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February 21, 2018

House Finance Committee
Co-Chair Rep. Neal Foster
Co-Chair Rep. Paul Seaton
Alaska State Capitol
Juneau, Alaska 99811

Dear Co-Chairs Foster and Seaton,

In the House Finance hearing held last Friday (02/16/18) HB 176 was introduced. There appeared to be some confusion as to the funding mechanisms in the bill. A letter that is actually on the "document" list appears to clarify the issue to a great degree, so I thought I would bring a small section of that letter to your attention.

The letter is from the Juneau Fire Chief, Rich Etheridge, who is responsible for writing the budget for the City & Borough of Juneau Fire Department. I will directly quote his explanation.

We (the City & Borough of Juneau Fire Department) have to set out rates for EMS calls. Most departments set their rates at approximately what the insurance companies will pay for. Our billing company sends a patient's insurance company a bill for (hypothetically) \$1,000.00. The insurance company pays (hypothetically) 80% or \$800.00 and the remainder gets paid to the patient to pay. Medicare and Medicaid by law, receive the same \$1,000.00 bill (if they are the insurer), but unlike the private insurance companies, pay only \$450.00 of that bill. By law, the remainder cannot be billed back to the patient and the provider of the ambulance absorbs that as lost revenue or bad debt. As the number of people eligible for Medicaid increase, the amount of money written off also increases. There are additional expenses to provide EMS that cannot be passed on to the patients or the cost to the patient would become unreasonable. Things like ambulance maintenance, a percent of the facility maintenance dedicated to EMS, additional responders such as paid firefighters or volunteers, medical equipment replacement. All of these costs are currently funded by local tax dollars. This bill allows us to enter into negotiations with the feds to identify what costs they are willing to reimburse departments for.

I thought the Chief did a great job of explaining the funding mechanism. I felt all of you should see this short explanation. Also, there seemed to be a bit of confusion about the Fire Department "sending in (hypothetically) \$300.00 and the feds send back \$600.00. The \$300.00 provided by the fire department is simply "collateral" handed to the State as the 50% State match. That 50% match would then come to the State from the U.S. government along with the 50% provided by the U.S. government, itself. At that time,

the 50% U.S. government portion of the "gap" funding is sent from the State, along with the 50% match collateral, to the EMS provider.

I hope this helps explain the program a bit more fully.

Thank you,

A handwritten signature in blue ink that reads "Kathie Wasserman". The signature is written in a cursive, flowing style.

Kathie Wasserman
Executive Director