



Arizona House of Representatives
House Majority Research
MEMORANDUM

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To: JOINT LEGISLATIVE AUDIT COMMITTEE

cc: Representative Rick Murphy, Chair
Senator Jim Waring, Vice-Chair

Re: Sunset Review of the Health Facilities Authority

Date: December 2, 2005

Attached is the final report of the sunset review of the **Health Facilities Authority**, which was conducted by the Senate Health and House of Representatives Health Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Janet Napolitano

President of the Senate
Senator Ken Bennett

Speaker of the House of Representatives
Representative Jim Weiers

Senate Members
Senator Jim Waring, Vice-Chair
Senator Carolyn Allen
Senator Marsha Arzberger
Senator Robert Cannell
Senator Barbara Leff

House Members
Representative Rick Murphy, Chair
Representative David Bradley
Representative Laura Knaperek
Representative Linda Lopez
Representative Doug Quelland

Health Facilities Authority
Department of Library, Archives & Public Records
Auditor General

Senate Republican Staff
Senate Research Staff
Senate Democratic Staff

House Majority Staff
House Research Staff
House Democratic Staff

***Senate Health and House of Representatives Health
Committee of Reference Report***

Health Facilities Authority

Date: December 2, 2005

To: Joint Legislative Audit Committee
Representative Rick Murphy, Chair
Senator Jim Waring, Vice-Chair

Background

Pursuant to Arizona Revised Statutes (ARS) §41-2953, the Joint Legislative Audit Committee (JLAC) assigned the sunset review of the Health Facilities Authority (Authority) to the Senate Health and House of Representatives Health Committee of Reference.

The Authority was established by Laws 1974, Chapter 128, §3, to reduce health care costs and improve health care for residents of this state by providing less expensive financing through acquisition of one or more health care facilities (this provision was removed from statute in 1977) and through the issuance of tax-exempt bonds. The tax-exempt bonds permit the Authority to obtain lower market interest rates than other financial institutions. After the bonds are issued, the Authority then loans the bond's proceeds to health care institutions to finance their projects. It may also issue bonds for projects located in Arizona and on behalf of a participating facility that is headquartered in Arizona. Additionally, the Authority may issue bonds for the purpose of refunding at or prior to maturity outstanding bonds or other indebtedness of any participating facility. In 1999, the Authority hired its first Executive Director, Blaine Bandi.

Committee of Reference Sunset Review Procedures

The Committee of Reference held one public meeting on November 8, 2005 to review the Board's responses to the sunset factors as required by ARS §41-2954, subsections D and F, and to hear public testimony.

Committee of Reference Recommendations

The Committee of Reference recommends continuing the Health Facilities Authority for 10 years.

Attachments:

1. Sunset report requirements pursuant to ARS §41-2954, subsections D and F.
2. Meeting notice.
3. Minutes of the Committee of Reference meeting.



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Phoenix, AZ 85007-2848
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To: Members of the House and Senate Health Committees of Reference

Re: Sunset Review of the Health Facilities Authority

Date: October 26, 2005

The Health Facilities Authority (Authority) is scheduled to sunset July 1, 2006. The following is a brief description of the history and duties of the Authority, as well as the Authority's response to the sunset questionnaire. A public meeting is scheduled for November 8, 2005 to allow you to ask questions of the Board, take public testimony, and make a final recommendation on the Authority's continuation. If you have any questions or need further assistance, please feel free to contact me.

AUTHORITY HISTORY AND MISSION

The Authority was established by Laws 1974, Chapter 128, §3, to reduce health care costs and improve health care for residents of this state by providing less expensive financing through acquisition of one or more health care facilities and through the issuance of tax-exempt bonds. The Authority was originally established as a public corporation, specifically, as a municipality that may contract with participating lessees (health care facilities). In 1977, the Legislature eliminated language permitting the Authority to be a public corporation and removed the ability for the Authority to acquire health care facilities.

ORGANIZATION AND DUTIES

The Authority has a governing board composed of seven directors appointed by the Governor. Statute requires all members of the governing board to be residents of Arizona and not more than four of the same political party. Each member serves a seven-year term and receives fifty dollars for attending board meetings. The governing board may accept grants of money and materials or property from federal, state, county or municipal agencies or others. It may also issue bonds for projects located in Arizona and on behalf of a participating facility that is headquartered in Arizona. Additionally the Authority may issue bonds for the purpose of refunding at or prior to maturity outstanding bonds or other indebtedness of any participating facility. The governing board is permitted to employ or contract with engineers, architects, attorneys, accountants, construction and financial experts as necessary. In 1999, the Authority hired its first Executive Director, Blaine Bandi.

The tax-exempt bonds permit the Authority to obtain lower market interest rates than other financial institutions. After the bonds are issued, the Authority then loans the bond's proceeds to health care institutions to finance their projects. Historically, the Authority issued tax-exempt bonds exclusively for the largest and highest credit rated hospitals in Arizona. The Authority believes that the enabling legislation excluded smaller non-hospitals and has since sought legislative amendments to mitigate this practice. According to the Authority, in 1997 the Authority led a successful effort to amend the enabling legislation to allow more flexibility in issuing bonds. The statutory amendments allowed the Authority to finance a greater variety of health care projects and removed the requirement for high credit ratings. Since 1995, the Authority has issued almost \$1.9 billion in bond financing for the construction and renovation of facilities and acquisition of essential equipment and technology. In 1999, the Authority created a program called the Arizona Health Assistance Program. This program allows the Authority to provide low-cost loans for rural and underserved health care facilities. According to the Authority, since 2000, this program has loaned \$1.2 million to rural hospitals and health centers, an urban health center and a birthing center. The Authority has also provided over \$150,000 in direct or compensated technical assistance to develop or expand health care services in rural and medically underserved communities and tribal reservations.

FISCAL ISSUES

The Authority does not receive state funding. The Authority's operations are funded by the revenues generated from its bond financing activities.

LEGISLATIVE ISSUES

The Authority does not have any recommended legislative changes at this time.

ADDITIONAL BACKGROUND

Staff contacted individuals and agencies in order to discuss their working relationships with the Authority.

Michael McAnder, System Vice President/Treasurer of Banner Health stated that on behalf of the patients and employees of Banner Health, he supports the renewal of the Authority. As Treasurer of Banner Health, he relies on the resources of the Authority "in order to maximize the ongoing quality of care" Banner Health provides patients in Arizona communities. Mr. McAnder stated that Banner Health utilized the Authority's resources in 2002 and 2005 as the issuing organization for bonds to build new hospitals, expand current facilities and purchase new technology. Mr. McAnder believes that because of this resource, Banner Health has been able to add 5,460 employees and care for 21,903 additional patients annually.

Additionally, Mr. McAnder believes that the Authority plays an important role in managing health facilities costs. In 2005, Banner Health was able to replace higher cost debt with lower cost debt offered by the Authority, reducing the overall costs of health care delivery to their patients.

Mr. McAnder stated that the Authority has provided valuable assistance to Banner Health in issuing debt. He believes that if the Authority were to sunset, Banner Health would be required to issue bonds through an authority outside of the state and that authority would not understand the Arizona marketplace as well as the Authority does. Mr. McAnder stated that this alternative would have a negative impact on Banner Health's ability to build additional facilities that are essential to meet the health care needs of Arizona.

October 26, 2005

Gary Cloud, Director of Advancement at A.T. Still University offered his endorsement of the re-authorization of the Authority. He stated that he has observed the role of the Authority for many years and that the Authority has performed admirably for the citizens of Arizona by fostering macro-infrastructure for needed hospitals and other health care facilities. Mr. Cloud also stated that it has been pleasing to see the Authority begin to foster micro-infrastructure development for primary care in the state's least served communities. A.T. Still University has worked with the Authority to develop facilities to "help train tomorrow's healers."



ARIZONA HEALTH FACILITIES AUTHORITY

"Financing the Future of Healthcare in Arizona"

August 17, 2005

Representative Rick Murphy
Chair, Health Committee of Reference
Arizona House of Representatives
1700 West Washington
Phoenix, AZ 85007

RE: Sunset factors pursuant to A.R.S. §41-2954

Dear Representative Murphy:

In accordance with the provisions of A.R.S. §41-2954 and in response to your letter dated June 30, 2005, I offer the following response to the sunset consideration factors as follows:

1. The objective and purpose in establishing the agency.

The Authority was established by the Arizona legislature in 1977 to issue bonds for the purpose of improving health care for residents of Arizona by providing less expensive financing for health care facilities. Interest on the Authority's bonds and other financing obligations is exempt from income taxation, which permits the Authority to obtain lower market interest rates for its bonds than the interest rate that would otherwise be available. Upon the issuance of the bonds, the Authority loans the bond proceeds to health care institutions to finance their projects at lower interest rates than would be available from a bank or from other forms of financing. In this way the Authority acts as a "conduit" to provide less expensive forms of financing. As a result of the Authority's less expensive financings, health care costs are reduced and the availability of services is improved for residents of Arizona.

Historically, the Authority issued tax-exempt bonds exclusively for Arizona's largest and highest credit rated hospitals. However, the Authority realized that those hospitals with the greatest need for financing would not qualify for Authority issued tax-exempt financing due to their credit rating. Additionally, smaller non-hospital facilities were not eligible for financing under the Authority's enabling legislation.

In 1996 the Authority began a process to expand its mission to encompass a broader spectrum of health care financing. The Authority desired an enhance ability to address unmet need for healthcare facilities in rural and underserved areas of the state. The Authority developed a strategic plan that would position it to be responsive to the needs of rural and underserved areas of the state while maintaining its historical commitment to the large nonprofit hospitals.

In 1997 the Authority led a successful effort to amend its enabling legislation to allow more flexibility in issuing bonds. These amendments permitted the Authority to finance a greater array of health care projects and removed the requirement for high credit ratings.

In 1999 the Authority created a program to provide low-cost loans for rural and underserved health care facilities (Arizona Health Assistance Program) and hired its first Executive Director, Blaine Bandi. Mr. Bandi represents the Authority with over 20 years experience in healthcare administration and has significant experience in the areas of healthcare planning, primary care administration and rural medically underserved populations in Arizona.

In 2003 the Authority again led a successful effort to amend its enabling legislation. These amendments permitted the Authority to issue bonds for Arizona headquartered nonprofit healthcare organizations with multi-state operations and expanded the Authority's ability to issue taxable debt for health care facilities. The Authority also received a grant from St. Luke's Health Initiatives to provide targeted technical assistance to rural, medically underserved communities to identify community needs and increase their ability to leverage other resources and otherwise improve organizational capability. St. Luke's is a public foundation created by the sale of the St. Luke's nonprofit healthcare system. St. Luke's grant programs focus on increasing the organizational capacity of health and human services, as well as on promoting grassroots community development.

These activities demonstrate the Authority's commitment to financing the future of healthcare in Arizona. The Authority remains poised as a catalyst in the development of health care services in rural and underserved areas of the state. As a quasi-governmental body, the Authority is well positioned to leverage both public and private financing for the development of new services and nurturing of appropriate existing services.

2. The effectiveness with which the agency has met its objectives and purpose and the efficiency with which it has operated.

The Authority successfully meets its objectives and purpose and works diligently to expand the availability of essential health services throughout Arizona. Attached as Exhibit A, is a list of the amounts, names and locations of the Authority's activities since its last Sunset Review in 1995.

Since 1995 the Authority has issued almost \$1.9 billion in bond financing for the construction and renovation of facilities and acquisition of essential equipment and technology. These financings have benefited rural and urban hospitals, blood banks, assisted living facilities, a pediatric hospital, medical centers, a medical and dental school, pediatric long term care facilities, behavioral health providers, and a Regional Behavioral Health Authority.

Since 2000 the Authority's Arizona Health Assistance Program (AHAP) has loaned \$1.2 million to rural hospitals and health centers, an urban health center and a birthing center. AHAP loans to two rural hospitals (Douglas and Springerville) enabled these then struggling facilities to remain open following bankruptcy proceedings.

Since 2002 the Authority has provided over \$150,000 in direct or compensated technical assistance to develop or expand essential health care services in rural and medically underserved communities and tribal reservations. This program has been funded in part by a grant from the St. Luke's Health Initiatives and has been coordinated with the Arizona Department of Health Services, Office of Health Systems Development.

In 2005 the Authority anticipates directing additional financial resources to improve rural facilities' access to capital markets for purposes of acquiring or replacing critical patient diagnostic equipment.

The Authority's operations are funded solely by the revenues generated from its bond financing activities. The Authority receives no state funding.

3. The extent to which the agency has operated within the public interest.

The Authority has clearly operated within the public interest. As noted in #1 above, the Authority was established by the Arizona legislature to issue bonds for the purpose of improving health care for residents of Arizona by providing less expensive financing for health care facilities. The Authority's lower cost financing has allowed Arizona health facilities to save approximately 15% on their overall debt service payments during the life of their bond issues. As a result of these savings, health care costs are reduced and the availability of health care services is improved for residents of Arizona.

Additionally, the Authority holds monthly meetings that, pursuant to state law, are always open to members of the public. The meetings are properly announced with agendas posted within the Arizona Department of Health Services and on the Authority's website (www.azhfa.com). The Authority also maintains a mailing list of interested parties that have indicated a desire to receive notices and agendas of the Authority's meetings.

The Authority's website provides information regarding the Authority's purpose, requirements for financing, composition of the Board of Directors, application materials, historical bond financings, and current meeting agendas.

4. The extent to which rules adopted by the agency are consistent with the legislative mandate.

The Authority is in compliance with all regulations for rulemaking agencies. The Governor's Regulatory Review Council has reviewed the Authority's rules and determined that they were consistent with the Authority's statutes. At the request of the GRRC, the Authority has proposed minor changes to its rules relating to the "elimination of legalese". The proposed rules have been submitted to the GRRC for a courtesy review.

5. The extent to which the agency has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

The Authority reviews and approves applications from nonprofit health care organizations seeking financing for their facilities. The Authority is not a regulatory agency and receives only limited contact from the public outside of its applicant agencies. The Authority complies with the State's open meeting laws and its rules by posting public meeting notices at least 24 hours in advance and making the agenda available to the public. Members of the public have the opportunity to make comment to the Authority at every meeting. Additionally, all seven members of the Board of the Authority are public members.

In addition the Authority is required by laws and regulations under the Internal Revenue Code to provide for public hearings in connection with the issuance of bonds. These public hearing are separate from the Authority's monthly meetings. Notices of these public hearing are published in newspapers of general circulation.

The issuance by the Authority of its bonds for the benefit of a particular applicant institution will not have a negative impact upon the public. In the rare instance that a borrowing health care facility defaults in the payment of its debt service obligations, the investors in the bonds, that could include a small portion of the State population, may not be repaid on their investment. In connection with its deliberations as to whether a particular financing should be approved, the Authority considers the likelihood that its borrowers can provide the funds to repay the bonds. Investors are provided with significant disclosures (in the form of official statements and other disclosure documents) that describe the merits and risks of a particular investment prior to purchasing the Authority's bonds. Additionally, various rules and regulations promulgated by the Securities and Exchange Commission are applicable to the Authority's bonds.

6. The extent to which the agency has been able to investigate and resolve complaints that are within its jurisdiction.

The Authority is not a regulatory agency and has no legislative jurisdiction to investigate and resolve complaints. The Authority's meetings are open to the public, provide for public comment and comply with the State's open meeting laws. The Authority would give appropriate consideration to any complaint brought to its attention.

7. The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.

The Authority is not a regulatory agency and has no legislative jurisdiction to investigate and resolve complaints. The Authority's enabling legislation provides no authority to the Attorney General or any other applicable agency to prosecute actions.

8. The extent to which the agency has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.

The Authority has sought and received statutory changes on two separate occasions to improve its ability to finance critical health care projects in Arizona.

In 1997, the Authority's enabling legislation was amended to allow more flexibility in issuing bonds. These amendments permitted the Authority to finance a greater array of health care projects and removed the requirement for high credit ratings.

In 2003 the Authority again led a successful effort to amend its enabling legislation. These amendments permitted the Authority to issue bonds for Arizona headquartered non-profit healthcare organizations with multi-state operations and expanded the Authority's ability to issue taxable debt for health care facilities.

9. The extent to which changes are necessary in the laws of the agency to adequately comply with these factors.

The Authority has no recommended changes at this time.

10. The extent to which the termination of the agency would significantly harm the public health, safety or welfare.

Termination of the Authority would deprive the state's health care providers of a needed source of tax-exempt financing and ultimately may adversely affect the cost of health care in the state. If the Authority were terminated, this significant vehicle for tax-exempt financing would be lost, and the significant potential for reduction of health care costs and improvements of health care services would be removed. Indeed, the Authority's termination may result in Arizona's residents paying higher health care costs than would otherwise be available without the existence of the Authority. Furthermore, the absence of the Authority would limit Arizona's health care institutions ability to finance projects needed to provide services to Arizona's growing population.

The State is not responsible for any costs incurred by the Authority, including but not limited to operational and administrative costs and the costs of issuing bonds. Accordingly, Arizona's health care providers and residents are realizing these benefits without the State having to incur the operational and administrative costs.

Additionally, a legal issue would exist with respect to the effect of the termination of the Authority on existing outstanding bonds and other obligations issued by the Authority, which have maturities extending for as long as thirty years. Even if the outstanding bonds were still deemed to be valid, the termination of the Authority may have an adverse effect on the market perception and market rate for these bonds, which may in turn cause the Authority's bondholders to suffer a loss in the bond market or cause the existing borrowers to pay higher interest rates with respect to bonds that bear variable rates.

11. The extent to which the level of regulation exercised by the agency is appropriate and whether less or more stringent levels of regulation would be appropriate.

The Authority is not a regulatory agency. As such, there are no regulations that can be evaluated to determine whether they should be more or less stringent. The Authority is regulated by its rules, state statute and federal tax code. The Authority believes these regulations to be appropriate.

12. The extent to which the agency has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.

In conducting its operations, the Authority makes significant use of private contractors. The Authority contracts for legal services, financial reviews of applications, and annual financial audits of the Authority's financial statements. The costs for these services are passed on to the borrowing institutions. Accordingly, the Authority could not increase its use of private contractors more than it is doing already.

1. An identification of the problem or the needs that the agency is intended to address

The Authority was created to provide a mechanism for nonprofit health care agencies to access low cost capital funds. The Authority issues tax-exempt bonds and other obligations to finance health care facilities or projects on behalf of nonprofit health care institutions. Interest on the Authority's bonds and other financing obligations is exempt from income taxation, which permits the Authority to obtain lower market interest rates for its bonds than the interest rate than would otherwise be available from a bank or from other forms of financing. In this way the Authority acts as a "conduit" to provide less expensive financing for such nonprofit health care institutions than the institutions could obtain on their own. As a result of the Authority's less expensive financings, health care costs are reduced and the availability of health care services is improved for residents of Arizona.

2. A statement, to the extent practicable, in quantitative and qualitative terms, of the objectives of such agency and its anticipated accomplishments.

The primary objective of the Authority is to issue tax-exempt bonds and other obligations to finance health care facilities or projects on behalf of nonprofit health care institutions. Since its last Sunset Review process in 1995, the Authority has also focused on targeting services to rural and underserved areas of the state. In 1999 the Authority created a program to provide low-cost loans for rural and underserved health care facilities (Arizona Health Assistance Program). In 2003 the Authority began providing technical assistance to develop or expand essential health care services in rural and medically underserved communities and tribal reservations. This program has been funded in part by grant from the St. Luke's Health Initiatives and has been coordinated with the Arizona Department of Health Services, Office of Health Systems Development. Attached as Exhibit A, is a list of the amounts, names and locations of the Authority's activities in these three areas.

3. An identification of any other agencies having similar, conflicting or duplicate objectives, and an explanation of the manner in which the agency avoids duplication or conflict with other such agencies.

There are no other state agencies having similar, conflicting or duplicate objectives.

4. An assessment of the consequences of eliminating the agency or of consolidating it with another agency.

As noted in #10 above, termination of the Authority would deprive the state's health care providers of a needed source of tax-exempt financing and ultimately may adversely affect the cost of health care in the state. The absence of the Authority would limit Arizona's health care institutions ability to finance projects needed to provide services to Arizona's growing population. Eliminating the Authority would also cause the Authority's bondholders to suffer a loss in the bond market and/or cause the existing variable rate borrowers to pay higher interest rates.

The Authority believes consolidating the Authority with another agency would not be in the best interests of the residents of Arizona and the health care institutions serving them. There are no other agencies having similar or duplicate objectives. Consolidation with another state agency would create unnecessary obstacles to financings. Additionally, consolidation with another agency would require legislative financial support and/or an increase in the fees the Authority charges borrowers thus diminishing the original intent of creating the Authority to provide less expensive financing.

On behalf of the Arizona Health Facilities Authority, I thank you for the opportunity to respond to these questions. If you have additional questions, or require clarification, please contact me at 602-375-2770.

Sincerely,

A handwritten signature in black ink, appearing to read 'Blaine Bandi', written in a cursive style.

Blaine Bandi
Executive Director

ATTACHMENT A: ARIZONA HEALTH FACILITIES AUTHORITY

Revenue bonds Issued 1995 to Current (in millions):

Agency	Location	Original Issue Amount \$
Blood Systems, Inc.	Various	9.5
Care Institute, Inc.	Mesa	11.4
Northern Arizona Healthcare System	Flagstaff	24.1
Northern Arizona Healthcare System	Flagstaff	29.6
Bethesda Foundation	Phoenix	9.5
Northern Arizona Healthcare System	Flagstaff	73.1
John C. Lincoln Health Network	Phoenix	1.8
Catholic Healthcare West	Phoenix	120.0
Phoenix Children's Hospital	Phoenix	40.0
Universtity Physicians	Tucson	5.0
Carondelet Health Network	Tucson	3.0
Scottsdale Healthcare, Inc.	Scottsdale	6.5
Arizona School of Health Sciences	Mesa	17.2
John C. Lincoln Health Network	Phoenix	34.3
Hospital District No. One - Mohave County	Kingman	11.8
Hacienda de los Angeles	Phoenix	1.0
Sun Health Corporation	Sun City	10.0
Carondelet Health Network	Tucson	4.0
Phoenix Children's Hospital	Phoenix	45.0
John C. Lincoln Health Network	Phoenix	7.0
Royal Oaks Lifecare Community	Sun City	20.5
Blood Systems, Inc.	Various	4.4
Community Partnership of Southern Arizona	Tucson	5.1
John C. Lincoln Health Network	Phoenix	47.0
Yavapai Regional Medical Center	Presott	7.5
Northern Arizona Healthcare System	Flagstaff	35.0
Banner Health System	Various	325.0
John C. Lincoln Health Network	Phoenix	4.0
Sun Health Corporation	Sun City	5.5
The Terraces	Phoenix	62.0
Southwest Behavioral Health System	Phoenix	5.5
Arizona School of Health Sciences	Mesa	2.6
Blood Systems, Inc.	Various	55.0
Sun Health Corporation	Sun City	4.5
Banner Health System	Various	836.0
Wickenburg Community Hospital	Wickenburg	6.0
Total		\$ 1,889

Arizona Health Assistance Program Loans Approved 2000 to Current

Agency	Location	Amount \$
Mountain Park Health Center	Phoenix	50,000
Community Healthcare of Douglas	Douglas	350,000
White Mountain Regional Medical Center	Springerville	150,000
Phoenix Developing Families Center	Phoenix	65,000
Canyonlands Community Health Center	Page	150,000
Copper Queen Community Hospital	Bisbee	150,000
North Country Community Health Center	Flagstaff	150,000
El Pueblo Health Center	Tucson	150,000
Total		\$ 1,215,000

Grants and Technical Assistance Provided 2002 to Current

Agency	Location	Amount \$
Yavapai Apache Nation	Camp Verde	12,500
Fort Mojave Indian Tribe	Fort Mojave	11,500
Mountain Park Health Center	Phoenix	5,000
Hulapai Tribe	Peach Springs	5,000
Clinica Adelante	Queen Creek	5,000
Phoenix Developing Families Center	Phoenix	10,000
Las Fuentes Clinic	Guadalupe	5,000
Yavapai County Health Department	Prescott	10,000
Family Involvement Center	Phoenix	6,500
Gila River Health Care Corporation	Sacaton	8,100
North Country Community Health Center	Flagstaff	10,080
Chiracahua Community Health Center	Elfrida	9,900
Mountain Park Health Center	Phoenix	9,850
Morenci Health Care Center	Morenci	10,000
United Methodist Outreach Ministries	Phoenix	8,000
Phoenix Day	Phoenix	10,000
Desert Senita Community Health Center	Ajo	10,000
Northern Apache County Special Health Care District	St. Michaels	5,000
Total		\$151,430

Interim agendas can be obtained via the Internet at <http://www.azleg.state.az.us/InterimCommittees.asp>

ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

SENATE HEALTH AND HOUSE OF REPRESENTATIVES HEALTH
COMMITTEE OF REFERENCE FOR THE:
SUNSET OF THE HEALTH FACILITIES AUTHORITY
SUNSET OF THE MEDICAL RADIOLOGIC TECHNOLOGY BOARD OF EXAMINERS
SUNSET OF THE NURSING CARE INSTITUTION ADMINISTRATION AND ASSISTED LIVING
SUNSET OF THE BOARD OF HOMEOPATHIC MEDICAL EXAMINERS
SUNRISE REQUEST OF THE ARIZONA ASSOCIATION FOR HOME CARE
SUNRISE REQUEST OF THE ARIZONA MIDWIFERY INSTITUTE
SUNRISE REQUEST OF THE ARIZONA ALLIANCE OF SURGICAL SPECIALISTS

Date: Tuesday, November 8, 2005

Time: 9:00 a.m.

Place: House Hearing Room 1

AGENDA

1. Call to Order – Opening Remarks
2. Health Facilities Authority
 - Presentation by the Health Facilities Authority
 - Public Testimony
 - Discussion and Recommendations by Committee of Reference
3. Medical Radiologic Technology Board of Examiners
 - Presentation by the Medical Radiologic Technology Board of Examiners
 - Public Testimony
 - Discussion and Recommendations by Committee of Reference
4. Nursing Care Institution Administration and Assisted Living Facility Managers Board
 - Presentation by the Nursing Care Institution Administration and Assisted Living Facility Managers Board
 - Public Testimony
 - Discussion and Recommendations by Committee of Reference
5. Board of Homeopathic Medical Examiners
 - Presentation by the Board of Homeopathic Medical Examiners

- Public Testimony
 - Discussion and Recommendations by Committee of Reference
6. Arizona Alliance of Surgical Specialists
- Presentation by the Arizona Alliance of Surgical Specialists
 - Public Testimony
 - Discussion and Recommendations by Committee of Reference
7. Arizona Association for Home Care
- Presentation by the Arizona Association for Home Care
 - Public Testimony
 - Discussion and Recommendations by Committee of Reference
8. Arizona Midwifery Institute
- Presentation by the Arizona Midwifery Institute
 - Public Testimony
 - Discussion and Recommendations by Committee of Reference
9. Adjourn

Members:

Senator Jim Waring, Co-Chair
Senator Carolyn Allen
Senator Marsha Arzberger
Senator Robert Cannell
Senator Barbara Leff

Representative Rick Murphy, Co-Chair
Representative David Bradley
Representative Laura Knaperek
Representative Linda Lopez
Representative Doug Quelland

10/31/05
jmb

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

ARIZONA STATE LEGISLATURE

SENATE HEALTH AND HOUSE OF REPRESENTATIVES HEALTH COMMITTEE OF
REFERENCE FOR THE:
SUNSET OF THE HEALTH FACILITIES AUTHORITY
SUNSET OF THE MEDICAL RADIOLOGIC TECHNOLOGY BOARD OF EXAMINERS
SUNSET OF THE NURSING CARE INSTITUTION ADMINISTRATION AND
ASSISTED LIVING
SUNSET OF THE BOARD OF HOMEOPATHIC MEDICAL EXAMINERS
SUNRISE REQUEST OF THE ARIZONA ASSOCIATION FOR HOME CARE
SUNRISE REQUEST OF THE ARIZONA MIDWIFERY INSTITUTE
SUNRISE REQUEST OF THE ARIZONA ALLIANCE OF SURGICAL SPECIALISTS

Minutes of the Meeting
Tuesday, November 8, 2005
9:00 a.m., House Hearing Room 1

Members Present:

Senator Jim Waring, Co-Chair
Senator Carolyn Allen
Senator Marsha Arzberger
Senator Robert Cannell
Senator Barbara Leff

Representative Rick Murphy, Co-Chair
Representative Laura Knaperek
Representative Linda Lopez
Representative Doug Quelland

Members Absent:

Representative David Bradley

Staff:

Beth Kohler, Senate Health Research Analyst
Elizabeth Baskett, House Health Research Analyst

Co-chairman Murphy called the meeting to order at 9:12 a.m. and attendance was noted.

Presentation by the Health Facilities Authority

Blaine Bandi, Executive Director, Health Facilities Authority (HFA), stated that his organization was established in 1977 to issue bonds exempt from income tax on the Authorities interest which enables them to get lower interest rates. He explained that the Authority would then loan their proceeds to health care facilities at lower rates than the healthcare facilities would receive from banks. Mr. Bandi remarked that the Authority provided low cost loans for rural and underserved healthcare facilities.

He stated that rural communities that have benefited from the program included:

- Flagstaff
- Kingman
- Prescott
- Wickenburg
- Douglas
- Springerville
- Page
- Bisbee
- Camp Verde
- Fort Mojave
- Peach Springs
- Sacaton
- Elfrida
- Morenci
- Ajo
- St. Michaels

Mr. Bandi remarked that the Health Facilities Authority was not a regulatory agency and that it existed solely to improve the health care for the residents of Arizona through the financing of critical health care projects. He remarked that failure to continue the Authority would deprive the State's health care providers of a needed source of tax exempt financing. He respectfully requested the Committee of Reference recommend the Arizona Health Facilities Authority be continued for ten years.

In response to Senator Cannell's question about the possibility of a hospital not paying their loan back, Mr. Bandi told the Committee that since the inception of the HFA in 1977, this had only occurred once. He remarked that payments by that hospital were still being made to HFA. Mr. Bandi added that the residents of the State have no legal obligation to back up those bonds because they were issued solely on the credit of the institution.

Representative Knaperek asked Mr. Bandi to list the seven directors for HFA and he did so as follows:

1. **Bruce Gullede**, health care underwriter who does financing for health care institutions across the country.
2. **Donald Shropshire**, former hospital administrator; Tucson Medical Center.
3. **Jennifer Ryan**, community health center director from Southern Arizona.
4. **Rufus Glasper**, Chancellor of the Maricopa County Community College District.

5. **William Emerson**, City Attorney for the City of Peoria.
6. **Susan Straussner**, Community Health Nurse from Parnell County.
7. **Steven Russo**, Bond Attorney based in Tucson.

In response to Representative Knaperek's question about funding, Mr. Bandi told the Committee that the HFA's annual budget was approximately \$300,000 per year and that revenues to the Authority were generated through bond financing activities. He stated that when the HFA approved bonds, applicants are paying one basis point, which is .01 of one percent of total financing. He remarked that additionally applicants paid 7.5 basis points which was equal to .075 percent. Mr. Bandi told the Committee that the HFA brought in between \$300,000 to one million dollars per year, a five year cycle with one million dollars every fifth year. He added that the extra money was used for loans to other healthcare facilities in underserved parts of the State. Mr. Bandi told the Committee that the credit rate was predicated on a number of things, the most prominent being the credit worthiness of the applicant and also on the term and purpose of the loan. He remarked that he had seen the interest rates in the range of about four percent up to about seven percent.

Representative Knaperek asked the amount of savings in interest rates there was for people who used the HFA services. Mr. Bandi responded that historically, the industry used a figure of 15 percent savings going to tax exempt financing versus taxable financing. He stated that today, when interest rates are lower, that 15 percent figure would be closer to 10 or 11 percent.

In response to Representative Quelland, Mr. Bandi stated that the title holder on any property in which the HFA loaned money is going to be that non-profit corporation. He remarked that the HFA had liens on record for every loan they do. Mr. Bandi explained that the bond financing has specific guidelines and rules the HFA must follow in the event of a default.

In response to Senator Leff, Mr. Bandi told the Committee that HFA hired a lobbyist solely from lack of experience with legislative scenarios and to help the organization navigate through the process.

Representative Quelland moved that the Senate Health and House Health Committee of Reference recommend to continue the Health Facilities Authority Board for ten years. By voice vote, the motion CARRIED.

Presentation by the Medical Radiologic Technology Board of Examiners

Aubrey Godwin, Director, Radiation Regulatory Agency, told the Committee that the Medical Radiologic Technology Board of Examiners (MRTBE) was created in 1977 by

legislation due to the large number of unqualified technicians in the State. He stated that the role of MRTBE was to make sure that technicians or people applying ionizing radiation to a human being had been properly trained. He remarked that the type of technologist observed by MRTBE were X-ray, therapy, nuclear medicine and mammography technologists. Mr. Godwin pointed out that nuclear medicine technology had been added recently to MRTBE's certification program. He stated that MRTBE presently had approximately 9,000 certificate holders, some of whom hold dual certification. Mr. Godwin pointed out that most of the MRTBE cases dealing with disciplinary matters were related to failure to pay dues or questionable certifications since their last sunset review.

In response to Senator Allen, Mr. Godwin explained that drug treatment was made available through MRTBE for certified technicians who may need it and failure to successfully complete these proceedings would result in termination of certification.

In response to Senator Cannell, Mr. Godwin said that most of the drug related issues with technicians took place in larger institutions such as hospitals as opposed to private physician offices. He stated that if the institution where a troubled technician worked had a drug treatment program, MRTBE would direct the technician to utilize that program and if not, the technician would attend an independent drug program paid for by the technician.

In response to Senator Arzberger, Mr. Godwin remarked that due to the different State requirements for technician certification, out of town applicants must be certified in Arizona before working in this State.

In response to Representative Knaperek, Mr. Godwin told the Committee that there were both nationally certified and non-nationally certified radiological technician schools in Arizona. He stated that the vacancy on MRTBE had been available for less than one year.

In response to Representative Murphy, Mr. Godwin told the Committee that he looked forward to finding a citizen to fill the vacancy on the MRTBE.

In response to Representative Knaperek, Mr. Godwin remarked that due to the shortage of technicians in the State, Arizona has experienced an influx of out of State technicians.

In response to Senator Allen, **John Gray, Program Manager, MRTBE**, informed the Committee that a high school graduate could enter into the field of radiological technology either through community college or privately funded programs. He added that private school training took two years or less.

In response to Senator Leff, Mr. Godwin stated that there was a continuing education requirement in place for the field of radiological technology due to changing technology.

Public Testimony

Jerry High, Arizona State Society of Radiologic Technologists, told the Committee that out of concern for public safety, he was glad that certification was required before becoming a technician.

In response to Senator Leff, Mr. Hyde said that passing the "Registry," a test sponsored by the American Association of Radiologic Technology (AART) was very difficult, yet allowed him to be nationally certified.

In response to Senator Leff, Mr. Godwin told the Committee that radiologic technologists were certified professionals, not licensed professionals.

Stephen Sapareto, Director of Medical Physics, Banner Good Samaritan Hospital, stated that he was the boss of the technologists at his facility and expressed the importance of technologists to be certified. He pointed out that another group certified by MRTBE were radiologic therapists, who administered ongoing care such as chemotherapy, and that it was especially important for these therapists to be certified.

In response to Senator Leff, Mr. Safereto explained that radiologic technologists and therapists had a chief technologist or therapist supervising them, followed by a chain of command that ultimately led to a physician at his facility.

Jeff Siupik, Director of Radiation Services, MRTBE told the Committee that being a director of technologists, he is concerned about the shortage of technologists in the State due to strict standards by the MRTBE on non-local technologist operating machinery in a crisis situation.

Senator Leff opined that two weeks, the time it takes for MRTBE to certify a non-local technician, was not a long period of time.

Representative Quelland moved that the Senate Health and House Health Committee of Reference recommend to continue the Medical Radiologic Technology Board of Examiners for ten years. The motion CARRIED by voice vote.

Presentation by the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

Allen Imig, Executive Director, Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers (BENCIA/ALFM), informed the Committee that the Board was created in 1975 to protect the public's health and welfare by regulating and licensing nursing care institution administrators. He stated that in 1990, the board statutes were amended to add the responsibility of certifying and regulating adult home care managers and renamed in 1998 to Assisted Living Facility Managers. The mission of the Board was to protect the health, welfare and safety of its

citizens, to seek and institute the use of services of nursing care institution administrators and assisted living facility managers. Mr. Imig said that the Board's procedures helped ensure quality and competency standards were met by administrators and managers. In addition, the Board approves continuing education courses to make sure quality and useful education is being taught. He explained that since June of 2005, the Board had undergone an "extreme makeover" with virtually all new members being appointed. This reduced the back log of uninvestigated complaints significantly. Mr. Imig told the Committee that the Board had reduced their staff from five to three, leaving an executive director, investigator and a licensing coordinator. He encouraged the Committee to continue the BENCIA/ALFM.

In response to Senator Allen, Mr. Imig said that the Board consisted of five managers, two public members and the remaining members were administrators.

Senator Allen opined that home care nursing staff deserved better pay.

In response to Senator Waring, Mr. Imig stated that the changes made to the Board has helped, but not solved its financial problems.

In response to Senator Arzberger, Mr. Imig said that his Board investigated complaints from citizens regarding private care nurses and administrators as well as complaints filed by the Department of Health Services.

In response to Senator Waring, Mr. Imig told the Committee that the Board's website contained information regarding decisions on disciplinary action.

In response to Senator Allen, Mr. Imig explained that out of the last renewal period for managers, 2,000 of 2,500-2,600 renewal notices sent were renewed, causing 578 expired notices to be sent by the Board.

In response to Senator Leff, Mr. Imig opined that his Board received between 60 and 70 complaints a year, mainly not health care related but administrative related.

In response to Senator Waring, Mr. Imig stated that with the current staff, the Board should catch up on its back log of complaints by January 2006.

In response to Representative Quelland, Mr. Imig remarked that the Board was actively seeking replacements for the three vacancies on the Board.

Senator Leff suggested that the Committee send a letter to the Governor encouraging her to appoint the three positions.

In response to Representative Quelland, Mr. Imig opined that he would like to see a five year continuation be given to the Board.

Representative Knaperek remarked that time elected to the Board would reflect concerns with term limits and not reflect faith in Mr. Imig.

Public Testimony

Robert Frechette, President, Arizona Health Care Association (AHCA), told the Committee that on behalf of his Board, he would like to offer support in the continuation of the BENCIA/ALFM. He opined that the efforts implemented by the new staff showed that the Board was very serious about suggestions and concerns brought forth by the Legislature.

In response to Senator Waring, Mr. Bruschette stated that the AHCA was seen as the organization that represented the for profit facilities, containing some non-profit facilities and representing assisted living communities and independent full service communities. He said that Assisted Living Federation represents assisted living centers in homes and the Arizona Association of Homes for the Aging represents a number of facilities seen as non-profit businesses.

In response to Senator Cannell, Mr. Bruschette opined that if fee increases were necessary to fund the continuation of the Board, that it would be supported by AHCA.

Senator Leff stated that if the Committee made a five year recommendation at this meeting and the audit comes out in December and is changed, the legislation coming out in January does not have to be the same as the recommendation.

Representative Knaperek told the Committee that Mr. Imig had a good work history as a Director in other fields.

In response to Representative Knaperek, Beth Kohler, Senate Health Research Analyst, stated that the first audit of the Board would take place approximately six months after nomination adding an 18 month follow up audit, only if the requirements and recommendations made by the report were not met.

Representative Quelland moved that the Senate Health and House Health Committee of Reference recommend that the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers be continued for two years. The motion FAILED.

Representative Quelland moved that the Senate Health and House Health Committee of Reference recommend that the Board of Examiners Nursing Care Institution Administrators and Assisted Living Facility Managers be continued for five years pending the findings of the Auditor General's report due in December of 2005. The motion CARRIED.

Presentation by the Board of Homeopathic Medical Examiners

Chris Springer, Executive Director, Homeopathic Board, told the Committee that she had worked for the Board of Homeopathic Medical Examiners (BHME) since 1999. She complimented appointments made to the Board by all of the Governors on both the Democrat and Republican side. She opined that the laws governing the licensing of homeopathic physicians set forth by the State had been upheld. Ms. Springer stated that a potential audit could be helpful in improving procedures and welcomed the process of an impartial audit. She said that the Board currently has 117 licensed homeopathic physicians.

Senator Leff opined that it was nice to hear Ms. Springer suggest an audit of the Board and noted that BHME had gone approximately 20 years without an audit.

Senator Allen opined that she would like to see an audit of the BHME as well. She added that in no way did legislation intend to do away with the homeopathic form of medicine.

In response to Representative Lopez, Ms. Springer stated that a licensed homeopathic physician could only continue to practice in one state after receiving disciplinary action in another state for less than one year, due to the Board's annual renewal application required of all homeopathic physicians, which would discover the violation in the other state.

In response to Representative Murphy, Ms. Springer said that there was the possibility of a physician being dishonest about any past disciplinary action, however, there is a standard penalty in place for such an event.

In response to Senator Waring, Ms. Springer told the Committee that there was not an easily accessible data base of criminal background checks for physicians and added that the fee to search names on the federal data base was \$3.75 per name.

Senator Leff opined that being dishonest on an application should have strong consequences for any physician when dealing with the subject matter of past disciplinary action.

Dr. Charles Schwengel, President of the Homeopathic Medical Licensing Board, told the Committee that being dishonest on an application was the most egregious of unprofessional conduct that could happen.

In response to Representative Knaperek, Ms. Springer stated that a physician lying on the application was discovered once and a letter of concern was issued.

Representative Knaperek opined that there should be a certain amount of consideration afforded to the applicant on whether the incident was an issue of forgetfulness or deliberate intent.

In response to Senator Cannell, Ms. Springer stated that setting aside funds to check each individual physician's background would be a step in the right direction.

Senator Allen remarked that the concerns stated today could be addressed in the forthcoming audit.

In response to Representative Quelland, Ms. Springer told the Committee that some traditional doctors became homeopathic physicians, and then dropped their traditional medical license.

In response to Representative Quelland's comments on a medical doctor dropping their license to pursue homeopathy due to decreased chances of medical malpractice occurring, Dr. Schwengel remarked that he could not comment on the personal reasons a physician might do this.

In response to Representative Murphy, Ms. Springer stated that the percentage of homeopathic physicians who were previously licensed as medical doctors was very low.

Representative Murphy told the Committee that some physicians may choose to not carry medical malpractice insurance to avoid becoming a target for medical malpractice.

Senator Cannell opined that there was a fear with physicians of becoming a target for medical malpractice by carrying medical malpractice insurance.

In response to Senator Waring, Ms. Springer stated that BHME kept records indefinitely of reported complaints against homeopathic physicians. She told the Committee that in her opinion, the BHME should only keep records for up to five years similar to other medical boards.

In response to Senator Waring, Ms. Springer remarked that she felt it necessary to keep records of complaints for longer than five years, only if they were substantiated.

In response to Senator Allen suggesting that more public members should be on the BHME, Ms. Springer said that additional public members on the Board would be a good idea.

Public Testimony

Dr. Kathleen Fry, dually licensed by the Arizona Medical Board and Arizona Homeopathic Medical Board, told the Committee that she had gathered a large amount of important information pertaining to the BHME that she would like to share with the Legislature and the Office of the Auditor General. She stated that she had been committed to the practice of homeopathic and alternative medicine for twenty years in Scottsdale, Arizona. She remarked that it was not her intent to keep patients from receiving homeopathic care. Dr. Fry opined that the BHME had been grossly negligent

in its spiritual, moral and judicial responsibilities to protect the public from unscrupulous physicians by licensing felons, failing to adequately discipline physicians who had harmed patients, failing to adequately file complaints against other board members and by giving licenses to physicians who could not pass a basic oral examination of homeopathy. She stated that when she was recruited to the BHME in 1994, she was informed by the Board that her dues were necessary to keep the Board in existence and to allow her to continue to practice homeopathic medicine. Dr. Fry remarked that the dues for the Association were \$1000 per year in addition to the \$500 per year licensing fee and the \$150 dispensing fee. She explained that if a homeopathic physician in Arizona lost their M.D. license in another state, they could still practice homeopathy here in Arizona which gives that physician the power to write prescriptions for all classes of drugs, conduct minor surgery in their office, perform acupuncture and various other medical techniques. In conclusion, Dr. Fry told the Committee that the homeopathic license gives the physician a much broader range of modalities that they can use with much less scrutiny and training.

In response to Senator Waring, Dr. Fry stated that in theory, physicians who had marks on their records in other states should be rehabilitated in that state before being allowed a license in Arizona, but that had not always been the case.

In response to Representative Knaperek, Dr. Fry remarked that transcripts from board meetings that she had obtained from Ms. Springer, were public record.

In response to Senator Leff, Dr. Fry explained that a device called a sputnik originated in Russia and is swallowed by a patient and designed to kill parasites by radiation. She told the committee that a physician sold the device to a patient in Florida over the phone, and that upon taking this device orally, the patient developed a bowel obstruction resulting in the removal of several feet of her intestine. She added that the said physician, being one of the originators of the BHME, only received a letter of concern and an apology by the Board for placing that letter in the physicians file.

In response to Senator Waring, Dr. Springer told the Committee that she disagreed with Ms. Fry's perception of the Board.

Dr. Todd Rowe, Homeopathic and Integrative Medical Physician, Desert Institute of Classical Homeopathy, dually licensed, told the Committee that he had been practicing homeopathic medicine for over twenty years. He urged the Committee to continue the BHME. He remarked that after attending several meetings over the years of the BHME, he had found most of what Dr. Fry said to be untrue.

In response to Senator Cannell, Dr. Rowe stated that the number of out-of-state homeopathic physicians licensed in Arizona was very small. He explained that Arizona was one of only three states who had homeopathy boards and that this was another reason for an increase in out-of-state applicants in this State.

In response to Senator Leff, Dr. Rowe said that his homeopathy school had a 1,000 hour program for homeopathy, with plans on expanding that program to 4,000 hours within the next few years.

In response to Senator Leff, Dr. Rowe stated that the qualifications for a license for homeopathy consisted of either 40 hours of class of homeopathy, in addition to 300 hours of alternative medicine, or 90 hours of class for homeopathy. He opined that this met the minimum requirements to become a homeopathic physician and commented on the fact that some applicants were already licensed medical doctors.

Lee Bakunin, practicing attorney in Arizona for 36 years, representing self, told the committee that he had spent the last eleven years of his life studying homeopathy. He explained that after the required 90 hours, there was no continuing education required to continue practicing homeopathy. Mr. Bakunin said that the Auditor General may come across the problem of incomplete records of past BHME meetings.

In response to Representative Quelland, Mr. Bakunin said that he currently had studied about 2,000 hours of homeopathy.

Gladys Conroy, patient of homeopathy, representing self stated that homeopathy had saved her life. She told the Committee that standard medication caused her great danger.

Clifford Heinrich, practicing family physician for alternative medicines, opined that no alternative medical board should be able to have jurisdiction over the spiritual practice of homeopathy. He added that he had obtained over 1,200 hours of homeopathy. Dr. Heinrich told the Committee that he had a petition with 200 signatures recognizing homeopathy as a spiritual practice. He stated that he had an additional petition to request the Legislature audit the BHME for "reasons previously addressed in the meeting."

In response to Senator Allen, Dr. Heinrich opined that homeopathy was being misrepresented by the BHME from its original spiritual foundation, causing the public to believe they were receiving homeopathic care when in fact, they were not.

In response to Representative Knaperek question about the spiritual aspect of homeopathy, Dr. Heinrich explained that a nonmaterial substance was one that had been diluted to a point where the original property is no longer there, leaving only the essence of that object.

In response to Representative Murphy, Dr. Heinrich told the Committee that he wanted the separation between homeopathy and alternative medicines distinguished by the State.

Amanya Jacobs, Director of Evolution of Self/Soul School Homeopathy, remarked that she was deeply committed to making homeopathy available to all citizens in the

State. She said that the Board regulated activities that it deemed homeopathy which were totally unrelated to that area of medicine. Ms. Jacobs stated that she was in favor of an audit of the BHME.

Linda Heming, Arizona Homeopathic and Integrative Medical Association, told the committee that western medicine could not help her and homeopathy saved her life.

Senator Leff remarked that the open meeting law stated that recordings and minutes must be kept by the open body and must be accurate and open for inspection three days after the meeting, with no language about whether or not they could be destroyed at any time period.

Russell Olinsky, patient of homeopathy, spoke in favor of the BHME.

Cynthia MacLuskie, patient of homeopathy, told the Committee that all homeopathy medicines were not available at health food stores and that prescriptions were the only way to obtain some of these medicines.

Lisa Platt, Arizona Homeopathic and Integrative Medical Association, speaking on behalf of the BHME, remarked that BHME was not recruiting felons. She stated that a number of patients had told her how homeopathy had saved their lives.

Senator Allen moved that the Senate Health and House Health Committee of Reference recommend that the Board of Homeopathic Medical Examiners continue for two years, adding the request for an audit addressing the concerns covered in today's committee.

Representative Quelland explained his vote. He said that although he did not have an educational background in homeopathy, the homeopathic physicians had a certain amount of disagreement and confusion among themselves. He reminded the Committee that this was just a recommendation and that someone was going to create a bill and that bill would be voted on, making today's vote not a guarantee that the Board will continue, and he voted "aye."

Senator Cannell explained his vote. He said that although he advocated homeopathy and the continuation of the Board, that the BHME had suffered a "major black eye" today. He opined that the director and the president of the boards had not changed their attitudes and that they should consider their Board a precious commodity by not diluting their group of good physicians with out of state applicants with questionable credentials and he voted "aye."

Senator Leff explained her vote. She requested the Auditor General to do both a financial and performance audit. She remarked that the people who came forward today against the Board should feel free to do so without retaliation and she voted "aye."

Senator Waring explained his vote. He said that he was very frustrated with the Board, and that he would be the first to vote "no" on a bill in the following session if changes weren't made, but since today's vote was merely a recommendation, he would vote "aye."

Representative Murphy explained his vote. He said that he shared many of the concerns voiced by the Committee members today and looked forward to hearing what the Auditor General had to say and he voted "aye."

The motion CARRIED by a roll call vote of 9-0-1 (Attachment 1).

Representative Murphy RECESSED the meeting at 1:35 p.m. to the sound of the gavel.

Representative Murphy RECONVENED the meeting at 2:30 p.m.

Presentation by the Arizona Midwifery Institute

Marinah Valenzuela Farrell, President of the Arizona Midwifery Institute (AMI), submitted handouts (Attachment A) and (Attachment B) to the Committee. She told the Committee that as midwives, their main concern was for safe outcomes of mothers and babies. She remarked that midwives chose home birth because they believe that birth is a natural and safe event in the life of a woman. Ms. Farrell explained that in the 1970's, midwifery became licensed in the State, yet because of medical liability issues, midwives had experienced difficulty in consults with physicians and access to items to assist in home birth.

In response to Senator Allen, Ms. Farrell stated that midwife licensing exams were very tough and that she had received specialized intravenous training in New Mexico through the local hospital.

In response to Senator Cannell, Ms. Farrell told the Committee that licensing of midwives was dependent upon number of hours of experience in child birth delivery with that applicant. She stated that there were also schools available to midwives that involved intense clinical training. Ms. Farrell said that a surveyor in the Department of Special Licensure administered a national exam to applicants in which upon passing, the applicant must then go through an oral board and upon passing this, must complete a practical exam which is overseen by the surveyor and other midwives. She told the Committee that midwives were trained in resuscitating babies.

In response to Senator Leff, Ms. Farrell stated that the midwives were requesting that a physician not be required to sign off on supplies.

Representative Lopez opined that her own personal experience of giving birth to her last two children at home from midwives was a wonderful experience.

Representative Quelland informed the Committee that Arizona had 53 licensed midwives with 22 of them located in Maricopa County and that there were 343 midwife births in the home in 2004 in the State.

In response to Representative Quelland, Ms. Farrell remarked that none of the 343 reported midwife births reported in 2004 resulted in any problems. She stated that although medical malpractice and liability insurance was available to midwives, the majority refused it due to its cost in proportion to their pay. She told the Committee that the Arizona Health Care Cost Containment System (AHCCCS) discontinued the payment for midwife delivery two years ago due to midwives not carrying medical malpractice and liability insurance which could possibly put AHCCCS at risk for such claims.

Senator Leff stated that midwives dealt mostly with low-risk births and that she would like to see the issue of AHCCCS discontinuing payment for midwife births examined.

Senator Cannell opined that the Committee should hear from AHCCCS because they obviously found midwifery funds a financial risk for some legitimate reason.

Ms. Farrell told the Committee that mothers who chose home births mainly did so, not for financial reasons, but because of belief that the hospital environment was just one intervention leading to another.

Public Testimony

Rory Hays, Arizona Nurses Association, said that the items asked for by the AMI were appropriate, if accompanied by more training. She stated that she opposed expanding prescription privileges for anything requiring a Drug Enforcement Agency number.

In response to Representative Quelland, Ms. Hays said that certification would be appropriate for midwives.

Ms. Farrell stated that the only thing midwives were requesting was the power to obtain items already in their reach through a physician, without that physician's pre-approval and that the laws were already in place on limitations for uses with these items.

Representative Quelland moved that the Senate Health and House Health Committee of Reference recommend that the Legislature expand the scope of practice for Arizona's licensed midwives by allowing procurement, possession, and administration of various medical devices and medications which will be named in the bill. The motion was CARRIED by voice vote.

Senator Allen opined that midwifery was a choice to be made by the citizen and she hoped that fatalities did not occur due to the choice of using such a method.

Presentation by the Arizona Association for Home Care

Suzanne Gilstrap, representing the patients for the Arizona Association for Home Care (AAHC), stated that AAHC was founded in 1983 with a mission to advance quality home care as an integral component of the health care delivery system. She told the Committee that she believed in continuing education for home care providers. She remarked that AAHC had discussed having a joint workshop with the Physical Therapy Association (PTA) but never actually initiated these workshops. Ms. Gilstrap requested that the Committee grant an expansion to allow physical therapy assistants to work under general supervision of a physical therapist as opposed to direct supervision. She told the Committee that the AAHC respectfully requested the joint Committee recommend that physical therapy assistants be allowed to practice in the home health care setting and only in that setting under the following conditions:

- The supervising physical therapist shall be solely responsible for evaluating the patient and determining a plan of care.
- The supervising physical therapist shall be available at all times via telecommunication while the physical therapist assistant is providing treatment interventions.
- The supervising physical therapist supervises no more than two physical therapy assistants.
- The supervising physical therapist shall see the patient and revise the plan of care no less than every 21 days.
- The supervising physical therapist not assign responsibilities to the physical therapy assistants that in any way allow them to provide evaluation services for procedures.
- Continuing education requirements should be added to the statute as well.
- The physical therapist would be the one responsible for final evaluation and discharge of the patient.

In response to Senator Arzberger, Ms. Gilstrap said that proposing a mileage limit would be a good idea in reference to a physical therapist along with the constant telecommunication contact. She stated that it was not unusual to recommend that the practice of home care be extended to other areas outside of the home such as hospitals.

In response to Senator Leff, Ms. Gilstrap remarked that the AAHC was not intending to mandate what physical therapists do, but to enable legislation that would allow them to choose.

In response to Representative Murphy, Ms. Gilstrap stated that home care therapist assistants were well schooled for their job no matter what setting, with the exception of no clinical experience required of the physical therapist.

In response to Senator Waring, Ms. Gilstrap remarked that in all fields of medicine, health care providers were experiencing an inability to serve patients.

Representative Lopez opined that an outside organization should not be directing physical therapists on how to conduct their practice.

In response to Senator Allen, Ms. Gilstrap told the Committee that currently more than 45 states allow general supervision in the home health care setting and that the only two states that do not allow it are Pennsylvania and Arizona.

Public Testimony

Karen Jeselun, President of the Arizona Association for Home Care, stated that even if there were no home care physical therapist available at the time, a patient could still be released from the hospital even though they required home care to continue recovery. Ms. Jeselun compared the relationship between a physical therapist and a physical therapist assistant to that of a registered nurse and a licensed practical nurse. She told the Committee that all of their home care providers go through an interview process, a mandatory criminal background check and participate in orientation often with preceptors.

In response to Representative Knaperek, Ms. Jeselun stated that Medicare currently paid home health agencies on an episode basis, meaning for every 60 days of time that patient is in the care of a home health provider, the home care provider gets a lump sum. She opined that she was hoping to serve more patients with no increase in cost.

Susie Stevens, representing the Arizona Physical Therapy Association (AZPTA), informed the Committee that the definitions of general supervision and direct supervision needed to be reviewed. She stated that she was there in opposition to the sunrise request.

Heidi Herbst Paakkonen, Executive Director of the Arizona Board of Physical Therapy (ABPT), told the Committee that the ABPT regulates about 3,200 physical therapists and 434 physical therapist assistants. She said that due to lack of detailed information at this time, she would encourage the Board to oppose the Sunrise Application of the AAHC.

In response to Representative Knaperek, Ms. Paakkonen remarked that there were exactly 3,268 licensed in the State but not all of them worked in Arizona. She told the Committee that approximately 2,800 physical therapists listed Arizona addresses. She stated that there were 434 physical therapy assistants and that approximately 396 reside in Arizona and that it was ABPT's estimate that 350 of them were currently working in the field of physical therapy.

In response to Representative Quelland, Ms. Paakkonen stated that the ABPT was required by statute to have three physical therapists and two public members, but no physical therapist assistants.

In response to Senator Leff, Ms. Paakkonen told the Committee that the ABPT does and has disciplined physical therapist assistants.

Bob Direnfeld, President of the Arizona Physical Therapy Association (AZPTA), remarked that his organization was the only one in the State representing physical therapists. He told the Committee that his association opposed the idea of general supervision. Mr. Direnfeld said that patients were getting discharged from the hospital too early in most cases compared to years ago, which cause a greater need for these home care physicians. He remarked that a therapist was ultimately responsible for anything the physical therapy assistant does which puts the physical therapist's license on the line.

In response to Representative Murphy, Mr. Direnfeld opined that passing legislation supporting general care could potentially decrease an even larger amount of physical therapists.

In response to Senator Cannell, Mr. Direnfeld stated that he was not sure that there was a shortage in home health care providers. He also remarked that setting a parameter or definition of a home care patient, would cut down on the patient load.

Representative Knaperek opined that physical therapist assistants should have more of a vote on the Board.

Peter Zawicki, in favor of the sunrise recommendation, told the Committee that physical therapists and physical therapist assistants were trained at community colleges and technical schools across the country. He opined that it was critical that there be communication between the physical therapist and the physical therapist assistant in all patient care.

In response to Senator Cannell, Mr. Zawicki stated that physical therapist assistants were under direct supervision during the education process.

In response to Representative Murphy, Mr. Zawicki remarked that to be able to perform in public health care, it would be helpful if a physical therapist assistant had a certain amount or certain type of training.

Senator Leff opined that home health patients are the most vulnerable patients and she felt uncomfortable "experimenting" with the care of those patients.

Kerry Halcomb, Physical Therapy on Wheels, representing AAHC, opined that he did not believe that a physical therapist could adequately supervise a physical therapist assistant.

Gayle Haas, physical therapist, representing AAHC, remarked that a physical therapist and a physical therapist assistant can work together for years and develop a relationship which allowed for better understanding and communication skills with one another.

Deborah Bornmann, physical therapist, stated that she did not feel represented by her own board. She opined that it was great for an outside organization to try to help physical therapists.

Representative Quelland moved that the Senate Health and House Health Committee of Reference recommend that the Legislature expand the scope of practice for licensed physical therapist assistants by allowing home health visits under the general supervision of licensed physical therapists. The motion was CARRIED by voice vote.

Senator Waring stated that although he was unhappy with what he had heard today, he hoped discussions were started to improve the situation.

Representative Knaperek remarked that she hoped they could work out their differences for the benefit of the State.

Senator Arzberger opined that changes do need to be made and issues need to be addressed.

Representative Murphy stated that hopefully, this would get people back into discussions.

There being no further business, the meeting was adjourned at 5:12 p.m.

Respectfully submitted,



Jeff Turner
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)

Senate Health and House of Representatives Health Committee
of Reference

ARIZONA STATE LEGISLATURE

FORTY-FIFTH LEGISLATURE – ROLL CALL VOTE

Recommendation: THAT THE BOARD OF HOMEOPATHY
MEDICAL EXAMINERS CONTINUE FOR TWO YEARS WITH
A REQUEST FOR AN AUDIT BY THE AUDITOR GENERAL.

MEMBER	AYE	NO	NOT VOTING	OTHER	
Rep. Bradley			✓		
Rep. Knaperek	✓				
Rep. Lopez	✓				
Rep. Quelland	✓				
Senator Allen	✓				
Senator Arzberger	✓				
Senator Cannell	✓				
Senator Leff	✓				
Senator Waring, CoChair	✓				
Rep. Murphy, CoChair	✓				
	9		1		

Committee Secretary JEFF TURNER Date 11-08-2005

Attachment 1