

ALASKA STATE LEGISLATURE
HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

March 28, 2015

3:02 p.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Liz Vazquez, Vice Chair
Representative Neal Foster
Representative Louise Stutes
Representative David Talerico
Representative Geran Tarr
Representative Adam Wool

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Dan Saddler
Representative Mike Hawker
Representative Andy Josephson

COMMITTEE CALENDAR

HOUSE BILL NO. 148

"An Act relating to medical assistance reform measures; relating to eligibility for medical assistance coverage; relating to medical assistance cost containment measures by the Department of Health and Social Services; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 148

SHORT TITLE: MEDICAL ASSISTANCE COVERAGE; REFORM

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/18/15	(H)	READ THE FIRST TIME - REFERRALS
03/18/15	(H)	HSS, FIN
03/24/15	(H)	HSS AT 3:00 PM CAPITOL 106
03/24/15	(H)	Heard & Held
03/24/15	(H)	MINUTE(HSS)

03/26/15 (H) HSS AT 3:00 PM CAPITOL 106
03/26/15 (H) Heard & Held
03/26/15 (H) MINUTE(HSS)
03/28/15 (H) HSS AT 3:00 PM CAPITOL 106

WITNESS REGISTER

LINCOLN BEAN SR., Elected Tribal Leader
Chair, Alaska Native Health Board
Kake, Alaska

POSITION STATEMENT: Testified in support of HB 148.

LOUISE DEKREON-WATTSJOLD
St. Anthony Catholic Parish
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 148.

MARY VALLEJO BLOES
Anchorage Faith & Action Congregations Together
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 148.

KATE BURKHART, Executive Director
Alaska Mental Health Board/Advisory Board on Alcoholism and Drug
Abuse
Division of Behavioral Health
Department of Health and Social Services
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 148.

SHARON WHYTAL
Homer, Alaska

POSITION STATEMENT: Ms. Whytal's testimony in support of HB 148
was read by Taneeka Hansen, Staff to Representative Paul Seaton,
Alaska State Legislature.

RANDI SWEET, Spokesperson
United Way of Anchorage
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 148.

JOHN LAUX
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 148.

DAVE MORGAN
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 148.

WIL THEUER
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 148.

FRED BUGARIN, Pastor
St. Anthony Parish
Anchorage Faith & Action Congregations Together
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 148.

BOB RUPKEY (ph)
Anchorage Faith & Action Congregations Together
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 148.

PAUL SHERRY
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 148.

LUKE HOPKINS, Mayor
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 148.

JEANNETTE GRASTCO, President
National Alliance on Mental Illness
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 148.

SHEILA SMITH, Licensed Clinical Social Worker
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 148.

RICHARD ROBB
Bethel, Alaska

POSITION STATEMENT: Testified in support of HB 148.

LACEY KEIL
Seward, Alaska

POSITION STATEMENT: Testified in support of HB 148.

KATHLEEN YARR
Ketchikan, Alaska

POSITION STATEMENT: Testified in support of HB 148.

DAVID OTNESS

Cordova, Alaska

POSITION STATEMENT: Testified in support of HB 148.

DEROTHA FERRARO, Director

Public Relations & Marketing

South Peninsula Hospital

Homer, Alaska

POSITION STATEMENT: Testified in support of HB 148.

CHARLES BINGHAM

Sitka, Alaska

POSITION STATEMENT: Testified in support of HB 148.

ROBIN MENARD, Spokesperson

Mat-Su Health Foundation

Wasilla, Alaska

POSITION STATEMENT: Testified in support of HB 148.

ANNETTE ALFONSI

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 148.

MARY MINOR

Homer, Alaska

POSITION STATEMENT: Testified in support of HB 148.

RUTH WOOD

Talkeetna, Alaska

POSITION STATEMENT: Testified during the discussion of HB 148.

MIKE COONS

Palmer, Alaska

POSITION STATEMENT: Testified in opposition to HB 148.

ELIZABETH RIPLEY, Executive Director

Mat-Su Health Foundation

Wasilla, Alaska

POSITION STATEMENT: Testified in support of HB 148.

ROSS BIELING

Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 148.

SARAH KEHOE

Talkeetna, Alaska

POSITION STATEMENT: Testified in support of HB 148.

JEANNE SWARTZ
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 148.

NANCY BALE
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 148.

JESSICA CLER, Alaska Public Affairs Manager
Planned Parenthood Votes Northwest
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 148.

CLAYTON WALKER, Sr.
Anchorage, Alaska
POSITION STATEMENT: Testified during the discussion of HB 148.

CANDUS MILLER
Wasilla, Alaska
POSITION STATEMENT: Testified in opposition to Medicaid expansion.

PAT CHAPMAN
Ketchikan, Alaska
POSITION STATEMENT: Testified in support of HB 148.

JEANNE PARKER
Homer, Alaska
POSITION STATEMENT: Testified in support of HB 148.

KELLY WALTERS
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 148.

ROBERT NEWMAN, Student
Juneau-Douglas High School
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 148.

ERIC JORDAN, Policy Analyst
Alaska Native Health Board
Anchorage, Alaska
POSITION STATEMENT: Testified during the discussion of HB 148.

JON SHERWOOD, Deputy Commissioner
Medicaid and Health Care Policy

Office of the Commissioner
Department of Health and Social Services
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 148.

VALERIE DAVIDSON, Commissioner Designee
Department of Health and Social Services
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 148.

STACIE KRALY, Chief Assistant Attorney General
Human Services Section
Civil Division
Department of Law
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 148.

ACTION NARRATIVE

[3:02:38 PM](#)

CHAIR PAUL SEATON called the House Health and Social Services Standing Committee meeting to order at 3:02 p.m. Representatives Tarr, Stutes, Talerico, Foster, and Seaton were present at the call to order. Representatives Vazquez and Wool arrived as the meeting was in progress. Also in attendance were Representatives Saddler, Hawker, and Josephson.

HB 148-MEDICAL ASSISTANCE COVERAGE; REFORM

[3:03:12 PM](#)

CHAIR SEATON announced that the only order of business would be HOUSE BILL NO. 148, "An Act relating to medical assistance reform measures; relating to eligibility for medical assistance coverage; relating to medical assistance cost containment measures by the Department of Health and Social Services; and providing for an effective date."

[3:05:29 PM](#)

LINCOLN BEAN SR., Elected Tribal Leader; Chair, Alaska Native Health Board, paraphrased from the following prepared statement [original punctuation provided]:

Honorable Representative Seaton and Members of the Committee: Thank you for the opportunity to provide input for this hearing on House Bill 148, "An Act relating to medical assistance reform measures; relating to eligibility for medical assistance coverage; relating to medical assistance cost containment measures by the Department of Health and Social Services; and providing for an effective date." I am the Chairman of the Alaska Native Health Board (ANHB). ANHB, established in 1968, is recognized as the statewide advocacy voice on Alaska Native Health issues; and serves as the support organization for the Alaska Tribal Health System (ATHS). The ATHS is a voluntary affiliation of over 30 tribal organizations that serve over 145,000 Alaska Natives and American Indians (ANAI) and thousands more non-Natives throughout the state. The ATHS network includes a statewide hospital in Anchorage, 25 sub-regional clinics, 6 regional hospitals, nearly 200 village clinics, and 5 residential treatment centers. I am here to speak before you today in support of HB 148 and to voice our concern on the critical and urgent need to expand Medicaid in our state. Expanding Medicaid and implementing smart reforms will provide immediate relief to an over-taxed system. It will do this by addressing the chronic underfunding of our health care facilities; reducing the unique and complex geographic challenges associated with our rural villages; and, promoting innovative solutions that leverage the strengths of the ATHS model. Chronic Underfunding Chronic underfunding afflicts our Native health facilities. Currently, federal dollars from the Indian Health Service (IHS) cover approximately 55% of the funding needed to provide health care services to the Native population. The finite federal funds mean that for every person referred there are fewer dollars available for the next. If Tribal programs operated solely on federal funds, services would be curtailed or halted long before the fiscal year ended. However, Tribal health programs have developed capacity and access, and depend on third party billing in their business models. Medicaid is critical and has contributed to the improved health status of tribal people. However, the disparities still exist and Tribal programs are stretch to cover the costs of care for the uninsured. Medicaid expansion closes the gap

caused by uncompensated care. Alaska Native Health Board 2 Geographic Challenges Almost 80% of Alaska Native villages are not connected by a road system. This presents a major challenge for Alaska's rural villages. The Community Health Aide Program (CHAP) is the backbone of the rural health care system and in many cases provides the only local source of health care for many Alaska Native people. But when health care services are needed beyond what the community health aides can provide, tens of thousands of Alaskans do not have access. The IHS funding typically covers only "urgent" travel, meaning when a patient is at risk of loss of life or limb. In other words, transportation is only funded when a trip to the emergency room is needed. However, Medicaid offers travel benefits that will allow earlier detection of illness and preventative measures. Innovative Solutions Medicaid expansion and reform offer the greatest opportunity to plant the seeds and implement innovative solutions. In collaboration between the State of Alaska and the AHS, there are true opportunities to develop savings. 100% FMAP: From a tribal perspective, Medicaid Expansion would create a tremendous opportunity to allow newly eligible beneficiaries to receive services where 100% FMAP continues to apply. In doing this, the Tribal system would have increased resources to provide greater access and a higher level of health care delivery. This expanded capacity will create healthier lives and safer communities across the state. Uncompensated care waiver: Other states with large ANAI populations that cut back their Medicaid program due to budget shortfalls helped to overcome that shortfall working with tribes and CMS to develop 1115 waivers under which Indian health provider types were approved and could be compensated for a different array of services (and sometimes eligibility categories) than other providers. And 100% FMAP will remain for ANAIs even after the FMAP rate for others decline to 90%. Transportation and accommodation waiver: Alaska is highly unique given its vast size, disconnected (by road) village communities, and cohesive Alaska Tribal Health System. Medicaid expansion and reform offers an opportunity to leverage these attributes by designing reimbursement model that fits our system of care. Expanding Medicaid now will save lives. Expanding Medicaid now will save lives and dollars. It will also

create job opportunities in rural Alaska during a time when many industries are cutting back on hiring. It will provide the safety net so those who become sick don't risk losing everything. It will improve access and provide for proactive approaches and support innovation. Our decisions today will not only impact our lives, but those of our children and our grandchildren. Please pass HB 148.

[3:13:05 PM](#)

LOUISE DEKREON-WATSJOLD, St. Anthony Catholic Parish, informed the committee that St. Anthony Parish is a member of Anchorage Faith & Action Congregations Together (AFACT), which is a federation of 15 churches representing about 8 denominations and 10,000 residents throughout the Anchorage area. Ms. Dekreon-Watsjold said AFACT represents a typical Alaska demographic of ethnicities, nationalities, education levels, socio-economic levels, political affiliations, and non-affiliations. The organization has a common belief in the inherent dignity and worth of human beings. Members of AFACT have extended family throughout the state, and have been working with legislators and others to explain the effects of the Medicaid gap, which affects those who have no access to Medicaid and no access to the health exchange marketplaces. She said this situation denies health care coverage, which is a basic right for most citizens, and puts those affected, through no fault of their own, on the wrong side of the law. Ms. Dekreon-Watsjold stated that one alternative idea to Medicaid expansion is to provide medical care through neighborhood clinics and health centers. However, these services are limited to primary care and cannot meet the needs of many. Another alternative suggestion is for physicians to donate their time, which is an unreasonable expectation. Finally, it was suggested that churches should step in, and she assured the committee that churches are already involved and have been for two years; for example, in 2013, AFACT produced 4,000 copies of a Medicaid informational booklet on Medicaid expansion, gave 800 presentations on the subject in communities, and repeatedly contacted elected officials. She characterized the foregoing alternative ideas as limited in scope and unrealistic, and urged for Medicaid expansion this session. Ms. Dekreon-Watsjold provided AFACT's mission statement.

[3:17:37 PM](#)

MARY VALLEJO BLOES, Anchorage Faith & Action Congregations Together (AFACT), stated she was speaking out of concern about

the Patient Protection and Affordable Care Act (PPACA) including coverage for everyone. Ms. Bloes said she is an 83-year-old widow and has been an Alaska resident for 55 years. Her son is 45, has worked all of his life, and was suddenly stricken with severe depression. In July 2014, he was denied coverage under PPACA and was referred to coverage under Medicaid. It was eight months before she was notified that his application was received. During the delay, Ms. Bloes paid for counselling by a psychologist and sought treatment through the Anchorage Community Health Center; however, she said, "it's not what he needs, really." Ms. Bloes stated that countless people are suffering, although she acknowledged that legislators must follow the [Alaska State Constitution] and are working hard to ensure programs are not abused. She urged the committee to remember the law of compassion.

[3:21:21 PM](#)

KATE BURKHART, Executive Director, Alaska Mental Health Board/Advisory Board on Alcoholism and Drug Abuse, Division of Behavioral Health, Department of Health and Social Services (DHSS), informed the committee that the Alaska Mental Health Board and the Advisory Board on Alcoholism and Drug Abuse, the state's planning councils for behavioral health, support HB 148. Adults without dependent children are not eligible for Medicaid unless qualified as disabled by the Social Security Administration, which is very difficult, especially for those experiencing mental illness. In addition, DHSS constituents experiencing a primary disability related to a substance abuse disorder are not eligible for disability benefits. Ms. Burkhart advised that many adults in Alaska who are disabled due to a serious and chronic behavioral health disorder, cannot currently access Medicaid. Medicaid expansion in HB 148 is based on indigence and not on a categorical eligibility, which would allow the aforementioned sector access to healthcare. She stressed that access to health care has been shown to prevent recidivism in those returning to a community from prison, therefore, expanding Medicaid is not only an issue of health care but is also a factor to reduce costs across systems, including [the Department of Corrections].

REPRESENTATIVE TARR asked for a description of some of the conditions of substance use disorder.

MS. BURKHART offered to provide the committee a memo with the requested information.

3:25:06 PM

TANEEKA HANSEN, Staff to Representative Paul Seaton, Alaska State Legislature, read the testimony submitted by email from Sharon Whytal as follows [original punctuation provided]:

Dear Committee members: Please read my following comments into the record. As a recently retired Public Health Nurse and an ongoing participant in community health improvement planning, I am writing to encourage your full support for HB 148; I am delighted that this bill has been so well crafted and that you are considering it. Gov. Walker, Commissioner Davidson and many others have worked hard to make this a viable option for Alaska, both financially and to increase access to health care for vulnerable populations in our state. Even more in this time of budget shortfall, AK is overdue to take advantage of this opportunity for sharing of large health care expenses with rightful federal assistance. There will be other improvements in funding and affordability of health care in the future; this bill creates solutions now. It is absolutely imperative that we address the inequities in present access to healthcare, and this bill extends coverage to many of our working poor or otherwise disadvantaged Alaskans who, with access to health can live productive, fulfilling lives. I urge you to pass this bill immediately.

3:26:28 PM

RANDI SWEET, Spokesperson, United Way of Anchorage, stated that Alaska is at a crossroads between having the world's most expensive health care system, even as some are without health insurance, and taking the opportunity to improve the Alaska health care system and provide coverage for more Alaskans through Medicaid reform and expansion. A place for regular medical, behavioral, and oral health care enables all Alaskans to maintain good health, along with childhood screenings and immunizations to catch and treat disease early. Ms. Sweet advised that the cost of routine treatment in an emergency department is paying "high dollars" for less effective care. Reducing care in hospitals will reduce the cost of uncompensated care in hospitals and community health centers, will add to the revenue stream needed to sustain the health care system, and will reduce the cost of insurance premiums for all. She advised that the lost revenue from delaying Medicaid expansion would be

put to better use to cover more Alaskans, improve Alaska's health care system, and offset current budget expenses. Ms. Sweet said HB 148 has broad support in Alaska and provides the framework for Medicaid reform, Medicaid expansion and accountability, and urged for its passage during this legislative session.

[3:30:41 PM](#)

JOHN LAUX disclosed he is a member of the board of directors of the Anchorage Health and Human Services Commission, Alaska Volunteers of America, and the Alaska Public Health Association, and a member of the American Public Health Association. Mr. Laux is also a health care consultant, and was testifying on his own behalf. His personal experience as a former employee of DHSS is that the Alaska Medicaid program is barely functional. Although generally supportive of the principles of Medicaid expansion, Mr. Laux said the ethical and moral action would be successful Medicaid expansion, and he questioned how Alaska will reinforce DHSS in its failed state in order to expand the Medicaid system. Mr. Laux said he was reserving judgement, and urged for more discussion on how Medicaid expansion will be done successfully.

CHAIR SEATON advised that the proposed legislation includes Medicaid reform to accompany Medicaid expansion.

[3:33:36 PM](#)

DAVE MORGAN informed the committee he has had experience with Medicaid and Medicare reimbursement for 31 years during his positions as the former chair of the municipal health care commission, a member of the Alaska Health Care Commission, and as a fellow of the Healthcare Financial Management Association. He has been acknowledged for his 25 years of providing resources by the Alaska Primary Care Association. He worked for the Southcentral Foundation and Providence Hospital, and his educational background is in health care economics and accounting. Mr. Morgan said HB 148 would bring a new criteria of single individuals, aged 21-63 years and without children, into a new category with 100 percent Federal Medical Assistance Percentage (FMAP). Otherwise, the bill contains little change, reform, or action to contain health care costs or improve processing, but is an addition to the current Medicaid program. Individuals still have to enroll through a provider, which can only bill for covered services. Processing is still through the Xerox Health Enterprise Medicaid Management Information System,

which is currently in arbitration with the state. He expressed concern about the amount of time presently needed to enroll individuals who are qualified for regular Medicaid. Mr. Morgan turned to the "gap population" and noted that about 40 percent get coverage from Indian Health Services (IHS); in fact, the Internal Revenue Service has ruled that IHS beneficiaries are not penalized and their benefits are treated as insurance, thus the gap population is smaller. He acknowledged the bill provides reforms and activities to improve the delivery of services and contain costs; however, the only date certain is for a report related to a health care tax. He suggested that the committee review related information provided by the Alaska State Hospital and Nursing Home Association (ASHNA) and the Office of Management & Budget.

[3:40:21 PM](#)

WIL THEUER said he was in support of the expansion of Medicaid and reform in Alaska based on the recovery of costs and the consistency of delivery. He yielded the remainder of his time to testify to Fr. Fred Bugarin.

[3:41:31 PM](#)

FRED BUGARIN, Pastor, St. Anthony Parish, and board member of Anchorage Faith & Action Congregations Together (AFACT), stated that seven members of AFACT from five congregations are on record in support of Medicaid expansion. Fr. Bugarin acknowledged that the committee is very busy and introduced the other AFACT members in attendance.

[3:43:39 PM](#)

BOB RUPKEY (ph), Anchorage Faith & Action Congregations Together, said he has been an insurance adjuster handling liability claims for 45 years. Mr. Rupkey said many claimants do not have insurance because they cannot afford coverage or coverage is not provided by their employer, and Medicaid expansion would help those without insurance.

[3:45:03 PM](#)

PAUL SHERRY said he was a 40-year resident and was testifying on his own behalf. Mr. Sherry said he has worked in health care management in Alaska for many years. He said he supported [HB] 148 because it provides better access to care for about 5 percent of the population, is beneficial to a sustainable health

care workforce, reduces the uncompensated care burden on hospitals, is beneficial to the tribal health system, and allows for investments in preventative care that will reduce the higher cost of care later in life. In addition, the bill increases access to behavioral health and assisted living. Mr. Sherry pointed out the bill's "trickledown effect" on air services, restaurants, taxis, and hotels due to the transportation aspect of Medicaid coverage. The bill is supported by the public, unions, chambers of commerce, the hospital industry, the Native community, and the faith community. Mr. Sherry acknowledged that the Medicaid system needs improvement and he encouraged the committee to pursue with DHSS strategies for improvement; however, his experience is that the system meets the needs of many Alaskans. Finally, he said this is a good use of federal tax dollars and an intelligent investment by the state.

[3:47:40 PM](#)

LUKE HOPKINS, Mayor, Fairbanks North Star Borough, referred to previous testimony by Medicaid service providers who have experienced exclusions to medical care coverage and financial program costs, and said these are real situations in the Fairbanks community. Mayor Hopkins noted that "17 resolutions" address the issues of reducing uncompensated costs to medical providers, creating new jobs across Alaska, and allowing many Alaskans to seek medical care and avoid hospital charity care. One resolution is supported by 19 social service executive directors and seeks to "fix and clear some of the backlogs," accept the federal money for Medicaid expansion, and approve supplemental funding for Medicaid expansion administration. If the projected savings of \$6 million for the first year is correct, he said, "We should be after that." There are resolutions of support from across the state. Alaska seeks federal dollars for highways, for landfill operations, and for sewer and water systems, and Alaskans need this coverage. Mayor Hopkins stated his hope that amendments addressing the number of audits and reform issues would be added to the legislation, and he urged that the bill move this year.

[3:50:57 PM](#)

JEANNETTE GRASTCO, President, National Alliance on Mental Illness (NAMI), stated that NAMI of Fairbanks supports Medicaid expansion and reform because it is ethically, morally, and financially the right thing to do. The bill would allow Alaskans access to physical and mental healthcare, many of whom do not have access now. Ms. Grastco pointed out the most

economical and effective health care is provided at the local level. When local care is unavailable, it must be provided by institutional settings which are more expensive, such as emergency rooms, hospitals, and corrections. Institutional settings are very expensive and care comes at a delayed state. Ms. Grastco advised that treatment for mental illness leads to a better quality life and enables one to work and be productive. Suffering a mental illness doesn't necessarily mean one is not productive unless medical care is not available through insurance. She stated that her intent is for the federal taxes she pays to be invested in Alaskans. Ms. Grastco acknowledged that billing Medicaid is not an easy system; however, the Xerox system is improving, and she encouraged the committee to support HB 148.

[3:54:15 PM](#)

SHEILA SMITH, Licensed Clinical Social Worker (LCSW), informed the committee she has been a mental health provider for over 20 years, providing services to adults, families, and couples, including the chronically mentally ill. Ms. Smith addressed [proposed Section 6] to authorize a provider tax to offset costs of the Medicaid program. She said this provision would discourage proficient and highly qualified mental health professionals from participation because providers are paid below insurance reimbursement rates, and a tax would further reduce payment rates. She directed attention to proposed Section 3(a), and noted that a mental health investigator should be looking at patient records - or audits should include - treatment goal, type of psychotherapy treatment, estimated length of treatment, and evidenced-based treatment outcomes. The question for auditors should be whether the provider is effective, which would lead to fewer treatments. Ms. Smith pointed out that therapy is psychotherapy, not pharmacology. Pharmacology may reduce symptoms, but does not treat the underlying illness. Turning to proposed Section 4(b), she advised that overpayments should be prevented by reviewing claims as they are received; in fact, competent clinicians should have no objection to accountability for treatment. She questioned whether successful practitioners would be willing to work far below market rates, as suggested in proposed Section 9, and this provision would attract unskilled providers. Proposed Section 10 seeks an increase in federal match, and she cautioned that if federal funds dry up the state would be fiscally responsible. Ms. Smith opined cost savings by telemedicine was only considered because there is a fiscal crisis. She remarked:

If a project or program is suddenly unnecessary in tight financial times, then it is unnecessary when implemented in good times. Here is the reality of mental health in Fairbanks: There are not enough mental health agencies or independent mental health providers in Fairbanks. (2) Of those, many are not qualified to treat families, couples, or children, let alone the chronically mentally ill. (3) Only a couple of clinics or agencies accept Medicaid ... those that do are backlogged or have established accessibility criteria that would exclude many who are in need of mental health services.

MS. SMITH concluded that there is the appearance of helping the disadvantaged, in contrast with the reality of effectively providing services needed. If Fairbanks does not have mental health providers, there is no value in Medicaid expansion.

[3:59:35 PM](#)

RICHARD ROBB disclosed he is the mayor for the City of Bethel, but is testifying on his own behalf. In addition, he works for the Yukon-Kuskokwim Health Corporation as the director of residential services. Mr. Robb expressed his support for HB 148 and Medicaid expansion, and encouraged legislators to pass the bill. Medicaid expansion would save the state money, bring in federal revenues, create jobs, reduce dependence on state grants, and provide insurance for about 40,000 Alaskans. Most of the expansion is paid for by the federal government, is 100 percent reimbursed for the first year, and will be maintained at 90 percent federally funded. Mr. Robb relayed that expansion is estimated to save the state \$6.5 million and bring to the state \$148 million in federal funding in the first year. Further, Medicaid expansion is estimated to create 4,000 jobs in Alaska and save the state grant funding to medical and behavioral health programs. He acknowledged that Medicaid expansion is a political hot potato and very unpopular in some political circles; however, as a registered Libertarian elected to public office, he has learned to put political ideology aside in public service. Although there may be political risk for many, Mr. Robb encouraged the committee to support Medicaid expansion.

[4:02:54 PM](#)

LACEY KEIL said she has been a health care professional for 10 years and expressed her support for Medicaid expansion. Recently, the local hospital reported that in 2014,

approximately \$1.9 million [she later e-mailed a request to correct this amount to \$1.6 million] was spent on charitable care. This deficit endangers the ability of the community to maintain local healthcare; therefore, combining reform and Medicaid expansion improves the community's financial viability, and would ensure affordable and accessible health care for its residents.

REPRESENTATIVE TARR asked which hospital reported the loss due to charity care.

MS. KEIL answered Seward [Community Health] Center.

[4:04:11 PM](#)

KATHLEEN YARR expressed agreement with previous testifiers Jeannette Grastco, Paul Sherry, Kate Burkhart, and David Morgan. Ms. Yarr said she was originally against Medicaid expansion but now realizes it is in the best interest of Alaskans. In her experience as a drug and alcohol counselor, she advised that getting people into substance abuse treatment immediately after they have experienced a crisis is critical; in fact, any delay in time is detrimental to patients.

[4:05:32 PM](#)

DAVID OTNESS said he was testifying as a person caught in the middle of this issue because he is one year short of receiving Medicare, and cannot afford health insurance premiums as health issues have caused him to take Social Security early. Mr. Otness was a commercial fisherman with health care provided by the Fisherman's Fund, [Department of Labor & Workforce Development] and the U.S. Public Health Service. This coverage was provided because watermen and their vessels are available for the country's defense if called upon. However, at the age of 27, he was injured and admitted to the U.S. Public Health Service hospital in Seattle for an extended time. Unfortunately, Seaman's coverage was ended after he was diagnosed with a chronic disease. Mr. Otness' diagnosis placed him in a high-risk category for insurance, and his medical bills led to the loss of fishing boats, his home, and opportunities for fishing permits and individual fishing quotas (IFQs) during his career as a third generation fisherman. Under the protection of union-sponsored medical coverage and Medicaid, he received lifesaving surgeries. Mr. Otness opined that since the early '80s, citizens have had a drastic erosion of social support systems that were once provided by income taxes. He

cautioned against the rise of both the Military-Industrial Complex and the medical insurance complex.

CHAIR SEATON suggested Mr. Otness provide the remainder of his testimony in written form, and asked if he was correct in assuming that Mr. Otness supported Medicaid expansion.

MR. OTNESS said correct.

[4:10:21 PM](#)

DEROTHA FERRARO, Director, Public Relations & Marketing, South Peninsula Hospital, stated that South Peninsula Hospital is a small critical access hospital in Homer. Ms. Ferraro said the hospital's board of directors recently passed a resolution in support of Medicaid expansion. She advised that in South Peninsula Hospital's service area, Medicaid expansion would result in over 1,300 residents being eligible for coverage, which could make a difference in their lives, in the population of the hospital's service area, and in the ability of a small community hospital to meet its mission and stay financially viable. Last year the hospital provided \$2.4 million in bad debt and charity care, thus having even a small portion of currently uninsured residents getting insurance could be significant. Furthermore, Homer's 2009 community health needs assessment identified "access to care" as the most significant issue facing residents, and expanding Medicaid would assist in this effort. Ms. Ferraro said small hospitals are tasked to succeed during times of increased expenses, reduced income, cuts to Medicare reimbursement, and additional costs required by the PPACA. Finally, Medicaid expansion will provide many benefits to the state, communities, hospitals, and to beneficiaries.

[4:13:19 PM](#)

CHARLES BINGHAM said he was a 45-year Alaska resident. Mr. Bingham expressed his support of Medicaid expansion because there are many people "living on the margins," especially in the rural communities, who may not be able to afford insurance premiums. Medicaid expansion was meant to be a key element in PPACA, but was lost through a U.S. Supreme Court decision. As an individual, Mr. Bingham said he is currently working on a contract position that ends soon, and he could become someone who qualifies for Medicaid. He described his personal experience as a diabetic seeking insurance under PPACA. The Sitka Community Hospital also has a high level of charity care, and would benefit from 100 percent to 90 percent federal

reimbursement. He restated the benefits of Medicaid such as access to behavioral health, substance abuse treatment, and emergency medical evacuation services. Mr. Bingham restated his desire to see Alaskans receive the full benefit of ACA. He disclosed that he previously worked for Southeast Alaska Regional Health Consortium but was testifying on his own behalf.

[4:16:23 PM](#)

ROBIN MENARD, Spokesperson, Mat-Su Health Foundation, reminded the committee that the majority of those who would be eligible for Medicaid expansion are the working poor; in fact, over 40 percent are working at jobs that do not pay enough for a subsidy to buy insurance, but who are required to have insurance. In addition, Medicaid "puts them on a path to self-sufficiency" and to obtain health care before health issues become a crisis. Ms. Menard said accepting federal dollars in this issue does not differ from federal money accepted for other projects throughout Alaska.

[4:18:19 PM](#)

ANNETTE ALFONSI informed the committee that about three years ago she sustained a traumatic brain injury and other physical injuries as the result of an automobile accident. Traumatic brain injury (TBI) is now recognized to be a medically manageable chronic physical condition, and victims can work every day with adequate medical management. Before the accident, Ms. Alfonsi held a good job with benefits and had never used services. Presently, she lives with her mother and has personal insurance; however, her personal insurance company is dissolving at the end of this year. Ms. Alfonsi said she is currently unable to work, but is improving with appropriate treatment. Medicaid expansion is the bridge to enable her to again contribute to Alaska's economy and reenter the workforce. At the end of this year, Medicaid will be needed to manage her condition so that she can get and keep employment. Ms. Alfonsi said she is in her 20s, and the treatment she receives now is critical for her future success and opportunities, or she could "fall through the cracks, deteriorate, and become permanently dependent on state-funded services." Ms. Alfonsi pointed out that one with uncontrolled diabetes could not sustain employment, and her condition also requires medical maintenance. She suggested that expanding Medicaid is a great opportunity to allow residents crucial access to medical care while gathering data - at no financial obligation for the state - so that Medicaid reform can be addressed next session.

[4:21:41 PM](#)

MARY MINOR said in December 2008 she was working at a clinic in Fairbanks, and paid \$400 per month for health insurance with a \$3,000 deductible. She was in her early 50s with no health issues when she sustained a skiing accident and, after paying her deductible, her insurance paid less than \$10. However, in 2009 her insurance premiums increased to \$800 per month with a \$5,000 deductible. Ms. Minor said her knee injury ended up costing her \$60,000. In 2010, she could no longer afford insurance until she recently got insurance through PPACA. Her premiums are now \$22 for health insurance and \$38 for dental insurance, however, she is now unemployed. At this time, she does not fear bankruptcy due to illness or injury. Ms. Minor agreed with legislators' concerns about waste, fraud, and abuse of the health care system, but noted that this is a separate issue. The charges made by hospitals are unrelated to what items cost; in fact, 60 percent of personal bankruptcies in 2013 were due to medical bills, and insurance companies do not pay actual costs because of their agreements with providers. Ms. Minor acknowledged that containing costs is difficult; however, Medicaid expansion can address those who are in difficult situations.

[4:25:30 PM](#)

RUTH WOOD stated that she doesn't work in the mental health industry. She reported that she pays \$1,000 each month for health insurance with a \$5,000 deductible. She said she was fortunate for her good health and that she could afford health insurance. She indicated that she did not try to switch health care options to obtain additional deductions since she will be on Medicare soon. She offered her belief that good health care was a basic need, and nothing is more important than health, food, shelter, and family, so it would be unconscionable not to have Medicaid expansion. She stated that she pays federal taxes and there are not any federal funds she would rather see than Medicaid expansion. She offered that even though it does not personally affect her, it was so important to her that she was willing to listen in for an hour and a half in order to testify today. She concluded by stating that [Medicaid expansion] is very critical, the state needs to do so, and should have done so earlier.

[4:27:35 PM](#)

MIKE COONS stated that he is a retired paramedic and U.S. Air Force non-commissioned officer so he has observed socialized medicine. He indicated that he previously sent an e-mail in opposition to HB 148. He stated that many charitable cases are emergency room cases, in fact, as a paramedic, he observed that approximately 99 percent of the minor cases treated at the emergency room were Medicaid patients. He offered his belief that nothing will make these people go to a medical provider since it seemed easier for them to go to the emergency room. He said he liked Representative Seaton's amendment requiring [the state] to establish a primary care case management system; however, he cautioned that the state needs to manage the emergency room care usage by Medicaid patients. Further, he agreed with Representative Vazquez's amendment since he believes that fraud "needs to be hammered and hammered hard." He related that as a veteran it takes six months for the Veterans [Benefits] Administration, U.S. Department of Veterans Affairs, to pay his doctor, which he thought was much too long. He referred to the projection of 4,000 new medical jobs and predicted that doctors will drop Medicare patients since they will derive more money from Medicaid than they do from Medicare. He further predicted that the additional taxes will be passed on to paying patients, which will increase the cost of medicine. He concluded by stating that he didn't mind helping those who can't help themselves fully, but he was tired of handouts versus "hand-ups" so he urged members to vote no on Medicaid expansion and on HB 148.

CHAIR SEATON clarified that the jobs created were not just for the health care field. He said the 4,000 new jobs was based on the number of jobs generated for every \$10 million the state receives in federal funds and does not mean 1,000 primary care doctors each hiring three other people.

[4:32:20 PM](#)

ELIZABETH RIPLEY, Executive Director, Mat-Su Health Foundation (MSHF), stated that the foundation "has a foot in both worlds" since it co-owns the hospital that takes care of people when injury and illness are not prevented. It also makes grants to make a measurably healthier Mat-Su population. She said that the state is at the apex of health care reform. The foundation believes it is possible, and the foundation brings data, analysis, and new perspectives to help achieve the triple aim in the Mat-Su area, which includes better care for individuals, better health for populations, and lower per-capita costs. She said the Mat-Su Health Foundation strongly urges members to pass

HB 148 since it takes steps toward meaningful Medicaid reform for a more sustainable Medicaid program, it would expand Medicaid for the benefit of Alaskans and the economy, and it would help achieve the triple aim. The MSHF recently published a report that included a deep-dive on Mat-Su regional emergency department utilization in 2013. She previously provided the committee with this data via e-mail. Clearly, the care of these high utilizers needs to be managed more effectively. Reforms built into HB 148 in Section 10 could do this, she said. With respect to the proposed amendment, she suggested stronger language be added to manage "super utilizers," in particular, to include sharing the savings with hospitals that have to implement the program.

MS. RIPLEY paraphrased from written testimony [letter dated 3/26/15], as follows:

Mat-Su Regional's ED sees five times the number of people with behavioral health issues than our community mental health center. The Mat-Su population nearly doubled from 50,000 people to 98,000 people since 2000 but Mat-Su's community mental health center grants from the Department of Behavioral Health stayed flat. State funding mechanisms for this safety net population literally drove people to seek care in the ED instead of in lower cost settings. Instead of getting care in a timely way from our community mental health center, these folks delayed care until it was a crisis and presented to the ED. Because they couldn't pay the bill for those ED services, the ED recoups those dollars by cost-shifting to other payers and the public.

Medicaid expansion would improve access to care for these behavioral health issues and prevent costly ED visits. Medicaid expansion would reduce this cost-shifting and help lower health care costs across the system. Medicaid reform would ensure that we manage our costs and prevent unnecessary and preventable ED visits through care coordination. HB 148 takes steps in the right direction to pair meaningful reform measures with expansion to improve access to care and reduce costs. MSHF endorses HB 148.

CHAIR SEATON welcomed suggested changes to the amendments, especially with respect to super utilizers.

[4:35:53 PM](#)

The committee took an at-ease from 4:35 p.m. to 4:45 p.m.

[4:45:13 PM](#)

ROSS BIELING described his 30-year background in health care, as a college graduate working to teach physicians on surgical stapling procedures, and currently working for Medical Bidline, which provides orthopedics for hip and knee implants and in home health care. He said he is also an attorney.

MR. BIELING expressed concern on the structural issues in Alaska. First, the state has an unreliable business partner since the federal government is \$18 trillion in debt. Second, the state has a big footprint. The state can do lots of things to address health care in the Bush, such as using schools for clinics and addressing out-of-control travel costs. He noted over \$100 million in travel costs by Alaska Natives traveling to Anchorage in the past year including airfare and food. He expressed concern these costs could increase to \$200 million. He referred to an [Alaska] Health Care Commission report [from the] Parnell [Administration] that identified inflated costs for items such as a \$26,000 wheelchair cost to Bethel, and lifts, as well as undefined actual costs. He offered that the challenge for the committee will be to define reform and identify detail to achieve a specific, measureable, and reproducible plan of action to exceed the financial goals and markers. He offered his belief competitive bidding does work since it levels the playing field for large and small providers. In closing, he said that his company, Medical Bidline, has a unique background and provides expertise in orthotic services, post-operation braces, medical equipment, and surgical procedures including total hips, total knees, arthroscopies, back surgeries, colonoscopies, podiatry services, chiropractic services, and diagnostic services such as MRIs [magnetic resonance imaging].

CHAIR SEATON thanked Mr. Bieling, noting the committee has the company's mission statement already. He suggested a forthcoming amendment may address competitive bidding preferences.

[4:49:39 PM](#)

SARAH KEHOE, PA, stated she is a 24-year Alaska resident, a physician assistant, who has worked in private practice in Fairbanks and for 16 years in the Upper Susitna Valley in a community health center. She spoke in support of HB 148, both

for reform and expansion, but not to do one at the expense of the other. She expressed concern for the daily loss of federal revenue that could be put towards the health and wellbeing of Alaskans. She related that she is British, but is an American who has lived in Alaska since 1991. She has been a physician assistant for 18 years. In the past five years she has worked in care coordination, so she understands the concerns with community and home-based waivers. She presently works in case management, she said, so she meets patients every day who are in the gap - hardworking, good Alaskans who still remain uninsured or underinsured. She urged members to pass this bill quickly so this plan can be rolled out smoothly, effectively, and efficiently to help Alaskans. She emphasized that this would touch many Alaskans and represents an opportunity that should not be missed. She would like to see the \$33.5 million appropriated for the Susitna-Watana Dam be reappropriated.

[4:52:56 PM](#)

JEANNE SWARTZ stated she is a nearly 40-year resident of Alaska and would like to offer her full support for HB 148. She stated that many citizens of Alaska have expressed eloquent support for this bill. She asked to make three points: care and compassion is a primary concern of government and a healthy society is a stable and prosperous society; the efficiencies attached will provide better service and bring down the health care costs in Alaska, including for people not covered by Medicaid expansion; and Alaska obtains federal money for many things, so to take federal money for improved health is the best and highest purpose.

[4:55:26 PM](#)

NANCY BALE stated she is a school nurse and has been a nurse in a hospital setting taking care of elders in Alaska. She received her degree in the 1990s at the University of Alaska Anchorage. She previously lived in Bush Alaska for many years. She has been blessed with good health and has not had to use her insurance policy. She said she is 69 years old so she is eligible for Medicare, but she has not had to use Medicare, Part B, due to her current employment. She meets parents daily whose families fall into the gap. Their children may be covered by Denali Kid Care, but the parents cannot afford health care. She said that elders survive in nursing homes through Medicaid, and their benefits should be assured through the expansion of Medicaid. She offered her belief that most Alaskans support the expansion of Medicaid and she would like to see the climate that

is pro-reform, but not reform that halts expansion. She urged members to set benchmarks and move forward this year while the federal government provides 100 percent support, but still continue to consider reforms on an ongoing basis. In fact, she said, that is what other states have been doing. She thought many people expected this to move forward since it was a major point in the gubernatorial election so many people are perplexed that it has stalled. She cautioned members on the provider tax, since Medicaid providers are already offering services at a lower rate so to add an additional tax would "chill" the addition of Medicaid providers in outlying areas of the state. She said, "Do not let reform be the enemy of expansion."

[4:59:32 PM](#)

JESSICA CLER, Alaska Public Affairs Manager, Planned Parenthood Votes Northwest, stated that she is a lifelong Alaskan. She offered that Planned Parenthood operates four health centers in Alaska and in 2013, served nearly 8,000 people with life-saving and cost-saving reproductive health care. As a health care provider that serves thousands of low-income women and men each year, the organization is keenly aware of the needs of vulnerable adults in Alaska. She stated that many childless adults without disability making less than \$20,000 annually have no affordable health care coverage. She said, "This has to change." She offered that expansion would give 42,000 people coverage for vaccinations, cancer screenings, and mental health services. The increased health care usage could be an economic driver creating thousands of jobs and generating billions of dollars in new wages. Medicaid expansion also would give Alaskans an opportunity to take entrepreneurial risks without fear of losing insurance coverage, and ensure coverage for working adults or those who wish to start a business or seek an education. It would also mean people who have been foregoing medication or treatment to pay rent will no longer have to make that decision. Women who have put off their annual exams could finally obtain cancer screening instead of needing to go to emergency rooms for treatment. She urged members not to wait to expand Medicaid, even though reform is important. She urged members to support HB 148.

[5:01:59 PM](#)

CLAYTON WALKER, Sr., stated that since 1970 the state has had a medical problem in the practice section of the national examination for auditing qualification for certified public accountants. He expressed a concern for the number of audits as

opposed to the profitability of audits. He has served as an auditor for the Internal Revenue Service, the United States Treasury, and for U.S. General Accounting Office (GAO). He said that auditors can produce resources and should be able to focus their skills. He said that statistical audit designs are more adaptable to situations that continually change. He referred to earlier testimony, noting there is a significant variability in the problem to be addressed; however, a group of professional auditors are trained to handle the complexity of this situation.

CHAIR SEATON asked about the issue of audits. One suggestion under consideration is that if there are federal audits that overlap with state audits, the state would consider accepting the audit in lieu of conducting separate audit. He asked whether this makes sense to an auditor.

MR. WALKER answered that the goal learned at IRS was to produce 10 times more than it cost. He suggested that if the federal government provided \$50 million, the audits should produce 10 times that or \$500 million. He emphasized that should be the standard of production for the audit; however, if the state is required to follow laws written by non-certified public accountants, it represents a separate issue.

CHAIR SEATON welcomed suggestions submitted in writing.

[5:06:11 PM](#)

CANDUS MILLER suggested the committee consider privatization regarding Medicaid expansion. She said she had concerns with privacy rights and parental rights, in particular, with parents not having knowledge of their children seeking to terminate pregnancies. She had further concerns that expansion going through Denali Kid Care would provide funds for abortion. She expressed concern that other problems would surface, just as it did when the Patient Protection and Affordable Care Act was being deliberated. She mentioned that Oklahoma stood up against Medicaid expansion since it would cost trillions of dollars. She suggested members could go to Heartland Institute or Alaska Policy Forum for information on problems with Medicaid expansion. She expressed concern that the federal government will provide funding initially, but then the state must later cover 90 percent of the costs. She said her family switched to a policy that costs less than \$4,000 - \$4,500 per year. She characterized it as a co-dependency, but Alaska can rely on the private sector to provide health care. She spoke in opposition to Medicaid expansion.

5:10:41 PM

PAT CHAPMAN said she is a citizen advocate. She suggested that HB 148 can help those who work hard, but earn lower incomes and can't afford the high cost of insurance. This population tends to get sick, and is ignored until the ailment is severe and they then access emergency services. She said that the cost of emergency services are much more costly than physician office visits, and the service ends up being "charity care" that increases the cost of health insurance. She would like to see HB 148 pass so low-income people can stay healthy. She emphasized that this health care is necessary and the state needs to be proactive for health care, not reactive, as preventative care is less expensive in the long run. She offered her support for HB 148.

5:13:30 PM

JEANNE PARKER characterized herself as a hardworking community member who has lived in Homer for 39 years and raised a family here. She strongly urged members to pass HB 148. She said that she falls in the "donut hole" of the uninsured because she can't afford health insurance. She stated that she teaches pre-school and gymnastics. She feels lucky to be a healthy person and she pays attention to her health through preventative means. The health care expansion would not cover some of her health care, such as acupuncture and exercising which she covers on her own. She said that the catastrophic insurance available through Medicaid expansion would be helpful. She related a scenario in which she sliced her hand and obtained emergency room care as a charity case. She offered her belief that Alaska should accept federal funding, noting that the state receives a huge amount of federal funding for the military. She characterized the funding as a "win-win" situation.

5:16:23 PM

KELLY WALTERS spoke in support of HB 148 to expand [Medicaid]. He said the public "spoke" about this in November [by selecting candidates] since Medicaid expansion was a cornerstone of the last gubernatorial election. He offered his belief that it is very difficult to unseat an incumbent governor, and yet that happened, largely due to Medicaid expansion. He predicted that in five years the state will save \$330 million, by spending between \$17 and \$20 million. He suggested cancelling the Bragaw Road extension in Anchorage that nobody wants through the

university medical district, which would save \$18 million. He said that everyone pays federal taxes, but by not accepting this due to some partisan witch hunt, our tax dollars are supporting and subsidizing wiser states. He reminded members that U.S. Senator Ted Stevens supported the original bill for affordable care in 1994. He reminded members that Senator Stevens brought in significant federal dollars to Alaska. This will create 4,000 jobs with over \$1 billion in wages and salaries. Given the oil tax situation, the state needs every possible revenue stream, he said. He hoped members would expand Medicaid.

[5:20:02 PM](#)

ROBERT NEWMAN, Student, Juneau-Douglas High School, spoke in support of HB 148, which would expand Medicaid. He said he is a senior and is worried about when he leaves college with debt that he won't be able to afford insurance. He said his father left a job he loved when he could not afford insurance for his family. He offered his belief that entrepreneurs will be adversely affected if they cannot afford health insurance. He said that if members love the free market and support capitalism, please support HB 148, Medicaid expansion.

[5:21:51 PM](#)

ERIC JORDAN, Policy Analyst, Alaska Native Health Board (ANHB), stated that not only does he represent ANHB, but he wanted to speak on behalf of all the uninsured Alaskans. He said not only has the committee heard about the fiscal, economic, and moral reasons to expand Medicaid, but there was also another reason to do so: empowerment. He said that health insurance is empowering. He related his personal experience, noting that he had a colonoscopy exam and the surgeon found benign polyps, which were removed. He was advised to obtain screenings every three years. His stepmother has colon cancer so he has seen firsthand the devastation that pain has caused her and his whole family. He urged members to please consider Medicaid expansion and provide insurance since it is empowering and gives people the tools and the knowledge to take care of themselves.

[5:25:45 PM](#)

The committee took an at-ease from 5:25 p.m. to 5:32 p.m.

[5:32:39 PM](#)

CHAIR SEATON, after ascertaining that no one further wished to testify, closed public testimony on HB 148.

CHAIR SEATON explained that the committee would review some questions on the bill before amendments would be proposed.

REPRESENTATIVE VAZQUEZ referred to page 1, line 11 of HB 148, which read:

(1) the governor, through the Department of Health and Social Services, take all necessary action to capture federal revenues and offset state general funds and evaluate the most cost-effective method for revising expansion coverage,...

REPRESENTATIVE VAZQUEZ asked what the department meant by that language.

[5:34:44 PM](#)

JON SHERWOOD, Deputy Commissioner, Medicaid and Health Care Policy, Office of the Commissioner, Department of Health and Social Services (DHSS), explained that the aforementioned language means that the Medicaid expansion population is not required to have the same benefit package that the current Medicaid adult population has. He stated that the department must ensure that the individuals have a benefit package that provides for coverage for essential health benefits as defined by federal law or an alternative benefit package determined by the federal government to be equivalent. He offered his belief that the most effective way to implement Medicaid expansion was to start with the existing Medicaid benefit package; however, the department will evaluate whether a more appropriate cost effective benefit package is available and could pursue it in the future.

REPRESENTATIVE VAZQUEZ asked for clarification that the department will examine the existing Medicaid services provided to Medicaid recipients to see if it is appropriate to provide the same services to the newly expanded group.

[5:36:48 PM](#)

VALERIE DAVIDSON, Commissioner Designee, DHSS, explained that the strategy to get the Medicaid expansion up as quickly as possible was to mirror the existing Medicaid program. As previously testified, much of the bill does not address

expansion, but consists of reform for the entire Medicaid program. As those reforms come into play, since the expansion population would mirror the Medicaid program, the reform efforts would all be applied to the expansion population.

REPRESENTATIVE VAZQUEZ asked about the 14 mandatory services plus the 27 optional services and if the department planned to offer all of the services.

COMMISSIONER DAVIDSON answered that the Medicaid expansion coverage would mirror the existing Medicaid coverage.

REPRESENTATIVE VAZQUEZ asked to clarify the 27 optional services will be provided to the expansion group.

MR. SHERWOOD said that what was currently offered to Medicaid recipients will be offered to the expansion group.

COMMISSIONER DAVIDSON explained that the state had decided that some optional services provide a more cost-effective way of providing care for people who are Medicaid beneficiaries. For example, being able to provide pharmaceutical coverage, covering prescription drugs, is an optional service under Medicaid. However, the department also recognizes that some individuals who are prescribed medications, but don't take them, could result in higher costs since their injury or illness could worsen, which will result in more costly emergency care. Other optional services that the Medicaid program covers include home- and community-based service. In order to qualify for services the individual must receive skilled nursing level of care under the optional Medicaid program; however, the mandatory service under Medicaid is skilled nursing care. The question raised is whether the department should provide home and community-based services in Alaska at a much lower cost by supporting individuals in their homes and communities as an option, or if the state should take away the optional service and instead provide the mandatory coverage at a much more costly skilled nursing facility.

[5:40:40 PM](#)

REPRESENTATIVE VAZQUEZ asked whether transportation to and from the point of Medicaid was included as optional.

MR. SHERWOOD answered that access to medical care was required to be provided by the Medicaid program. It could be provided as an optional service or administratively. In Alaska it is

treated as an optional service, but if it was not treated as an optional service, the state would still need to provide it and claim it administratively, he said.

[5:41:26 PM](#)

REPRESENTATIVE VAZQUEZ asked whether the federal government would reimburse the state for all 27 optional services.

MR. SHERWOOD answered that the state receives federal match for all the Medicaid services the state provides under the statute.

REPRESENTATIVE VAZQUEZ asked for the expenditures for the last year for optional services.

MR. SHERWOOD replied that he did not have the figures for last year.

CHAIR SEATON reminded members that the department had not anticipated detailed questions, which is fine.

REPRESENTATIVE VAZQUEZ asked whether the figures were included in the fiscal notes.

MR. SHERWOOD said that the estimated cost for Medicaid expenditures for the expansion included estimates for all optional and mandatory services.

CHAIR SEATON reiterated that the fiscal note includes estimates for all services for Medicaid expansion.

REPRESENTATIVE VAZQUEZ related her understanding that the fiscal note were based on estimates.

MR. SHERWOOD answered yes.

REPRESENTATIVE VAZQUEZ asked the department to provide a list of the mandatory services.

MR. SHERWOOD agreed to do so.

[5:43:19 PM](#)

REPRESENTATIVE VAZQUEZ referred to page 1, lines 13-14 which read:

most cost-effective method for revising expansion coverage, including more efficient benefit plans, cost sharing, utilization control, and other innovative health care financing strategies;

REPRESENTATIVE VAZQUEZ asked about the department's vision for more efficient benefit plans.

COMMISSIONER DAVIDSON replied that the more efficient benefit plans include many of the reform efforts explained later in the bill, including allowing the department the flexibility to pursue waiver opportunities, for example, taking advantage of the existing 100 percent federal match or conducting demonstration projects for the department. Thus the department may pursue other options to provide health care services in a more efficient manner, she said.

[5:44:17 PM](#)

REPRESENTATIVE VAZQUEZ asked how long Mr. Sherwood has worked for the department.

MR. SHERWOOD answered that he has worked for the department for over 25 years.

REPRESENTATIVE VAZQUEZ asked for his ideas on a more efficient benefit plan.

MR. SHERWOOD offered his belief that the commissioner had answered the question quite well, that the department has been looking at the types of things described in the reforms.

[5:44:51 PM](#)

REPRESENTATIVE VAZQUEZ asked for the department's vision for utilization controls.

COMMISSIONER DAVIDSON answered that utilization controls were designed to be relatively broad to allow the department as much flexibility as possible. As the Department of Health and Social Services has frequently testified to in the past, the department views reform as an ongoing process and not a point in time, similar to other states which have effectively implemented Medicaid and health care programs. Some of the utilization controls include ones identified in the reform section of the bill, including addressing the "super utilizer" or "over utilizer" who use emergency rooms [for primary care]. The

department hopes to teach people how to use health care services in a more efficient and effective manner at less cost.

[5:46:24 PM](#)

REPRESENTATIVE TARR asked for clarification on how the public can follow implementation measures. She related her understanding that [Medicaid expansion and reform] was a process and the public and legislature will have opportunities to participate.

COMMISSIONER DAVIDSON answered yes. As the department has previously testified, it has issued a request for proposal (RFP) - which just closed - for an independent consultant to identify reforms adopted in Lower 48 states since many states are also grappling with Medicaid and health care [costs and efficiencies]. The state could benefit from lessons learned by other states, she said, pointing out that the department, legislators, providers, and the public all have ideas. She envisioned that the independent consultant will review all ideas for reform and evaluate how these might work in Alaska - a state with a relatively small population and the unique challenges posed by its large geographic size and lack of specialists in most communities. In addition, the department desires to engage the public and stakeholders in a transparent process, she said.

CHAIR SEATON pointed out the committee is currently discussing legislative intent language, which it has previously reviewed. In fact, the committee has already adopted amendments to address cost containment and reform. He suggested the committee move on from the legislative intent section unless members have specific questions related to the intent of HB 148. Otherwise, he suggested the committee could ask the department to start over and re-introduce the bill [to obtain further clarification on the details].

REPRESENTATIVE VAZQUEZ directed attention to page 6, lines 5-15 which read:

disabled persons, as described in 42 U.S.C. 1396a(a)(10)(A)(ii)(XIII), who are in families whose income, as determined under applicable federal regulations or guidelines, is less than 250 percent of the official poverty line applicable to a family of that size according to the United States Department of Health and Human Services, and who, but for earnings in excess of the limit established under 42 U.S.C.

1396d(q)(2)(B), would be considered to be individuals with respect to whom a supplemental security income is being paid under 42 U.S.C. 1381 - 1383c; a person eligible for assistance under this paragraph who is not eligible under another provision of this section shall pay a premium or other cost-sharing charges according to a sliding fee scale that is based on income as established by the department in regulations;

REPRESENTATIVE VAZQUEZ asked for clarification [of paragraph 12].

MR. SHERWOOD answered that this provision is existing language for eligibility not impacted by HB 148. It describes what has been commonly known as the "working disabled buy in" that allows individuals with a disability who are eligible for Medicaid except that their earned income makes them ineligible. This provision would allow these "working disabled" individuals to stay on Medicaid by paying a premium to the Medicaid program. He reported that several hundred people are in this eligibility group at any given time.

CHAIR SEATON remarked that this provision was previously covered in the department's introduction of HB 148.

REPRESENTATIVE VAZQUEZ asked whether there were any changes to the aforementioned program.

MR. SHERWOOD answered no.

[5:52:05 PM](#)

REPRESENTATIVE VAZQUEZ referred to page 2, line 10-13 which read:

(3) the Department of Health and Social Services, after consulting with stakeholders, submit to the legislature not later than January 25, 2016, a proposal to authorize a provider tax up to the maximum extent allowed by federal law to offset some of the cost of the Medicaid program.

REPRESENTATIVE VAZQUEZ asked whether this provision would allow the department to authorize a provider tax to offset Medicaid costs as allowable under federal statute.

MR. SHERWOOD answered that federal statutes allow states to tax providers, noting that specific provisions address how the provider tax can be treated to ensure that states are not using provider tax revenue as the state's matching funds for Medicaid. He offered his belief that Alaska is the only state without a provider tax. He characterized the provider tax as "broad based" and not a specific tax of Medicaid revenue.

[5:53:15 PM](#)

CHAIR SEATON commented that a six-page document from [the Alaska State Hospital and Nursing Home Association] was in members' packets.

REPRESENTATIVE VAZQUEZ responded that the aforementioned document did not answer her specific question. She asked whether this tax applied to all providers, or was limited to providers who accept Medicaid patients.

COMMISSIONER DAVIDSON advised that the department previously testified it has started an RFP process with Fiscal Year 2015 (FY 15) funds to hire a consultant to recommend the best solutions for Alaska given its unique challenges. She reported that other states imposing a provider tax have limited the tax to hospitals and skilled nursing homes based on revenues, but the provider tax is not tied to Medicaid. She anticipated that the evaluator will examine whether it makes sense to extend the provider tax to everyone. She pointed out that many providers in Alaska are small independent providers. She cautioned that the state would not be interested in impacting a provider's ability to continue to provide valuable Medicaid services to its beneficiaries, but rather to identify the best tax structure for Alaska.

CHAIR SEATON pointed out an amendment requiring the department to use a third-party contractor to provide this service. He offered his belief that the only question remaining is whether to consider an additional amendment to restrict the department from moving forward with a provider tax.

REPRESENTATIVE VAZQUEZ repeated her question. She asked whether the provider tax would apply to all providers or if it applies to providers who accept Medicaid since some providers don't accept Medicaid.

COMMISSIONER DAVIDSON reiterated that the provider tax does not tax Medicaid receipts, but refers to a tax based on revenues,

and was not tied to Medicaid. She envisioned that a contractor would engage with stakeholders to determine and recommend solutions that will work for Alaska. She further anticipated that this process will allow large and small providers to weigh in with their recommendations and identify "best practices" other states have implemented with respect to provider taxes.

REPRESENTATIVE VAZQUEZ thanked the commissioner.

REPRESENTATIVE TARR asked for further clarification that there was not currently a provider tax in Alaska.

CHAIR SEATON agreed that Alaska was the only state that did not have a provider tax; however, an amendment requires a third-party evaluator to make suggestions on a provider tax to help pay for health care in Alaska.

[5:57:37 PM](#)

REPRESENTATIVE VAZQUEZ referred to page 3, lines 17-20, related to audits, which read:

The department may assess interest penalties on any identified overpayment. Interest under this section shall be calculated using the statutory rates for post-judgment interest accruing from the date of the issuance of the final audit.

REPRESENTATIVE VAZQUEZ noted that in previous hearings she had asked about the interest rate, but now she would like to know what effect it would have if the provider was allowed a 30-day period since it seemed fair to allow providers time to have their questions answered.

MR. SHERWOOD answered that the department anticipates that it will issue a final audit identifying a date of expected payment, with interest accruing after that time. He said he didn't feel comfortable addressing all the different circumstances since he is not an audit expert, but he offered to provide additional information to the committee.

CHAIR SEATON reminded committee members that specific changes could be presented as amendments to allow the department time to analyze their impact.

[6:00:19 PM](#)

REPRESENTATIVE VAZQUEZ directed attention to page 7, lines 17-28, which read:

(b) The department, in implementing this section, shall take all reasonable steps to implement cost containment measures that do not eliminate program eligibility or the scope of services required or authorized under AS 47.07.020 and 47.07.030 before implementing cost containment measures under (c) of this section that directly affect program eligibility or coverage of services. The cost containment measures taken under this subsection may include new utilization review procedures, changes in provider payment rates, and precertification requirements for coverage [OF SERVICES, AND AGREEMENTS WITH FEDERAL OFFICIALS UNDER WHICH THE FEDERAL GOVERNMENT WILL ASSUME RESPONSIBILITY FOR COVERAGE OF SOME INDIVIDUALS OR SOME SERVICES FOR SOME INDIVIDUALS THROUGH SUCH FEDERAL PROGRAMS AS THE INDIAN HEALTH SERVICE OR MEDICARE].

REPRESENTATIVE VAZQUEZ offered her belief the first statutory provision referred to the mandatory Medicaid services and the second provision related to optional services, which appears to tie the state's hands during any fiscal crisis since it would not allow eligibility criteria to be changed or any optional services to be eliminated.

CHAIR SEATON pointed out that subsection (b) is existing law. He stated that the only change was to add "and" and remove language beginning on page 7, line 2.

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CHAIR SEATON asked the committee to focus on the changes being made to the Medicaid system under the bill.

REPRESENTATIVE VAZQUEZ suggested that this provision would change a major component beginning on page 7, line 23.

REPRESENTATIVE SEATON explained that the aforementioned language was moved to Section 10.

MR. SHERWOOD offered that the language in Section 10 does not replace the deleted language [page 7, lines 23-28]; however it does outline a somewhat different approach to obtain the federal participation for coverage of services. This language has been

in statute for many years and the approach has been exhausted so this section was removed to avoid a conflict [with the language in proposed Section 10].

REPRESENTATIVE SEATON clarified that the language was replaced in Section 10.

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STACIE KRALY, Chief Assistant Attorney General, Human Services Section, Civil Division, Department of Law (DOL), agreed that Section 9 was existing law, but the provision being deleted is language that would have been in conflict with proposed Section 10. The language was deleted, a conforming grammatical edit was made on line 23, and the concepts were added in proposed Section 10.

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REPRESENTATIVE VAZQUEZ asked about the deleted language since this provision would charge the department with entering into agreements under which the federal government will assume responsibility for coverage of some individuals, or some services for some individuals, through federal programs such as the Indian Health Service or Medicare. She asked for further clarification on what was wrong with this provision.

MS. KRALY answered that nothing was wrong with the language, but the language in Section 9 did not quite track the new reform measures in Section 10. She referred to page 7, line 31 through page 8, line 4, stating that language was removed to avoid the apparent conflict with proposed Section 10 that will achieve the same focus, which is to maximize the state's participation with the federal government for Indian health beneficiaries through the tribal health system.

CHAIR SEATON related his understanding that was provided through the Section 115 waiver.

MS. KRALY agreed.

REPRESENTATIVE VAZQUEZ, referring to the deleted provision, asked whether Medicaid was the second payer after Medicare.

MS. KRALY answered that Medicaid was the payer of last resort.

REPRESENTATIVE VAZQUEZ asked for the reference to a similar provision in the bill that ensures that the state is the payer of last resort.

MS. KRALY answered that the general premise that Medicaid is the payer of last resort has been well established in federal law, state law, and case law so it exists without being specifically referenced in this section.

REPRESENTATIVE VAZQUEZ asked for the specific state and federal statutory citations.

MS. KRALY answered that she did not have the citations, but she offered to provide them to the committee.

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COMMISSIONER DAVIDSON asked to correct earlier testimony that stated the IRS rule under the Patient Protection and Affordable Care Act (PPACA) recognizes that access to Indian Health Services is considered insurance coverage. As one of the drafters of those specific provisions of the PPACA in her prior job, she clarified those provisions do two things. First, a provision in the PPACA would exempt IHS beneficiaries from the mandate for health coverage and the subsequent penalty. In fact, IHS services are not considered health coverage, but rather this provision refers to a group membership exemption based on the federal trust responsibility to IHS beneficiaries. Secondly, another section of the PPACA expressly allows IHS beneficiaries to be able to participate, purchase, and receive subsidies for marketplace plans. Clearly, the U. S. Congress did not consider access to health care services through an IHS facility to be health insurance, she said.

[HB 148 was held over]

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ADJOURNMENT

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 6:09 p.m.