

ALASKA STATE LEGISLATURE
SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

March 30, 2015

2:42 p.m.

MEMBERS PRESENT

Senator Bert Stedman
Senator Bill Stoltze
Senator Johnny Ellis

MEMBERS ABSENT

Senator Cathy Giessel
Senator Pete Kelly

COMMITTEE CALENDAR

SENATE BILL NO. 78

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

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 78

SHORT TITLE: MEDICAL ASSISTANCE COVERAGE; REFORM

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/18/15	(S)	READ THE FIRST TIME - REFERRALS
03/18/15	(S)	HSS, FIN
03/30/15	(S)	HSS AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

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

POSITION STATEMENT: Reviewed SB 78.

ACTION NARRATIVE

[2:42:16 PM](#)

CHAIR BERT STEDMAN called the Senate Health and Social Services Standing Committee meeting to order at 2:42 p.m. Present at the call to order were Senators Stoltze, Ellis, and Chair Stedman.

SB 78-MEDICAL ASSISTANCE COVERAGE; REFORM

CHAIR STEDMAN announced the consideration of SB 78.

[2:43:16 PM](#)

VALERIE DAVIDSON, Commissioner, Alaska Department of Health and Social Services (DHSS), reviewed SB 78. She related that Governor Walker released the Healthy Alaska Plan earlier this year, which can be found on DHSS's website and on the Governor's home page. She said that SB 78 does several things. It's good for Alaskans, for the health of Alaskans, and for the economy and the state's general fund budget. It is a catalyst for reform and it reduces uncompensated care.

She continued to say that the bill extends health care coverage to up to 42,000 low-income Alaskans. The coverage extends to adults without dependent children who are between the ages of 19-64 who are not otherwise eligible for Medicaid or Medicare. These adults have incomes of up to 138 percent of the federal poverty level: a single adult who earns \$20,314 or an hourly salary of about \$9.78, based on a 40-hour week; or a married couple without dependent children who earn about \$27,500 a year combined or \$13.21 an hour combined. The bill also extends coverage to adults in the newly-created donut hole; adults with incomes less than 100 percent of the federal poverty level. These are single adults with incomes of about \$14,720 or married couples who earn incomes up to \$19,920. These Alaskans do not qualify for a marketplace subsidy and they don't qualify for regular Medicaid.

COMMISSIONER DAVIDSON explained that more Alaskans would receive preventive and primary care, including behavior health services. In Alaska, the five most common causes of death are cancer, heart disease, unintentional injuries, stroke, and chronic lower respiratory diseases. Of these, four are preventable or treatable if caught early.

She concluded that we all want Alaskans to be as healthy and productive as possible. People can't work, hunt, or fish if they are not healthy enough to do so.

[2:43:51 PM](#)

COMMISSIONER DAVIDSON explained several reasons why SB 78 is good for Alaska's economy. The bill provides for the expansion group a higher federal match resulting in an immediate economic boost. In 2016 there will be a 100 percent federal match. The match transitions over the next three years from 95 to 94 to 93 percent federal match and then to 90 percent in 2020 and beyond. By comparison, regular Medicaid is 50 percent federal match.

She stated that the state has indicated to the Centers for Medicaid and Medicare Services that Alaska's participation is contingent upon the state's match being at least 90 percent federal match. This is reflected in Section 6 of the bill. It will bring over \$146 million in new federal revenue in FY 2016 and over \$1 billion by FY 2020, resulting in an economic boost to the state's economy. These new federal dollars multiply in the state's economy and result in about 4,000 new jobs, according to a study by Northern Economics.

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COMMISSIONER DAVIDSON pointed out SB 78 is healthy for the state's general fund budget because currently the state pays for certain health care services with 100 percent general fund dollars. Transitioning these costs to Medicaid saves state general fund dollars. In the first year, \$6.6 million is saved, including \$4 million in The Department of Corrections, \$1 million in Chronic and Acute Medical Assistance (CAMA) programs, and \$1.5 million in Behavioral Health Grants. In the out years, those offsets increase to over \$24.5 million. The general fund offsets total over \$107 million in the first six years.

She emphasized that the bill's fiscal notes do not show additional savings that would be due to reductions in recidivism rates. She compared Alaska to Texas before they invested in behavior health services for prisoners. Between 2000 and 2007, Texas saw a 22 percent reduction in recidivism rates after doing so. Alaska has the opportunity to build healthy Alaskans or to build another prison, based upon projections. She suggested Medicaid expansion is one of the best ways to finance healthy Alaskans with at least a 90 percent federal match to provide behavior health services.

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COMMISSIONER DAVIDSON stated that SB 78 lays out a path for Medicaid reform that will also save Alaska millions of dollars and ensure that Alaska's Medicaid program is sustainable over the long term. Given the current financial situation, DHSS is

very invested in making the Medicaid program as efficient as possible. She said, "We're building upon the reforms the department has already undertaken." SB 78 directs the department to look at all options available to improve Medicaid and limit costs. These reforms are found in Section 10 and include an 1115 waiver to maximize 100 percent federal match by working with Tribal Health providers to increase the number of IHS beneficiaries who receive services, and 1915(i) and 1915(k) options that result in savings for Alaskans. The (i) option is for Alaskans who don't meet nursing level of care, but meet other criteria. The (k) option improves savings on home and community-based services to Medicaid eligible individuals.

She said the bill also includes broad demonstration project authority, such as payment reform, care management, workforce development and innovation, and innovative service delivery models.

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COMMISSIONER DAVIDSON addressed tele-health delivery and uncompensated care options in the bill. She said that uncompensated care costs over \$90 million each year and SB 78 takes advantages of federal resources to pay for those costs. She used Arizona as example. They received a 30 percent reduction in uncompensated care rate in their first year of expansion.

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CHAIR STEDMAN turned to the fiscal note summary page and asked if Commissioner Davidson expects to see a savings of \$107 million over the next six years from SB 78.

COMMISSIONER DAVIDSON answered yes - in terms of what the state is paying for with general fund dollars for Corrections, CAMA, and Behavior Health Grants.

CHAIR STEDMAN noted that \$7 million is in Corrections, which still has to be refined, leaving a targeted \$100 million.

COMMISSIONER DAVIDSON answered correct. Savings in Corrections do not include opportunities for Contract Health Purchases or Behavioral Health Services.

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CHAIR STEDMAN noted that the fiscal notes are preliminary and are being revised by various staff and agencies. They will be

shared with committee members and staff. He said he is surprised at the dollar amount of savings in the bill.

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SENATOR STOLTZE asked that the Department of Revenue be present in future committee meetings. He requested more information on the hold harmless provision in Section 2.

CHAIR STEDMAN noted that the issues will be worked out. He asked for final comments.

SB 78 was held in committee.

[2:57:22 PM](#)

There being no further business to come before the committee, Chair Stedman adjourned the Senate Health & Social Services Standing Committee hearing at 2:57 p.m.