MINUTES OF THE MEETING
PUBLIC HEALTH, WELFARE, & SAFETY COMMITTEE
MONTANA STATE SENATE

February 13, 1987

The meeting of the Senate Public Health, Welfare and Safety Committee was called to order by Chairman Dorothy Eck on February 11, 1987, at 1 P.M. in Room 410 of the State Capitol.

ROLL CALL: All members of the committee were present.

CONSIDERATION OF SENATE BILL NO. 248: Karen Renne discussed the amendments: the phrase "anticipatory guidance" would be struck, "annual basis" for physical exams would be struck and "group" applicant would be substituted for "individual".

Sen. Norman moved that the amendments be Passed. The amendments received a unanimous DO PASS.

Sen. Meyer moved that SB 248 do pass as amended.

Sen. Himsl: Why is this bill needed when these services are available now?
Sen. Meyer: It makes the option available.
Sen. Rassmussen: We don't need the bill, when the coverage is already available; it just adds a burden to the industry. We are just adding language.
Sen. Eck: The bill does not add services; it just requires the "Blues" and other insurance companies to make known that these options are available to customers.

The question was called and S.B. 248 received a DO PASS AS AMENDED with senators Rassmussen, Himsl, and Hager voting no.

ACTION ON SJR 8: Sen. Eck introduced the amendment by stating thecommittee's concern for funding additional programs. Karen Renne read the amendment: BE IT FURTHER RESOLVED, that these recommendations be adopted as guidelines for state agencies but not implemented unless adequate funding is available.
Sen. Himsl moved that the amendment receive a do pass. The amendreceived a unanimous DO PASS. Sen. Jacobson moved that the resolution pass as amended. SJR 8 received a unanimous DO PASS.

CONSIDERATION OF SENATE BILL NO. 290: Senator Eleanor Vaughn, District # 1, stated that the purpose of the bill is to let customers know about the price savings in prescription drugs. Before Medicare was established, older Americans paid out fifteen percent of their income in prescription drugs. Despite Medicare, due to price increases, they now pay out eighteen percent. Many pharmacists don't let people know about price savings in prescription drugs. The bill requires them to post a comparative list of drugs and prices.

PROPONENTS: Joe Upshaw, American Association of Retired Persons, stated that the health care industry is the fastest growing in the U.S. today , with prescription drugs having increased most in price of any segment of the industry. Many insurance policies don't cover the cost of drugs. AARP is not asking the pharmacists to give a great profit, but to realize that senior citizens do need help. up

Elmer Hausken, AARP, stated that AARP favors passage of this bill in the interest of providing the best economic drug purchases for Montanans.

Tom Ryan, Helena AARP, stated that this bill is economic justice and that it would help people to spend within their means. He checks prices from store to store and would like to have the lists available. He also noted that many people do not have telephones to call and ask prices.

Earl Riley, MT. Senior Citizens Assoc., stated that he has had trouble obtaining generic drug prices, and that for his medical condition, there is a price difference of $34 as opposed to $11 for a generic. A list would be easy for people to use, if posted.

OPPONENTS: Robert H. Likewise, Montana State Pharmaceutical Assoc., stated that posting notices are seldom used by the public, that the work involved in compiling them is costly to pharmacists and the costs will be passed on to the consumers. Price posting could impact Medicaid by raising the prices of the lowest drugs. The annual Lily Digest survey shows that drug prices don't vary that much, but that the pharmacist has other costs in doing business such as salaries, utilities, insurance, rent, legal fees, etc. Price posting is legal and a pharmacist can do it, if he chooses. Exhibit #3.

Robert Kelley, pharmacist, has had previous experience in maintaining a board and found that it is very time consuming. Most people call and ask; they don't go and look. Exhibit #4.

Tom Hager, submitting a letter from Del Steiner, Gibson Pharmacy, Billings, that states: Drug prices change frequently; since January there have been price changes on 400 of the 2000 drugs Gibson's stocks. With such frequent price changes, it is difficult to maintain a board. Exhibit #5.

Senator Vaughn closed by stating that senior citizens do not have enough money to meet their needs and that this bill would help them with a key expense.

CONSIDERATION OF SENATE BILL NO. 246: Esther Bengston, District # 49, sponsor of the bill, opened the hearing by stating that the present Certificate of Need expires in June, 1987 and that this bill authorizes its renewal. She stated that she would make further

remarks upon closing.

PROPONENTS: Robert B. Doolen, Vice President of Finance, Billings Deaconess Medical Center, testified that eliminating the Certificate of Need law will result in an unnecessary duplication of services in a state that does not have the population base to support a full-blown entreprenurial health-care system. Cut-throat competition would result in the demise of many smaller health-care facilities, which would not only result in a net loss of entreprenurial capital, but in community capital, as well. Unnecessary duplication of services dilutes local resources and potential quality of service. Studies have shown that higher quality, specialized health care is produced by specialized units and Billings hospitals have structured their services accordingly. See Exhibit #6.

Rep. Cal Winslow, District # 89, stated that Montana's health care costs may increase by $40,000,000 in the next biennium, and that the state cannot take the chance of doing away with this law in a time of uncertainty. The state needs to maintain its present system, which may still have to take many cuts in services. Utah and Arizona have seen unnecesssary growth in services after doing away with Certificate of Need laws.

Dale Taliaferro, DHES, testified that the department favors this bill because it contains revisions that simplify reviews and and cuts their numbers. The review process will allow for more local input and less highly structured hearings. Higher thresholds for review of construction and new equipment should also reduce the number of hearings. Excess building of nursing homes and hospitals has usually occurred in states that have done away with Certificate of Need laws. Exhibit # 7.

Charles Briggs, State Aging Coordinator, Office of the Governor, submitted testimony that the Governor's Advisory Council on Aging supports the renewal of the Certificate of Need because the state is not ready to face a possible proliferation of facilities that can result if the present Certificate of Need law is allowed to expire. Exhibit # 8.

Ann Light, Montana Senior Citizens Association, stated that CON laws are still needed because medical costs continue to rise rapidly and this law may help to contain them. Exhibit # 9.

Senator Tom Keating, District # 44, and member, Board of Directors of the Rimrock Foundation, testified in favor of the renewal of the Certificate of Need to prevent proliferation of too many beds and services in a sparsely populated state. However, the increased financial limits could allow proliferation of services because these services could be established for less than the limits and not be reviewed for need. He proposes amendments setting limits at the current levels. Exhibit # 10.

Joe Upshaw, AARP, strongly supports SB 246 because it will maintain the present system of high-quality medical care and monitor cost and availability for the state's elderly. Exhibit # 11.

Dave Lewis, SRS, testifed that with rising Medicaid costs, SRS would be coming back to the legislature for more money without the Certificate of Need law in force.

Senator Pat Regan, District # 47, testified that the interim committee studied the Certificate of Need law and recommended its continuation.

Kyle Hopstad, Administrator of the Glasgow and six other small rehospitals in the region, stated that the Certificate of Need law should remain in force so that the public has input on all programs and services, so that services are not duplicated, and so that the ability of smaller hospitals now operating will not be destroyed. Because HMO's might adversely affect the operating ability of smaller hospitials, they need to be included in the Certificate of need process.

Gerald E. Hughes, Hospital and Nursing Home Administrator, Glacier County Medical Center, Cut Bank, stated that there is NO CONTROL over hospitals, nursing homes, etc. without a CON law. He used the example of Columbus Hospital of Great Falls, a for-profit organization, expanding into Cut Bank to fill their excess beds at the expense of the hospital services established in Cut Bank. Unnecesssary duplication of services may cost the state as much in expenditures from the general fund as maintaining the CON does. People in small, rural comminities resent duplication of services and support cost containment. Exhibit # 12.

Rose Skoog, Montana Health Care Association, distributed testimony containing information on the enormous rise in health care costs in Arizona after the state abolished its CON law. With Montana'a limited health care dollars, she stated that the state can't lose its health care planning now. The public needs to scrutinize how these services are offered and a planning process needs to be in place. The public pays for these excess services. Exhibit # 13.

Patrick Melby, Helena attorney, stated that she has handled medical facility cases relating to CON. He used the example of Great Falls trying to establish an alcohol treatment facility in Billings when Rimrock (Alcohol Treatment) already provides complete services. Both facilities would have been underutilized. The CON process prevented the duplication of services. Exhibit #14.

Mary Munger, Montana Health Facility Authority, stated that the function of her organization is to issue bonds to create money to loan to non-profit health-care facilities. The Facility may not loan money without review and approval of the need, processes extablished by the CON. If the CON process is abolished, the

there would be no state agency evaluating the need for facilities or services, which could defeat all efforts aimed at health care cost containment. Exhibit # 15.

Elmer Hausken, AARP, stated tht the association is in favor of a monitoring system to contain health care costs, yet provide sound health care for Montana's citizens. Exhibit # 16.

Steve Waldron, Montana Mental Health Association, stated that the Association strongly supports planning and review of health care. The CON helps to ensure realistic planning.

Ann H. Scott, Rocky Mountain Treatment Center, stated that without the CON, health care costs for patients will go up because more facilities will be built, even though utilization has not been as high as predicted.

Mike Murray, Chemical Dependency Project, supports the continuation of CON.

Joy McGrath, Mental Health Association, supports the CON.

Cort Harrington, Westmont, supports the CON.

David W. Cunningham, Executive Director, Rimrock Foundation, stated that Montana per capita health care costs are below the national average and that Montana health care has not been taken over by for profit organizations, which is occurring in many other parts of the nation, nor have our treatment centers been forced into aggressive competition because of over-bedding. Aftercare facilities are not very profitable; and in the face of competition, these are often discontinued. CON helps these facilities to stay in service. Exhibit # 17.

OPPONENTS TO S.B. 246: Wm. Leary, Montana Hospital Association, testified that the association no longer supports the certificate of need law, because hospitals must compete to survive and they will not invest in unneeded equipment or duplication of services. Hospital trustees are competent to decide what hospitals need and take their responsibilities to the community seriously. They know that utilization of hospital beds is declining. Between 1980 and 1986, 271 hospital applications were submitted in the state and 92% were approved. Does CON do its job? Increases in depreciation rates and interest rates are the fastest growing hospital expenses today. Can CON control these? CON applications are extremely expensive for hospitals to prepare, at least two percent of a project cost, an unwarranted expenditure. This is a cost to the patient. The cost to the state is also going up by at least $62,000 per year. The state budget could save $346,000 by allowing CON to sunset. With the excess of hospital beds now in Montana, it is doubtful that chains will move in and want to compete, nor do acute care facilities wish to convert their beds to long-term care beds. Exhibit # 18.

John Bartos, administrator, Stillwater Community Hospital, Columbus, testified that he finds the health care planning bureaucracy no longer necessary. A diversification of services is the only for the rural hospital to survive and hospitals need to respond immediately to community needs. The local Board of Trustees are qualified to approve local needs, not a bureaucracy in Helena. They are the people most closely in touch with local residents and their needs. They know local financial constraints and use expert consultants in evaluation. Local lending institutions are also knowledgeable. Use of CON has wasted time, specifically adding $32,000 to new project costs in Stillwater County and eliminating a much-desired personal care service. Courts have overturned most denials of CON and the federal government is eliminating federal health planning agencies. Why should Montanans revive archaic legislation? Exhibit # 19.

Larry White, St. Patrick's, Missoula, stated that the CON is a barrier to entry and only protects the status quo and does not control costs. Medical care costs need to be exposed to marketplace competition. Five other western states have abolished CON.

Dr. David Cornell, Deaconess Hospital, Great Falls, stated that the reasons for CON are laudatory, but it is inconsistent, not valid in planning any more, and often adversarial. Applying for a CON is too costly and the costs are passed on to the patient.

Jerry Lindorf, Montana Medical Association, stated that the organization has changed its position on CON and finds their process too long and costly and only adds to project and equipment costs in the long run. Health care costs have gone up anyway, especially Medicaid.

Jim Ahrens, Montana Hospital Association, stated that billions have been spent in state and federal health care planning which have probably saved the consumer nothing.

DISCUSSION OF SENATE BILL NO. 246: Sen. Williams: Has anyone brought back CON after sunsetting?
Sen. Bengston: Texas and Colorado are doing that. Ron Symingson: Yes, that is correct.
Sen. Bengston: I will save my closing remarks for Executive Action.

The meeting adjourned at 2:50 P.M.

Dorothy Cobb

CHAIRMAN

ROLL CALL

Public Health, Welfare and Safety COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 2-13-87

NAME	PRESENT	ABSENT	EXCUSED
Dorothy Eck	X		
Bill Norman	X		
Bob Williams	X		
Darryl Meyer	X		
Eleanor Vaughn	X		
Tom Rasmussen	X		
Judy Jacobson	X		
Harry H. "Doc" McLane	X		
Matt Himsl	X		
Tom Hager	X		

Each day attach to minutes.

DATE 2?-12-87

COMMITTEE ON

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Check One Oppose
Rick Glanz	Western Care Nsg. Home	SB246	X	
Ron Semingson	Hillhaven	SB246	X	
Rose Skoog	Mt. Health Care Assn	SB246	X	
Jerry Hughes	Glacier Co. Med. Ctr	SB246	X	
[illegible]	AARP	SB246 SB290	X X	
Jenny Tracy	Rivendell of Billings	SB246	X	
[illegible] Hansken	AARP	SB246 SB290	X X	
[illegible]	MMC	SB290 SB305		X
[illegible]	DHES	SB246	X	
[illegible]	[illegible]	SB290	✓	
Earl Reilly	MSCA	SB290	✓	
Dave [illegible]	SRS	SB246	✓	
Joy McGrath	Mental Health Assoc	246	X	
Curt Harrington Jr.	West Mont Home Health & Mont. Ass of Home Health Ag.	246	X	
[illegible]	Glasgow	246	X	
Patricia [illegible]	interested Pharmacist	290		X
[illegible]	"	290		X
Chris Gaillardet	MT. Senior Citizens Assn	290	X	
Mark Eichler RPh	Pharmacy	290		X
Pat Melby	Rivendell	246	✓	
Michael [illegible]	Governor/C. Briggs	246	✓	
Mike Murray	Chemical Dependency Program	246	✓	
Joan Ashley	MHCA - Westmont Pioneer Convalescent Home	246	X	
[illegible] R.Ph	Interested Pharmacist	290		✓
John Bartos	Stillwater Conv. Ho. Columbus MT	246		✓
Dave Connell	Mt. Deaconess Great Falls	246		X

(Please leave prepared statement with Secretary)

DATE 2-13-87

COMMITTEE ON

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
David J Rudy	Reg. Chamacist (Pruc. FAR)	290		✓
Anne Light	MSCA	SB246	✓	
Mary Lou Munger	Montana Health Fac. Authority	SB246	✓	
[illegible]	Rimrock Foundation	SB246	✓	
[illegible]	Rocky Mtn Treatment Center	SB 246	✓	
William (Bill) Leary	MONTANA Hosp. Assn	SB246		✓
LARRY White	ST. PATRICK Hosp. Miss.	SB246		✓
Steve Waldron	Mental Health Centers	SB246	X	
Robert [illegible]	MSPA	SB290		X
[illegible]	Sen. City	246	X	
DAvid LACKMAN	MT Public Hlth Assn.	246	X	
Doug Blakley	St Ombudsman Prog	246	X	

(Please leave prepared statement with Secretary)

SENATE HEALTH & WELFARE
EXHIBIT NO. 1
DATE 2-13-87
BILL NO. SB 290

MADAME CHAIRMAN, MEMBERS OF THE COMMITTEE, FOR THE RECORD, I AM JOE UPSHAW OF HELENA, REPRESENTING THE ASSOCIATION OF RETIRED PERSONS IN MONTANA. I RISE IN SUPPORT OF SB 290. THE HEALTH CARE INDUSTRY, WHICH INCLUDES THE AREA OF PHARMACY, IS ONE OF THE LARGEST AND FASTEST GROWING INDUSTRIES IN THE AMERICAN ECONOMY. IN 1965, HEALTH CARE EXPENDITURES REPRESENTED 6.1% OF THE GROSS NATIONAL PRODUCT, AND THIS HAS INCREASED TO MORE THAN 11% AT THE PRESENT TIME. THE MOST RAPID GROWTH OF COST FOR ANY COMPONENT OF THE INDUSTRY HAS BEEN IN THE PRICE OF PRESCRIPTION DRUGS. THE NEED FOR MEDICAL CARE AND DRUGS IS, WITHOUT A DOUBT, GREATER FOR THOSE PERSONS IN THE LATER YEARS OF THEIR LIVES. ALSO, THE GREATEST CASH OUTLAY FOR THESE OLDER PEOPLE IS FOR PRESCRIPTION DRUGS. THIS IS TRUE BECAUSE MEDICARE AMD MANY PRIVATE INSURANCE PROGRAMS DO NOT COVER THE COST OF PRESCRIPTIONS, CONSEQUENTLY, THE MONEY MUST COME FROM THE POCKET OF THE CONSUMER.

THIS BILL DOES NOT NECESSARILY ASK THE DRUGGIST TO GIVE UP A REASONABLE PROFIT. IT ONLY ASKS HIM TO AFFORD THE COSTOMER AN OPPORTUNITY TO MAKE THE WISEST AND MOST ECONOMICAL DECISION WHEN SHOPPING FOR HIS DRUGS. THIS IS A GOOD BILL, AND I URGE YOU TO GIVE IT FAVORABLE CONSIDERATION.

(This sheet to be used by those testifying on a bill.)

NAME: ELMER HAUSKEN DATE: 13 Feb 87

ADDRESS: 1400 HIGHLAND, HELENA

PHONE: 442-8319

SENATE HEALTH & WELFARE
EXHIBIT NO. 2
DATE 2-13-87
BILL NO. SB 290

REPRESENTING WHOM? AARP

APPEARING ON WHICH PROPOSAL: SB 290

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENT: I AM AN UNPAID VOLUNTEER REGISTERED LOBBYIST FOR THE AMERICAN ASSOCIATION OF RETIRED PERSONS, REPRESENTING 80,000 MEMBERS IN MT. WE FAVOR PASSAGE OF THIS BILL IN THE INTEREST OF PROVIDING THE BEST ECONOMIC DRUG PURCHASES FOR MONTANANS

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE ... & WELFARE
EXHIBIT 3
DATE 2-13-87
BILL NO 290 (SB)

THE MONTANA STATE PHARMACEUTICAL ASSOCIATION
P. O. Box 4718
Helena, Montana 59604
Telephone 449-3843

OPPOSE SB 290

Mr. Chairman, members of the committee, for the record I am Robert H. Likewise, the Executive Director for the Montana State Pharmaceutical Association. The pharmacists would like to go on record as opposing SB 290. Price posting has been attempted in other states over the years and has not been successful as an aid in lowering prices and was also not used by the public in making price comparisons. First, it becomes too costly to continually drive from one store to another to check prices. Secondly, people will continue to shop price as they have in the past - by phone - which we do not object to.

The pharmacists themselves are not going to go around to see what the competition is charging since their own individual prices are determined by their costs of doing business.

SB 290 will not bring prescription prices down, but will do the opposite. It will ultimately increase the cost of the average prescription. The Montana State Pharmaceutical Association conducted an analysis of the questionnaires returned by those pharmacies in November that were updating their medicaid fees. It was found that the average selling prices of a prescription was $12.89 for these stores which were primarily large volume stores against the national average in 1985 of $13.04 and $13.37 for the mountain region states. These national averages are a result of the annual Lilly Digest survey, a copy of which I am including for your review. From this we can see that the price of the average prescription in Montana is already a bargain compared to the rest of the country. The low average price of prescriptions in Montana

can probably be attibuted to the fact that the average salary is approximately $8,000 to $10,000 less than in other parts of the country.

We are also talking about a business that operates on a very low margin of net profit. According to the Lilly Digest this average is only 2.6% before taxes.

The ingredient cost is probably the greatest factor in the increasing cost of prescriptions. Again, the analysis of the cost of the drug product from the questionnaires mentioned above indicated that the cost of the ingredient had increased approximately 10% per year over the past 3 years. This is something that the retail pharmacist has no control over, but must pass on to the public. The cost of the prescription is also influenced by the pharmacies own cost of doing business. These costs include: insurance, utilities, rent, phone, salaries, legal fees, accounting fees, bad debts, delivery, taxes and many others that again pharmacies have little or no control.

SB 290 would increase the workload in pharmacies considerably and the extra time involved in keeping the information up-to-date would need to be passed on in the form of increased prescription prices. This may take on several forms such as increasing the basic fee, therby increasing the lower priced drugs and/or increasing the price of those drugs not on the chart to offset the cost of the sign. A number of services such as senior citizen discounts may be discontinued by some pharmacies as these discounts may be incorporated into the sign, thereby giving the same discount to all. However, this discount would probably only cover those drugs posted.

This could also impact medicaid in that in raising the basic dispensing fee would also raise the usual and customary price on the

SENATE HEALTH & WELFARE
EXHIBIT NO. 3
DATE 2-13-87
BILL NO. SB290

lower priced drugs. At the present time a number of stores still have prices below $3.00 for a number of inexpensive drugs, however, if this usual and customary was increased to the private pay customer, it would also be increased for medicaid prescriptions thereby increasing costs to the medicaid budget.

I can also provide information as to the ineffectiveness of price posting from personal experience. This type of action was initiated in Texas during the early 1970's when I was working in that State. As far as I can remember, I never saw anyone come in and use the sign for price shopping. The sign itself only hung on the wall, gathered dust and turned yellow. It also created extra work for the Board of Pharmacy inspectors since they were required to continually check to be sure the signs were displayed. The rule died from lack of activity and was not written into the last Sunset law in Texas.

This extra duty on the Board of Pharmacy in Montana would only add to the costs in their budget which is already short.

In closing, I would like to add that even with this requirement, each pharmacy would still need to determine the basic prescription price that must be charged to cover the costs of doing business. I would also like to add that price posting is not illegal in Montana, but is just not practical. For these reasons the pharmacists of Montana would ask that this committee recommend a do-not-pass on SB 290.

Thank you.

SENATE HEALTH CARE
EXHIBIT NO. 3
DATE 2-13-87
BILL NO. SB 338

LILLY DIGEST AVERAGES OF SELECTED OPERATING STATISTICS

AVERAGES PER PHARMACY	1985 MOUNTAIN REGION (90 Pharmacies)	1984 MOUNTAIN REGION (72 Pharmacies)	1985 Average UNITED STATES (1,378 Pharmacies)
SALES			
Prescription	$ 274,853-- 47.3%	$ 265,768-- 50.5%	$ 369,595-- 62.2%
Other	305,785-- 52.7%	260,655-- 49.5%	224,323-- 37.8%
Total Sales	$ 580,638--100.0%	$ 526,423--100.0%	$ 593,918--100.0%
COST OF GOODS SOLD	393,020-- 67.7%	356,451-- 67.7%	400,255-- 67.4%
GROSS MARGIN	$ 187,618-- 32.3%	$ 169,972-- 32.3%	$ 193,663-- 32.6%
EXPENSES			
Proprietor's or Manager's salary	$ 31,761-- 5.5%	$ 28,131-- 5.3%	$ 35,196-- 5.9%
Employees' Wages	57,323-- 9.9%	51,711-- 9.8%	60,316-- 10.2%
Rent	16,067-- 2.8%	15,905-- 3.0%	14,166-- 2.4%
Miscellaneous Operating Expenses	67,486-- 11.5%	61,033-- 11.7%	67,422-- 11.3%
Total Expenses	$ 172,637-- 29.7%	$ 156,780-- 29.8%	$ 177,100-- 29.8%
NET PROFIT (before taxes)	$ 14,981-- 2.6%	$ 13,192-- 2.5%	$ 16,563-- 2.8%
Add proprietor's withdrawal.	31,761-- 5.5%	28,131-- 5.3%	35,196-- 5.9%
TOTAL INCOME OF SELF-EMPLOYED PROPRIETOR (before taxes on income and profit)	$ 46,742-- 8.1%	$ 41,323-- 7.8%	$ 51,759-- 8.7%
VALUE OF INVENTORY AT COST AND AS A PERCENT OF SALES			
Prescription	$ 29,817-- 10.8%	$ 30,122-- 11.3%	$ 38,939-- 10.5%
Other	72,724-- 23.8%	65,663-- 25.2%	49,375-- 22.0%
Total Inventory	$ 102,541-- 17.7%	$ 95,785-- 18.2%	$ 88,314-- 14.9%
ANNUAL RATE OF TURNOVER OF INVENTORY	3.9 times	3.8 times	4.6 times
FLOOR AREA*	3,593 sq.ft.	3,040 sq.ft.	2,672 sq.ft.
SALES PER SQUARE FOOT*	$ 162.01	$ 177.54	$ 219.98
RENT PER SQUARE FOOT*	$ 4.47	$ 5.23	$ 5.30
NUMBER OF PRESCRIPTIONS DISPENSED			
New	10,482-- 51.0%	10,757-- 50.5%	14,086-- 49.7%
Renewed	10,079-- 49.0%	10,563-- 49.5%	14,261-- 50.3%
Total Prescriptions	20,561--100.0%	21,320--100.0%	28,347--100.0%
PRESCRIPTION CHARGE	$13.37	$12.47	$13.04
NUMBER OF HOURS PER WEEK			
Pharmacy was open	62 hours	61 hours	62 hours
Worked by proprietor	49 hours	48 hours	49 hours
Worked by employed pharmacist(s)	40 hours	37 hours	36 hours

*Based on averages of pharmacies that reported all data.
**Source: 1986 Lilly Digest

SEN... WELFARE
EXHIBIT 4
DATE 2-13-87
BILL NO. 290

February 13, 1987

Mr. Chairman:
Member of the Committee:

My name is Bob Kelley, and I am a pharmacist currently working in the Helena area and I would like to voice my opposition to Senate Bill #290.

I am speaking for myself and not as a representative of any company.

I have had previous experience with price posting in a non-mandated setting.

I found the maintainence of the price board to be very time consuming and actually had very little effect on the prices of the prescriptions.

If customers are concerned about the price of a prescription they will call local pharmacies to get a price quote rather than drive to each pharmacy and look at a price board. It would not only be expensive to go to each pharmacy to look at a price board but would be an inconvenience and for many an impossibility.

If Montana pharmacies are required to post prices in accordance with Senate Bill #290, the time and expence of maintaining the price board will have to be passed on to the customer and would actually have the opposite effect on prescription prices.

For these reasons, I would ask the committee for a DO NOT PASS recomendation.

Thank you very much for allowing me to speak to you today.

Robert J. Kelley

Pharmacy

SENATE HEALTH & WELFARE
EXHIBIT NO 5
DATE 2-13-87
BILL NO 290

1600 Main Street
Phone (406) 245-0075
Billings, Montana 59105

2121 West Main
Phone (406) 587-0706
Bozeman, Montana 59715

1313 Broadwater
Phone (406) 252-4647
Billings, Montana 59102

3065 N. Montana Ave.
Phone (406) 443-5850
Helena, Montana 59601

College Park Professional Center
17th St. & Poly Dr.
Phone (406) 248-3767
Billings, Montana 59102

February 11, 1987

Senator Tom Hager
Capitol station
Helena, MT 59620

Dear Tom,

I am writing to express my opposition to Senate Bill 290.

I assume that the sponsors of this bill believe that requiring pharmacies to post prescription prices would result in a more informed public and more competition between pharmacies, resulting in lower prescription prices.

Price posting is unnecessary because a better mechanism is already doing just that! Every day I give five to ten prescription price quotes over to phone. The people do not even have to identify themselves. I assume that this is the same for nearly every pharmacy. People can learn the price of a specific quantity of a particular medication, they do not have to try to read and interpret a price board.

Since January first there have been price changes on over 400 of the 2000, or so, drugs that we stock. Just keeping a price board current would require a major effort. I do not object to educating people as to our prescription prices, but I do object to the inconvenience and added burden of maintaining a price board, as mandated by this bill.

When it comes to purchasing goods and services, the public is quite sophisticated. People can weigh all the factors, including price, service, selection, convenience, etc. and make their own decisions. They don't need the government to "hold their hands". I urge you to vote against Senate Bill 290.

Respectfully Yours,

Del

Del Steiner, RPh.
pharmacy manager
Gibson Pharmacy, Billings Heights

CASEY'S PHARMACY & WINE CORNER, INC.
111 NORTH LAST CHANCE GULCH
P.O. BOX 172
HELENA, MONTANA 59624
(406) 442-1240

FEBRUARY 12, 1987

RE: BILL 290
POSTING OF PRESCRIPTION PRICES

DEAR MR. CHAIRMAN & COMMITTEE:

I AM WRITING TO TELL YOU OF MY ABSOLUTE OPPOSITION TO THIS BILL. FIRST, IT WILL TAKE AN EXTRAORDINARY AMOUNT OF EFFORT TO POST 200 DRUGS. THEIR GENERICS, AND ALL OF THE PRICES. IT WILL TAKE A LOT OF ROOM TO DO THIS AS PROBABLY 300 DRUGS WOULD HAVE TO BE POSTED. I'M SURE YOU CAN THE PROBLEM THIS ALONE WOULD CREATE IN A SMALL STORE.

SECOND, IT WILL TAKE AN EQUALLY EXTRAORDINARY AMOUNT OF TIME TO KEEP THE PRICES ON ALL OF THESE DRUGS UP-TO-DATE AS THE PRICES CHANGE OFTEN AND RAPIDLY.

THIRD, IT WILL BE VERY COSTLY TO IMPLEMENT THIS BILL. A PHARMACIST WILL HAVE TO MAINTAIN THE BOARD AND MOST LIKELY WOULD HAVE TO BE HIRED TO DO SO, AT LEAST IN MY STORE. THIS WILL DRIVE UP THE COST OF PRESCRIPTIONS TO THE CONSUMER, NOT REDUCE THEM, IF THIS IS THE INTENT OF THE BILL.

SINCERELY,

Dave Casey, R.Ph.

DAVE CASEY, R.PH.

611 N. MONTANA PHONE 442-9800 HELENA, MONT.

To Whom It May Concern,

I Would like to go on record as opposing Senate Bill #290 requiring prescription prices to be posted at all pharmacies. This is an unnecessary piece of legislation that will only serve to increase the work load of pharmacy personel and ultimately drive up prescription prices. To post a hundred drugs, 3 quantities, would entail an unrealistic amount of time in light of the unjustifiable purpose. For all but the eagle-eyed the prices would be illegible and they would have to ask as they now already do. If the quantity posted was not identical to that prescribed its quite forseeable a customer would want more (or less) than the physician feels necessary.

Most pharmacies will gladly give phone quotes and for those truly concerned about costs this is the most economical way to find the lowest or competive price. Its not necessary to further burden a profession already choking under a deluge of paperwork and red tape.

Thanks,

Ron Bergum

Ron Bergum
Bergum Drug
526 Euclid
Helena MT 59601
442-2196

Unnecessary Duplication of ~~Facilities~~ Facilities & Services

SENATE HEALTH & WELFARE
EXHIBIT NO. 6
DATE 2-13-87
BILL NO. 246

~~(1) Good Mgt would require the discipline of most of the same preparatory work~~

all but 1 or 2 of the 60 or so hospitals

duplication

Cut throat, full fledged, competition will bring about the demise of many, particularly smaller H.C. facilities — ~~those~~ this is not a loss of entrepreneurial capital, but in almost all cases community capital in the form of locally ~~owned~~ 501(c)(3) (N.F. Prof.) entities or assets, — In the case of such local NFP entities, this is loss of resources which by charter (?) may only be used for community H.C. enhancement.

Unnecessary local duplication of services, ~~specialty~~ particularly specialized services can't possibly do anything but dilute local resources, and dilute potential quality of the service. Studies have shown that higher quality specialized ~~services~~ health care is predicated by high volume, specialized units.

~~TEFRA Amendments? Why only 3 years minimum?~~

We simply do not have the population base anywhere in MT, to support a full blown entrepreneurial open ~~free enterprise~~ — H.C. system.

access

* See Insert

In conclusion it is simply ~~not at the~~ in the best interest of MT health care consumers, from a cost & quality standpoint that

Expand of effected C/N & State Dental Health. —

SENATE COMMITTEE ON PUBLIC HEALTH & WELFARE
EXHIBIT NO. 6
DATE 2-13-87
BILL NO. SB 246

Home Health — Joint
MRI — Joint
Long term Rehabilitat — CSC.
Heart Program — DMC
Obstetrics — St V.'s.
Psychiatric Unit — DMC
~~Cancer~~
Cancer treatment Center —

THIS IS IN THE County Dist

W/O Coon — these seem are likely to be duplicated.

We are a financially strong hospital & would fare relatively well under a open, fully ~~competitive~~ uncontrolled system.

SENATE ... & WELFARE
EXHIBIT ... 7
DATE 2-13-87
BILL NO. SB 246

TESTIMONY FOR SB 246
DEPARTMENT OF HEALTH & ENVIRONMENTAL SCIENCES

Chairman Eck and Members of the Committee. I am Dale Taliaferro, Health Planning Bureau Chief in the Department of Health and Environmental Sciences.

Senate Bill 246 provides renewal of the Certificate of Need law with several revisions. These revisions are designed to focus the law on those projects that have the most impact on health care costs. The overall number of reviews will be less than in the past and many reviews will be less complicated under this law.

The thresholds for review of construction are raised from $750,000 to $1,500,000 and for new equipment from $500,000 to $750,000. These changes recognize inflation in medical construction and equipment costs and eliminate reviews of routine renovations and updating of equipment.

The exclusion for expansion by 10 beds or 10% of capacity will only apply where the State Health Plan shows a need for more beds. This avoids the possibility of up to 10 percent expansion in areas that already have excess capacity.

The review process is being changed to provide more opportunity for local input and reduce the complexity of hearings. This is to be accomplished by eliminating the Department's preliminary decision, which requires extra time, and holding informal local hearings rather than the current highly structured hearings during the review process.

Fees are included in this bill to offset a portion of the cost of the program. The fee structure proposed is projected to collect about $50,000 to $60,000 per year.

States that have not either continued their Certificate of Need laws or some other kind of restriction of health care facility construction have experienced rapid expansion of health care facilities. Excess building of nursing homes and specialty hospitals are usually the most serious problems.

I, or members of the Department staff, will be glad to answer any questions concerning this bill or related issues that the Committee may have.

SENATE HEALTH & WELFARE
EXHIBIT NO. 7
DATE 2-13-87
BILL NO. SB246

PROPOSED RENEWAL OF THE MONTANA CERTIFICATE OF NEED LAW

(Prepared by the Health Planning Bureau,
Department of Health and Environmental Sciences,
January, 1987)

Introduction

The Certificate of Need Program for capital expenditures for medical facilities encourages community-based planning and prevents excessive development of medical facility capacity. Those states that have eliminated Certificate of Need (CON) without other controls in place have experienced excessive expansion of health facilities. Nursing homes and specialty hospitals have been the facilities with the most expansion.

The repeal of the federal health planning program and its requirements makes possible a number of changes that should improve the program.

CON Changes

The following are the major changes and the reasons for for them:

1. The thresholds for CON requirement for construction would be increased from $750,000 to $1,500,000 and for new equipment from $500,000 to $750,000. The thresholds for new services would remain at $100,000. These increases will eliminate many reviews of routine capital expenditures that involve no service changes or expansion of beds.

2. The exclusion for expansion by ten (10) beds or 10% of capacity would only apply if the State Health Plan shows a need for additional beds. This change would eliminate the possibility for up to 10% unnecessary expansion and the associated incentive to construct excess capacity when building new facilities or expanding.

3. Batching requirements would only apply to new beds and major medical equipment. This change will reduce the time required to conduct reviews on those projects where there is no legal necessity to assure competitive access to the restricted privilege of adding new services or beds.

4. The review process would be changed to decrease review time requirements and increase opportunity for public participation. The Department would no longer issue a preliminary decision and if a hearing was held it would be an informational hearing held in the local community without a formal record being made. There would be a presentation by the applicant and opportunity for public comment.

A formal hearing and record would only be used on reconsideration when a Department decision was challenged.

These changes are intended to increase public participation and reduce the complexity of reviews wherever possible.

5. The Department would have increased discretion to use abbreviated reviews where the need for a project is clearly established and it has no opposition. This change

should reduce the number of full reviews while still maintaining the option for hearings where necessary.

6. Fees are proposed to offset a portion of the lost federal funds. The proposed fee schedule is projected to collect about $50,000 to $60,000 in fees per year.

The proposed changes are designed to maintain the CON program and minimal data and planning functions required to support it. The program is reduced from 9 to 4.75 FTE's and from an annual budget of $387,000 in 1986 to about $180,000 in 1988.

SENATE HEALTH & WELFARE
EXHIBIT NO. 8
DATE 2-13-87
BILL NO. S 246

CHARLES BRIGGS, STATE AGING COORDINATOR
OFFICE OF THE GOVERNOR
PROPONENT TESTIMONY CONCERNING S.B.246
RENEWAL OF CERTIFICATE OF NEED
SENATE PUBLIC HEALTH, WELFARE & SAFETY COMMITTEE
FEBRUARY 13, 1987

Madame Chairman, Members of the Committee:

Due to another commitment I am unable to attend the hearing today on **Senate Bill 246**, renewing the certificate-of-need requirements for health care facilities for the next two years. The renewal was supported by the Governor's Health Cost Containment Advisory Council after considerable study of the issue.

Also, the Governor's Advisory Council on Aging has placed health cost containment as its top policy priority consideration. The Aging Council has in the past supported strengthening the certificate-of-need process. Changes in federal reimbursements systems, as well as increased competition in health care, may eventually remove the need for regulation of this kind. However, as a nation and certainly as a state we have not reached that time. The need for proposed facility construction must be justified to the public.

It is my opinion that if the certificate-of-need law is permitted to expire this year, we may well see the development of excess facilities and services - and resulting extra costs for consumers and the State. As an advocate for older Montanans (who comprise less than 12% of the population yet incur more than 30% of medical costs), I believe regulation through what is termed "consensus planning" by consumers and providers is our best, short-range choice for controlling medical facilities costs.

Montana Senior Citizens Assn., Inc.

WITH AFFILIATED CHAPTERS THROUGHOUT THE STATE
P.O. BOX 423 · HELENA, MONTANA 59624
(406) 443-5341

SENATE HEALTH & WELFARE
EXHIBIT NO. 9
DATE 2-13-87
BILL NO. 246

SB 246

The Montana Senior Citizens Association (MCSA) , an organization which represents over 7,000 senior citizens, strongly supports SB 246, the revision and clarification of certificate of need requirements and the time extension for certificate of need laws.

A major priority of MSCA is to work for access to quality health care at a reasonable cost. CON laws, which were developed largely as a cost-containment measure in response to rapidly escalating health care costs, is a step in that direction. With health care costs still increasing at a rate 7 times that of inflation, MSCA feels that SB 246, which would extend CON laws for another 2 years, is needed now, as much as ever.

For this reason, we urge your support of SB 246.

SEN TE... WELFARE
EXHIBIT NO. 10
DATE 2-20-87
BILL NO. 246

February 11, 1987

TESTIMONY IN SUPPORT
OF SENATE BILL 246

By
Senator Tom Keating

I am here this afternoon in two capacities -- as a Senator from Yellowstone County and a member of the Board of Directors of Rimrock Foundation, a private not for profit inpatient Chemical Dependency Treatment Center and healthcare facility that is eligible for review by Certificate of Need.

As one of seven such centers in Montana, we are advocates of the CON process because it represents the most appropriate means of containing unnecessary healthcare costs, and service duplication in our rural sparsely populated state. In particular, it has prevented the over-bedding that has been experienced in every state where CON was allowed to sunset. The result of too many beds and services is a for profit competition environment in which the consumer ultimately loses.

Our only difficulty with this bill is in the increased financial limits -- $750,000 for medical equipment and 1.5 million for construction which effectively eliminates from the CON process the small healthcare programs such as chemical dependency, nursing homes, etc., which can be constructed and equipped for less than these limits (pg. 24, line 2-6, section (a)(b). We request the bill be amended to the current limits of $500,000 for medical equipment and $750,000 for construction. Over 25 small hospitals like Rimrock Foundation, finance their debt through the Montana Healthcare Facilities Authority with bonds.

They did so under the existing CON law which afforded protection of their facilities and capacity to service debt. If the limits are raised to the proposed levels, there is a real possibility these facilities have cause to pursue legal action for detrimental reliance.

Of greater concern to me is the need to protect the whole healthcare industry in Montana, the small providers as well as the large acute care providers.

1231 NORTH 29TH ST. BILLINGS, MT 59107 P.O. BOX 30374 (406) 248-3175 IN MONTANA (800) 841-2874

SENATE HEALTH & WELFARE
EXHIBIT NO 11
DATE 2-13-87
BILL 246

MADAME CHAIRMAN, MEMBERS OF THE COMMITTEE,

I AM JOE UPSHAW OF HELENA, REPRESENTING THE ASSOCIATION OF RETIRED PERSONS IN MONTANA. I SPEAK THIS AFTERNOON IN FAVOR OF SB246. RETIRED AND ELDERLY CITIZENS OF MONTANA ARE THOSE WHO SPEND THE GREATER PORTION OF THEIR MONEY FOR MEDICAL CARE, AND, CONSEQUENTLY, ARE MORE CONCERNED ABOUT THE COST AND AVAILABILITY OF HIGH QUALITY MEDICAL CARE. THIS CARE CAN ONLY BE MAINTAINED AT ITS PRESENT HIGH LEVEL BY A CONSTANT AND WELL PLANNED MONITORING SYSTEM. ONE OF THE MOST EFFECTIVE COMPONENTS OF THIS MONITORING SYSTEM IS THE CERTIFICATE OF NEED. THIS BILL STRENGHTENS THOSE REQUIREMENTS NOW ON THE BOOKS, AND I STRONGLY INDORSE SB 246.

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO 246

TALKING PAPER - CERTIFICATE OF NEED

LAW - SB NO. 246

INTRODUCTION: MY NAME IS GERALD E. HUGHES AND I AM THE HOSPITAL AND NURSING HOME ADMINISTRATOR AT GLACIER COUNTY MEDICAL CENTER AND LONG TERM CARE FACILITY IN CUT BANK MONTANA. I HAVE BEEN IN THE STATE OF MONTANA, EMPLOYED AS A HOSPITAL ADMINISTRATOR, SINCE DECEMBER 1982. PRIOR TO THAT, I SERVED AS A HOSPITAL ADMINISTRATOR IN THE UNITED STATES AIR FORCE FOR TWENTY-THREE YEARS, OF WHICH SIX OF THOSE YEARS WERE SPENT IN THE HEALTH PLANNING OF TWO NEW MEDICAL FACILITIES FOR THE UNITED STATES AIR FORCE AND ONE NEW 500 BED HOSPITAL FOR THE IMPERIAL IRANIAN AIR FORCE IN IRAN AS A MEMBER OF A UNITED STATES AIR FORCE MEDICAL MOBILITY TEAM, AUTHORIZED BY THE U.S. STATE DEPARTMENT. MY EXPERIENCE AS A HOSPITAL ADMINISTRATOR AND HEALTH PLANNER IS ABOVE THE AVERAGE EXPERIENCE OF THE MONTANA ADMINISTRATOR.

I STRONGLY SUPPORT A CERTIFICATE OF NEED LAW FOR THE STATE OF MONTANA AND RESPECTFULLY URGE FAVORABLE CONSIDERATION OF SENATE BILL NUMBER 246.

AS YOU ARE AWARE, THE CERTIFICATE OF NEED IS A REGULATORY DEVICE INTENDED TO ADDRESS A NUMBER OF PROBLEMS ASSOCIATED WITH THE ALLOCATION OF HEALTH RESOURCES.....UNNECESSARY DUPLICATION OF SERVICES, EXCESS CAPACITY, HIGH HEALTH CARE COSTS, AND UNEVENLY DISTRIBUTED HEALTH SERVICES.

THE CERTIFICATE OF NEED LAW IS A VALUABLE PLANNING AND "CONTROL" MECHANISM FOR THE STATE OF MONTANA IN ASSURING THE PUBLIC THAT WE ARE CORRECTLY DETERMINING THE NEED FOR HEALTH SERVICES.

IT IS ALSO VERY HELPFUL TO HOSPITAL ADMINISTRATORS AND BOARD OF TRUSTEES IN FORMULATING THEIR PLANNING TO MEET COMMUNITY AND STATE NEEDS, BUT IT IS A "PAINFUL" PAPER WORK PROCESS AND CAUSES MANY OF US FRUSTRATION. HOWEVER, WITHOUT A CERTIFICATE OF NEED PROCESS - THERE IS **NO CONTROL** OVER HOSPITALS, NURSING HOMES, OR ANYONE WHO DESIRES TO EMBARK UPON THE HEALTH CARE SCENE IN MONTANA. I WANT YOU TO THINK ABOUT THAT - THERE IS **NO CONTROL** IN THE STATE OF MONTANA, WITHOUT A CERTIFICATE OF NEED LAW, IN DETERMINING HEALTH SERVICES A COMMUNITY NEEDS OR DOES NOT NEED, WHETHER THEY MEET A STANDARD OF ACCEPTABLE QUALITY OR WHETHER THEY WERE OFFERED AT A FAIR PRICE.

AS A HOSPITAL ADMINISTRATOR AND NURSING HOME ADMINISTRATOR, I KNOW THERE EXISTS PUBLIC RESENTMENT OVER THE COST OF HEALTH CARE AND ALLEGATIONS OF INEFFICIENCY AND UNNECESSARY DUPLICATION OF SERVICES. THE PUBLIC DOUBTS OUR PLANNING ABILITY AND OFTEN TIMES WITH GOOD REASON. WE HAVE DIFFICULTY IN RECRUITING AND RETAINING PHYSICIANS SERVICES, NURSING SERVICES, AND THERE IS EVEN DIFFICULTY IN SMALL RURAL HOSPITALS IN KEEPING ADMINISTRATORS FOR ANY LENGTH OF TIME.

THE PUBLIC HAVE THE CERTIFICATE OF NEED LAW TO THANK FOR CLOSELY MONITORING AND CONTROLLING ALLOCATION OF HEALTH SERVICES IN MONTANA. INDEED, WE HOSPITAL ADMINISTRATORS NEED TO JUSTIFY AND BE ACCOUNTABLE FOR THE DELIVERY OF HEALTH SERVICES, MANPOWER, AND FACILITIES, ESPECIALLY WHEN WE ARE SPENDING "TAX" DOLLARS.

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO. SB 241

THOSE WHO ARGUE TO SUNSET THE CERTIFICATE OF NEED LAW WILL TELL YOU THE "MARKET" WILL DRIVE OUT UNNECESSARY DUPLICATION OF SERVICES AND ONLY THOSE ECONOMICALLY VIABLE PROJECTS WILL BE ENTERED INTO.

I BELIEVE THAT WITHOUT A CERTIFICATE OF NEED LAW IN THE STATE OF MONTANA THAT MANY ESTABLISHED NURSING HOMES AND SMALL HOSPITALS - ESPECIALLY WHERE WE HAVE COMBINATION FACILITIES (HOSPITAL AND NURSING HOME UNDER THE SAME ROOF) SUCH AS GLACIER COUNTY MEDICAL CENTER COULD BE JEOPARDIZED BY A LARGE PROFIT OR NONPROFIT HEALTH CARE CORPORATION OR CHAIN ENTERING THE COMMUNITY AND COMPETING FOR THE HEALTH CARE BUSINESS. THIS COULD FORCE THE LOCAL HOSPITAL AND NURSING HOME TO CLOSE, OR TO SPEND ELABORATE AMOUNTS OF MONEY TO COMPETE IN HOLDING THEIR PATIENT POPULATION.

IN OCT.1986, COLUMBUS HOSPITAL OF GREAT FALLS PURCHASED A PRIVATE IMPAIRED PHYSICIAN'S PRACTICE IN CUT BANK, MT. AND ARE ACTIVELY COMPETING WITH THE LOCAL PHYSICIANS FOR PATIENT BUSINESS AND THE MEDICAL CENTER FOR PATIENTS. (NEWS CLIPS) THIS DEMONSTRATES THAT LARGE HOSPITALS WILL OUTREACH TO SMALL RURAL COMMUNITIES TO FILL THEIR EXCESS BEDS AT THE EXPENSE OF THE RURAL HEALTH CARE SYSTEM IRREGARDLESS OF THE NEEDS OF THE LOCAL COMMUNITY. WE WHO SUPPORT THE CERTIFICATE OF NEED LAW ARE NOT SO NAIVE AS TO BELIEVE THE "MARKET" WILL PREVENT UNNECESSARY DUPLICATION OF SERVICES. A SMALL RURAL HOSPITAL COULD BE FORCED TO REDUCE SERVICES AND POSSIBLY BE FORCED TO CLOSE IF THE CERTIFICATE OF NEED WAS SUNSETTED.

THOSE WHO ARGUE TO SUNSET THE CERTIFICATE OF NEED LAW WILL TELL YOU THE STATE GENERAL FUND MONEY SHOULD NOT BE USED TO SUPPORT CON, YET THEY DON'T TELL YOU HOW MUCH STATE GENERAL FUND MONEY WILL BE USED IN THE UNNECESSARY DUPLICATION OF SERVICES IF CON IS SUNSETTED.

OUR PAYROLL (TAKE HOME PAY) BY CUT BANK EMPLOYEES AT GLACIER COUNTY MEDICAL CENTER AVERAGES $74,805.91 PER MONTH AND IF WE PROJECT THIS FOR A YEAR - $897,670.92 GOES BACK INTO GLACIER COUNTY. OUR ACCOUNTS PAYABLE - THINGS WE PURCHASE TO OPERATE THE MEDICAL CENTER AND NURSING HOME AVERAGES $55,836.00 PER MONTH AND $670,032.00 PER YEAR. WE SPEND APPROXIMATELY 31% , $207,711.00 IN CUT BANK, 30% OR $201.009.00 IN MONTANA AND 39%, $261,312.00 OUTSIDE OF MONTANA.

FORTUNATELY IN CUT BANK, MONTANA, OUR CITIZENS REALIZE THE IMPORTANCE OF THEIR RURAL HOSPITAL AND NURSING HOME AND SUPPORT HEALTH CARE AT HOME! THEY ALSO REALIZE THE ECONOMIC IMPORTANCE IN UTILIZING THEIR MEDICAL FACILITIES FOR THE BENEFIT OF GLACIER COUNTY. THEY ALSO SUPPORT COST CONTAINMENT AND FROWN ON THE UNNECESSARY DUPLICATION OF SERVICES.

IN SUMMARY, THE CERTIFICATE OF NEED LAW WILL SERVE MONTANA WELL AND MONTANIANS WILL BE ASSURED THAT HEALTH SERVICES WILL NOT BE UNNECESSARILY DUPLICATED. IF THE CERTIFICATE OF NEED LAW IS SUNSETTED, BY THE TIME THE NEXT LEGISLATIVE SESSION MEETS AND REGROUPS ON THIS ISSUE MASSIVE DAMAGE CONTROL WILL BE REQUIRED.

SENATE HEALTH & WELFARE
EXHIBIT NO. 1
DATE 2-13-87
BILL NO. SB246

Glacier County Medical Center

802 2nd St. SE
Cut Bank, MT 59427
(406) 873-2251

February 12, 1987

Senate Public Health, Welfare & Safety Committee
Dorothy Eck, Chairman

Dear Committee Members:

As a practicing Radiologist in the State of Montana I strongly support a "Certificate of Need Law" for the State of Montana and urge your favorable consideration of Senate Bill Number 246.

Sincerely,

Robert T. Swenson, M.D.
Radiologist
Glacier County Medical Center

RTS/fd

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO. SB246

Glacier County Medical Center

802 2nd St. SE
Cut Bank, MT 59427
(406) 873-2251

February 12, 1987

Senate Public Health, Welfare & Safety Committee
Dorothy Eck, Chairman

Dear Committee Members:

As a practicing Physician in the State of Montana I strongly support a "Certificate of Need Law"for the State of Montana and urge your favorable consideration of Senate Bill Number 246.

Sincerely,

Lawrence A Hemmer Jr MD

Lawrence A. Hemmer, Jr. M.D.
Glacier County Medical Center

LAH/fd

Glacier County Medical Center

802 2nd St. SE
Cut Bank, MT 59427
(406) 873-2251

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO. SB246

February 12, 1987

Senate Public Health, Welfare & Safety Committee
Dorothy Eck, Chairman

Dear Committee Members:

As a practicing Physician in the State of Montana I strongly support a "Certificate of Need Law" for the State of Montana and urge your favorable consideration of Senate Bill Number 246.

Sincerely,

Mark A. Kelly, D.O.
Glacier County Medical Center

MAK/fd

Exhibit #1

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO. SB246

FRIDAY, OCT. 3, 1986 33rd YEAR NO.

Dr. Shepard's Practice Purchased

The Columbus Hospital of Great Falls announced Thursday that it has purchased the practice of former Cut Bank physician, Dr. Phillip Shepard. Negotiations on the sale of the practice have been under way for several months, and were concluded Sept. 1, reports Laura James, Columbus Hospital Public Relations Director. In a news release from the Great Falls hospital, the new clinic will be called the "Cut Bank Family & Specialty Care Clinic," and will be managed by Bonnie Paynich, a Columbus Hospital representative. Current employees, Marianne Wilson and Vickie Wilkins, will continue in their positions at the clinic, and will serve as on-site managers. Currently, Dr. Rosemary Kellogg is in the clinic on Monday, Wednesday & Thursday of each week. Other specialists who have served patients at the clinic in the past on a routine basis include: Dr. Elton Adams, rheumatologist; Dr. D.R. Walker, cardiologist; Dr. R.H. Ullman, ophthalmologist; and Dr. John Stone, urologist. The release continued saying that the hospital hopes to attract other specialists from Great Falls to appear in Cut Bank, and also that it intends to recruit a full-time physician. "Purchase of the clinic represents the Sisters of Providence continued commitment to provide and expand the level of medical care available to Cut Bank residents," the release added.

Exhibit #2

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO. SB246

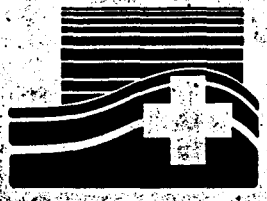
TUESDAY, OCT. 7, 1986 33rd YEAR NO. 1(

New Clinic Disturbs GCMC Officials

Representatives of the Columbus Hospital in Great Falls & the Glacier County Medical Center met Monday afternoon at the local hospital to discuss the new Cut Bank Family & Specialty Care Clinic. Officials at the Columbus Hospital announced last week that they had purchased the building from former Cut Bank physician Dr. Phillip Shepard, striking a sour note with GCMC Administrator Jerry Hughes and his staff over what the purpose of the purchase really means. The hastily-called press conference, which was scheduled to be a private meeting between Hughes & Gordon Sullivan of the Columbus Hospital, turned into a question and answer session with Hughes, Sullivan & Bonnie Paynich, another Columbus Hospital representative. In addition to local media representatives, others present were County Attorney Jim Nelson, County Commissioner Don Koepke, Director of Nursing Vivian Nelson, Dr. John Wallace and Dennis Harms, Vice President of the Cut Bank Area Chamber of Commerce. Hughes accused the Columbus officials of threatening the local hospital and local doctors by bringing in their own doctors to provide medical services for Cut Bank & the surrounding area. Hughes said that while the GCMC has supported the Columbus Hospital in the past, "We have to oppose any kind of competing enterprise on our back door." Hughes said the decision to purchase the local clinic for $75,000 was fourfold: to fill their (Columbus Hospital) beds, to provide work for their specialists, to make money for Columbus Hospital and to compete for patients. Sullivan, meanwhile, said the main reason for the purchase was to provide a place for Great Falls specialists to practice in Cut Bank. Sullivan added that Columbus had been approached 18 months ago by Dr. Shepard to provide him specialists in various fields. The request was granted, Sullivan said, and nine months later, Shepard asked Columbus officials if they would be interested in purchasing his practice, or could they find a buyer. Sullivan added that while Columbus was not in the business of buying or selling practices, it would aid in trying to find a buyer. When none surfaced, including a request to GCMC, Sullivan said Columbus agreed to the purchase to help protect its interests in the Cut Bank area. That, he said, would give the Great Falls specialists a place to practice at various times in Northern Montana, while also providing a place for Dr. Rosemary Kellogg to practice three days each week. "We're looking for nothing more than a beneficial relationship...We want to put something together to make local health care go well," Sullivan said. "We want to do what you want us to do. We don't want to go into competition with your practices. We would like to be only a supporting hospital 100 miles away." Hughes disagreed, saying that Columbus is being forced to find other means for more revenue because of declining census. After more than 2 hours of discussion, Sullivan proposed that an advisory board be set up between the two groups to work out problems, and to set limitations. The proposal was met with some opposition, although the GCMC officials said they would take the request back to the County Commissioners for furth- discussion.

Exhibit #3

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO. SB 246



Cut Bank Family & Specialty Care Clinic

701 FIRST AVENUE SOUTHEAST • P.O. BOX 1448
CUT BANK, MONTANA 59427 • (406) 873-2205

Calendar of physician visits for November, 1986:

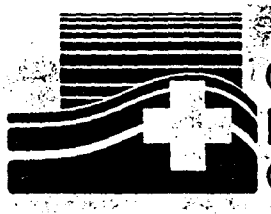
Dr. Ullman, Ophthalmologist	Nov. 7th & 21st
Cardiology Services	Nov. 12th
Dr. Stone, Urologist	Nov. 21st
Dr. Adams, Rheumatologist	Nov. 25th
Dr. Killebrew, Ear, Nose, & Throat	Call Clinic for information

Dr. Kellogg, General Practice, is available on Monday, Wednesday and Thursday each week.

All visits scheduled by appointment.

Exhibit #5

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO SB 246



Cut Bank
Family & Specialty
Care Clinic

101 1ST AVENUE SE*P.O. BOX 1448 CUT BANK, MT. 59427*(406) 873-2205

THE CUT BANK FAMILY AND SPECIALTY CARE CLINIC is pleased to invite you to their GRAND OPENING CELEBRATION DECEMBER 1st thru 6th, 1986. You are invited to attend special free educational offerings throughout the week or just stop by for coffee, cookies, and free handouts.

DECEMBER 1st, Monday-	EYE DAY: FILM- I'll Believe It When I See It, a film regarding eye organ donors, shown at 12:30 p.m.
DECEMBER 2nd, Tuesday-	ARTHRITIS DAY: FILM- Living With Osteoarthritis, shown at 12:30 p.m.
DECEMBER 3rd, Wednesday-	CANCER DAY: FILM- Taking Control, your diet and environment make a difference, shown at 12:30 p.m.
DECEMBER 4th, Thursday-	RESPIRATORY DAY: FILM- Air Pollution In Your Home, shown at 12:30 p.m.
DECEMBER 5th, Friday-	CARDIOLOGY DAY: FILM- How To Take The High Out Of Blood Pressure, shown at 12:30 p.m.
DECEMBER 6th, Saturday-	HEALTH FAIR AT NORTHERN VILLAGE SHOPPING CENTER.

Exhibit #6

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO. SB 246

Clinic slates grand opening festivities

This is "Grand Opening Celebration Week" at Cut Bank Family and Specialty Care Clinic in Cut Bank. Free educational handouts, coffee, cookies, magnets, filmstrips and a health fair are all part of the celebration which started Monday, Dec. 1 and continues through Saturday, Dec. 6.

Thursday and Friday two educational filmstrips, scheduled for 12:30 p.m. showings, are available for viewing by the public. Thursday's film will be "Air Pollution in Your Home" and the last filmstrip of the week, "How to Take the High Out of Blood Pressure", will be shown on Friday.

The Health Fair, which will be held at the Northern Village Shopping Center from 9 a.m. to 6 p.m. on Saturday, will feature free testing along with free handouts and giveaways. Members of the clinic staff and local EMTs will be testing blood pressure, blood sugar, lung capacity and oxygen absorption, said Bonnie Paynich, manager of the clinic.

According to Paynich, the North Central Mercy Flight is also scheduled to be at the mall site between 1-3 p.m. Saturday afternoon. "This will give individuals in the outlying areas an opportunity to register with the North Central Mercy Flight, establish the landing coordinates and put them on file. That way, if a farmer or rancher is having chest pains, for example, he can call his doctor, the doctor can call NCMF and they will know exactly where to go to pick up the patient." Paynich added that the patient can then be flown either to Glacier County Medical Center or Great Falls.

There will be a lobby-like display board and tables set up at the health fair to distribute brochures on health information along with magnets and band-aid holders.

The staff and management of the clinic, which was purchased by Columbus Hospital earlier this fall, invites the public to attend any or all of the activities going on during the grand opeing celebration. The Cut Bank Family and Specialty Care Clinic is located at 101 First Avenue S.E.

Exhibit #7

NEWS RELEASE

SENATE HEALTH & WELFARE
EXHIBIT NO. 12
DATE 2-13-87
BILL NO. SB246

OVER THE ADMINISTRATORS DESK AT GCMC

My strong concern over the recent purchase of Dr. Shepard's Private Practice by Columbus Hospital was that it is a real threat to our rural hospital - Glacier County Medical Center and Long Term Care Facility here in Cut Bank. Some urban hospitals are buying solo rural practices, replacing the retiring physician with one or two young ones and gaining both referrals and effective control of the small rural hospital. We need our Hospital/Nursing Home here in Cut Bank and I don't want to see it reduced to the status of a Hospital without beds. In this situation, our hospital would function as an outpatient diagnostic clinic hospital, which admits inpatients only for emergencies and some obstetrics. We don't plan to let this happen! We need to continue providing full support to both our local hospital and local physicians. We believe consulting specialists available at the hospital best serve the citizens of Glacier County. So, we all need to be competitive and aware of the real intentions of large urban hospitals in our community and when you need medical care - see your local physician and insist always to use your Medical Center. If you need referral to a large hospital, we will help you arrange for that care we are unable to render.

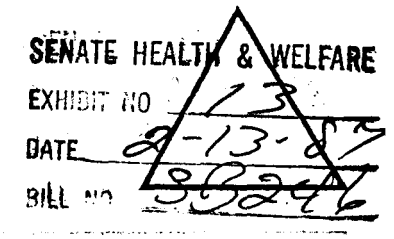
Let's be supportive of your Medical Center and local physicians - they will be their when you need them.

G. E. Hughes

Gerald E. Hughes
Administrator
Glacier County Medical Center/Long Term Care Facility

10-14-86

MONTANA HEALTH CARE ASSOCIATION



36 South Last Chance Gulch, Suite A
Helena, Montana 59601
406-443-2876

STATEMENT OF MONTANA HEALTH CARE ASSOCIATION IN SUPPORT OF SENATE BILL 246 RELATING TO CERTIFICATE OF NEED

For the record, I am Rose Skoog, Executive Director of the Montana Health Care Association, an association representing some 70 skilled and intermediate care facilities throughout the State of Montana. Included in our membership are county and religious affiliated facilities, private for profit facilities, and facilities co-located with hospitals. In fact, we represent 24 of the state's 34 hospital/nursing home combination facilities.

The Montana Health Care Association supports Senate Bill 246 because it believes that the State of Montana should not abandon health planning--the purpose of which is to improve cost, quality, and accessibility of health care services by discouraging unnecessary investment in health care facilities and channeling investment into socially desirable uses.

Opponents of this legislation will assure you that the health care industry will self regulate and that the "market place" will protect the health care consumer from excess capacity and unneeded duplication and the high price that accompanies excess capacity and duplication.

Unfortunately, the competitive market is an opponent, not an ally, of cost containment. When capacity increases,

advertising and marketing increase. The boundaries of the system are expanded, duplication of costly services is encouraged, and the public is pushed to consume more health care services than it needs.

Two states, Arizona and Utah, have been without a certificate of need process and 1122 agreement (and without a moratorium on construction) and we can assess some trends in those states. In both, states the deregulation atmosphere has created unbelievable and frightening consequences to health care services and the cost of those services.

Let's look at Arizona...

Nursing home beds increased 76.1%, from 8,313 to 14,643; and occupancy rates dropped drastically. Per capita expenditures for nursing home care rose by nearly 55%. Total dollars spent on nursing home care increased 81% over a three year period.

Deregulation leads to excess capacity. Excess capacity leads to increased costs. And the consumer ends up paying for the excess capacity.

On the hospital side in Arizona, deregulation occurred in March 1985. Since then proposals are underway for 11 new hospitals, 6 new open heart surgery programs, 3 cardiac catheterization laboratories, and several MRI systems (nuclear magnetic resonance imaging). Arizona has 9 such systems. California, with 10 times Arizona's population, only has 2 times the number of MRI systems.

The state of Arizona estimates that consumers in that state are currently expending in excess of $225 million per

year for excess hospital capacity.

Certificate of need is a nuisance and a frustration to providers--but it does work. And it protects not only our health care facilities but the patients they serve.

A typical scenario relating to nursing home beds is occurring in Missoula right now. There are 5 applications pending for nursing home bed construction. If all 5 proposals were undertaken Missoula would be seriously overbedded.

However, with a CON process in place, those wishing to add nursing home beds in Missoula will have to compete for certificate of need approval. My guess is that only one project will be approved.

The projects will be looked at from the standpoint of whether additional services are required at all, as well as the specific services offered, the ability of the applicant to provide a high quality service, the track record of the applicant in this or other states, the cost of the project, and the projected cost of the service to the consumer. The applicant best meeting the community's needs for health services, and able to demonstrate an ability to provide a cost effective and high quality service, will be granted approval to go ahead with the project.

Without CON, the company or companies able to break ground quickest would offer the service--without regard to excess capacity, duplication, quality, or cost. And, without the CON process determining the need for the project,

the financial stability of the providers offering services in Missoula would be jeopardized. All the way around, the consumer pays.

Nursing homes don't like the CON process any better than any other provider. We, too, would like to be able to do as we please.

However, as long as the public is concerned about the high cost of health care, and as long as we are willing to receive the vast majority of our revenues from state and federal Medicaid and Medicare programs, we must be willing to undergo public scrutiny.

In light of limited resources available to pay for health care services and in light of continued increases in the cost of health care, we have no choice but to continue to do responsible health planning - to insure that scarce health care resources are properly allocated and to insure that health services are accessible and cost effective.

I urge your support of Senate Bill 246 and appreciate the opportunity to present our views to you. I'll be available to answer any questions you may have.

SENATE ... WELFARE
EXHIBIT 14
DATE 2-13-87
BILL NO. 246

SENATE BILL 246

The following health care facilities support Senate Bill 246:

1. Rivendell of Billings, Inc. - Billings
   Adolescent Psychiatric Hospital (formerly state owned Montana Youth Treatment Center)

2. Rivendell of Montana, Inc. - Butte
   Child and Adolescent Psychiatric Hospital (construction to start this spring)

3. Rimrock Foundation - Billings
   Chemical Dependency Inpatient Treatment Facility

4. Parkview Convalescent Care - Billings
   Long Term Care Facility (Groundbreaking 2/12/87)

5. Valle Vista Manor - Lewistown
   Long Term Care Facility

6. Broadwater Health Center - Townsend
   Combined Hospital and Long Term Care Facility

7. Ruby Valley Hospital - Sheridan
   Rural Hospital

8. Helena Nursing Home - Helena
   Long Term Care Facility

9. Laurel Nursing Home - Laurel
   Long Term Care Facility (construction is proceeding on a new facility)

Patrick E. Melby
Luxan & Murfitt
Fourth Floor, Montana Club Building
P.O. Box 1144
Helena, MT 59624
Telephone: 442-7450

SENATE HEALTH & WELFARE
EXHIBIT NO. 13
DATE 2-22-87
BILL NO. 246

MONTANA HEALTH FACILITY AUTHORITY

DEPARTMENT OF COMMERCE

TED SCHWINDEN, GOVERNOR
1520 EAST SIXTH AVENUE

STATE OF MONTANA

(406)444-5435
HELENA, MONTANA 59620

Mr. Chairman, members of the committee, I am Mary Munger, the current chairman of the Montana Health Facility Authority and on behalf of the Authority Board, speak in support of S.B. 246.

The Health Facility Authority was established by the legislature in 1983 as one means of trying to control health care costs. Our primary function is to issue bonds to create money which is then loaned to non-profit health care facilities which are defined in the statute that created the Authority and in the statute you are considering today.

The law requires the Authority to follow certain procedures in the issuance of bonds and in the use of the bond proceeds. One of those procedures, specifically, and I'm quoting from the law, "the Authority may not allow proceeds of any bonds or notes to be expended for any facility unless such facility has been reviewed and approved by the appropriate regional and state health planning boards and has received any approval required by Title 50, chapter 5, part 3." -- the certificate of need process.

If the health planning functions and certificate of need process are eliminated, as would happen without S.B. 246, there would be no agency within state government evaluating the need for additional health care facilities or services which, in the long run, will defeat all the efforts aimed at health care cost containment.

(This sheet to be used by those testifying on a bill.)

NAME: ELMER HAUSKEN DATE: 13 FEB 87

ADDRESS: 1400 HIGHLAND, HELENA

PHONE: 442-8319

SENATE HEALTH & WELFARE
EXHIBIT NO 16
DATE 2-13-87
BILL NO. 246

REPRESENTING WHOM? AARP

APPEARING ON WHICH PROPOSAL: SB 246

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENT: I AM AN UNPAID VOLUNTEER LOBBYIST FOR THE AMERICAN ASSOCIATION OF RETIRED PERSONS. WE ARE IN SUPPORT OF A MONITORING SYSTEM OR METHOD TO MAINTAIN SOUND HEALTH CARE IN MONTANA FOR THE 80,000 MEMBERS OF AARP IN MONTANA, AND EVERYONE ELSE LIVING HERE. PLEASE RECOMMEND PASSAGE.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE HEALTH & WELFARE
EXHIBIT NO. 17
DATE 2-13-87
BILL NO. 246

RIMROCK FOUNDATION

February 12, 1987

TESTIMONY IN SUPPORT
OF SENTATE BILL 246

By

David W. Cunningham
Executive Director

Fortunately, Montana has not experienced the takeover of healthcare by for profit corporations which is occurring in many other parts of our country. The CON process has served us well.

Our medical costs per capita are well below the national average. The CON legislation has served our citizens well. Regulation of this kind is being seen in a different light today than it was 5 years ago as we have witnessed the deregulation of the telephone system -- and now we pay more for that same service. Deregulation of the airline means we Montanan's pay more to get to Minneapolis than ever before and air safety accidents have increased.

In discussions with colleagues nationally, the rate at which treatment centers are being forced because of overbedding into aggressive competition is alarming. Important treatment services such as aftercare which are so necessary to long-term recovery, are not profitable and in the face of competition these are the services that are discontinued. Quality care loses in the battle of the bottom line.

Enacting this bill without raising the construction limits is essential to the survival of Montana's small healthcare facilities.

1231 NORTH 29TH ST. BILLINGS, MT 59107 P.O. BOX 30374 (406) 248-3175 IN MONTANA (800) 841-2874

SENATE HEALTH & WELFARE
EXHIBIT NO 18
DATE 2-13-87
BILL NO 246

TESTIMONY IN OPPOSITION TO SENATE BILL 246 BEFORE THE MONTANA SENATE PUBLIC HEALTH WELFARE AND SAFETY COMMITTEE

Testimony presented by Montana Hospital Association

CHAIRMAN ECK, MEMBERS OF THE COMMITTEE, FOR THE RECORD, I AM BILL LEARY, SPECIAL CONSULTANT TO THE MONTANA HOSPITAL ASSOCIATION. I APPEAR BEFORE YOU TODAY IN OPPOSITION TO SENATE BILL 246. THIS IS A NEW ROLE FOR ME. I STOOD BEFORE THIS COMMITTEE IN 1975, 1979, 1983 AND 1985 AND SUPPORTED CERTIFICATE-OF-NEED AND APPROPRIATE AMENDMENTS TO THE LAW. THERE HAVE BEEN MANY CHANGES IN THE DELIVERY OF HEALTH CARE SINCE 1975. THE PACE OF CHANGE HAS ACCELERATED IN THE PAST THREE OR FOUR YEARS. A DECLINE IN UTILIZATION OF 22 PERCENT BETWEEN 1983 AND 1985 AND THE ADOPTION OF A FIXED PER-CASE RATE OF REIMBURSEMENT FOR MEDICARE, HAS CHANGED THE WAY HOSPITALS DO BUSINESS. TODAY'S HOSPITAL MUST COMPETE TO SURVIVE. IT MUST OPERATE EFFICIENTLY, ELIMINATE WASTE AND ENGAGE IN ONLY THOSE HEALTH CARE SERVICES THAT THE COMMUNITY NEEDS AND IS WILLING TO PAY FOR.

THE INEFFICIENT AND WASTEFUL HOSPITAL WILL GO BROKE. MEDICARE NO LONGER REIMBURSES A HOSPITAL FOR ITS COSTS. HOSPITAL TRUSTEES AND ADMINISTRATORS ARE AT RISK FOR THE DECISIONS THEY MAKE. A HOSPITAL THAT INVESTS IN UNNEEDED OR DUPLICATIVE EQUIPMENT OR FACILITIES WILL ALSO GO BROKE. UNNEEDED EQUIPMENT AND FACILITIES WILL BE UNDER USED AND THE HOSPITAL WILL NOT BE ABLE TO MAKE A POSITIVE RETURN ON ITS INVESTMENT. HOSPITAL TRUSTEES AND ADMINISTRATORS ARE, ONCE AGAIN, AT RISK FOR MAKING WISE INVESTMENT DECISIONS.

HOSPITAL TRUSTEES SERVE WITHOUT COMPENSATION ON HOSPITAL BOARDS AND ACT AS THE REPRESENTATIVES OF THE COMMUNITY. THEY SERVE IN A FIDUCIARY CAPACITY. THEY HAVE BEEN ENTRUSTED BY THE COMMUNITY TO PROTECT THE ASSETS, THE WEALTH, OF THE COMMUNITY -- THE HOSPITAL. THESE TRUSTEES MAKE THE DECISION WHETHER OR NOT TO BUY EQUIPMENT OR MODERNIZE A FACILITY. THEY WEIGH ALL OF THE OPTIONS: COST, UTILIZATION, COMPETITION, REVENUE. THEN THEY DECIDE. THEY DECIDE WHETHER THE SERVICE IS NEEDED AND WHETHER IT CAN BE AFFORDED. THIS POSITION OF TRUST IS NOT TAKEN

LIGHTLY. HOSPITALS MUST BE SELF-SUFFICIENT. COST-BASED REIMBURSEMENT PLANS WILL NOT PROP THEM UP IN THE FUTURE.

IN 1983, THE LEGISLATURE DID A VERY WISE THING. IT PLACED A SUNSET DATE ON THE CON LAW OF JULY 1, 1987. THE PURPOSE OF THE SUNSET PROVISION WAS TO EVALUATE THE EFFECTIVENESS OF THE LAW AND CHANGE IT IF CIRCUMSTANCES REQUIRED OR ALLOW IT TO SUNSET IF CIRCUMSTANCES REQUIRED THAT. I SUGGEST THAT CON BE EVALUATED ON TWO CRITERIA: 1) DOES IT DO WHAT IT IS SUPPOSED TO DO? AND 2) DOES IT PRODUCE EQUAL OR GREATER BENEFIT FOR ITS COST?

CHAIRMAN ECK, MEMBERS OF THE COMMITTEE, WHAT IS THE PURPOSE OF CON? IT IS A COST CONTROL DEVISE. ITS PURPOSE WHEN IT WAS INVENTED IN THE LATE 1960s WAS TO CONTROL INVESTMENT IN UNNECESSARILY DUPLICATED SERVICES AND FACILITIES. PRIMARILY, IT SOUGHT TO CONTROL THE SPREAD OF HOSPITAL BEDS AND TECHNOLOGY. AT THAT TIME, ECONOMISTS BELIEVED THAT THE SUPPLY OF MEDICAL FACILITIES CREATED A DEMAND FOR THEIR USE. IF MORE HEALTH CARE FACILITIES EXISTED MORE PEOPLE WOULD CONSUME SERVICES AND DRIVE UP THE TOTAL COSTS OF HEALTH CARE.

UNDER A CERTAIN SET OF ASSUMPTIONS, THESE ECONOMISTS MAY HAVE BEEN RIGHT. WHEN INSURANCE COMPANIES PROVIDED FIRST DOLLAR INSURANCE COVERAGE, BEFORE MEDICARE AND MEDICAID INITIATED PRE-ADMISSION CERTIFICATION, BEFORE THE DEVELOPMENT OF HMOs AND PPOs, PERHAPS SUPPLY DID CREATE DEMAND. IT IS NO LONGER TRUE. DEMAND FOR HEALTH CARE SERVICES IS SHRINKING EVEN THOUGH SUPPLY OF SERVICE IS REMAINING ABOUT THE SAME. IN 1985 THE OCCUPANCY RATE OF MONTANA HOSPITALS WAS 45.8 PERCENT. IN 1982 IT WAS 57.9 PERCENT.

NO HOSPITAL IS GOING TO INVEST IN BEDS WHEN OVER ONE-HALF OF THE BEDS IN THE STATE ARE EMPTY. NO HOSPITAL WILL INVEST IN EQUIPMENT IF IT WILL BE USED ONLY A QUARTER OR A HALF OF ITS NORMAL OPERATING TIME.

HOSPITALS NOW REGULATE THEMSELVES. THE CON LAW TAUGHT THEM HOW TO DO COMMUNITY-BASED PLANNING. IN THIS NEW COMPETITIVE ENVIRONMENT, HOSPITALS APPLY THE PLANNING PRINCIPLES LEARNED UNDER THE 10 YEARS OF CON. TO DEMONSTRATE HOW WELL HOSPITALS HAVE LEARNED TO PLAN, CONSIDER THAT BETWEEN 1980 AND 1986 296 CON APPLICATIONS WERE SUBMITTED THAT ACTION WAS SUBSEQUENTLY TAKEN UPON. 271 WERE APPROVED. THAT'S AN APPROVAL RATE OF 91.6 PERCENT. THE APPROVAL RATE IS SOMEWHAT HIGHER WHEN YOU CONSIDER THAT AS MANY AS TWENTY PERCENT OF THE DENIALS WERE OVERTURNED ON APPEAL. FURTHERMORE, ALTHOUGH I DON'T HAVE THE DOCUMENTATION TO PROVE IT, I BELIEVE THAT THE HOSPITAL APPROVAL RATE MAY BE SOMEWHAT GREATER THAN THE OVERALL AVERAGE OF ALMOST 92 PERCENT.

MEMBERS OF THE COMMITTEE, I SUBMIT THAT CON DOES NOT DO WHAT IT PURPORTS TO DO. IT DOES NOT LOWER COSTS BY REDUCING UTILIZATION. THE MARKET PLACE IS DOING THE JOB WITHOUT THE BENEFIT OF CON. AS AN INTERESTING SIDELIGHT, I'D LIKE TO POINT OUT WHERE INCREASES IN HEALTH CARE COST CAME FROM IN 1985 OVER 1984. THE RATE OF INCREASE IN TOTAL EXPENSES WAS 6.5 PERCENT. PAYROLL EXPENSES INCREASED 2.9 PERCENT. EMPLOYEE BENEFITS INCREASED 14.6 PERCENT. MEDICAL PROFESSIONAL FEES FELL 6.5 PERCENT AND OTHER PROFESSIONAL FEES FELL 6.7 PERCENT. OTHER EXPENSES (SUPPLIES, FOOD, ETC.) INCREASED 6.6 PERCENT. BUT DEPRECIATION INCREASED 20.8 PERCENT AND INTEREST EXPENSE INCREASED 38.8 PERCENT. THESE COSTS WENT UP BECAUSE TWO LARGE PROJECTS CAME ON LINE IN 1985. THESE PROJECTS WERE NECESSARY AND RECEIVED CON APPROVAL. MY POINT IS MERELY THIS: THE FASTEST GROWING SEGMENT OF HOSPITAL EXPENSE IS THAT WHICH CON CLAIMS TO CONTROL - DEPRECIATION AND INTEREST.

WHAT ARE THE COSTS AND THE BENEFITS OF CON? LET'S CONSIDER HOSPITAL COSTS FIRST. COMPLETING A CON APPLICATION IS NOT AN EASY MATTER. THE APPLICATION IS NOT A ONE OR TWO SIDED FORM. THIS IS AN ACTUAL CON APPLICATION THAT WAS SUBMITTED LAST YEAR FOR A PIECE OF EQUIPMENT.

SENATE HEALTH & WELFARE
EXHIBIT NO. 18
DATE 2-13-87
BILL NO. SB 246 Page 1/6

Testimony in Opposition to Senate Bill 246

MHA RECENTLY PERFORMED A SURVEY OF CON PROJECTS. TEN FACILITIES IDENTIFIED 24 CON PROJECTS OVER THE PAST THREE YEARS. THE HOSPITALS PAID $472,455 IN COSTS ASSOCIATED WITH THE CON PROCESS. THESE COSTS INCLUDE HOSPITAL STAFF TIME TO RESEARCH AND PREPARE THE CON APPLICATION OVER AND ABOVE NORMAL PLANNING COSTS; THE COSTS OF PAID CONSULTANTS WHO EITHER TESTIFY OR PROVIDE SPECIAL CON SERVICES AND THE COST OF LEGAL FEES. LEGAL FEES CONSTITUTED ALMOST 40 PERCENT OF THE ENTIRE COST OF PREPARING THESE PROJECTS FOR REVIEW. THE HOSPITAL COSTS ASSOCIATED WITH THE CON PROCESS AMOUNTED TO TWO PERCENT OF THE PROJECT COST. FOR EVERY ONE MILLION DOLLARS OF CAPITAL EXPENSE, A HEALTH FACILITY CAN EXPECT TO PAY $20,000 TO OBTAIN A CON. WE FEEL THIS EXPENDITURE IS UNWARRANTED. THIS BILL WOULD INCREASE THE COSTS EVEN HIGHER BY ADDING AN APPLICANT FEE OF "0.3 PERCENT OF THE CAPITAL EXPENDITURE PROJECTED IN THE APPLICATION," BUT NOT LESS THAN $500. THE APPLICATION FEE WILL INCREASE THE APPLICATION COST TO 2.3 PERCENT OF THE PROJECT COST -- A 15 PERCENT INCREASE. HOSPITALS PAY MORE, AND SPREAD THOSE COSTS TO PATIENTS, BUT NOBODY RECEIVES ANY ADDITIONAL BENEFIT.

NOW, LET'S TALK ABOUT THE COST TO THE STATE. FROM THE BEGINNING OF CON UNTIL OCTOBER 1, 1986, THE FEDERAL GOVERNMENT WAS A PARTNER IN HEALTH PLANNING. ON THAT DATE, THE U.S. CONGRESS OFFICIALLY TERMINATED ITS PARTICIPATION. SIXTY-THREE PERCENT OF THE TOTAL FUNDS OF THE HEALTH PLAN AND RESOURCE DEVELOPMENT BUREAU HAD BEEN PAID BY THE FEDERAL GOVERNMENT PRIOR TO ITS PULL-OUT. IN FY 1986, ACCORDING TO THE DEPARTMENT BUDGET, THAT CONTRIBUTION TOTALED $192,634. THE TOTAL BUDGET WAS $306,791 IN 1986. THE BUREAU EMPLOYED 9.0 FTEs. NOW THAT FEDERAL DOLLARS ARE GONE, THE BUREAU HAS CUT STAFF DRAMATICALLY. IT PROPOSES FOR THE NEXT BIENNIUM TO RUN THE BUREAU WITH 4.75 FTEs AND IS ASKING THE LEGISLATURE FOR A TWO YEAR APPROPRIATION OF $346,590 OR ABOUT $62,000 PER YEAR MORE THAN THE FY 1986 GENERAL FUND ALLOCATION.

CHAIRMAN ECK, MEMBERS OF THE COMMITTEE, IN ORDER TO MAINTAIN PROGRAMS AT THE PROPOSED LEVEL, THE LEGISLATURE MUST INFUSE THE BUREAU WITH A 54.3 PERCENT INCREASE IN ITS GENERAL FUND ALLOCATION. THE MONTANA HOSPITAL ASSOCIATION BELIEVES THAT SUCH AN EXPENDITURE IN THESE DIFFICULT FISCAL TIMES IS UNCALLED FOR. IT IS A MOVE IN THE WRONG DIRECTION. THE STATE BUDGET COULD SAVE $346,590 BY ALLOWING CON TO SUNSET.

NOT ALL HOSPITALS IN MONTANA AGREE THAT THE CON SHOULD SUNSET (ALTHOUGH THE MHA VOTE WAS 51-1 TO SUPPORT THE SUNSET) AS ONE OR TWO OF THE SMALLER HOSPITALS MAY HAVE A CONCERN THAT THE HOSPITAL CHAINS OUTSIDE OF MONTANA WILL IMMEDIATELY COME IN AND BUILD NEW FACILITIES TO COMPETE AGAINST THEM. GIVEN THE CURRENT ECONOMIC STATUS OF THE STATE OF MONTANA AND THE LONGSTANDING COMMUNITY SUPPORT FOR THE EXISTING HOSPITAL DO YOU THINK THAT THE CHAINS WOULD BE FOOLISH ENOUGH TO RISK CAPITAL ON SUCH AN ENDEAVOR? I THINK NOT!

THERE IS ALSO A FEAR FROM THE NURSING HOME INDUSTRY THAT THE REMOVAL OF CON -- THE REMOVAL OF THE FRANCHISE IF YOU WILL--WILL ALLOW THE HOSPITALS THAT HAVE SURPLUS BEDS TO CONVERT TO LONG TERM CARE BEDS. I REMIND YOU THAT 33 OF THE HOSPITALS ALREADY HAVE A TOTAL OF 1,370 LICENSED LONG TERM CARE BEDS. I KNOW OF NO HOSPITAL THAT IS WILLING TO CONVERT SOME OF THEIR ACUTE CARE BEDS TO LONG TERM CARE BEDS AND CERTAINLY WOULD NOT DO IT UNLESS THE NEEDS OF THE COMMUNITY DEMANDED IT.

WE MAINTAIN THAT THE MARKETPLACE CAN DO WHAT CON ONCE DID, CONTROL CAPITAL INVESTMENT. WE MAINTAIN THAT WE, THE HEALTH CARE PROVIDERS, CAN DO IT AT LESS COST TO THE SYSTEM. WE MAINTAIN THAT THE OFTEN-FEARED ORGY OF BUILDING AND BUYING THAT WOULD ATTEND THE SUNSETTING OF CON WILL NOT HAPPEN -- THE ECONOMICS OF THE MARKETPLACE WILL NOT PERMIT IT.

I STRONGLY URGE YOU TO VOTE DO NOT PASS ON SB 246 AND ALLOW THE LAW TO SUNSET IN ACCORDANCE WITH THE 1983 LEGISLATIVE MANDATE.

SENATE HEALTH & WELFARE
EXHIBIT NO. APPENDIX A
DATE 2-13-87
BILL NO. SB 246

MONTANA HOSPITAL ASSOCIATION

Montana licensed hospitals holding membership in Montana Hospital Association as of December 31, 1986.

City	Member	Licensed Beds	
		Hospital	Nursing Home
Anaconda	Community Hospital	40	68
Baker	Fallon Memorial Hospital	19	32
Big Sandy	Big Sandy Medical Center	9	20
Big Timber	Sweet Grass Community Hospital	17	0
Billings	Deaconess Medical Center	253	0
Billings	St. Vincent Hosp. & Health Center	280	0
Bozeman	Bozeman Deaconess Hospital	86	60
Butte	St. James Community Hospital	270	0
Chester	Liberty County Hospital	11	40
Choteau	Teton Medical Center	22	24
Columbus	Stillwater Community Hospital	27	0
Conrad	Pondera Medical Center	34	78
Culbertson	Roosevelt Memorial Hospital	14	40
Deer Lodge	Powell County Memorial Hospital	23	8
Dillon	Barrett Memorial Hospital	31	0
Ennis	Madison Valley Hospital	11	0
Forsyth	Rosebud Community Hospital	20	55
Fort Benton	Chouteau County District Hospital	17	22
Glasgow	Frances Mahon Deaconess Hospital	72	6
Glendive	Glendive Community Hospital	46	75
Great Falls	Columbus Hospital	198	0
Great Falls	Montana Deaconess Medical Center	288	124
Hamilton	Marcus Daly Memorial Hospital	48	0
Hardin	Big Horn County Memorial Hospital	16	34
Harlowton	Wheatland Memorial Hospital	23	33
Havre	Northern Montana Hospital	100	20
Helena	St. Peter's Community Hospital	96	0
Helena	Shodair Hospital	36	0
Kalispell	Kalispell Regional Hospital	93	0
Lewistown	Central Montana Hospital	47	70
Libby	St. John's Lutheran Hospital	26	0
Livingston	Livingston Memorial Hospital	54	0
Malta	Phillips County Hospital	30	0
Miles City	Holy Rosary Hospital	109	0
Missoula	Missoula Community Hospital	115	0
Missoula	Missoula General Hospital	50	0
Missoula	St. Patrick Hospital	213	0
Plains	Clark Fork Valley Hospital	16	28
Plentywood	Sheridan Memorial Hospital	21	65
Polson	St. Joseph Hospital	40	0
Poplar	Poplar Community Hospital	22	22
Red Lodge	Carbon County Memorial Hospital	25	27
Ronan	St. Luke Community Hospital	22	43
Roundup	Roundup Memorial Hospital	17	39
St. Ignatius	Mission Valley Hospital	18	11

City	Member	Licensed Beds Hospital	Nursing Home
Scobey	Daniels Memorial Hospital	8	45
Shelby	Toole County Hospital	20	43
Sheridan	Ruby Valley Hospital	20	0
Sidney	Community Memorial Hospital	49	85
Superior	Mineral County Hospital	10	20
Terry	Prairie Community Hospital	6	14
Townsend	Broadwater Health Center	10	32
Whitefish	North Valley Hospital	44	56
White Sulphur Springs	Mountainveiw Memorial Hospital	6	31
Wolf Point	Trinity Hospital	42	0
TOTALS	55	3,240	1,370

Montana licensed hospitals not members of Montana Hospital Association as of December 31, 1986.

City	Facility	Licensed Beds Hospital	Nursing Home
Billings	Montana Youth Treatment Center (Youth psychiatric)	60	
Circle	McCone County Hospital	20	40
Cut Bank	Glacier County Medical Center	20	39
Deer Lodge	Montana State Hospital (Galen Campus)	33	
Ekalaka	Dahl Memorial Hospital	16	21
Kalispell	Glacier View Hospital (10 Psych/16 Chem. Dependency)	26	
Philipsburg	Granite County Memorial Hospital	10	13
TOTALS	7	66 General 119 Psychiatric	113

Summary

Montana has a total of 59 licensed general hospitals with a current total of 3,306 general acute care beds to serve a statewide population of 820,000.

Current membership in the MHA shows a total of 55 licensed general hospitals representing 98 percent of all licensed acute care beds.

In addition, MHA represents 33 of the hospital-based or managed long-term care (nursing homes) having a total of 1,370 long-term care beds which is approximately 32 percent of the nursing home facilities and 19 percent of the total licensed long-term care beds.

SENATE HEALTH & WELFARE
EXHIBIT NO. 19
DATE 2-13-87
BILL NO. SB 246

PH. 322-5316 | *Stillwater Community Hospital*

P.O. BOX 959 | COLUMBUS, MONTANA 59019

By way of introduction, I am John Bartos, administrator of Stillwater Community Hospital in Columbus. I believe that my views of the Certificate of Need law are representative of all Montana rural hospitals.

The health planning bureaucracy of the past is no longer needed to control hospital and medical expansion. The medical field is in such a major revolution that a planning document of today is outdated within a year. Hospitals today must be able to respond immediately to the needs of the community in order to survive. No longer are hospital admissions the sole source of revenue for rural hospitals. It is diversification from Home Health Agency to wellness programs that will allow rural hospitals to survive into the 1990's. It is the State Department of Health employees who create the health planning document, but they are not the ones responsible for the long term survival of rural hospitals. How can a department functioning in Helena dictate what can happen to the medical needs and services of Stillwater County? This function is the sole responsibility of the Board of Trustees.

The planning process at any hospital begins in the board room of the Board of Trustees. These trustees are either elected or appointed to represent the community's best interest in the health care delivery. These trustees communicate with residents and listen to the area of needed services. They also listen to hospital's medical staff and hospital staff who will ultimately provide these services to the public. The hospital's trustees educate themselves not only through in-house education, but also attending conferences and seminars.

If a new program or service is being considered for implementation, consultants are hired and feasibility studies are conducted. The Board of Trustees are knowledgable of the financial constraints and limitations of their individual hospitals. These financial constraints have been brought about by the reimbursement system established by the federal government, known as DRG's. If a program or service is deemed to be feasible, it must also meet the approval of the lending institution financing the project.

In my own experience, the health planning bureaucracy in the last two years has increased the cost and wasted valuable time in the construction of a 7 unit retirement complex.

The Board of Directors of Stillwater Community Hospital had the foresight to begin diversification. They studied the feasibility of the needed service for a one year period. They met with civic leaders, senior citizens, medical staff, and residents of the county to determine the need for personal care retirement unit. At the same time the hospital was communicating with the State Department of Health planners of our concept, and it met with their approval. At that time they stated that the personal care facilities were not subject to review. All that was requested was that the hospital prepare a document following the review application forms. The architect had the plans completed and received the appropriate endorsements from the building code division. The plans were to be let out for bid when the State Department of Health reversed itself and stated the project must go through a Certificate of Need and at that time denied the previously submitted information application. This, of course, brought to a screeching halt the cons-

truction program.

Prior to our proposed construction, personal care units were not subject to review. Interestingly enough, the Department placed personal care units for review shortly before construction began. The hospital was forced to retain services of an attorney and a consulting firm to reverse the department's decision. The costs of these additional, and here-to-fore unnecessary, staff increased the costs of the building project $14,000.00 alone. It also delayed construction for three months, a loss of revenue of $18,000.00. In total, a $32,000.00 expense to the hospital and this is only for 7 units.

How we were able to resolve the issue was to eliminate personal care services. According to the State Department of Health, if personal care services were not provided in the new units, no review was necessary, and we could proceed with our plans. However, during the Board of Trustees planning process, it was found that personal care services were highly desirable among prospective residents.

As a further example, it took two years to obtain a Certificate of Need to establish a Home Health Agency. The reason for the delay, as we were told by the State Department of Health, was that Yellowstone County Visiting Nurse Service was providing this service. If a hospital feels it is able to provide a service for it's residents at a reasonable cost and provide competent service, there should be no obstacle in it's way.

If Health Planning's objectives were truly met then why, to my knowledge, has every Certificate of Need denied by the State Department of Health been overturned by the courts?

The federal government has eliminated all federal health planning agencies and is not funding any for the coming year. Why then should the people of Montana be asked to revive an archaic health planning program when the economy and the market basket already control every rural hospital's destiny.

The Certificate of Need law must be allowed to sunset June 30th, 1987.

Respectfully submitted,

John M. Bartos

John M. Bartos, Administrator

JMB:hr
2/12/87

STANDING COMMITTEE REPORT

SCRSJR8

February 13, 19 87

MR. PRESIDENT

We, your committee on Public Health, Welfare and Safety

having had under consideration Senate Joint Resolution 8 No.

first white

reading copy (color)

RESOLUTION TO ENDORSE RECOMMENDATIONS OF DEVELOPMENTAL PLANNING TASK FORCE

Respectfully report as follows: That Senate Joint Resolution No. 8

BE AMENDED AS FOLLOWS:

1. Page 3, following line 20.
Insert: "BE IT FURTHER RESOLVED, that these recommendations be adopted as guidelines for state agencies but not implemented unless adequate funding is available."

AND AS AMENDED

DO PASS

DO NOT PASS

Chairman.

Senator Eck

STANDING COMMITTEE REPORT

SCR58248

February 13 19 87

MR. PRESIDENT

We, your committee on Public Health, Welfare and Safety

having had under consideration Senate Bill No. 248

first white reading copy (color)

REQUIRE INSURERS TO OFFER COVERAGE OF ROUTINE PHYSICAL EXAMS FOR GROUPS

Respectfully report as follows: That Senate Bill No. 248

BE AMENDED AS FOLLOWS:

1. Page 2, line 5.
Following: "assessment,"
Strike: "anticipatory guidance,"

2. Page 3, line 1.
Following: "or"
Insert: "group"

3. Page 3, line 3.
Following: "examinations"
Strike: "on an annual basis"

4. Page 3, line 5.
Following: "or"
Insert: "group"

STATEMENT OF INTENT APPROVED AND ATTACHED

AND AS AMENDED

DO PASS

DO NOT PASS

Chairman.

Senator Fab

FEBRUARY 16, 1987

MR. PRESIDENT,

WE, YOUR COMMITTEE ON PUBLIC HEALTH HAVING HAD UNDER CONSIDERATION SENATE BILL NO. 248, ATTACH THE FOLLOWING STATEMENT OF INTENT:

STATEMENT OF INTENT

SENATE BILL 248

A statement of intent is required for this bill because section 6 authorizes the commissioner of insurance to promulgate reasonable rules necessary to enforce and administer the provisions of the bill. The legislature intends that the rules the commissioner adopts to implement this bill be designed principally to make coverage for periodic physical examinations available to each Montana insurance consumer at his option. The legislature further intends that the commissioner adopt the rules in accordance with 33-1-313 which grants the commissioner general rulemaking authority and permits the commissioner to:

(1) make only reasonable rules that do not extend, modify, or conflict with the laws of this state or with any reasonable implication of the laws; and

(2) make or amend the rules only after a hearing for which notice has been given as required by 33-1-703.

MONTANA HEALTH CARE ASSOCIATION

SENATE HEALTH & WELFARE
EXHIBIT NO. 13
DATE 2-13-87
BILL NO. SB 246

36 South Last Chance Gulch, Suite A
Helena, Montana 59601
406-443-2876

PREPARED BY

THE MONTANA HEALTH CARE ASSOCIATION

FOR

SENATE PUBLIC HEALTH, WELFARE AND SAFETY

February 13, 1987

ARIZONA - HOSPITALS

...deregulated March 1985

March 1985:	72 hospitals	10,762 beds
March 1985 thru May 1986:	127 permit applications for proposed hospital projects totaling $279M	
1984 w/CON in place	Hospital projects totalled only $14M	

Proposals include:

- 11 new hospitals
- 6 new open heart surgery programs
- 3 cardiac catheterization laboratories
- 10 MRI systems

MRI systems - 10 units - $15M (California has 10 times the population but less than 2 times the number of MRI systems)

THE STATE ESTIMATES THAT CONSUMERS ARE CURRENTLY EXPENDING IN EXCESS OF $225 MILLION PER YEAR FOR EXCESS HOSPITAL CAPACITY

ARIZONA - NURSING HOMES

.....Repealed CON for nursing homes - July 1982

	1982	1986	% Increase
Beds	8,313	14,643	76.1%
Occupancy rates	92.55%	82.8%	-10.5%
Per capita nursing home expenditures	$320.76	$558.29	54.7%
Gross patient revenues	$124.2M	$224.7M	81%
Out of State ownership of beds	48%	70%	52%

NATIONAL CON STATISTICS

	Applications	$	Disapproved	$
1983	6000	$14 B	1100 (18%)	$4.7B (33%)
1984	6000	$11 B	1600 (27%)	$5 B (45%)

** In addition, operating costs saved by disapproval of projects in 1983 was almost $1.35B operating costs per year in each of the next 10 years. Therefore saved an estimated $18B in capital and operating costs of unneeded facilities through 1993.

Operating costs saved by disapproval of projects in 1984 was approximately $1.6B per year for each of the next 10 years or an estimated $21B in capital and operating costs of unneeded facilities through 1994.

MONTANA CON STATISTICS

	DOLLAR VOLUME			NUMBER			BEDS		
	Total Appl.	Total Appr.	Total Appr (%)	Total App.	Total Appr.	Total Appr. (%)	Total Appl.	Total Appr.	Total Appr.(%)
1983	36379	35035	96.31	40	28	70.00	146	146	100.00
1984	80870	41253	51.01	60	32	53.33	950	232	24.42