

HOUSE FINANCE COMMITTEE  
April 01, 2003  
2:55 PM

TAPE HFC 03 - 42, Side A  
TAPE HFC 03 - 42, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 2:55 PM.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Mike Chenault  
Representative Eric Croft  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Bill Stoltze  
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Joel Gilbertson, Commissioner, Department of Health & Social Services; Bob Labbe, Deputy Director, Department of Health and Social Services; Chip Wagoner, Alaska Catholic Conference

PRESENT VIA TELECONFERENCE

Stacy Kralej, Assistant Attorney General, Department of Law

SUMMARY

HB 172 "An Act relating to eligibility requirements for medical assistance for certain children, pregnant women, and persons in a medical or intermediate care facility; and providing for an effective date."

CSHB 172 was REPORTED out of Committee with a "do pass" recommendation and a previously published (#1) fiscal impact note from the Department of Health and Social Services.

#hb172

HOUSE BILL NO. 172

"An Act relating to eligibility requirements for medical assistance for certain children, pregnant women, and persons in a medical or intermediate care facility; and providing for an effective date."

Co-Chair Harris MOVED to ADOPT the Committee Substitute, Work Draft 23-GH128\D, Lauterbach, 3/31/03. Representative Croft OBJECTED.

JOEL GILBERTSON, COMMISSIONER, DEPARTMENT OF HEALTH & SOCIAL SERVICES spoke regarding the changes included in the Committee Substitute.

Commissioner Gilbertson explained that the bill would freeze the income eligibility levels of for Medicaid and Denali Kid Care under the special income limits for nursing homes and Home and Community Based (HCB) Services. He stated that currently pregnant women and Denali Kid Care recipients receive eligibility at 200 percent of the federal poverty level, which is the poverty level standard used in the FY 03 state budget. He noted that this would also lock in cash dollar amounts for the various corresponding family sizes.

Commissioner Gilbertson referred to the savings indicated in the fiscal note of \$716 thousand for FY 04, with a growth in savings projected over time. He noted that this savings would result from a decrease in the number of eligible individuals joining the program. He added that individuals currently eligible for any of the programs who did not experience an increase in income would remain eligible for the programs.

Commissioner Gilbertson stated that the intent of the legislation is to acknowledge the extensive growth in Medicaid program costs, and the resulting diminished ability of the State to service the program in its current design. He expressed the Governor's message that that the State had reached its affordable capacity [for Medicaid]. He noted that future cost containments and efficiencies would occur. He stated that the legislation was an effort to contain the growth of the programs without causing hardship to program recipients. He maintained that this was a modest cost containment measure of eligibility. He emphasized that to continue to have a strong Medicaid program, efforts must be made to curtail program expansion.

Commissioner Gilbertson commended the programs' success, noting that a high level of outreach resulted in greater participation (26 thousand) in the Denali Kid Care program.

In response to an earlier question by Representative Croft, Commissioner Gilbertson noted that the Work Draft addressed a drafting error in the original bill (page 4, line 27) in reference to the cash dollar amounts for eligibility. The section was corrected to refer to a pregnant woman as a family of two, in accordance with federal standards, to ensure prenatal care.

Representative Croft WITHDREW his objection.

There being NO OBJECTION, the Work Draft was ADOPTED.

Representative Croft asked about the effects of not having proper medical care during pregnancy. He inquired as to studies done in this area.

Commissioner Gilbertson responded that he did not possess that information currently. He pointed out that if a woman was not covered by Medicaid, it did not necessarily mean that she was not receiving pre-natal care. He noted that studies have shown a correlation between prenatal care and healthy births. He added that other health care services were also provided outside of the Medicaid program. He pointed out that the public health program provided assistance and advice for pregnant women separate from the Medicaid program and this bill.

Representative Croft asked if investment in a prenatal program had produced fiscal savings.

Mr. BOB LABBE, DEPUTY DIRECTOR, DEPARTMENT OF HEALTH AND SOCIAL SERVICES noted that a study had not been undertaken to measure those effects. He recalled a similar national study.

Commissioner Gilbertson also pointed out that not all costs associated with Medicaid coverage for this class were for prenatal care. He noted that standard medical services were also provided.

Representative Stoltze commented on the cash dollar limits of eligibility.

Representative Hawker asked if Alaska's limits were already higher than the standard federal poverty level.

Mr. Labbe responded that Alaska's levels were adjusted from 100 percent to 125 percent compared to the lower 48.

Representative Hawker observed that our level of 200 percent was actually based on a level 25 percent higher than the rest of the country, making it 250 percent of the federal base level. He asked how Alaska's adjustments to poverty levels compared with other states.

Commissioner Gilbertson stated that Alaska was in the mid range of comparison. He noted that Alaska was at the highest standard possible (200 percent), in order to access the enhanced federal medical assistance percentage for Denali Kid Care. He noted that Alaska received an enhanced federal medical assistance percentage with a roughly 70 percent match. He summarized that Alaska was fully implemented to the highest level possible.

Co-Chair Harris referred to the fiscal note and observed a general fund match savings of \$259,300, compared to a budgetary decrement of \$223,000. He asked why the numbers were not consistent.

Representative Hawker (Health and Social Services Sub Committee Chairman) clarified that the number in the sub committee recommendation was a preliminary estimate, and that the number in the fiscal note was revised and more accurate.

Commissioner Gilbertson noted that a portion of the additional savings was due to the fact that the bill was drafted one month before a new standard would be adopted on April 1.

Representative Joule referred to the DHSS budgetary discussions, and asked if other decreases had eliminated services that would provide a safety net for those impacted by the bill.

Commissioner Gilbertson noted that he was not aware of the elimination of any related programs. He indicated that budgetary reductions represented cost contained within the Medicaid program. He pointed out that refinancing \$17 million in general funds previously in grant dollars had resulted in savings to grant programs.

Representative Joule speculated that some of the grant dollars might have provided services to pregnant women.

Commissioner Gilbertson maintained that the grant reductions were taken in substance abuse and mental health grants and would not directly affect this population.

Representative Joule followed up by noting the absence of departmental budget impact statements during this year's budget process. He expressed that this made it difficult to track which services and populations were impacted.

Representative Croft referred to the second page of the fiscal note that listed savings. He noted an estimated savings in FY 09 of \$2.155 million for pregnant women, and estimated that this figure would equal roughly \$8 thousand

per person. He speculated that pregnant women and children represented a more cost effective group in the program.

Commissioner Gilbertson noted the exponential growth under the special income standard and stated that 71 percent of the growth associated with the Medicaid program nationwide was attributed to care provided to seniors and disabled individuals. He noted that currently seniors comprised roughly 50 percent of Alaska's Medicaid costs, growing toward the national percentage. He conceded that care provided to pregnant women and children was less expensive than long term, facility based care.

Representative Croft asked if the bill could allow the pregnant women and children category to continue to grow and to cap the other categories. Commissioner Gilbertson conceded that this was possible.

Representative Croft speculated that since the federal match rate for pregnant women was 58.39 percent, the state's average cost per pregnant woman was \$2,500 of the \$8,000 total cost.

Commissioner Gilbertson noted that federal match rates changed every year, and had decreased over the past few years. He concurred that Representative Croft's figures would be correct if the federal match rate did not change.

Representative Croft calculated that if the pregnant women category were omitted from the bill, the program would cost roughly \$800 thousand of general funds in FY 09, with a savings of \$3 million. He maintained that this category provided the most benefit for the least investment, and speculated that \$800 thousand could be spent on caring for even one child with birth defects.

CHIP WAGONER, ALASKA CATHOLIC CONFERENCE, testified in opposition to the bill. He explained that the Catholic Conference was comprised of the three Roman Catholic bishops of Alaska and used to speak on public policy.

Mr. Wagoner discussed the tradition of his church. He pointed out the catholic principal of "preferential option for the poor and vulnerable". He quoted from a brochure prepared by the Conference, "A basic moral test of society is how the most vulnerable members are faring. Both Catholic teaching and tradition call us to put the needs of the poor and vulnerable first, and to give our greatest response to those with the greatest need."

Mr. Wagoner maintained that this theme was one of the most quoted ideas in his tradition. He pointed out the responsibilities of elected office, and asked that legislators carry forward these responsibilities with

consideration for the poor. He asked that this be considered with regard to the current bill, especially with regard to Denali Kid Care.

Mr. Wagoner commended the Governor and the Department of Health and Social Services for their difficult work in providing services to the poor and vulnerable, especially since \$67 million in general funds was needed to meet the increased caseload.

Mr. Wagoner recalled that when the State began the Denali Kid Care program in 1997, 201,713 children were in the state of Alaska (33 percent of the population). He noted that the Department hired the Employee Benefits Research Institute to estimate the number of uninsured children that would be served by the program. The Institute estimated that nine percent, or 18,154 children, would be served by the program. He noted that in 2002, according to the Department of Labor and Workforce Development comprised 33 percent of the population. He maintained that, according to the study, there should be 19,033 children in Denali Kid Care. He pointed out that currently 49,854 children were in the program, more than double the projection.

Mr. Wagoner suggested that the legislature could respond in one of three ways: 1) to recognize the value of the program and pay for caseload increases, 2) to cap the program in some manner, or 3) to cut the program back from 200 percent of the federal poverty level to the Alaskan poverty level minimum of 150 percent. He expressed his organization's support of the first option. He pointed out that before the program, Alaska ranked 41<sup>st</sup> in the nation in terms of health care for children. He also noted that the program would strengthen the State's future request for an increased federal matching assistance percentage. Finally, he noted that the program was preventative, and highlighted that over 40 percent of the children in the 150 to 200 percent category are six years of age or less, receiving primarily preventative care.

Mr. Wagoner exemplified that a family of four in the current program could have an income of \$45,264 to qualify. He noted that his own family of four paid \$9,200 annually for health insurance. He observed that if this amount were paid under this limitation, the family in question would spend 20 percent of its income for health insurance.

Mr. Wagoner suggested that other cuts might be possible. He also emphasized the importance of tracking the effects of the cap on families over time. He suggested that the Committee consider three options: 1) to use the 2003 guidelines, vs. the 2002 guidelines, and 2) to ensure that only those originally in the program, the truly uninsured, were still on the program, and 3) to add a sunset clause to

force the legislature to review the effects on families. He urged the Committee to add a sunset clause, cautioning that without it, the poor would then lose their voice in the process.

Representative Croft asked whether women might choose abortion if they were dropped from the program's prenatal care, as well as having their children become ineligible for health insurance. He asked if this was a concern of the Conference.

Mr. Wagoner acknowledged that the Conference held a concern over the issue of abortion and agreed that this was a possible outcome of the legislative cuts.

Co-Chair Harris expressed his concern that requests for governmental assistance seemed to be increasing, despite the desire of religious organizations to maintain a separation of church and state. He maintained that reliance on government assistance resulted in less responsibility by parishes and individuals.

Mr. Wagoner took exception to the idea that the public contributed less if the government contributed more. He pointed out that the Catholic Church was the largest non-profit and church provider of health and social services in Alaska. He noted that the preferential option for poor and vulnerable was a common theme of messages to individuals. He pointed out that he was a founding member of the community food bank. He also stated that the Church viewed the nation's health and social Services programs as being supported by four factors: individuals, private entities, churches, and government. He stated that the churches in Alaska could not provide the nearly \$2 billion of health and social services provided by the state. He pointed out that the church only comprised ten to fifteen percent of the State population.

Co-Chair Harris followed up by asking if the churches predicted less private contribution if there was greater governmental contribution.

Mr. Wagoner stated that he would research the question further.

Representative Croft MOVED to ADOPT Amendment #1:

Insert a new section:

Sec. 5. This Act is repealed two years after the effective date of this Act.

Co-Chair Williams OBJECTED.

Representative Croft maintained that the amendment represented the simplest solution to concerns about the bill, adding a two-year repeal that forced reexamination of the issue.

**TAPE HFC 03 - 42, Side B**

Representative Croft speculated that if the situation was allowed to continue, it could lead to unacceptably low standards of eligibility. He maintained that the repeal would allow plenty of time for examination of the program.

Representative Stoltze once again commented on the poverty levels. He noted that the eligible income level for a family of five was nearly \$53 thousand per year.

Co-Chair Harris maintained that if public outcry occurred, the legislature would respond.

Commissioner Gilbertson stated that the Administration supported the bill as written. He noted that in two years a small burden might be perceived. He maintained that in future years it represented only a modest level of eligibility reduction. He observed that the program had reached a capacity where growing eligibility threatened the quality of the program as a whole. He proposed that in order to adequately pay providers and facilities, the State must examine general eligibility.

Representative Croft observed that the majority of previous conversation had pertained to the bill itself and not the amendment. He pointed out that the amendment simply stated a mandate for reexamining the impact of eligibility caps. He maintained that if the levels were frozen for the long term, the effects might prove very onerous. He emphasized that nothing in the legislative process happened automatically, and proposed that such a sunset provision forced important reconsideration.

A roll call vote was taken on the motion to adopt Amendment #1.

IN FAVOR: Croft, Joule, and Moses  
OPPOSED: Stoltze, Whitaker, Chenault, Foster, Hawker,  
Meyer, Williams, Harris

The MOTION FAILED (3-8).

Representative Foster MOVED to report HB 172 out of Committee with the accompanying fiscal note

A roll call vote was taken on the motion.

IN FAVOR: Whitaker, Chenault, Foster, Hawker, Meyer, Moses,  
Stoltze, Harris, Williams

OPPOSED: Croft, Joule

The MOTION PASSED (9-2).

CSHB 172 was REPORTED out of Committee with a "do pass"  
recommendation and a previously published (#1) fiscal impact  
note from the Department of Health and Social Services.

#

ADJOURNMENT

The meeting was adjourned at 3:56 PM