

HOUSE FINANCE COMMITTEE  
January 20, 2004  
1:44 P.M.

TAPE HFC 04 - 5, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:44 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 Hugh Fate  
Representative Richard Foster  
Representative Mike Hawker  
Representative Bill Stoltze

MEMBERS ABSENT

Representative Carl Moses  
Representative Reggie Joule

ALSO PRESENT

Joel Gilbertson, Commissioner, Department of Health and Social Services; Janet Clarke, Director, Division of Administrative Services, Department of Health and Social Services; Marie Darlin, Coordinator, AARP Capital City Task Force; Sherry Hill, Special Assistant, Office of the Commissioner, Department of Health and Social Services.

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 374 An Act establishing the SeniorCare program and relating to that program; and providing for an effective date.

HB 374 was heard and HELD in Committee for further consideration.

#HB374

HOUSE BILL NO. 374

An Act establishing the SeniorCare program and relating to that program; and providing for an effective date.

Co-Chair Harris MOVED to ADOPT the proposed Work Draft for HB 374, 23-GH2123\D dated 1/14/04. There being NO OBJECTION, it was so ordered.

JOEL GILBERTSON, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES spoke in support of HB 374, Seniorcare. In December 2003 the Governor announced Seniorcare, a comprehensive effort by the Department of Health and Social Services to ensure provision of services to seniors for prescription drugs.

Mr. Gilbertson explained that Medicare, which was established in 1965, has never provided comprehensive coverage for prescription drugs and noted that it is the sole source of medical care for many seniors. Last fall, Congress established a comprehensive drug benefit for Medicare and passed comprehensive legislation establishing a true universal drug benefit. However, the legislation delays implementation until January 2006, and the program costing \$400 billion over ten years will take time to implement. The need for these services is present now, before January 1, 2006.

Mr. Gilbertson informed the Committee that Seniorcare has three components including legislation, a senior information office to access information on the \$220 million of programs that the department delivers to seniors, and an effort to lower prescription drug costs.

Mr. Gilbertson referred to a chart titled Comparison of Qualifications and Benefits. He explained a current assistance program providing a cash subsidy to seniors below 135% of poverty. These seniors receive \$120 a month with the benefit provided by regulation. He discussed income guidelines. SeniorCare would allow the option of receiving prescription drug assistance in lieu of a cash benefit. Under SeniorCare, those individuals below 135% of poverty could receive a \$1600 annual prescription drug subsidy or a \$120 per month continuation of senior assistance. This option would be available once annually.

Mr. Gilbertson described the federally passed legislation that currently provides an annual Medicare subsidy of \$600 for seniors below 135% of poverty. All seniors regardless of income are eligible for a prescription drug discount card allowing seniors to access a negotiated discount rate.

Mr. Gilbertson referred to a chart, Bridging the Gap, A Comparison of Benefits.

Mr. Gilbertson observed that the legislation has an effective date of April 1, 2004. He concluded seniors want drug coverage at affordable prices and the department is committed to starting the program quickly, and integrating it into existing eligibility, enrollment and payment systems.

Representative Croft referred to language on page 2, lines 22-23 of the Work Draft, "an eligible individual may make an irrevocable election to receive prescription drug benefits annually," and asked if the intent is that the election be "irrevocable" for the year or apply to a longer period of time.

Mr. Gilbertson responded that the provision would allow individuals who apply annually to make the election and it would be irrevocable for that particular year. He explained that subsidies are fairly defined. Allowing seniors to switch programs in mid-year would allow individuals to collect cash for six months and would fully extend an annual amount for prescription drug assistance for the remaining six months. The department assumes the majority of those currently in the program will continue to receive cash assistance in lieu of the prescription drug discount.

Representative Croft stated that it makes sense that it be irrevocable for the year, but questioned if this language meets the department's intent. He suggested it would be clearer to state in a separate sentence that a person "may not revoke for the period of that year." As drafted, Representative Croft felt the language might be misread to mean irrevocable for perpetuity.

Mr. Gilbertson replied that the language intends that eligible seniors will elect once per year to choose either the drug prescription or cash assistance.

Representative Croft asked if the cash benefit would sunset in this version of the bill when federal law brings in the benefit.

Commissioner Gilbertson responded, it is consistent with this version. The entire package of this legislation would sunset with the commencement of the prescription Medicare benefit. By starting in April 2004, this program would provide continuing assistance if there is a delay in the implementation of the federal Medicare drug benefit.

Representative Croft referred to language on Page 3, Line 15: "However, the department may pay" and asked why it states "may" instead of "shall."

Mr. Gilbertson replied, the department does pay and therefore would be amenable to a change to the word "shall."

Co-Chair Harris asked about the provision for an override relating to the preferred drug list.

Mr. Gilbertson explained that the current policy for physicians to document medical necessity on the prescription itself, which allows prescribing a non-preferred or brand name drug.

Co-Chair Harris referred to fiscal note #2, noting the \$12 million in federal receipts and roughly \$2.7 million in general funds for FY 05. He asked if a supplemental is being prepared to cover the estimated \$554,000 for FY 04.

Mr. Gilbertson responded, the program would run over a number of fiscal years, and only continuously during FY 05. If the program begins in April 2004, it will run for three months in FY 04, a full year FY 05, and half a year in FY 06. The Administration proposes to use funds set aside for the Senior Assistance Program for the SeniorCare program in FY 04. The bill itself carries a fiscal note for FY 04, which Mr. Gilbertson assumed would be in the supplemental request. A portion of the \$400 thousand surplus in the Senior Assistance Program would also be used.

Co-Chair Harris requested clarification of the \$12 million in federal receipts for FY 2005. Mr. Gilbertson explained that the funds are from the Office of Management and Budget's last round of fiscal aid to states. The appropriation is time-limited and not shown in FY 06 because continued federal funding cannot be predicted.

Co-Chair Harris questioned if the federal money is unrestricted. Mr. Gilbertson explained that the federal funding is an emergency grant to the states and therefore does not have the usual restrictions. The state has broad discretion to use those funds for senior assistance programs.

Representative Croft MOVED to ADOPT Amendment 1: delete "make an irrevocable election" and insert "semi-annually elect", on page 2, line 23. Co-Chair Harris objected for the purpose of discussion.

Representative Croft stated "annually" would be acceptable, but expressed concern that there would be a wording problem if the intent is to allow seniors to make a choice every year. He offered to delete the semi-colon and say "annually elect," so that it would read "an eligible individual may annually elect to receive prescription drug benefits provided in the manner specified by the department in regulation."

Mr. Gilbertson stated that the proposed wording would be consistent with the department's intent.

Representative Croft then reworded the proposed Amendment 1, page 2, lines 22-23 to read:

" , an eligible individual may once annually elect to receive prescription drug benefits"

Co-Chair Harris asked the purpose of the "irrevocable election" wording.

Mr. Gilbertson clarified the intent of the language is to allow seniors to choose once a year between the cash or drug prescription assistance.

Co-Chair Harris asked if the maximum a senior can receive for prescription drug benefits is \$1600 year. Mr. Gilbertson affirmed.

Co-Chair Harris WITHDREW his objection.

There being NO OBJECTION, , Amendment 1 was ADOPTED.

Representative Croft MOVED to ADOPT Amendment 2. Co-Chair Harris objected for the purpose of discussion.

Amendment 2 reads:

Page 3, line 15  
Delete: "may"  
Insert: "shall"

Representative Croft questioned if "shall" should be substituted for "may" on Page 3, line 15 of the committee substitute:

"the department may pay for brand-name multisource drugs if the prescriber writes on the prescription 'The brand-name drug is medically necessary' and the prescriber states the reason that the brand-name drug is medically necessary."

Mr. Gilbertson stated that, in these circumstances, the department would pay, and agreed that it would be more appropriate to use "shall" pay. He indicated that the proposed wording is consistent with department intent and policy.

There being NO OBJECTION, Amendment 2 was ADOPTED.

**Tape Change, HFC04-6, Side A**

MARIE DARLIN, COORDINATOR, AARP CAPITAL CITY TASK FORCE, spoke in favor of prescription drug coverage and the proposed information office providing access to information for seniors. Referring to the Senior Assistance Program, she said that although it did not replace the Longevity Bonus, it helps over 7,000 of the lowest income older Alaskans. This proposed bill would significantly help an estimated 23,000 seniors.

Ms. Darlin concluded the AARP strongly supports the third part of the SeniorCare program, the Preferred Drug List.

Co-Chair Harris asked how many seniors would be eligible for this needs-based program who wouldn't have been eligible for the Longevity Bonus.

SHERRY HILL, SPECIAL ASSISTANT, OFFICE OF THE COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES responded that half of the 7,800 or 46.6% would be eligible for this program.

Co-Chair Harris asked if this program would help the closer-to-poverty-level seniors whereas the Longevity Bonus eligibility cutoff did not.

Ms. Darlin responded that it would.

HB 374 was heard and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 2:30 p.m.