

March 25, 2024

Representative Carpenter, Chair  
House Ways & Means Committee  
State Capitol Room 106  
Juneau, AK 99801  
[House.Ways.And.Means@akleg.gov](mailto:House.Ways.And.Means@akleg.gov)

**RE: AHHA Opposes HB 381**

Dear Chair Carpenter and Committee Members,

For over 70 years, the Alaska Hospital & Healthcare Association (AHHA) has served as a non-profit trade association representing Alaska's hospitals, nursing homes, and a growing number of healthcare partners across the continuum of care. AHHA members play an invaluable role, both as community providers and essential employers, in cities, towns, and villages across Alaska.

We write today to respectfully oppose HB 381 because such legislation is premature until a comprehensive feasibility and design analysis is conducted for a hypothetical healthcare provider tax in Alaska. HB 381 seeks to levy a 5.5% of net patient revenue tax on health care providers operating in Alaska, including hospitals, medical clinics or offices, special care facilities, nursing care facilities, and medical laboratories. The revenue collected will go into a newly created "healthcare provider fund" and may be used by the Legislature to make appropriations for the State's Medicaid program.

HB 381 appears to be intended to create a system where income from the tax is used to draw down federal dollars and pass those dollars back to the taxed providers through increased rates and supplemental payments above what the providers paid into the tax. This refinance system is used by other states, and while we appreciate the apparent intent of subsidizing Alaska's Medicaid program with more federal funds captured through the tax, we are concerned that no details exist for how the tax will actually be levied, collected, and ultimately redistributed to providers.

Establishing a provider tax as proposed in HB 381 and structuring a supplemental payment program for redistributing funds is extremely complex. In 2016, the Alaska Department of Health & Social Services released a report conducted by its contractor Myers & Stauffer titled "Health Care Provider Tax Feasibility Study and Recommendations." This report articulates the complexity of provider taxes and supplemental payment programs and demonstrates the substantial analysis of actual Medicaid claims data that is necessary to structure a program that satisfies federal legal standards, actually supports the classes of providers that are taxed, and does not



create an excessive administrative burden or even put healthcare providers out of business / jeopardize access to care.

For example, without analyzing Medicaid claims data, we do not know the cap space available for the respective provider classes in the bill that limit how much funds can be redistributed to the providers after the tax. Moreover, we do not know if the proposed tax satisfies federal legal requirements concerning broad-based provider impact, uniformity, and hold harmless or safe harbor. These are terms of art that require intensive statistical analysis and program structure, and without that, there is no way to determine how much HB 381 will impact the State's general fund or healthcare providers subject to the tax.

The 2016 provider tax feasibility study ultimately made a recommendation for a possible provider tax on one class of providers in Alaska, but strongly cautioned the Department of Health & Social Services about the estimated fiscal and economic impact of the tax "[d]ue to challenges identified with accessing the most current data available." *Health Care Provider Tax Feasibility Study and Recommendations* at 8. The report went on to conclude the Department should wait to move forward with any tax until more current MMIS data was accessible and considered. *Id.*

To our knowledge, no provider tax or supplemental payment models have been developed, tested, or considered in conjunction with HB 381, and no Medicaid claims data has been pulled for analysis. Without these critical steps, it is impossible to conclude whether the proposed provider tax in HB 381 is legal under federal law and whether it will positively or negatively impact Alaska healthcare providers and access to care in our state.

We appreciate the debate generated by HB 381 and the need to think creatively about funding and delivering healthcare services, but we caution lawmakers that experts need to be hired to analyze and potentially design a provider tax and supplemental payment system before passing a law that mandates such a tax. The Alaska Hospital & Healthcare Association is committed to working with the legislature and the Department of Health on this issue and urge the committee not to move HB 381 at this juncture.

Thank you for your commitment to this issue and working to address healthcare challenges in Alaska.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Kosin'.

Jared C. Kosin, JD, MBA  
President & CEO