



April 3, 2019

Commissioner Adam Crum  
Department of Health and Social Services  
State of Alaska  
Juneau, AK 99811

Section 47.07.070. Payment rates for health facilities.  
Dear Commissioner Crum,

We are the current co-chairs of the ASHNHA Small Hospital Committee which represents the small/rural hospitals and nursing homes in Alaska. We are concerned about the impact of proposed Medicaid reductions on Alaska's Critical Access Hospitals or CAHs. Fourteen of Alaska's rural hospitals are CAHs, a federal designation intended to support rural health care. These facilities have 25 beds or less and most include a co-located long-term care/nursing home unit.

During the Department of Health and Social Service's (DHSS) presentations on Medicaid rate reductions, there is a slide saying that protecting small hospitals is a core principle in approaching rate adjustments. While it is accurate that CAH inpatient and outpatient rates have been held harmless, it is not accurate to say that they will not be impacted by cuts. DHSS' proposal to cut long-term care/SNF rates will have a huge impact on the financial viability of small, independent CAHs.

The best way to protect CAHs is to honor the small facility agreements that DHSS has signed with nearly every CAH as part of the rate setting process. This is a payment methodology outlined in regulation (7 AAC 150.190). The agreement outlines the payment rate and inflationary adjustment the facility will receive each year for the four-year period of the agreement. This provides the CAH with a stable payment environment in which to plan for services to meet community needs.

This year (SFY19) for the first time in four years DHSS is honoring these agreements. As recently as January 2019, DHSS has continued to enter into these agreements as part of the rate setting process (see attached Providence Seward Small Facility Agreement signed 1/15/19) This has helped create financial stability for the CAHs.

We have not been able to get a clear answer if DHSS intends to honor the Small Facility agreements moving forward beginning July 1, 2019. We have been told hospital acute care rates will be held harmless but not the long-term care rates. This creates considerable uncertainty and places the CAHs in a vulnerable position.

Although DHSS has been presenting to the legislature that CAHs will not be impacted by the rate cuts because the nursing facility operates under a separate license, this is just not accurate. The CAHs operate both acute care and long-term care services under one administrative structure. The fact that DHSS signs one small facility agreement that includes

rates for both acute care and long-term care demonstrates an integrated facility. A cut to one part of the facility will certainly impact the other part of the facility. We operate with very small operating margins and are already dependent on community support to keep the doors open.

Alaska's CAHs provide access to essential health care services in their communities and are vital to local economies - they are more than traditional hospitals. They provide a community hub for local health care services, access to primary care and emergency services, and a bridge to specialized care outside the community. An important service they provide is nursing home care for elders with who are medically vulnerable and cannot live independently.

CAHs had a 5% rate cut in hospital rates in FY2018. Fortunately, the CAH nursing home rates were not cut, however both services had three years of no inflationary adjustments. As a result, Medicaid reimbursement to rural facilities declined by 10-12% during this period. Rates were restored during FY2019 which has helped them regain financial stability. During this period of rate cuts, half of the CAHs had negative margins. If the nursing home/SNF rate was also cut the losses would have been even greater.

We have further concerns about the ability of CAHs and other small nursing homes to succeed under an acuity-based rate, which requires volume over which to spread risk. If the acuity-based rate fails to cover the fixed cost of providing nursing home care to Medicaid recipients, the facility will not be sustainable. We hope to engage further with DHSS on this issue.

We understand the budget challenges the Medicaid program faces. We have worked to support Medicaid reform and cost reduction. We are asking you to work closely and proactively with us to ensure that the most vulnerable facilities receive payment from Medicaid to cover costs. For state FY20 this means honoring the small facility agreements.

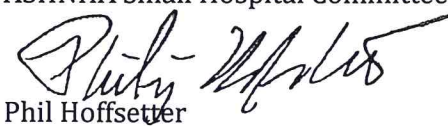
Attached is a one-page summary of Alaska's hospitals and long-term care facilities, showing the number of CAHs with a co-located long-term care facility and the bed counts.

Thank you for your consideration. Please don't hesitate to reach out with additional questions.

Sincerely,



Robert Rang  
CEO Wrangell Medical Center (907) 942-7514  
ASHNHA Small Hospital Committee Chair



Phil Hoffsetter  
CEO Petersburg Medical Center (907) 304-1243  
ASHNHA Small Hospital Committee



ASHNHA Small Hospital Committee

A handwritten signature in blue ink that reads "Jeannie Monk".

Jeannie Monk

Senior Vice President, ASHNHA (907) 723-9826

Staff to the Small Hospital Committee

## Hospitals and Nursing Homes in Alaska 2019

Community	Facility Name	Acute Beds	Long-term Care Beds	Swing Beds	Tribally Operated
<b>Critical Access Hospitals</b>					
<b>Cordova</b>	Cordova Community Medical Center	13	10	13	No
<b>Dillingham</b>	Kanakanak Hospital	16	0	2	Yes
<b>Homer</b>	South Peninsula Hospital	21	28	21	No
<b>Ketchikan</b>	PeaceHealth Ketchikan Medical Center	25	29	0	No
<b>Kodiak</b>	Providence Kodiak Island Medical Center	25	22	25	No
<b>Kotzebue</b>	Maniilaq Health Center	17	18	0	Yes
<b>Nome</b>	Norton Sound Regional Hospital	18	18	18	Yes
<b>Petersburg</b>	Petersburg Medical Center	12	15	12	No
<b>Seward</b>	Providence Seward Medical & Care Center	6	40	6	No
<b>Sitka</b>	SEARHC/Mt Edgecumbe Hospital	25	0	15	Yes
<b>Sitka</b>	Sitka Community Hospital	12	15	12	No
<b>Utqiagvik</b>	Samuel Simmonds Memorial Hospital	10	0	10	Yes
<b>Valdez</b>	Providence Valdez Medical Center	11	10	10	No
<b>Wrangell</b>	Wrangell Medical Center	8	14	8	Yes

<b>Rural/Sole Community Hospitals</b>					
<b>Bethel</b>	Yukon-Kuskokwim Delta Regional Hospital	50	18	0	Yes
<b>Juneau</b>	Bartlett Regional Hospital	73	0	0	No
<b>Palmer</b>	Mat Su Regional Medical Center	74	0	4	No
<b>Soldotna</b>	Central Peninsula Hospital/Heritage Place	49	60	34	No
<b>Fairbanks</b>	Fairbanks Memorial Hospital/Denali Center	152	90	0	No

<b>Acute Care Hospitals</b>					
<b>Anchorage</b>	Alaska Native Medical Center	167	0	0	Yes
<b>Anchorage</b>	Alaska Regional Hospital	250	0	0	No
<b>Anchorage</b>	Providence Alaska Medical Center	401	0	0	No

<b>Other/Specialized Hospitals</b>					
<b>Anchorage</b>	Alaska Psychiatric Institute	80			
<b>Anchorage</b>	North Star Behavioral Health	140	60 residential beds		
<b>Anchorage</b>	St. Elias Specialty Hospital	59			
<b>Elmendorf</b>	Elmendorf – USAF 673 <sup>rd</sup> Medical Group	59			
<b>Fort Wainwright</b>	Bassett Army Community Hospital	43			

<b>Standalone Nursing Homes</b>		
<b>Anchorage</b>	Prestige Care and Rehabilitation Center	102
<b>Anchorage</b>	Providence Extended Care	96
<b>Anchorage</b>	Providence Horizon House	90
<b>Anchorage</b>	Providence Transitional Care Center	50
<b>Juneau</b>	Wildflower Court	61