

ALASKA STATE LEGISLATURE
HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

March 31, 2015

6:03 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

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."

- MOVED CSHB 148(HSS) OUT OF COMMITTEE

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
03/28/15	(H)	Heard & Held
03/28/15	(H)	MINUTE(HSS)

03/31/15 (H) HSS AT 3:00 PM CAPITOL 106
03/31/15 (H) HSS AT 6:00 PM CAPITOL 106

WITNESS REGISTER

JOSHUA BANKS, Staff
Representative Dave Talerico
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented Amendment 15 to HB 148, on behalf of Representative Talerico.

JON SHERWOOD, Deputy Commissioner
Medicaid and Health Care Policy
Office of the Commissioner
Department of Health and Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 148.

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

POSITION STATEMENT: Responded to questions during the hearing on HB 148.

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

POSITION STATEMENT: Offered information during the hearing on HB 148.

SHELLY VENDETTI-VUCKOVICH
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 148.

MARY TONSMIERE
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 148.

ILONA FARR, MD
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 148.

ACTION NARRATIVE

6:03:08 PM

CHAIR PAUL SEATON called the House Health and Social Services Standing Committee meeting back to order at 6:03 p.m. Representatives Stutes, Talerico, Wool, Tarr, Vazquez, and Seaton were present at the call to order. Representative Foster arrived as the meeting was in progress.

HB 148-MEDICAL ASSISTANCE COVERAGE; REFORM

6:03:14 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."

6:03:30 PM

CHAIR SEATON announced that the committee would complete its consideration of the remaining amendments in the committee packet before continuing on to public testimony.

REPRESENTATIVE TALERICO moved to adopt Amendment 15, labeled 29GH1055\A.37, Glover, 3/30/15. [Amendment 15 is provided at the end of the minutes on HB 148.]

CHAIR SEATON objected for discussion.

6:04:36 PM

JOSHUA BANKS, Staff, Representative Dave Talerico, Alaska State Legislature, presented Amendment 15 on behalf of Representative Talerico. He said the amendment would create a July 1, 2018, sunset for each section of HB 148, by "creating new sections in the bill to restore the original language in statute that the bill changes." He said Amendment 15 would provide a way to "test the waters of Medicaid expansion" and make sure the federal government upholds its promise of 90 percent coverage. He indicated that under Amendment 15, the State of Alaska could withdraw for various reasons, for example if the federal government dropped coverage below 90 percent or if an increased number of applicants ended up costing the state more than it anticipated.

[6:06:32 PM](#)

REPRESENTATIVE TALERICO said Amendment 15 was a concept for consideration, and he said he would like to hear the Department of Health and Social Services' opinion of it.

CHAIR SEATON noted that the committee had held an earlier meeting that day.

CHAIR SEATON said there were an anticipated 20,000 to 30,000 new enrollees, for which there would need to be additional services. He expressed fear that even with federal funding at 95 percent, it would be difficult to get private businesses to invest when they know "a bill would terminate in three years."

[6:08:41 PM](#)

JON SHERWOOD, Deputy Commissioner, Medicaid and Health Care Policy, Office of the Commissioner, Department of Health and Social Services, stated that the department did not think a sunset provision on Medicaid expansion was necessary. He said some of the impacts of "this" were more in line with reform than expansion. He indicated that the department views some issues, such as clarification of income levels and deprivation requirements, as "clean-up," and it did not see a need for a 2018 sunset, as proposed under Amendment 15.

[6:10:14 PM](#)

CHAIR SEATON noted that reports would be made after the 2018 sunset date, while some of the reforms would not have "kicked in" or have good analysis before that date.

[6:10:35 PM](#)

REPRESENTATIVE TALERICO said Mr. Sherwood's response had provided clarification.

REPRESENTATIVE TALERICO withdrew his motion to adopt Amendment 15.

[6:12:12 PM](#)

REPRESENTATIVE VAZQUEZ moved to adopt Amendment 16, labeled 29-GH1055\A.40, Glover, 3/30/15, which read as follows [original punctuation provided]:

Page 7, following line 15:

Insert a new bill section to read:

"* **Sec. 9.** AS 47.07.030 is amended by adding a new subsection to read:

(g) The department shall annually prepare a report, separately describing state costs for optional and mandatory services provided under this section. On or before March 1 of each year, the department shall deliver the report to the senate secretary and the clerk of the house of representatives and notify the legislature that the report is available."

Renumber the following bill sections accordingly.

Page 9, line 12:

Delete "sec. 10"

Insert "sec. 11"

Page 9, line 17:

Delete "10"

Insert "11"

Page 9, line 23:

Delete "Sections 13 and 14"

Insert "Sections 14 and 15"

Page 9, line 24:

Delete "by sec. 16"

Insert "in sec. 17"

CHAIR SEATON objected for discussion.

[6:12:31 PM](#)

REPRESENTATIVE VAZQUEZ spoke to Amendment 16. She said there were nine mandatory services and 27 optional services under the Medicaid program. She opined that it would be helpful to have the information required under Amendment 16 as the State of Alaska faced upcoming fiscal challenges. She noted that the 27 optional services were not mandated by federal law, and other states did not have all of them. She listed some examples of optional services, including: optician, optometrist, chiropractic, occupational therapy, vision, and transportation.

CHAIR SEATON questioned how the state would be served by an annual report on "state costs for optional and mandatory

services". He said optional services were sometimes "a replacement for mandatory services, which cost the state less." He said, "It's not like optional means they're not needed or they are insignificant to the Medicaid beneficiary." He asked if the department had a position [on Amendment 16].

[6:14:47 PM](#)

MR. SHERWOOD answered no. He said, "This is information we reproduce relatively routinely."

CHAIR SEATON asked if the department did each service separately or if all mandatory services were "lumped as one." He said that was the way he was reading Amendment 16. He clarified he wanted to know how the department reported the services that were provided under both the optional and mandatory categories.

MR. SHERWOOD responded that typically the department created a list of all services and divided it into adult and child services. He said essentially all child services were mandatory. He said the department showed, service by service, which was mandatory, which was optional, and how much was spent on each. In response to a follow-up question, he said the department typically did not post the report on its web site, but did get requests for it and could produce the report readily. He said he did not know the exact date by which the department produced the report, but said it tried to complete it at least three to four months after the close of the fiscal year, so that the department would know it had "good, solid numbers." Nevertheless, he said he did not think the department would have difficulty producing a fiscal year report for one year by March 1 of the following year.

[6:17:13 PM](#)

REPRESENTATIVE WOOL indicated that he viewed [Amendment 16] as being in the category of report reform, and he was hesitant to add another report "just for the sake of reports." He stated his preference to "get good reports, at a good time that are beneficial to everybody."

CHAIR SEATON asked Representative Vazquez whether the March 1 date in Amendment 16 was critical or whether the report could be required to coincide with the department's annual report.

REPRESENTATIVE VAZQUEZ asked what the date was for the annual report.

MR. SHERWOOD said he did not know the date on which the department was required to report to the legislature, but said he could check.

CHAIR SEATON ventured that "if it turns out on consideration that it would work into a different date," he was sure the committee would be [amenable] to "make that date change in the amendment."

[6:19:06 PM](#)

CHAIR SEATON withdrew his objection to the motion to adopt Amendment 16. He asked if there was any further objection.

REPRESENTATIVE VAZQUEZ stated that she would like [the report required under Amendment 16] to be included in the department's annual report.

[6:19:37 PM](#)

CHAIR SEATON moved to adopt Conceptual Amendment 1 to Amendment 16, to change the date from [on or before] March 1 of each year and require the report to be included with the department's annual report. He asked whether there was any objection to Conceptual Amendment 1 to Amendment 16.

[6:20:25 PM](#)

REPRESENTATIVE WOOL asked for clarification that the proposed Conceptual Amendment 1 to Amendment 16 would not require an additional report, but incorporate the information required under Amendment 16 within the department's annual report.

CHAIR SEATON responded that was correct. He offered his understanding that "we" had made a change so that the reports could be delivered to the legislature electronically. He recalled that Mr. Sherwood had said the services were itemized, and he posited that that would help in determining over time which services may be increasing or decreasing.

REPRESENTATIVE WOOL offered his understanding that the department was already providing what it would be required to provide under Amendment 16; therefore, he opined that the proposed amendment would be redundant.

CHAIR SEATON responded that according to the previous statement by Mr. Sherwood, the department could "pull this" if it received a request, but "it is not included as a category in the annual report"; therefore, he concurred with Representative Vazquez that [Amendment 16] would require additional information that could be valuable to and easily accessed by all legislators, rather than to just a specific legislator that made a request to the department.

[6:22:22 PM](#)

REPRESENTATIVE SEATON announced that there being no objection, Conceptual Amendment 1 to Amendment 16 was adopted.

CHAIR SEATON removed his objection to Amendment 16, as amended. There being no further objection, Amendment 16, as amended, was adopted.

[6:23:07 PM](#)

REPRESENTATIVE VAZQUEZ moved to adopt Amendment 17, labeled 29-GH1055\A.42, Mischel/Glover, 3/30/15, which read as follows [original punctuation provided]:

Page 8, lines 4 - 6:
Delete all material.

Renumber the following paragraphs accordingly.

CHAIR SEATON objected for discussion.

REPRESENTATIVE VAZQUEZ spoke to Amendment 17. She said it would remove the [section] 1915(i) option. She stated that there was not sufficient vetting of this option. She said if the reforms were implementing, improvement was seen, and all issues related to the audit report were addressed, then she could see the possibility of the department coming back before the legislature, with specific information regarding benefits and costs, to consider the option.

[6:25:18 PM](#)

CHAIR SEATON spoke to his objection. He said current community services that qualify were funded through general relief, which was 100 percent state dollars, and "this is a switch, if we get the waiver, to a 50-50 match of federal funds." He opined that applying for a waiver that would reduce costs by 50 percent was

a good decision, in terms of the state's fiscal balance. He said "the K waiver" increased the federal match from 50 to 56 percent. He observed that Amendment 17 seemed to say that instead of taking a higher federal match, the State of Alaska would pay more state dollars, which was going in the opposite direction of "what we thought of as Medicaid reform."

[6:26:34 PM](#)

REPRESENTATIVE VAZQUEZ said Amendment 17 applied only to 1915(i). She asked Mr. Sherwood what the federal match was for that option.

MR. SHERWOOD answered that in most cases the anticipated federal match would be the federal default rate of 50 percent. However, he noted that if an individual was eligible through the Children's Health Insurance Program (CHIP), the rate would be 65 percent and if services were provided through a tribal facility to an Indian Health Services (IHS) beneficiary, it would be 100 percent. He confirmed Chair Seaton's remark that "these services are now being paid for through other state-funded programs," including general relief, assisted living, senior and disabilities grant programs, and behavioral health grant programs.

[6:28:07 PM](#)

REPRESENTATIVE TARR stated her objection to Amendment 17. She said, "This has been identified as one of the reform measures that could really bring about significant savings for the state, and I don't want the department to delay in getting that application in and moving forward with that effort."

[6:28:32 PM](#)

REPRESENTATIVE VAZQUEZ asked what empirical evidence the department had to show that the aforementioned option would save the state money.

[6:28:46 PM](#)

VALERIE DAVIDSON, Commissioner Designee, Department of Health and Social Services (DHSS), responded that the 1915(i) option would allow the department to receive a federal match; currently, because of the way the program was structured, it received no federal money for these services. She said this option had been available since 2010, but unfortunately the

department, through prior administration, had not taken the opportunity to save the 50 percent in state general fund dollars. She said the department thought that considering it was now 2015, the state should take advantage of this opportunity. In response to a follow-up question from Representative Vazquez, she stated, "We have no prospective data on a guaranteed way to be able to save the state general fund savings of 50 percent, just as we have no guaranteed way of demonstrating that we wouldn't be able to do that."

[6:30:35 PM](#)

CHAIR SEATON drew attention to reference material in the committee packet, from the Corporation for Supportive Housing (CSH), which contained a summary of improved 1915(i) Medicaid home- and community-based state options from September 2010.

[6:31:12 PM](#)

REPRESENTATIVE VAZQUEZ asked under what circumstances people were currently qualifying to receive behavioral health program benefits from the general fund.

[6:31:30 PM](#)

MR. SHERWOOD answered that a number of grant programs provided behavioral health services to individuals whose behavioral health needs were not currently covered by Medicaid or who were not currently eligible for Medicaid. He said the home and community-based waiver program served individuals with disabilities, when those individuals "meet an institutional level of care for very similar services." He explained that under law, Medicaid did not cover institutional care for individuals between the ages of 21 and 64 with mental disease; therefore, some of the services the department could provide to people with other disabilities through its waiver program were not available to the behavioral health institution.

[6:32:58 PM](#)

A roll call vote was taken. Representative Vazquez voted in favor of Amendment 17. Representatives Stutes, Talerico, Wool, Tarr, Foster, and Seaton voted against it. Therefore, Amendment 17 failed by a vote of 1-6.

[6:33:55 PM](#)

REPRESENTATIVE VAZQUEZ moved to adopt Amendment 18, labeled 29-GH1055\A.43, Mischel/Glover, 3/30/15, which read as follows [original punctuation provided]:

Page 8, lines 7 - 9:
Delete all material.

Renumber the following paragraphs accordingly.

CHAIR SEATON objected for discussion.

REPRESENTATIVE VAZQUEZ spoke to Amendment 18, which she said focused on the [section] 1915(k) option. She said that there appeared to be no evidence showing that the option would actually save the state money. She continued as follows:

And should the department clean up ... the audit findings and want to then expand additional services because this option basically is like the 1915(c), which are currently in existence, except that this provides even more services, so ... what I would expect is that it will actually cost the state more money getting into this option.

REPRESENTATIVE VAZQUEZ indicated that it was unclear whether, once [1915(k)] was provided, it could, under the Affordable Care Act, be withdrawn. She said the same comment could be made for the other options.

[6:35:20 PM](#)

CHAIR SEATON asked the department's position on Amendment 18.

[6:35:29 PM](#)

COMMISSIONER DAVIDSON answered that the department's position on Amendment 18 was similar to that on Amendment 17, which was that [1915(k)] was an opportunity for the state to enhance the federal match from 50 percent to 56 percent. She said the legislature had made the department aware that any opportunity to save the state's general fund dollars by increasing the federal match dollars was an opportunity that should not be declined. She said these services were already being provided today, but they would be refinanced for an enhanced federal match. Regarding the ability to "opt out," she said the department had not been made aware of any federal law that would prohibit the state from doing so. She said the department had

been working with the Centers for Medicare & Medicaid Services (CMS), who had made it clear that Alaska had the right to drop its participation if the match dropped below the 90 percent mark, for example.

[6:37:18 PM](#)

REPRESENTATIVE VAZQUEZ said she believed the letter to which she said Ms. Davidson made reference did not specify which program; therefore, she said she would not assume it referred to this option.

[6:37:46 PM](#)

COMMISSIONER DAVIDSON said she did not mean to imply that the letter stated the department was not allowed to change its mind regarding 1915(k) or (i); it was specific to Medicaid expansion. She offered her understanding that a copy of the letter previously had been provided to the committee. She said Congress could change a law; however, in order to make the change, Congress would have to pass new legislation to limit these kinds of options, and the legislation would have to have the consent of the President. She said she thought this was unlikely to happen, and she was not worried about it.

[6:38:47 PM](#)

CHAIR SEATON maintained his objection.

REPRESENTATIVE VAZQUEZ asked if Commissioner Davidson had a legal opinion showing that the state could withdraw from the aforementioned options.

COMMISSIONER DAVIDSON answered no.

[6:39:20 PM](#)

A roll call vote was taken. Representative Vazquez voted in favor of Amendment 18. Representatives Foster, Stutes, Talerico, Wool, Tarr, and Seaton voted against it. Therefore, Amendment 18 failed by a vote of 1-6.

[6:40:28 PM](#)

The committee took a brief at-ease.

[6:41:48 PM](#)

CHAIR SEATON moved to adopt Amendment 19, labeled 29-GH1055\A.60, Glover, 3/30/15, which read as follows [original punctuation provided]:

Page 9, following line 3:

Insert a new bill section to read:

**** Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to read:

MEDICAID WAIVERS; REPORT TO LEGISLATURE. On or before February 1, 2019, the Department of Health and Social Services shall complete a report informing the legislature of the results of the applications for waivers and options under AS 47.07.036(d)(1) - (3), enacted by sec. 10 of this Act, and shall deliver the report to the senate secretary and chief clerk of the house of representatives and notify the legislature that the report is available. The report must include

(1) information explaining whether the department's applications for a section 1115 waiver under 42 U.S.C. 1315(a), a section 1915(i) option under 42 U.S.C. 1396n, and a section 1915(k) option under 42 U.S.C. 1396n were approved by the United States Department of Health and Human Services;

(2) a description of cost savings to the state resulting from the programs implemented under the waivers, including

(A) the extent to which the programs implemented under the section 1115 waiver under 42 U.S.C. 1315(a) achieved the savings estimated by the department;

(B) the extent to which the programs implemented under the section 1915(i) and (k) options under 42 U.S.C. 1396n achieved the savings estimated by the department."

Renumber the following bill sections accordingly.

Page 9, line 23:

Delete "Sections 13 and 14"

Insert "Sections 14 and 15"

Page 9, line 24:

Delete "by sec. 16"

Insert "in sec. 17"

REPRESENTATIVE STUTES objected for discussion.

CHAIR SEATON spoke to Amendment 19, and he read from the amendment language. He said the intent was to ensure the legislature was informed of the progress, and he stated his belief that the 2019 date was necessary, because it would take until the 2018 fiscal year to fully analyze the effects of these waivers.

[6:43:45 PM](#)

COMMISSIONER DAVIDSON, in response to Chair Seaton, said, "This is something we were planning to report on anyway, so we would have no objection to this reporting."

REPRESENTATIVE STUTES removed her objection to the motion to adopt Amendment 19. There being no further objection, Amendment 19 was adopted.

[6:44:23 PM](#)

The committee took an at-ease from 6:44 p.m. to 6:47 p.m.

[6:47:10 PM](#)

REPRESENTATIVE VAZQUEZ moved to adopt Amendment 20, labeled 29-GH1055\A.26, Strasbaugh/Glover, 3/28/15. [Amendment 20 is provided at the end of the minutes on HB 148.]

CHAIR SEATON objected for discussion.

REPRESENTATIVE VAZQUEZ spoke to Amendment 20. She said it concerned verification of eligibility for public assistance programs administered by the department. It would require verification of income, assets, and identity, as well as resolution of discrepancy. Further, the proposed amendment would require the department to follow up on fraud, misrepresentation, and inadequate documentation in other state agencies.

CHAIR SEATON noted that HB 148 addressed Medicaid and Medicaid expansion, and public assistance programs, although administered by the department, were really not the main topic of the proposed legislation.

REPRESENTATIVE VAZQUEZ said the term "public assistance" would be used in a broad sense and replace "medical assistance." She said the thrust of Amendment 20 was within the realm of HB 148,

because the proposed legislation had been presented as a package including reform and expansion, and [Amendment 20] would address critical components of what a reform system should look like. She reiterated those issues, which the proposed amendment would target.

CHAIR SEATON clarified his prior comment by specifying that [Amendment 20] would modify AS 47.05, and Medicaid and Medicaid expansion was under AS 47.07.

CHAIR SEATON maintained his objection.

REPRESENTATIVE WOOL [called] for the question.

A roll call vote was taken. Representatives Vazquez and Talerico voted in favor of Amendment 20. Representatives Tarr, Foster, Stutes, Wool, and Seaton voted against it. Therefore, Amendment 20 failed by a vote of 2-5.

[6:50:49 PM](#)

REPRESENTATIVE VAZQUEZ moved to adopt Amendment 21, labeled 29-GH1055\A.57, Mischel/Glover, 3/30/15, which read as follows [original punctuation provided]:

Page 7, following line 15:

Insert a new bill section to read:

"* **Sec. 9.** AS 47.07.020 is amended by adding a new subsection to read:

(o) Notwithstanding the eligibility provisions under (a) and (b) of this section, a provider may not receive reimbursement for services provided to a recipient of medical assistance under this section unless the provider requires the recipient first to enroll in the Medicare program under 42 U.S.C. 1395 and any other federally funded program providing medical assistance to the extent that the person is eligible to receive benefits and services under the program. The department shall adopt regulations establishing civil penalties for individuals who knowingly seek medical assistance payments in violation of this subsection. The department shall prepare an annual report that describes the types and amounts of penalties assessed under this subsection. By January 1 of each year, the department shall deliver the report to the senate secretary and the

chief clerk of the house of representatives and notify the legislature that the report is available."

Renumber the following bill sections accordingly.

Page 9, line 12:
Delete "sec. 10"
Insert "sec. 11"

Page 9, line 17:
Delete "10"
Insert "11"

Page 9, line 23:
Delete "Sections 13 and 14"
Insert "Sections 14 and 15"

Page 9, line 24:
Delete "by sec. 16"
Insert "in sec. 17"

CHAIR SEATON objected for discussion.

REPRESENTATIVE VAZQUEZ spoke to Amendment 21. She said it would require providers to pursue other federally funded programs before billing Medicaid, which aligned with "the idea and requirement that Medicaid is the payor of last resort." Further, the proposed amendment would require the department to regulate an imposed civil penalty and to provide a report to the legislature regarding this effort.

CHAIR SEATON asked for the opinion of the department.

[6:51:43 PM](#)

COMMISSIONER DAVIDSON observed that Amendment 21 was "remarkably familiar to" Amendment 12. She said as with Amendment 12, the department already had "the authority to be able to do this." She said Medicaid as payor of last resort is outlined in federal law. Regarding the civil penalty, she said the department does not think fines are necessary when it already had the ability to terminate people from the program when they did not meet the requirements.

REPRESENTATIVE VAZQUEZ asked, "Do you have a regulation in place requiring this of providers?"

MR. SHERWOOD answered no. He said currently the state assumed the responsibility for ensuring people "cooperate with any and all third-party resources to the providers," and that was not a burden the department would want to shift from the state.

REPRESENTATIVE WOOL [called] for the question.

[6:53:27 PM](#)

A roll call vote was taken. Representatives Vazquez and Talerico voted in favor of Amendment 21. Representatives Wool, Tarr, Foster, Stutes, and Seaton voted against it. Therefore, Amendment 21 failed by a vote of 2-5.

[6:54:02 PM](#)

CHAIR SEATON moved to adopt Amendment 22, labeled 29-GH1055\A.58, Glover, 3/30/15, which read as follows [original punctuation provided]:

Page 8, following line 16:

Insert new subsections to read:

"(e) Notwithstanding (a) - (c) of this section and in addition to the projects and services described under (d) of this section, the department shall apply for a section 1115 waiver under 42 U.S.C. 1315(a) to establish one or more demonstration projects focused on innovative payment models for one or more groups of medical assistance recipients in one or more specific geographic areas. The demonstration project or projects may include

(1) managed care organizations as described under 42 U.S.C. 1396u-2;

(2) community care organizations;

(3) patient-centered medical homes as described under 42 U.S.C. 256a-1; or

(4) other innovative payment models that ensure access to health care without reducing the quality of care.

(f) The department shall design and implement at least one demonstration project under (e) of this section that is a coordinated care demonstration project using a global payment fee structure. The demonstration project must include a managed care system that operates within a fixed budget to reduce medical cost inflation, improves the quality of health care for recipients, and results in a healthier

population. The department shall design the managed care system to reduce the growth in medical assistance expenditures with a goal of reducing the per capita growth rate for medical assistance expenditures by at least two percentage points. The managed care system must implement alternative payment methodologies and create a network of patient-centered primary care homes, and will be measured based on quality and performance outcomes. The department shall prepare a report regarding the progress of this demonstration project and shall, on or before February 1, 2019, deliver the report to the senate secretary and the chief clerk of the house of representatives and notify the legislature that the report is available."

Reletter the following subsection accordingly.

REPRESENTATIVE STUTES objected for discussion.

CHAIR SEATON spoke to Amendment 22. He stated that innovative payment models were a great opportunity for reform. He said, "The department has placed this in their broader intent language, but this language is more specific." He said there was a hospital in Alaska already pursuing this global budget option, but it needed coordination with the state. He said the state could save money with this reform, and under Amendment 22, there would be a report to the legislature at the earliest possible date that it would be possible to show the progress made.

[6:56:17 PM](#)

MS DAVIDSON, in response to Chair Seaton, stated that the department had no objection to Amendment 22.

[6:56:35 PM](#)

REPRESENTATIVE VAZQUEZ questioned why there would be a four-year wait for a report on the progress of the project. She observed that under Amendment 22, the report would be due by February 1, 2019, and she said there would be no opportunity to monitor progression.

CHAIR SEATON explained the reason for the February 1, 2019, date was in order to allow for a full fiscal year. He said it would probably take that much time to integrate the full payment model into an entire community organization for a geographic region.

[6:57:42 PM](#)

COMMISSIONER DAVIDSON concurred with Chair Seaton's explanation.

[6:57:52 PM](#)

REPRESENTATIVE STUTES removed her objection to the motion to adopt Amendment 22.

REPRESENTATIVE VAZQUEZ asked what other states may have "implemented this particular waiver."

MR. SHERWOOD answered that [Amendment 22] described a project similar to one currently in Oregon. He said there may be other states, as well, but the project in Oregon was one with which he is familiar. In response to a follow-up question from Representative Vazquez, he said he did not remember the specific timing of Oregon's project, but offered his understanding that they phased it in throughout various regions in the state. He said he thought Oregon had been successful in "at least reducing the growth in cost," but said he did not have specific information with him.

CHAIR SEATON pointed out that Amendment 22 was not brought forth by the administration, but was one brought by the legislature to ensure there was a reform model exercised in Alaska in a region that would like to participate. He indicated there would be some risk involved, because the model would put money aside for all the participants, and the hospitals would be required to maintain the health of the communities they served, but if the participants needed additional services, it would cost them extra, and they would not get additional reimbursement. He said, "If we want to have demonstrations, if we want to have reform, we're going to have to figure out how to do it." He concluded that Amendment 22 was a legislative reform model.

REPRESENTATIVE VAZQUEZ said it troubled her that there was no information related to Oregon's result, and, under Amendment 22, Alaska would not have any reports for four years. She opined that the state had a fiduciary duty, in light of its fiscal crisis, to monitor how and when it entered into programs with financial obligations. She added, "We're not even sure we can withdraw from this project." She indicated that [adoption of Amendment 22] would be fiscally irresponsible.

[7:01:24 PM](#)

REPRESENTATIVE WOOL stated his understanding that Amendment 22 would bring about a pilot project related to managed care, which could be tested in a small geographical area. He stated his belief that there was currently "some kind of managed care thing" in all but ten states, and perhaps a demonstration project in Alaska - one of the ten exception states - would allow the state time to see if it would work. He said there were many other reforms and projects going on that had many report dates, and he did not see the state as doing this without keen oversight. He stated his support of Amendment 22.

REPRESENTATIVE STUTES restated that she removed her objection.

[7:02:43 PM](#)

REPRESENTATIVE VAZQUEZ stated that conceptually Amendment 22 might be a good idea, but posited that waiting four years for a report was ludicrous.

CHAIR SEATON announced that there being no further objection, Amendment 22 was adopted.

[7:03:11 PM](#)

REPRESENTATIVE TALERICO moved to adopt Amendment 23, labeled 29-GH1055\A.50, Glover, 3/30/15, which read as follows [original punctuation provided]:

Page 1, line 1, following "**Act**":

Insert "**relating to certificates of need;**"

Page 2, following line 13:

Insert a new bill section to read:

"* **Sec. 2.** AS 18.07 is amended by adding a new section to read:

Sec. 18.07.103. Exemption. Nothing in this chapter applies to an existing or proposed health care facility that is located or will be located in a municipality with a population of more than 5,000 according to the most recent United States census before initiation of the construction or alteration of, or addition to, the health care facility."

Re-number the following bill sections accordingly.

Page 9, following line 8:

Insert a new bill section to read:

"* **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. AS 18.07.103, enacted by sec. 2 of this Act, applies to the construction or alteration of, or addition to, a health care facility begun on or after the effective date of sec. 2 of this Act. For a health care facility that is located in a municipality with a population of more than 5,000 according to the most recent United States census and that has an existing certificate of need issued by the department under AS 18.07.031 or modified under AS 18.07.061 before the effective date of sec. 2 of this Act, the department may not take any action to enforce or modify the terms of the certificate."

Renumber the following bill sections accordingly.

Page 9, line 12:
Delete "sec. 10"
Insert "sec. 11"

Page 9, line 17:
Delete "10"
Insert "11"

Page 9, line 23:
Delete "Sections 13 and 14"
Insert "Sections 14 and 16"

Page 9, line 24:
Delete "by sec. 16"
Insert "in sec. 18"

CHAIR SEATON objected for discussion.

REPRESENTATIVE TALERICO explained that Amendment 23 was generated by constituents from a neighboring district, who did not have representation on the House Health and Social Services Standing Committee. He said after speaking with Chair Seaton, he realized that there was probably a more appropriate venue for the issue that could be brought up in the future, outside of HB 148.

REPRESENTATIVE TALERICO withdrew his motion to adopt Amendment 23.

[7:04:12 PM](#)

REPRESENTATIVE TALERICO moved to adopt Amendment 24, labeled 29-GH1055\A.51, Glover, 3/30/15, which read as follows [original punctuation provided]:

Page 1, line 1, following "Act":

Insert "**relating to certificates of need;**"

Page 2, following line 13:

Insert a new bill section to read:

"* **Sec. 2.** AS 18.07.031(e) is amended to read:

(e) In (a) of this section, "expenditure" includes the purchase of [PROPERTY OCCUPIED BY OR THE] equipment required for the health care facility [AND THE NET PRESENT VALUE OF A LEASE FOR SPACE OCCUPIED BY OR THE EQUIPMENT REQUIRED FOR THE HEALTH CARE FACILITY]; "expenditure" does not include costs associated with routine maintenance and replacement of equipment at an existing health care facility, the purchase of property occupied by the facility, or the net present value of a lease for space occupied by or equipment required for the facility."

Renumber the following bill sections accordingly.

Page 9, following line 8:

Insert a new bill section to read:

"* **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. Section 2 of this Act applies to the construction or alteration of or an addition to a health care facility initiated on or after the effective date of sec. 2 of this Act and to applications pending under AS 18.07.031."

Renumber the following bill sections accordingly.

Page 9, line 12:

Delete "sec. 10"

Insert "sec. 11"

Page 9, line 17:

Delete "10"

Insert "11"

Page 9, line 23:

Delete "Sections 13 and 14"
Insert "Sections 14 and 16"

Page 9, line 24:
Delete "by sec. 16"
Insert "in sec. 18"

CHAIR SEATON objected for discussion.

REPRESENTATIVE TALERICO stated that as with Amendment 23, there would be a more appropriate way to address the issue in Amendment 24 through future legislation. Nevertheless, he stated that a lease was currently qualified as a capitalized investment, but he thought a lease without an option to buy was an expense under General Accounting Principles.

[7:05:21 PM](#)

REPRESENTATIVE TALERICO withdrew his motion to adopt Amendment 24.

CHAIR SEATON explained for the record that there had been a number of amendments addressing large and complex certificate of need issues, and Representative Talerico was choosing to take them up in another piece of legislation in the future, because to bring them up within HB 148 would muddy the waters.

[7:06:46 PM](#)

REPRESENTATIVE TALERICO moved to adopt Amendment 25, labeled 29-GH1055\A.53, Shutts/Glover, 3/30/15, which read as follows [original punctuation provided]:

Page 9, lines 9 - 17:
Delete all material.

Re-number the following bill sections accordingly.

Page 9, line 23:
Delete "Sections 13 and 14 of this Act take"
Insert "Section 13 of this Act takes"

Page 9, line 24:
Delete "by sec. 16"
Insert "in sec. 15"

[7:06:57 PM](#)

CHAIR SEATON objected for discussion.

REPRESENTATIVE TALERICO spoke to Amendment 25. He explained that under Amendment 25, the department would have the ability to create emergency regulations to implement the proposed legislation. He stated concern that if the legislature was going to create statutory provisions under HB 148, there may be emergency regulations "that don't appear to have sideboards." He said those currently in the department were trusted, but there could be rapid changes within state government.

CHAIR SEATON noted that the language on page 9, lines 9-17, of HB 148, which would be deleted under Amendment 25, addressed emergency regulations. Section 14, he said, was uncodified law; therefore, it was generally considered as short-term duration. He said, "This is in uncodified law. I'm not sure quite why and how that effects ... this."

[7:09:41 PM](#)

The committee took a brief at-ease.

[7:10:24 PM](#)

STACIE KRALY, Chief Assistant Attorney General - Statewide Section Supervisor, Human Services Section, Civil Division (Juneau), Department of Law (DOL), addressed points that had been raised by Representative Talerico. First, she said emergency regulatory authority was generally drafted as uncodified law, which explained why it was done that way in HB 148. Second, she said the emergency regulation authority in HB 148 applied to only two sections: the intent language and a section relating to reforms. It was designed specifically to allow the department to have "a jumpstart" on getting some of the reforms in progress. She said the regulatory process to "get a project through" could take between 6-24 months; therefore, an emergency regulation would give the option to achieve a reform quickly. She suggested to Representative Talerico that one way to address his concern about sideboards would be to sunset the emergency regulation provision, which would create a date in the future when reauthorization from the legislature would be required, in the event that all the desired savings had not been achieved. She said the intent was never to do everything through emergency regulation, but rather to have the opportunity to get done what needed to be done quickly.

[7:12:24 PM](#)

REPRESENTATIVE TALERICO said he thought it was the responsibility of the legislature to "put the appropriate information out there" and for the department to be able to utilize it. He indicated he would like to know whether the department felt it was "going out on a limb."

[7:14:07 PM](#)

MR. SHERWOOD offered his understanding that emergency regulations took effect immediately and lasted 120 days. The department noticed the regulations, took public comment, decided whether it needed to make amendments to those regulations, then adopted the regulation by the end of the 120-day period. He said he thought a lot of the public protections that the regulatory process was intended to provide were there in the emergency regulation process, which, allowed immediate implementation and possible instant savings, which, in turn allowed the department from having to cut deeper. He echoed Ms. Kraly's comment that the department never expected it would use emergency regulations for every provision. He said [Representative Talerico's] point was well taken that the department would have to be judicious in its use [of emergency regulations].

[7:16:04 PM](#)

REPRESENTATIVE SEATON asked what an appropriate date for such a sunset might be.

MR. SHERWOOD suggested June 30, 2017.

COMMISSIONER DAVIDSON, in response to Chair Seaton, stated her belief that two years would be long enough.

[7:17:30 PM](#)

REPRESENTATIVE TALERICO, in response to Chair Seaton, indicated that he would be comfortable with a compromise of having a sunset in two years.

[7:17:56 PM](#)

REPRESENTATIVE VAZQUEZ expressed her discomfort with this. She said, "I'm very curious, because this will also apply to the tax on providers, which is within Section 2, so that's going to be

on fast track." She said the tax would apply to all 19 provider types, whether or not they accepted Medicaid. She referenced Section 1 of HB 148, and offered her understanding that the department already practiced "utilization control," and questioned why the department would "need emergency regulations for that."

[7:19:11 PM](#)

MR. SHERWOOD responded that although the department had cost-sharing and utilization control provisions, in order to change its provisions, it would need to change its regulations. He clarified that HB 148 would not give the department taxing authority; before it could ever levy a provider tax, the department would have to request legislation that gave it that authority.

REPRESENTATIVE VAZQUEZ offered her understanding that before offering an option or waiver, the department would have to obtain permission from CMS, which would take months; therefore, she questioned [how the department would benefit from] emergency regulations.

MR. SHERWOOD explained that a state plan amendment could become effective as early as the first day of the quarter in which it is submitted. He said the department often consulted with CMS prior to submitting state plan amendments, so it would have a good idea whether or not there would a significant issue regarding the plan's approval.

[7:21:10 PM](#)

REPRESENTATIVE WOOL asked whether the department had emergency regulation authority in the past.

MR. SHERWOOD answered that every department had the ability to issue emergency regulations, if the regulations met statutory criteria. He stated, "This language essentially provides a legislative finding that these circumstances meet that criteria, which would probably give us some degree of additional protection were somebody challenge our ability to do emergency regulations."

REPRESENTATIVE WOOL offered his understanding that the department was tasked with initiating reforms and had used emergency regulations to do so in the past for the sake of

efficiency. He asked, "This is pretty standard stuff, all in all, correct?"

MR. SHERWOOD said he would not characterize giving the department the specific authority to do emergency regulations as standard. He added that it was not highly unusual, but it was probably not common practice.

[7:23:14 PM](#)

REPRESENTATIVE TALERICO asked what the required number of days was for posting notice [for public comment].

[7:23:24 PM](#)

MR. SHERWOOD answered 30 days was the minimum. He said an emergency regulation would be effective immediately, and he offered his understanding that public comment would be taken immediately.

[7:23:47 PM](#)

CHAIR SEATON moved to adopt Conceptual Amendment 1 to Amendment 25, to add a sunset date of June 30, 2017, to Section 14.

REPRESENTATIVE STUTES objected. She indicated that she planned to support Amendment 25, as it was; therefore, she would not support Conceptual Amendment 1.

[7:24:39 PM](#)

A roll call vote was taken. Representatives Talerico, Wool, Tarr, Foster, Vazquez, and Seaton voted in favor of Conceptual Amendment 1 to Amendment 25. Representative Stutes voted against it. Therefore, Conceptual Amendment 1 to Amendment 25 was adopted by a vote of 6-1.

[7:25:15 PM](#)

The committee took an at-ease from 7:25 p.m. to 7:27 p.m.

[7:27:02 PM](#)

There was discussion as to the effect of Conceptual Amendment 1 to Amendment 25 and the need for Conceptual Amendment 2 to Amendment 25.

7:28:03 PM

The committee took a brief at-ease.

7:29:42 PM

REPRESENTATIVE TALERICO moved to adopt Conceptual Amendment 2 to Amendment 25, which would delete the language embodied in Amendment 25, as amended, such that Section 14 would remain in HB 148.

REPRESENTATIVE STUTES objected.

7:30:22 PM

CHAIR SEATON explained that with the adoption of Conceptual Amendment 2 to Amendment 25, Section 14 would remain in the bill and due to the adoption of Conceptual Amendment 1 to Amendment 25, Section 14 would include a sunset date of June 30, 2017.

A roll call vote was taken. Representatives Talerico, Wool, Tarr, Foster, and Seaton voted in favor of Conceptual Amendment 2 to Amendment 25, as amended. Representatives Stutes and Vazquez voted against it. Therefore, Conceptual Amendment 2 to Amendment 25, as amended, was adopted by a vote of 5-2.

CHAIR SEATON restated the effect of the adopted Amendment 25, as amended.

7:32:30 PM

REPRESENTATIVE VAZQUEZ asked whether there was a legal opinion that set forth the parameters around which the department could utilize emergency regulations, which she characterized as unusual and extraordinary.

7:33:07 PM

MS. KRALY responded that the standard for emergency regulations was already established through [the Administrative Procedure Act]. She said because of the current circumstances of the state regarding its fiscal crisis and the need for Medicaid reform, the legislature made the finding that the needs of the agency were such that they track the language already set forth in statute. She stated her belief, based on the information that would be provided in the notices and process going forward

through emergency regulations, that the standards had been established. She said she could not guarantee there would not be a legal challenge to an emergency regulation that may be adopted; however, she said she felt comfortable and confident that the provisions were legally sufficient, based on the current information showing the urgent need for Medicaid reform. She stated that the health, safety, and welfare of individuals would be at risk if the state did not achieve reform.

REPRESENTATIVE VAZQUEZ asked whether that would include addressing audit findings, "especially the lack of criminal background checks on providers."

MS. KRALY said she had not read the legislative audit findings; therefore, she had no comment.

[7:34:53 PM](#)

CHAIR SEATON asked whether there was any objection to the adoption of Amendment 25, as amended.

REPRESENTATIVE STUTES objected to the motion to adopt Amendment 25, as amended.

[7:35:24 PM](#)

A roll call vote was taken. Representatives Talerico, Wool, Tarr, Foster, and Seaton voted in favor of Amendment 25, as amended. Representatives Vazquez and Stutes voted against it. Therefore, Amendment 25, as amended, was adopted by a vote of 5-2.

[7:35:59 PM](#)

REPRESENTATIVE VAZQUEZ stated that she would not offer Amendment 26, labeled 29-GH1055\A.45, Glover, 3/30/15, [included in the committee packet].

[7:37:04 PM](#)

CHAIR SEATON moved to adopt Amendment 27, labeled 29-GH1055\A.63, Glover, 3/31/15, which read as follows [original punctuation provided]:

Page 9, following line 3:

Insert a new bill section to read:

"* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to read:

DEMONSTRATION PROJECT: REDUCING PRE-TERM BIRTHS. The Department of Health and Social Services shall design and implement a demonstration project for the purpose of reducing pre-term birth rates in the state from the current rate of 10.3 percent. The demonstration project shall provide for the voluntary enrollment of approximately 500 recipients who are eligible for medical assistance under AS 47.07.020(b)(14). The Department of Health and Social Services shall offer pregnancy counselling, nutritional counselling, and, as necessary, vitamin D supplementation to maintain levels of 40 ng/ml vitamin D during pregnancy for participants in the demonstration project. The demonstration project may be modeled after the Protect Our Children NOW! project implemented as a cooperative project of the South Carolina Department of Health and Human Services and private health organizations. The goal of the demonstration project is to achieve a 50 percent reduction in pre-term births in the state, consistent with the results of the following published studies: Wagner, C. L., et al., "A Randomized Trial of Vitamin D Supplementation in Two Community Health Center Networks in South Carolina," American Journal of Obstetrics and Gynecology 208 (February 2013); Bodnar, L. M., et al., "Maternal 25-Hydroxyvitamin D and Preterm Birth in Twin Gestations," Obstetrics and Gynecology 122 (July 2013)."

Renumber the following bill sections accordingly.

Page 9, line 23:

Delete "Sections 13 and 14"

Insert "Sections 14 and 15"

Page 9, line 24:

Delete "by sec. 16"

Insert "in sec. 17"

REPRESENTATIVE STUTES objected.

CHAIR SEATON initiated a summary of the language of Amendment 27.

[7:37:42 PM](#)

The committee took an at-ease from 7:37 p.m. to 7:39 p.m.

7:39:06 PM

CHAIR SEATON withdrew his motion to adopt Amendment 27.

7:39:29 PM

CHAIR SEATON moved to adopt Amendment 28, labeled 29-GH1055\A.64, Glover, 3/31/15, which read as follows [original punctuation provided]:

Page 9, following line 3:

Insert a new bill section to read:

"* Sec. 13. The uncodified law of the State of Alaska is amended by adding a new section to read:

DEMONSTRATION PROJECT: REDUCING PRE-TERM BIRTHS. Before January 1, 2018, the Department of Health and Social Services shall investigate and design a demonstration project for the purpose of reducing pre-term birth rates in the state from the current rate of 10.3 percent. The demonstration project shall provide for the voluntary enrollment of approximately 500 recipients who are eligible for medical assistance under AS 47.07.020(b)(14). The Department of Health and Social Services shall offer pregnancy counselling, nutritional counselling, and, as necessary, vitamin D supplementation to maintain levels of 40 ng/ml vitamin D during pregnancy for participants in the demonstration project. The demonstration project may be modeled after the Protect Our Children NOW! project implemented as a cooperative project of the South Carolina Department of Health and Human Services and private health organizations. The goal of the demonstration project is to achieve a reduction in pre-term births in the state, consistent with the results of the following published studies: Wagner, C. L., et al., "A Randomized Trial of Vitamin D Supplementation in Two Community Health Center Networks in South Carolina," American Journal of Obstetrics and Gynecology 208 (February 2013); Bodnar, L. M., et al., "Maternal 25-Hydroxyvitamin D and Preterm Birth in Twin Gestations," Obstetrics and Gynecology 122 (July 2013)."

Renumber the following bill sections accordingly.

Page 9, line 23:
Delete "Sections 13 and 14"
Insert "Sections 14 and 15"

Page 9, line 24:
Delete "by sec. 16"
Insert "in sec. 17"

REPRESENTATIVE STUTES objected for discussion.

CHAIR SEATON paraphrased Amendment 28.

[7:42:14 PM](#)

CHAIR SEATON moved to adopt Conceptual Amendment 1 to Amendment 28, following "investigate", to delete "and", and insert "the", and following "design" insert "of". He explained that with the change the language would read: "shall investigate the design of a demonstration project". There being no objection, Conceptual Amendment 1 to Amendment 28 was adopted.

[7:43:44 PM](#)

COMMISSIONER DAVIDSON, in response to Chair Seaton, said the department had no objection to Amendment 28, [as amended].

[7:43:54 PM](#)

REPRESENTATIVE WOOL asked for clarification regarding the length of the [demonstration project] proposed under Amendment 28, as amended.

CHAIR SEATON indicated that if the demonstration project results were similar to those of South Carolina, then Alaska's pre-term birth rates could be reduced by half; however, he said a reduction of just 25 percent would still be a huge cost savings for Alaska's medical system. He said Amendment 28, as amended, would give the department the authority to discover whether there was a project that it could undertake. He opined that this authority should be given to the department, because preterm births should be addressed. He said the studies listed within the proposed amendment were the only ones he had seen that directly related to high success of reducing preterm births, which was why he offered it. He said approximately 5,000 children were born under the state's Denali Kid Care

Program; therefore, it would be great to find success through a demonstration project.

[7:46:17 PM](#)

REPRESENTATIVE TARR said she had worked in health research for a long time and knew about the restrictions and requirements. She said she thought there would be a great opportunity through the demonstration projects to involve students throughout the University of Alaska system.

REPRESENTATIVE STUTES removed her objection to the motion to adopt Amendment 28 [as amended]. There being no further objection, Amendment 28, as amended, was adopted.

[7:47:43 PM](#)

REPRESENTATIVE TALERICO, in response to Chair Seaton, stated that due to the lack of support, he would not be offering Amendment 29, labeled 29-GH1055\A.52, Strasbaugh, 3/31/15, [Included in the committee packet].

[7:48:17 PM](#)

CHAIR SEATON, after ascertaining that there were no further amendments to consider, returned to public testimony on HB 148.

[7:49:04 PM](#)

SHELLY VENDETTI-VUCKOVICH said HB 148 was a critical piece of legislation for "all of those close to me." She said Alaskans should be able to utilize a program funded by their federal taxes. She relayed there were those who believed that Medicaid should not be used as a safety net, but rather as a motivator to beneficiaries to improve their circumstances; however, she pointed out one group that would be helped by Medicaid expansion was adults with a mental illness diagnosis, whose coverage ended at the age of 21 years, and many of them would not receive ongoing care. She said many in this group self-medicated through alcohol and substance abuse, could not hold a job, and would be in more difficult circumstances without access to mental health medication. Many were in jail or homeless. She stated that Alaskans were already paying the cost to incarcerate many of the people in this group. For many, it was difficult to continue with an education, get a better job, and improve their circumstances when they did not have access to their mental health medications just to function. Ms. Vendetti-Vuckovich

related her personal experience was that members of this group did not want to go to jail and did want treatment, but were discouraged by the paperwork, delays, and waitlists for appointments, and just gave up. Medication and some treatment was available to those in jail, but aftercare was short-lived. Some in this group received services paid for by state general funds, and expansion would augment state programs with matching funds. She described the delays and problems related to obtaining medical care through community clinics, even though state grants paid for these services.

MS. VENDETTI-VUCKOVICH told the story of a family that suffered terribly because psychiatric treatment was not available. She opined that Medicaid reform should include suggestions from those receiving assistance to identify inefficiencies, and she offered to participate in finding remedies and cost-saving procedures, because administration procedures needed to be examined to ensure accuracy of reporting and tracking. She expressed her belief that reform and expansion must happen concurrently in a professional manner, without rancor, because the issue was about people, their health, and their lives.

[7:55:39 PM](#)

MARY TONSMIERE informed the committee she had been a nurse for 47 years, 37 in Alaska. She said she established the first Hospice in the state in 1980, and in 1994 established the first school-based health center in Alaska. She said her experience in providing services to the working poor and the underserved had shown her that it is appreciated and important. She opined it was appalling that the proposed legislation was being held up. She further related her experience in listening to budget hearings as one safety net after another was taken from citizens of the state. She said the state had an opportunity to provide health care that was vital to life, liberty, and the pursuit of happiness, and she could not understand why this was not going forward.

[7:57:42 PM](#)

ILONA FARR, MD, asked why Medicaid expansion would be done under emergency regulations before public comment. She stated that a 6 percent tax would be devastating for sole practitioners and people in small businesses, and she related that every physician, dentist, pharmacist, and nurse she had talked to did not know [about the tax]. Dr. Farr said HB 148 proposed to authorize a provider tax up to the maximum extent allowed by

federal law, and she was unaware of any other tax the state had put in place without consulting the people it was going to impact. She expressed concern that no studies had been done as to the impact such a tax would have, and she cautioned that such a tax would drive out the very providers the state would need, in order to provide care to these Medicaid patients. She related that 38 percent of physicians nationwide had opted out of Medicaid, 70 percent in California, and in 2014, Alaska went from 4,500 providers to 3,500. More providers would be lost as more tried to stay solvent, she maintained.

DR. FARR stated that under HB 148, people would be underpaid, over-regulated, and over-audited, as well as taxed for serving [Medicaid recipients]. She said no analysis had been included about how state and federal taxes paid by Alaskans might increase. She said currently \$80 million was being paid so these Medicaid patients could get their permanent fund dividend (PFD), but she had not seen how much more the state was going to pay for this expansion to allow them to keep their PFDs or whether these patients would "have to interrupt their cancer treatment for the month of ... October to be able to get their cancer treatment." Additionally, for Medicaid patients at the end of life, the state could come against their estates to try to recoup some of the cost. Dr. Farr asked whether that would happen with this expansion population if they died or got cancer. She expressed her concern that there was no verification of the assets of people, whether for the exchanges or Medicaid. She said she was afraid HB 148 would cause the collapse of the private sector of medicine, especially those in small businesses, and the state would end up with a worse health care system and people unable to get the care they deserved. She urged that parts of the bill be reconsidered.

[8:01:03 PM](#)

CHAIR SEATON closed public testimony after ascertaining no one further wished to testify.

CHAIR SEATON said the Department of Health and Social Services had the ability to design a proposal for a provider tax, but the legislature would have to enact that tax, and the governor would have to sign it, which would provide lots of opportunity for discussion and public input.

CHAIR SEATON opened committee discussion on HB 148, as amended.

[8:02:14 PM](#)

REPRESENTATIVE VAZQUEZ said the proposed legislation went beyond the Medicaid expansion often spoken about by the press. It would cover the population, generally speaking, aged 19-64, able-bodied, working age, no children, and at 138 percent income of federal poverty level. She said presently, [the state's] Medicaid covered the most vulnerable: the disabled, blind, elderly, and low-income families with children. [The state] also offered a very generous Medicaid package of mandatory Medicaid services, plus 27 optional services that other states did not necessarily provide. Representative Vazquez warned that expanding Medicaid without looking at the numbers could jeopardize the state's fiscal situation, especially in today's situation. She opined that without sufficient vetting, the bill was fiscally irresponsible, and she expressed shame that the committee had not received expert data to consider. She characterized the legislation as an octopus, and said it was unknown whether these options would really save the state money, because there were no empirical studies. She referred to the aforementioned experimental waiver done by the State of Oregon, and remarked that the committee had not seen the results, because the department had not obtained them. She said at least one study in Oregon showed that emergency room visits shot up by 41 percent after Medicaid expansion, yet the driving argument being heard by the committee was that [HB 148] would lower emergency room and other health costs.

[8:04:41 PM](#)

REPRESENTATIVE VAZQUEZ said the same Oregon study of 20,000 patients found that expanding Medicaid did almost nothing to control high blood pressure, high blood sugar, and other conditions. The study found an improvement in depression, but she questioned whether that much needed to be spent to treat depression. This was the tip of the iceberg, she opined, because it was not known with confidence how many individuals would be enrolled. The Lewin Group report, commissioned and paid for by the Department of Health and Social Services, predicts slightly over 40,000 enrollees, whereas a report from Evergreen Economics put the number of enrollees at 26,000 - about a 52 percent discrepancy. She remarked that the committee had yet to hear any facts to show what the real enrollment number would be. She said in seven states where expansion had occurred under the Affordable Care Act, the average underestimated enrollment was a whopping 88 percent; therefore, she reiterated that the enrollment number was unknown, but could be 26,000 to 40,000 or even double that.

8:07:03 PM

REPRESENTATIVE VAZQUEZ noted HB 148 proposed a provider tax. She said she was troubled by the depth and the breadth of the possibility of this tax. She said there were 19 provider types upon which the state could impose taxes, whether or not they accepted Medicaid, and that money would be used to offset Medicaid costs. The department had enough containment efforts that should be undertaken in this 25-page report, she argued, and then the department should come back to [the committee] and ask for what it wanted to do in order to expand the Medicaid program. Citing from an audit report issued last week, she said Recommendation 2014-07 stated there should be background checks for criminal activity; that in fiscal year 2014, 15 of 30 tested Medicaid provider certification files were missing complete criminal history background checks, and each provider certification file may include multiple employees requiring background checks. She said the audit also stated that testing of the 15 provider files disclosed that: for 4 providers, no background clearances were located for 12 employees, and 5 employees were barred, meaning there was something in their past criminal history that they were not allowed to participate as a provider in the Medicaid program; for 2 additional providers, 3 employees were also barred; and for 2 providers, 6 employees were in provisional status for a period of time ranging from 5-8 months.

8:09:42 PM

REPRESENTATIVE VAZQUEZ continued citing from the audit report, saying it concluded that there was material weakness in internal control, which could result in material misstatement to the financial statements. Before the state proceeded to expand the programs, she argued, the department should be tasked with seriously addressing these deficiencies. She noted that seven of the audit findings were a repeat of audit findings from the previous year, so those previous findings had not been corrected. She said studies in Oregon indicated that expanding Medicaid may not lead to results the state may need. She maintained that expanding Medicaid could result in unintended consequences, such as squeezing out seniors in Medicare because Medicaid provided better benefits and paid better than Medicare, and she said Alaska's seniors already had a hard time finding providers. She further warned that benefits received by Alaska's existing disabled blind populations could potentially be squeezed out, because - as the fiscal situation tightens -

cuts may need to be done and [the legislature] would be more tempted to cut back on the population that was reimbursed by 50 percent versus the new expansion population that was reimbursed at least 90 percent. Also, she said the federal government could change the matching formula, which had been done in the past; there was no guarantee what the federal government may contribute after 2020. Representative Vazquez concluded that the state might be committing itself to programs it could not get out of and might be unable to afford in the future.

8:12:25 PM

REPRESENTATIVE TALERICO stated he had no intention of trying to stop the bill from going to its next committee of referral, but said he would be unable to recommend it to the next committee, because several amendments were not included that he felt should have been. He offered his appreciation for the spirit of cooperation of the committee members and of the department.

8:13:26 PM

CHAIR SEATON expressed appreciation for the committee's hard work on HB 148. He said there were a number of studies before the committee, including ones from The Lewin Group and Evergreen Economics; there was an investigation of what would happen. He stated that approximately \$6 million in savings was identified with the 20,000 estimated participants and, should 41,000 people sign up the identified savings was over \$4 million. He added that should 60,000 participants somehow appeared, it would still be a savings of \$2 million. He relayed that at the low end, the fiscal impact to the State of Alaska was a positive economic impact of \$145 million that would be spread throughout the state. A number of reforms were included in the initial bill, and this committee added other reforms, targets, and timetables, which would ensure that reform actually took place.

8:15:27 PM

REPRESENTATIVE TARR urged that any frustrations with how the Medicaid program was previously administered not be directed at current employees who are new. She expressed her trust that the current employees would respond to the statements made in the audit and look for opportunities to improve. She said there would be opportunities for input on the provider tax. She stated that currently, Alaska was the only state not doing a provider tax; therefore, it would not come as a surprise to some of the providers that that conversation might happen. She

stated disagreement that her actions in the future would be to squeeze out other individuals from this important social safety net program, including seniors. She also said she disagreed that the state would be committing itself to programs it could not get out of or could not afford, saying this had been substantiated by a letter from "the secretary, that we do have a process of getting out of this." Responding to the statement that the state could not afford what was being done here, she emphasized that the state could not afford to do nothing. She said the responsibility was on legislators, and there had been opportunity to obtain information from the department.

REPRESENTATIVE TARR indicated there was overwhelming public support [for HB 148], and legislators worked for the people. She added that of the individuals who weighed in on this matter, 90 percent were in support. She remarked upon the great opportunity for very detailed discussions that had been afforded the committee, and she noted that on several occasions, the department had responded to lengthy questions the committee had posed. She said she was sorry Representative Vazquez had missed the committee meeting that covered all 16 fiscal notes, which was the opportunity to delve into the financial information. She stated that she was not ashamed of the work the committee had done and would not characterize the committee's work in that way.

[8:18:42 PM](#)

REPRESENTATIVE WOOL said committee members had heard the arguments in support of Medicaid expansion, such that it would be good for the state economy, would help bring in money to the state, would help people, and would help create jobs in the medical industry and spinoff jobs in other industries. He stated that those arguments seemed compelling. He said that while reports were conflicting, the data as a whole was all positive. He drew attention to a Kaiser Family Foundation article that looked at data up to March 2015 for states that had adopted the expansion. He said 30 states had adopted the expansion, so Alaska would not be experimenting in some uncharted territory. He shared that someone he spoke with talked about the empowerment of being insured, the security a person receives from having insurance. He related his own experience of having been self-employed and under-insured because of the cost of insurance, but under the Affordable Care Act was able to get a good family plan, which had provided him an immeasurable ease of mind. He said [HB 148] would give Alaskans peace of mind and let them know legislators were

looking out for their health, productivity, and ability to stay in the state. He opined that expansion was a good thing and was an overall net positive thing that had to be done.

8:21:55 PM

REPRESENTATIVE STUTES said she concurred with her colleagues and appreciated Chair Seaton's efforts in the presentations provided to the committee and his handling of this controversial subject.

8:22:34 PM

REPRESENTATIVE FOSTER recognized the work done, and said his constituents and the constituents of other legislators were happy with it.

8:22:57 PM

REPRESENTATIVE FOSTER moved to report HB 148, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE VAZQUEZ objected, referring to her previous statement and adding that other states were pursuing alternatives to provide more access and more affordable health care. The health care and fiscal consequences had not been fully vetted, she maintained.

8:23:42 PM

A roll call vote was taken. Representatives Foster, Stutes, Talerico, Wool, Tarr, and Seaton voted in favor of HB 148, as amended. Representative Vazquez voted against it. Therefore, CSHB 148(HSS) was reported out of the House Health and Social Services Standing Committee by a vote of 6-1.

AMENDMENTS

The following amendments to HB 148 were either discussed or adopted during the hearing. [Shorter amendments are provided within the main text only.]

Amendment 15 [29GH1055\A.37, Glover, 3/30/15] (withdrawn):

Page 3, following line 6:
Insert a new bill section to read:

"* **Sec. 4.** AS 47.05.200(a), as amended by sec. 3 of this Act, is amended to read:

(a) The department shall annually contract for independent audits of a statewide sample of all medical assistance providers in order to identify overpayments and violations of criminal statutes. The audits conducted under this section may not be conducted by the department or employees of the department. The number of audits under this section [MAY NOT BE LESS THAN 50] each year, as a total for the medical assistance programs under AS 47.07 and AS 47.08, shall be 0.75 percent of all enrolled providers under the programs, adjusted annually on July 1, as determined by the department, except that the number of audits under this section may not be less than 75. The audits under this section must include both on-site audits and desk audits and must be of a variety of provider types. The department may not award a contract under this subsection to an organization that does not retain persons with a significant level of expertise and recent professional practice in the general areas of standard accounting principles and financial auditing and in the specific areas of medical records review, investigative research, and Alaska health care criminal law. The contractor, in consultation with the commissioner, shall select the providers to be audited and decide the ratio of desk audits and on-site audits to the total number selected. [IN IDENTIFYING PROVIDERS WHO ARE SUBJECT TO AN AUDIT UNDER THIS CHAPTER, THE DEPARTMENT SHALL ATTEMPT TO MINIMIZE CONCURRENT STATE OR FEDERAL AUDITS.]"

Renumber the following bill sections accordingly.

Page 3, following line 20:

Insert a new bill section to read:

"* **Sec. 6.** AS 47.05.200(b), as amended by sec. 5 of this Act, is amended to read:

(b) Within 90 days after receiving each audit report from an audit conducted under this section, the department shall begin administrative procedures to recoup overpayments identified in the audits and shall allocate the reasonable and necessary financial and human resources to ensure prompt recovery of overpayments unless the attorney general has advised the commissioner in writing that a criminal

investigation of an audited provider has been or is about to be undertaken, in which case, the commissioner shall hold the administrative procedure in abeyance until a final charging decision by the attorney general has been made. The commissioner shall provide copies of all audit reports to the attorney general so that the reports can be screened for the purpose of bringing criminal charges. [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.]"

Renumber the following bill sections accordingly.

Page 7, following line 1:

Insert a new bill section to read:

"* **Sec. 9.** AS 47.07.020(b), as amended by sec. 8 of this Act, is amended to read:

(b) In addition to the persons specified in (a) of this section, the following optional groups of persons for whom the state may claim federal financial participation are eligible for medical assistance:

(1) persons eligible for but not receiving assistance under any plan of the state approved under 42 U.S.C. 1381 - 1383c (Title XVI, Social Security Act, Supplemental Security Income) or a federal program designated as the successor to the aid to families with dependent children program;

(2) persons in a general hospital, skilled nursing facility, or intermediate care facility, who, if they left the facility, would be eligible for assistance under one of the federal programs specified in (1) of this subsection;

(3) persons under 21 years of age who are under supervision of the department, for whom maintenance is being paid in whole or in part from public funds, and who are in foster homes or private child-care institutions;

(4) aged, blind, or disabled persons, who, because they do not meet income and resources requirements, do not receive supplemental security income under 42 U.S.C. 1381 - 1383c (Title XVI, Social Security Act), and who do not receive a mandatory state supplement, but who are eligible, or would be eligible if they were not in a skilled nursing

facility or intermediate care facility to receive an optional state supplementary payment;

(5) persons under 21 years of age who are in an institution designated as an intermediate care facility for persons with intellectual and developmental disabilities and who are financially eligible as determined by the standards of the federal program designated as the successor to the aid to families with dependent children program;

(6) persons in a medical or intermediate care facility whose income while in the facility does not exceed 300 percent of the supplemental security income benefit rate under 42 U.S.C. 1381 - 1383c (Title XVI, Social Security Act) but who would not be eligible for an optional state supplementary payment if they left the hospital or other facility;

(7) persons under 21 years of age who are receiving active treatment in a psychiatric hospital and who are financially eligible as determined by the standards of the federal program designated as the successor to the aid to families with dependent children program;

(8) persons under 21 years of age and not covered under (a) of this section, who would be eligible for benefits under the federal program designated as the successor to the aid to families with dependent children program, except that they **have the care and support of both their natural and adoptive parents** [DO NOT MEET THE DEPRIVATION CRITERIA UNDER 42 U.S.C. 1396u-1(b)(1)(A)(II)];

(9) pregnant women not covered under (a) of this section and who meet the income and resource requirements of the federal program designated as the successor to the aid to families with dependent children program;

(10) persons under 21 years of age not covered under (a) of this section who the department has determined cannot be placed for adoption without medical assistance because of a special need for medical or rehabilitative care and who the department has determined are hard-to-place children eligible for subsidy under AS 25.23.190 - 25.23.210;

(11) persons who can be considered under 42 U.S.C. 1396a(e)(3) (Title XIX, Social Security Act, Medical Assistance) to be individuals with respect to whom a supplemental security income is being paid under 42 U.S.C. 1381 - 1383c (Title XVI, Social

Security Act) because they meet all of the following criteria:

(A) they are 18 years of age or younger and qualify as disabled individuals under 42 U.S.C. 1382c(a) (Title XVI, Social Security Act);

(B) the department has determined that

(i) they require a level of care provided in a hospital, nursing facility, or intermediate care facility for persons with intellectual and developmental disabilities;

(ii) it is appropriate to provide their care outside of an institution; and

(iii) the estimated amount that would be spent for medical assistance for their individual care outside an institution is not greater than the estimated amount that would otherwise be expended individually for medical assistance within an appropriate institution;

(C) if they were in a medical institution, they would be eligible for medical assistance under other provisions of this chapter; and

(D) home and community-based services under a waiver approved by the federal government are either not available to them under this chapter or would be inappropriate for them;

(12) 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;

(13) persons under 19 years of age who are not covered under (a) of this section and whose household income does not exceed 175 [203] percent of the federal poverty line as defined by the United

States Department of Health and Human Services and revised under 42 U.S.C. 9902(2);

(14) pregnant women who are not covered under (a) of this section and whose household income does not exceed 175 [200] percent of the federal poverty line as defined by the United States Department of Health and Human Services and revised under 42 U.S.C. 9902(2);

(15) persons who have been diagnosed with breast or cervical cancer and who are eligible for coverage under 42 U.S.C. 1396a(a)(10)(A)(ii)(XVIII) [;

(16) PERSONS WHO ARE UNDER 65 YEARS OF AGE, WHO ARE NOT PREGNANT, WHOSE HOUSEHOLD INCOME DOES NOT EXCEED 138 PERCENT OF THE FEDERAL POVERTY LINE, INCLUDING THE FIVE PERCENT INCOME DISREGARD, AS DEFINED BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES AND REVISED UNDER 42 U.S.C. 9902(2), AND WHO ARE ELIGIBLE UNDER 42 U.S.C. 1396A(a)(10)(A)(i)(VIII), IF THE FEDERAL MEDICAL ASSISTANCE PERCENTAGE PAID TO THE STATE FOR THE COVERAGE IS NOT LESS THAN 90 PERCENT]."

Renumber the following bill sections accordingly.

Page 7, following line 9:

Insert a new bill section to read:

"* **Sec. 11.** AS 47.07.020(g), as amended by sec. 10 of this Act, is amended to read:

(g) **A person's** [FOR THOSE PERSONS WHOSE MEDICAID ELIGIBILITY IS NOT CALCULATED USING THE MODIFIED ADJUSTED GROSS INCOME STANDARD SET OUT IN 42 U.S.C. 1396A(e)(14), THOSE PERSONS'] eligibility for medical assistance under this chapter may not be denied or delayed on the basis of a transfer of assets for less than fair market value if the person establishes to the satisfaction of the department that the denial or delay would work an undue hardship on the person as determined on the basis of criteria in applicable federal regulations."

Renumber the following bill sections accordingly.

Page 7, following line 15:

Insert a new bill section to read:

"* **Sec. 13.** AS 47.07.020(m), as amended by sec. 12 of this Act, is amended to read:

(m) **Except** [FOR THOSE PERSONS WHOSE MEDICAID ELIGIBILITY IS NOT CALCULATED USING THE MODIFIED ADJUSTED GROSS INCOME STANDARD SET OUT IN 42 U.S.C. 1396A(e)(14), AND, EXCEPT] as provided in (g) of this section, the department shall impose a penalty period of ineligibility for the transfer of an asset for less than fair market value by an applicant or an applicant's spouse consistent with 42 U.S.C. 1396p(c)(1)."

Renumber the following bill sections accordingly.

Page 7, following line 28:

Insert a new bill section to read:

"* **Sec. 15.** AS 47.07.036(b), as amended by sec. 14 of this Act, is amended to 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 federal programs, including the Indian Health Service or Medicare."

Renumber the following bill sections accordingly.

Page 8, following line 26:

Insert a new bill section to read:

"* **Sec. 18.** AS 47.07.900(4), as amended by sec. 17 of this Act, is amended to read:

(4) "clinic services" means services provided by state-approved outpatient community mental health clinics that receive grants under AS 47.30.520 - 47.30.620, state-operated community mental health clinics, outpatient surgical care centers, and physician clinics;"

Renumber the following bill sections accordingly.

Page 9, following line 3:

Insert new bill sections to read:

"* **Sec. 20.** AS 47.07.900(17), as amended by sec. 19 of this Act, is amended to read:

(17) "rehabilitative services" means services for substance abusers and emotionally disturbed or chronically mentally ill adults provided by

(A) a drug or alcohol treatment center that is funded with a grant under AS 47.30.475; or

(B) an outpatient community mental health clinic that has a contract to provide community mental health services under AS 47.30.520 - 47.30.620;

* **Sec. 21.** AS 43.23.075(d); AS 47.05.250; AS 47.07.036(d), and 47.07.036(e) are repealed July 1, 2018."

Renumber the following bill sections accordingly.

Page 9, line 12:

Delete "sec. 10"

Insert "sec. 16"

Page 9, line 17:

Delete "10"

Insert "16"

Page 9, following line 17:

Insert a new bill section to read:

"* **Sec. 24.** Section 1 of this Act is repealed July 1, 2018."

Renumber the following bill sections accordingly.

Page 9, line 23:

Delete "Sections 13 and 14"

Insert "Sections 21 - 23"

Page 9, line 24:

Delete all material and insert:

"* **Sec. 27.** Sections 1 - 3, 5, 7, 8, 10, 12, 14, 16, 17, and 19 of this Act take effect July 1, 2015.

* **Sec. 28.** Sections 4, 6, 9, 11, 13, 15, 18, and 20 of this Act take effect July 1, 2018."

Page 1, line 1, following "**measures;**":

Insert "**relating to verification of eligibility for public assistance programs administered by the Department of Health and Social Services;**"

Page 2, following line 16:

Insert a new bill section to read:

"* **Sec. 3.** AS 47.05 is amended by adding new sections to article 1 to read:

Sec. 47.05.105. Computerized eligibility verification system. (a) The department shall establish a computerized income, asset, and identity eligibility verification system for the purposes of verifying eligibility, eliminating duplication of public assistance payments, and deterring waste and fraud in public assistance programs administered by the department under AS 47.05.010.

(b) The department shall enter into a competitively bid contract with a third-party vendor for the purpose of developing a system under this section for verifying an applicant's eligibility for public assistance before the payment of benefits and for periodically verifying eligibility between eligibility redeterminations and during eligibility redeterminations and reviews under AS 47.05.110 - 120. The department may also contract with a third-party vendor to provide information to facilitate reviews of recipient eligibility conducted by the department.

(c) A contract awarded under this section must

(1) require the vendor to ensure that annualized savings realized from implementation of the verification system exceed the total yearly cost to the state for implementing the verification system;

(2) provide a payment structure based on a per applicant rate and provide a performance bonus for achieving a rate of success in accurately identifying waste and fraud that is higher than a predetermined rate established by the department;

(3) require the vendor to include in its system the databases identified in AS 47.05.110.

(d) The third-party vendor selected under this section may not hold, bid on, or be awarded a contract to provide enrollment services to an agency of the state.

Sec. 47.05.110. Income and asset eligibility verification. (a) Before awarding public assistance and on a quarterly basis thereafter, to the extent permitted by federal or state law, and if the information is available to the department, the department shall compare the financial information of an applicant for and recipient of assistance with information from the following sources:

(1) earned and unearned income information maintained by the United States Internal Revenue Service;

(2) employer weekly, monthly, or quarterly reports of income and unemployment insurance payment information maintained by the Department of Labor and Workforce Development;

(3) earned income information maintained by the United States Social Security Administration;

(4) a nationwide public records data source of physical asset ownership such as real property, automobiles, watercraft, aircraft, and luxury vehicles, or any other vehicle owned by the applicant for or recipient of public assistance;

(5) national and local financial institutions;

(6) public housing and housing assistance payment information maintained by the United States Department of Housing and Urban Development;

(7) wage reporting and similar information maintained by states contiguous to this state;

(8) beneficiary records, earnings, and pension information maintained by the United States Social Security Administration;

(9) employment information maintained by the Department of Labor and Workforce Development;

(10) veterans' benefit information maintained by the United States Department of Health and Human Services, in coordination with the department and the Department of Military and Veterans' Affairs;

(11) child care services payment information maintained by the department;

(12) income, employment, and child support information maintained by the Department of Revenue under AS 25.27;

(13) income, employment, and child support information maintained by the United States Department

of Health and Human Services under 42 U.S.C. 652 - 669b;

(14) utility payment information maintained by the department for the Alaska affordable heating program under AS 47.25.621 - 47.25.626 or the federal low-income home energy assistance program under 42 U.S.C. 8621 - 8629;

(15) emergency utility payment information maintained by the state or a municipality;

(16) information maintained by the state concerning a license, permit, or certificate issued by a state agency if the cost of the license exceeds \$500;

(17) information maintained by the Department of Administration concerning pension payments made under AS 14.25, AS 26.05.222 - 26.05.229, AS 39.35, and former AS 39.37;

(18) a database of individuals receiving public assistance or other benefits in another state;

(19) any other database or other source that provides current and accurate information concerning the income and assets of applicants for and recipients of public assistance.

(b) Notwithstanding the requirements of this section, an application for public assistance shall be processed before a deadline set by federal or state law or regulation.

Sec. 47.05.115. Identity verification process.

(a) Before awarding public assistance, the department shall require an applicant for public assistance to prove the applicant's identity by requiring the applicant to answer a series of questions about the applicant's personal and financial information that the department can verify independently. The department shall provide a means to verify the financial history of an applicant without bank records or a credit history.

(b) The department shall permit an applicant to provide the answers to the questions posed under (a) of this section electronically, in person, or by telephone.

(c) Before awarding assistance, and on a quarterly basis, the department shall, to the extent permitted by federal or state law and if the information is available to the department, match identity information of an applicant for or recipient

of public assistance against, at a minimum, the following public records:

(1) immigration status information maintained by the United States Department of Homeland Security, Citizenship and Immigration Services;

(2) death register information maintained by the United States Social Security Administration;

(3) prisoner information maintained by the United States Social Security Administration;

(4) national fleeing felon information maintained by the Federal Bureau of Investigation;

(5) a nationwide public records data source of incarcerated individuals;

(6) a nationwide best-address and driver's license data source to verify that individuals are residents of the state;

(7) a comprehensive public records database that identifies potential identity fraud or identity theft that can closely associate name, social security number, date of birth, telephone number, and address information;

(8) outstanding default or arrest warrant information maintained by the Department of Public Safety under AS 12.62; and

(9) any other database or other source that provides current and accurate information concerning the identification of individuals.

Sec. 47.05.120. Discrepancies and case review.

(a) If there is a discrepancy between the information received from an applicant for or recipient of public assistance and the results of the review conducted under AS 47.05.110 and 47.05.115, the department shall

(1) take no further action if the discrepancy does not affect the eligibility of the applicant or recipient;

(2) undertake a further investigation under (b) - (e) of this section if the discrepancy indicates that an applicant or recipient is or has become ineligible for assistance.

(b) The department shall provide written notice to an applicant or recipient of a discrepancy under (a)(2) of this section. The notice must describe the discrepancy and set out the reasons the discrepancy requires a redetermination of eligibility, the manner in which the applicant or recipient may respond, and the consequences of failing to respond.

(c) The applicant or recipient shall respond to a notice under (b) of this section within 10 business days. The applicant or recipient shall respond in writing.

(d) After receiving the applicant's or recipient's response, the department

(1) may request that the applicant or recipient provide additional information;

(2) shall, if the applicant or recipient disputes the accuracy of the information in a database, disputes the effect of a discrepancy on eligibility for assistance, or provides an explanation for the discrepancy, reinvestigate the discrepancy and its effect on the applicant's or recipient's eligibility.

(e) In reviewing information under this section, the department shall independently verify information provided solely by the applicant or recipient.

(f) If the department finds that the report of a discrepancy is inaccurate, that the discrepancy has been satisfactorily explained, or that the discrepancy does not affect the eligibility of the applicant or recipient, the department shall approve or continue eligibility for the relevant public assistance program.

(g) If the department finds that the information provided by the applicant or recipient is inaccurate, and that the inaccurate information affects the applicant's or recipient's eligibility, it shall promptly redetermine eligibility. If the department determines that an applicant or recipient is not eligible for assistance, the department shall provide written notice of the determination to the applicant or recipient, along with notice of the applicant's or recipient's right to a fair hearing under AS 47.05.010.

(h) If the applicant or recipient does not respond to the notice, the department shall deny or discontinue assistance for failure to cooperate. Eligibility for assistance may not be established or reestablished until the discrepancy or change has been resolved. The department shall provide written notice of the denial or discontinuation to the applicant or recipient, along with notice of the applicant's or recipient's right to a fair hearing under AS 47.05.010.

(i) The department shall adopt regulations to implement this section.

Sec. 47.05.125. Referrals for fraud, misrepresentation, or inadequate documentation. (a) The department shall refer suspected cases of fraud, including identity fraud, to the attorney general for criminal prosecution, recovery of improper payments, and collection of civil penalties.

(b) The department shall refer suspected cases of fraud, misrepresentation, or inadequate documentation to other state agencies and programs for review.

Sec. 47.05.130. Reporting. The department shall, on a quarterly basis, deliver to the senate secretary and the chief clerk of the house of representatives and notify the legislature of the availability of a report detailing the effectiveness and general findings of the eligibility verification system, including the number of cases reviewed, the number of case closures, the number of referrals for criminal prosecution, the recovery of improper payment, the outcomes of cases referred to the attorney general, and the savings that have resulted from the system.

Sec. 47.05.135. Provider payments. (a) To the extent permitted by federal and state law, the department shall make available to the public an annual report of

(1) the names, office locations, and national provider identifier under 42 U.S.C. 1396 - 1396p (Title XIX of the Social Security Act) of health care providers receiving payments under a public assistance program administered by the department; and

(2) for each health care provider, the number and types of services provided under a public assistance program, average submitted charges for each type of service, average allowed amount, average medical assistance payment, the common procedure coding system compiled by the United States Department of Health and Human Services for the services provided by the physician, and whether the services were performed in a facility or office setting.

(b) Notwithstanding (a) of this section, the department may not release information under this section if the information would disclose, directly or indirectly, the identity and medical condition of a patient of the health care provider, or could reasonably be expected to constitute an unwarranted invasion of the personal privacy of the patient.

Sec. 47.05.150. Definitions. In AS 47.05.105 - 47.05.150,

(1) "department" means the Department of Health and Social Services;

(2) "health care provider" means a person or facility approved by the department to provide health care services to a recipient of public assistance administered by the department;

(3) "identity information" includes the full name, aliases, date of birth, address, social security number, or other information identifying an applicant for or recipient of an assistance program administered by the department under AS 47.05.010."

Renumber the following bill sections accordingly.

Page 9, line 12, following the first occurrence of "Act,":

Insert "AS 47.05.105 - 47.05.150, enacted by sec. 3 of this Act,"

Delete "sec. 10"

Insert "sec. 11"

Page 9, lines 16 - 17:

Delete "secs. 1 and 10"

Insert "secs. 1, 3, and 11"

Page 9, line 23:

Delete "Sections 13 and 14"

Insert "Sections 14 - 16"

Page 9, following line 23:

Insert new bill sections to read:

*** Sec. 18.** AS 47.05.130, enacted by sec. 3 of this Act, takes effect July 1, 2016.

*** Sec. 19.** Except as provided in sec. 18 of this Act, sec. 3 of this Act takes effect January 1, 2016."

Page 9, line 24:

Delete "by sec. 16"

Insert "in secs. 17 - 19"

[8:24:20 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Health, Education and Social Services Standing Committee meeting was adjourned at 8:24 p.m.