

**ALASKA STATE LEGISLATURE  
HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES  
STANDING COMMITTEE**

March 18, 2003

3:02 p.m.

**MEMBERS PRESENT**

Representative Peggy Wilson, Chair  
Representative Carl Gatto, Vice Chair  
Representative Paul Seaton  
Representative Kelly Wolf  
Representative Sharon Cissna  
Representative Mary Kapsner

**MEMBERS ABSENT**

Representative Cheryll Heinze

**COMMITTEE CALENDAR**

HOUSE BILL NO. 152

"An Act relating to payment rates under the Medicaid program for health facilities and to budgeting, accounting, and reporting requirements for those facilities; abolishing the Medicaid Rate Advisory Commission; and providing for an effective date."

- MOVED HB 152 OUT OF COMMITTEE

HOUSE BILL NO. 153

"An Act repealing the statute that sets priorities for the Department of Health and Social Services to apply to administration of the medical assistance program when there are insufficient funds allocated in the state budget for that program; authorizing the department to make cost containment decisions that may include decisions about eligibility of persons and availability of services under the medical assistance program; and providing for an effective date."

- MOVED HB 153 OUT OF COMMITTEE

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."

- MOVED HB 172 OUT OF COMMITTEE

HOUSE BILL NO. 167

"An Act relating to grants for alcoholism and drug abuse programs; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 165

"An Act relating to community schools; and providing for an effective date."

- BILL HEARING POSTPONED

HOUSE BILL NO. 154

"An Act relating to admission to and advancement in public schools of children under school age; and providing for an effective date."

- BILL HEARING POSTPONED

**PREVIOUS ACTION**

BILL: HB 152

SHORT TITLE: HEALTH FACILITY MEDICAID RATES/ADV. COM'N

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/05/03	0418	(H)	READ THE FIRST TIME - REFERRALS
03/05/03	0418	(H)	HES, FIN
03/05/03	0419	(H)	FN1: (HSS)
03/05/03	0419	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/18/03		(H)	HES AT 3:00 PM CAPITOL 106

BILL: HB 153

SHORT TITLE: MEDICAID COST CONTAINMENT & PRIORITY LIST

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/05/03	0420	(H)	READ THE FIRST TIME - REFERRALS
03/05/03	0420	(H)	HES, FIN
03/05/03	0420	(H)	FN1: ZERO(HSS)
03/05/03	0420	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/18/03		(H)	HES AT 3:00 PM CAPITOL 106

BILL: HB 172

SHORT TITLE: MEDICAID:CHILDREN/PREGNANT WOMEN/FACILITY

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/05/03	0446	(H)	READ THE FIRST TIME - REFERRALS
03/05/03	0446	(H)	HES, FIN
03/05/03	0446	(H)	FN1: (HSS)
03/05/03	0446	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/18/03		(H)	HES AT 3:00 PM CAPITOL 106

BILL: HB 167

SHORT TITLE: ALCOHOLISM AND DRUG ABUSE GRANTS

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/05/03	0439	(H)	READ THE FIRST TIME - REFERRALS
03/05/03	0439	(H)	HES, FIN
03/05/03	0439	(H)	FN1: (HSS); FN2: (HSS)
03/05/03	0439	(H)	FN3: (HSS); FN4: (HSS)
03/05/03	0439	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/05/03	0439	(H)	REFERRED TO HES
03/13/03		(H)	HES AT 3:00 PM CAPITOL 106
03/13/03		(H)	Scheduled But Not Heard
03/18/03		(H)	HES AT 3:00 PM CAPITOL 106

**WITNESS REGISTER**

JOEL GILBERTSON, Commissioner  
Department of Health and Social Services  
Juneau, Alaska

POSITION STATEMENT: Explained the purpose of HB 152, HB 153,  
and HB 172, and answered questions from the committee.

JACK NIELSON, Executive Director  
Medicaid Rate Advisory Commission  
Division of Medical Assistance  
Department of Health and Social Services  
Anchorage, Alaska

POSITION STATEMENT: Answered questions from the committee on HB  
152.

BOB LABBE, Deputy Commissioner  
Department of Health and Social Services  
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 152, HB 153, and HB 172, and answered questions from the committee.

DENNIS MURRAY, Administrator  
Heritage Place Nursing Facility  
Soldotna, Alaska

POSITION STATEMENT: Testified on HB 152 and HB 153.

ELMER LINDSTROM, Special Assistant  
Office of the Commissioner  
Department of Health and Social Services  
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 167 and answered questions from the committee.

PAM WATTS, Executive Director  
Governor's Advisory Board on Alcoholism and Drug Abuse  
Office of the Commissioner  
Department of Health and Social Services  
Juneau, Alaska

POSITION STATEMENT: Testified on HB 167 and answered questions from the committee.

MATT FELIX  
National Council on Alcoholism  
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 167.

#### **ACTION NARRATIVE**

**TAPE 03-26, SIDE A**  
Number 0001

**CHAIR PEGGY WILSON** called the House Health, Education and Social Services Standing Committee meeting to order at 3:02 p.m. Representatives Wilson, Gatto, Seaton, Cissna, and Kapsner were present at the call to order. Representative Wolf arrived as the meeting was in progress.

HB 152-HEALTH FACILITY MEDICAID RATES/ADV. COM'N  
HB 153-MEDICAID COST CONTAINMENT & PRIORITY LIST  
HB 172-MEDICAID:CHILDREN/PREGNANT WOMEN/FACILITY

CHAIR WILSON announced that the first order of business would be HOUSE BILL NO. 152, "An Act relating to payment rates under the Medicaid program for health facilities and to budgeting, accounting, and reporting requirements for those facilities;

abolishing the Medicaid Rate Advisory Commission; and providing for an effective date"; HOUSE BILL NO. 153, "An Act repealing the statute that sets priorities for the Department of Health and Social Services to apply to administration of the medical assistance program when there are insufficient funds allocated in the state budget for that program; authorizing the department to make cost containment decisions that may include decisions about eligibility of persons and availability of services under the medical assistance program; and providing for an effective date"; and 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."

CHAIR WILSON explained that the three bills would be looked at as a group because each bill on its own does not demonstrate what the administration is trying to achieve. She reminded the committee of the reorganization overview the Department of Health and Social Services presented to the committee [on 3/11/03] and said these bills will assist in implementation of that reorganization.

Number 0211

JOEL GILBERTSON, Commissioner, Department of Health and Social Services, explained that HB 152, HB 153 and HB 172 are part of a larger effort by the governor to control the growth of the Medicaid program while preserving services for those who are currently eligible, stabilizing the program in the coming years, and as end product having a health care safety-net system that the state can rely on into the future.

Number 0377

COMMISSIONER GILBERTSON told the committee that a little over two weeks ago the department [Department of Health and Social Services] announced a major restructuring of its operations going into fiscal year 2004 (FY 04). He said there are a number of changes being done to improve customer service at points of entry, as well as quality of care that is delivered by the department to grantees, client beneficiaries, and provider groups.

Number 0405

COMMISSIONER GILBERTSON referred to a chart ["FY 2004 Medicaid Services Distribution of Funds"] provided to the committee and

asked the members to note one of the most significant aspects of the restructuring in the department. He pointed out the redistribution of funding of the Medicaid program from where it is currently located, in the Division of Medical Assistance, to the divisions that are actually administering Medicaid services. He told the committee next year the department would have the Division of Children's Services, Division of Health Care Services, Division of Senior and Disability Services, and Division of Behavioral Health, all of which will be delivering aspects of the Medicaid program. Commissioner Gilbertson said that the department will have directors in each of these divisions making daily decisions on managing the Medicaid program, designing the Medicaid services, issuing regulations on Medicaid services that they provide, and, for the first time, having actual budgetary responsibility for those decisions.

Number 0475

COMMISSIONER GILBERTSON explained that the first chart in the packet shows how the FY 04 Medicaid budget will be broken up in the department. Currently, all Medicaid funding is located in the Division of Medical Assistance, which will no longer exist under the restructuring plan. He said roughly \$930 million will be broken up, with the bulk of it, \$630 million, going to the Division of Health Care Services. This division will continue on with most of the Division of Medical Assistance's previous functions, but the department will also be adding in a number of functions from the Division of Public Health. For example, the EPSDT [Early and Periodic Screening, Diagnostic and Treatment] for breast and cervical cancer, family planning, genetic screening, and some infant services will be provided through the Division of Health Care Services.

COMMISSIONER GILBERTSON said the next largest portion displayed on the chart is the Division of Senior and Disability Services. He said this will be a large portion of the restructuring and integration as the department takes over the Division of Senior Services from the Department of Administration. The department will be combining that division with the developmental disabilities services that currently are underserved through the Division of Mental Health and Developmental Disabilities, to create a new Division of Senior and Disability Services. He told the committee that this change will allow the department to unify all of the "waiver services" in one division. This will also mean that there will be a single point of entry for all of [the state's] senior services. He told the committee this is an issue seniors have been pushing for a very long time and

something they deserve. Customer service and continuum of care for seniors will be overseen by one division director. The amount of \$196 [\$191.6] million will be budgeted for that division and the department will have a division director who will be appearing before the legislature and who will be accountable for the waitlist, budget, and policy decisions behind the waitlist, rather than having it fractured the way it is right now.

Number 0540

COMMISSIONER GILBERTSON told the committee the third largest portion of the budget, which is \$108.7 million, will go to the Division of Behavioral Health. He explained that this division joins the current Division of Alcohol and Drug with the Division of Mental Health and Development Disabilities, taking the mental health component from that and merging it with the alcohol and drug abuse component so there is one division focused on behavioral health services. In many regions across the state, particularly in Western Alaska, the mental health providers and the substance abuse providers are the [same] individuals. He said this will allow grant efforts and decisions to be made recognizing the fact that there is a tremendous link between alcohol and mental health services. This change really benefits the system and benefits the quality of care the state delivers. He reiterated that this [restructuring] plan will assure that there will be an individual who will be administering and managing Medicaid services and who will be accountable for the financial condition of the division.

COMMISSIONER GILBERTSON said a small portion of the budget that goes to the Division of Children's Services is \$5.8 million, which is associated with behavioral rehabilitation services [residential child care] that are being administered through the Division of Family and Youth Services.

Number 0645

REPRESENTATIVE SEATON asked Commissioner Gilbertson if the portion allocated for the Division of Senior and Disability Services incorporates estimates for increases that may result from the elimination of the Longevity Bonus Program.

COMMISSIONER GILBERTSON responded that it does not. He said this budgetary component is a redistribution of Medicaid funding. He said if there is an assumption that there will be additional costs based on the elimination of the Longevity Bonus

Program, it would certainly be less than the longevity bonus payments themselves. That cost is not shown in the figures before the committee.

Number 0716

COMMISSIONER GILBERTSON said that in conjunction with these efforts, the governor has proposed a number of cost-containment mechanisms within the Medicaid program to stabilize costs and preserve services for beneficiaries, including services such as a preferred drug list, a transportation brokerage for non-emergency services, and a host of regulatory actions by the department that will help maintain costs.

Number 0845

COMMISSIONER GILBERTSON told the committee the governor has submitted three statutory items that are before the committee today. The first one is HB 152, which would eliminate the Medicaid Rate Advisory Commission (MRAC). He explained that the commission was established in 1984 and was at that time responsible for establishing the state's Medicaid payment rates to facilities. In 1989, by executive order, the MRAC became advisory only, and the department became responsible for setting the rates. In 1997, federal law that called for certain statutory requirements for how rates would be set in Medicaid programs was changed and Alaska followed those requirements in establishing fair and reasonable costs. However, Alaska's statutory provision remained, even though the federal law had changed.

COMMISSIONER GILBERTSON explained that the proposed changes to these sections bring Alaska's statutes into alignment with federal law and remove unnecessary provisions. Removing the Medicaid Rate Advisory Commission also removes the duplicative public process that is currently done, but not required in federal statute. He said current Alaska statutory language requires a standard. The department set rates for all facilities from a 10-bed facility up to one that has over 200 beds using the exact same methodology. To promote adequate payment rates as well as cost containment for the state, the department would like the flexibility to use varying methodologies for each facility because each facility has different circumstances. The proposed legislation would also simplify the statutes and provide the department and the facilities with the necessary flexibility for rate setting. He reiterated that current rate setting is being done by the

department, and the MRAC serves solely in an advisory capacity. He pointed out that there is an administrative cost, even though it serves in an advisory capacity and the elimination of the commission will provide a nominal savings for the state. Commissioner Gilbertson told the committee this bill is an acknowledgement of current practice and should be done to clarify current Medicaid rate setting functions.

Number 0866

REPRESENTATIVE KAPSNER asked who sits on the commission now and if those members provide input that is beneficial to the department.

COMMISSIONER GILBERTSON referred the question to Jack Nielsen, the executive director of the Medicaid Rate Advisory Commission.

Number 0899

JACK NIELSON, Executive Director, Medicaid Rate Advisory Commission, Division of Medical Assistance, Department of Health and Social Services, testified via teleconference from Anchorage. He told the members the MRAC has a CPA [certified public accountant], a physician, a department representative, a health facility administrator, and a consumer representative that preside over the facility rate hearings and public hearings on rates, and provide input and analysis based on "facility comments" and staff comments.

Number 0937

REPRESENTATIVE KAPSNER asked Mr. Nielson if he believes the department would get adequate information if the commission were disbanded.

MR. NIELSON replied that he thinks the department could set rates without the commission's assistance.

CHAIR WILSON commented that she received a call earlier in the day from a member of the commission who told her that the members support this legislation.

Number 0973

REPRESENTATIVE CISSNA asked, if the legislature abolishes the commission and the method of gathering public input, where the information will come from.

COMMISSIONER GILBERTSON responded that during the restructuring of the department, an office of rate review will be established. He said the department will bring individuals who have been working on rate setting into one office. There will still be data collection covering department activities and there will still be information collected to provide good information for rate setting. Currently, MRAC serves only in an advisory capacity. The department's position is that it should be aligned with federal law. He said MRAC is acting in a different capacity than what it was originally intended by executive order. He told the committee the department will have adequate access to information through cost reports and other data to set reasonable rates. Commissioner Gilbertson said there will still be a public process; however, rather than two public processes there will be one.

Number 1078

BOB LABBE, Deputy Commissioner, Department of Health and Social Services, testified that the department does collect information from facilities through Medicare cost reports. He said it also gets requests for information from other planning efforts that are ongoing with respect to the facility-costs issues and patient days. Mr. Labbe told the committee that the new office of rate review would actually broaden the scope of information gathering and would work to find information on various types of rate activities within the department. He said the commission has been focused fairly narrowly on hospitals, nursing homes, and rural health clinic services, and not as broadly on pharmacy rates, physician rates, or childcare rates. The department is looking at something more comprehensive.

Number 1142

REPRESENTATIVE GATTO asked Mr. Labbe how long he has worked in the department.

MR. LABBE said he has served as the deputy commissioner since January, but had previously worked in the department in another role for seven and a half years.

REPRESENTATIVE GATTO asked why the MRAC was established and how that need has been diminished.

MR. LABBE responded that both the need and federal law have changed. He said Mr. Nielson would have some recollection of the history of the commission.

Number 1199

MR. NIELSON said in 1984, federal law required states to pay for facilities services through a retrospective cost-based system, and costs were increasing so rapidly that Congress changed the federal law to provide more flexibility to states to establish rates. He said it was at that point when Alaska decided to go from a retrospective cost to a more flexible process through the commission. Then, in 1997, the law changed again to provide more flexibility, and really all it does now is require a public hearing on the rates and opportunities for people to comment. There has been an evolution in federal law.

Number 1258

CHAIR WILSON asked if there will still be a place for public input.

COMMISSIONER GILBERTSON responded that is correct. He said the way it now stands, there are two public hearings, but through this new public process there would be a hearing process through [the department's] office of rate review. He said as Deputy Commissioner Labbe mentioned, MRAC does the facilities-based rate setting, but the department does a whole host of other payments as well. It does reimbursement rates for physicians, childcare services, and a whole host of other rate-setting functions that go through the traditional public process. This is a duplicative process, as it now exists. Commissioner Gilbertson explained that this is a structural change in the department so that it has one office of rate review and a uniform rate-setting system across the state.

Number 1329

COMMISSIONER GILBERTSON told the committee the second bill he is here to introduce on behalf of the governor is HB 153, which would eliminate the options list under Medicare. He said under current statute, a priority list for medical assistance has been created; in which years when there have been insufficient funds allocated to fully fund the Medicaid program, the department can begin eliminating services along the options list as a way of bring cost containments to the Medicaid program. The administration's position and the department's position is that

the existing list is not an effective management tool. If used, it needlessly results in the denial of services and does not necessarily result in cost-effective management of Medicaid services.

COMMISSIONER GILBERTSON told the members that the proposed bill would replace the obsolete language with broad, general authority for the department to undertake cost-containment measures based on three key principles. First, the department must pursue all other reasonable cost-containment measures before eliminating any eligibility group or services. Second, the department must aggressively pursue strategies to maximize federal financial participation in the Medicaid program. For example, the governor's current budget put a priority on identifying areas in which the federal government is not fully paying for its share of the Medicaid program, namely, close to between \$17 and \$19 million that should have come to the state for services that were eligible for a federal Medicaid match through grant programs. Third, cost-containment decisions should be made in a manner that best reflects the needs and interests of eligible recipients.

Number 1396

COMMISSIONER GILBERTSON pointed out that the fiscal note associated with this bill shows a zero savings. Assuming the governor's budget and proposals are passed, the department does not anticipate using any of this new authority to have additional cost-containment measures. He said this is simply replacing an obsolete options list that the administration believes is unworkable and not an appropriate way of administering the Medicaid program. He recommended that the committee look at the options list provided and asked them to note the services that would be eliminated in years in which there would be insufficient funds allocated to the department for its Medicaid program operations. First, would be clinical social workers services, then psychologist services, then chiropractic services, then advanced nurse practitioner services, then adult dental [services], then emergency hospital service and a host of other services.

COMMISSIONER GILBERTSON said it would be difficult for the department to justify one before another. Some would result in increased costs, some are preventative in nature, and some are acute care. Commissioner Gilbertson said it is a list that the department does not believe is effective for cost containment. The administration does understand the reason behind the

legislation that created this. There is a need to prioritize services at times when the state cannot fully fund all services; however, he offered the belief that this can best be managed by having flexibility retained by the executive branch and the department that oversees the program to ensure that beneficiaries are not being unnecessarily harmed by those decisions.

Number 1546

CHAIR WILSON noted that emergency hospital services would be eliminated before physical therapy. She said she does not believe the options list is even close to being properly prioritized.

Number 1545

MR. LABBE offered a point of clarification on emergency services, saying the item listed on the options list refers to emergency services to a facility that is not licensed as a hospital. He said this does not mean the state would not pay Bartlett Hospital for emergency services. That is mandatory. This is an odd one, he remarked. There is a definitions section to the bill. Mr. Labbe pointed out that in order to achieve savings, since "we" have about 60 percent federal funding, and the department is looking for general fund savings, there would have to be pretty significant cuts down the list before the department would get any savings. He told the committee in this situation there would have to be a discussion and decision about whether the state would cover all the people or not provide prescription drug coverage for those it does cover. It is that kind of a discussion the administration would be having. The department cannot get there with the list.

Number 1612

COMMISSIONER GILBERTSON spoke to the final bill in the package, HB 172, which would freeze income levels for eligibility for Denali KidCare, Medicaid coverage for pregnant women, and the special income limit for nursing homes and home- and community-based waiver services. Under current law income standards are adjusted annually based on cost of living. There is a desire by the administration to not roll back coverage, not remove individuals from programs such as Denali KidCare or insuring pregnant women under Medicaid. However, the administration does have to take steps at this point to contain the growth of the program and strengthen and stabilize it to prevent what could

occur in future years. The administration sees that at some point the state may have the inability to fully fund services, and that would require the department to pull back core emergency services and vital coverage options for low-income populations.

Number 1660

COMMISSIONER GILBERTSON said the administration needs to take steps to control growth and maintain the eligibility populations at what the state has right now, which is what it can afford. He reiterated that those that are being covered right now are the ones [the state] can afford to cover; however, new ones will be added and some will be removed in time. The general structure of what is affordable and where to draw the line will remain at the 200 percent threshold for Denali KidCare and not go higher after 2003. This obviously will affect eligibility levels, and the fiscal note shows nominal savings in the coming years. He said the administration believes it is a prudent step that should be taken at this time to ensure the stability of the program and the ability of the state to fully fund all the services it currently offers for the eligible population that it currently covers.

Number 1695

REPRESENTATIVE WOLF asked if the income levels on page 4 are based on gross income, not net income.

Number 1710

COMMISSIONER GILBERTSON responded that is correct. He said those are the current eligibility standards for the three population [Denali KidCare participants, pregnant women, and individuals receiving care in nursing homes] groups. This is an effort to lock the current eligibility levels, which are at the maximum allowable level for the state.

Number 1720

REPRESENTATIVE KAPSNER asked what programs will be affected by this bill.

COMMISSIONER GILBERTSON replied that they are Denali KidCare, pregnant women, and individuals receiving nursing home care and home-based waivers.

REPRESENTATIVE KAPSNER asked if the income eligibility levels are based on federal poverty guidelines.

COMMISSIONER GILBERTSON responded that they are based on the federal poverty guidelines for Alaska.

REPRESENTATIVE KAPSNER commented that the state could have kids who are over the 300-percent-of-poverty guidelines who might not be getting services in the future.

Number 1759

COMMISSIONER GILBERTSON responded that the current income threshold for eligibility for Denali KidCare is 200 percent over the poverty guidelines for FY 03. That is the amount the administration wants to lock in. He said he believes Representative Kapsner's concern is based on the effect inflation will have on poverty levels. He said that inflation will not be reflected in the poverty guidelines. That assumption is correct. He told the committee that this is a policy decision by the administration that the current eligibility levels are what the state can afford.

COMMISSIONER GILBERTSON told the committee that it is essential to have prudent cost containment and to ensure that the services are strengthened so that cuts will not be necessary in other areas. He commented that there are not equal distributions along income guidelines. The number of individuals at 190 percent of poverty and 200 percent of poverty are not the same as those below 100 percent of poverty. He said there really are more individuals in the lower-income [category] than the higher. The numbers get smaller as income rises. He told the committee the number of individuals who will be affected even over the next five years is small. As an example, a family of three children on Denali KidCare right now can have an income of \$3,130 per month; however, the cost-of-living allowance, which is about 1.4 percent inflation going into 2004, would increase that amount to \$3,179. So there are individuals who made \$49 more per month who could see their services reduced. The possibility of people still not availing themselves of that service, knowing that it is a \$49 income difference, shows that there will not be individuals in bulk removed from the Medicaid eligibility levels, he concluded.

Number 1856

REPRESENTATIVE WOLF asked if a family of four, on last year's levels, could make \$51,600 per year, and qualify for Denali KidCare, including the PFD [permanent fund dividend] income.

COMMISSIONER GILBERTSON replied that is correct.

CHAIR WILSON responded that that is quite a high income to still be qualified for the Denali KidCare program.

REPRESENTATIVE WOLF commented that when he was raising his two children he did not make \$51,000 per year.

COMMISSIONER GILBERTSON told the committee the governor's position is that there currently are have fair standards for eligibility for the state programs. He said in order for the department to continue to provide the level of service currently provided, it will be necessary to cap the eligibility income guidelines. Commissioner Gilbertson reiterated that he believes the guidelines are very fair. He said the department does not see this as an arbitrary reduction in eligibility of the Medicaid program, but as part of a collection of steps that will allow [the department] to preserve the program for the future.

Number 1929

REPRESENTATIVE CISSNA prefaced her comments by saying that she believes the number of children reduced from the rolls will not be large; however, she is concerned that the administration may not factor in the accelerating cost of health care and other possible conditions that could occur in Alaska. She reminded members that 20 years ago, when many of the members may have been raising kids, the cost of health care was not very high. She told the members that at that time she paid 100 percent of medical expenses, so she can speak to that.

REPRESENTATIVE CISSNA asked the members to look at page 2 of the fiscal note dated March 5, where there is a table that shows the reduction of eligible recipients beginning in 2004 at 101; in 2005 it doubles, and the numbers keep going up to five years out, for a reduction of 832 recipients. It is a definite reduction, and this is money that is for kids, not for adults.

CHAIR WILSON commented that if the members look at page 4 of the bill [HB 172] it shows how much a family can make and still be eligible for Denali KidCare.

REPRESENTATIVE CISSNA said what she is concerned about is how many children are affected, not how much [the family] makes.

COMMISSIONER GILBERTSON interjected that he believes he knows Representative Cissna's concern. He asked the members look at the FY 04 numbers [page 2 of the fiscal note dated March 5, 2003] where there are 61 fewer eligible children for the Title I [Title XXI Children] Denali KidCare program. He told the committee the state has about 26,000 children on Denali KidCare. While the department shows a reduction in FY 04 because of the new poverty standard for that year, new poverty figures will be coming out in about one month. The 61 figure is actually inflated up front because the bill was drafted a month ago, but the new poverty figures will not come out until next month. Commissioner Gilbertson said the state has 26,000 children currently enrolled and will probably have far more in the future.

Number 2073

REPRESENTATIVE SEATON asked if the PFD counts as income.

COMMISSIONER GILBERTSON responded that to the best of his knowledge, the PFD income is held harmless.

REPRESENTATIVE WILSON commented that for a family of four, that would be four PFDs and a significant income amount held harmless.

REPRESENTATIVE KAPSNER said she knows \$52,000 sounds like a lot of money. However, for individuals living in a small village with the price of electricity at 53 cents a kilowatt hour, \$4 per gallon for gasoline for a snow machine, 4-wheeler, or outboard motor to go hunting, and \$6 or \$7 per gallon for milk, that income does not stretch as far, especially for a family of four. Representative Kapsner asked when this issue will be readdressed. She said poor people typically do not have the capacity to hire a lobbyist to come to the legislature to advocate for a change in the statute.

Number 2129

COMMISSIONER GILBERTSON told the committee this is statutorily driven and revisiting it is up to the legislature. He said he understands the concern of Representative Kapsner, but at this particular point, the administration is trying to figure out how

it can afford the current Medicaid program as it is currently structured.

Number 2165

COMMISSIONER GILBERTSON said there is tremendous pressure being placed on the state's budget, and because of the rising cost in the Medicaid program, without these changes there are likely to be far more reductions to the Medicaid program, including the inability to finance core services. The department is trying to engage in a collection of activities that can bring about cost containment on the margins so that it can continue to have a strong Medicaid program, strong Denali KidCare program, and insurance program for seniors who are receiving long-term care services. Absent prudent cost containment, it will become increasingly difficult for this state to ensure the individual who is well below 200 percent of poverty will be able to access emergency, dental, or other health care services.

COMMISSIONER GILBERTSON told the committee the governor and department are committed to taking those steps in order to strengthen those programs. There is incredible fiscal instability in maintaining the Medicaid program at the status quo. He reported that there was close to \$72 million in general fund program growth in the Department of Health and Social Services, and over 80 percent of that is associated with the Medicaid program. These are general fund increases that the state does not have the capacity to absorb, absent steps taken at this point, he told members.

Number 2203

CHAIR WILSON pointed out that any legislator could introduce a bill to address this issue next year. She pointed out that last year at this time there was a bill in the legislature to bring the percentage down to 150 percent of the poverty level. She told the committee she is pleased that the governor is looking at maintaining the program at 200 percent of the poverty guidelines.

REPRESENTATIVE SEATON said in reviewing charts provided by the department, [he found] it looks as though Medicaid-eligible children's costs have increased much faster than have adult-eligible costs or Medicaid costs for the elderly. He asked if there is a \$40 million increase from the FY 03 supplemental [budget] to the projection for FY 04 in the Denali KidCare program.

Number 2274

COMMISSIONER GILBERTSON responded that that is correct. The FY 03 figures, including the supplemental, had \$264 million, and [the state] is projecting \$306 million for coverage through FY 04.

REPRESENTATIVE SEATON said his concern is that the state is allowing this program [Denali KidCare] to grow very fast, and yet there are some pretty drastic cuts being proposed for education for our children.

Number 2298

COMMISSIONER GILBERTSON responded that the chart Representative Seaton is looking at is not a chart on the Denali KidCare program, but rather a chart on Medicare services to children. Denali KidCare's growth is much lower. He said he thinks the difference between 200 percent of poverty and 150 percent of poverty is about \$3 million in general fund dollars. He told the committee he believes Representative Seaton was referring to a larger pool of services in the figures he mentioned.

Number 2336

COMMISSIONER GILBERTSON said Denali KidCare is a special [insurance] program that allows the state to bring in children in families that have income levels slightly higher than that for Medicaid eligibility. This program has helped [the state] address part of the problem for uninsured children and the social costs. He said most of the care provided to children in terms of costs is delivered outside of the Denali KidCare program through the traditional Medicaid program.

CHAIR WILSON asked if children who live in Native villages, who do not qualify for the Denali KidCare program, would be provided health care through some kind of Native funding.

Number 2342

COMMISSIONER GILBERTSON replied that if the individual is an Alaska Native, he/she would be able to receive services through an Indian Health Service [IHS] facility. The state has actively worked with Native health corporations towards having enrollment in Medicaid programs. He told the committee it is a good deal for the state because the department receives 100 percent

reimbursement from the federal government for Medicaid services provided to Alaska Native Medicaid beneficiaries. That care must be provided through Alaska Native health care facilities that have compacted to provide IHS services previously. The state tries to work with Native corporations to have their populations become dual-eligible. They receive that care at the facility and there is no cost to the state.

**TAPE 03-26, SIDE B**

Number 2378

REPRESENTATIVE KAPSNER said she is not necessarily concerned with just Native kids in the state, but kids in small communities like Tenakee Springs where the cost of living is very high. There are a lot of non-Native villages in Southeast Alaska. She said it is little or no comfort to her to think the legislature can come back and readjust the figures next year. She referred to last year's debate on the income tax versus sales tax and said there was an implied message that people who do not make a lot of money are not hard workers. Representative Kapsner said there are not a lot of advocates in the building for poor people. She said she does not see how the legislature will come back and give away money to poor people or increase the money it gives away to poor people in the future. She said she is sensitive to poor people's issues and taking money away from people who need it, especially with kids and pregnant women. She said she does not see the will being there [in the legislature] to change this at any time.

Number 2336

REPRESENTATIVE WOLF asked if there is any reimbursement from the federal government for the Denali KidCare program.

COMMISSIONER GILBERTSON responded that the state does receive funds for the Denali KidCare program. Recently, the state received a redistribution of funds, as other states are not fully implemented. He said the state received about \$12 million last year. Since the Denali KidCare program is the state's children's health care program, it is able to access the advanced federal medical assistance percentage, which is a little over 58 percent. The enhanced federal medical assistance, which is for the Denali KidCare program, Breast and Cervical Cancer Programs, and other programs, the federal government has provided incentives for states to participate and [the State of Alaska] receives between 71 and 72 percent. He commented that percentage changes each year.

Number 2288

REPRESENTATIVE CISSNA asked what percentage of enrollees in the Denali KidCare program is Native Alaskans. If they get 100 percent reimbursement from the federal government, does that mean there is no cost to the state?

Number 2271

COMMISSIONER GILBERTSON replied that the state only receives 100 percent reimbursement when the services are provided through a IHS-compacted facility. If a child is eligible for a state insurance product, the Medicaid program for example, and receives that service through the Yukon-Kuskokwim Health Corporation, [the state] will receive 100 percent reimbursement. However, if that same child goes to any outside medical facility, the reimbursement reverts back to the traditional formula and is not eligible for the 100 percent reimbursement. He told the committee that statewide the Medicaid program provides roughly \$240 million in Medicaid services to Alaska Native Medicaid beneficiaries. Of that \$240 million, \$170 million was provided outside of an IHS-compacted facility or Native health care system, so the state currently pays \$80 million in general funds to provide its 42 percent match for the Native Medicaid beneficiaries who have chosen to receive services outside the Native health care system. He summarized by saying that being an Alaska Native does not mean there is 100 percent reimbursement from the federal government. It is only when services are provide inside the Native health care system, and currently most services are provided outside the Native health care system.

Number 2212

REPRESENTATIVE CISSNA asked how many Native Alaskan children are enrolled in the Denali KidCare program.

COMMISSIONER GILBERTSON replied that he would provide that number to the committee.

Number 2205

REPRESENTATIVE GATTO asked if there are any costs to the state when a Native Alaskan walks into the Alaska Native Medical Center in Anchorage and receives care.

COMMISSIONER GILBERTSON replied that if the individual is Alaska Medicaid-eligible, the state is able to charge that back to the U.S. government at the 100 percent reimbursement rate.

REPRESENTATIVE GATTO asked what the cost would be to the state if the same person with the same illness walked into Providence Hospital and received the same service. If, for example, the cost is \$1,000, what is the expense to the state?

COMMISSIONER GILBERTSON responded that in that case the state would pay 42 percent. He told the committee that the state is currently working with the congressional delegation to clarify some of the reimbursement language for IHS to ensure 100 percent federal reimbursement for some services that are not provided within the four walls of an IHS-compacted facility. This is to ensure that when there are compacted relationships or referrals made through the IHS facility, that care is still reimbursed at 100 percent. He said this administration's policy is to sign up everyone who is eligible for Medicaid. He said that while the department authorizes care, it does not authorize where that care is provided. Individuals do have the right to choose where they receive their services, and the administration is committed to protecting that right. He said the department is working with Native health care systems to ensure that it recaptures the greatest number possible for federal reimbursement to Alaska Native Medicaid beneficiaries. He said these are dollars that can be invested into the tribal health care systems and Native health care corporations to expand services in their regions. Doing this will allow for additional general fund dollars that will ensure the department can have fair, reasonable reimbursement rates for non-Native facilities.

Number 2011

REPRESENTATIVE GATTO commented that there is no recourse for patients who are eligible for 100 percent reimbursement at a Native facility, but who go to a non-Native facility where there is a cost to the state. He pointed out that it would be cheaper to pay for a cab ride to the Native facility than to provide the care at a non-Native facility.

COMMISSIONER GILBERTSON told the committee that the department, as the state's administrator of the federal Medicare program, must allow individuals the right to receive care at the facility of their choice. He said the department does not differentiate between populations based on heritage or any other characteristics. The department will be working with the

providers to ensure that it designs its systems in a way that maximizes federal revenues.

REPRESENTATIVE GATTO replied that a soldier's family could do the same thing. While a soldier gets free medical care at the air base, there is the option of getting medical care where it is more convenient.

COMMISSIONER GILBERTSON responded that he is talking about Medicaid-eligible individuals.

REPRESENTATIVE GATTO replied that is what he is talking about too. A lot of soldier's families are Medicaid-eligible.

COMMISSIONER GILBERTSON told the committee that the department administers the program in a fair manner. He said the department is subject to myriad other federal laws including the Emergency Medical Treatment and Active Labor Act [EMTA], which ensures that hospitals have to treat individuals who come in their doors regardless of insurance coverage. There are a host of laws that require fair treatment of individuals, and he said the department is managed in the spirit of those laws.

Number 1987

REPRESENTATIVE CISSNA asked if the expanded language that covers more situations accommodates the "divert" system. For example, if there is an emergency in Anchorage and the ambulance is called, an individual might as likely show up at the Alaska Native Medical Center as at Providence Hospital. That individual might be headed for the Native hospital, but if the facility is full, which is becoming more and more of a problem, then that person would be taken to Providence Hospital.

Number 1948

COMMISSIONER GILBERTSON asked if Representative Cissna was referring to the department's efforts to clarify federal law. In reply to her affirmative response, Commissioner Gilbertson said the department is working with the congressional delegation on the Indian Health Care Improvement Act of 1976. He told the committee that services provided through an IHS facility are reimbursed at 100 percent. So the question is what is provided through an IHS facility. That Act included language that said this was not an effort to increase any new burden on states to pay for care for individuals where the federal government maintained trust responsibilities. The interpretation the

federal government has reverted to is that the care provided includes services within the four walls of that facility. [The state] contends that it has been historically interpreted to be beyond that scope and that it should include services that are provided through a referral. He said he does not believe that the change will be so expansive that it will deal with where individuals' intent was to receive services. Rather, it would be where there is a clear contractual relationship whereby an individual first receives his/her services through an IHS-compacted facility and then is referred out. It is similar to a gatekeeper in some health care systems.

Number 1887

REPRESENTATIVE CISSNA responded that if there is a gate keeping agreement between those hospitals in Anchorage and the divert system is very carefully planned, there is a contract between the hospitals.

COMMISSIONER GILBERTSON questioned whether that would still qualify, even if the congressional delegation were successful in changing the federal law.

Number 1850

MR. LABBE commented that he does not know if that kind of agreement would apply, but said he would look into it.

Number 1821

DENNIS MURRAY, Administrator, Heritage Place Nursing Facility, testified via teleconference from Kenai on HB 152 and HB 153. He urged caution on the part of the committee with respect to eliminating the Medicaid Rate Advisory Commission [HB 152]. He said he would not be as concerned as long as the state prescribes a process for public hearings. He said the language "fair and reasonable" is a problem because it creates a standard for the state in terms of providing services to Medicaid recipients and adequate reimbursement to providers. He said he would not be in favor of elimination of that language.

MR. MURRAY commented that in HB 153 the current options described by the commissioner do have flaws in them; however, the legislature has looked at the various priorities and has determined that some are higher than others. He said the elimination of that language would certainly leave uncertainty in terms of whether one service is more crucial to someone than

something else. He told the committee as a nursing facility administrator, he knows that these clients are some of the most vulnerable in the state and that the elimination of those services would be devastating. He said it would be unfortunate if passing this legislation would mean that those priorities established by the legislature would be lost and the department would have total discretion in what services it chose to fund. The legislature would be left out of that equation in terms of giving its sense of what those priorities are.

Number 1654

COMMISSIONER GILBERTSON responded that the purpose of this bill is to align Alaska Statute with current federal law and current practice. The Medicaid Rate Advisory Commission when it was established did serve in a rate-setting function; however, it now serves in an advisory capacity. The department maintains the rate-setting functions. The Boren Amendment that was referred to is the federal law that established the standard, and the Alaska Statute was established to mirror that federal statute. The Boren Amendment has been repealed; this bill would repeal that state law. He told the committee that there will be rate-setting at [the department's] new office of rate review. There will still be a public process for rate setting. Facility rate setting will have the same structure and design as physician-based reimbursement and all other non-inpatient reimbursement services. The department will have an office that will reflect the varied rate-setting functions of the department including childcare and subsidized adoption.

Number 1437

CHAIR WILSON asked the commissioner to respond to Mr. Murray's comment concerning the options list.

COMMISSIONER GILBERTSON told the committee that the administration's position is that the options list is not an effective cost-containment mechanism. The options list has rarely been utilized and is not an effective way to manage costs in the Medicaid program. He said the options list will replace the obsolete language with general authority for the department to utilize cost-containment mechanisms. There are three clear principles that have to be used by the department. First, the department must pursue all other reasonable cost-containment measures before eliminating any eligibility group or service. Second, the department will actively pursue strategies that maximize federal receipts. Third, decisions should be made in a

manner that best reflects the needs and interests of eligible Medicare recipients. The department will still have cost-containment reviews and make prudent decisions on where cost-containment should be made, what services should be fully funded, and if there needs to be a reduction in a type of service. However, that would have to be done with the guiding principles protecting the public interest. Long-term care facilities and nursing home facilities certainly would not be the first areas the department would be looking at for cost containment. These facilities would be protected by more direct and explicit authority by the department, rather than reverting to an options list that is not constantly under review.

Number 1430

REPRESENTATIVE SEATON moved to report HB 152 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 152 was reported from the Health, Education and Social Services Standing Committee.

Number 1420

REPRESENTATIVE GATTO moved to report HB 153 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 153 was reported from the Health, Education and Social Services Standing Committee.

Number 1396

REPRESENTATIVE SEATON moved to report HB 172 out of committee with individual recommendations and the accompanying fiscal notes.

Number 1379

REPRESENTATIVE CISSNA objected to the motion, saying that she has difficulty with cost containment in the areas addressed by this bill. Representative Cissna said that she believes these kinds of measures will cause more people to leave the state.

Number 1326

REPRESENTATIVE KAPSNER agreed with Representative Cissna's objection. She said the cap being placed on poverty guidelines, with no date set out for readdressing this issue, is problematic. Representative Kapsner commented that there is such a high turnover in the legislature, and limited

institutional memory, that by the time kids and pregnant women are at 300 to 400 percent of the poverty guidelines, a lot of the legislators will not be here. She said that more than half of the House has been here two years or less, and more than 75 percent of the House has been here four years or less. Representative Kapsner said that the climate in the building is very unfriendly to people with hardships, and she cannot in good conscience vote for the bill. She told the committee she does understand what the governor is looking at with cost-containment measures, but she does not think kids, elders, and pregnant ladies are the people to target. There are a lot of other avenues to look for money. She told the members she is totally opposed to this bill.

Number 1257

REPRESENTATIVE SEATON asked Commissioner Gilbertson whether, as the poverty level is adjusted, not including the Alaska cost-of-living adjustment, those numbers will change.

Number 1234

COMMISSIONER GILBERTSON asked for the question to be clarified.

REPRESENTATIVE SEATON said that he understands that this bill would revise statute from a percentage to a fixed number.

Number 1205

CHAIR WILSON called a brief at-ease at 4:19 p.m. The committee was reconvened at 4:20 p.m.

Number 1142

A roll call vote was taken. Representatives Wilson, Gatto, Wolf, and Seaton voted in favor of reporting HB 172 from committee. Representatives Cissna and Kapsner voted against it. Therefore, HB 172 was reported out of the House Health, Education and Social Services Standing Committee by a vote of 4-2.

Number 1120

CHAIR WILSON called a brief at-ease at 4:21 p.m. The committee reconvened at 4:22 p.m.

HB 167-ALCOHOLISM AND DRUG ABUSE GRANTS

CHAIR WILSON announced that the next order of business would be HOUSE BILL NO. 167, "An Act relating to grants for alcoholism and drug abuse programs; and providing for an effective date."

Number 1103

ELMER LINDSTROM, Special Assistant, Office of the Commissioner, Department of Health and Social Services, testified in support of HB 167. He explained that the bill is very straightforward in that it requires that the alcohol and drug abuse grantees increase their local match to 25 percent from 10 percent.

MR. LINDSTROM pointed out that the fiscal note reflects the reduction in state support for these programs, with a savings of approximately \$1.6 million. It is assumed that local communities will be successful in providing for an additional match and therefore [the department] would not expect there to be a reduction in services at the community level. He offered the belief that the grantees would be able to increase their local contribution to the program. He said this proposal came from the Division of Alcohol and Drug Abuse as a result of [the department's] budget exercise earlier in the session. He said the 25 percent local match requirement is the same as the standard for the mental health grant program.

Number 1050

MR. LINDSTROM said the Division of Behavioral Health will be constituted from the existing Division of Alcohol and Drug Abuse and the existing Mental Health Program portion of the Division of Mental Health and Developmental Disabilities. It is reasonable that the substance-abuse grant program and the mental health grant program would require the same 25 percent match from grantees. He said he overstated the case in a previous hearing on this bill in the other body. He told the committee he did suggest that 25 percent was the standard across all of the department's grant programs, and that is not the case. There is wide variation in what the local match requirement is from various programs funded through the department. The 25 percent is the standard for the mental health grant program, which [the department] believes is the best comparison.

Number 0952

CHAIR WILSON commented that there is a spreadsheet in the bill packet that shows the amount of reductions for each area in the

state. She said it is very difficult decision for all the members in these days when there are limited funds and so many needs.

Number 0908

REPRESENTATIVE CISSNA referred to the sponsor statement from [U.S.] Senator Lisa Murkowski, who was then a state Representative, for the alcohol tax bill that was put in last year. In that statement, [then-Representative Murkowski] said that she "introduced the bill to help offset the soaring costs of alcohol-related expenses." Representative Cissna went on to say Representative Murkowski ended her sponsor statement by saying, "This legislation is an important part of the effort to address the problem of alcohol and alcohol abuse in Alaska and would help provide revenue needed for the expanded treatment, therapeutic courts, diversion programs, and other initiatives now under consideration in the legislature." Representative Cissna commented that although that is not dedicated funding, this is one of the few revenue-enhancement measures that came about last year, and the purpose was to provide funds for programs that would curb one of the most expensive habits in this state.

CHAIR WILSON agreed with Representative Cissna on that point, but noted that in the original bill, the tax was actually much higher than the one that passed the legislature.

Number 0779

REPRESENTATIVE CISSNA commented that may be true, but the problem has not decreased; if anything, it has increased.

CHAIR WILSON responded that unfortunately [the legislature] cannot designate where the funds go. She commented that maybe the legislature would have been able to prevent these reductions if the higher tax had passed.

REPRESENTATIVE CISSNA said the tax is in place. She told the committee she has an amendment she would like to introduce at the appropriate time.

CHAIR WILSON told the committee she wants to be advised ahead of time when a member has an amendment.

Number 0711

MR. LINDSTROM told the committee passing this bill is the appropriate thing to do. It is the only statutory local match requirement that exists. He said there is another area in the governor's budget for FY 04 that he believes will address some of Representative Cissna's concerns. There is approximately \$3.5 million in alcohol tax receipts for new programmatic efforts, and there is an expectation that the program, under [the administration's] emphasis on maximizing federal receipts, ought to be able to generate a significant amount of additional federal dollars for the Medicaid program by leveraging that \$3.5 million. Mr. Lindstrom offered to get that information on additional substance abuse treatment proposed in the governor's budget.

Number 0599

CHAIR WILSON referred to page 1, lines 8-11, which says, "The department may waive all or part of the requirement that state money be matched by community money if the department finds that community money is unavailable and waiver of the requirement is in the best interests of the state." She asked Mr. Lindstrom to explain that language.

Number 0544

MR. LINDSTROM referred to a spreadsheet in the bill packet that was labeled "SB 124/HB 167 Increase in Local Match Requirements for Substance Abuse Grants (Revised 3/12)." He told the committee that exempted from community grant match are the community-based suicide-prevention projects and those projects that are less than \$30,000. He said in these cases either the communities do not have a local match at all or other programs that are services for families would remain at the 10 percent match. Community prevention services under \$30,000 would also remain at the 10 percent match. Mr. Lindstrom told the committee the language provides for the department to waive match requirements in full or in part under a hardship.

Number 0425

REPRESENTATIVE WOLF asked if the grantees are normally nonprofit corporations.

MR. LINDSTROM answered in the affirmative.

REPRESENTATIVE WOLF pointed out that these organizations have the ability to seek corporate or federal grants outside the [state] government sector.

CHAIR WILSON asked Representative Wolf to expand on grants obtained from sources other than state government.

Number 0381

REPRESENTATIVE WOLF referred to 501(c)(3) nonprofit funding, which he said is virtually untapped nationwide. Representative Wolf told the committee there was over \$160 million in grant funding that was not applied for last year. If the nonprofit organizations in the state of Alaska were more enthusiastic about trying to build partners, he said, it would be a lot easier to accommodate these programs.

REPRESENTATIVE CISSNA asked if groups that this legislation affects are existing nonprofits and if the new programs being suggested by the governor's legislation are also nonprofits or are government programs.

Number 0273

MR. LINDSTROM replied that virtually all support for the substance abuse treatment programs are for "our grant in aid" program to nonprofits. He said he believes the priorities for the additional funding are for women and children's services, particularly for families that may be involved in the child-in-need-of-aid system. He said there is also emphasis on adolescent treatment in rural areas.

Number 0221

REPRESENTATIVE KAPSNER asked why a 25 percent match was chosen.

MR. LINDSTROM replied that the suggestion at the first budget meeting was that 25 percent was the standard in all of the department's grant programs. However, he said he subsequently learned that really is not true. It is the standard for the most analogous grant program, which is for mental health grants. He told the committee there is a wide variety of match rates. Mr. Lindstrom said it was stated by the former director that this is relatively low; in looking for budget savings, it was something that rose to the top of the list as one of the most feasible and least harmful things to propose.

REPRESENTATIVE KAPSNER asked Mr. Lindstrom if he has rates of alcohol consumption versus crime. She asked if he could think about that with respect to cost to the state.

MR. LINDSTROM replied that there is a wealth of information about that subject and a recently published report by the criminal justice assessment commission, which compiles a lot of alcohol-related statistics. He said he has found in his conversations with law enforcement and corrections staff that there is a very high percentage of criminal behavior where there is substance abuse involved.

Number 0003

REPRESENTATIVE KAPSNER asked if the department considered using a sliding scale for the communities that could least afford to pay for the services. For instance, municipal assistance and revenue sharing is going to go down this year, and there have been huge decreases in that program over the last ten years. Many communities are not faring well with timber, mineral, tourism, and oil markets such as they are. Would the department consider a sliding scale for communities that can afford to pay more?

**TAPE 03-26A, SIDE A**

Number 0013

MR. LINDSTROM said he did not believe that there was any expectation that local governments would be stepping forward to make up the shortfall. It was much more of an expectation that through various types of fundraising, grants, and other sources of funds, the nonprofits would generate the additional match. Mr. Lindstrom said that there is an expectation that all of the treatment providers in the system offer a sliding-fee scale for the clients who come in to be served. This is the public treatment system, so the patients tend to be very low-income individuals.

REPRESENTATIVE KAPSNER replied that her understanding is that communities would be asked to pay, and asked if she is misreading the bill.

MR. LINDSTROM replied that the word "community" is in the broad sense of the word, and not referring to local government. He pointed out the exemptions for very small communities, particularly those communities that only receive the suicide

prevention grant, which is approximately \$12,000 to \$17,000. There is not the expectation of a match from those communities.

Number 0166

REPRESENTATIVE KAPSNER asked what the waitlist is for some of these treatments programs.

Number 0177

MR. LINDSTROM responded that there is an updated waitlist report that he has not yet seen. It was due in January or early February. He said he would get a copy of that report to the committee. Mr. Lindstrom said he heard discussions about the report and believes the number is similar to the previous waitlist, which is very significant in many areas of the state at any given time. The waitlist report from a year ago was about 300 individuals waiting for treatment.

REPRESENTATIVE WOLF said for the record that many state and federal governments recognize nonprofit organizations as community organizations. The 25 percent match for nonprofits is a comparatively low number. Most government grants for nonprofit, community-based organizations start at 33 percent and go up from there. He told the committee he has seen a two-to-one match, so a 25 percent match is a low number. By bringing in the community, the organization has an opportunity to expand understanding and knowledge of the care that organization provides. He told the committee bonding and stewardship are very tough to regulate, and a lot easier to educate [people about].

Number 0340

REPRESENTATIVE GATTO said the state spends a lot of money on substance abuse treatment and he is curious if the state is getting anything out of it. Do [these programs] cure people, and if they do, is it a percent or a serious number? He asked Mr. Lindstrom what the success rate is over one, five, and ten years, having people be drug-free for 24 and 48 hours before they come back. Does [the state] have numbers to indicate success in all the money the state spends?

MR. LINDSTROM pointed to the "New Standards Report of 1998," where a firm came in under contract and did a study on the success rates of alcohol and substance abuse programs. The conclusion was that programs are effective. He said the most

compelling discussion he has heard on this issue was from a previous director of the division, Ernie Turner, who changed the way Mr. Lindstrom thought about alcohol abuse. Mr. Lindstrom said he and most of the folks in the health care community believe that defining what success means is important because alcoholism is a disease that is chronic, progressive, and if not treated the outcome is death. In thinking about any other chronic disease, one would not ask this kind of question. If a person has diabetes or chronic diseases and is treated, gets better, and then subsequently is required to be hospitalized again, there would not be the suggestion that the first treatment was a failure in some sense, Mr. Lindstrom commented.

Number 0511

MR. LINDSTROM went on to say that there is recognition that with some chronic diseases there are some people who will be able to go on and not have a relapse; however, it is not uncommon for there to be a relapse. The short answer is that there is success, but not 100 percent success, the first time; for the rest of their lives, that answer is no.

Number 0603

REPRESENTATIVE GATTO told Mr. Lindstrom he understands what he is saying, but diabetics are told that unless they take insulin every day for the rest of their lives, they will get sick and die. If a person does not take it and gets sick, that is a problem with a person who is abusing himself or herself. He said he is more concerned about a person who is a diabetic who does the right thing, watches his/her diet, and occasionally comes back. That is quite a different story. Representative Gatto said he is not expecting 100 percent of anything, but he said he is expecting a number that says this is not a waste of state money. He said the legislature is spending a great deal of money and that he gets a lot of input from the community concerning repeat offenders.

REPRESENTATIVE GATTO shared that after 25 years on the streets of Anchorage as a paramedic, he can tell the first names, second names, and family names of people who come back over and over again. He offered his belief that these individuals have no interest in any kind of a cure. Their main interest is living on the dole. That is their primary goal in life. He questioned whether the state wants to support people whose primary goal is to live on the dole.

Number 0661

MR. LINDSTROM apologize for overstating the case for alcohol treatment, and he said he would get a copy of the report to the committee. He said treatment does have good value and he is well aware of the situations Representative Gatto described and does not dispute for one second that they [exist].

Number 0709

PAM WATTS, Executive Director, Governor's Advisory Board on Alcoholism and Drug Abuse, Office of the Commissioner, Department of Health and Social Services, testified on HB 167. She said that while she did not hear all of the previous testimony, what she heard was very important. She told the committee when looking at legislation that changes the match rate from 10 percent to 25 percent, the committee needs to acknowledge that the Division of Alcoholism and Drug Abuse funding has been flat for approximately 10 years. There have been a lot of discussions about inflation-proofing funding, and that has not been done with this program. She said the grantees have had cuts over the past 10 years, and this will increase the burden on them.

MS. WATTS pointed out that the client population served by this program is either very low-income or indigent, so while there is a sliding-fee scale, the ability to collect from this population is extremely limited. The Veterans' Administration used to pay for some of this treatment; however, that is now impossible. Providers used to be able to collect permanent fund dividends from some of these folks, but child support enforcement and a lot of other important entities are first on the list in that regard. If current legislation being proposed to take the permanent fund dividend away from individuals who are arrested for driving under the influence [passes], providers will not have that any longer either. Many of these people are not employed. Ms. Watts said she understands what the committee members have said, that there should be accountability for treatment, and many times down the road once they have received treatment, become productive, and can pay for treatment, "we do receive it."

Number 0919

CHAIR WILSON asked Ms. Watts how often individuals who have been through treatment come back and pay for that treatment.

MS. WATTS said when she worked as a treatment provider for eight and a half years [both residential services and outpatient prevention services], the big-ticket item was the residential services. Unfortunately, those are the people who are most severely impaired. That is why residential treatment sometimes is not as successful as outpatient treatment, because these are really late-stage people. Many of them were provided treatment on a sliding-fee scale, and some of them were right out of corrections; some of them had no cash. They were on a treatment plan, and it would not be very much a month, but they were paying something. If the individual did not pay anything, it was turned over to collections.

MS. WATTS told of a provider in Seward that says if its match rate goes up, it will be very difficult because it gets its [matching funds] from clients.

Number 0930

MS. WATTS responded to Representative Gatto's question and Mr. Lindstrom's comment on the New Standards Study, which does show that Alaska is not only comparable in successful treatment outcomes compared to the rest of the country, but showed that Alaska was slightly above the national average. Right now the Mental Health Trust Authority and the legislature are funding a study through the University of Alaska to give more current information about treatment outcomes. As soon as it is available, she said, she will make it available to the committee.

Number 1042

MS. WATTS strongly encouraged the committee to keep the language intact that refers to the department's ability to waive the match if the department determines that community money is unavailable and a waiver is in the best interest of the state.

Number 1068

MATT FELIX, National Council on Alcoholism, testified in opposition to HB 167. He gave a brief description of his long career in the alcoholism treatment field. He told the committee he believes this bill is not needed because the 25 percent match is a goal that most community nonprofits cannot reach in public programs. He pointed out that with this population, by the time they need treatment, most of their resources are gone. The grant-in-aid regulations under Governor Hickel found that this

is a very efficient way of providing services and that it is probably done at a third of the cost of providing services by state employees. The grant-in-aid regulations by the state require a nonprofit to charge for those services. The provider is required to use the federal regulations for poverty guidelines on a sliding-fee scale. Some of these people can pay and some do. He said when he was running the hospital in Juneau, city government provided some of the funding. In Anchorage, the city would receive the same grant and match funding for programs or nonprofits, but it was difficult to match because the funds were substantial. Since the late 1980s, Anchorage has decided not to match funding, and since the late 1990s, the city of Juneau has decided not to either.

MR. FELIX said in rural Alaska there has been a hard time reaching the 10 percent match. The people out there do not have the ability to pay at all. He said he recalls that some individuals paid in fish and handmade products.

Number 1313

CHAIR WILSON announced that she would end testimony at this time. [HB 167 was held over.]

#### **ADJOURNMENT**

Number 1340

There being no further business before the committee, the House Health, Education and Social Services Standing Committee meeting was adjourned at 5:03 p.m.