

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 00 / 2

10556 SENATE HEALTH EDUCATION & SOCIAL SERVICES

# Introduction



- A review process since 1976
- For Capital projects
- Applicants must show need
- Most projects approved, but extensive costs avoided
- 74% of States have CON
- States without CON regulate health care development by other processes
- State to state variation based on local factors

# The Need for the Program

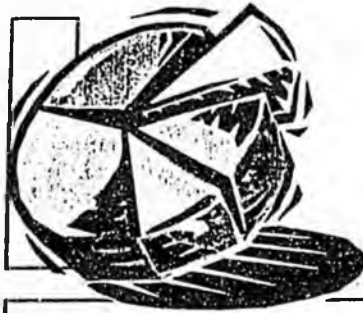


## ■ Development Perspectives -

- ◆ There is a need for regionalization of services to ensure quality care and cost effectiveness
- ◆ There is a need for public involvement

## ■ Payment Perspective -

- ◆ Medicaid pays 86% of Long-Term Care & about 20% of Acute Care costs
- ◆ Total Medicaid expenditures in 2000 = \$467.4 million
- ◆ Hospitals & Nursing Homes = \$148.5 million;  
25% Acute Hospital; 11% LTC; 10% Inpatient Psych
- ◆ Hospital & Nursing Home costs increased 38% since 92



# Certificate of Need Goals

- Improved Decision Making/Regionalization
- Increases Choice/Considers Alternatives
- Stretches Limited Resources
- Decreases Duplication
- Ensures Public Process
- Promotes Quality
- Cost Containment
- Promotes Program Stability
- Promotes Balance/Continuum of Care





# CON Program History

- Hill/Burton, 1122 Rev.
- 1976 (PL 93-641 - Health Planning & Resource Development Act, 1974)
- 1983 - \$1M Threshold; Last Health Plan
- 1988 - HSAs Close; Planning Reduced
- 1990 - Routine Replacement Clause
- 1995 - Conversion of Assisted Living Beds
- 1996 - Moratorium on New Nursing Beds
- 1996 - Internet Page
- 1998 - Electronic Notification
- 1998 - CN Education
- 1999-2000 - Law & Regulations Changes



## Changes in CON Law - 1999

- All LTC bed conversions must submit a CON application, regardless of the cost
- New LTC review standards include:
  - Consideration of alternatives such as Assisted Living
  - Minimum use rates
  - Minimum number of beds
  - Financial feasibility, and
  - The financial effect on consumers and the State
- 2000 – Ambulatory Surgery allowed to move without a CON



# The Application Process

## ■ Who must Apply?

- ▶ \$1 Million Cost
- ▶ Health Care Facility
- ▶ All LTC Conversions

## ■ How to Apply:

- ▶ Letter of Intent
- ▶ 60-Day Wait
- ▶ Pre-Application Conference
- ▶ Application Packet



# The Review Process

## ➤ Review & Analysis

- Site Visit
- Criteria & Standards
- Findings & Recommendations
- Criteria & Standards



## ➤ Public Process

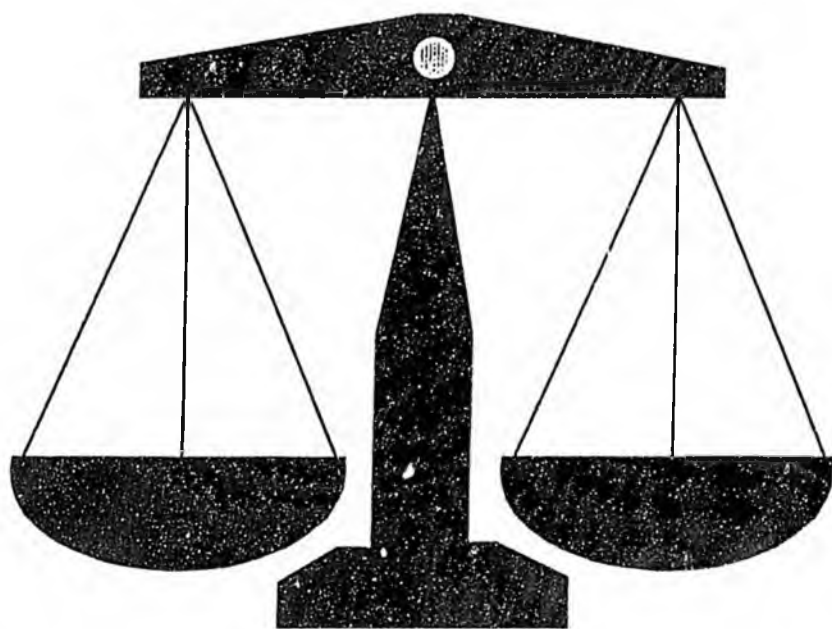
## ➤ Commissioner's Decision

# THE PUBLIC PROCESS



- **30-day written comment Period**
- **Public Meeting**
- **Notification of interested individuals**
- **Notice published in two consecutive issues of one statewide & one local newspaper**

# APPEAL

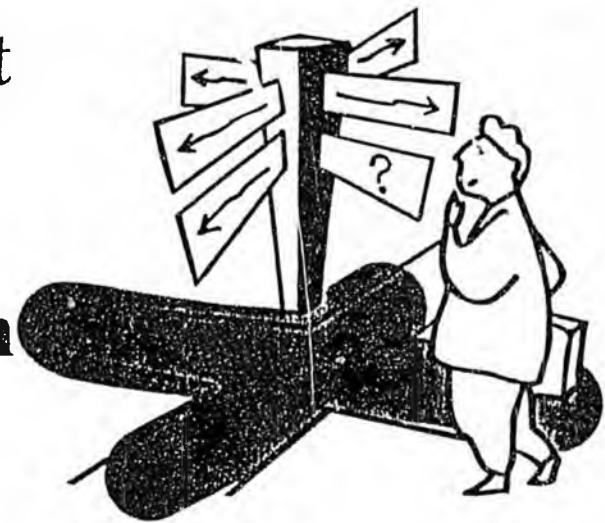


- **Must be written & submitted within 30 days after notice**
- **Must be sent to the Commissioner**
- **Levels of Appeal: hearing, legal case**
- **Solution attempted at lowest level**



# Effectiveness of the Program

- CN is one of many tools for effective system development
- Since Program Inception, Over 500 additional beds prevented over \$75 million in construction costs avoided, plus millions in operating costs.
- Some facilities developed better systems.
- Increased choice/balance in system.



# Applications Under Review/Expected

■ Sitka 5 Nursing Home Beds	■ \$25,000
■ Ketchikan MRI Scanner	■ \$1 Million
■ Providence 60-bed child/adolescent psych facility	■ \$21 Million
■ Valdez Hospital Replacement	■ \$24 Million
■ Providence N. Tower CON Modification	■ \$ 6 Million
■ Expected 2001-2002:	■ \$42 Million
- API Replacement	■ \$ 1 Million
- Fairbanks Kidney Dialysis	■ \$ 4 Million
- Maniilaq 15-bed LTC Unit	■ Unkown
- Wesley Rehab & Care Unit	



# STATE HEALTH FACTS *Online*

<http://statehealthfa>  
Your source for state he

## Health Care Employment as Percent of Total Employment, 1999



## Health Care Employment as Percent of Total Employment, 1999

Sort by: Rank

Health Care Employment as Percent of Total Employment, 1999		
Rank	State	%
	United States	6.9
1	District of Columbia	14.1
2	Rhode Island	9.2
3	Massachusetts	8.8

3	North Dakota	8.8
5	New York	8.5
5	West Virginia	8.5
7	Pennsylvania	8.0
8	Connecticut	7.9
8	South Dakota	7.9
10	Louisiana	7.8
10	Maine	7.8
10	Minnesota	7.8
10	Nebraska	7.8
10	Ohio	7.8
15	Missouri	7.6
16	Arkansas	7.4
17	Kentucky	7.3
17	Maryland	7.3
19	Iowa	7.1
19	New Jersey	7.1
21	Tennessee	7.0
21	Wisconsin	7.0
23	Delaware	6.9
23	Florida	6.9
23	Indiana	6.9
23	North Carolina	6.9
23	Oklahoma	6.9
28	Kansas	6.8
28	Michigan	6.8
28	Mississippi	6.8
31	Alabama	6.7
31	Illinois	6.7
31	Texas	6.7
34	Hawaii	6.5
34	Montana	6.5
36	Utah	6.4
37	Arizona	6.2
37	New Hampshire	6.2
39	Idaho	6.0
40	Vermont	5.9
41	New Mexico	5.8
41	South Carolina	5.8
41	Wyoming	5.8
44	California	5.7
44	Oregon	5.7
44	Washington	5.7
47	Georgia	5.6
47	Virginia	5.6
49	Colorado	5.5
50	Nevada	5.0
51	Alaska	4.9
NR	Guam	NA
NR	Puerto Rico	NA
NR	Virgin Islands	NA
NR	Residence Unknown	NA

**Notes:** Health care employment includes the following occupations from the Bureau of Labor Statistics' Standard Occupational Classification System: Medical and Health Services Managers (11-9111), Healthcare Practitioners and Technical Occupations (29-0000), and Healthcare Support Occupations (31-0000).

**Sources:** Health care employment from Bureau of Labor Statistics, State Occupational Employment and Wage Estimates at <http://stats.bls.gov/oeshome.htm> .  
Total employment from Bureau of Labor Statistics, State and Regional Unemployment, 2000 Annual Averages, at <ftp://ftp.bls.gov/pub/news.release/srgune.txt> .



**State Health Facts Online - <http://statehealthfacts.kff.org>**  
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# STATE HEALTH FACTS *Online*

<http://statehealthfacts.org>  
Your source for state health facts

## Rate of Nonfederal Physicians per 100,000 Civilian Population, 1999



- Less than 225
- 225 to 255
- 256 to 282
- More than 282
- No data available/NSD

## Rate of Nonfederal Physicians per 100,000 Civilian Population, 1999

Sort by: Rank

Rate of Nonfederal Physicians per 100,000 Civilian Population, 1999		
Rank	State	#
	United States	285
1	District of Columbia	811
2	Massachusetts	454
3	New York	423

4	Maryland	413
5	Connecticut	397
6	Rhode Island	372
7	Vermont	362
8	New Jersey	327
9	Pennsylvania	321
10	Hawaii	306
11	Florida	290
12	Illinois	287
13	Minnesota	282
14	California	280
15	Colorado	274
16	New Hampshire	273
17	Washington	272
18	Louisiana	270
19	Tennessee	269
19	Virginia	269
21	Maine	268
22	Oregon	266
23	Delaware	264
24	North Carolina	262
25	Ohio	261
26	Wisconsin	256
27	Missouri	250
28	Michigan	249
29	Nebraska	247
30	North Dakota	246
31	New Mexico	243
32	Arizona	240
33	West Virginia	239
34	South Carolina	234
35	Kansas	232
35	Kentucky	232
37	Georgia	230
38	Montana	228
39	Utah	225
40	Texas	222
41	Indiana	219
42	Alabama	217
43	Arkansas	214
44	South Dakota	211
45	Iowa	200
46	Nevada	199
47	Wyoming	198
48	Oklahoma	187
49	Alaska	186
50	Mississippi	180
51	Idaho	179
NR	Guam	NA
NR	Puerto Rico	NA
NR	Virgin Islands	NA
NR	Residence Unknown	NA

**Notes:** Nonfederal physicians are employed in the private sector of the US physician population. They represent 98% of total physicians.  
The US total excludes physicians and population in the possessions.

**Sources:** Physician Characteristics and Distribution in the US, 2001-2002 Edition, American Medical Association, copyright 2001, Table 5.20, p. 348.



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# STATE HEALTH FACTS *Online*

<http://statehealthfacts.org>  
Your source for state health facts

## Hospital Beds per 1,000 Population, 1999



- Less than 2.4
- 2.4 to 2.9
- 3.0 to 3.8
- More than 3.8
- No data available/NSD

## Hospital Beds per 1,000 Population, 1999

Sort by: Rank

Hospital Beds per 1,000 Population, 1999		
Rank	State	#
	United States	3.0
1	District of Columbia	6.9
2	North Dakota	6.4
3	South Dakota	6.2
4	Montana	5.2
5	Nebraska	5.0
6	Mississippi	4.8
7	West Virginia	4.6
8	Kansas	4.5
9	Iowa	4.2
10	Arkansas	4.0
11	Kentucky	3.9
11	Louisiana	3.9
13	Wyoming	3.8
14	Alabama	3.7
14	Missouri	3.7
14	New York	3.7
14	Pennsylvania	3.7
14	Tennessee	3.7
19	Minnesota	3.4
19	Oklahoma	3.4
21	Florida	3.3
21	Indiana	3.3
23	Georgia	3.2
24	Illinois	3.1
24	North Carolina	3.1
26	New Jersey	3.0
26	Ohio	3.0
26	South Carolina	3.0
29	Maine	2.9
29	Wisconsin	2.9
31	Idaho	2.8
31	Texas	2.8
31	Vermont	2.8
34	Delaware	2.6
34	Massachusetts	2.6
34	Michigan	2.6
37	Virginia	2.5
38	Connecticut	2.4
38	Hawaii	2.4
38	New Hampshire	2.4
38	Rhode Island	2.4
42	Maryland	2.3
43	Arizona	2.2
43	California	2.2
43	Colorado	2.2
46	Alaska	2.0
46	Washington	2.0
48	Nevada	1.9
48	New Mexico	1.9
48	Oregon	1.9
48	Utah	1.9
NR	Guam	NA
NR	Puerto Rico	NA
NR	Virgin Islands	NA
NR	Residence Unknown	NA

**Sources:** 1999 AHA Annual Survey, Copyright 2001 by Health Forum LLC, an affiliate of the American Hospital Association.  
Link to Health Forum: <http://www.aha.org> .



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**State of Alaska**  
**Certificate of Need**  
**Application Packet**



**Tony Knowles**  
**Governor**

**Jay Livey**  
**Commissioner**

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## STATE OF ALASKA

### Application Form for CERTIFICATE OF NEED

#### INSTRUCTIONS

This packet includes forms for your use in preparing a Certificate of Need (CON) application. Excerpts from Alaska's statutes and regulations that relate to Certificate of Need are also included for your information. The statutes and regulations cover which projects are subject to Certificate of Need and detail the CON application process. Also included is a regulation limiting certain Medicaid rates to the amounts stated in the CON application. Please review these instructions, the forms, and the statutes and regulations carefully before preparing your application.

- Please type all of your responses. Number responses to correspond to the questions.
- Answer all of the questions that apply to your proposed project. Indicate when and why an item of requested information does not apply.
- Please attach and identify any schedules or continuation sheets necessary to complete sections of the form.
- The criteria that are on the page following these instructions will be used in the review of your application. You will note that the requested application information closely follows these criteria. Well written, complete answers will facilitate review of your application.
- Please list the sources of any factual data or information included in your application (e.g. population projections). If the sources are not commonly available, providing a copy of the source information in an appendix will help the reviewers. The reviewers may request copies of sources (articles, statistics, population tables, etc.) if they are not provided.
- Please assure that information, numbers, etc. that are presented more than once in the application match each other. A final overall review of the application before submittal should reveal inconsistencies, if any.
- If this is an application for modification of an existing Certificate of Need project (7 AAC 07.095), contact the State Health Planning and Development Agency to determine the extent of information necessary in the application. This will depend on the nature and amount of variance from the approved project. An application for modification uses the cover sheet found later in this package with the regular application forms attached as necessary.

• Please submit eight copies of your application to the State Health Planning and Development Agency at the address listed below. One copy must have an original signature on the Certification of Accuracy. In addition, retain one copy of the application for public inspection at the applicant's place of business; the availability of this copy will be announced in public notices after the application is declared complete.

Within 20 days after receipt of your application, we will advise you if the application is complete, or request additional information. Technical assistance and additional information may be obtained from the state agency.

State Health Planning And Development Agency  
Planning Section  
Division of Administrative Services  
Department of Health and Social Services  
P. O. Box 110650  
Juneau, Alaska 99811-0650  
(907) 465-3015

## Certificate of Need Review Criteria

- (1) The relationship of the health services being reviewed to the applicable health systems plan and annual implementation plan adopted pursuant to section 1513(b) (2) and (3), respectively, of the Act.
- (2) The relationship of services reviewed to the long-range development plan (if any) of the person providing or proposing such services.
- (3) (i) The need that the population served or to be served has for the services proposed to be offered or expanded, and the extent to which low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups are likely to have access to those services.  
  
(ii) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the need that the population that is presently served has for the service, the extent to which that need will be met adequately by the proposed relocation or by alternative arrangement, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups to obtain needed health care.
- (4) The availability of less costly or more effective alternative methods of providing the services to be offered, expanded, reduced, relocated or eliminated.
- (5) The immediate and long-term financial feasibility of the proposal, as well as the probable impact of the proposal on the costs of and charges for providing health services by the person proposing the new institutional health services.
- (6) The relationship of the services proposed to be provided to the existing health care system of the area in which such services are proposed to be provided.
- (7) The availability of resources (including health manpower, management personnel, and funds for capital and operating needs) for the provision of the services proposed to be provided and the availability of alternative uses of such resources for the provision of other health services.
- (8) The relationship, including the organizational relationship, of the health services proposed to be provided to ancillary or support services.
- (9) Special needs and circumstances of those entities which provide a substantial portion of their services or resources or both, to individuals not residing in the health service areas in which the entities are located or in adjacent health services areas. Such entities may include medical and other health professional schools, multidisciplinary clinics and specialty centers.

- (10) The special needs and circumstances of Health Maintenance Organizations for which assistance may be provided under Title XIII of the Social Security Act. Such needs and circumstances shall be limited to:
- (i) The needs of enrolled members and reasonably anticipated new members of the HMO or proposed HMO for the new institutional health services proposed to be provided by the organization.
  - (ii) The availability of the new health services from non-HMO providers or other HMO's in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO or proposed HMO. In assessing the availability of these health services from these providers, the agency shall consider only whether the services from these providers:
    - (A) Would be available under a contract of at least five years duration;
    - (B) Would be available and conveniently accessible through physicians and other health professionals associated with the HMO (For example - whether physicians associated with the HMO have or will have full staff privileges at a non-HMO hospital);
    - (C) Would cost no more than if the services were provided by the HMO or proposed HMO; and
    - (D) Would be available in a manner which is administratively feasible to the HMO or proposed HMO.
  - (iii) Any other factors that the State Agency may propose and the Secretary may, in accordance with paragraph (c) of this section, find to be consistent with the purpose of Title XIII of the Act.
- (11) The special needs and circumstances of biometrical and behavioral research projects which are designed to meet a national need and for which local conditions offer special advantages.
- (12) In the case of a construction project -
- (i) The costs and methods of the proposed construction, including the costs and methods of energy provision, and
  - (ii) The probable impact of the construction project reviewed on the costs of providing health services by the person proposing such construction project.
- (13) The contribution of the proposed new institutional health service in meeting the health related needs of members of medically underserved groups which have traditionally experienced difficulties in obtaining equal access to health services (for example, low income persons, racial and ethnic minorities, women, and handicapped persons), particularly those needs identified in the applicable health systems plan and annual implementation plan as deserving of priority.
- (14) The special circumstances of health care facilities and HMO's with respect to the need for conserving energy.

STATE OF ALASKA  
CERTIFICATE OF NEED APPLICATION FORM

**SECTION I: GENERAL APPLICANT INFORMATION**

Facility Name \_\_\_\_\_  
Street Address \_\_\_\_\_  
City, State \_\_\_\_\_ Zip \_\_\_\_\_  
Applicant Name \_\_\_\_\_  
Applicant Address (if different) \_\_\_\_\_  
\_\_\_\_\_  
Facility Administrator \_\_\_\_\_ Phone \_\_\_\_\_  
Medicaid Provider # \_\_\_\_\_ Medicare Provider # \_\_\_\_\_

**PERSON AUTHORIZED TO ANSWER QUESTIONS, ACT  
AND RECEIVE SERVICE ON BEHALF OF THE APPLICANT  
(if other than the facility administrator)**

Name \_\_\_\_\_ Phone \_\_\_\_\_  
Title \_\_\_\_\_ Firm \_\_\_\_\_  
Address \_\_\_\_\_  
City, State \_\_\_\_\_ Zip \_\_\_\_\_

**CERTIFICATION OF ACCURACY**

I certify that the information contained in this application, including all documents which form a part of it, is true, to the best of my knowledge and belief.

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Signature \_\_\_\_\_ Date \_\_\_\_\_

Name & Address of Facility Owner \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Facility Owner Type

<input type="checkbox"/> For profit: individual	<input type="checkbox"/> Not for Profit: government
<input type="checkbox"/> For profit: partnership	<input type="checkbox"/> Not for profit: corporation
<input type="checkbox"/> For profit: corporation	<input type="checkbox"/> Other: _____

Name & Address of Organization Which Operates the Facility (if different from above):  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

In an attachment to this page, please provide the following information:  
For individual owners and partnerships, list the names, titles, and addresses of the owner or partners.  
  
For corporations, list the names, titles, and addresses of the corporate officers and Board of Directors.  
  
For governmental owners, list the names and addresses of hospital board members.

### DESCRIPTION OF PROJECT

Please provide a brief summary description of the project proposed by this application (i.e., new construction, addition, or renovation: number of beds involved or major equipment to be purchased\*; estimated total cost):

**\*Note:** If building modifications are needed to accommodate new equipment, describe the necessary modifications.

## SECTION II-DESCRIPTIVE DATA ON FACILITIES AND SERVICES

### A. Proposed changes in bed capacity, by service.

SERVICES	NUMBER OF BEDS		
	Currently Licensed	To Be Added Or Deleted	Proposed Total
<u>Acute Care</u>			
Med/Surg			
ICU/CCU			
Obstetrics			
Psychiatric			
Pediatric			
Other (list):			
<u>Long Term Care</u>			
ICF			
SNF			
ICF-MR			
OTHER (list):			
<b>TOTAL-ALL BEDS</b>			

**B. Distribution of beds, by unit size.**

NUMBER OF ROOMS OR UNITS			
Room or Unit Size	Existing	To Be Added Or Deleted	Total Proposed
1 bed/unit			
2 beds/unit			
3 beds/unit			
4 beds/unit			
Other:			

**C. Provide a short history of the facility and describe any changes that have occurred during the past five years in the number of beds or services offered.**

**D. Provide a narrative description of the services or equipment to be provided by this proposal. Include, as appropriate, all general services shown in "A" above; all ancillary services such as emergency, laboratory, pharmacy, physical therapy, radiology, dietary, etc.; all specialized services such as renal dialysis, nuclear medicine, open heart surgery, etc.**

For those services which are to be added, expanded, or deleted, please include information relative to the scope and level of service as part of the narrative. Historical and projected future utilization, revenue, and expense data for EACH SERVICE that is identified for change must be provided in Sections IV (utilization) and VII (financial data).

**SECTION III: STAFFING REQUIREMENTS**

*For PROJECT  
OR  
WATER FACILITY*

**A. MEDICAL STAFF - Specify number of medical staff by specialty.**

Specialty	PROPOSED STAFF		EXISTING STAFF	
	Employed	Active or Contract	Employed	Active or Contract
Anesthesiology				
Family Practice				
Gerontology				
Internal Medicine				
Neurology				
Nuclear Medicine				
Neurosurgery				
OB/Gyn				
Ophthalmology				
Oral Surgery				
Orthopedics				
Otolaryngology				
Pathology				
Pediatrics				
Psychiatry				
Radiology				
-Diagnosis				
-Therapy				
Surgery				
Urology				
Other (list)				
<b>TOTAL</b>				

**B. HEALTH CARE FACILITY PERSONNEL - Specify number of personnel by category (express as full-time equivalents).**

CATEGORY	EXISTING NUMBER OF FTE's	NO. TO BE ADDED OR (DELETED)	TOTAL PROPOSED
Registered Nurses LPNs/LVNs Aides & Orderlies  Occ./Rec. Therapists Physical Therapists Inhalation Therapists  Laboratory Tech. X-ray Technicians Pharmacists  Dieticians Social Workers Discharge Planners Medical Records Clerical Support Accounting Executives/Admin.  Maintenance/Housekpg. Engineers Other Personnel --including food service, laundry, etc.			
<b>TOTAL</b>			

**C. Discuss any manpower training programs provided or proposed by the applicant that relate to the proposed project by retraining existing staff for the new project or by training new staff.**

## SECTION IV - NARRATIVE REVIEW QUESTIONS

### A. RELATIONSHIP TO APPLICABLE PLANS

Indicate how the application fits in with relevant plans, including the applicant's long range plan, the State Health Plan, appropriate local or regional plans, and current planning guidelines of recognized medical and health care groups. If the proposal is at variance with any of these plans and guidelines, please explain why.

### B. DEMONSTRATION OF NEED

1. Identify the problems being addressed by the project. For example, identify whether this project is for: (1) a new service; (2) an expanded or reduced service; or (3) an upgraded service. Also, describe whether (and how) this project (1) addresses an unmet community need; (2) satisfies an increasing demand for services; or (3) corrects an internal deficiency of the facility. Document all deficiencies noted by the regulatory authorities listed as follows, even if they are not to be corrected by the proposed project. Pertinent authorities include the state health facility licensing authority, the Medicaid/Medicare certification authority, the state and/or local fire marshal, the local building inspection official, and the state health facility construction licensing authority; any other regulatory authority whose citation of deficiency affects the project or the implementation of the proposed services also must be reported. Note what efforts have been taken to correct the deficiencies, and (if appropriate) how this project will affect the deficiencies. Attach as an appendix the inspection reports or other documentation of these deficiencies.
2. Identify the defined population to be served by this project. The "defined population" is the population that is or may reasonably be expected to be served by a health care facility. The population can be defined in one or more ways:
  - (a) A geographical service area can be documented for an existing health care facility or service by means of a patient origin analysis. Even if a formal patient origin analysis is not available, the applicant should specify and justify the customary geographical area served by the facility. This is the "service area" referenced in questions that follow.
  - (b) U.S. census data and supplemental information from the State Demographer, Alaska Dept. of Labor, can be used to describe population trends, age/sex breakdowns and other characteristics pertinent to the rationale for need.
  - (c) The population to be served can be defined according to the unique needs of patients requiring specialized or tertiary care (e.g. heart, cancer, kidney, alcoholism, etc.) or the needs of underserved groups.

Indicate the source information and methodology used to determine the population

(existing and projected into the future). Explain projected growth trends or demographic changes.

3. Describe the anticipated utilization of the services on which the project is based and the method by which this projection was derived. This should include evidence of the number of persons from the defined population now using and who will continue to use the service, or evidence of the number of persons who will begin to use services which are not now available, accessible, or acceptable to the defined population. Utilization and demand trends for at least the past three years should be reported for an existing facility. If an increase in utilization is projected, list the factors which will affect the increase. If the project is an acquisition of a new piece of major equipment, provide utilization information for similar existing equipment or older technology. Indicate whether similar existing equipment will continue to be used, and the project's effect on its utilization.

Provide yearly statistics for the three prior years (for existing services) and three years projected after the completion of the project for the facility as a whole and, if the proposal is affecting specific services, for each service to be affected by the proposal:

- a) admissions or discharges
- b) patient days
- c) average length of stay
- d) percent occupancy
- e) average daily census
- f) number of licensed beds
- g) number of beds set up

4. In the case where certain services will be reduced, indicate how the proposed reduction meets the need of the service area and how the reduction will affect access to the service.
5. Provide any other information that may be pertinent to establishing the need for this project.
6. Attach letters of support from local and regional agencies, other health care facilities, individuals, governmental bodies, etc.

#### **C. AVAILABILITY OF LESS COSTLY OR MORE EFFECTIVE ALTERNATIVES**

1. Please review alternative methods of providing the services to be offered, expanded, reduced, relocated, or eliminated. Explain why the proposal contained in this application was selected in preference to these alternatives.

Explain the relevancy of the proposal in relation to changing trends in service delivery and community health service needs of the foreseeable future.

**D. RELATIONSHIP TO EXISTING HEALTH CARE SYSTEM AND TO ANCILLARY OR SUPPORT SERVICES**

1. Identify any existing comparable services within the service area or, if located outside the service area, those services usually utilized by the defined population. Describe any special factors affecting utilization, including accessibility and acceptability. Describe any significant differences from existing services in the service area.
2. State how the proposal will affect the pattern and scope of health services available in the region. Explain whether or not each proposed service will: (1) complement existing services; (2) provide a service unique to the area; (3) provide a service for a defined population; and (4) provide services for which there is an unmet need (if so, identify those factors of need which are unmet). Describe the probable effect on other community resources, including the anticipated impact on other facilities offering the same or similar services in the area.
3. Identify existing working relationships with hospitals, nursing homes, and other resources serving the defined population and the service area. The discussion can include cooperative planning activities, sharing of services (i.e. agreements assigning services such as emergency or obstetrics) and transfer agreements. If other organizations provide ancillary or support services to your facility, describe the relationship. Attach copies of relevant agreements in the appendix to the application.

**E. AVAILABILITY OF RESOURCES**

1. Comment on any proposed changes in medical staff or other facility personnel, especially with respect to the recruiting and retaining of adequate staff (cross reference with Section III A & B). How will recruitment of staff for your project affect other health facilities in the service area? If the project involves acquisition of new diagnostic/therapeutic technology, describe how existing personnel will be trained to use it and/or how trained staff will be recruited; describe the volume of procedures necessary to assure proficiency with the equipment and how this volume will be reached/maintained.
2. Are necessary ancillary and support services available in the service area? (Cross-reference to information in Section IV D(3) above.)

**F. ACCESS TO SERVICE BY THE GENERAL POPULATION AND UNDERSERVED GROUPS**

1. Provide information on needs of and access to service by medically underserved groups of people, for example, low income persons, racial and ethnic minorities, women, handicapped persons. Discuss any plans to overcome language and cultural barriers of groups to be served.
2. Indicate the amount of charity care provided in the last three years (by year) and projections of charity care when the project is completed.
3. Address the following:
  - a) transportation and travel time to the facility
  - b) special architectural provisions for the handicapped and aged
  - c) service hours of operation
  - d) the institution's policies for non-discrimination in patient services

**G. ARE THERE ANY SPECIAL NEEDS AND CIRCUMSTANCES?**

These may be related to special training or research programs or facilities, Health Maintenance Organizations (HMOs), or other special needs. Describe any special needs and circumstances.

**SECTION V - CONSIDERATION OF QUALITY, EFFECTIVENESS,  
EFFICIENCY AND BENEFITS OF THE APPLICANT'S SERVICES.**

Discuss in narrative form, the following:

1. The Applicant's accreditation and licensure status, indicating source; date; length; etc. and information relative to certification for Medicare.
2. How the Applicant plans to conduct quality control programs to insure high quality service;
3. Plans for optimum utilization and appropriate ratios of professional, subprofessional and ancillary personnel;
4. Development of ambulatory care, home health services, and preventive health care programs to eliminate or reduce inappropriate use of in-patient services;
5. Planned use of modern diagnostic and treatment devices to enhance the accuracy and reliability of diagnostic and treatment procedures;
6. Employment of labor-saving equipment and programs to provide operating economies;
7. What are your plans for future evaluation of the proposed activity to ensure that it fulfills present expectations and benefits?
8. Describe your facility organizational structure including major position qualification requirements.
9. Describe your board representation including representation from community economic and ethnic groups.

SECTION VI - CONSTRUCTION DATA

A. Project description

- 1. Construction type  New  Expansion  Renovation
- 2. Basement  Full  Part  None
- 3. Heating System  Water  Steam  Air  Use Existing
- 4. Air Conditioning  Full  Part  None  Use Existing

Description of heating/air conditioning system

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5. Structural framing

---

---

6. Floor system

---

---

7. Facility size

---

---

8. No. of floors (including basement)

---

9. No. of proposed beds (if applicable) \_\_\_\_\_

10. Area per bed (if applicable) \_\_\_\_\_ sq. ft.

11. Gross floor area \_\_\_\_\_ sq ft.

12. Percent of total floor area used for direct service (non-bed projects) \_\_\_\_\_

13. Area per volume of service\* (non-bed projects) \_\_\_\_\_ sq. ft. per \_\_\_\_\_

\*This is a productivity measure--how productive will the space be? Specify the service measure used. E.g., a 1000 sq. ft. lab addition with 200 additional lab tests expected per year would yield 5 sq. ft. per lab test.

B. Project development schedule

Date

- |  |       |
|--|-------|
| 1. Estimated completion of final drawings and specifications | _____ |
| 2. Estimated project construction begin by                   | _____ |
| 3. Estimated project construction complete by                | _____ |
| 4. Estimated implementation of proposed services             | _____ |

C. Facility site data

Provide the following, as attachments (referenced by the subsection and item number):

1. Architectural master plan to include long-range concept and development of total facility.
2. Schematic floor plan drawings (or conceptual drawings) of proposed facility, delineating various facility functions.
3. Diagrammatic plan showing:
  - a. Dimensions and location of structure(s), easements, rights-of-way or encroachments;
  - b. Location of all utility services available to the site;
  - c. Service roads, parking facilities and walkways within site boundaries.
4. Legal description and area of the proposed site. Is the site now owned by the facility? If not, how secure are the arrangements to acquire the site?
5. Documented clearances regarding zone restrictions, fire protection, sewage and other waste disposal arrangements (under special circumstances, in lieu of the documented clearances, it may be acceptable to present evidence of conditional approvals from city councils, borough governments, and regulatory agencies).

- D. Describe the plan for accomplishing construction and the effect construction activities will have on existing services.

**SECTION VII - FINANCIAL DATA - RELATIVE ACQUISITIONS**

Acquisition type:

1.  Lease       Rent       Donation       Purchase  
 Purchase of business only (not the facility)

Cost data:

Omit Cents

- |  |          |
|--|----------|
| 1. Total acquisition cost*   | \$ _____ |
| 2. Amount to be financed   | \$ _____ |
| 3. Difference between items B-1 and B-2 (list, and document as <u>Schedule I</u> , available resources to be used, e.g. available cash, investments, grants, community funds, real estate exchanges, etc.) | \$ _____ |
| 4. Anticipated interest rate _____ %, term _____ years.  |          |
| 5. Anticipated interest amount   | \$ _____ |
| 6. Total B-1 and B-5   | \$ _____ |
| 7. Estimated annual debt service requirements  | \$ _____ |

- \* Acquisition costs must include (as appropriate):
- a. Total purchase price of land and improvements (if donated, estimated value)
  - b. "Goodwill" or "purchase of business" costs
  - c. Lease amount (annual lease amount x term of lease)
  - d. Consultant or brokers fees paid by person acquiring the facility
  - e. Other pre-development costs to date.

Site acquisition should be stated as "book" value, i.e. actual purchase price plus costs of development. If desired, applicant may elect to state as "fair market value," in which case, give reason and basis.

**SECTION VII - FINANCIAL DATA - CONSTRUCTION ONLY**

**A. Construction Method**

- 1.  Conventional bid     Contract management     Design and build
- 2.  Phased
- 3.  Single project
- 4.  Fast Track

**B. Construction Cost**

Omit Cents

- |  |          |
|--|----------|
| 1. Site acquisition*   | \$ _____ |
| 2. Estimated general construction  | \$ _____ |
| 3. Fixed equipment, not included in B-2  | \$ _____ |
| 4. Total construction costs (sum of items 1, 2, and 3)   | \$ _____ |
| 5. Major movable equipment   | \$ _____ |
| 6. Other cost:   |          |
| a. Administration expense  | \$ _____ |
| b. Site Survey, Soils Investigation and<br>Materials testing   | \$ _____ |
| c. Architects and Engineering fees   | \$ _____ |
| d. Other consultation fees (preparation<br>of CON application included)                              | \$ _____ |
| e. Legal Fees  | \$ _____ |
| f. Land development and landscaping  | \$ _____ |
| g. Building permits and utility assessments<br>(including water, sewer, electrical,<br>phones, etc.) | \$ _____ |
| h. Additional project inspection fees<br>(clerk of the works)  | \$ _____ |
| i. Project contingency fund  | \$ _____ |

\*Site acquisition should be stated as "book" value, i.e., actual purchase price (or estimate of value if donated) plus costs of development. If desired, applicant may elect to state as "fair market value," in which case, so indicate.

- j. Insurance (required during construction period) \$ \_\_\_\_\_
7. Total project cost (sum of items 4, 5, 6) \$ \_\_\_\_\_
8. Amount to be financed \$ \_\_\_\_\_
9. Difference between B-7 and B-8 (list, as Schedule I, available resources to be used, e.g., available cash, investments, grants funds, community contributions, etc.) \$ \_\_\_\_\_
10. Anticipated long-term interest rate \_\_\_\_\_ %
11. Anticipated interim (construction) interest rate \_\_\_\_\_ %
12. Anticipated long-term interest amount \$ \_\_\_\_\_
13. Anticipated interim interest amount \$ \_\_\_\_\_
14. Total items 7, 12, and 13 \$ \_\_\_\_\_
15. Estimated annual debt service requirement \$ \_\_\_\_\_
16. Construction cost per sq. ft. \$ \_\_\_\_\_
17. Construction cost per bed \$ \_\_\_\_\_
18. Project cost per sq. ft. \$ \_\_\_\_\_
19. Project cost per bed \$ \_\_\_\_\_

Note: Items B-1 through B-6 are to be certified estimates (where appropriate)

## SECTION VIII - FINANCIAL DATA - ALL PROPOSED ACTIVITIES

Note: For each of the schedules below, provide a narrative explanation if there are any significant trends or large changes in any item or group of items from year to year. Indicate whether you are using a calendar year or other fiscal year period.

- A. Attach Schedule II - Facility Income Statements (see form following this section)
    - 1. For most recent 3 prior full fiscal or calendar years
    - 2. Projections during construction or implementation period (if applicable)
    - 3. Projection for 3 years following completion of construction, or implementation of proposed activity.
  
  - B. Attach Schedule III - Facility Balance Sheet (see form following this section)
    - 1. For most recent 3 prior fiscal or calendar years.
    - 2. Current fiscal or calendar year to date
  
  - C. Attach Schedule IV - Average per diem patient cost and revenue amounts and (for facilities with a per diem rate) the per diem rate
    - 1. For most recent 3 prior full fiscal or calendar years
    - 2. Current fiscal or calendar year to date
    - 3. Projection for 3 years following completion of construction or implementation.
  
  - D. Attach Schedule V - Current and projected (2 years beyond completion) line item capital and operating budgets for the proposed activity. What alternative plans have been made should deficits occur?
  
  - E. Attach Schedule VI - A debt service cash flow schedule over the life of the debt, if applicable, for all long term debt of the facility. Identify each debt, including any for the proposed activity, and break out interest, principal and other.
  
  - F. Attach as Schedule VII the form following showing reimbursement sources for the facility for the previous three full years and projected for 3 years after implementation.
  
  - G. Attach as Schedule VIII the form following showing a depreciation schedule for all items acquired through the proposed project. Note that the straight-line method must be used. Indicate on the depreciation schedule or separately which major movable equipment is being purchased for the project (reference page 17, item B5.)
- \* Note: Information for item C-1 may be obtained on total patient load, directly from your respective years' Medicare Cost Reports.

**SCHEDULE II**

**FACILITY INCOME STATEMENT  
For Latest 3 Years and Projections  
Through 3 Years Beyond Project Completion**

Revenue & Expense Categories	19	19	19
<b>REVENUE:</b>			
<u>Revenue From Patients</u>			
Inpatient	_____	_____	_____
Outpatient	_____	_____	_____
Resident (LTC)	_____	_____	_____
<b>Total Patient Revenue</b>	_____	_____	_____
<u>Less Deductions</u>			
Charity Care	_____	_____	_____
Contractual Allowances	_____	_____	_____
Bad Debts	_____	_____	_____
<b>Total Deductions</b>	_____	_____	_____
<u>Net Operating Revenues</u>	_____	_____	_____
<u>All Other Revenues</u>	_____	_____	_____
<b>EXPENSES:</b>			
Salaries	_____	_____	_____
Benefits	_____	_____	_____
Supplies	_____	_____	_____
Utilities	_____	_____	_____
Property Tax	_____	_____	_____
Rent	_____	_____	_____
Lease	_____	_____	_____
Other Expenses	_____	_____	_____
Depreciation	_____	_____	_____
Interest	_____	_____	_____
<u>Total Expenses</u>	_____	_____	_____
<b>Excess (Shortage) of Revenue Over Expenditures</b>	_____	_____	_____

NOTE: Use one copy of this form for the previous three years, another for construction or development period, and another for projected three years beyond implementation.

**SCHEDULE III**

**FACILITY BALANCE SHEET**

	FY__	FY__	FY__	Current FY__ To Date
<b>ASSETS</b>				
Current Assets				
Net Patient Accts. Rec.				
Accts. Rec.-Other				
Inventories				
Prepaid Expenses				
Other				
Total Current Assets				
Property & Equipment				
Land & Improvements				
Building/Fixed Equip.				
Major Movable Equip.				
Accumulated Deprec.				
Net Property & Equipment				
Other Assets				
<b>TOTAL ASSETS</b>				
<b>LIABILITIES/FUND BALANCE</b>				
Current Liabilities				
Accts. Payable				
Accrued Expenses				
Accrued Compensation				
Other Accruals				
Total Current Liabilities				
Long Term Liabilities				
Long Term Debt				
Other				
Total Long Term Liabilities				
Fund Balance				
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>				

**SCHEDULE VII**

**REIMBURSEMENT SOURCES  
3 Previous Years and 3 Years Projected**

FY _____				
Reimbursement Service	Number of Patients	Gross Patient Charges	Deductions	Net Patient Revenues
Medicare	_____	_____	-	=
Medicaid	_____	_____	-	=
Private Insurance	_____	_____	-	=
Charity	_____	_____	-	=
Self Pay	_____	_____	-	=
Other	_____	_____	-	=
<b>TOTAL</b>	_____	_____	-	=

**NOTE:** Duplicate this form for use in showing revenue sources for each of the last three years and for three projected years. Indicate in the top left corner of each form the applicable fiscal year.

**SCHEDULE VIII**

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**Depreciation Schedule  
For All Items Acquired Through Proposed Project**

**(USE STRAIGHT LINE METHOD ONLY)**

<b>General Identifier</b>	<b>Year It Will Enter Svc.</b>	<b>Useful Life</b>	<b>Cost</b>	<b>Years Depreciation</b>
-------------------------------	------------------------------------	--------------------	-------------	-------------------------------

**COVER PAGE**

**APPLICATION**

**FOR MODIFICATION OF**

**A CERTIFICATE OF NEED**

COVER PAGE  
APPLICATION  
FOR MODIFICATION OF  
A CERTIFICATE OF NEED

STATE OF ALASKA

APPLICANT

Name of facility	City
------------------	------

If the owner, applicant organization, or contact person has changed since the Certificate of Need was issued, please provide the new name, title, and address as appropriate:

BASIS OF MODIFICATION APPLICATION

- Change in scope of authorized activity
- Change in cost of authorized activity
- Change in time schedule of authorized activity

\*\*\*\*Attach completed CON application forms to this cover page.\*\*\*\*

CERTIFICATION:

I certify that the information contained in this application, including all documents which form a part of it, is true to the best of my knowledge and belief.

Applicant's signature: \_\_\_\_\_

Applicant's title: \_\_\_\_\_

Date: \_\_\_\_\_

**PERIODIC PROGRESS REPORT**

**CERTIFICATE OF NEED ACTIVITY**

PERIODIC PROGRESS REPORT

Name & Address of Applicant: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Project Description: \_\_\_\_\_

Date CON Issued: \_\_\_\_\_

Approved Cost: \_\_\_\_\_

All applicants who have been granted a Certificate of Need (CON) are required to submit periodic reports until the project has been completed (7 AAC 07.105(a)). These reports should be submitted every six months following the issuance of a CON and upon completion of the project.

Please respond to the following questions. If the question is not applicable, please state why.

1. Is the project fully obligated?\* If not, explain. If yes, indicate the nature and date of all obligations incurred to date. If the project is not fully obligated, indicate the cost and date those obligations will be incurred.

\* An obligation is defined as an enforceable contract for acquisition, construction, or lease of a capital asset; or, in the case of donated property, the date on which the gift is completed in accordance with applicable state law.



6. Is the projected final project cost currently within the limits approved by the Commissioner? If the project is complete, please submit a final capital budget.
7. Are there any changes in the services or programs from those which were originally proposed and approved? If so, please indicate those changes.

I hereby certify that the statements made in this report are correct to the best of my knowledge and belief.

Signature of Responsible Officer: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone: \_\_\_\_\_

Date: \_\_\_\_\_

Send to:

State Health Planning and Development Agency  
Planning Section  
Division of Administrative Services, DHSS  
P. O. Box 110650  
Juneau, Alaska 99811-0650

**ALASKA STATUTES**

**AS 18.07.011 - .111**

## Certificate of Need Law - AS 18.07.010 - .111

Sec. 18.07.010. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.011. Statewide Health Coordinating Council. [Repealed, Sec. 21 ch 6 SLA 1993]. Repealed or Renumbered

Sec. 18.07.020. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.021. Administration.

The department shall administer the certificate of need program under this chapter and perform other functions prescribed in this chapter.

Sec. 18.07.030. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.031. Certificate of need required; relocations.

(a) Except as provided in (c) of this section, a person may not make an expenditure of \$1,000,000 or more for any of the following unless authorized under the terms of a certificate of need issued by the department:

- (1) construction of a health care facility;
- (2) alteration of the bed capacity of a health care facility; or
- (3) addition of a category of health services provided by a health care facility.

(b) Notwithstanding the expenditure threshold in (a) of this section, a person may not convert a building or part of a building to a nursing home that requires licensure under AS 18.20.020 unless authorized under the terms of a certificate of need issued by the department.

(c) Notwithstanding (a) of this section, a person who is lawfully operating a health care facility that is an ambulatory surgical facility at a site may make an expenditure of any amount in order to relocate the services of that facility to a new site in the same community without obtaining a certificate of need as long as neither the bed capacity

nor the number of categories of health services provided at the new site is greater. However, notwithstanding the expenditure threshold in (a) of this section, a person may not use the site from which the health care facility relocated for another health care facility unless authorized under a certificate of need issued by the department.

Sec. 18.07.035. Application and fees.

Application for a certificate of need shall be made to the department upon a form provided by the department and must contain the information the department requires to reach a decision under this chapter. Each application for a certificate of need must be accompanied by an application fee established by the department by regulation.

Sec. 18.07.040. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.041. Standard of review for applications for certificates of need relating to non-nursing home beds and services.

The department shall grant a sponsor a certificate of need or modify a certificate of need that authorizes beds other than nursing home beds or that is for a health care facility other than a nursing home if the availability and quality of existing health care resources or the accessibility to those resources is less than the current or projected requirement for health services required to maintain the good health of citizens of this state.

Sec. 18.07.043. Standard of review for applications for certificates of need relating to nursing homes and nursing home beds.

(a) The department shall develop review standards for an application for a certificate of need, or for a modification of a certificate of need, issued under this chapter for a health care facility that is a nursing home or has nursing home beds.

(b) In developing the review standards under (a) of this section, the department shall consider whether

(1) a public process and existing appropriate statewide, regional, and local plans were included in planning and designing the additional nursing home beds or the health care facility;

(2) the additional nursing home beds or the health care facility meets minimum required use rates for new nursing beds, and the effect on use rates for existing nursing home beds;

(3) the additional nursing home beds or the health care facility demonstrates consideration of the community, regional, and statewide needs for new nursing home beds;

(4) the additional nursing home beds or the health care facility meets the minimum number of new nursing beds that should be required in a facility to ensure efficiency and economies of scale;

(5) the additional nursing home beds or the health care facility demonstrates the proposed service will provide a quality of care equivalent to existing community, regional, or statewide services;

(6) the additional nursing home beds or the health care facility demonstrates financial feasibility, including long-term viability, and what the financial effect will be on consumers and the state; and

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

(c) The department shall grant a sponsor a certificate of need or modify a certificate of need that authorizes nursing home beds or that is for a health care facility that is a nursing home if the department finds that the sponsor meets the standards established in or under this chapter.

Sec. 18.07.050. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.051. Terms of issuance of the certificate.

Each certificate issued must specify terms of issuance describing the nature and extent of the activities authorized by the certificate.

Sec. 18.07.060. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.061. Modification and termination of activities.

The certificate holder shall apply to the department for a modification of the certificate before terminating part of the activities authorized by the terms of issuance, but the certificate holder is not required to obtain the acquiescence of the department before terminating all the activities authorized by the certificate. If a certificate holder terminates all of the activities authorized by a certificate, the certificate holder is required to notify the department 60 days before termination and to surrender the certificate to the department within 30 days of termination.

Sec. 18.07.070. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.071. Temporary and emergency certificates.

(a) The department shall grant a sponsor an emergency certificate for the construction of a health care facility for which a certificate is required under AS 18.07.031 if the sponsor shows, by affidavit or formal hearing, that the act of construction consists of effecting emergency repairs.

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

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

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

(c) A temporary certificate granted under (b) of this section does not confer vested rights on behalf of the applicant. The department shall impose those special limitations

and restrictions concerning duration and right of extension that the department considers appropriate. A temporary certificate may not be granted for a period longer than necessary for the sponsor to obtain review of the action certified by the temporary certificate under AS 18.07.051 . Application for a certificate of need under AS 18.07.041 or 18.07.043 must commence within 60 days of the date of issuance of the temporary certificate.

Sec. 18.07.080. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.081. Proceedings for modification, suspension, and revocation.

(a) The department, a member of the public who is substantially affected by activities authorized by the certificate, or another applicant for a certificate of need may initiate a hearing to obtain modification, suspension, or revocation of an existing certificate of need by filing an accusation with the commissioner as prescribed under AS 44.62.360 . A revocation, modification, or suspension of an outstanding certificate may not be undertaken unless it is in accordance with AS 44.62.330 - 44.62.630.

(b) The certificate holder may obtain modification of an existing certificate by utilizing the application procedure enumerated in regulations adopted under this chapter.

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

(d) A certificate of need may be revoked if

(1) the sponsor has not shown continuing progress toward commencement of the activities authorized under AS 18.07.041 or 18.07.043 after six months of issuance;

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

(3) the sponsor fails to comply with the provisions of this chapter or regulations adopted under this chapter;

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

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

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

(e) A person may not file an accusation seeking suspension or revocation of a certificate of need under this section, knowing that the charges stated in the accusation are untrue or that the charges do not constitute grounds for revocation or suspension under this chapter.

Sec. 18.07.090. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.091. Injunctive relief; penalties; right of action.

(a) Injunctive relief against violations of this chapter or regulations adopted under this chapter may be obtained from a court of competent jurisdiction at the instance of the commissioner, a holder of a certificate of need who is adversely affected in the exercise of the activities conducted in violation of the certificate, or any member of the public substantially and adversely affected by the violation. Upon written request by the commissioner, the attorney general shall furnish legal services and pursue the action for injunctive relief to an appropriate conclusion.

(b) A person who files an accusation seeking suspension or revocation of a certificate of need, knowing that the charges are untrue or that the charges do not constitute grounds for revocation or suspension under this chapter, is guilty of a misdemeanor and upon conviction is punishable by a fine of not more than \$1,000. The

sponsor or holder of a certificate of need injured by the violation of AS 18.07.081 (e) may recover damages for loss incurred by reason of delay caused by a suspension.

Sec. 18.07.100. [Repealed, Sec. 1 ch 275 SLA 1976]. Repealed or Renumbered

Sec. 18.07.101. Regulations.

The commissioner shall adopt, in accordance with AS 44.62 (Administrative Procedure Act), regulations that establish procedures under which sponsors may make application for certificates of need required by this chapter and that govern the review of those applications by the department, establish requirements for a uniform statewide system of reporting financial and other operating data, and otherwise carry out the purposes of this chapter.

Sec. 18.07.111. Definitions. In this chapter,

(1) "category of health services" means a major type, program, unit, division, or department of care provided through a health care facility, whether inpatient or outpatient, including an outpatient department, psychiatric wing, kidney dialysis program, radiotherapy, burn unit, or newborn intensive care unit, except that "service" does not include the lawful practice of a profession or vocation conducted independently of a health care facility and in accordance with applicable licensing laws of the state;

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

(3) "commencement of activities" means the visible commencement of actual operations on the ground for the construction of a building, the alteration of the bed capacity of a health care facility, or the provision for or deletion of an existing category of health services to consumers, which operations are readily recognizable as such, and which operations are done with intent to continue the work until such activities are completed;

(4) "commissioner" means the commissioner of health and social services;

(5) "complete activities" means the substantial performance of the work required to comply with the terms of issuance of the certificate of need to which all parties participating in those activities have obligated themselves to perform;

(6) "construction" means the erection, building, alteration, reconstruction, improvement, extension, or modification of a health care facility under this chapter, including lease or purchase of equipment, excavation, or other necessary actions;

(7) "department" means the Department of Health and Social Services;

(8) "health care facility" means a private, municipal, state or federal hospital, psychiatric hospital, tuberculosis hospital, skilled nursing facility, kidney disease treatment center (including freestanding hemodialysis units), intermediate care facility, and ambulatory surgical facility; the term excludes

(A) an Alaska Pioneers' Home administered by the Department of Administration under AS 44.21.020 (09) and AS 47.55; and

(B) the offices of private physicians or dentists whether in individual or group practice;

(9) "nursing home bed" means a bed not used for acute care in which nursing care and related medical services are provided over a period of 24 hours a day to individuals admitted to the health care facility because of illness, disease, or physical infirmity.

**ALASKA ADMINISTRATIVE CODE SUPPLEMENT**

**7 AAC 07.010 - .130**

Chapter 07 Certificate of Need Regulations

Section

10. Activities requiring a certificate of need.

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120. (Repealed).

130. Definitions.

**7 AAC 07.010. ACTIVITIES REQUIRING A CERTIFICATE OF NEED**

(a) Under AS 18.07.031 , a certificate of need is required before any person undertakes any of the following activities:

(1) any capital expenditure for the excavation, erection, building, alteration, extension, reconstruction, improvement, repair, purchase, or other development of a health care facility, including lease or purchase of equipment, and including

(A) any donation or lease by any person to a health care facility for any of these purposes, in cash or fair market value; and

(B) the cost of any studies, surveys, designs, plans, working drawings, site acquisitions and preparation, and other activities essential to an activity, stated in this paragraph;

(2) any change within a two-year period in the licensed bed capacity of a health care facility amounting to 10 beds or 10 percent, whichever is the lesser, which increases or decreases the number of beds of a health care facility or redistributes beds among different categories of service; and

(3) any addition of a major type, program, unit, division, or department of care in or through a health care facility which has not been offered in or through the health care facility, or any elimination of a major type, program, unit, division, or department of care in or through a health care facility which has been offered in or through the health care facility.

(b) Upon request, and after the appropriate health systems agency has been provided an opportunity to comment on the request, a health care facility in existence or under construction before July 1, 1977 will be granted a certificate of need approving the continuous undertaking of those activities.

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75; am 8/8/90, Register 115; am 12/5/90, Register 116; am 5/19/91, Register 118

Authority: AS 18.07.031 AS 18.07.101

**7 AAC 07.020. EMERGENCY AND TEMPORARY CERTIFICATES OF NEED**

(a) The commissioner will grant or deny an emergency or temporary certificate of need as provided by AS 18.07.071 after a review of a sponsor's affidavit or, when in his discretion, he determines that it is necessary, after a formal hearing.

(b) Before the commissioner will take action under (a) of this section, each affidavit requesting an emergency or temporary certificate of need must be reviewed by the state agency under the criteria set forth by AS 18.07.071 , 42 C.F.R. 123.409 - 123.410 (adopted 4/2/79) and 42 C.F.R. 123.411 (adopted 1/21/77). The state agency shall promptly submit its findings and recommendation to the commissioner.

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75

Authority: AS 18.07.041 AS 18.07.071 AS 18.07.101 AS 44.17.010

7 AAC 07.030. LETTER OF INTENT

(a) Any person who intends to apply for a certificate of need shall mail a letter of intent not less than 60 days nor more than one year before the application for a certificate of need to the state agency and the appropriate health systems agency, except in the case of an application for an emergency or temporary certificate of need. The requirement of a letter of intent will, in the commissioner's discretion, be waived by the commissioner upon a showing of good cause by the applicant and after consideration of any written recommendation submitted by the appropriate health systems agency, except for applications which propose new construction.

(b) Each letter of intent must contain

- (1) a clear, complete, and current description of the activity proposed to be undertaken;
- (2) an estimate of the cost of the proposed activity; and
- (3) an estimated starting date and completion date for the proposed activity.

(c) The state agency shall furnish written notification within 20 days after receipt of a letter of intent to the person submitting the letter of intent, stating whether the proposed activity is subject to AS 18.07 and the reasons for the determination. The state agency shall also forward the appropriate forms, information, and instructions necessary to make application.

(d) A preapplication conference before submission of an application between a prospective applicant and the state agency will be held upon request of the state agency or a prospective applicant who has been advised that a proposed activity is subject to AS 18.07. The purpose of the preapplication conference is to obtain guidance and technical assistance from the state agency. The state agency may not assist in the actual preparation or completion of the application, but shall make available all pertinent records, forecasts, plans, and other data to assist the applicant in preparing a full and accurate application. The appropriate health systems agency will be invited by the state agency to participate in the preapplication conference.

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75

Authority: AS 18.07.101

7 AAC 07.040. APPLICATION SUBMISSION

(a) Each application for a certificate of need must be made in writing to the state agency on forms provided by the state agency. The content of an application must be limited to:

- (1) a timetable for completing the proposed activity;
- (2) a listing of the total proposed amount of capital expenditures necessary to complete the proposal; and

(3) the information necessary for the state agency to determine whether the criteria applicable to the proposed activity as set out in AS 18.07, 42 C.F.R. 123.409 - 42 C.F.R. 123.410 (adopted 4/2/79) and 42 C.F.R. 123.411 (adopted 1/21/77) have been met.

(b) An applicant shall submit four copies of the application to the state agency and two copies to the appropriate health systems agency. The state agency shall provide one copy to the Alaska State Library in Juneau.

(c) An applicant may withdraw the application at any time during the review process by written notification to the state agency.

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75

Authority: AS 18.07.101

#### 7 AAC 07.050. REVIEW FOR COMPLETENESS

(a) The state agency shall review each application received to determine if it is complete. Within 20 days after receipt of the application, the state agency shall

(1) notify the applicant by mail that the application has been accepted as complete; or

(2) request additional information as necessary to complete the application; the applicant will have 60 days to submit the requested information or the application will be denied; any application denied on the grounds of untimely submission of requested information may be resubmitted with the requested information and an explanation of why it was not timely filed; once the additional information is received by the state agency, and it determines that there was good cause for the late submission, if any, the state agency shall notify the applicant within 20 days that the application is complete; an applicant whose application is denied may submit a new application;

(b) Upon acceptance of an application as complete, the state agency shall provide reasonable written notification to the public, each health care facility located in the health service area, any person directly affected, and to each person on the state agency mailing list of:

(1) acceptance of the application;

(2) the proposed schedule for the review;

(3) the name of any health systems agency participating in the review;

(4) the period within which a person may request a public meeting according to sec. 60(e) of this chapter; and

(5) the manner of notification of the time and place of any public meeting or hearing to be held concerning the application, as provided in sec. 60(e).

(c) The state agency shall notify the public and persons directly affected of the information listed in (b) of this section by publication of a notice in two consecutive issues of at least one newspaper of general circulation in the state and one newspaper of general circulation in

the appropriate health service area. Other notifications required under this section must be sent by mail to the person's last known address.

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75

Authority: AS 18.07.101

#### 7 AAC 07.060. REVIEW PROCESS

(a) In the commissioner's discretion, the agency shall defer commencement of the review process for a period not to exceed 60 days after the determination that the application is complete to enable the state agency and the appropriate health systems agency to receive and consider concurrently applications from each person who has submitted a letter of intent in accordance with sec. 30 of this chapter proposing an activity within the appropriate health service area which is similar to the activity proposed by the applicant.

(b) The state agency shall review the application and submit an analysis and recommendation to the commissioner within 90 days after the date the notice is sent to the applicant stating that the application is complete. The state agency shall make specific written findings regarding criteria set out in AS 18.07, 42 C.F.R. 123.409 - 123.410 (adopted 4/2/79) and 42 C.F.R. 123.411 (adopted 1/21/77) in formulating its recommendation.

(c) The appropriate health systems agency shall submit any findings and a recommendation to the commissioner, with copies to the state agency, to the applicant, and to others upon request, within 60 days after the date the notice is sent to the applicant stating that the application is complete. These findings and recommendations are subject to the same requirements as to content as the findings and recommendations submitted by the state agency to the commissioner under (b) of this section.

(d) In the commissioner's discretion, the review periods set in (b) and (c) of this section will be extended for not more than 30 days, for any of the following reasons:

(1) with the approval of the applicant, and upon demonstrating good cause for the request, the appropriate health systems agency requests an extension of time within which to make findings and recommendations; each health systems agency shall adopt criteria for determining when to request an extension;

(2) the applicant amends the application;

(3) the state agency requests an extension of time within which to prepare its findings and recommendations.

(e) Any person directly affected may request a public meeting by written request submitted to the state agency no later than 30 days after the last publication date of the last newspaper notice announcing review of the application. The state agency shall schedule such a meeting to be held during the review period, and shall give public notice of the meeting no less than 15 nor more than 30 days before the meeting. The notice must contain the name of the applicant, a brief statement of the subject matter to be considered, and the date, time, and place of the meeting. The applicant, person requesting the meeting,

appropriate health systems agency, and persons on the state agency mailing list must be notified by mail at their last known address. The public must be notified in accordance with sec. 50(c) of this chapter. The state agency may not and the commissioner will not impose fees for such a meeting. Public meetings conducted under this section must conform to 42 U.S.C. 300n-1(b)(12)(A).

(f) The state agency shall, upon written request, notify by mail any interested person of the status of the application, of any formal findings made during the course of the review, and of other reasonable information requested regarding the review.

(g) The state agency may delegate to the appropriate health systems agency the authority to conduct the public meeting under this section.

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75

Authority: AS 18.07.101

#### 7 AAC 07.065. EXPEDITED REVIEW

(a) Any person planning to submit an application for a certificate of need may obtain a determination as to whether the proposed activity qualifies for an expedited review before the submission of the application, by making a written request to the state agency and submitting a copy of the request to the appropriate health systems agency. The state agency shall consult with the appropriate health systems agency and must receive its written agreement to an expedited review before an application may be given an expedited review. The state agency shall respond in writing to an applicant's written request for an expedited review within 20 days after the request is received.

(b) The request for an expedited review must be set out in a letter of intent as submitted under sec. 30 of this chapter and state the reason for requesting an expedited review.

(c) The following criteria will be followed to determine whether expedited review is appropriate:

(1) a request is for reissuance of a certificate of need;

(2) the proposed activity would replace existing equipment having the same basic purpose and scope and would not substantially increase the service volume capability or to advance substantially the technological capability of the health care facility;

(3) the request is for approval of a variance in scope, time schedule of completion, or cost of a previously certificated activity;

(4) the proposed activity is to comply with the requirements of a governmental agency;

(5) the variation in service is caused by the availability of professional health personnel.

(d) The expedited review process will not exceed 50 calendar days from the date on which the state agency determines, in accordance with sec. 50 of this chapter, that the application is complete. The appropriate health systems agency shall submit written findings and

recommendations to the state agency within 30 days after the beginning of the review process. The state agency shall complete its review and the commissioner will make a decision whether to issue a certificate of need within 20 days after receipt of the appropriate health systems agency review.

History: Eff. 8/13/80, Register 75

Authority: AS 18.07.071 AS 18.07.101

#### 7 AAC 07.070. DECISION BY COMMISSIONER

(a) The decision of the commissioner to issue or deny a certificate of need will be in writing, stating the maximum capital expenditure which may be obligated for the proposed activity, the bed capacity, the type of service as set out in sec. 10 of this chapter, and the completion date. The following will be considered:

- (1) the findings and recommendations of the state agency and the appropriate health systems agency;
- (2) the record of any public meeting held in accordance with sec. 60(e) of this chapter;
- (3) state and federal laws and regulations; and
- (4) the current state health plan.

(b) The commissioner will mail a copy of the decision and findings to the applicant and will advise the applicant of the availability of a hearing under sec. 80 of this chapter.

(c) The commissioner will mail copies of the decision and findings to the appropriate health systems agency, to the Regional Health Administrator of the U.S. Public Health Service, and to others upon request. The public will be notified of the commissioner's decision in the same manner as provided in sec. 50(c) of this chapter.

(d) The commissioner's decision and findings will include a written statement of the reasons for a decision that is inconsistent with a recommendation of the appropriate health systems agency, the goals of the applicable health systems plan, and the priorities of the applicable health systems agency's implementation plan adopted under P.L. 96 - 79, sec. 1513(b).

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75

Authority: AS 18.07.041 AS 18.07.101

#### 7 AAC 07.080. HEARING AND APPEAL

(a) An applicant dissatisfied with a decision of the commissioner to grant, deny, or modify a certificate of need is entitled to a hearing if the request for a hearing is made in writing and received by the commissioner, no later than 30 days after receiving the commissioner's decision. The hearing will be conducted in accordance with AS 44.62.330 - 44.62.630.

(b) Any person other than the applicant who is dissatisfied with a decision of the commissioner to grant, deny, or modify a certificate of need may request a hearing by making a written request which is received by the commissioner no later than 30 days after the last newspaper notice published under sec. 70(c) of this chapter. Hearings conducted under this subsection will be governed by the provisions of (a) of this section. The commissioner will grant the request for a hearing if good cause is demonstrated. Good cause is considered to have been demonstrated if the request

(1) presents significant relevant information not previously considered by the state agency;

(2) demonstrates that there have been significant changes in factors or circumstances relied upon by the commissioner in reaching his decision;

(3) demonstrates that the state agency or the commissioner has failed to follow procedures stated in this chapter; or

(4) provides such other bases for a hearing as the commissioner determines is good cause.

(c) Hearings under (a) of this section and hearings under (b) of this section will, in the commissioner's discretion, be consolidated.

(d) Notice of the time and place of a hearing under this section must be mailed to the person requesting the hearing, to the applicant, and to the appropriate health systems agency no later than 15 days before the hearing. Notice to others who request notice must be mailed no later than 15 days before the hearing if they have requested it by that time, and must be mailed to them promptly upon request if the request is made later than that.

(e) No fee for conducting the hearing may be charged the applicant or other person at whose request the hearing was held.

(f) Repealed 6/3/88.

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75; am 6/3/88, Register 106

Authority: AS 18.07.101

7 AAC 07.090. TERM OF CERTIFICATE OF NEED Repealed 8/13/80.

7 AAC 07.095. MODIFICATION, SUSPENSION, OR REVOCATION OF A CERTIFICATE OF NEED

a) If the scope of an activity authorized by a certificate of need varies or is expected to vary, or the cost of the proposed activity increases or is expected to increase by more than 15 percent in excess of inflation costs above the approved maximum capital expenditure, the holder of that certificate shall make written request to the commissioner for a modification of the issued certificate of need. If the commissioner determines the variation from the original application to be minimal, an expedited review as provided for in sec. 65 of this chapter will be conducted. If the commissioner determines that the variation from the original application warrants a new application, a full application and review under this chapter is required.

(b) Modification, suspension, or revocation of a certificate of need will be handled in accordance with AS 18.07.081 .

(c) A decision of the commissioner to modify, suspend, or revoke a certificate of need will be publicized in accordance with sec. 50(c) of this chapter.

History: Eff. 8/13/80, Register 75

Authority: AS 18.07.081 AS 18.07.091 AS 18.07.101

#### 7 AAC 07.100. TRANSFER OF CERTIFICATE OF NEED PROHIBITED

(a) A certificate of need is not transferable.

(b) Repealed 8/13/80.

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75

Authority: AS 18.07.101

#### 7 AAC 07.105. PERIODIC REPORTS

(a) Any person who submits a letter of intent regarding an activity which is subject to sec. 10 of this chapter or who is granted a certificate of need shall provide the state agency with a written report on the development of the activity at least once every six months until the activity has been completed or abandoned.

(b) The state agency shall prepare and publish an annual report on the status of letters of intent, applications, and reviews. It must include a general statement of the findings and decisions for each completed review.

(c) Health care facilities shall provide the state agency with information regarding available health care services and the rates schedule when requested on forms which are provided by the state agency.

History: Eff. 8/13/80, Register 75

Authority: AS 18.07.101

7 AAC 07.110. NOTICE Repealed 8/13/80.

7 AAC 07.120. ABBREVIATED REVIEW Repealed 8/13/80.

#### 7 AAC 07.130. DEFINITIONS

In this chapter, unless the context indicates otherwise,

(1) "applicant" means any person applying for a certificate of need;

(2) "appropriate health systems agency" means the health systems agency in whose health systems area an activity described in sec. 10 of this chapter has been or will be undertaken;

(3) "capital expenditure" means an expenditure made by or on behalf of a health care facility which, under generally accepted accounting principles, is not properly chargeable as an expense of operation and maintenance; "capital expenditure" does not include routine maintenance nor routine replacement;

(4) "certificate of need" means the official order of the commissioner signifying approval of a proposed activity as set out in sec. 10 of this chapter;

(5) "commissioner" means the commissioner of health and social services;

(6) "days" means calendar days;

(7) "health care facility" means any of those entities listed in AS 18.07.111 , as defined, where appropriate, in 42 C.F.R. 123.401 (adopted 1/21/77);

(8) "health maintenance organization" means a private or public organization (exclusive of insurance companies or similar associations whose primary function is the payment of costs or charges incurred by or on behalf of its policy holders for health services received by them) authorized by Alaska statutes to provide services through a health care facility by providing or otherwise making available to enrolled participants, at least the following basic health care services: usual physician services, hospitalization, laboratory, x-ray, emergency and preventive services, and out-of-area coverage, and which

(A) compensates patients or providers (except for copayments) for these basic health care services and any other health care services provided to enrolled participants on a predetermined periodic rate basis; or

(B) provides physicians' services primarily directly through physicians who are either employees or partners of the organization, or through arrangements with individual physicians or one or more groups of physicians organized on a group practice or individual basis;

(9) "hospital" means an institution primarily engaged in providing to inpatients, by or under the supervision of physicians, diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or rehabilitation of injured, disabled, or sick persons;

(10) "person" includes, in addition to the entities specified in AS 01.10.060 (7), a health maintenance organization, estate, political subdivision or instrumentality (including a municipal corporation) of the State of Alaska, the State of Alaska, and any other legal entity recognized by the State of Alaska;

(11) "person directly affected" means

(A) the state agency;

(B) the commissioner;

(C) members of the public to be served by the activity for which a certificate of need is required;

(D) health care facilities located in the health service area in which the activity is proposed to occur which provide services similar to the proposed activity or which have indicated to the commissioner, by filing a letter of intent under sec. 30 of this chapter, an intention to engage in the activity for which the certificate of need is requested;

(E) any agency which sets or regulates the rates charged by health care facilities;

(F) any health systems agency which is engaged in health planning for the health service area within which the activity for which a certificate of need is requested would occur or for a health services area contiguous to that area;

(12) "public meeting" means a meeting open to the public which is held by the state agency for the purpose of gathering or disseminating information relative to a request for a certificate of need;

(13) "state agency" means the division of state health planning and development, referred to as the office of planning and research in AS 18.07.021 ;

(14) repealed 5/19/91;

(15) repealed 5/19/91;

(16) repealed 5/19/91;

(17) repealed 5/19/91;

(18) repealed 5/19/91.

History: Eff. 10/26/77, Register 64; am 8/13/80, Register 75; am 8/8/90, Register 115; am 12/5/90, Register 116; am 5/19/91, Register 118

Authority: AS 18.07.101 AS 18.07.111

**ALASKA ADMINISTRATIVE CODE SUPPLEMENT**

**7 AAC 43.686 and 7 AAC 43.709**

7 AAC 43.686. ALLOWABLE REASONABLE OPERATING COSTS. (a) The commission will set prospective payment rates at a level sufficient to pay a fair rate for reasonable costs of a facility attributable to state programs. The commission will consider only financial requirements that are consistent with efficient cost-effective management. The prospective payment rates will include operating costs that are directly related to the delivery of health care services. These costs include those incurred for patient services, education for accredited health-care-related programs and in-house training, and research if research efforts are approved in advance by the commission. These costs will, in the commission's discretion, include:

- (1) wages, salaries, and employee benefits;
- (2) purchased services;
- (3) supplies;
- (4) utilities;
- (5) depreciation, rental, lease;
- (6) taxes, excluding local, state, and federal income taxes;
- (7) interest expense;
- (8) maintenance; and

(9) minor remodeling.

(b) Operating costs are the costs of providing health care services that are necessary and reasonable and that are not excluded in this section or by the manual.

(c) In its budget, a facility must reduce operating costs by the costs of activities other than health care services that generate revenue or financial benefits to the facility. If a facility sells goods or services to persons other than to patients, the amount of the reduction in allowable costs will be the actual costs of the item, service, or activity. In the absence of adequate documentation of costs, the amount of the reduction in allowable costs will be the amount of revenue received for an item, service, or activity. If financial benefits such as purchase discounts, courtesy allowances, or rebates are received, the amount of the reduction will be the amount of the discount or rebate.

(d) Types of operating costs include the following:

(1) Standards attainment. Costs that a facility incurs in providing health care and in meeting state and federal standards for providing health care are allowable costs. Costs are allowable only if they are documented, ordinary, and related to the provision of health care services to authorized Medicaid and General Relief Medical patients. Necessary and reasonable costs will, in the commission's discretion, include

(A) meeting licensing and certification standards;

(B) meeting standards for providing patient care;

(C) fulfilling accounting and reporting requirements imposed by 7 AAC 43.679; and

(D) performing any patient assessment activity required by the Department of Health and Social Services.

(2) Abandoned planning projects. The costs of planning projects that are abandoned are allowable costs if they are amortized over not less than 60 consecutive months beginning with the month in which the project is considered abandoned in accordance with generally accepted accounting principles.

(3) Startup and organization costs. Startup costs and organization costs are allowable costs if they are amortized over not less than 60 consecutive months beginning with the month in which the first patient is admitted for care. Allowable organization costs include legal fees incurred in establishing the corporation or other organization, and fees paid to states for incorporation. They do not include costs relating to goodwill or to the issuance and sale of shares of capital stock or securities.

(4) Education and training costs. The following are allowable education and training costs:

(A) reasonable costs of on-the-job and in-service training directly related to health care services;

(B) reasonable costs of nursing assistant training;

(C) reasonable costs of training for volunteers, conducted by the health facility;

(D) reasonable costs of health-related community service training programs for other non-employees.

(5) Research costs. Reasonable costs of research directly related to health care services are allowable costs if they are amortized over not less than 60 consecutive months beginning with the month in which the research is completed.

(6) Management fees. The costs of a facility's home office that are reasonably attributable to the management of a facility are allowable costs for the facility. A facility must file with its annual budget any management agreement or change to a management agreement with a firm or individual, other than an employee, that will manage the facility during the period of the budget. Reasonable management fees paid to a firm or individual who is not an employee of the facility or of the facility's home office are allowable costs if

(A) the fees are paid according to the terms of a written management agreement that creates a principal/agent relationship between the facility and the manager, and sets out the items, services, and activities to be provided by the manager;

(B) the facility documents the actual delivery of management services;

(C) the services do not duplicate management services otherwise provided to the facility.

(7) Interest cost.

(A) Interest cost is allowable if the principal sum of the indebtedness is to be applied to a financial need of the facility and is to be applied for a purpose related to patient care. If the principal sum of an indebtedness is to be used for a business opportunity or for the purchase of goodwill, interest on the indebtedness is not an allowable cost.

(B) Interest cost is allowable if the rate of interest is not in excess of the rate that a prudent borrower would pay in an arm's-length transaction at the time the indebtedness is incurred. If the debt is secured by a parent entity of the facility, the average interest rate percent on the parent's total debt will be allowed unless the debt is specific to the facility and documented on the home office cost report submitted to Medicare.

(C) Interest cost includes the amortization of bond discounts and the costs related to the issuance of bonds. If a bond issue is refinanced, the unamortized bond discount and those costs related to the old bond issue are allowable costs in the year in which the refinancing takes place in accordance with generally accepted accounting principles. Discounts and costs of issuance must be amortized over the period from the date of sale to the date of maturity, or, if earlier, the date of retirement of the bonds.

(D) In computing allowable interest costs, interest income from the investment or lending of unrestricted funds must be deducted from allowable interest cost. Interest income from the investment or lending of restricted funds or funded depreciation need not be deducted from allowable costs as long as the interest generated from these funds accrues and is restricted to these funds. Funds that are commingled will be considered unrestricted funds.

(E) If incurred during the period of construction, loan origination fees and interest costs related to construction of a facility must be capitalized and amortized in accordance with generally accepted accounting principles.

(8) Rental and lease cost. Reasonable rent and lease costs under arm's-length operating leases are allowable costs.

(9) Depreciation.

(A) The following costs must be capitalized and not expensed:

(i) expenses for equipment with a historical cost in excess of \$1,000 per unit and a useful life of more than one year after the date of purchase;

(ii) expenses for equipment with a historical cost of \$1,000 or less per unit if the item was part of the initial stock of the facility.

(B) Depreciation expense for depreciable assets required in the regular course of providing patient care is an allowable cost, if it is

(i) identifiable and recorded in the facility's accounting records;

(ii) computed using the depreciation base, lives, and methods specified in this paragraph; and

(iii) recognized under Medicare principles as a depreciation allowance on facilities leased for a nominal amount as identified in the U.S. Department of Health and Human Services, Health Care Financing Administration, HCFA-Pub. 15-1, Provider Reimbursement Manual, Part 1, Section 112, dated December 1974.

(C) Depreciable assets include the following tangible assets if owned by a facility:

(i) structures;

(ii) building fixed equipment;

(iii) land improvements;

(iv) assets held by the facility through a capital lease;

(v) major movable equipment; and

(vi) minor equipment.

(D) The historical cost to the health facility of acquiring the asset in an arm's-length transaction and of preparing it for use, less amounts attributable to goodwill, is presumed to be the depreciation base. However, the commission will, in its discretion,