

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

January 13, 2004

3:03 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Senator Gary Stevens

**COMMITTEE CALENDAR**

HOUSE BILL NO. 374

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

- MOVED HB 374 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 374

SHORT TITLE: SENIORCARE

REPRESENTATIVE(S):

01/12/04	(H)	READ THE FIRST TIME - REFERRALS
01/12/04	(H)	HES, FIN
01/13/04	(H)	HES AT 3:00 PM CAPITOL 106

**WITNESS REGISTER**

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

POSITION STATEMENT: Presented HB 374 to the committee and answered questions from the members.

MARIE DARLIN, Coordinator  
Capital City Task Force  
AARP Alaska  
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 374 and answered questions from the members.

SARA JACKSON, Program Manager  
Saint Francis House  
Catholic Social Services  
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 374.

STEVE ASHMAN, Director  
Division of Senior and Disabilities Services  
Department of Health and Social Services  
Juneau, Alaska

POSITION STATEMENT: Testified on HB 374 and answered questions from the members.

ED ZASTROW, President  
AARP Ketchikan Chapter  
Ketchikan, Alaska

POSITION STATEMENT: Testified in support of HB 374.

#### **ACTION NARRATIVE**

**TAPE 03-01, SIDE A**  
Number 0061

**CHAIR PEGGY WILSON** called the House Health, Education and Social Services Standing Committee meeting to order at 3:03 p.m. Present at the call to order were Representatives Wilson, Gatto, Wolf, and Seaton; Representatives Cissna, Kapsner, and Coghill arrived as the meeting was in progress. Also in attendance was Senator Gary Stevens.

HB 374-SENIORCARE  
Number 0473

CHAIR WILSON announced that the only order of business would be HOUSE BILL NO. 374, "An Act establishing the SeniorCare program and relating to that program; and providing for an effective date."

CHAIR WILSON noted for the record that Representatives Kapsner and Cissna have joined the meeting.

Number 0573

JOEL GILBERTSON, Commissioner, Department of Health and Social Services, presented HB 374 to the committee and answered questions from the members. He told the members that Governor Murkowski's SeniorCare proposal, a portion of which is in HB 374, is an effort to ensure that seniors from Alaska have greater access to health care services in general, but more specifically access to prescription drugs. There have been difficult challenges for seniors in affording prescription drugs for a number of years. Medicare and Medicaid came into existence in 1965, but in the 38 years since Medicare was established, it failed to provide for prescription drug benefits for seniors, he said. Commissioner Gilbertson commented that when the governor was a U.S. senator he voted numerous times to establish a prescription drug benefit under Medicare, but Congress was never able to pass and deliver a benefit for seniors. That changed last fall. Congress has now established a Medicare prescription benefit for seniors; however, the legislation that was passed is very complex and it will take a number of years for it to be implemented. Under the federally passed legislation the implementation does not begin until January 1, 2006, he explained. While there is some temporary assistance for seniors until then, there continues to be pressure, particularly on needy seniors, to afford their prescription drugs. Commissioner Gilbertson said it is for that reason that Governor Murkowski announced the proposed SeniorCare program in December.

Number 0607

COMMISSIONER GILBERTSON explained that under SeniorCare a cash subsidy will be delivered to individuals who are below 135 percent of the poverty [level]. Currently, the state is operating the Alaska Seniors Assistance Program, which is a cash subsidy program that began in the fall after the termination of the Alaska Longevity Bonus Program. The program provides \$120 per month to seniors who have incomes below 135 percent of the poverty [level]. A single person would have to have an [annual] income below \$15,135 and a couple would have to be below \$20,439 to qualify for this benefit. Commissioner Gilbertson told the members that under SeniorCare there would be an expansion of this benefit by adding prescription drug coverage for those

seniors who find that more in line with their spending habits. Under the SeniorCare program, seniors who are currently receiving benefits under the Alaska Seniors Assistance Program will have a choice, he told the members. If seniors are comfortable continuing to receiving their cash assistance and believe it is most appropriate for their financial situation, they will have that choice. However, another choice for seniors in that demographic will be a \$1,600 annual prescription drug subsidy. This is a direct subsidy for out-of-pocket costs.

Number 0663

COMMISSIONER GILBERTSON told the members that there would also be an expansion of the program to include a larger group of seniors. These are seniors who fall between 135 percent of the poverty [level] and 150 percent. The annual income for that group is [\$16,815] for a single person, and [\$22,710] for a couple. He explained that this group of seniors does not receive any assistance through the Alaska Senior Assistance Program, but would receive an annual \$1,000 prescription drug subsidy [through the SeniorCare program].

COMMISSIONER GILBERTSON explained that the interaction with these [two] programs is in line with the federal prescription drug assistance which will provide temporary relief for qualifying seniors. Under the Medicare prescription drug benefit, seniors whose income is below 135 percent of the poverty [level] will receive a \$600 annual Medicare subsidy until the full benefit begins in 2006.

Number 0710

COMMISSIONER GILBERTSON said that all seniors will be receiving the Medicare drug discount card. This card provides for negotiated rates with manufacturers and suppliers that will reduce between 10 and 25 percent from the retail price for prescription drugs for seniors.

Number 0763

COMMISSIONER GILBERTSON asked the members to look at the chart titled "Bridging the Gap," and explained that the Department of Health and Social Services looked at a comparison of benefits for an individual who had \$2,500 in annual prescription drug expenses. He noted that this is a higher cost than average. He told the members that without the SeniorCare [program] an individual that is below 135 percent of poverty would receive

\$600 in Medicare prescription drug assistance, a minimum of a 10 percent to 25 percent discount that the department equates to \$250, which means that senior would be out of pocket \$1,650. Under the governor's proposal that is before the committee today, seniors who choose the prescription drug benefit will still receive the \$650 subsidy from the federal government and the \$250 discount, but will also receive the \$1,600 prescription drug subsidy from the State of Alaska, which means their out-of-pocket cost will be \$250, he said. If a senior opted for the cash assistance program instead, his/her out-of-pocket cost would increase to [\$210]. Commissioner Gilbertson summarized that the department believes that since the cash assistance is more flexible, most seniors will continue to elect the cash assistance payments.

Number 0825

COMMISSIONER GILBERTSON explained that seniors between 135 percent and 150 percent of the federal poverty level without SeniorCare would receive only the prescription discount card, which means they would be out of pocket \$2,250. He commented that while it is assistance, it is not enough to bridge the gap until 2006. Under the SeniorCare proposal these seniors would receive a \$1,000 drug subsidy.

COMMISSIONER GILBERTSON pointed out that this is not an insurance product; it is a drug subsidy. Commissioner Gilbertson commented that most seniors' drug costs are lower than the \$2,500 used in the comparison. But if their costs are lower, these individuals would receive a greater percentage of assistance. For instance, a senior who is below 135 percent of poverty who had prescription drug cost below \$2,000 would have no out-of-pocket costs. For seniors between 135 percent and 150 percent of the poverty [level] whose costs were lower than \$1,000, those individuals would have no out-of-pocket costs.

COMMISSIONER GILBERTSON summarized his comments by saying that the SeniorCare proposal is larger than just prescription drug assistance. Steve Ashman, Director, Division of Senior and Disabilities Services, has established by order of the governor a senior information office within the Department of Health and Social Services. He said this office will be a one-stop shopping center for seniors who need to receive services from the State of Alaska. In FY 03 the department provided over \$200 million in assistance to seniors. Those programs are varied, for example, energy assistance, cash assistance, food assistance, assisted living, long-term care, and health care

expenses. He explained that the collection of programs can be difficult for seniors to identify all that they are eligible for. Under the senior information office established under SeniorCare, seniors will have one-stop shopping through the 1-800 number, web site, or in person, where they can receive access to all the programs that are available to them, some of which are at the community level. Commissioner Gilbertson expressed the importance of eliminating the complexity of these programs and the necessity to bring needed services to seniors.

COMMISSIONER GILBERTSON noted that the prescription drug program does have some exclusions, such as over the counter drugs, vitamins, and drugs related to impotence, baldness, and smoking cessation. The intent of this legislation is to provide drug subsidy assistance or cash assistance to seniors who are needy.

Number 0972

REPRESENTATIVE GATTO asked if alcohol or drug addiction treatment is included.

COMMISSIONER GILBERTSON responded that the bill does not make a distinction based on the diagnosis of the individual. He said if it is a prescription drug, it would be included.

Number 1006

REPRESENTATIVE SEATON asked what is the average senior's prescription drug cost.

COMMISSIONER GILBERTSON responded that [figure] is a challenge to identify, but according to some two-year-old data, the average cost was below \$500 per year. He told the committee that he will provide them with more recent estimates. He pointed out that there are a large number of seniors who have extremely high drug costs. There are between 15 percent and 20 percent of seniors who have over \$4,000 in annual prescription drug costs. He said these individuals will be offered catastrophic prescription drug coverage in the Medicare bill. He emphasized that this program is not insurance, it is a subsidy, and is therefore not a percentage of coverage, but a direct benefit payment.

REPRESENTATIVE SEATON said he assumes since most seniors have less than \$500 in prescription drug costs, most will opt for the cash payment, rather than the prescription drug subsidy, because if they opted for the prescription drug option, they would lose

money. He asked Commissioner Gilbertson to confirm his assumption.

Number 1086

COMMISSIONER GILBERTSON said that the department believes that 70 percent of seniors would remain in the cash benefit option. Only those who fall in the catastrophic prescription drug expenditures would opt for the drug subsidy plan.

Number 1116

REPRESENTATIVE CISSNA stated for the record that she understands that recipients of either the cash payment or prescription drug benefit are not able to change their plan in the middle of a year; however, she asked if there is an open enrollment period when changes can be made.

COMMISSIONER GILBERTSON replied that those below 135 percent of the poverty [level] will have an option to select either plan, but not in mid-year.

REPRESENTATIVE CISSNA asked if seniors can use this benefit while out of state.

COMMISSIONER GILBERTSON responded that the bill covers resident of Alaska, while in Alaska. There are exemptions for individuals who leave the state. He asked the members to look at page 3, line 27, where it lists conditions under which seniors could be out of state and still receive benefits. They are for those who are absent for medical treatment, or vacation, business trips, or other absences of less than 30 days.

REPRESENTATIVE CISSNA asked if it would be possible to order prescription drugs from Canada.

COMMISSIONER GILBERTSON responded that it is currently a violation of federal law to order drugs through Canada.

REPRESENTATIVE CISSNA asked if the state is upholding that law.

COMMISSIONER GILBERTSON replied that the state does not enforce federal laws.

REPRESENTATIVE CISSNA told the members that she recently attended a briefing where the new Medicare prescription drug bill was discussed. She added that while the briefing was

complex, it was clear to her that it is important for the state to take into consideration any impact its actions might have in 2006 when the law is implemented. Representative Cissna asked if Commissioner Gilbertson is bearing this in mind as legislation comes forth.

Number 1330

COMMISSIONER GILBERTSON commented that this program does not have a nexus with the federal program. He pointed out that this is not an extension of the Medicaid program. It is a drug subsidy assistance to beneficiaries. While some states have attempted to cover prescription drug programs through "pharmacy-plus" waivers to allow Medicaid "build-outs" for some seniors, the federal legislation grandfathered out these pharmacy-plus waivers.

Number 1391

MARIE DARLIN, Coordinator, Capital City Task Force, AARP Alaska, testified in support of HB 374 and answered questions from the members. She told the members that AARP has over 76,000 members in Alaska. Ms. Darlin asked the committee to look at the letter from Marguerite Stetson, AARP State Coordinator for Advocacy, dated January 12, 2004, which highlights AARP's support of HB 374. Last year was a difficult one for senior Alaskans, particularly those over the age of 72, because these individuals made their financial plans for retirement based on social security, savings and investments, pensions for some, and the Alaska longevity bonus. These seniors have to watch their budgets because they do not have the option of going back to work to make up for what has been lost one way or another, she said.

MS. DARLIN pointed out that as some people age, they need more prescription drugs. Unfortunately, those drugs that help to deal with chronic illnesses have been increasing in cost at rates much higher than normal inflation. She told the members that statistics that have been provided indicate that [the cost of] prescription drugs increased 25 percent last year. This is a real concern. Ms. Darlin said that when the governor eliminated the longevity bonus plan, it hurt many older Alaskans. It has forced them to rethink how they can manage retirement budgets and still have funds to pay for prescription drugs. She said that while the Alaska Senior Assistance Program did not replace the longevity bonus, it does help over 7,000 of

the lowest-income older Alaskans meet their day-to-day costs for prescription drugs.

Number 1512

MS. DARLIN told the members that while the U.S. Congress has passed and the President has signed the Medicare prescription drug bill, it will not take effect until January 1, 2006. Although not perfect, this bill will significantly help an estimated 23,000 older Alaskans who are below the federal poverty level; however, the implementation of this is over two years away. She told the committee that AARP appreciates the proposed SeniorCare program in that it will provide some relief to seniors until the federal program is in place.

MS. DARLIN emphasized that any program that helps older Alaskans deal with escalating prescription drug costs will be welcome. She offered AARP's assistance in working through the details in making sure the system is user-friendly. She also noted the good news that two additional staff will be hired to assist seniors with the new program. She said this is an important first step.

Number 1648

MS. DARLIN said AARP strongly supports the preferred drug list (PDL) for Medicaid. Most countries, the U.S. Veterans Administration, the Indian Health Service, more than half of the states, and many employers already use some form of a preferred [prescription] drug list. She pointed out that it does not make sense to pay for a more expensive brand name drug when a generic drug is just as effective. Ms. Darlin said that the Department of Health and Social Services is working toward evidence-based formularies to determine which prescriptions are most therapeutically effective. The PDL then recommends those that are least expensive, but it does not preclude a physician from prescribing other justifiable medications.

MS. DARLIN told the committee she believes it is important to consider how pharmaceuticals are manufactured and marketed in the United States. When a drug company seeks approval for a new drug from the Food and Drug Administration (FDA), it is only required to prove that the new product is more effective than a sugar pill, not that it is as good or more effective than the drugs that are already on the market to treat a similar condition. Drug salesmen tell physicians which ones are the best, but they also work for the company who manufactures them.

Ms. Darlin said the Alaska PDL will serve as the state's consumer report in saying how effective the drug performs and how it compares with other medications in the same class. This will be information that was not previously available. Valuable Medicaid dollars should not be spent on prescription that are too expensive and no more therapeutically effective, she said. It is AARP's position that the commissioner and the health professionals who are developing the PDL should be applauded.

Number 1754

MS. DARLIN summarized her comments by saying that one of AARP [member's] concerns, as parents and grandparents, was how the plan would be funded. She said that no matter what a person's age is, all Alaskans are in this together.

Number 1771

REPRESENTATIVE GATTO asked Ms. Darlin if AARP supports HB 374.

MS. DARLIN replied that AARP supports this bill. She asked the members to review the letter in their bill packet from Marguerite Stetson, AARP State Coordinator for Advocacy, dated January 12, 2004, in which she delineates AARP's support of HB 374.

Number 1816

SARA JACKSON, Program Manager, Saint Francis House, Catholic Social Services, testified in support of HB 374. She told the member that she supports HB 374 and appreciates the continued cash assistance to needy seniors. Ms. Jackson explained that the seniors she works with are extremely poor. She said that while it is a small percentage, their situations are very dramatic. Because Saint Francis is responsible for the distribution of food to people 60 years [of age] and older, she has become aware of the number of people who are living on dismally small amounts of money, perhaps \$500 or \$600 per month, she said.

MS. JACKSON said that even with this small amount of money, they are helping to support their unemployed children or raising their grandchildren. She said she believes it is important to honor the pioneers, but with the limited resources available it is more important to assist those who are desperately poor. She said there should be some other way [besides the recently

abolished longevity bonus] to let the pioneers know their efforts are appreciated.

Number 1947

MS. JACKSON asked how much of the resources will be going into information and referral.

Number 1987

STEVE ASHMAN, Director, Division of Senior and Disabilities Services, Department of Health and Social Services, testified on HB 374 and answered questions from the members. He responded that the division currently has individuals who work with Medicare and Medicaid information that is funded primarily through federal government grants. Some of the subgrant recipients such as OPAG [Older Person's Action Group, Inc.] and AARP Alaska provide similar information. He explained that under the governor's proposal for the SeniorCare information office, it will encompass the same activity, but will expand those services so that it is truly a one-stop shop for senior citizens. The office will network with other groups to see what other types of information and services are available for referral. Mr. Ashman told the members that the office will work hand-in-hand with other resources that are available and share that information not only with seniors that are inquiring about those services, but also with partners in the senior industry. This is a significant expansion, he added.

Number 2039

CHAIR WILSON asked if there will be a telephone number for individuals to call for information and referral.

MR. ASHMAN responded that there will be a number to call. He explained that the division is currently hiring for those two positions, but there is a grantee who is providing information and referral and is manning the telephone now. The web site is up and running and under development now. Mr. Ashman told the members that the division will be fully operational by April 1. He noted that information will be continuously updated.

Number 2072

ED ZASTROW, President, AARP Ketchikan Chapter, testified in support of HB 374. Mr. Zastrow told the members that he agrees with Ms. Darlin's comments, and applauds Commissioner Gilbertson

and Mr. Ashman's efforts in putting forth this program. He said he supports HB 374.

Number 2110

REPRESENTATIVE SEATON asked Commissioner Gilbertson if exceptions to the PDL are possible under the SeniorCare program.

COMMISSIONER GILBERTSON referred the members to page 3, line 15, where it clarifies that if the prescribing physician believes that the brand name drug is medically necessary as opposed to the generic drug, the physician may document that, and in that case the brand name drug will be made available. Absent these circumstances, the program will pay for the generic drug, he said.

REPRESENTATIVE SEATON asked Commissioner Gilbertson to explain the bill's fiscal impact on the general fund from FY 04 to FY 06.

COMMISSIONER GILBERTSON responded that if this legislation passes the legislature in short order, it will allow the department to begin the program on April 1, 2004. This would mean that it will run approximately one-quarter of FY 04, the full year of FY 05, and one-half of FY 06, because the federal benefit begins on January 1, 2006. He told the members that the estimates that have been put together by the department for the general fund obligation for the fourth quarter of FY 04 will be \$316,000. The FY 05 estimate is \$14.9 million, of which \$12 million is federal funding; therefore, \$2.9 million will come from general funds. He explained that the federal dollars are flexible dollars available to the state through fiscal relief. FY 06 funding would be a general fund program for the one-half year at a cost of \$7.78 million.

Number 2219

REPRESENTATIVE KAPSNER referred to the chart provided to the members titled "Comparison of Qualifications and Benefits" and asked for clarification on the determination of liquid assets. Specifically, she asked what is included in the assets list and asked if this is done by a self-reporting method.

Number 2249

COMMISSIONER GILBERTSON responded that the assets test is the same as that for the Alaska Senior Assistance Program. For most

individuals in this income category, their liquid assets would be their checking accounts. The liquid assets do not include an individual's home or automobiles. Under the application process it is self-reported data. He added that the majority of these clients are already in other programs in the department where income verification has already been done. Commissioner Gilbertson pointed out that this program is intended to be a bridge program so the department will not be investing sizeable amounts of general fund dollars to build a bureaucracy for a program for a few years. For that reason, the applications are simple and the department believes it has been successful due to the large number of applications received, many of which are duplicative. The department saturated the community and obtained great comments from senior organizations during the development and implementation of the Alaska Senior Assistance Program.

COMMISSIONER GILBERTSON stated for the record that of those individuals who were on the Alaska Senior Assistance Program, which is a needs-based program, only 46 percent were not receiving the longevity bonus [payment].

REPRESENTATIVE KAPSNER asked what consideration was given to geographic cost differentials. She noted that UAA [University of Alaska Anchorage] puts out an annual list of communities that are very expensive to live in. Representative Kapsner said that her community, Bethel, is the most expensive. Is it fair to give everyone the same amount, she asked.

Number 2366

COMMISSIONER GILBERTSON responded that the state standardizes the benefit for a variety of reasons including legal ones. He pointed out that the federal government offers a geographical adjustment and includes a 25 percent inflation factor over the Lower 48 [states].

**TAPE 04-1, SIDE B**

Number 2361

COMMISSIONER GILBERTSON pointed out that while there is an inflation factor for the state, there is none for regions within the state. He summarized that the SeniorCare program does not address that issue.

Number 2352

REPRESENTATIVE WOLF asked how the one-stop shop would assist seniors who find it difficult to complete applications. For example, in his district there were seniors who completed the application, included their deductible for Medicare, and were disqualified.

COMMISSIONER GILBERTSON responded that there will always been seniors who do not have access to simple ways of communicating with the department. He added that the department will be working in partnership with organizations and grantees. SeniorCare will be serving over 10,000 seniors in FY 05. He told the members that a majority of the clients will not have to apply again because they are already enrolled in the Alaska Senior Assistance Program. There will be a very simple process whereby they will elect either the prescription drug assistance [program] or the cash assistance program. Commissioner Gilbertson added that there are about 3,000 seniors who will have to apply and that it is a challenge.

REPRESENTATIVE WOLF told the members of a constituent who explained that he was disqualified from the Alaska Senior Assistance Program even though [he and his wife] had received the longevity bonus. The problem is that when they purchased their home, the longevity bonus was figured into their monthly income. When the constituent went to [the Division of Senior and Disabilities Services] to get help with the paperwork, he was told that he wouldn't qualify, and the best thing he could do is divorce his wife of 50 years and then he would qualify. Representative Wolf asked Commissioner Gilbertson how that kind of problem could be addressed. A statement like this from staff is insulting to [applicants], he commented.

Number 2226

COMMISSIONER GILBERTSON responded that he does not know the particulars in this situation. He told the committee that the majority of applications are submitted by mail, and assistance to individuals is usually provided by individuals in the community and not necessarily state employees. Commissioner Gilbertson emphasized that the program is available to all seniors who meet the income criteria and that the applications are processed in a fair and unbiased fashion.

Number 2219

REPRESENTATIVE GATTO commented that most individuals, even in the small villages, have Internet access. Is the department

working with AARP and other volunteer groups for assistance in downloading a form, filling it out, and transmitting it electronically, or is it always a paper application?

COMMISSIONER GILBERTSON replied that after the start-up of the Alaska Senior Assistance Program, the department gained a lot of experience in outreach to this population. The department saturates the market and ensures that all who are eligible have an opportunity to apply. The trends have shown that within the first month of the program there was a large volume of applications, and a very small group of seniors that joined later. Commissioner Gilbertson told the members that the department has found a good mechanism and a combination of outreach methods to seniors. The department will use that method again. Some of these outreach contacts have been the local resources on the ground, state offices in larger communities, Senior Voice, and grantees. He commented that there were over 5,000 duplicate applications in the initial program, which demonstrates that the department saturated the market, and he added, the department plans to do it again to ensure that all seniors have access to the program. Many of these seniors are already on databases from the longevity bonus program and the existing Alaska Senior Assistance Program, which will be used in a direct mailing to all of them.

Number 2144

CHAIR WILSON noted for the record that Representative Coghill has joined the meeting.

REPRESENTATIVE GATTO noted that the fiscal note for FY 05 is about \$15 million and then the numbers drop drastically. He asked what the total fiscal note [would be for this program].

COMMISSIONER GILBERTSON responded that the \$15 million is appropriated to the Division of Public Assistance because it will be administering the program. The administrative expense for FY 05 will be \$61,500 in the Division of Public Assistance, \$7,000 in IT [information technology] Services, and \$184,000 which is largely an enrollment (indisc.). Commissioner Gilbertson summarized that it would cost a little over \$250,000 to administer the \$15-million program.

Number 2041

REPRESENTATIVE GATTO moved to report HB 374 out of committee with individual recommendations and the accompanying fiscal

notes. There being no objection, HB 374 was reported out of the House Health, Education and Social Services Standing Committee.

**ADJOURNMENT**

Number 2010

There being no further business before the committee, the House Health, Education and Social Services Standing Committee meeting was adjourned at 4:00 p.m.