TONY KNOWLES, GOVERNOR

**GOVERNOR'S COUNCIL ON DISABILITIES AND SPECIAL EDUCATION**

P.O. Box 210219 • Anchorage, Alaska 99524-0219 • Phone: 907-563-5355 • Fax: 907-563-5357

## **Impact of a moratorium on long-term care beds in Alaska**

April 18, 1995

### **Introduction**

The Governor's Council on Disabilities and Special Education (the Council) advocates on behalf of individuals who have developmental disabilities and their families. Most people who have severe, lifelong disabilities use services funded by Medicaid. When the Medicaid program changes, the individuals most affected are those with disabilities.

In the mid-80s, the Council identified ways that Alaska could optimize Medicaid funding for individuals who have severe disabilities through Waivers. With the Older Alaskans Commission and the Department of Health and Social Services (DHSS), the Council developed a package of Waivers and the TEFRA Option in 1992. These innovations maximize federal Medicaid funding while reducing the cost to the state. The Council is interested in continuing to work with the Legislature and DHSS in identifying ways to use Medicaid more efficiently.

To this end, the Medicaid Subcommittee has investigated several ways to decrease the cost of Medicaid while improving program efficiency. One way to cut the cost of Medicaid is to place a moratorium on long-term care beds. This paper describes the problem, impact on individuals who have developmental disabilities, the cost of service, and the factors involved in a moratorium.

### **Recommendation**

The Council recommends that the legislature impose a two year moratorium on long-term care bed construction and conversion. During this two year period, DHSS should reassess the process by which Certificates of Need are given.

### **Problem Statement**

The Legislature is seeking ways to decrease the cost of health coverage to poor people in Alaska. Several ways to cut the cost of Medicaid deserve consideration. This paper will discuss one way to cut Medicaid costs, and the implications for Alaskans who have disabilities and their families.

**Numbers and Costs of Long-term Care Beds in Alaska**

Number of beds currently available	1,293
Beds needed in 1995	975
Beds needed in 2010	1,037
Planned new beds by 1997	123
Planned conversions by 1997	45
Average annual Medicaid cost per bed	\$100,000
<b>Total average annual Medicaid increase</b>	<b>\$16,800,000</b>

There are two ways Alaska can cap or decrease the number of long-term care beds: changing the Certificate of Need statute, or a legislative moratorium. The Legislature may change the Certificate of Need statute to delete the \$1 million threshold. By changing the statute, however, there is no guarantee that more beds will be built. The same problems would exist with the appeals process as do now. Without a legislative mandate, the administration can change regulations which now allow certain beds to be built or converted. However, regulations could only limit the number of beds costing over \$1 million, as per current statute.

A two-year moratorium on beds would allow the state to re-assess the process by which Certificates of Need are given. The Legislature may pass such a moratorium, and mandate DHSS to develop a more appropriate certification process. It would place a temporary halt on construction and conversion from short term to long-term care beds. Although Alaska currently has more long-term beds than the state will need until the year 2010, it is important to allow for some growth in areas where long-term beds are needed by individuals for whom home and community based care is not appropriate.

**Implications for Alaska**

Facility-based care belongs on the spectrum of services to individuals who have disabilities. However, it should be a service of last resort. Alaskans who have disabilities benefit more from care which keeps them in their homes and communities.

Because facility-based care (average cost-\$100,000 per person per year) is so much more costly than community-based care (average cost-\$3,920 per person per year), the state loses money when Alaskans stay in facilities. Both Alaskans with disabilities and the state win if a moratorium is imposed.

ties. Adults who have disabilities find themselves unable to find work that provides them with adequate medical coverage. These individuals are those who are least likely to leave the medical and public assistance systems because their disabilities substantially limit their ability to work. This is also the group of people who use most Medicaid services. Any changes to the Medicaid system will affect them more than any other group of Alaskans.

#### **Capping the number of long-term care beds.**

In Alaska, the Medicaid facility budget accounts for 54 percent of expenditures-- a high price for relatively few services. The state pays for beds, and therefore has fewer funds for home and community based options. At the same time, state and federal law require that individuals who require long-term care and who can receive home or community based care at the same or lesser cost shall receive that option.

Alaska Statute 18.07.031 allows anyone or any agency to spend under \$1 million to construct a health care facility, change the number of beds in a health care facility, or change the kinds of services provided by a health care facility<sup>9</sup>. If a facility intends to spend over \$1 million, it requires a Certificate of Need from DHSS. A Certificate of Need is based on the availability, accessibility, and quality of existing health care resources. DHSS can issue temporary and emergency certificates, and certificates may be modified. When DHSS denies a Certificate of Need, an applicant may appeal the denial to a hearing officer. Appeals usually result in authorization to build, regardless of the community's actual need for long-term care beds.

Programs can make changes under \$1 million without DHSS approval. This creates the opportunity for unplanned increases in facility beds. Construction of several smaller projects over a period of time has the same effect as building a few large projects. The state currently has virtually no way to halt "nursing home creep," in which hospitals and nursing homes increase the number of beds or convert from one kind of service to another at state expense. The operational costs fall to the state, and are far more costly than original capital costs. For example, ten new long-term care beds cost the state roughly \$1 million in unplanned, unbudgeted Medicaid program expenses. It is essential that the state identify all needed bed space and monitor its construction in a planned manner.

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<sup>9</sup> Statute describes "health care facility" as a private municipal, state, or federal hospital, psychiatric hospital, tuberculosis hospital, skilled nursing facility, kidney disease treatment center, intermediate care facility, and ambulatory surgical facility. "Health care facility" does not mean an Alaska Pioneers' Home, or private physicians' or dentists' offices.

### Relevance to people with disabilities and their families

Roughly 10,600 Alaskans have developmental disabilities.<sup>1</sup> Most adults with developmental disabilities are among the approximately 10,000 Medicaid users who are eligible for or use SSI and Adult Public Assistance because of their disabilities or chronic illnesses. These Medicaid users who have disabilities are also poor, and therefore qualify for the program. The monthly income for an individual who uses SSI and Adult Public Assistance ranges from about \$800 to \$825. About 678 of these poor individuals who have disabilities or who are aging use nursing facilities, ICFs-MR, or residential psychiatric hospital care.<sup>2</sup> Medicaid pays for the cost of long-term care and for all other health care costs, as required by state and federal laws.

Of the 67,631 individuals using the Medicaid program,<sup>3</sup> 41,159 are children. As many as 15,155 Alaskan children experience health problems requiring special care.<sup>4</sup> About 3,500 infants and toddlers require early intervention services to prevent or ameliorate disabilities, reducing the need for more intrusive and extensive lifelong supports.<sup>5</sup> Other children with disabling conditions are served solely within the educational system, comprising 6.47 percent of the population of all children and youth ages 3 through 21.<sup>6</sup> Despite the prevalence of children in the Medicaid population, children are very inexpensive to serve.

About 70 percent of all Alaskans with disabilities use Medicaid services. These are 16 percent of Medicaid users who cost the state more than \$3,920, the average yearly cost per person. Approximately 22,600 Alaskans ages 16 to 64 have work disabilities and do not receive institutional levels of care. Of those, 7,900 are prevented from working because of disabling conditions. An additional 8,600 Alaskans ages 16 to 64 have mobility and/or self-care limitations and do not receive institutional levels of care.<sup>7</sup> More than 95,700 Alaskans have permanent disabilities that substantially limit one or more major life activities, have a history of such disabilities, or are regarded as having such disabilities.<sup>8</sup>

Parents of children with disabilities often find themselves forced to live on public assistance to guarantee Medicaid coverage for their children who have disabili-

<sup>1</sup> Gollay, E. (1981): *Summary Report on the Implications of Modifying the Definition of a Developmental Disability*. Department of Health, Education & Welfare.

<sup>2</sup> Division of Medical Assistance (1994). *Alaska Nursing Homes Census for 6/30/94*. State of Alaska, Department of Health and Social Services, Division of Medical Assistance.

<sup>3</sup> Kim Busch, Policy Analyst, Division of Medical Assistance, February 1995. Although 83,920 Alaskans are eligible, only eighty percent actually use the Medicaid program.

<sup>4</sup> Dick, S.E. (1992). *An Estimate of the Number of Children with Special Health Care Needs in the State of Alaska*. University of Illinois: Chicago.

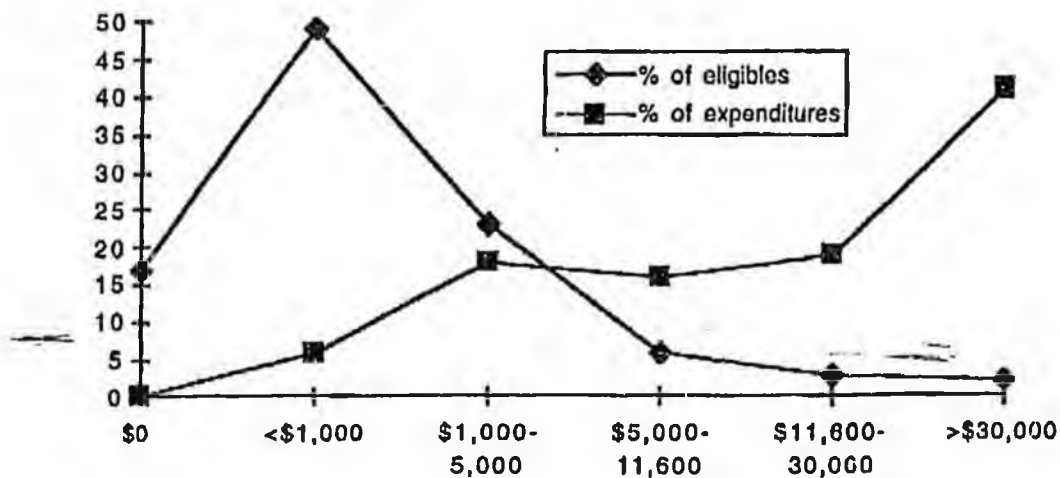
<sup>5</sup> Division of Public Health, Section of Maternal, Child, and Family Health.

<sup>6</sup> Department of Education, Educational Program Support (1992): *Annual Data Reports*, parts III and IV, 1991-92 School Year. Juneau, AK. The number of children served in all special education programs was 11,721. The total number of children and youth ages 3 through 21 in Alaska is 123,621 (Alaska Population Overview, 1991).

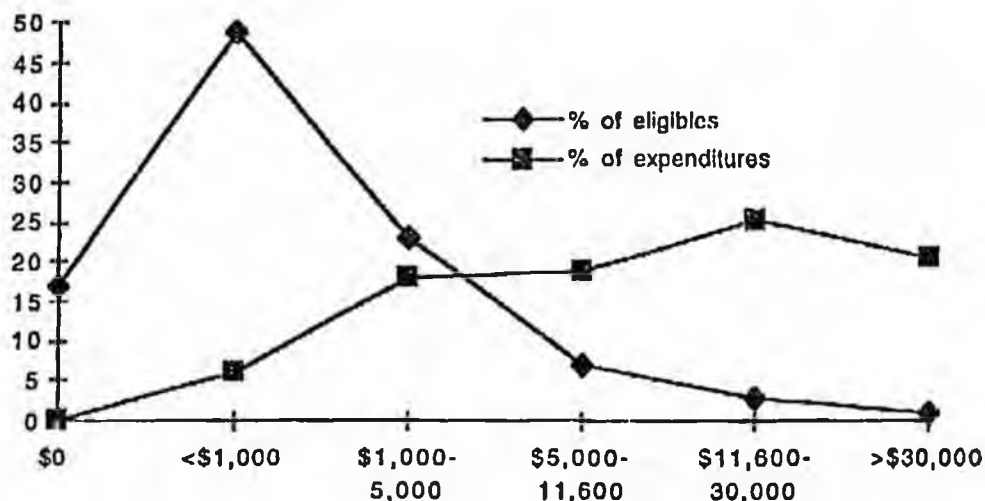
<sup>7</sup> U.S. Department of Commerce, Bureau of the Census (1992). *1990 Census of Population and Housing*.

<sup>8</sup> Americans with Disabilities Act of 1990, Section 1(b)(2), Findings and Purposes, (a)(1).

FY94 Medicaid Expenditure Distribution by Eligibles



By fully funding lower-cost home and community based services for the individuals who require specialized care, and reducing use of institutional care, the state could reduce its Medicaid expenditures significantly. Roughly, Medicaid expenditures could look more like the chart below:



However, as the state continues to decrease home and community based services through cuts to the non-facility Medicaid component, the state's institutional cost of care will continue to rise.

Last year, the Legislature decreased Medicaid funding in two ways. By requiring that Medicaid recipients pay a share of home and community based care costs, the Legislature hoped to decrease the state's cost. The Legislature also chose to eliminate funds, resulting in loss of eight services to adults, as allowed in AS 47.07.035. These decreases came from the Medicaid non-facility budget, which serves most poor and disabled Alaskans at a fraction of the cost of facility based care. These decreases have hampered implementation of the home and community based waivers, which the 18th legislature put into place. Individuals ready to transition out of hospital based care are hard pressed to leave, because necessary community based care is not paid by Medicaid or is more costly to the consumer. The state pays a higher price for the same services in the institutional setting than in a community setting.

Alaska has been conservative in capturing federal dollars to supplement state health and social service expenditures. Imminent federal initiatives to give states funds through block grants will decrease Alaska's federal receipts significantly. This is not the time to cut Medicaid expenditures; it is time to assure that Alaska has the fiscal flexibility to meet adequately the needs of its poorest and most disabled citizens.

#### **Cost of services**

Alaska's costs of services are distributed disproportionately across the Medicaid-eligible population. A brief review of Medicaid expenditures in FY94 reveals that relatively few Alaskans require high cost Medicaid services--yet the bulk of funds pay for services to these few Alaskans who have serious disabilities. This high-cost care is paid to hospitals, nursing homes, and intermediate care facilities.

The state's Medicaid funds are tied to institutional care because of a federal requirement known as the Boren Amendment. The Boren Amendment guarantees institutional facilities reasonable payment rates. As long as poor Alaskans are in hospitals and nursing homes, the state is forced to pay these institutions anywhere from \$72,000 to \$300,000 per person per year. Not only are Alaska's Medicaid dollars funding institutional care, but state general funds cover 100 percent of the care to 2,200 Alaskans with disabilities who do not reside in institutions. The home and community based services waivers put into place in FY94 reduce the state's total cost by maximizing the federal government's share through Medicaid.

Virtually all Alaskans in institutional settings can benefit from less costly home and community based care. These home and community based services are funded in the Medicaid non-facility component. When home and community based services are reduced or eliminated, however, the number of individuals who can receive life-sustaining services nowhere else must return to hospitals and nursing homes at a higher cost to the state.

ALASKA STATE

**HOSPITAL & NURSING HOME**

ASSOCIATION

March 12, 1996

**Memo To:** House Committee on Health, Education & Social Services  
Representative Con Bunde, Co-Chair  
Representative Cynthia Toohey, Co-Chair  
Representative Al Vezey  
Representative Gary Davis  
Representative Norm Rokeberg  
Representative Tom Brice  
Representative Caren Robinson

**From:** Harlan Knudson, President, ASHNHA

**Subject:** Oppose - HB 528, re Certificate of Need Law &  
Moratorium Nursing Home Beds

We appreciate Representative Toohey's effort to bring DHSS staff and myself together in attempt to resolve differences in HB 528.

The association really believes that state Certificate of Need program is a "failed" system and that enacting any part of this bill only perpetuates this failed state program.

We ask that you vote no on HB 528 and that you consider an appropriate Resolution calling for the Departments of Administration, Department of Health & Social Services, health care providers and senior health care advocacy groups to bring back to the Legislature and Governor in 1997 answers to these kinds of questions:

The Department of Health & Social Services, in collaboration with the Department of Administration is directed to appoint an Alaska Inter-Agency - Provider - Consumer Workgroup on Long Term Care Policies, Costs, Funding Sources & Needs

Purpose of the workgroup will be to report to the Legislature and Governor by January 31, 1997 on:

1. Number of individuals in Alaska over age 60, and the projected growth in this population by ages of 60, 70, 80 and 90 needing long term care services.

2. Number of disabled in Alaska who need (are eligible) for home, community based, and nursing home care (by geographic area) in Alaska.

3. Provide both projections for 1998, and a methodology for identifying and projecting the number of disabled Alaskans, and Alaskans needing senior long term care services by geographic areas throughout Alaska that will show the need (by individual & family) for:

- health care coordination;
- in-home respite care;
- personal care;
- adult day care;
- home health care;
- nutrition care;
- assisted living (community based and Pioneer Home)
- adult foster care
- nursing home care

The number of individuals currently residing in nursing homes (both community and Pioneer Homes) that meet agreed upon (health/medical/financial & family) criteria that would indicate a lesser level of care.

3. Report on the cost, quality review requirements, funding sources and estimated federal, state and private expenditures for:

- health care coordination;
- in-home respite care; personal care;
- adult day care;
- home health care;
- nutrition care;
- residential care (including Pioneer System)
- 397 community assisted living beds and the 292 Pioneer System Assisted Living Beds
- adult foster care
- nursing home care including the 758 Community Nursing home beds and the 106 Pioneer Skilled (and or enhanced assisted living) beds.

4. Review and report back on the AARP Public Policy Institute report (#9602, February, 1996) on New Directions for State Long Term Care Systems. This report reviews:

- Limiting the Use of Nursing Homes;
- Expanding Home and Community-Based Services;
- The importance of maintaining family residences
- Consolidating state long term care systems
- Assuring a single point of entry into the long term care system.

5. Review and report back on the Center for Metropolitan Area Health Policy Study (November, 1995) on The Relationship Between Certificate of Need, Long Term Care and Medicaid Expenditures: A National Analysis.

This is a national in-depth study on the history of CON laws; the current state CON policies; the impact of CON moratorium on bed growth, Medicaid expenditures and Medicaid reimbursement methods.

The report concludes a need for CON requirements for long term care, but opens the door for review and debate of the need for CON requirements for acute care, particularly under managed care reimbursement systems.

Recommended Composition - Inter-Agency - Provider - Consumer Workgroup on Long Term Care Policies, Costs, Funding Sources & Needs.

Membership to be appointed by the Commissioners of the Department of Administration and Health & Social Services with one representative & one alternate representative from:

Department of Health & Social Services

Representing all Divisions and Advisory Commissions/Councils

Department of Administration

Representing all Divisions and Advisory Commissions/Councils

Office of the Governor

Organizations Representing Consumers (1 rep and 1 alt)

- Seniors
- Mentally ill
- Disabled
- Native Health Care

Organizations Representing Provider Groups(1 rep - 1 alt)

- Hospitals & Nursing Homes
- Home Health Care
- Assisted Living
- Mental Health
- Native Health Care

#####

AROUND THE STATE

## Nursing home fund grows

The treasure chest to build Bethel's first nursing home grew recently after a donation to the Betty Guy Memorial Fund.

Glenna and Dwight Lefner contributed \$2,500 bringing the fund's treasury to \$31,000.

Glenna says she became a big supporter of the Bethel Nursing Home after her own mother suffered a heart attack in December and was no longer able to live independently.

The event has pushed her to encourage others to contribute so elders won't have to be sent away to nursing homes in other parts of the state, she says.

The fund's treasurer, Gladys Jung, is hopeful after the latest donation

that the home will be built. Most of the donations so far have come from elders themselves, village fund raisers and from donation cans around town, Jung says.

Donations have also come from the Veteran's of Foreign Wars Ladies Auxiliary (\$10,000), Calista (\$5,000) and the Lion's Club (\$104).

The nursing home fund was inspired by retired judge Nora Guinn over a year and a half ago with a \$50 donation.

An account has been set up for the Betty Guy Memorial Fund at the First National Bank in Bethel.

- Courtesy KYUK radio in Bethel

TONY KNOWLES, GOVERNOR

**STATE INDEPENDENT LIVING COUNCIL**

1016 West 6th Avenue, Suite 102  
Anchorage, AK 99501-1963  
Phone/TTY: (907) 272-8244  
Message TTY: (907) 563-0153  
Fax: (907) 277-8504

March 6, 1996

Representative Mark Hanley  
Representative Richard Foster,  
Co-Chairs, House Finance Committee  
State Capitol  
Juneau, AK 99801

Dear Sirs:

The State Independent Living Council (SILC) applauds the introduction of HB 528, "*An Act relating to applications for certificates of need and licensing of nursing homes; amending the standard of review for certificates of need for health care facilities in the state; establishing a moratorium with respect to new applications by prohibiting the issuance of a certificate of need or a license for additional nursing home capacity in the state until July 1, 1998; and providing for an effective date.*"

The SILC feels this legislation is long over due. It is a step in the right direction - putting greater emphasis on community based, individualized care versus the expensive long term care provided via nursing homes. We feel the current system, funded in a large part with public Medicaid dollars, is slanted toward "institutionalization" as a matter of course when it comes to long term care for both seniors and Alaskans with severe disabilities. In talking with our disabled colleagues across the country, we have found this to be true in every state.

For example, in 1995, 141,000 people with disabilities in the United States were served in nursing homes at a cost of \$9.2 billion to Medicaid, an average of \$65,250 per person. On the other hand, through Medicaid waivers, 155,000 people were provided home and community based services at a cost of \$4.3 billion, or \$27,740 per person.

Alaska is no different. According to the Department of Health & Social Services, the average annual cost to house one of our citizens in a nursing home in 1993 was \$80,926, while typical costs for community based care ranged from \$19,770 to \$52,389. DHHS is acting in the best interest of all Alaskans through their support of this legislation, as well as their planned de-institutionalization of state run facilities, such as Harborview.

Page 2/SILC

The question of finances, and the gross inequity of care costs for institutionalization versus community based care, is obviously a major concern to you and all Alaskans. Your bill questions the need for more beds for senior citizens in nursing homes, but it also addresses the question for the 140 plus Alaskans with disabilities under the age of 64 years also living in these institutions?

Do these citizens, stripped of their dignity and independence, deserve to be housed in medical institutions? Perhaps, for some individuals who are sick, and who require, at the moment, 24 hour medical care, the need for care provided from these institutions is relevant. But most people with significant disabilities who have found themselves, one way or another, in our state sponsored institutions, are not "sick". They are not patients. They are people. And many of these people want out. They want independence to direct their own lives and to cope with their disability on their own terms. But they need our support in a way that provides them with the tools to direct their own lives.

What are these tools that we can provide? The SILC has held a number of town meetings around the State to gather input from the public on a number of issues that effect the lives of persons with disabilities and their ability to live independently. We have gathered testimony from people who live in institutions, those who have "been freed" (as they often put it), and those who have successfully lived their lives outside the institutional walls. We have heard from people directly, what makes it work for them, and what would make it work better.

Foremost, it is providing a well-trained, personal assistance work force who are available to be hired (and fired if need be) by disabled consumers themselves. Alaska has a severe shortage of personal care assistants. Many of the programs that provide these services are so grossly under funded (most of our Medicaid dollars is going to institutionalizing people). Consumers, who are trying to live independently, are given few options as to who their care giver is from one week to the next. The wages paid to personal assistants are often so low, that not many hired "program" personal assistants, stick around for very long. (People who have the ability to hire their own personal assistants have typically fared much better, but often need help in learning how to "hire" and "fire" such assistants). Consumers are often told their is a limit to the hours of service they can get, sometimes putting their very lives in danger and often times, forcing individuals back into institutions because of the lack of consistent care. We need to put more funding in personal assistance services, and we need to direct more "consumer control" in the services themselves.

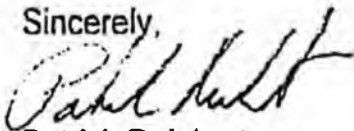
Page 3/SiLC

Other major concerns we have heard about, for which the Council has been and will continue to work with Legislature and other policy makers on, are transportation services, accessible and affordable housing, access to interpreters for the deaf, independent living skills training, recreation and more.

Again, we urge you to pass this bill. We also urge you to redirect funding now going toward institutional care to more cost efficient, consumer directed, home and community based services.

Should you have any questions regarding the State Independent Living Council or any of the issues we are concerned with, please feel free to call me at 272-8244 (V/TTY).

Sincerely,



Patrick Reinhart  
Executive Director  
State Independent Living Council



**TONY KNOWLES, GOVERNOR**  
State of Alaska

**GOVERNOR'S COUNCIL ON DISABILITIES AND SPECIAL EDUCATION**

P.O. Box 240249 • Anchorage, Alaska 99524-0249 • Phone: 907-563-5355 • Fax: 907-563-5357

Representative Mark Hanley  
Room 507  
State Capitol  
Juneau, Alaska 99801-1182

March 1, 1996

Dear Representative Hanley;

Thank you for your efforts in addressing the long-term care needs of Alaskans with disabilities through House Bill 528. The Governor's Council on Disabilities and Special believes that House Bill 528 will encourage the development of home care services.

After looking into this issue with you last session, we found that Alaska has more long-term care beds in some communities than are required. In addition, the state currently has virtually no way to halt the process that hospitals and nursing homes use to increase the number of beds or convert from one kind of service to another. The operational costs fall to the state. For example, ten new long-term care beds cost the state roughly \$1 million in unplanned, unbudgeted Medicaid program expenses. If excess beds are available, the current nursing home rate structure creates an incentive for institutions to work diligently to fill them with Medicaid recipients.

Facility-based care belongs on the spectrum of services to individuals who have disabilities. However, it should be a service of last resort. Alaskans who have disabilities benefit more from care which keeps them in their homes and communities. Facility-based care, at an average cost of \$100,000 per person per year, is much more expensive than community-based care, at an average cost of \$3,920 per person per year. Consequently, the state loses money when Alaskans stay in facilities.

This bill provides for a much needed moratorium on the construction of long-term care beds. During the moratorium, state agencies will provide more appropriate placement of seniors and people with disabilities, resources will be redirected towards services that can best meet the needs of recipients, and Medicaid costs will be contained. Enclosed please find the Council's position paper from last year.

Again, thank you for your attention to the needs of Alaskans with disabilities. If we can assist in any way, please call the Council's Executive Director, David Maltman, at (907) 563-5355.

Sincerely,

A handwritten signature in cursive script that reads "Kathryn Fitzgerald".

Kathy Fitzgerald  
Governor's Council on Disabilities  
and Special Education, Chair

Enclosure  
cc: (H)HESS Chair

MAR 10 1996

DATE: March 8, 1996  
TO: Rep. Gal  
FROM: Brenda <sup>SPS</sup> *Steenblock*, Advocating for Seniors  
(Homer Senior Citizens, Inc.)  
RE: HB No. 528

FD Box 808  
Homer

I do support HB 528 regarding the two year moratorium on prohibiting the issuance of a certificate of need or a license for additional nursing home capacity in the state.

I will support this bill under the following circumstances:

- 1) That you advocate for continued funding through Medicaid to support the efforts of insuring funding to the Choices Program.
  - a) Any monies left over in the FY '96 Choices budget be rolled over into the FY '97.
  - b) Do not cut or reduce funding to the FY '97 Choices budget.

In Homer the Homer Senior Citizens, Inc. is just coming on line (May 1, 1996) with a 40 unit Assisted Living Facility. Kenai will be going on line this fall. If funding is cut or decreased to assist our seniors to afford to live in these facilities, you will definitely have to lift the two year moratorium on CON's. Homer's bed capacity of Long Term Care Beds is full at 100% occupancy with a waiting list of approximately 25 to 30 clients. Therefore, if seniors cannot be admitted to the Assisted Living Facilities through funding by the Choices Program, where do our seniors go?

I feel that by your giving support and assistance to continue the Choices Program with funding that all of us will be saving the State of Alaska money and giving our seniors a choice in living out their lives to the fullest at a reduced cost. At present it costs approximately \$100,000.00 per client to be in a Long Term Care bed. If Choices is continued we can take care of from 2 to 4 clients for the same cost.

Thank you for your considerations.

Sincerely, *Brenda*

Brenda Steenblock  
Administrative Assistant, Homer Senior Citizens, Inc.

# Calista Elders Council

601 W. 5th Avenue, Suite 200, Anchorage, Alaska 99501-2225 • Phone 279-5516 • Facsimile 272-5060



## Testimony on HB 528

"... relating to applications for certificates of need and licensing of nursing home; amending the standard of review for certificates of need for health care facilities in the state; establishing a moratorium with respect to new applications by prohibiting the issuance of a certificate of need or a license for additional nursing home capacity in the state until July 1, 1998; and providing for an effective date."

to  
Members  
of  
the Alaska State ~~Health~~ HESS Committee  
by  
Gloria Simeon

My name is Gloria Simeon and I am the Executive Director of the Calista Elders Council, representing 1,146 Elders who are our members.

Since 1986, the Elders of the Calista region have worked long and hard to organize themselves so the regional entities which provide services and programs to them would listen to their needs and concerns regarding present and future health care needs. They were mainly concerned that too many of our Elders were placed in a position where they and their family's only alternative was and still is to leave the region to receive the medical care and services they require. They must leave their homes, families, friends and most importantly, the language and traditions which they rely on to sustain them. They are relocated to unfamiliar environments, exposed to an language and way of life which is not their own. Additionally, they are almost totally cut-off from family and friends because of the difficulty and expense involved in even an annual visit.

I'm sure you are aware that there are no roads linking our region to the rest of the State and all travel must be done by air. The cost of a round trip ticket from one of the regional villages to Anchorage, is in excess of \$700.00. Our region is one of the most economically depressed in the State, many families are not able to afford the airfare. Left alone in an unfamiliar environment, our Elders lose their will to live and often come home within a short period of time to be buried. This conflicts with the values and traditions of the Yup'ik culture and cannot be allowed to continue.

While I understand the reasoning behind this bill, I am also aware that the majority of nursing facilities are located in urban centers, far removed from the indigenous population located in the rural areas. I further understand that the rural health corporations are

developing and expanding programs which offer home care delivery and are considering assisted living centers as being more viable options on a sub-regional level. However, the reality is there is a need for a nursing facility in the Calista region and the regional hospital is an ideal place to co-locate such a facility.

A study done in 1993, by the State of Alaska, stated that there were 41 of our Elders in nursing facilities throughout the State and the social and psychological trauma experienced by these Elders who have been forced to re-locate, not only resulted in excess mortality, poorer adjustment, feelings of powerlessness and abandonment, but also a much higher death rate.

Data also indicates that the two fastest growing segments of our population are the Elders, age 65 and older and the age 5 and under. With the number of our Elders on the increase, I feel it is absolutely necessary that we begin to look at how, we as a State, are going to meet their future needs.

The Calista Elders Council is committed to obtaining an intermediate care facility for the region. We are working on putting together the certificate of need and have identified a funding source from within the private sector for the construction of this facility. It will take us approximately 200 days to put our package together. If it is possible to make an exception to a nursing home for the Calista region and to change the effective date to sometime in 1997, this would allow us the time we need to complete our package, we could support HB 528. If this is not possible, we oppose the passage of this bill in its entirety.

I propose to you that rather than putting a moratorium on nursing homes and beds in Alaska, that we take a serious look at the present and future needs of Elders and begin to develop a plan of service on how we are going to meet these needs. I also suggest that the Elders be involved in the development of any plans to meet their needs, from beginning to end.

Our Elders must be afforded the respect due them and should be able to live out the remainder of their lives as close as possible to all that is familiar and dear to them.

I believe that by working together we can create a plan for Elderly care in Alaska, that would be supported by all people.

Thank you for giving me this opportunity to testify.



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# Alaska Commission on Aging

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## ALASKA COMMISSION ON AGING

### RESOLUTION 96-3

*In support of a moratorium on construction of additional nursing facility beds*

**WHEREAS** Alaska's existing long term care system is now largely made up of institutional long term care services; and

**WHEREAS** the current availability of nursing home beds in many areas exceeds the actual need for nursing home beds in the state; and

**WHEREAS** Alaska's seniors have indicated through surveys an overwhelming preference for alternatives to nursing homes, and they want to live in the least restrictive setting close to family and friends; and

**WHEREAS** seniors often have to choose nursing home care, which is the most intensive, restrictive, and expensive type of care, because there is no community-based service available; and

**WHEREAS** the future of Medicaid financing is under discussion at the federal level; and

**WHEREAS** the state Medicaid financing is finite and is forcing choices among Medicaid programs; and

**WHEREAS** the growth and maintenance of much needed community-based care is threatened by construction of unnecessary nursing home beds; and

**WHEREAS** if new nursing home beds are added, seniors' choices will be restricted, because new nursing home beds compete directly for public funds available for community-based services; and

**WHEREAS** House Bill 528 will encourage the development of home and community-based services and allow time for Alaska to move toward a more balanced long-term care system;

**NOW THEREFORE BE IT RESOLVED** that the Alaska Commission on Aging strongly encourages the Alaska Legislature to enact House Bill 528, which would place a two year moratorium on new nursing home beds.

Adopted this 5th day of March, 1996.

A handwritten signature in cursive script that reads "Donald M. Hoover".

Donald M. Hoover, Chair  
Alaska Commission on Aging



# Yukon-Kuskokwim Health Corporation

Yukon-Kuskokwim Delta Regional Hospital

"Fostering Native Self-Determination in Primary Care, Prevention and Health Promotion"

March 12, 1996

The Honorable Cynthia Toohey  
Room 104  
State Capital  
Juneau, AK 66501-1182

The Honorable Con Bunde  
Room 108  
State Capital  
Juneau, AK 99801-1182

Dear Representative Toohey and Bunde:

The Yukon-Kuskokwim Health Corporation (YKHC) is the primary regional health care provider throughout the Yukon-Kuskokwim Delta. We serve the approximately 25,000 Alaska Native and non-Natives who make their homes in Bethel and the other 57 villages of this region. We have had the opportunity to review HB 528, which is being heard in the Health, Education and Social Services Committee this afternoon. This act would among other things establish a moratorium with respect to new applications for certificates of need by prohibiting the issuance of a certificate of need or a license for additional nursing home capacity in the state until July 1, 1998.

While YKHC shares the concern of members of the Legislature about unnecessary expansion of nursing home beds in Alaska, we must oppose the bill as currently drafted. There are no nursing home beds in the entire Yukon-Kuskokwim Delta. There is no Pioneer Home in our region. We cannot accept any moratorium on expansion that would prohibit even consideration of a need for nursing home beds in our region. The family members of an elder or injured person in our region who wants to maintain contact with their loved one must now travel hundreds of miles by plane to do so. This is certainly not an acceptable situation.

If control of unwarranted increase in nursing home beds in the state is the objective, we respectfully recommend that the bill address the conversion of beds in projects that cost less than the triggering amount for a certificate of need. That is the primary source of new nursing home beds in the past few years, with the exception, of course, of the most needed replacement of Denali Center in Fairbanks.

We appreciate your consideration of our concerns. We are willing to work with the Committee to try to find more acceptable language if that would be helpful.

Sincerely,

Gene Peltola  
President/CEO

cc: The Honorable Tony Knowles  
The Honorable Karen Perdue

**HB**

**529**

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. HB 529

Revision Date: \_\_\_\_\_  
 Title: An act giving notice of and approving the  
the entry into a lease-purchased centralized PH Lab  
 Sponsor: House HESS  
 Requestor: House HESS

Dept. Affected: Health and Social Services  
 BRU: State Health Services  
 Component: Laboratory Services  
 COMPONENT SERIAL NO. 291  
 See also (SN#): \_\_\_\_\_

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES				(329.8)	(338.1)	(346.5)
TRAVEL				(7.5)	(7.7)	(7.9)
CONTRACTUAL				(61.0)	(62.5)	(64.1)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(398.3)</b>	<b>(408.3)</b>	<b>(418.5)</b>

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ( )						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF				(398.3)	(408.3)	(418.5)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(398.3)</b>	<b>(408.3)</b>	<b>(418.5)</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY96) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

Currently the Division of Public Health operates three state public health laboratories which are inadequate in Anchorage, Juneau and Fairbanks and the Medical Examiner's laboratory temporarily located in the DPS crime lab. The centralized laboratory in Anchorage would not only save the state from having to upgrade three laboratories to meet CLIA standards but would show a savings in operating costs.

The savings would start to occur in FY00 in the following line items.

Personal Services Line 100

With the centralization of the laboratory the currently staffing level can be reduced by six positions:

PCN 06-1205 Microbiologist IV, range 20, SU, PFT, Juneau \$84.2

Prepared by: Peter M. Nakamura, MD, MPH  
 Division: Public Health

Phone: (907) 465-3090  
 Date: 03/07/96

Approved by Commissioner: Karen Perdue, Commissioner  
 Agency: Department of Health & Social Services

Date: 3/12/96

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**ANALYSIS (cont.):**

PCN 06-1065 Lab Technician I, range 10, GG, PFT, Juneau \$45.3  
PCN 06-1210 Lab Technician II, range 12, GG, PFT, Juneau \$55.6  
PCN 06-1435 Admin Clerk III, range 10, GG, PFT, Fairbanks \$48.6  
PCN 06-1436 Admin Clerk II, range 8, GG, PFT, Juneau \$35.9  
PCN 06-1024 Admin Clerk II, range 8, GG, PFT, Juneau \$35.9

The salaries listed above assume a 2.5% inflation factor.

In addition, \$24.3 would be saved on an annual basis for the geographical differential which is paid to the Fairbanks staff.

**Travel Line 200**

Travel would be reduced \$7.5 due to the staff being located in one location, rather than having the Chief traveling to each laboratory as required under CLIA.

**Contractual Line 300**

Janitorial Services - \$8.4  
Federal Inspections -\$6.0  
Subscriptions - \$2.0  
Telephones - \$7.5  
Public Utilities - \$10.7  
Rent - 2.1  
Maintenance and Repair of Equipment - \$12.6  
Courier Services - \$11.7

Other savings will be realized, as the number of major equipment and appliances such as refrigerators, autoclaves, dishwashers, etc needing to be replaced are reduced due to the centralization of the laboratory.

(7)

HOUSE COMMITTEE REPORT

Date Referred to Committee: February 28, 1996

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/28/96

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 529

HOUSE BILL NO. 529

APPROVE CENTRALIZED PUBLIC HEALTH LAB

"An Act giving notice of and approving the entry into, and the issuance of certificates of participation in, a lease-purchase agreement for a centralized public health laboratory."

recommends it be replaced with the following committee substitute [ ] the same title [ ] a new title

[ ] additional referral to Committee [ ] attached amendment(s)

ADOPTS: Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)

[x] fiscal note(s) H+SS, Revenue, Admin [ ] fiscal note(s)

[ ] zero fiscal note(s) [ ] zero fiscal note(s)

Table with 5 columns: SIGNING WITH RECOMMENDATIONS, DP, DNP, NR, AM. Contains handwritten signatures and checkmarks.

CHAIR'S SIGNATURE [Signature]

Revision Date: \_\_\_\_\_ Dept. Affected: See NOTE below  
 Title: Approve Centralized Public Health Lab BRU: \_\_\_\_\_  
 \_\_\_\_\_ Component: \_\_\_\_\_  
 Sponsor: (H)HESS  
 Requestor: (H)HESS COMPONENT SERIAL NO. \_\_\_\_\_

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
Principle and Interest payments		3,100.0	3,100.0	3,100.0	3,100.0	3,100.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>3,100.0</b>	<b>3,100.0</b>	<b>3,100.0</b>	<b>3,100.0</b>	<b>3,100.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		3,100.0	3,100.0	3,100.0	3,100.0	3,100.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
<b>TOTAL</b>	<b>0.0</b>	<b>3,100.0</b>	<b>3,100.0</b>	<b>3,100.0</b>	<b>3,100.0</b>	<b>3,100.0</b>

Estimate of any current year (FY96) cost \$ \_\_\_\_\_

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The amounts shown are the debt financing lease purchase payments for construction of the Centralized Public Health Laboratory in Anchorage. Repayment of the COP's will require annual payments of no more than \$3,100.0 per year for the years FY98-FY2005. Depending on interest rates at the time of issuance, actual payments may be less.

NOTE: This fiscal note reflects the annual debt payments only and will not effect a specific agency budget. The payments are included in the debt section at the front of the annual budget submitted to the legislature. The effect of this legislation on the operating budgets of HESS and Administration are reflected in separate fiscal notes.

Prepared by: Betty Martin, Comptroller Phone: 465-2350  
 Division: Treasury Date: March 13, 1996  
 Approved by Commissioner: Ross A. Kinney, Deputy Commissioner Date: March 13, 1996  
 Agency: Department of Revenue

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# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. HB 529

Revision Date: \_\_\_\_\_  
 Title: "An Act giving notice of and approving . . . a lease purchase agreement for a centralized health laboratory."  
 Sponsor: (H) HESS  
 Requestor: (H) HESS

Department Affected: Administration  
 BRU: General Services  
 Component: Leasing & Facilities  
 COMPONENT SERIAL NO. 81

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0.0	0.0	0.0	(312.1)	(312.1)	(312.1)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(312.1)</b>	<b>(312.1)</b>	<b>(312.1)</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )	0.0	0.0	0.0	(312.1)	(312.1)	(312.1)
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**FUND SOURCE:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	(312.1)	(312.1)	(312.1)
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER * CIP receipts						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(312.1)</b>	<b>(312.1)</b>	<b>(312.1)</b>

Estimate of any current year (FY 96) cost: \$ 0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary.)

The bill would authorize financing and construction of a new laboratory facility which would replace the three leased locations in Anchorage, Fairbanks, and Juneau. Lease savings would be expected to begin in FY 2000. The specific leases and current costs are shown on the following page. Future years estimated lease savings have been adjusted to reflect probable CPI adjustments. Payments on the new lease purchase facility are not included on this fiscal note.

Prepared by: Duqan Petty, Director *Duqan Petty*  
 Division: General Services

Phone: 465-2250  
 Date: \_\_\_\_\_

Approved by Commissioner: Mark Boyer *Mark Boyer*  
 Agency: Department of Administration

Date: 3/28/96

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**FISCAL NOTE  
STATE OF ALASKA  
1996 LEGISLATIVE SESSION**

BILL NO. HB 529

ANALYSIS: (continued)

**Current Public Health Laboratory Leases**

Lease # Location	Property	FY 96 Cost		RSA Amount	Net DOA Estimated FY00	
		Sq Ft	/ Year		Reduction	Reduction
765 Juneau	CBJ - BMH	4,460	107,040	0	107,040	109,874
2353 Fairbanks	UAF	5,255	123,585	0	123,585	126,858
1517C Anchorage	CR Lewis Bldg	5,100	73,440	0	73,440	75,385
1517D Anchorage	CR Lewis Bldg	385	2,079	2,079	0	0
		<u>15,200</u>	<u>306,144</u>	<u>2,079</u>	<u>304,065</u>	<u>312,117</u>

# STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 110601  
JUNEAU, ALASKA 99811-0601  
PHONE: (907) 465-3030  
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## ISSUES ANALYSIS HOUSE BILL 529

*"An Act giving notice of and approving the entry into, and the issuance of certificates of participation in, a lease-purchase agreement for a centralized public health laboratory."*

The Department of Health and Social Services strongly supports House Bill 529 which will allow it to develop a much needed home for its Public Health and Medical Examiner Laboratory functions. The bill would satisfy the requirements of AS 36.30.085 to notify, and obtain approval from, the legislature for lease purchase financing of a new centralized Public Health Laboratory (including Medical Examiner facilities) in Anchorage.

The Department of Health and Social Services (DHSS) currently operates four laboratories with statewide functions. These include three public health laboratories in inadequate leased space and the Medical Examiner's laboratory temporarily located at the Department of Public Safety's Crime Detection Laboratory in Anchorage. The bill would allow DHSS to centralize laboratory functions resulting in operating cost savings that would ultimately pay for the cost of the building, while improving service delivery. Annual payments and total financing costs in the bill reflect an eight year financing period (with the first payment deferred), corresponding to the period of lowest financing costs associated with relatively high levels of Prudhoe Bay oil production.

The bill would allow DHSS to construct a Centralized Laboratory in Anchorage housing the functions of the three current Public Health Laboratories and the Medical Examiner's Laboratory. The Department studied the issues extensively over the last ten years and developed a feasibility study that reviewed alternatives but clearly showed that a new centralized laboratory was the most cost effective means of providing an adequate level of laboratory services. The new laboratory would make economic sense. Moreover, it would enhance services, replace existing poor quality leased space and provide a needed permanent home for the Medical Examiner:

**1. Makes Economic Sense.** Given present financial realities, the current situation is too costly and inefficient—the Department cannot afford to operate four separate laboratories and must find a way to provide an adequate level of services at less cost. The new facility would save operating funds and avoid costs related to the current laboratories and would allow maintenance of an adequate level of services in the future. Total savings and cost avoidance have been estimated at \$26.8 million over a 35 year period (after deducting costs of construction of the new facility).

**DEPARTMENT OF HEALTH AND SOCIAL SERVICES  
ISSUES ANALYSIS  
HOUSE BILL 529  
PAGE 2**

Looking at operating savings alone, the facility is estimated to pay for itself in about twenty-two years. Over the long term, direct operating savings will be in the neighborhood of \$1 million a year. The savings will arise primarily from lease payments that will no longer be necessary and from a reduction in staff from economies of scale at the consolidated laboratory. Other savings are expected from reduction in duplicative supply and equipment costs. Natural attrition should accommodate the reduction in staff and the Department foresees that it will be able to offer a position to every existing laboratory employee when the new Laboratory opens (although some may have to transfer to Anchorage). Because of the relatively short eight year financing period, operating savings will only partially pay for the lease purchase payments during that period. Nonetheless, those operating savings will continue to accrue through the life of the building and ultimately will exceed the total cost of the new laboratory, and the state will own a laboratory facility which will provide many years of service.

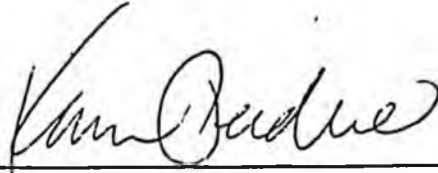
**2. Enhance Services.** All four existing laboratories serve statewide functions. Centralization of those functions at a new laboratory will improve overall accessibility to those services on a statewide basis. It will also increase coordination and enhance the Department's ability to support epidemiological investigations and disease surveillance and control. Centralization will also facilitate collaboration by helping to create a critical mass of specialized facilities and laboratory professionals.

**3. Replace Poor Quality Leased Space.** The state is currently expending over \$306,000 a year in lease payments for the three existing Public Health Laboratories. Two of the laboratories are located in offices that were not designed for the specialized needs of laboratories. The third was designed as a laboratory some time ago but is a concrete structure with an inflexible interior space that would be difficult and expensive to reconfigure for future needs. To maintain the facilities as laboratories in the future would require specialized upgrades—some needed improvements are not feasible at any reasonable cost. In any case, making major unrecoverable investments in improvements in aging leased facilities would not be a wise business decision.

**4. Provide a Permanent Home for the Medical Examiner.** The State Medical Examiner is located temporarily in borrowed space needed by the Department of Public Safety's Crime Detection Laboratory and State Troopers offices. Another solution must be found in the future to provide a permanent home for the Medical Examiner. The proposed Centralized Laboratory will be an ideal location and will help to increase collaboration between Medical Examiner and Public Health Laboratory functions. The Department wants to locate the facility at the Crime Detection Laboratory site to maintain the necessary close partnership between the Medical Examiner and the Crime Detection Laboratory.

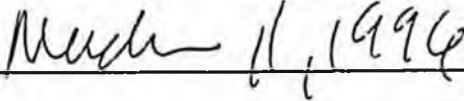
DEPARTMENT OF HEALTH AND SOCIAL SERVICES  
ISSUES ANALYSIS  
HOUSE BILL 529  
PAGE 3

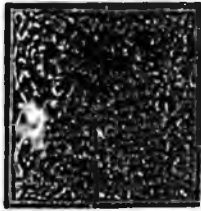
Approved by:



Karen Perdue, Commissioner  
Department of Health and Social Services

Date:





# ALASKA STATE MEDICAL ASSOCIATION

4107 Laurel Street • Anchorage, Alaska 99508-5334 • (907) 562-2662 • FAX (907) 561-2063

March 8, 1996

Representative Con Bunde  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

Subject: Central Public Health Laboratory (HB 529)

Dear Representative Bunde:

The ability to detect, measure, and combat threats to the health of a populace is a basic duty of government and is no less important than maintaining law and order.

An essential tool in executing this responsibility is a public health laboratory. Every state health department has one. Some have more than one.

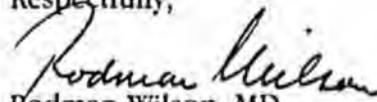
Alaska has three - in Fairbanks, Anchorage, and Juneau - but they are all in need of extensive upgrade or replacement. Each is costly. Leasing of space for them alone totals \$370,000 annually.

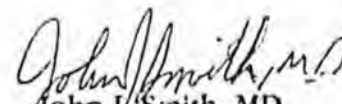
In these days of rapid, safe transportation of biologic and chemical specimens and electronic dispatching of results of testing, there is no need for Alaska to have more than one laboratory. Although a new lab could be located in any city, it would be best for it to be centrally located, thoroughly modern, versatile, and supervised ideally by a biologist or chemist.

At its Annual Meeting on February 10, the Alaska State Medical Association considered the longstanding proposal of DHSS for a new public health laboratory in Anchorage on E Tudor Road adjacent to the Scientific Crime Detection Laboratory and the State Medical Examiner's Office. Some equipment and talent might be shared. Creating a new lab and abandoning the costly old ones would save millions of dollars over a period of years. The Association unanimously endorsed the proposal for a centralized public health laboratory in Anchorage.

We urge you to initiate this project through HB 529. It will take several years to complete plans and construction. It has been put off much too long. The health of all of us is at stake.

Respectfully,

  
Rodman Wilson, MD  
Acting Executive Director

  
John J. Smith, MD  
President

SUPPORT

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

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March 27, 1996

The Honorable Con Bunde  
The Honorable Cynthia Toohey  
Alaska State House of Representatives  
State Capitol, Room 426  
Juneau, AK 99801-1182

Dear Representatives Bunde and Toohey:

The attachments provide information about the proposed construction of a centralized public health laboratory which I understand arose as issues of concern or interest among committee members during deliberations on HB 529 last week.

I hope this information responds to the interests and concerns of committee members and will provide members with confidence in the project sufficient to move the bill. Department staff will be available tomorrow to clarify this information and answer additional questions.

Sincerely,



Karen Perdue  
Commissioner

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

**DEPT. OF HEALTH AND SOCIAL SERVICES**

OFFICE OF THE COMMISSIONER

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March 27, 1996

The Honorable Tom Brice  
Alaska State House of Representatives  
State Capitol, Room 426  
Juneau, AK 99801-1182

Dear Representative Brice,

Thank you for providing me an opportunity to respond to your questions related to HB 529. The \$19.2 million includes construction and other project costs along with the costs of setting up financing and represents the principal amount. The additional \$4.3 million you refer to are the interest costs over the eight year period of financing, for a total financed cost of \$23.5 million. (See the attached narrative and chart which reconciles the various cost estimates for the Centralized Laboratory.)

The information that was provided by the 1994 report describes many of the advantages of centralization. After the report was prepared, the Department discussed the financial, operational and scientific implications of centralization and felt that the benefits for centralization were very real and did not need additional analysis. The Department then focused on reviewing options for implementing a centralized laboratory including financing alternatives, possible inclusion of the Medical Examiner's laboratory, and optimal location. Differences in the construction costs for the centralization option versus the consolidation option without differences in financing costs can be found in the attachment, "Public Health Laboratory Centralization Versus Consolidation, Operating Cost Reductions and Capital Costs".

For convenience I have re-stated your questions and followed with responses.

1) You claim there is a difference in equipment costs in the various scenarios. Won't the people moving into a new lab require the same amount of equipment regardless of where they are located? Everyone will still need desks, chairs, microscopes or whatever and to re-purchase them for the new facility should greatly increase the costs for centralization.

Staff will, of course, need chairs, phones, and similar pieces of non-specialized equipment to support their activities, and various pieces of equipment will be moved to the new facility. However, there will be opportunities to configure operations more efficiently and to take advantage of designs that provide flexibility and reduce the amount of equipment needed. There will also be fewer staff in a centralized facility which will reduce equipment requirements.

Most importantly, however, centralization of the public health laboratory functions provides substantial opportunity for reducing the amount of equipment needed by eliminating duplication. Separate facilities require duplicate equipment to support separate operations. Sharing of equipment, such as microscopes, analytical balances, computers, walk-in incubators and walk-in refrigerators, can occur in common areas of a centralized laboratory that are simply not possible in separate facilities. A centralized facility combining all public health laboratory operations would provide many opportunities for sharing complex and expensive equipment such as gas chromatographs, HPLC (high pressure liquid chromatographs), biological safety cabinets, fume hoods and specialized space such as isolation rooms, as well as space/equipment for DNA probe technology and polymerase chain reaction technology between disciplines.

Significant savings can be achieved through efficient management of resources providing greater efficiency in a single facility compared to operating in multiple facilities. For example, specimens would be received at one point and therefore could be processed by one biological safety cabinet and stored in one set of storage refrigerators or freezers. Waste disposal would also be streamlined and require less equipment such as autoclaves. Combination of operations in a single facility also provides opportunities for achieving "economies of scale" in equipment purchases.

**2) Under the consolidation scenario in the study, a number of components were added to the Fairbanks lab such as building renewal and replacement and janitorial cost and a steady annual growth in the lease and maintenance costs. Currently, under the University's lease, payments are held flat and maintenance and janitorial are included. Why are these areas double-counted against Fairbanks in the study?**

Building Renewal and Replacement. In evaluating the various options for the 1994 Strategic Plan report, the consultants developed a consistent methodology for reviewing renewal and replacement costs of a variety of different buildings, including new buildings, over a very long period of time. While in the short term a specific analysis of each building's needs is the best way to compare buildings (and we did conduct a separate physical analysis of each existing building by another consultant), there is no way to know now what specific building needs will surface in the long term, say, in twenty five years. Instead, the consultants employed a widely used formula, the Sherman-Dergis formula, to compare existing and proposed buildings. The formula uses building age and replacement value to estimate annual renewal and replacement costs over a fifty year period. It assumes that older buildings will require more renovation than newer ones.

Landlords will usually make only the limited general renovations and replacements to our laboratories needed to maintain the value of the facility. Many of the improvements that laboratories need would not be useful to a new tenant, and landlords want those improvements to be either paid directly or reimbursed through long-term leases. The new roof on the building housing the State Virology Laboratory at the University of Alaska, Fairbanks for instance was needed not just for the laboratory but to maintain the use of the building for all functions housed there.

While the University appears to have made some improvements without charging the Department of Health and Social Services, that situation will not necessarily continue in the future especially if major improvements are needed. Our lease does not require the University to do so and University staff have indicated that at some point in the future, the Fairbanks laboratory building (like every older building) will require additional renovation exceeding the thresholds that now exempt the building from current codes. A major renovation and upgrade to current standards will then be required. The costs of those renovations will have to be absorbed by either the University entirely or partially by the Department. We could expect that prudent management of University property would lead University administration to distribute costs of needed maintenance to all occupants of the facility, and primarily to those occupants requiring specialized improvements. To summarize, the numbers for renewal and replacement shown in the report may not be accurate in the short term, but do reflect some long term realities and in any case they are not at all critical for the demonstration of benefits from centralization.

Building renewal and replacement costs **have not** been included in our estimate of the operating savings that would result from centralization. We have shown them as possible cost avoidance, as an indicator of a potential extra benefit from establishing a new laboratory. We know a new centralized facility will avoid some costs related to building renewal, but the exact amount cannot be determined with absolute precision. However, the operating savings alone will defray the cost of a new centralized facility in a reasonable length of time whereas the operating savings from the consolidated scenario would not.

Janitorial Costs. It appears that you are correct that additional janitorial costs should not have been shown for the consolidated scenario. The current lease we have with the University states that the University will provide janitorial services. Since the amount in question (\$1706) is relatively small, the apparent mistake would have made little difference in the comparison of alternatives. The fiscal notes prepared for HB-529 has more current information about the actual savings that we would experience with a Centralized Laboratory. We have summarized that revised information and comparable information for the Consolidated Scenario in the attached table.

University Lease-Payments held flat. Our records indicate the lease with the University for the Fairbanks laboratory space does have an inflationary clause calling for annual price adjustment corresponding to the Consumer Price Index. In any case, given the long term approach taken by the consultants, leases as negotiated over the long term would normally follow inflationary trends.

**3) Your claim of savings in travel and personnel costs are arbitrary given it is the legislature in the budget process which establishes these funding levels. Please explain the expected savings and why we should not go ahead and realize them now?**

Our estimates of travel and personnel savings are based on determinations of the travel and personnel needed to operate the laboratory program in separate facilities compared to a centralized facility. The savings cannot be realized now without significant reductions in program

Honorable Tom Brice  
March 27, 1996  
Page 4

capacity. We are currently operating from separate facilities and this imposes additional operating costs above what would be possible in a centralized facility.

Travel would be reduced under the Anchorage centralization option. Currently the Chief of the Section of Laboratories must travel between the three laboratories in order to inspect and participate in each laboratory's quality assurance program. This must be done in order to maintain the laboratories' license under the Clinical Laboratory Improvement Amendments. This travel would not be required under the centralization option. Additionally no travel would be required by the Chief or laboratory managers for special management meetings since they would be located in the same facility.

The reduction in personnel costs are to occur through a reduction in administrative and support staff made possible through efficiencies achievable in a centralized facility. This will enable us to reduce costs but maintain the critical expertise of professional microbiologists and the capacity for performing laboratory analysis. Centralization enables us to maintain our current expertise and capacity to perform the work of the laboratories but to reduce costs through efficiencies. Reducing personnel funding now without making changes needed to achieve efficiencies would impair program operations. Each laboratory will, as long as it operates separately, continue to have separate needs for administration, clerical support, and technical support to prepare media, reagents and glassware and to process waste materials. These tasks can be performed with fewer staff under the centralization option.

The Legislature could, of course, reduce funds appropriated to support the laboratories without providing for a means of solving our facility problems or enabling us to achieve program efficiencies through centralizing laboratory operations. However, this would reduce capacity to perform the needed laboratory analytical work and affect the functioning of Alaska's public health system.

I hope this information helps allay your concerns about this project.

Sincerely,



Karen Perdue  
Commissioner

cc: Honorable Con Bunde  
Honorable Cynthia Toohey

## Centralized Laboratory: Comparing Project and Financing Costs

The table below compares estimates that have been developed in the last few years for the centralized laboratory project. The 1994 Strategic Plan report contained a construction cost estimate of \$13.7 million for the centralized laboratory, but that estimate was strictly for construction costs through a direct capital appropriation—the report did not address financing alternatives. Moreover, while the report discussed the potential merits of including the Medical Examiner facility, space for that laboratory was not a part of the construction cost estimates.

The 1995 Financing Report prepared the next year compared several financing alternatives for a centralized laboratory. It also addressed the costs of including the Medical Examiner facility as an option. With centralization in Anchorage, adding the Medical Examiner makes sense in terms of both costs and operations, since we must find some space for the Medical Examiner in the future. The revised construction cost estimate was \$17.8 million including the Medical Examiner, along with adjustments for two years of inflation (because of delays in the start of construction) and for costs of obtaining financing. Combined principle and interest payments to finance that facility was estimated at \$22.1 million. The project was delayed yet another year, requiring another inflation adjustment. In addition, we adjusted the numbers to accommodate a specific financing strategy leading to the numbers contained in HB 529 (\$19.2 million principal costs; \$23.5 million for combined principle and interest costs). It is important to note that the total principle and interest cost is extremely sensitive to fluctuations in interest rates.

### Reconciliation of Project and Financed Cost Estimates for Centralized Laboratory

	Project/ Principal Costs	Total Principal and Interest Costs
<b>1994 Strategic Plan Report (with Coopers &amp; Lybrand)</b> (Excludes Medical Examiner)	13,685.0	17,116.0 *
<b>1995 Reports—Financing a New Public Health Laboratory and Executive Summary Brochure (with Coopers &amp; Lybrand)</b>		
—Excluding Medical Examiner but including some adjustments for financing costs and two years of inflation. Estimate ("Lease Financing Option") is 8.7% higher than in 1994 report.	14,878.9	18,378.5
—Addition to include Medical Examiner	2,931.2	3,697.9
<b>Total with Medical Examiner</b>	<b>17,810.1</b>	<b>22,076.4</b>
<b>Adding additional year of inflation (approx. 5%)</b>	<b>18,700.0</b>	<b>22,918.4</b>
<b>Adding additional financing costs</b>	<b>19,200.0</b>	<b>23,500.0</b>

\* Financed cost was not actually calculated in the Strategic Plan, which did not look at financing alternatives—financed cost number shown uses same methodology as in 1995 report.

## **Centralized Public Health Laboratory: Construction and other Project Costs**

Laboratories, especially those requiring isolation of biological hazards such as public health laboratories, are expensive spaces to build. Costs for construction of modern laboratory space are very high for a variety of reasons. Specialized and complex laboratory areas require additional space for expensive utilities and services which generally run through utility chases between walls and under floors. These areas provide for gas, vacuum, compressed air and very specialized electrical and ventilation requirements (negative air pressure). Built in fume hoods and biological safety cabinets also require specialized ventilation to the outside. Waste treatment of biological materials (in autoclaves) and chemicals has unique requirements.

Construction must be explosion proof and have specialized floor drains, fire showers and eye wash stations in order to meet modern safety codes. Additionally, un-interruptable power sources are necessary for the expensive equipment common to laboratories. Work surfaces, sinks and drainage pipes must be made of particular materials which are resistant to corrosion and storage space must be appropriately vented for combustible solvents. Cold rooms and walk-in incubators are also common to laboratories and emergency systems are necessary. Special containment construction is required for working with each group of infectious organisms depending on its biosafety level (1-4). There are also special requirements for unusual floor loading or vibration isolation and adaptability to changes or expansion.

In addition, requirements of state and federal law make public buildings more expensive than comparable buildings built for the private sector. For instance, the requirements of AS 35.05.010 to pay prevailing wages for public buildings ("little Davis-Bacon") can make construction of public buildings considerably more costly than facilities serving a private function.

### **Estimating Construction Costs**

In 1994, construction costs for the public health laboratory were estimated by a professional estimating firm in collaboration with Livingstone Slone, Inc., an Anchorage architectural firm. Costs for construction of the building were estimated at \$384 per square foot for construction and site development alone, excluding other project costs such as design, project management, and equipment—these other project costs are described on the next page. The construction costs estimated in 1994 also need to be adjusted upwards to account for three years of inflation.

Some construction costs for similar types of buildings are shown in the table on the following page. Most of the projects listed are much larger projects than the proposed Centralized Laboratory. If everything else is equal, a smaller building is more expensive to construct on a per square foot basis. In addition, insulation and heating plant for the buildings in Los Angeles and Seattle would have to be significantly upgraded if built in Anchorage. (Also, costs shown for those projects do not include site development.) Most projects include a proportionately larger area of relatively inexpensive office or general purpose hospital room space. Probably the most comparable project in terms of size is the Controlled Disease Center at the Alaska Native Medical Center.

Project	Location	Size (sq. ft.)	Construction Costs	
			Costs (\$millions)	Per sq. ft.
<b>Alaska Examples—Actual costs</b>				
Alaska Native Medical Center Hospital	Anchorage	362,607	\$95.7	\$264
Controlled Disease Center		13,439	\$5.0	\$375
Elmendorf Hospital	Anchorage	444,700	\$138.7	\$312
Kotzebue Hospital	Kotzebue	90,000	\$43.0	\$478
<b>Out of State Examples—Costs adjusted for Anchorage and 1998 (4% inflation/year)</b>				
UCLA McDonald Building—1993 research building—Anchorage/Los Angeles geographical cost ratio=115%	Los Angeles	136,000		\$364
Fred Hutch Cancer Research Center (1994)—Anchorage/Seattle geographical cost ratio=125%	Seattle	305,000		\$293

Sources: Livingstone Stone, Inc. and McLellan & Copenhagen, Inc.

### Other Project Costs

In addition to the costs of site development and construction of the facility, other costs had to be estimated in order to calculate total project cost. These additional costs include: equipment, consultants (including design), project administration and project contingency. Because the building program and design have not been completed, the estimates by necessity were based on very limited information about the project.

**Equipment** The construction estimate includes the basic elements of a building. In addition a laboratory requires a range of general and specialized furnishings, including cabinets, counters and sinks, fume hoods, safety equipment; complex final plumbing connections and specialized lab equipment. When appropriate, existing equipment will be reused in the new facility. Equipment costs were estimated to equal 25% of the construction costs.

**Consultants** Before construction, the laboratory will require a detailed architectural program, specialized consultants and architectural and engineering services leading to design. Design and associated consulting services were estimated at 17.5% of construction costs, reflecting the specialized services needed for a laboratory housing biologically hazardous materials.

**Project Administration** Every construction project, whether in the private or public sector, requires project administration: to prepare bid packages, award contracts, monitor performance of design and construction contracts, process payments and serve as the contact for contractors when problems need resolution. Administration costs have been estimated to equal 7% of construction costs.

**Project Contingency** Estimating construction costs is an art, not a science, and every construction project encounters unforeseen problems and requires changes. Standard practice for every construction project, whether it be a single family residence or a major shopping center, is to set aside a certain percentage of construction costs for contingencies. Therefore, the project budget includes an additional 7% of project cost for contingencies.

### **State Medical Examiner Program**

The State Medical Examiner is a forensic pathologist who performs investigations, autopsies and other post-mortem examinations needed to determine the cause and manner of death in cases of violent, suspicious, or sudden and unexpected deaths, and deaths which occur without a physician in attendance. The Medical Examiner is responsible for determining the cause and manner of death, identifying the deceased if unknown, signing the death certificate, and testifying in civil and criminal cases about his findings. These activities are essential to support the criminal and civil justice systems and public health surveillance activities.

The Medical Examiner program has a total budget of \$834.7 including seven staff. Staffing consists of:

- 2 Board-certified forensic pathologists
- 3 Autopsy Assistants
- 2 Clerical staff

The Autopsy Assistants transport human remains, prepare them for autopsy, assist in the autopsies and other post-mortem examinations, prepare and sterilize the autopsy lab, and perform other duties necessary to support the forensic pathologists. Clerical staff perform medical transcription, audit and track billings for air transport and embalming and restoration services, and provide clerical support for all activities of the Medical Examiner program.

The Medical Examiner office is housed on a temporary basis in the Department of Public Safety central offices in Anchorage. Autopsies and other technical laboratory work is performed in temporary arrangements at the Scientific Crime Detection Laboratory located in the same complex of Public Safety offices but in a separate building. The Department of Public needs this space and is prevented from expanding crime detection activities while the Medical Examiner occupies the space.

Medical Examiner facilities are relatively expensive compared to costs of constructing standard office space. This is because they present design and engineering considerations similar to those of hospital facilities but with additional unique considerations. Medical Examiner facilities must support scientific work requiring specialized equipment and involving biohazards and provide specialized security that can maintain a chain of custody needed for storage of evidence that will be used in criminal and civil litigation. Facilities housing a Medical Examiner must accommodate long term processing and storage of decomposed human remains and other potentially life-threatening infectious or non-biological hazards such as material from toxic chemical spills.

The presence of biohazards in the work environment requires that special environmental, public health and safety, occupational safety, and fire protection codes be met. For example the facility must be explosion and fire proof, have uninterruptible power sources and provide special isolation

and working areas (such as separate autopsy facilities for decomposed remains.) It must also provide differential cold storage areas, long term storage of tissue and fluid samples, special ventilation and air-locked entrances, on-site access to an incinerator, special physical security measures, and separation of laboratory work areas from office/public use areas. Medical Examiner facilities must provide adequate morgue capacity to accommodate mass casualty events, be able to accommodate next of kin and media when necessary, and would ideally provide potential to support tissue recovery activities.

Public Health Laboratory  
 Centralization Versus Consolidation  
 Operating Cost Reductions and Capital Costs  
 Based on Current Information (March 1996)

*Operating cost reductions  
 from existing operations*

DOA Lease Cost

DHSS Costs

Personnel

Travel

Contractual

*Total Reductions*

FY2000			FY2001			FY2002		
<i>Central- ization</i>	<i>Consol- idation</i>	<i>Differ- ence</i>	<i>Central- ization</i>	<i>Consol- idation</i>	<i>Differ- ence</i>	<i>Central- ization</i>	<i>Consol- idation</i>	<i>Differ- ence</i>
312.1	185.2	126.9	312.1	185.2	126.9	312.1	185.2	126.9
329.8	81.2	248.6	338.1	81.2	256.9	346.5	81.2	265.3
7.5	3.5	4.0	7.7	3.5	4.2	7.9	3.5	4.4
61.0	15.2	45.8	62.5	15.2	47.3	64.1	15.2	48.9
710.4	285.1	425.3	720.4	285.1	435.3	730.6	285.1	445.5

*Project Costs*

<i>Central- ization</i>	<i>Consol- idation</i>	<i>Differ- ence</i>
19,200.0	15,657.8	3,542.2

TONY KNOWLES, GOVERNOR

DEPARTMENT OF PUBLIC SAFETY  
OFFICE OF THE COMMISSIONER

P.O. BOX 111200  
JUNEAU, ALASKA 99811-1200  
PHONE: (907) 465-4322  
FAX: (907) 465-4362

January 10, 1996

Ms. Karen Perdue, Commissioner  
Department of Health and Social Services  
P.O. Box 110601  
Juneau, AK 99811-0601

Dear Commissioner Perdue:

I understand that the Department of Health and Social Services is requesting funding in the FY 97 capital budget for a new lab facility to be built adjacent to the Department of Public Safety crime lab at 5700 E. Tudor Road. I understand this new facility will house the Medical Examiner and will be the site for all state required autopsies. It is critical to law enforcement statewide that an adequate facility be built for this purpose. The vast majority of cases referred to the medical examiner are those involving the Anchorage Police Department or the Criminal Investigation Bureau of the State Troopers. Investigators from both law enforcement agencies regularly attend autopsies and consult with the Medical Examiner's staff on homicides and other death investigations involving questionable circumstances. Close physical proximity of the Medical Examiner and the autopsy facilities to both agencies creates a beneficial and efficient relationship in dealing with difficult and complex investigations

The original design and construction of the Public Safety crime lab allowed little room for growth without additional physical plant construction. At a time when fingerprint, serology and toxicology units require additional space to accomplish their tasks, the only space available for expansion is occupied by the Medical Examiner, who moved into the space on what was understood to be a temporary basis approximately two years ago.

*Handwritten signature: H. J. ...*

Commissioner Karen Perdue  
January 10, 1996  
Page 2

I want you to know that I support construction of this facility as it will relieve the present overcrowding of the crime lab and also promote more efficient handling of serious investigations.

Sincerely,

Ronald L. Otte  
Commissioner

By: Mayor Jim Sampson  
Introduced: 03/14/96  
Adopted: 03/14/96

**RESOLUTION NO. 96-023**

**A RESOLUTION IN SUPPORT OF THE ALASKA STATE  
VIROLOGY LABORATORY REMAINING IN FAIRBANKS**

WHEREAS, the Alaska State Virology Laboratory (ASVL) has been an integral part of the research community on the University of Alaska Fairbanks campus; and

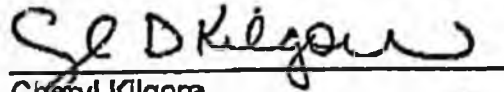
WHEREAS, over the years ASVL has interacted with research institutes and other facilities, including the UAF Health Center and various medical facilities in Fairbanks, as well as providing services to state, federal and Alaska Native agencies; and

WHEREAS, if ASVL is moved to Anchorage, as proposed by the Commissioner of the Alaska Department of Health and Social Services, fifteen staff positions will be lost, and the economy of the Fairbanks North Star Borough will be affected not only by the loss of their salaries but also by the loss of state and federal funds that currently support the operation of ASVL, amounting to more than a million dollars annually; and

WHEREAS, over the past twenty years Fairbanks has lost eleven laboratories and offices dealing with science and natural resources as a result of permanent closure or relocation of the program to other offices and organizations:

NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Assembly and Mayor Jim Sampson urge that the State of Alaska leave the Alaska State Virology Laboratory in Fairbanks, or, if centralization is necessary, that the proposed new health lab be built in Fairbanks.

PASSED AND APPROVED THIS 14TH DAY OF MARCH, 1996.



Cheryl Kilgore  
Presiding Officer

ATTEST:



Mona Lisa Drexler, CMC/AAE  
Municipal Borough Clerk

Ayes: McBride, Logan, Bartos, St. John, Hackenmiller, LaSota, Parr, Quakenbush,  
Chizmar and Kilgore

Noes: None

**HB**

**535**

Date of Committee Action: 3/28/96

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: **HB 535**

HOUSE BILL NO. 535 **POSTSECONDARY EDUCATION**

"An Act relating to postsecondary education."

recommends it be replaced with the following committee substitute CS HB 535 (HES)  the same title  a new title

additional referral to Finance Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) DOE University APPROVES PREVIOUS: (Dept/Date)  
 fiscal note(s)  fiscal note(s)

zero fiscal note(s)  zero fiscal note(s)

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i>			✓	
<i>[Signature]</i>				✓
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	

CHAIR'S SIGNATURE *[Signature]*

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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

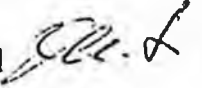
130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

March 28, 1996

**SUBJECT:** Sectional Summary of CSHB 535(HES)  
(Work Order No. 9-LS1748K)

**TO:** Representative Con Bunde  
Attn: Lynn

**FROM:** Michael F. Ford   
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

**Section 1.** Makes various technical changes to allow the Alaska Student Loan Corporation to use the occupational licensing statutes to enforce student loan repayment provisions.

**Section 2.** Allows the University of Alaska to assume the W.A.M.I. program, under which residents of Alaska can pursue a medical degree.

**Section 3.** Establishes the Alaska Student Loan Corporation in the Department of Revenue.

**Section 4.** Establishes the board of directors of the Alaska Student Loan Corporation. Provides that two members of the board shall be nonvoting legislative members and one member of the board shall be a nonvoting student member. Provides for compensation to board members and for election of a chair.

**Section 5.** Allows the corporation to appoint an executive director and allows the executive director to appoint staff. Requires employees to participate in the state retirement system.

**Section 6.** Provides that the attorney general is the legal counsel for the corporation, but allows the corporation to employ other legal counsel.

**Section 7.** Requires the corporation to administer the student loan fund under AS 14.42.210 and the student loan program (AS 14.43). Allows the corporation to adopt regulations under the Administrative Procedures Act.

**Section 8.** Technical amendment.

**Section 9.** Requires the corporation to establish separate accounting for teacher scholarship and family education loans.

**Section 10.** Allows the student loan fund to be used to make student loans.

**Section 11.** Technical change.

**Section 12.** Changes the amount of a loan that can be made to half-time undergraduate or graduate student. Repeals a provision that a career education program be at least six weeks in length. (see sec. 28 for new definition of "career education" program) Also makes other technical changes.

**Section 13.** Technical changes.

**Section 14.** Technical changes.

**Section 15.** Technical changes.

**Section 16.** Technical changes.

**Section 17.** Technical changes.

**Section 18.** Technical changes.

**Section 19.** Technical changes.

**Section 20.** Technical changes.

**Section 21.** Technical changes.

**Section 22.** Technical changes.

**Section 23.** Technical changes.

**Section 24.** Technical changes.

**Section 25.** Technical changes.

**Section 26.** Technical changes.

**Section 27.** Technical changes.

**Section 28.** Defines "career education" as a half-time program at least 12 weeks long and a full-time program at least six weeks long.

**Section 29.** Allows the student loan fund to be used by the corporation to make student loans.

**Section 30.** Allows the corporation to use the student loan program to offset losses resulting from default by a borrower.

**Section 31.** Technical changes.

**Section 32.** Technical changes.

**Section 33.** Technical changes.

**Section 34.** Technical changes.

**Section 35.** Technical changes.

**Section 36.** Creates the teacher scholarship revolving loan account in the student loan fund.

**Section 37.** Requires the corporation to annually allocate available teacher scholarship loan awards to local school boards.

**Section 38.** Technical changes.

**Section 39.** Technical changes.

**Section 40.** Technical changes.

**Section 41.** Allows a recipient of a family education loan to make payments earlier than required and makes various technical changes.

**Section 42.** Adds a definition of "corporation".

**Section 43.** Requires the corporation to administer the W.I.C.H.E. program.

**Section 44.** Recreates the Alaska Postsecondary Education Commission in the Department of Education. The members of the commission are the voting members of the Alaska Student Loan Corporation. Provides for member compensation, election of a chair, and that the employees of the Department of Education shall serve as staff to the commission.

**Section 45.** Repeals the authority of the commission to hire staff to administer AS 14.48.

**Section 46.** Establishes the advisory functions of the corporation and the optional powers of the commission.

**Section 47.** Authorizes the commission to set fees for certain functions performed under AS 14.48.

**Section 48.** Allows the commission to impose a civil penalty for costs of conduction investigations or adjudications.

**Section 49.** Technical change.

**Section 50.** Places the officers and employees of the Alaska Student Loan Corporation in the exempt service.

**Section 51.** Technical change.

**Section 52.** Applies the state conflict of interest provisions under AS 39.50 to the Alaska Student Loan Corporation.

**Section 53.** Allows the Alaska Student Loan Corporation to take a permanent fund dividend for a student loan that is in default.

**Section 54.** Technical change.

**Section 55.** Repeals various provisions relating to postsecondary education.

**Section 56.** Transitional provision relating to fees charged to postsecondary institutions.

**Section 57.** Transitional section relating to membership on the commission and the corporation, to transfer of ongoing functions of the commission, and to regulations, contracts equipment, and employees of the commission.

**Section 58.** Immediate effective date for sec. 57(c) and (d).

**Section 59.** Effective date.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH 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 29, 1996

**SUBJECT:** Postsecondary education - (CSHB 535(HES))

**TO:** Representative Con Bunde  
Attn: Lynn

**FROM:** Michael F. Ford   
Legislative Counsel

In CSHB 535(HES) there are two provisions of law that relate to the collection and transfer of loan origination fees. In sec. 22, loan origination fees for the scholarship loan fund (AS 14.43.090) are authorized to be deposited into an origination fee account within the student loan fund. This section also maintains existing language that the deposit is subject to legislative appropriation. We believe that the necessity of legislative appropriation is required by Article IX, section 7 and by Article IX, section 13, of the Alaska Constitution. A similar provision exists in sec. 30 of CSHB 535(HES). However, the language referencing the appropriation requirement for the deposit of fees is reflected as repealed in this section. We recommend that sec. 30 be changed to leave "subject to appropriation" in the statute.

Please contact me if you have further questions.

MFF:glc:pl  
96-193.glc

CS FOR HOUSE BILL NO. 535(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:  
Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to postsecondary education; and providing for an effective  
2 date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 08.02.025(a) is amended to read:

5 (a) A person licensed under this title shall comply with the student loan  
6 repayment provisions under AS 14.43 that are applicable to the person.  
7 Notwithstanding another provision of law, a license issued to a person under this title  
8 may not be renewed if the licensee [BORROWER] and the department  
9 [DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT] have  
10 received notice from the Alaska Student Loan Corporation [COMMISSION ON  
11 POSTSECONDARY EDUCATION] that the licensee is in default on a student loan  
12 provided to the licensee. This action may be taken no sooner than 60 days after the  
13 Alaska Student Loan Corporation [COMMISSION ON POSTSECONDARY  
14 EDUCATION] has notified the licensee [BORROWER] of the default status of the

1 loan as provided under AS 14.43.120(i). If a licensee's [AN] appeal of a  
2 determination of default status is pending [ON BEHALF OF THE LICENSEE], the  
3 Alaska Student Loan Corporation [COMMISSION ON POSTSECONDARY  
4 EDUCATION] shall notify the department and the department [RENEWAL] may not  
5 deny renewal [BE DENIED] under this section until and unless the [APPEAL HAS  
6 BEEN CONCLUDED AND THE] default status has been affirmed on appeal. The  
7 denial [DENIAL] of renewal of a license shall continue until the department  
8 [DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT] receives  
9 notice from the Alaska Student Loan Corporation [COMMISSION ON  
10 POSTSECONDARY EDUCATION] that the licensee is no longer in default on the  
11 student loan.

12 \* Sec. 2. AS 14.40.170(b) is amended to read:

13 (b) The Board of Regents may

14 (1) adopt reasonable rules, orders, and plans with reasonable penalties for  
15 the good government of the university and for the regulation of the Board of Regents;

16 (2) determine and regulate the course of instruction in the university with  
17 the advice of the president;

18 (3) set student tuition and fees;

19 (4) receive and spend university receipts in accordance with AS 37.07  
20 ([THE] Executive Budget Act);

21 (5) enter into agreements with government or postsecondary  
22 education officials of this state or other states to provide postsecondary educational  
23 services and programs to residents of this state pursuing a medical education; an  
24 agreement with another state must be limited to services and programs that are  
25 unavailable in this state [(AS 37.07)].

26 \* Sec. 3. AS 14.42.100 is amended to read:

27 Sec. 14.42.100. CREATION OF ALASKA STUDENT LOAN  
28 CORPORATION. The [THERE IS CREATED THE] Alaska Student Loan  
29 Corporation is created as [. THE CORPORATION IS] a public corporation and  
30 government instrumentality within the Department of Revenue [EDUCATION] but  
31 having a legal existence independent of and separate from the state. The corporation  
32 may not be terminated as long as it has outstanding bonds, notes, or other obligations

1 [OUTSTANDING]. Upon termination of the corporation, its rights and property pass  
2 to the state.

3 \* Sec. 4. AS 14.42.120 is repealed and reenacted to read:

4 Sec. 14.42.120. CORPORATION GOVERNING BODY. (a) The corporation  
5 shall be governed by a board of directors consisting of the commissioner of revenue, the  
6 commissioner of administration, a person representing the department appointed by the  
7 governor, and four members of the public appointed by the governor. The governor's  
8 appointees shall serve at the pleasure of the governor for four-year staggered terms.

9 (b) Two members of the legislature shall serve as ex officio nonvoting members  
10 of the board of directors. The two ex officio nonvoting members shall include one  
11 member of the senate appointed by the president of the senate and one member of the  
12 house appointed by the speaker of the house of representatives.

13 (c) A full-time postsecondary student shall serve as a nonvoting member of the  
14 board of directors. The governor shall appoint the student member from a list of  
15 nominees within 60 days after it is submitted. The list must consist of the names of two  
16 nominees from Alaska Pacific University, two nominees from Sheldon Jackson College,  
17 and two nominees from each campus of the University of Alaska. The nominees shall  
18 be selected from a student election held on each campus. Elections under this subsection  
19 shall be held concurrently with student regent elections required under AS 14.40.150(b)  
20 and conducted under rules established by the Office of the Governor. The term of office  
21 of the student member is two years beginning June 1 of the year in which the appointment  
22 is made. Membership on the corporation is immediately forfeited by a student member  
23 who ceases to be a full-time student. Within 60 days after a vacancy occurs, the governor  
24 shall appoint a successor from those students appearing on the list of nominees to serve  
25 for the unexpired term of the original appointee. The term "campus" used in this  
26 subsection means a portion of the University of Alaska designated as a "campus" by the  
27 Board of Regents.

28 (d) A governing body member, trustee, official, or employee of a public, private,  
29 or proprietary institution of postsecondary or higher education in the state may not be  
30 appointed to membership on the corporation as representative of the general public for the  
31 purpose of (a) of this section.

1 (e) Members of the board serve without compensation, but the voting members  
2 who are not state employees and the student member are entitled to per diem and travel  
3 expenses authorized for boards and commissions under AS 39.20.180.

4 (f) Each year, the board shall elect a chair from among its voting membership.  
5 A majority of the voting members constitute a quorum for organizing the board,  
6 conducting board business, and exercising the powers of the corporation.

7 \* Sec. 5. AS 14.42.160 is repealed and reenacted to read:

8 Sec. 14.42.160. EXECUTIVE OFFICER AND STAFF; ADMINISTRATION.

9 (a) The corporation may appoint an executive director as the corporation's executive  
10 officer. The executive officer is a member of the exempt service under AS 39.25.110,  
11 serves at the pleasure of the corporation, and receives compensation fixed by the  
12 corporation. The executive officer appoints persons to the staff positions authorized by  
13 the corporation, and staff compensation is fixed by the corporation. Each employee of  
14 the corporation shall participate as a member of the public employees' retirement system  
15 (AS 39.35).

16 (b) The corporation is not a division in the Department of Revenue. The  
17 corporation, members of the corporation, the executive officer, and staff are in the  
18 Department of Revenue for administrative support services only, and they are not subject  
19 to the direction of the commissioner of revenue.

20 (c) Subject to review by the corporation, the executive director shall administer  
21 the student loan and grant programs under AS 14.43.

22 \* Sec. 6. AS 14.42 is amended by adding a new section to read:

23 Sec. 14.42.180. LEGAL COUNSEL. The attorney general is legal counsel for  
24 the corporation. The attorney general shall advise the corporation in legal matters arising  
25 in the discharge of its duties and represent the corporation in actions to which it is a party.  
26 If, in the opinion of the corporation, the public interest is not adequately represented by  
27 counsel in a proceeding, the attorney general, upon request of the corporation, shall  
28 represent the public interest.

29 \* Sec. 7. AS 14.42 is amended by adding a new section to read:

30 Sec. 14.42.195. FUNCTIONS OF THE CORPORATION. (a) The corporation  
31 shall administer the student loan fund under AS 14.42.210 and the student loan and grant

1 programs under AS 14.43.

2 (b) The corporation may adopt regulations under AS 44.62 (Administrative  
3 Procedure Act) to carry out the purposes of AS 14.43.

4 \* Sec. 8. AS 14.42.200(10) is amended to read:

5 (10) gather information on student loans available to residents of Alaska  
6 and disseminate the information to reasonably assure that qualified residents are aware of  
7 financial resources available to those attending or desiring to attend institutions for which  
8 loans may be made under AS 14.43.100 - 14.43.325 [AS 14.43.090 - 14.43.325],  
9 14.43.600 - 14.43.700, or 14.43.710 - 14.43.790;

10 \* Sec. 9. AS 14.42.210(a) is amended to read:

11 (a) The student loan fund is established in the corporation. The student loan fund  
12 is a trust fund to be used to carry out the purposes of AS 14.42.100 - 14.42.390,  
13 AS 14.43.100 - 14.43.325 [AS 14.43.090 - 14.43.325], 14.43.600 - 14.43.700, and  
14 14.43.710 - 14.43.790. The fund consists of money or assets appropriated or transferred  
15 to the corporation for the fund and money or assets deposited in it by the corporation.  
16 The corporation may establish separate accounts in the fund and shall establish separate  
17 accounts for the teacher scholarship revolving loan account under AS 14.43.620 and  
18 the family education loan account under AS 14.43.720.

19 \* Sec. 10. AS 14.42.210(b) is amended to read:

20 (b) Money and other assets of the student loan fund may be used to secure bonds  
21 of the corporation, invested in student loans and investments under AS 37.10.071, and  
22 used to make [PURCHASE] loans approved under AS 14.43.090 - 14.43.325, 14.43.600 -  
23 14.43.700, or 14.43.710 - 14.43.790.

24 \* Sec. 11. AS 14.43.100 is amended to read:

25 Sec. 14.43.100. APPLICATIONS. (a) Applications shall be submitted to the  
26 executive director of the corporation [COMMISSION].

27 (b) A person whose loan application is not approved by the executive director of  
28 the corporation [COMMISSION] may appeal to the corporation [COMMISSION] and  
29 the corporation [COMMISSION] shall consider the application.

30 \* Sec. 12. AS 14.43.110, as amended by sec. 1, ch. 5, SLA 1996, is amended to read:

31 Sec. 14.43.110. STUDENT LOANS. (a) In a school year, the corporation

1 [COMMISSION] may make a loan not to exceed

2 (1) \$8,500 to a full-time undergraduate student or \$4,500 [\$5,000] to a  
3 half-time undergraduate student attending a college or university if the full- or half-time  
4 student is otherwise eligible under AS 14.43.125;

5 (2) \$9,500 to a full-time graduate student or \$5,000 [\$4,500] to a  
6 half-time graduate student attending a college or university if the full- or half-time  
7 graduate student is otherwise eligible under AS 14.43.125;

8 (3) \$5,500 to a full-time student or \$2,000 to a half-time student if the  
9 full- or half-time student is attending a career education program [THAT IS AT LEAST  
10 SIX WEEKS IN LENGTH] and is otherwise eligible under AS 14.43.125.

11 (b) The corporation [COMMISSION] may make a loan for a summer term, even  
12 if the total loan for the school year exceeds the limit imposed under (a) of this section if  
13 the loan for the summer term is counted against the limit imposed under (a) of this section  
14 for the following school year.

15 (c) The corporation [COMMISSION] shall adopt regulations establishing a  
16 minimum amount for which a loan may be made.

17 \* Sec. 13. AS 14.43.120(b), as amended by sec. 3, ch. 5, SLA 1996, is amended to read:

18 (b) Scholarship loans may only be used to attend a

19 (1) career education program operating on a sound fiscal basis that has

20 (A) operated for two years before the borrower attends; and

21 (B) submitted an executed program participation agreement as  
22 required by the corporation [COMMISSION]; or

23 (2) a college or university that

24 (A) has operated for at least two years before the borrower  
25 attends;

26 (B) is accredited by a national or regional accreditation association  
27 recognized by the Council on Recognition of Postsecondary Accreditation or is  
28 approved by the corporation [COMMISSION];

29 (C) if the loans are federally insured, is approved by the United  
30 States Secretary of Education;

31 (D) is a degree granting institution; and

1 (E) has submitted an executed program participation agreement as  
2 required by the corporation [COMMISSION].

3 \* Sec. 14. AS 14.43.120(c), as amended by sec. 4, ch. 5, SLA 1996, is amended to read:

4 (c) To maintain a loan awarded to a full-time student, the student must continue  
5 to be enrolled as a full-time student in good standing in a career education program,  
6 college, or university that meets the requirements under (b) of this section. To maintain  
7 a loan awarded to a half-time student, the student must continue to be enrolled as a half-  
8 time student in good standing in (1) a career education program, college, or university in  
9 the state that meets the requirements under (b) of this section, or (2) a career education  
10 program, college, or university that meets the requirements under (b) of this section, and  
11 be physically present in this [THE] state while attending the career education program,  
12 college, or university. The corporation [COMMISSION] shall adopt regulations defining  
13 "good standing" for purposes of this subsection.

14 \* Sec. 15. AS 14.43.120(d), as amended by sec. 4, ch. 5, SLA 1996, is amended to read:

15 (d) Scholarship loans may not be made to a student

16 (1) for more than a total of \$42,500 for undergraduate study;

17 (2) for more than a total of \$47,500 for graduate study;

18 (3) for more than a combined total of \$60,000 for undergraduate and  
19 graduate study;

20 (4) to attend an institution, if the total amount of scholarship loans made  
21 to students to attend that institution exceeds \$100,000 and the default rate on those loans  
22 is (A) greater than 20 percent but less than 25 percent, and the institution is unable to  
23 reduce its default rate within 24 months after the rate determination; or (B) equal to or  
24 greater than 25 percent for two consecutive calendar years; for purposes of this paragraph,  
25 the default rate shall annually be determined by the corporation [COMMISSION] from  
26 loans required to be repaid under (g) of this section on or after July 1, 1996; if a  
27 scholarship loan is refused based on the provisions of this paragraph and, under a  
28 subsequent default rate determination [,] an institution's default rate does not exceed the  
29 limits established under this paragraph, the corporation [COMMISSION] may not refuse  
30 to issue a scholarship loan to attend that institution based on the provisions of this  
31 paragraph.