

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10221 HOUSE HEALTH EDUCATION & SOCIAL SERVICES

66

1 considering the availability of appropriate, less costly alternatives of providing the
2 services planned.

3 (c) The department shall grant a sponsor a certificate of need or modify a
4 certificate of need [THAT AUTHORIZES NURSING HOME BEDS OR THAT IS
5 FOR A HEALTH CARE FACILITY THAT IS A NURSING HOME] if the
6 department finds that the sponsor meets the standards established in or under this
7 chapter.

8 * Sec. 6. AS 18.07.071(b) is amended to read:

9 (b) The department may grant a sponsor a temporary certificate for the
10 temporary operation of a category of health service if the sponsor shows by affidavit
11 or formal hearing

12 (1) the necessity for early, immediate, or temporary relief; and

13 (2) adverse effect to the public interest by reason of delay occasioned
14 by compliance with the requirements of AS 18.07.043 [AS 18.07.041, 18.07.043,] and
15 application procedures prescribed by regulations under this chapter.

16 * Sec. 7. AS 18.07.071(c) is amended to read:

17 (c) A temporary certificate granted under (b) of this section does not confer
18 vested rights on behalf of the applicant. The department shall impose those special
19 limitations and restrictions concerning duration and right of extension that the
20 department considers appropriate. A temporary certificate may not be granted for a
21 period longer than necessary for the sponsor to obtain review of the action certified by
22 the temporary certificate under AS 18.07.051. Application for a certificate of need
23 that will be reviewed under AS 18.07.043 [AS 18.07.041 OR 18.07.043] must
24 commence within 60 days after [OF] the date of issuance of the temporary certificate.

25 * Sec. 8. AS 18.07.081(c) is amended to read:

26 (c) A certificate of need shall be suspended if an accusation is filed before the
27 commencement of activities authorized under AS 18.07.043 [AS 18.07.041 OR
28 18.07.043] that charges that factors upon which the certificate of need was issued have
29 changed or new factors have been discovered that significantly alter the need for the
30 activity authorized. A suspension of a certificate may not exceed 60 days. At the end
31 of this period or sooner, the department shall revoke or reinstate the certificate.

1 * Sec. 9. AS 18.07.081(d) is amended to read:

2 (d) A certificate of need may be revoked if

3 (1) the sponsor has not shown continuing progress toward
4 commencement of the activities authorized under AS 18.07.043 within [AS 18.07.041
5 OR 18.07.043 AFTER] six months after the date of issuance of the certificate:

6 (2) the applicant fails, without good cause, to complete activities
7 authorized by the certificate;

8 (3) the sponsor fails to comply with [THE PROVISIONS OF] this
9 chapter or regulations adopted under this chapter;

10 (4) the sponsor knowingly misrepresents a material fact in obtaining
11 the certificate;

12 (5) the facts charged in an accusation filed under (c) of this section are
13 established; or

14 (6) the sponsor fails to provide services authorized by the terms of the
15 certificate.

16 * Sec. 10. AS 18.07.111(2) is amended to read:

17 (2) "certificate" means a certificate of need issued by the department
18 under AS 18.07.043 or 18.07.071 [AS 18.07.041, 18.07.043, OR 18.07.071];

19 * Sec. 11. AS 18.07.031(b) and 18.07.041 are repealed.

20 * Sec. 12. The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 APPLICABILITY. AS 18.07, as amended by secs. 1 - 11 of this Act, applies to
23 applications for certificates of need that are initially filed on or after the effective date of this
24 Act.

25 * Sec. 13. This Act takes effect immediately under AS 01.10.070(c).



Please enter into the record my testimony to the H. E. S. S.
 Committee on House Bill 407 Committee Name
 Dated 4/03/2002
 Bill / Subject

Thank You for accepting my testimony, I was here on Tuesday but was unable to return for the April 4th hearing. My name is Anne Lilley. I have been a nurse practitioner in Alaska for the last 7 years and a nurse in Alaska for the last 22 years. I was recently hired as Manager of Clinical Education for Fairbanks Memorial Hospital, and I have a concern for the hospital. I am also concerned about the provision of mental health and recovery services in Fairbanks, having worked extensively with members of this underserved population in Interior Alaska for the last several years.

I oppose House Bill 407 and agree with previous testimony that supports continuing the Certificate of Need program (CON). I see this as basically an issue of health care planning. Do we plan health care and include public comment and oversight as we do with other essential services such as roads and disaster services or do we let the free market decide which needs are met?

My understanding of the intent of HB407 is to decrease health care costs by encouraging competition and cutting down on red tape. I support the concept but I don't feel it translates well into the health care arena, especially in Alaska. Further, I am troubled by the many comparisons of health care to other free market commodities. One of the ways health care is different is in the way services are provided: If, as a provider, I order an MRI at a local hospital, my patient will almost always go the hospital for an MRI. If I order an MRI at a local clinic that I am affiliated with the patient will rarely request that the MRI be done in another location. The physician or other ordering provider really directs the selection of the facility, not the patient.

Neither is the ordering provider always free to order a procedure at any facility he or she chooses. Issues of credentialing or privileges, contracts and/or group ownership often control provider selection of services. In this instance and many others, free market comparisons don't fit.

The other issue is that some areas of health care are simply not profitable. Mental health and addiction services come to mind. Lack of adequate services for these conditions already places an incredible financial burden on the state. What happens to these services if the free market model is applied to health care? . The potential is there for this bill to work in direct opposition to it's intended effect.

I would simply like to know that SOMEONE is asking how health care development will affect patient outcomes in any given Alaskan community in 5 or 10 or 15 years. I believe we need a STRONG public health planning process in order to control long-term health care costs in Alaska. CON provides the teeth for that planning process to be effective, if the process needs to be improved, let's improve it without weakening the purpose of CON.

SIGNED:

Anne M. Lilley
 Testifier Anne M. Lilley, RN, MSN, FNP
 Fairbanks Memorial Hospital

Representing

P.O. BOX 82868, Fairbanks, AK 99708 Phone Wk: 458 - 5189
 Address / Phone Number 388 - 8783

Subject: HB407**Date:** Mon, 8 Apr 2002 09:28:24 -0800**From:** "Lewis, Steve" <STLewis@PetroStar.com>**To:** ""Representative_Fred_Dyson@legis.state.ak.us" <Representative_Fred_Dyson@legis.state.ak.us>
""Representative_Peggy_Wilson@legis.state.ak.us" <Representative_Peggy_Wilson@legis.state.ak.us>
""Representative_John_Coghill@legis.state.ak.us" <Representative_John_Coghill@legis.state.ak.us>
""Representative_Vic_Kohring@legis.state.ak.us" <Representative_Vic_Kohring@legis.state.ak.us>
""Representative_Gary_Stevens@legis.state.ak.us" <Representative_Gary_Stevens@legis.state.ak.us>
""Representative_Sharon_Cissna@legis.state.ak.us" <Representative_Sharon_Cissna@legis.state.ak.us>
""Representative_Reggie_Joule@legis.state.ak.us" <Representative_Reggie_Joule@legis.state.ak.us>

Dear Representatives,

It is my understanding that HB-407 will be coming up for a vote in the House HESS committee early next week and I would urge each of you to vote in favor of HB 407 and move it out of your committee, as it is currently drafted, to the Rules Committee. Petro Star Inc. and our subsidiaries Sourdough fuel and Petroleum Sales, along with our sister companies Natchiq, APC and Houston Contracting CO. employ more than 800 employees in the Fairbanks area. Not only do we have that many employees, but for the most part each of them represents a house hold that we provide medical benefits to. After living in Fairbanks for more than 24 years of my career, before moving to Anchorage, I certainly recognize the politics involved in this issue and the special interest that are represented on both sides. However, not only does this bill provide an avenue for competition, which is always good from the stand point of cost, but it also gives the citizens of the North Star Borough greater choices relative to their medical care, both from a dollar standpoint and availability of services. Not only is the current system potentially costly to our company, it limits the choices of our employees. Competition is good for the community and lack of it can only produce higher cost and less services. Again I would urge you to vote in favor of HB-407.

Sincerely,

Stephen T. Lewis
Chairman and CEO
Petro Star Inc.

JASON - Put this in my packet
ON HB 407

ALSO GIVE to Comm HES Monday



FAIRBANKS LEGISLATIVE INFORMATION OFFICE
119 N. CUSHMAN ST. SUITE 101
FAIRBANKS, AK 99701

WRITTEN TESTIMONY TRANSMITTAL SHEET

TO:	House HESS Committee	FROM:	Fran/Fbx LIO
COMPANY:		DATE:	4/2/2002
FAX NUMBER:	465-4587		
PHONE NUMBER:	465-3759	FAXED ON:	04/02/2002
RE:	Written Testimony: HB 407	TELECONFERENCED ON:	04-02-02

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

Enclosed please find written testimony for HHES teleconference on 04-02-02.

PHONE: 452-4448

FAX: 456-3346

HB407 Testimony

Carl Wales
2 April 2002

4/2/2002

HB407 Testimony

CAW 1

Statistics used

- The statistics used in this testimony are shown in accompanying material. The source of that information is shown in the material.

Certificate of Need (CON) Process

- While I have not found a written history which I can quote to support this, it is my understanding that the CON process evolved initially as a requirement of the federal government in hopes that it would control health care costs.
- Many states have realized that it does not serve that purpose so that now 30 % of the states have no CON.

CON Requirements

- Of the ten **least** densely populated states only two have a CON requirement. Of those two, one requires a CON only for counties with a population of over 100,000 and the other requires a CON only for long term care beds.
- Of the top 15 least densely populated states only four require the CON (the two above plus two more).

- Residents of states with high population densities have options/choices by virtue of having lots of facilities.
- This provides choice and drives efficiency in delivering health care.

- States with small populations need a “free market system” to foster choices and competition.
- Why is Alaska the only one in the top seven least densely populated states with a CON requirement?

Myth

- “Non-profit” and “Not-for-profit” do not necessarily mean efficient operation of the organization.
- Many “Non-profit” and “Not-for-profit” organizations that are funded through charities are driven to greater efficiency because the donors may donate to other causes (donors have choices).
- Health care organizations (and other types of organizations) that have a monopoly are not driven to be efficient and provide the highest quality— they can exist, and continue to exist, and be inefficient, by virtue of their being the *only* choice no matter how bad the choice is.

Carl Wales

- Resident of Fairbanks since 1993.
- I do not work for any part of the health care system.
- I do not own stock in or benefit in any way from the health care industry beyond being a patient.

Accompanying material

- Spreadsheet showing state sizes and populations plus the calculations to determine population density and ranking.
- Chart of states requiring the CON taken from the Community Catalyst web site.

Certificate of Need shown compared to Population and Size

Rank by Population	State	Population (2000 est.*)	Rank by Size	State	Size (Sq. miles of land**)	Pop Density	Rank by Density	C O N	
48	Alaska	626,932	1	Alaska	570,374	1.10	1	Y	
51	Wyoming	493,782	9	Wyoming	97,105	5.09	2	N	
47	North Dakota	642,200	17	North Dakota	68,994	9.31	3	N	
46	South Dakota	754,844	16	South Dakota	77,122	9.79	4	N	
36	New Mexico	1,819,046	5	New Mexico	121,365	14.99	5	N	
39	Idaho	1,293,953	11	Idaho	82,751	15.64	6	N	
35	Nevada	1,998,257	7	Nevada	109,806	18.20	7	Y	18
38	Nebraska	1,711,263	15	Nebraska	75,898	22.55	8	Y	17
34	Utah	2,233,169	12	Utah	82,168	27.18	9	N	
32	Kansas	2,688,418	13	Kansas	81,823	32.86	10	N	
28	Oregon	3,421,399	10	Oregon	96,003	35.64	11	Y	
40	Maine	1,274,923	39	Maine	30,865	41.31	12	Y	
24	Colorado	4,301,261	8	Colorado	103,729	41.47	13	N	
20	Arizona	5,130,632	6	Arizona	113,642	45.15	14	N	
27	Oklahoma	3,450,654	19	Oklahoma	68,679	50.24	15	N	
33	Arkansas	2,673,400	27	Arkansas	52,075	51.34	16	Y	
30	Iowa	2,926,324	23	Iowa	55,875	52.37	17	Y	
31	Mississippi	2,844,658	31	Mississippi	46,914	60.64	18	Y	
21	Minnesota	4,919,479	14	Minnesota	79,617	61.79	19	N	
49	Vermont	608,827	43	Vermont	9,249	65.83	20	Y	
37	West Virginia	1,808,344	41	West Virginia	24,087	75.08	21	Y	
2	Texas	20,851,820	2	Texas	261,914	79.61	22	N	
17	Missouri	5,595,211	18	Missouri	68,898	81.21	23	Y	
23	Alabama	4,447,100	28	Alabama	50,750	87.63	24	Y	
15	Washington	5,894,121	20	Washington	66,582	88.52	25	Y	
18	Wisconsin	5,363,675	25	Wisconsin	54,314	98.75	26	N	
25	Kentucky	4,041,769	36	Kentucky	39,732	101.73	27	Y	
22	Louisiana	4,468,976	33	Louisiana	43,566	102.58	28	Y	

Certificate of Need shown compared to Population and Size

26	<u>South Carolina</u>	4,012,012	40	<u>South Carolina</u>	30,111	133.24	29	Y		
4	<u>New Hampshire</u>	1,235,786	44	<u>New Hampshire</u>	8,969	137.78	30	Y		
16	<u>Tennessee</u>	5,689,283	34	<u>Tennessee</u>	41,220	138.02	31	Y		
10	<u>Georgia</u>	8,186,453	21	<u>Georgia</u>	57,918	141.35	32	Y		
11	<u>North Carolina</u>	8,049,313	29	<u>North Carolina</u>	48,718	165.22	33	Y		
14	<u>Indiana</u>	6,080,485	38	<u>Indiana</u>	35,870	169.51	34	Y		
8	<u>Michigan</u>	9,938,444	22	<u>Michigan</u>	56,809	174.94	35	Y		
12	<u>Virginia</u>	7,078,515	37	<u>Virginia</u>	39,598	178.76	36	Y		
42	<u>Hawaii</u>	1,211,537	47	<u>Hawaii</u>	6,423	188.62	37	Y		
1	<u>California</u>	33,871,648	3	<u>California</u>	155,973	217.16	38	Y		
5	<u>Illinois</u>	12,419,293	24	<u>Illinois</u>	55,593	223.40	39	Y		
6	<u>Pennsylvania</u>	12,281,054	32	<u>Pennsylvania</u>	44,820	274.01	40	N		
7	<u>Ohio</u>	11,353,140	35	<u>Ohio</u>	40,953	277.22	41	N		
4	<u>Florida</u>	15,982,378	26	<u>Florida</u>	53,997	295.99	42	Y		
45	<u>Delaware</u>	783,600	49	<u>Delaware</u>	1,955	400.82	43	Y		
3	<u>New York</u>	18,976,457	30	<u>New York</u>	47,223	401.85	44	Y		
19	<u>Maryland</u>	5,296,486	42	<u>Maryland</u>	9,775	541.84	45	Y		
29	<u>Connecticut</u>	3,405,565	48	<u>Connecticut</u>	4,845	702.90	46	Y		
13	<u>Massachusetts</u>	6,349,097	45	<u>Massachusetts</u>	7,838	810.04	47	Y		
43	<u>Rhode Island</u>	1,048,319	50	<u>Rhode Island</u>	1,045	1003.18	48	Y		
9	<u>New Jersey</u>	8,414,350	46	<u>New Jersey</u>	7,418	1134.32	49	Y	19	
44	<u>Montana</u>	902,195	4	<u>Montana</u>	145,556	6198.27	50	Y		
50	<u>Washington, D. C.</u>	572,059	51	<u>Washington, D.C.</u>	61.4	9316.92	51	Y		
*Source; Department of Commerce, Bureau of Census						**Source: Almanac - U.S.; Department of Commerce, Bureau of the Census			Based on Community Catalyst 1999 chart	

<http://www.ipl.org/youth/stateknow/popchart.html>

Certificate of Need shown compared to Population and Size

- 17 Only for long term beds
- 18 Only for counties over 100,000 population
- 19 Only for acute care hospitals

Certificate of Need Chart

18-Nov-99														
Certificate is required for:														
State	CON (Y/N)?	Oversight Agency	Change in ownership	Constructing a new hospital	Closing a hospital	Decreasing services	Decreasing # of beds	Merger or consolidation	Limits # of acquisitions	Considers community benefits and/or level of indigent care before issuance	Public access to application	Public notice of application	Public hearing on application	Public able to appeal decision
Alabama	Y	State Health Planning and Development Agency		X			X ¹				X	X	X	
Alaska	Y	Department of Health and Social Services		X			X ¹							X
Arizona	N													
Arkansas	Y	State Board of Health (Division of Health Facilities Services)		X										
California	Y	Office of Statewide Planning and Development		X								X	X ²	
Colorado	N													
Connecticut	Y	Office of Health Care Access	X			X	X					X	X	
District of Columbia	Y	State Health Planning and Development Agency	X		X	X	X ²			X ⁴	X		X ⁵	X
Delaware	Y	Delaware Health Resources Board	X ^a	X							X	X	X ²	X
Florida	Y	Agency for Health Care Administration	X ³	X								X	X ²	
Georgia	Y	Department of Community Health		X								X		
Hawaii	Y	State Health Planning and Development Agency		X ¹		X	X						X	X
Idaho	N													
Illinois	Y ¹	Health Facilities Planning Board	X	X	X	X	X				X	X	X	
Indiana	Y ^a	The State Department												
Iowa	Y	Department of Public Health and Facilities Council		X		X ⁹	X ⁹			X		X	X	X
Kansas	N													
Kentucky	Y	Cabinet for Human Resources	X ⁹	X		X ^{9,1}	X ^{9,1}						X ²	X ¹⁰

18-Nov-99														
Certificate is required for:														
State	CON (Y/N)?	Oversight Agency	Change in ownership	Constructing a new hospital	Closing a hospital	Decreasing services	Decreasing # of beds	Merger or consolidation	Limits # of acquisitions	Considers community benefits and/or level of indigent care before issuance	Public access to application	Public notice of application	Public hearing on application	Public able to appeal decision
Louisiana	Y	Department of Health and Hospitals		X										
Maine	Y	Department of Human Services and Certificate of Need Advisory Committee	X ¹¹							X	X	X	X	X
Maryland	Y	State Health Resources Planning Commission	X ³	X	X ³	X ^{2,1}	X ^{2,1}					X ¹²	X ²	X
Massachusetts	Y	Department of Public Health	X	X		X ¹	X ¹				X		X ¹³	X
Michigan	Y	Department of Public Health and Certificate of Need Commission	X	X										
Minnesota	N													
Mississippi	Y	State Department of Health	X ³	X								X	X ²	
Missouri	Y	Missouri Health Facilities Review Committee				X ¹⁴	X ¹⁴					X	X ²	
Montana	Y ¹⁵	Department of Public Health and Human Services									X	X	X ¹⁰	
Nebraska	Y ¹⁷	Department of Health and Human Services Regulation and Licensure												
Nevada	Y ¹⁶	Department of Human Resources		X ¹⁸										
New Hampshire	Y	Health Services Planning and Review Board	X	X						X	X	X	X	X
New Jersey	Y	Department of Health and Senior Services	X ¹⁹	X										
New Mexico	N													
New York ²⁰	Y	Department of Health		X									X ¹⁰	
North Carolina	Y	Department of Health and Human Services	X ³	X			X ¹			X				

18-Nov-99														
Certificate is required for:														
State	CON (Y/N)?	Oversight Agency	Change in ownership	Constructing a new hospital	Closing a hospital	Decreasing services	Decreasing # of beds	Merger or consolidation	Limits # of acquisitions	Considers community benefits and/or level of indigent care before issuance	Public access to application	Public notice of application	Public hearing on application	Public able to appeal decision
North Dakota	N													
Ohio	N													
Oklahoma	N ¹													
Oregon	Y	Health Division of the Department of Human Resources		X										X
Pennsylvania	N													
Rhode Island	Y	Department of Health		X			X ¹				X		X	X
South Carolina	Y	Department of Health and Environmental Control	X	X								X	X ²	X
South Dakota	N													
Tennessee	Y	Health Facilities Commission		X		X ²²						X	X ²	X
Texas	N													
Utah	N													
Vermont	Y	Health Policy Council	X	X			X ¹			X		X	X ²	
Virginia	Y	Department of Health		X								X	X	
Washington	Y	Department of Health	X	X						X		X	X ²	
West Virginia	Y	West Virginia Health Care Cost Review Authority	X	X	X	X	X			X	X	X	X ¹⁵	X
Wisconsin	N													
Wyoming	N													
Total: 51	35		18	29	4	11	15	0	0	8	10	19	25	16
Percentage	69%		35%	57%	8%	22%	29%	0%	0%	16%	20%	37%	49%	31%

Notes are on the following page

Notes

1. For any change
2. Hearing not required, must be requested
3. CoN not needed if gave prior notice
4. All applicants must certify that they will provide uncompensated care (charity care and bad debt) for the next five years at a percentage equal to or greater than the previous two years
5. Hearing only for purchase or lease of hospital
6. Only for acquisition of a nonprofit health care facility
7. Referred to as "certificate of exemption"
8. CoN only needed for Comprehensive Care Beds
9. But may be exempt
10. Any affected person may appeal the decision
11. But, only in the case of lease arrangements
12. For change in bed capacity or services
13. DPH may hold a hearing, or applicant, state, or 10 taxpayers may request a hearing
14. CoN not required, but must give notice
15. CoN not required for hospitals
16. Hearing not required, must be requested, or Authority may schedule on own initiative
17. As of June 12, 1997, a CoN in Nebraska is only required when creating, relocating, or converting long term care beds
18. CoN only required for counties with a population less than 100,000 and for projects costing more than \$2 million
19. Only for acute care hospitals
20. New York does not have licenses or CoNs, it has "certificates" that encompass both licensing and CoN
21. CoN for long term care facilities such as nursing homes
22. Only for discontinuing obstetrical or maternity services

PETRO STAR INC.201 Arctic Slope Avenue, Suite 200
Anchorage, AK 99518-3030

PHONE: 907.344.2661

FAX: 907.267.6124

FAX TRANSMITTAL

Total Pages: (1)

DATE: April 8, 2002

TO:	Representative Fred Dyson	465-4587
	Representative Peggy Wilson	465-3175
	Representative John Coghil	465-3258
	Representative Vic Kohring	465-3808
	Representative Gary Stevens	465-3517
	Representative Sharon Cissna	465-4588
	Representative Reggie Joule	465-4586

MESSAGE: Dear Representatives:

It is my understanding that HB-407 will be coming up for a vote in the House HESS committee early next week and I would urge each of you to vote in favor of HB 407 and move it out of your committee, as it is currently drafted, to the Rules Committee. Petro Star Inc. and our subsidiaries Sourdough fuel and Petroleum Sales, along with our Sister companies Natchiq, APC and Houston Contracting CO. employ more than 800 employees in the Fairbanks area. Not only do we have that many employees, but for the most part each of them represents a house hold that we provide medical benefits to. After living in Fairbanks for more than 24 years of my career, before moving to Anchorage, I certainly recognize the politics involved in this issue and the special interest that are represented on both sides. However, not only does this bill provide an avenue for competition, which is always good from the stand point of cost, but it also gives the citizens of the North Star Borough greater choices relative to their medical care, both from a dollar standpoint and availability of services. Not only is the current system potentially costly to our company, it limits the choices of our employees. Competition is good for the community and lack of it can only produce higher cost and less services. Again I would urge you to vote in favor of HB-407.

Sincerely,

Stephen T. Lewis
Chairman and CEO
Petro Star Inc.

* * * * *

4.9.02

AMENDMENT

OFFERED IN THE HOUSE
TO: HB 407

BY REPRESENTATIVE CISSNA

Add new section under temporary law:

The State of Alaska Department of Health and Social Services shall develop a comprehensive health plan for the state, making use of, to the maximum extent, existing health care plans and processes employed by the Department of Health and Social Services, other state agencies and local community efforts. A focus of the plan shall be to develop community-specific health information to assist the Certificate of need program in evaluating applications for certificates of need. A report will be submitted to the legislature by January 1, 2003.

passed 4-3

FISCAL NOTE

DRAFT

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB 407 (HES)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
 Title: RELATING TO CERTIFICATES OF NEED BRU: Medical Assistance
 Component: Medicaid Services

Sponsor: COGHILL
 Requestor: HOUSE (HES) Component Number: 2077

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	4,666.8	9,495.2	10,907.0	11,593.3	12,157.0	12,643.3
Miscellaneous						
TOTAL OPERATING	4,666.8	9,495.2	10,907.0	11,593.3	12,157.0	12,643.3

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

CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	2,719.3	5,532.8	6,355.5	6,755.4	7,083.9	7,367.2
1003 GF Match	1,947.5	3,962.4	4,551.5	4,837.9	5,073.1	5,276.1
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Othe (Specify Type--do not abbrevia						
TOTAL	4,666.8	9,495.2	10,907.0	11,593.3	12,157.0	12,643.3

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would require a CON for 1) the construction of, increase in bed capacity of, or conversion of a facility to a nursing facility or psychiatric hospital; 2) conversion of the bed use of a facility in the unorganized borough or community with a population of less than 55,000 if the existing facility requires a CON; and 3) expenditure of \$1 million or more for the addition of a category of services provided by a nursing facility or psychiatric hospital, or the construction alteration of or addition of a category of health services other than a nursing facility or psychiatric hospital in the unorganized borough or a community with a population under 55,000. This bill would allow a facility to relocate or be replaced at another site at any cost without a CON.

The purpose of the CON is to act as a deterrent to overbuilding health care facility capacity.

Prepared by: Nancy Weller Phone 465-3355
 Division: Medical Assistance Date/Time 04/04/2002
 Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 04/08/2002
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

DRAFT

FISCAL NOTE #

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CS HB 407 (HES)

ANALYSIS CONTINUATION

Changes to the current CON requirement may have a cost impact on the Medicaid Program if a facility is allowed to be replaced before its useful life is completely depreciated or if construction of excess bed capacity occurs. The last change to the CON law was in 1983, when the CON limit was increased from \$150.0 to \$1 million.

Certificate of Need staff in the Division of Administrative Services, DHSS, estimate that a number of facilities that have expressed an interest in construction will proceed if the proposed language is adopted. The construction of these facilities is expected to increase costs to the Medicaid budget as shown - no facility costs are included other than those known pending projects.

Assumptions in creating these projections include: use of the FFY 03 federal match rate of 58.27% and the 4% DRI inflation factor for facility costs.

Future Medicaid cost impacts from the changes to the CON limit proposed in this bill are largely unknown. The fiscal note reflects only projects that have been forwarded to the department for consideration. Actual costs could be much greater.

See next page for the breakdown of annual operating and depreciation costs of facilities reflected in this fiscal note.

Estimated Cost of Potential New Projects Not Needing a CON Under CSHB 407/J

Nursing Home Beds:					Deprec. Exp.	Cost Per	New Annual
Timeline	Type	Location	Facility	No of Beds*	Or Facility Fee	Bed Day	Operating Costs
2005	C	Seward	Wesley R&C Ctr	66 NH Beds	\$ 1,032,000	\$ 389.46	
Acute Care Beds:							
2004	B	Mat-Su	Valley Hospital	75 Beds/37 new	\$ 250,000	\$ 1,625.97	\$ 4,391,745
2003	B	ANCH	Providence	33 Beds	\$ 250,000	\$ 1,584.39	\$ 3,816,796
2006	C	Soldotna	Central Pen. Hsp	62 Beds	\$ 250,000	\$ 1,559.13	
Other Acute Care Facilities:							
2003	B	FBKS	ASC/Diagnostic	4 Surg Suites	\$ 200,000	Although there may be some operating costs for Medicaid, there is no way to estimate those costs	
2003	B	ANCH	ASC/Diagnostic	6 Surg Suites	\$ 300,000		
2003	B	Mat-Su	ASC/Diagnostic	2 Surg Suites	\$ 100,000		
2007	D	Soldotna	ASC/Diagnostic	2 Surg Suites	\$ 100,000		
			Total Cost		\$ 2,482,000		\$ 8,208,540
<p>* 70 New acute Beds; 100 Replacement acute beds; 66 Replacement Nursing Home Beds; and 14 new Ambulatory Surgery Suites</p> <p>A= NH or Psych beds that can be built under \$1 million threshold B = Exempt from CON because facility is in Anch, Fbks, or Mat-Su and is Acute C = Exempt from CON because it is a replacement facility D = Facility in small community that will soon become a large community E = Conversion of Psych Beds for Under \$1 million</p>							

22-LS1389\F.3
Lauterbach
3/27/02

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 407(), Draft Version "F"

1 Page 1, line 1, following "program;":

2 Insert "relating to children's mental health services;"

3

4 Page 5, following line 30:

5 Insert a new bill section to read:

6 **** Sec. 11.** AS 47.30.660 is amended by adding a new subsection to read:

7 (c) The plan prepared, revised, and amended under (a) of this section must
8 include, as a distinct component, a master plan for children's mental health services.

9 The master plan required under this subsection must be developed in conjunction with
10 the Alaska Mental Health Trust Authority, Alaska Mental Health Board, and Advisory
11 Board on Alcoholism and Drug Abuse, and must provide for involvement of families
12 of emotionally disturbed children and adolescents, community mental health
13 providers, and providers of residential and inpatient care for children and adolescents.
14 After gathering information through methods determined appropriate, the department
15 shall prepare the master plan, which must include the following:

16 (1) recommended principles that should be used to guide development
17 of a comprehensive system of care to meet the mental health needs of children and
18 adolescents;

19 (2) an estimate of the current and projected number of children and
20 adolescents in the state who are suffering severe emotional, mental, and substance
21 disorders;

22 (3) a description of the current system of care for children with
23 emotional, mental, and substance disorders, including the type, capacity, and

22-LS1389\F.3

1 geographic availability of care;

2 (4) an assessment of the ability of the existing service system to meet
3 the identified and projected needs, including an assessment of utilization and factors
4 affecting utilization;

5 (5) an assessment of gaps in the type or capacity of services needed;

6 (6) the array and capacity of in-home, community-based, residential,
7 and inpatient care needed to meet the current and projected need for screening,
8 diagnosis, and treatment of children and adolescents in the state who are suffering
9 emotional, mental, and substance disorders;

10 (7) an analysis of impediments limiting or preventing development or
11 operation of the services and capacities needed;

12 (8) recommended priorities for action to reconfigure, expand, or
13 enhance existing services or to develop new service alternatives;

14 (9) an estimate of resources needed to develop and support the system
15 of services required."

16

17 Renumber the following bill sections accordingly.

18

19 Page 6, line 3:

20 Delete "secs. 1 - 11"

21 Insert "secs. 1 - 10 and 12"

22

23 Page 6, following line 5:

24 Insert a new bill section to read:

25 **"* Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section
26 to read:

27 **MASTER PLAN FOR CHILDREN'S MENTAL HEALTH SERVICES.** The initial
28 master plan required to be prepared under AS 47.30.660(c), added by sec. 11 of this Act, shall
29 be completed and delivered to the governor by the first day of the First Regular Session of the
30 Twenty-Third Alaska State Legislature, and the Department of Health and Social Services
31 shall notify the legislature that the master plan is available for review."

2 Remember the following bill section accordingly.

1

22-LS1389F.3

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 407(), Draft Version "F"

1 Page 6, following line 5:

2 Insert a new bill section to read:

3 **** Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 TEMPORARY MORATORIUM ON CERTAIN PSYCHIATRIC BEDS. (a)
6 Notwithstanding the provisions of AS 18.07, the Department of Health and Social Services
7 may not, until July 1, 2003, issue a certificate of need for construction of a health care facility
8 that both

9 (1) includes psychiatric beds designated for children who are at least five
10 years of age but younger than 13 years of age or for adolescents who are at least 13 years of
11 age but younger than 20 years of age; and

12 (2) requires licensure under AS 18.20.020 as a general acute care hospital,
13 rural primary care hospital, critical access hospital, or specialized hospital primarily engaged
14 in the treatment of one specific type of illness or disability.

15 (b) The restriction in (a) of this section applies to applications for a certificate of need
16 for which a certificate was not issued before the effective date of this section."

17

18 Renumber the following bill section accordingly.

A M E N D M E N T N O.

OFFERED IN THE HOUSE HESS BY REPRESENTATIVE

TO: CSHB 407(HES)/Version F

(Shelby - @ Providence Hospital)

1 Page 2, following line 7:

2

3 *Sec. 2 AS 18.07.031(c) is amended to read:

4 (c) Notwithstanding (a) of this section, a person who is lawfully **authorized to**
5 **operate** [OPERATING] a health care facility [THAT IS AN AMULATORY
6 SURGICAL FACILITY] at a site may make an expenditure of any amount in order to
7 **replace the facility at the same site or** relocate the services of the facility to a new
8 site in the same community **by submitting a written request to the department for**
9 a certificate of need as long as neither the bed capacity nor the number of categories of
10 health services provided at the new site is greater **and no new category of health**
11 **services is provided. This certificate shall be issued within 60 days of written**
12 **request to the department.** However, notwithstanding the expenditure **thresholds,**
13 **population thresholds, and other provisions of** [THRESHOLD IN] (a) of this section,
14 a person may not use the site from which the health care facility relocated for another
15 health care facility unless authorized under a certificate of need issued by the department.
16 Renumber Sections as appropriate.

17 Page 6, line 3:

18 Delete "secs. 1 - 11"

19 Insert "secs. 1 - 12"

AMENDMENT NO.

OFFERED IN THE HOUSE HESS BY REPRESENTATIVE

TO: CSHB 407(HES)/Version F

(Elmer Lindstrom)

1 Page 2, following line 7:

2 Insert new bill section to read:

3 *Sec. 2 AS 18.07.031(b) is amended to read:

4 (b) Notwithstanding [THE EXPENDITURE THRESHOLD IN] (a) of this section, a
5 person may not alter the bed capacity by adding new beds to. construct a building
6 for use as. or convert a building or part of a building to a nursing home or psychiatric
7 hospital that requires licensure under AS 18.20.020 unless authorized under the terms of
8 a certificate of need issued by the department.

9

10 Renumber Sections as appropriate.

11 Page 6, line 3:

12 Delete "secs. 1 - 11"

13 Insert "secs. 1 - 12"

AMENDMENT NO. 1

OFFERED IN THE HOUSE HESS

BY REPRESENTATIVE

11

TO: CSHB 407(HES)/Version F

Ray Gillespie

1 Page 2, following line 19:

2 Insert new bill section to read:

3 ****Sec. 3 AS 18.07.031 is amended by adding a new subsection to read:**

4 (d) Notwithstanding the expenditure thresholds, population thresholds, and
5 other provisions of this section, a person may not convert the use of a bed in a health
6 care facility to another bed, including converting adult psychiatric beds to psychiatric
7 beds designated for adolescents and children, unless authorized under the terms of a
8 certificate of need issued by the department.”

9

10 Renumber Sections as appropriate.

11 Page 6, line 3:

12 Delete “secs. 1 - 12”

13 Insert “secs. 1 - 13”

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 407(), Draft Version "F"

(Senator Green)

1 Page 1, line 1, following "program;":

2 Insert "relating to children's mental health services;"

3

4 Page 5, following line 30:

5 Insert a new bill section to read:

6 "* Sec. 11. AS 47.30.660 is amended by adding a new subsection to read:

7 (c) The plan prepared, revised, and amended under (a) of this section must
8 include, as a distinct component, a master plan for children's mental health services.
9 The master plan required under this subsection must be developed in conjunction with
10 the Alaska Mental Health Trust Authority, Alaska Mental Health Board, and Advisory
11 Board on Alcoholism and Drug Abuse, and must provide for involvement of families
12 of emotionally disturbed children and adolescents, community mental health
13 providers, and providers of residential and inpatient care for children and adolescents.
14 After gathering information through methods determined appropriate, the department
15 shall prepare the master plan, which must include the following:

16 (1) recommended principles that should be used to guide development
17 of a comprehensive system of care to meet the mental health needs of children and
18 adolescents;

19 (2) an estimate of the current and projected number of children and
20 adolescents in the state who are suffering severe emotional, mental, and substance
21 disorders;

22 (3) a description of the current system of care for children with
23 emotional, mental, and substance disorders, including the type, capacity, and

1 geographic availability of care;

2 (4) an assessment of the ability of the existing service system to meet
3 the identified and projected needs, including an assessment of utilization and factors
4 affecting utilization;

5 (5) an assessment of gaps in the type or capacity of services needed;

6 (6) the array and capacity of in-home, community-based, residential,
7 and inpatient care needed to meet the current and projected need for screening,
8 diagnosis, and treatment of children and adolescents in the state who are suffering
9 emotional, mental, and substance disorders;

10 (7) an analysis of impediments limiting or preventing development or
11 operation of the services and capacities needed;

12 (8) recommended priorities for action to reconfigure, expand, or
13 enhance existing services or to develop new service alternatives;

14 (9) an estimate of resources needed to develop and support the system
15 of services required."

16
17 Renumber the following bill sections accordingly.

18
19 Page 6, line 3:

20 Delete "secs. 1 - 11"

21 Insert "secs. 1 - 10 and 12"

22
23 Page 6, following line 5:

24 Insert a new bill section to read:

25 "* Sec. 14. The uncodified law of the State of Alaska is amended by adding a new section
26 to read:

27 MASTER PLAN FOR CHILDREN'S MENTAL HEALTH SERVICES. The initial
28 master plan required to be prepared under AS 47.30.660(c), added by sec. 11 of this Act, shall
29 be completed and delivered to the governor by the first day of the First Regular Session of the
30 Twenty-Third Alaska State Legislature, and the Department of Health and Social Services
31 shall notify the legislature that the master plan is available for review."

1

2 Renumber the following bill section accordingly.

22-LS1389F.3
Lauterbach
3/27/02

AMENDMENT #2

OFFERED IN THE HOUSE

TO: CSHB 407(), Draft Version "F"

1 Page 1, line 1, following "program;":

2 Insert "relating to children's mental health services;"

3

4 Page 5, following line 30:

5 Insert a new bill section to read:

6 **** Sec. 11. AS 47.30.660 is amended by adding a new subsection to read:**

7 (c) The plan prepared, revised, and amended under (a) of this section must
8 include, as a distinct component, a master plan for children's mental health services.
9 The master plan required under this subsection must be developed in conjunction with
10 the Alaska Mental Health Trust Authority, Alaska Mental Health Board, and Advisory
11 Board on Alcoholism and Drug Abuse, and must provide for involvement of families
12 of emotionally disturbed children and adolescents, community mental health
13 providers, and providers of residential and inpatient care for children and adolescents.
14 After gathering information through methods determined appropriate, the department
15 shall prepare the master plan, which must include the following:

16 (1) recommended principles that should be used to guide development
17 of a comprehensive system of care to meet the mental health needs of children and
18 adolescents;

19 (2) an estimate of the current and projected number of children and
20 adolescents in the state who are suffering severe emotional, mental, and substance
21 disorders;

22 (3) a description of the current system of care for children with
23 emotional, mental, and substance disorders, including the type, capacity, and

22-LS1389\F.3

1 geographic availability of care;

2 (4) an assessment of the ability of the existing service system to meet
3 the identified and projected needs, including an assessment of utilization and factors
4 affecting utilization;

5 (5) an assessment of gaps in the type or capacity of services needed;

6 (6) the array and capacity of in-home, community-based, residential,
7 and inpatient care needed to meet the current and projected need for screening,
8 diagnosis, and treatment of children and adolescents in the state who are suffering
9 emotional, mental, and substance disorders;

10 (7) an analysis of impediments limiting or preventing development or
11 operation of the services and capacities needed;

12 (8) recommended priorities for action to reconfigure, expand, or
13 enhance existing services or to develop new service alternatives;

14 (9) an estimate of resources needed to develop and support the system
15 of services required."

16

17 Renumber the following bill sections accordingly.

18

19 Page 6, line 3:

20 Delete "secs. 1 - 11"

21 Insert "secs. 1 - 10 and 12"

22

23 Page 6, following line 5:

24 Insert a new bill section to read:

25 **"* Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section
26 to read:

27 **MASTER PLAN FOR CHILDREN'S MENTAL HEALTH SERVICES.** The initial
28 master plan required to be prepared under AS 47.30.660(c), added by sec. 11 of this Act, shall
29 be completed and delivered to the governor by the first day of the First Regular Session of the
30 Twenty-Third Alaska State Legislature, and the Department of Health and Social Services
31 shall notify the legislature that the master plan is available for review."

22-LS1389\F.3

- 1
- 2 Renumber the following bill section accordingly.

Sectional for CSHB 407(HSS)

Version O

***Section 1.** (a)(1) This provision specifically provides that if a facility is operating under a certificate of need, that facility cannot, **for any amount**, construct a skilled nursing facility or psychiatric hospital, increase the bed capacity of a skilled nursing facility, nor convert a building or part of a building to a skilled nursing facility or psychiatric hospital. It also prohibits the conversion of adult psychiatric beds to psychiatric beds designated for care of a child under 21 years of age. This language requires a CON for skilled nursing facilities and psychiatric hospitals.

(a)(2) This provision stipulates that a skilled nursing facility or a psychiatric hospital wishing to add health services that would cost \$1 million or more would have to apply for an additional CON to do so.

It also exempts from the CON provisions any health facility other than a skilled nursing facility or psychiatric hospital in an area with a population of 55,000 or more.

Section 2. Provides that a facility destroyed on site or demolished on site could be replaced without having to acquire a new certificate of need and provides that a facility could move to a new site without a new certificate of need as long as capacity and categories of services do not change.

Section 3. Requires the department to adopt regulations to set a time limit for department determines the application is complete.

Section 4. Requires the department to set a time limit by which public hearings must be held.

Requires the department to approve or deny an application within 120 days of the date the department determined the application was complete.

Section 5. Places all certificate of need applications under the same standards of review that currently exist for nursing home beds. All CON's except nursing homes had a vague standard of review under AS 18.07.041. This change gives a more definitive standard for the applicants to follow.

Sections 6

Thru 10. Technical changes required under Section 5.

Section 11. Repeals the broad standard of review in AS 18.07.041 and repeals 18.07.031(b) which is now AS 18.07.031(a)(1)(C) and is expanding the restrictions to psychiatric hospitals.

Section 12. Applicability of new statute is limited to CON applications filed on or after the effective date.

Section 13. Has an immediate effective date.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB 407 (HES)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
 Title: RELATING TO CERTIFICATES OF NEED BRU: Administrative Services
 Component: Health Plan. & Facilities Mgmt
 Sponsor: COGHILL
 Reuqstor: HOUSE (HES) Component Number: 2020

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	38.0					
Travel	8.0					
Contractual	53.5					
Supplies	1.0					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	100.5	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES (0)						
---------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	100.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--do not abbrevia						
TOTAL	100.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary	1					

ANALYSIS: (Attach a separate page if necessary)

The amendment to HB 407 endorses the development of a comprehensive health plan that uses existing health plans and focuses on the development of community specific health information to assist the Certificate of Need program in evaluating Certificate of Need applications. This plan is similar to the "State Health Plan for Alaska" last published in 1984 but would be less comprehensive and very specific to health care facilities that might be reviewed by the Certificate of Need program. The plan will build on existing statewide health plans such as Healthy Alaskans 2010 and In Step, the Comprehensive Integrated Mental Health Plan.

The health facilities plan would include data on statewide and regional utilization of each type of service, existing service capacity, cost information, comparative data from other states, health system

Prepared by: Kathryn Cohen Phone 465-3644
 Division: Admin Services Date/Time 04/10/2002
 Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 04/10/2002
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE #

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CS HB 407 (HES)

ANALYSIS CONTINUATION

research and discussion of continuum of care issues including how the development of or lack of lower levels of care effect certain types of inpatient services. Financial data, efficiency and quality of care issues will also be explored. The proposed amendment requires a report to be submitted to the Legislature by January 1, 2003. This will require the addition of a Health and Social Services Planner II to help write the document, assist in research and facilitate planning meetings. A Health Facilities Planning Consultant with specialized expertise will also be needed to help research current trends, project future needs, conduct utilization research and provide specialized analysis of systems issues such as waiting lists and out of state placements in areas such as psychiatric services and long term care.

Planning will require cooperation with existing planning entities at the state and local level. The Healthy Alaskans Partnership Council will provide overall plan guidance. Planners will consult with the Hospital and Nursing Home Association, Alaska Medical Association, Alaska Native Health Board, Advisory Board on Alcoholism and Drug Abuse, Alaska Mental Health Board, Governor's Council on Disabilities and Special Education, and the Alaska Commission on Aging. The draft plan will be circulated for public comment for 45 days and public meetings will be held in Anchorage, Fairbanks and Juneau. A report will be submitted to the Legislature by January 1, 2003.

Operating Expenditures for Plan Development
July 1, 2002 - January 31, 2003

Personal Services

Addition of temporary Health and Social Services Planner II (7 months) = \$38,000

Travel = \$8,000

Health Facility Planning Consultant = \$50,000

Publication Costs draft and final, 500 copies @\$6.00/copy = \$3,500

Supplies: \$1,000

Total = \$100,500

22-LS1389\P
Lauterbach
4/11/02

CS FOR HOUSE BILL NO. 407()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION**

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES COGHILL, James, Scalzi, Dyson

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the certificate of need program; relating to comprehensive health**
2 **planning; and providing for an effective date."**

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

4 *** Section 1. AS 18.07.031(a) is repealed and reenacted to read:**

5 (a) Except as provided in (c) of this section, a person may not, unless
6 authorized under the terms of a certificate of need issued by the department, make an
7 expenditure of

8 (1) any amount for

9 (A) construction of a skilled nursing facility or psychiatric
10 hospital;

11 (B) an increase in the bed capacity of a skilled nursing facility
12 or psychiatric hospital;

13 (C) conversion of a building or part of a building to a skilled
14 nursing facility or psychiatric hospital;

1 (D) conversion of a bed in a health care facility to a psychiatric
2 bed designated for care of a child under 21 years of age;

3 (E) conversion of the existing use of a bed in a health care
4 facility to a new bed use other than new use as a psychiatric bed designated for
5 the care of a child under 21 years of age if the existing use required a
6 certificate of need at the time the use was established and the health care
7 facility is located in the unorganized borough or in an organized borough with
8 a population of less than 55,000 at the time of the proposed conversion,
9 according to the latest reliable data approved by the Department of Community
10 and Economic Development; or

11 (2) \$1,000,000 or more for

12 (A) addition of a category of health services provided by a
13 skilled nursing facility or a psychiatric hospital; or

14 (B) construction of a health care facility other than a skilled
15 nursing facility or psychiatric hospital, alteration of the bed capacity of a health
16 care facility other than a skilled nursing facility or psychiatric hospital, or
17 addition of a category of health services provided by a health care facility other
18 than a skilled nursing facility or psychiatric hospital, if the health care facility
19 is located in the unorganized borough or in an organized borough with a
20 population of less than 55,000 at the time of commencement of activities,
21 according to the latest reliable data approved by the Department of Community
22 and Economic Development.

23 * Sec. 2. AS 18.07.031(c, is amended to read:

24 (c) Notwithstanding (a) of this section, a person who is lawfully authorized to
25 operate [OPERATING] a health care facility [THAT IS AN AMBULATORY
26 SURGICAL FACILITY] at a site may make an expenditure of any amount in order to
27 replace the facility at the same site or relocate the services of that facility to a new
28 site in the same community without obtaining a certificate of need as long as neither
29 the bed capacity nor the number of categories of health services provided at the new
30 site or in the new facility is greater, the percentage of beds designated for each
31 type of use at the new site or in the new facility is not different from the

1 percentage of beds designated for that type of use at the old site or in the previous
2 facility, and no new category of health services is provided at the new site or in
3 the new facility. However, [NOTWITHSTANDING THE EXPENDITURE
4 THRESHOLD IN (a) OF THIS SECTION,] a person may not use the site from which
5 the health care facility relocated for another health care facility unless the person
6 complies with the [AUTHORIZED UNDER A] certificate of need requirements of
7 (a) of this section [ISSUED BY THE DEPARTMENT].

8 * Sec. 3. AS 18.07.035 is amended to read:

9 **Sec. 18.07.035. Application and fees.** Application for a certificate of need
10 shall be made to the department upon a form provided by the department and must
11 contain the information the department requires to reach a decision about whether to
12 issue the certificate of need [UNDER THIS CHAPTER]. Each application for a
13 certificate of need must be accompanied by an application fee established by the
14 department by regulation. The department shall, by regulation, set a time limit by
15 which the department shall determine whether an application submitted under
16 this section is complete and contains all of the information the department
17 requires to reach a decision about whether to issue the certificate of need.

18 * Sec. 4. AS 18.07 is amended by adding new sections to read:

19 **Sec. 18.07.037. Public hearing required.** Except as provided in
20 AS 18.07.071, the department shall hold a public hearing within a reasonable time
21 after determining that an application under AS 18.07.035 is complete. By regulation,
22 the department shall establish

23 (1) a time limit by which a public hearing required under this section
24 shall be held; and

25 (2) procedures for conducting a public hearing held under this section.

26 **Sec. 18.07.039. Time limit for decision on application.** Based on the
27 standards for review under this chapter, the department shall, within 120 days after
28 determining that an application under AS 18.07.035 is complete, approve or deny the
29 application.

30 * Sec. 5. AS 18.07.043 is amended to read:

31 **Sec. 18.07.043. Standard of review for applications for certificates of need**

1 and applications to modify certificates of need [RELATING TO NURSING
2 HOMES AND NURSING HOME BEDS]. (a) The department shall develop
3 review standards for an application for a certificate of need, or for a modification of a
4 certificate of need, issued under this chapter [FOR A HEALTH CARE FACILITY
5 THAT IS A NURSING HOME OR HAS NURSING HOME BEDS].

6 (b) When determining whether to approve an application for a new
7 certificate of need or to modify an existing certificate of need [IN DEVELOPING
8 THE REVIEW STANDARDS UNDER (a) OF THIS SECTION], the department may
9 consider community-specific health information that may be available in a
10 comprehensive health plan prepared by the department under AS 47.05.010(b)
11 and shall consider whether

12 (1) a public process and existing appropriate statewide, regional, and
13 local plans were included in planning and designing the project [ADDITIONAL
14 NURSING HOME BEDS OR THE HEALTH CARE FACILITY];

15 (2) the project will meet [ADDITIONAL NURSING HOME BEDS
16 OR THE HEALTH CARE FACILITY MEETS] minimum required use rates for the
17 proposed services without causing the [NEW NURSING BEDS, AND THE
18 EFFECT ON] use rates for existing providers of the services to fall below minimum
19 required use rates [NURSING HOME BEDS];

20 (3) the project [ADDITIONAL NURSING HOME BEDS OR THE
21 HEALTH CARE FACILITY] demonstrates consideration of the community, regional,
22 and statewide needs [FOR NEW NURSING HOME BEDS];

23 (4) the project [ADDITIONAL NURSING HOME BEDS OR THE
24 HEALTH CARE FACILITY] meets the minimum standards of the department that
25 are designed [NUMBER OF NEW NURSING BEDS THAT SHOULD BE
26 REQUIRED IN A FACILITY] to ensure efficiency and economies of scale;

27 (5) the project [ADDITIONAL NURSING HOME BEDS OR THE
28 HEALTH CARE FACILITY] demonstrates the proposed service will provide a
29 quality of care equivalent to existing community, regional, or statewide services;

30 (6) the project [ADDITIONAL NURSING HOME BEDS OR THE
31 HEALTH CARE FACILITY] demonstrates financial feasibility, including long-term

1 viability, and what the financial effect will be on consumers and the state; and

2 (7) the sponsor has demonstrated cost effectiveness through
3 considering the availability of appropriate, less costly alternatives of providing the
4 services planned.

5 (c) The department shall grant a sponsor a certificate of need or modify a
6 certificate of need [THAT AUTHORIZES NURSING HOME BEDS OR THAT IS
7 FOR A HEALTH CARE FACILITY THAT IS A NURSING HOME] if the
8 department finds that the sponsor meets the standards established in or under this
9 chapter.

10 * Sec. 6. AS 18.07.071(b) is amended to read:

11 (b) The department may grant a sponsor a temporary certificate for the
12 temporary operation of a category of health service if the sponsor shows by affidavit
13 or formal hearing

14 (1) the necessity for early, immediate, or temporary relief; and

15 (2) adverse effect to the public interest by reason of delay occasioned
16 by compliance with the requirements of AS 18.07.043 [AS 18.07.041, 18.07.043,] and
17 application procedures prescribed by regulations under this chapter.

18 * Sec. 7. AS 18.07.071(c) is amended to read:

19 (c) A temporary certificate granted under (b) of this section does not confer
20 vested rights on behalf of the applicant. The department shall impose those special
21 limitations and restrictions concerning duration and right of extension that the
22 department considers appropriate. A temporary certificate may not be granted for a
23 period longer than necessary for the sponsor to obtain review of the action certified by
24 the temporary certificate under AS 18.07.051. Application for a certificate of need
25 that will be reviewed under AS 18.07.043 [AS 18.07.041 OR 18.07.043] must
26 commence within 60 days after [OF] the date of issuance of the temporary certificate.

27 * Sec. 8. AS 18.07.081(c) is amended to read:

28 (c) A certificate of need shall be suspended if an accusation is filed before the
29 commencement of activities authorized under AS 18.07.043 [AS 18.07.041 OR
30 18.07.043] that charges that factors upon which the certificate of need was issued have
31 changed or new factors have been discovered that significantly alter the need for the

1 activity authorized. A suspension of a certificate may not exceed 60 days. At the end
2 of this period or sooner, the department shall revoke or reinstate the certificate.

3 * **Sec. 9.** AS 18.07.081(d) is amended to read:

4 (d) A certificate of need may be revoked if

5 (1) the sponsor has not shown continuing progress toward
6 commencement of the activities authorized under AS 18.07.043 within [AS 18.07.041
7 OR 18.07.043 AFTER] six months after the date of issuance of the certificate;

8 (2) the applicant fails, without good cause, to complete activities
9 authorized by the certificate;

10 (3) the sponsor fails to comply with [THE PROVISIONS OF] this
11 chapter or regulations adopted under this chapter;

12 (4) the sponsor knowingly misrepresents a material fact in obtaining
13 the certificate;

14 (5) the facts charged in an accusation filed under (c) of this section are
15 established; or

16 (6) the sponsor fails to provide services authorized by the terms of the
17 certificate.

18 * **Sec. 10.** AS 18.07.111(2) is amended to read:

19 (2) "certificate" means a certificate of need issued by the department
20 under AS 18.07.043 or 18.07.071 [AS 18.07.041, 18.07.043, OR 18.07.071];

21 * **Sec. 11.** AS 47.05.010 is amended by adding a new subsection to read:

22 (b) The department shall develop a comprehensive health plan for the state.
23 To the maximum extent possible, the department shall compile the plan from
24 information available to the department from its data bases, from the data bases of
25 other agencies, and from local community efforts. The department shall prepare the
26 plan in a manner designed to enable the department to use community-specific health
27 information in the plan to assist the department in evaluating applications for
28 certificates of need submitted under AS 18.07 as well as for other purposes.

29 * **Sec. 12.** AS 18.07.031(b) and 18.07.041 are repealed.

30 * **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 COMPREHENSIVE HEALTH PLAN; DUE DATE. The plan required under
2 AS 47.05.010(b), enacted by sec. 11 of this Act, shall be prepared by the Department of
3 Health and Social Services by January 1, 2003, and a copy of it shall be given by the
4 department to the legislature by that date.

5 * **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 **APPLICABILITY.** AS 18.07, as amended by secs. 1 - 10 and 12 of this Act, applies
8 to applications for certificates of need that are initially filed on or after the effective date of
9 this Act.

10 * **Sec. 15.** This Act takes effect immediately under AS 01.10.070(c).

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

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

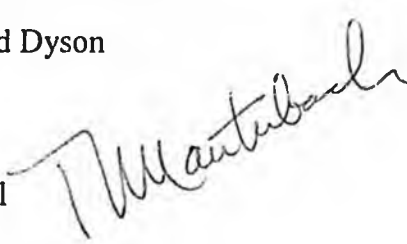
MEMORANDUM

April 11, 2002

SUBJECT: New provisions relating to health planning
(CSHB 407(), draft version "P")

TO: Representative Fred Dyson
Attn: Jason

FROM: Terri Lauterbach
Legislative Counsel



Enclosed is the blank CS you requested.

The material you asked me to add to the "O" version of the bill was a combination of temporary and permanent law. Although the comprehensive plan is, as I understand it, supposed to be prepared only once and a copy of it is due by a certain date, the plan itself has ongoing applicability because it is supposed to be used to help implement the certificate of need program. That is a permanent effect. With the approval of your staff, therefore, I have split the material up so that some of it will appear in the general statutes and some of it will only appear in the temporary laws.

The permanent material is added in the following places: on page 4 just before paragraph (1), and on page 6 as a new section 11.

The temporary material is in new section 13.

If I may be of further assistance, please advise.

TML:med
02-367.med

Enclosure

AMENDMENT #

OFFERED IN THE HOUSE HESS

BY REPRESENTATIVE COGHILL

TO: CSHB 407(HSS)) Version P

1 Page 1, line 1, following **“program;”**:

2 Insert **“relating to comprehensive health planning;”**

3

4 Page 7: Delete lines 1 – 4.

5

6 Page 7, line 1:

7 Insert:

8 **COMPREHENSIVE HEALTH PLAN; LIMITATIONS.** The plan required under
9 AS 47.05.010(b), enacted by sec. 11 of this Act,

10 (1) It is not intended by the legislature to be updated periodically;

11 (2) shall be prepared by the Department of Health and Social Services by
12 January 1, 2003, and a copy of it shall be given by the department to the legislature
13 by that date: and

14 (3) shall be prepared by using staff and other resources of the department that
15 are generally available to perform the duties of the department without an additional
16 appropriation specifically designated for preparation of the plan.”

Attn: T. Carterbach

From Jason Hooley
HHS Committee Aide to Rep Dyson
Rm 106, X 3758

AMENDMENT # 1

OFFERED IN THE HOUSE HESS

BY REPRESENTATIVE COGHILL

TO: CSHB 407(HSS) Version

1 Page 7: Delete lines 1 - 4.

2

3 Page 7, line 1:

4 Insert:

5 COMPREHENSIVE HEALTH PLAN; LIMITATIONS. The plan required under
6 AS 47.05.010(b), enacted by sec. 11 of this Act,

7 (1) It is not intended by the legislature to be updated periodically;

8 (2) shall be prepared by the Department of Health and Social Services by

9 January 1, 2003, and a copy of it shall be given by the department to the legislature

10 by that date: and

11 (3) shall be prepared by using staff and other resources of the department that

12 are generally available to perform the duties of the department without an additional

13 appropriation specifically designated for preparation of the plan or without an additional

14 appropriation to fund indirect impact of existing personnel or resources."

Please add this amendment to Version P ~~and~~ of HB 407
(22-LS1389\9) as a FINAL draft, HES Committee
Substitute. This bill passed yesterday.

Thank you!

A.A. Pain Clinic, Inc.
4100 Lake Otis Pkwy
Suite 216
Anchorage, AK 99508
907-563-2873 phone
907-563-5852 fax

Fax

To: Fred Dyson From: Leon Chandler

Fax: 907-465-4587 Pages: 9

Phone: Date: 4/10/02

Re: HB407 CC:

Urgent
 For Review
 Please Comment
 Please Reply
 Please Recycle

Please review the following information as an addition to my previous testimony.

Thank you for your time and consideration.

April 10, 2002

Fred Dyson
House Bill 407
Legislative Session Contact
State Capitol, Room 104
Juneau, AK 99801-1182

Dear Representative,

I testified by telephone several weeks ago about the certificate of need that is currently before the HESS committee. That testimony should be available to you. I am writing to you to support information I gave during that testimony for information on the health care system for Providence Hospital and their financial situation. Al Parrish testified in our trial, through his deposition on 8/24/00 and under questioning, he testified about several things that were related to the health care system at Providence in Alaska.

At that time, Mr. Parrish was the financial chairman of the Providence board and had access to all financial information for Providence. He had been on the board from 1990 to 1991 up until that date in 2000, when he testified. On pages 19 and 20 of his deposition, reference to Arthur Andersen's auditors report (pages 01613) 1996 earnings of Providence Alaska Health System was \$35,000,454. In 1999, under the strategic plan report, their earnings were \$46,937,000. Projections for earnings in the year 2001 from that same report were \$55 million. Investment of funds returned for them was estimated at 7.9%, according to page 01627. These monies were in reference to the Providence Foundation and all of the monies of the Providence Health Care System, Alaska. In 1994, the Medical Rate Advisory Commission (copy inclosed) stated that Providence had 70% of the patient base in the Anchorage market place during 1994 and at that increased to 80% in the year 1998. This was shown in Exhibit #56 in the court file. Mr. Parrish testified ownership of other medical services in Anchorage, included Providence Extended Care, Mary Conrad Center, Horizon House, Providence Home Health Care System, Alaska Family Residence Program, Providence Behavioral Medical Group Services, Physical Partners, Community Partners, and Kodiak Management System of Providence. The Imaging Center was questioned, but not answered whether it was owned by Providence or not.

In the 1990 the Providence Strategic Plan on page 25, which is (Providence page 1412), talked about Providence saying, "Individual programs have seen declines in market share over the last three years, 1987-1989. Surgery declined 4% to 64%." Mr. Parrish testified that he thought this would mean that 67-68% of the market share was Providence's share during the 1986-87 region.

WESS (SB256-COM) 94=70%

98 = 80%

Department of Health and Social Services
Medical Rate Advisory Commission

Municipality of Anchorage Community Planning and Development Department
Statistics Request for Alaska Regional Hospital and Providence Hospital

FY 1998

FACILITY	ACUTE		B E D S		TOTAL		ADMISSIONS		PATIENT DAYS		TOTAL
	ACUTE	NURSERY	NICU	TOTAL	ACUTE	NURSERY	NICU	ACUTE	NURSERY	NICU	
Alaska Regional	166	33	0	199	4,572	453	406	20,533	1,848	9,507	22,187
Providence	303	24	38	365	18,045	2,403	406	66,986	4,267	9,507	80,760
COMBINED	469	57	38	564	18,617	2,856	406	87,519	5,915	9,507	102,941

FY 1998

FACILITY	OCCUPANCY RATE	AVERAGE STAY
Alaska Regional	30.5%	6.4
Providence	60.6%	4.8
COMBINED	50.0%	4.7

80760
of total
102941

> 70% of total

estimate 55 mil 2001

1998
1999
2000
2001
2002

more or better

1989 - Document - 64%
of the Market Share -
down 4%
So 18 -> was 68%

BASE

Department of Health and Social Services
 Medicaid Rate Advisory Commission

Municipality of Anchorage Community Planning and Development Department
 Statistics Request for Alaska Regional Hospital and Providence Hospital

FF 1997

FACILITY	B E D S			ADMISSIONS			PATIENT DAYS			TOTAL
	ACUTE	NURSERY	MICU	ACUTE	NURSERY	MICU	ACUTE	NURSERY	MICU	
Alaska Regional	153	7	160	4,966	840	0	23,364	1,684	0	25,048
Providence	303	24	365	13,697	2,414	379	64,333	3,924	10,124	78,381
COMBINED	456	31	525	18,663	3,254	379	87,697	5,608	10,124	103,429

78381
 103429

FACILITY	OCCUPANCY RATE	AVERAGE STAY
Providence	58.83	4.8
COMBINED	54.06	4.6

Department of Health and Social Services
 Medicaid Rate Advisory Commission

Municipality of Anchorage Community Planning and Development Department
 Statistics Request for Alaska Regional Hospital and Providence Hospital

FY 1996

FACILITY	B E D S			A D M I S S I O N S			P A T I E N T D A Y S			TOTAL
	ACUTE	NURSERY	HICU	ACUTE	NURSERY	HICU	ACUTE	NURSERY	HICU	
Alaska Regional	153	7	160	5,227	739	0	22,879	1,267	0	24,146
Providence	303	24	365	12,463	2,083	390	61,530	3,238	9,840	74,608
COMBINED	456	31	525	17,690	2,822	390	84,409	4,505	9,840	98,754

*74,608 of
98,754*

FY 1996

FACILITY	OCCUPANCY RATE	AVERAGE STAY
Alaska Regional	41.38	4.0
Providence	56.08	5.0
COMBINED	51.54	4.7

*Alaska Regional
 19,454
 74,608*

MO-96

Department of Health and Social Services
 Medicaid Rate Advisory Commission

Municipality of Anchorage Community Planning and Development Department
 Statistics Request for Alaska Regional Hospital and Providence Hospital

FACILITY	B E D S		ADMISSIONS		PATIENT DAYS		TOTAL
	ACUTE	NURSERY	ACUTE	NURSERY	ACUTE	NURSERY	
Alaska Regional	256	30	5,355	952	23,629	1,401	25,030
Providence	303	24	12,365	2,271	60,866	3,369	64,235
COMBINED	559	54	17,720	3,223	84,495	4,770	89,265

FACILITY	OCCUPANCY RATE	AVERAGE STAY
Alaska Regional	24.0%	4.0
Providence	54.0%	4.8
COMBINED	40.3%	4.6

71,984 / 97,016
 70

Mar55

Department of Health and Social Services
 Medicaid Rate Advisory Commission

Municipality of Anchorage Community Planning and Development Department
 Statistics Request for Alaska Regional Hospital and Providence Hospital

FY 1994

FACILITY	ACUTE		B E D S		ADMISSIONS		PATIENT DAYS		TOTAL
	ACUTE	NURSERY	NURSERY	NICU	ACUTE	NURSERY	ACUTE	NURSERY	
Alaska Regional	238	35	273	0	5,273	2,035	24,507	1,551	26,058
Providence	103	24	162	35	11,816	2,194	58,450	3,610	76,545
TOTAL	541	59	635	35	17,109	3,429	82,957	5,161	96,603

FY 1994

FACILITY	OCCUPANCY RATE	AVERAGE STAY
Alaska Regional	26.2%	4.1
Providence	53.4%	4.6
TOTAL	41.7%	4.6

Handwritten note in a circle: 100 096-5455

Handwritten note in a box: 56 Exhibit

60398

Letter from Leon H. Chandler, Jr., MD
Page two

In the 1990 Strategic plan, It also states on page 27 (Providence page 1414), under the heading of Financial, "Corporate expects Sisters of Providence facilities to earn 5 to 6 net percent, net return of revenue." When Mr. Parrish was asked what the actual revenues were for Providence Health Care Systems, he stated it would be between \$2.5 billion and \$3 billion dollars. Mr. Parrish then testified that the return he felt comfortable with on that amount of revenue had been between 1 and 3% net return on the total between \$2.5 billion and \$3.5 billion, or thereabouts.

On page 33 of the same strategic plan (Providence page 1496), It stated, "The Sisters of Providence System is the largest private provider of health care in Alaska." It goes on to say, on page 34 of the same report (Providence page 1497), "The Task Force recognizes that our size and dominance of Alaska health care causes some to see us in a way that hampers efforts to develop collaborative, trusting relationships with external entities." When Mr. Parrish was asked about this, his response was that his assumption was that the meaning of this paragraph was that Providence was the largest institution or delivery system in Alaska for healthcare in 1992. On that same strategic plan, page 1502, under the heading of Public Relations It says, "The public image, reputation of the Sisters of Providence Facilities in Alaska is good, although there are always some who find fault and feel threatened by our dominance and active stance in the continued development of our facilities and services." Mr. Parrish was asked by attorney if he had information as to whether or not the dominance of Alaska had become greater or less since 1992, and Mr. Parrish felt that he did not know; however, he felt certain that the area administrator, or administrator of the hospital would know that, and those persons were Doug Bruce and Gene O'Hara.

When Mr. Parrish was asked in his deposition, how big a lawsuit settlement would have to be before it would be discussed by the board, under page 49, line 23 and 24, and his response was, "Well, if it had multiple ramifications in other areas, it was a substantial impact to the financial statements, in excess maybe, you know, 3, 4, or 5 million, something like that, it was not covered by insurance in some fashion, the Board would begin to – or our legal department would then begin to advise the Board. I can't tell you specifically what the parameters, what the reporting responsibilities or the matrix is, but there is a matrix that, I think, says, okay, here's what you need to bring it to the Board level."

The next question by the attorney was, "So, unless the exposure was \$3 to \$5 million or so, it wouldn't see the Board's attention?" Answer: "Well, I'd have to look at the matrix. There is a matrix that says, okay, here's what's within the management purview, and anything above that, those thresholds, need to be brought to the Board or the Finance Committee, depending on the competency levels are, in references to the financial issues."

Letter from Leon H. Chandler, Jr., MD
Page three

If there is any question of whether Providence Hospital is making money, it was estimated from this testimony that Providence would make \$55 million above all expenses in the year 2001. Overall, Providence system wide revenues was estimated to be as high as 6% of the gross revenue. The total revenues were estimated by Mr. Parrish to be between 2.5 billion and 3.5 billion systems wide, you can do the math.

This information is for the education of the committee members and is available in public information as a result of the lawsuit I filed against Providence Hospital. The jury verdict was unanimous on all counts. This included the Sherman Antitrust and treble damages were awarded by the court. The judgment is approximately 2 million, which is not high enough to even get to the Board of the Providence Health Care System involved, as stated by Mr. Parrish. This judgement is currently being appealed by Providence.

Thank you very much for your time. If I can be of further assistance with my efforts for this lawsuit and information that has been made available to you, please contact me and I will be happy to discuss this with you at any time.

Sincerely,



Leon H. Chandler, Jr., MD
LHC: tw

HB

407

(File 2)

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

March 11, 2002

Representative John Coghill
State Capitol
Room 102
Juneau, AK 99801-1182

Dear Representative Coghill:

There are a number of bills being considered this legislative session related to amending the current Certificate of Need laws, including SB 256, HB 407 and HB 485.

The challenge of providing optimal access to healthcare in the unique and fragile sole-community hospital towns of Alaska is of great concern to me. I am concerned that lifting the current CON threshold of \$1,000,000 or, worse yet, eliminating the need for a Certificate of Need in communities greater than 55,000 residents, will jeopardize the health of our state's community hospitals.

I think the current CON system is fair and competitive. If a service can prove it is needed in the community, then a CON can be obtained. It doesn't give any preference to one applicant over another – each of the alternate proposals is evaluated and the best one is granted a CON and authorization to proceed.

Although SB 256 looks good on paper, after reviewing the issue I believe it would do more harm than good. Competition in most industries is a good thing, but changing the existing CON policy wouldn't create a positive competitive market in this case. Since the introduction of the new providers into markets is likely to create excess capacity, it is also likely to result in higher prices rather than lower ones. I urge you not to pass SB 256.

Thank you for your consideration of this perspective.

Sincerely,



Randy Stone
PO Box 56474
North Pole, AK 99705
(907) 488-4013

CC: Interior Delegation
Senator Lyda Green, Chair, Senate HESS
Representative Fred Dyson, Chair, House HESS

March 11, 2002

Representative John Davies
State Capitol
Room 415
Juneau, AK 99801-1182

Dear Representative Davies:

It is my understanding that there are several bills being considered which could change the requirements for a Certificate of Need here in the state. I am opposed to these bills as I do not feel they would be a benefit to our community.

The current CON process provides that our community gets only the facilities and services that we need to provide quality health care here in the interior. Should the current threshold of \$1,000,000 be lifted I believe it will allow other parties to cherry pick services we currently have in place and weaken our overall ability to provide the healthcare we need.

I am in favor of a reasonable level of state oversight for the establishment of new programs and services. The current CON process does this well. HB407 would eliminate the need for this in communities with a population base greater than 55,000. Again this would only weaken our health care in the long run.

I would hope that you would support the opposition of HB407, HB485 and SB256 and allow our community to continue to provide the services we need.

Thank you for your consideration of this perspective.

Sincerely,



Murray Johnson

1351 Gilmore Trail
Fairbanks, Alaska 99712

CC: Interior Delegation
Senator Lyda Green, Chair, Senate HESS
Representative Fred Dyson, Chair, House HESS

March 7, 2002

Representative John Davies
State Capitol
Juneau, AK 99801-1182

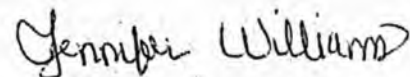
Dear Mr. Davies,

I am writing to tell you I oppose legislation currently under consideration concerning changing the Certificate of Need process. (SB 256, HB 407 and HB 485)

I believe that increasing the CON threshold of \$1,000,000 or eliminating the need for a Certificate of Need in larger communities will seriously place our community and our community hospital at risk.

Our community is fortunate to have a Cancer Treatment Center and an adequate inpatient mental health facility because the hospital was able to provide these services. It is well known they do not pay for themselves and must be subsidized by the hospital. Without a viable, non-profit hospital the needs of the community will not be met. If you make it easy for profit seekers to take away the viable services of the hospital, our community will most definitely suffer.

Sincerely,



Mrs. Jennifer Williams
2652 Doc John Drive
Fairbanks, Ak. 99709

Copies to:

Senator Lyda Green, Chair, Senate HESS
Representative Fred Dyson, Chair, House HESS

March 25, 2002

Jennifer House
1951 Gilmore Trail
Fairbanks, Ak 99712

Representative John Coghill
State Capitol, Room 102
Juneau, Alaska 99801

Dear Representative Coghill:

I am writing to express my concerns and opposition to HB 407 and any other legislation proposed to change or diminish the effectiveness of our Certificate of Need laws.

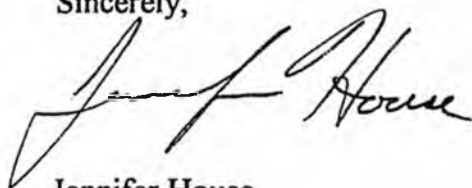
I believe you have introduced this legislation with the best of intentions – specifically, you believe that by eliminating CON requirements, competition will be increased and the consumer will benefit. But the reality is that healthcare, unlike retail industries, is not a consumer driven market. Consumers of healthcare services are relatively uninformed and they don't control the type and amount of services consumed – physicians control the consumption of these services. Eliminating CON laws will open the floodgates for specialty providers to carve out and provide profit rich services that are already being provided in the community. Allowing this redundancy of services will increase the cost of healthcare for all consumers. In particular, you need to consider the severe nursing shortage that healthcare providers are currently contending with. Adding unnecessary providers, which will increase the demand for a shrinking supply of nurses, will only serve to intensify this crisis and significantly increase the cost of recruiting and retaining nurses.

Here in Fairbanks we are fortunate to have our community hospital structure, in which all residents of Fairbanks can participate. We have a hospital that provides a wide array of services developed in response to need and within financial constraints. As a result, our community has inpatient mental health services and public inebriant programs, even though these services are not profitable. Eliminating CON laws weakens our community hospital system and ensures that consumers will have even less influence over healthcare in the future.

I would strongly urge you consider the long lasting implications of this proposed legislation. Instead of pushing this legislation through with limited information- I would ask that you defer this action and instead invest some time familiarizing yourself with the uniqueness of healthcare economics. I believe returning to Fairbanks and holding public hearings with your constituents would provide you some insight as to what is truly in the best interest of the community that you represent.

Thank you for taking the time to consider my concerns.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer House". The signature is written in black ink and is positioned above the printed name.

Jennifer House

Cc:

Senator Pete Kelly
Senator Gary Wilken
Senator Gene Therriault
Representative John Davies
Representative Jim Whitaker
Representative Hugh Fate
Representative Jeanette James
Representative Joe Hayes
Representative Fred Dyson, Chairman of House HESS

March 25, 2002

Representative John Coghill
State Capitol, Room 102
Juneau, AK 99801

Dear Representative Coghill:

Certain aspects of HB 407 may have merit and should be considered by our local legislators and community. I urge you to table this legislation until review by Fairbanks and other effected communities, so that accomplished and sound decisions can be made.

Sincerely,

David McNary ^{mma}

David McNary
PO Box 10088
Fairbanks, AK 99710
907-457-2737

Cc: Senator Pete Kelly
Senator Gary Wilken
Senator Gene Therriault
Representative John Davies
Representative Jim Whitaker
Representative Hugh Fate
Representative Jeanette James
Representative Joe Hayes
Representative Fred Dyson, Chairman House HESS

March 25, 2002

Representative John Coghill
State Capitol, Room 102
Juneau, AK 99801

Dear Representative Coghill:

The legislation set forth in HB 407 will eventually destroy the ability to provide the level of health care that Fairbanks Memorial Hospital now provides to the Fairbanks Community.

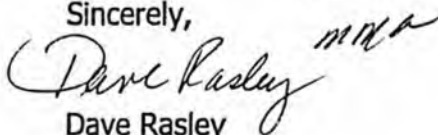
Programs such as mental health, Denali Nursing Center and many other services that Fairbanks Community Hospital now provides will not be provided because the real money producing services will have been cherry picked from the hospital by those who are only interested in making more money at the expense of the Fairbanks Community.

You do not see any of those people who want to change the CON language, as it is now, wanting to open a mental health clinic or a long term nursing facility because they know it does not make a profit.

The real issue is more profit in some ones bank account as opposed to the overall health care for the Fairbanks Community.

I sincerely wish you to not tamper with the CON language as it is now written.

Sincerely,


Dave Rasley

Cc: Senator Pete Kelly
Senator Gary Wilken
Senator Gene Therriault
Representative John Davies
Representative Jim Whitaker
Representative Hugh Fate
Representative Jeanette James
Representative Joe Hayes
~~Representative Fred Dyson, Chairman House HESS~~

MARCH 25, 2002

REPRESENTATIVE JOHN COGHILL
STATE CAPITOL, Room 102
JUNEAU, AK 99801
PHONE 907-465-3719
FAX 907-465-3258

DEAR REPRESENTATIVE COGHILL,

I HAVE GRAVE CONCERNS ABOUT YOUR BILL (HB 407) CONCERNING THE CON LAW. HB 407 WILL HAVE A DETRIMENTAL EFFECT ON THE HEALTHCARE SYSTEM IN FAIRBANKS AND I AM NOT SURE THAT YOU REALLY UNDERSTAND WHY THIS MIGHT BE.

HEALTHCARE IS NOT LIKE SELLING GASOLINE, THERE COMPETITION MIGHT BRING PRICES DOWN. IN HEALTHCARE SOME PROCEDURES OR SERVICES SUPPORT THE MANY ITEMS THAT DON'T PAY BUT MUST NEVERTHELESS BE PROVIDED. IF THOSE PAYING PROCEDURES ARE "CHERRY PICKED", WHO PAYS FOR THOSE LESS LUCRATIVE SERVICES, THE SERVICES MUST STILL BE PROVIDED AND THE HOSPITAL WILL STILL HAVE TO DO THEM.

FAIRBANKS MEMORIAL HOSPITAL HAS BEEN SUPPORTED BY THE COMMUNITY SINCE INCEPTION, IT HAS BEEN A GOOD STEWARD OF THAT SUPPORT, ITS AVERAGE CHARGES ARE LESS THAN ANYWHERE IN THE STATE AND ITS AMBULATORY SURGERY RATES ARE GENERALLY LESS THAN THOSE IN ANCHORAGE WHERE MORE COMPETITION EXISTS. IF COMPETITION WORKED IN HEALTHCARE THEY SHOULD BE LESS. IT DOESN'T WORK

WHY DO YOU WANT TO CUT THE LEGS OFF OF A GREAT COMMUNITY PROVIDER?

SINCERELY

JON WINDQUIST
752 POWELL BLVD
FAIRBANKS, AK 99712



907-457-2203

cc: Interior Delegation
Rep. Fred Dyson

MARCH 25, 2002

REPRESENTATIVE JOHN COGHILL
STATE CAPITOL, ROOM 102
JUNEAU, AK 99801

DEAR REPRESENTATIVE COGHILL:

WITH REGARD TO THE PROPOSED CHANGES
TO THE CERTIFICATE OF NEEDS REQUIREMENTS
AS PROPOSED BY S.B. 256 AND H.B. 407 -

I DISAGREE STRONGLY WITH THESE BILLS.
THE CHANGES PROPOSED, IF PASSED, WILL DESTROY
OUR FAIRBANKS COMMUNITY HOSPITAL.


OUR LOCAL FOUNDATION BOARD BELIEVES
THAT OVER THE LAST 30 YEARS WE HAVE BEEN
ABLE TO PROVIDE ADEQUATE SERVICES IN HEALTH
CARE FOR THIS COMMUNITY. THE SERVICES,
PROVIDED IN OUR HOSPITAL ARE NOT ONLY ADEQUATE,
BUT AT LOWEST COST IN THE STATE.

TO ALLOW OTHERS TO COME INTO OUR TOWN
AND "CHERRY-PICK" SERVICES FROM THIS FACILITY
IS JUST PLAIN WRONG.

I WOULD ENCOURAGE YOU AND THE OTHER
MEMBERS OF THE FAIRBANKS DELEGATION TO DO
ALL IN YOUR POWER TO KILL THESE BILLS.

WE ON THE FAIRBANKS HOSPITAL FOUNDATION
BOARD APPRECIATE ALL YOU DO FOR THIS AREA,
PLEASE DON'T LET US DOWN IN THIS EFFORT.

THANK YOU,



S.C. "STEVE" STEPHENS
FOUNDATION BOARD PRES.

cc: FBX DELEGATION

FRED DYSON

CHMN. HOUSE HESS

March 25, 2002

Representative John Coghill
State Capitol, Rm 102
Juneau, Ak 99801

Dear Representative Coghill:

This is to express strong opposition to HB 407. The proposed legislation to change to CON is bad for health care in Fairbanks. Be very clear that this is all about some individuals who want to make large profits. It has nothing to do with providing choice or better quality of care.

Fairbanks Memorial Hospital is a community hospital. It is charged with the responsibility to provide quality care to patients regardless of how well these services are reimbursed. If entrepreneurial physicians and clinics are allowed to construct outpatient surgical and imaging centers they will siphon off those services that help the hospital provide services that are poorly reimbursed. You don't see these groups standing in line to provide mental health services and home medical equipment.

The Public has not had adequate opportunity to hear both sides of this issue and realize how it might impact them. Don't hide behind the competition is good for business argument that has no relevance here. Bring this issue home to Fairbanks, provide an open discussion and let the hard questions be asked.

Eric C. Hatten
992 Willow Grove Rd.
Fairbanks, Alaska 99712
907-457-3925

CC Senters Pele Kelly
Gary Wilken
Jana Therrault
Representatives John Daines
Jim Whitaker
Hugh Fale
Jeanette Lane
Joe Hayes
Fred Dixon

March 25, 2002

Representative John Coghill
State Capitol, Room 102
Juneau, AK 99801
Phone: 907-465-3719
Fax: 907-465-3258

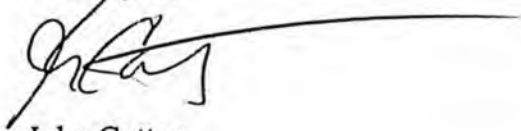
Dear Representative Coghill,

I am writing you with my concerns on the proposed SM256 an HB407. I do not believe that either bill serves the needs of the Fairbanks community.

Fairbanks Memorial Hospital serves the community efficiently and professionally and does so in a cost effective manner. By allowing business to remove services from the hospital, the financial base of the hospital is threatened. Doing away with CON will significantly increase healthcare costs. Weakening the CON law will lead to excess capacity and higher overall prices, even if prices decrease in a few sub-markets.

When other hospitals in the lower 48 changed their CON, they found themselves facing shortages in specialized staff. These staff shortages are directly related to a decrease in healthcare quality. Currently there is a national shortage of many hospital professions, allowing a change in the CON law will severely aggravate this situation.

Thank you,



John Cotter
794 Quasar Dr.
Fairbanks, AK 99712
(907)457-1562

CC: Senator Pete Kelly
Senator Gary Wilken
Senator Gene Therriault
Representative John Davies
Representative Jim Whitaker
Representative Hugh Fate
Representative Jeanette James
Representative Joe Hayes
Representative Fred Dyson, Chairman House HESS

Judy Bogard
652 Goldstreak
Fairbanks, AK 99712
907-479-4808

March 25, 2002

Representative John Coghill
State Capitol, Room 102
Juneau, AK 99801

Dear Representative Coghill:

I'm writing you today regarding the Certificate of Need program and SB 256 and HB 407. The current CON program has served Alaska well, and particularly Fairbanks. Over the past six years, several building projects at Fairbanks Memorial Hospital have been reviewed through the CON process. This has produced an assurance of the soundness of the business plan and the need for the particular services in our community. The scrutiny of the CON program is a community's assurance that services and buildings will not just be put into business if a true need does not exist.

In a community such as Fairbanks the current changes being considered to the CON program would be devastating. Our hospital, Fairbanks Memorial provides many services which do not pay for themselves due to current reimbursement, such as mental health, home health care and long term care. These services are provided because the hospital board and administration believe it is the right thing to do for our community members. These services are supported by the more profitable services also provided by the hospital, such as imaging, specific outpatient surgeries and pharmacy. If the hospital were to lose some of its more profitable services because an individual opened a surgicenter in Fairbanks and "cherry picked" these services, then the hospital would not be able to make mental health, home care, long term care available in our community. This means no one would be providing these services and the community would suffer.

I am asking that no changes be made to the CON process, SB256 and HB 407 need to be stopped. The present CON process is serving Alaska well and has a sound track record of working effectively. As a Fairbanks resident, my concern on this issue is paramount. I will be contacting your office today to speak with you, as I cannot stand by and allow legislature to move forward on bill, which would be so harmful to my community.

Sincerely,



Judy Bogard

Cc: Senator Pete Kelly
Senator Gary Wilken
Senator Gene Therriault
Representative John Davies
Representative Jim Whitaker
Representative Hugh Fate
Representative Jeanette James
Representative Joe Hayes
Representative Fred Dyson, Chairman House HESS

March 7, 2002

Representative John Coghill
State Capitol
Room 102
Juneau, AK 99807-1182

Dear Representative Coghill,

This letter is in regards to bills are SB 256, HB 407 and HB 485.

If the Certificate of Need laws are relaxed, the community healthcare programs will be streamlined. If this happens it would become very difficult to find a facility willing to operate the needed, yet non-revenue generating, programs. I am specifically concerned about the high rate of alcoholism in Fairbanks. Who would be willing to pick up the tab for this care if everyone is looking to make a profit? There is certainly no profit to be made there.

I urge you to strengthen the existing Certificate of Need laws by opposing SB 256.

Thank you for your consideration.

Sincerely,

Melanie Fretwell, RD

Melanie Fretwell, RD
1305 B Bastogne Ct.
Ft. Wainwright, Alaska 99703

CC: Interior Delegation
Senator Lyda Green, Chair, Senate HESS
Representative Fred Dyson, Chair House HESS

March 7, 2002

Representative John Davies
State Capitol
Room 415
Juneau, AK 99801-1182

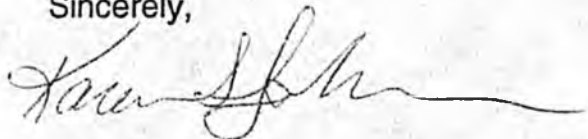
Dear Representative Davies:

There are several bills being considered this legislative session related to amending the current Certificate of Need laws, including SB 256, HB 407, and HB 485.

If the CON policy is changed and other facilities are opened, how will a patient decide where he or she will be treated? In health care, I can't really choose what to buy and what not to buy. I listen to my physician's advice. If this physician can come by some personal gain by sending me to a facility that may not provide me the best quality of care, the consequences could be very serious.

I ask that you take my perspective under serious consideration.

Sincerely,



Karen Johnson
P.O. Box 60416
Fairbanks, AK 99706

CC: Interior Delegation
Senator Lyda Green, Chair, Senate HESS
Representative Fred Dyson, Chair, House HESS

March 7, 2002

Representative Hugh Tate
State Capitol
Room 416
Juneau, AK 99801

Dear Representative Tate,

Please consider, at minimum, maintaining our existing Certificate of Need laws. Certificates of Need guarantee that unnecessary facilities are not built. This does not mean that providers are not allowed to provide services they can show are needed. Please continue to require that all providers interested in offering substantial health services demonstrate that a real need exists in our community before any new service is introduced. Please oppose SB 256.

Thank you for your consideration.

Sincerely,

Molly A. Owen-Palmer
515 Panovana Dr.
Fairbanks, AK 99712
456-8557

cc: Interior Delegation
Senator Lyda Green
Chair, Senate HESS
Representative Fred Dyson
Chair, House HESS

March 8, 2002

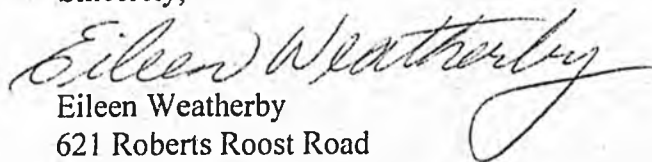
Representative Gene Therriault
State Capitol
Room 121
Juneau, AK 99801

Dear Representative Therriault:

I am concerned about the bills being considered this legislative session that relate to the current Certificate of Need laws. Although I'm a fierce advocate of competition in its purest form, raising the CON threshold merely allows specialty service providers to selectively pick the more lucrative cases. This leaves community hospitals bearing the burden of providing care for the indigent and infirm without the ability to offset those expenses. This isn't competition—this is elitism. Please don't let this happen in our community.

Thank you for your consideration in this matter.

Sincerely,



Eileen Weatherby
621 Roberts Roost Road
Fairbanks, AK 99712
907-488-9741

CC: Interior Delegation
Senator Lyda Green, Chair, Senate HESS
Representative Fred Dyson, Chair, House HESS