

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**April 02, 2003**  
**9:00 AM**

**TAPES**

SFC-03 # 40, Side A  
SFC 03 # 40, Side B

**CALL TO ORDER**

Co-Chair Gary Wilken convened the meeting at approximately 9:00 AM.

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Con Bunde, Vice-Chair  
Senator Robin Taylor  
Senator Donny Olson  
Senator Ben Stevens

**Also Attending:** JERRY BURNETT, Director, Division of Administrative Services, Department of Corrections; JOEL GILBERTSON, Commissioner, Department of Health and Social Services; BOB LABBE, Deputy Commissioner, Department of Health and Social Services; ELMER LINDSTROM, Special Assistance to the Commissioner, Department of Health and Social Services; KAREN PEARSON, Acting Director, Division of Alcoholism & Drug Abuse, Department of Health and Social Services

**Attending via Teleconference:** From Anchorage: JACK NIELSON, Executive Director, Medicaid Rate Advisory Commission, Division of Medical Assistance, Department of Health and Social Services

**SUMMARY INFORMATION**

SB 115-CORRECTIONAL INDUSTRIES PROGRAM EXPENSES

The Committee heard testimony from the Department of Corrections and reported the bill from Committee.

SB 108-HEALTH FACILITY MEDICAID RATES/ADV. COM'N

Testimony was presented by the Department of Health and Social

Services, and the bill was held in Committee.

SB 109-MEDICAID COST CONTAINMENT & PRIORITY LIST

The Committee heard testimony from the Department of Health and Social Services and held the bill in Committee.

SB 124-ALCOHOLISM AND DRUG ABUSE GRANTS

The Committee heard testimony from the Department of Health and Social Services and held the bill in Committee.

#sb115

SENATE BILL NO. 115

"An Act allowing expenses of the correctional industries program that may be financed from the correctional industries fund to include the salaries and benefits of state employees."

This was the first hearing for this bill in the Senate Finance Committee.

Co-chair Wilken informed the Committee that this bill involves a \$963,000 fund source change from the general fund to the Correctional Industry Fund. He stated that the Senate Rules Committee, at the request of Governor Murkowski, sponsors the bill.

JERRY BURNETT, Director, Division of Administrative Services, Department of Corrections stated that this bill would amend the Alaska Correctional Industries' (ACI) statutes to allow ACI State employees salaries to be paid from ACI product-cost revenues, from which "all other administrative costs" are currently paid, rather than from the general fund. He expressed, that were this bill adopted, the Division of Correctional Industries would be 100-percent self-supporting.

Mr. Burnett specified that ACI operates eight programs in the State including: two laundries, a wood furniture plant, an office furniture plant, a metals plant, an auto body shop, and two garment shops. Additionally, he specified, ACI cooperates with the Department of Natural Resources to operate the Mt. McKinley Meat Plant in Palmer.

Senator Taylor asked whether ACI programs generate a net profit.

Mr. Burnett responded that a net revenue of \$150,000 is projected in FY 03. He continued that with improved marketing, improved

products, and program oversight, ACI is expected to begin FY 04 with a fund balance of approximately \$300,000.

Senator Taylor asked how the fund balance would be utilized.

Mr. Burnett stated that the beginning FY 04 fund balance, combined with FY 04 projected revenues, would allow the Department to pay salary expenses and allow ACI to expand its programs.

Senator Taylor asked whether the current \$960,000 general fund expense provides for such things as materials and supplies in addition to salary expenses.

Mr. Burnett clarified that the \$960,000 exclusively provides for salaries and benefits.

Senator Taylor commented that ACI currently grosses approximately \$3 million annually.

Mr. Burnett agreed and voiced optimism that ACI would gross in excess of \$4 million in FY 04.

Senator Taylor summarized, therefore, that the ACI fund balance of approximately \$300,000 and projected FY 04 revenues would provide for all Department expenses, including \$960,000 in salary expenses.

Mr. Burnett concurred.

Senator Taylor puzzled as to "how exchanging one fund source for another" would allow for ACI program expansion. He further questioned whether there should be an additional \$300,000 in savings to the general fund because of the ACI FY 04 beginning fund balance.

Mr. Burnett expressed that the goal of this fund source change request is to save \$960,000 in general fund expenditures relating to ACI salaries.

Senator Taylor voiced concern that this would be identified "as another dedicated fund within the revenue streams of Alaska." He asked whether program expansion would require additional personnel.

Mr. Burnett responded that no increases in personnel are expected, and that consideration is being given to form partnerships with public entities to market Correctional Industries products.

Senator Taylor voiced support for ACI efforts to develop industry "to provide meaningful activities and training to individuals;"

however, he declared, aggressive marketing and program expansions should not compete with private industry.

Co-Chair Green asked how ACI programs are evaluated; specifically the criteria used to determine whether a program is self-sufficient.

Mr. Burnett responded that a Correctional Industries Board reviews each program to evaluate its viability and to ensure that the service does not compete with private industry.

Senator Bunde noted that the Mt. McKinley Meat Processing Plant has experienced "difficulties in functioning successfully." He asked "at what point," it might be decided that this program should be eliminated. He additionally asked how the plant's closure would affect ACI finances.

Mr. Burnett clarified that the Department of Natural Resources owns the facility and provides for salaries of the ACI personnel. He noted that the salaries paid to ACI employees generate a small profit for the Department of Corrections.

Mr. Burnett informed the Committee that the eight ACI industries would be reviewed this year to determine program continuance and expansion as well as to consider the development of new industries.

Senator Bunde surmised, therefore, that the Department has mechanisms in place to expand or terminate programs.

Mr. Burnett concurred.

Co-Chair Wilken asked for confirmation that the Department's fiscal note is incorporated into the Governor's proposed FY 04 budget.

Mr. Burnett confirmed.

Senator Taylor moved to report SB 115 from Committee with individual recommendations and accompanying fiscal note.

There being no objection, the bill REPORTED from Committee with previous fiscal note #1 from the Department of Corrections.

#sb108

SENATE BILL NO. 108

"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."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken explained that this bill, which is being presented at the request of Governor Murkowski, would eliminate the Medicaid Rate Advisory Commission and, thereby, specify that the Department of Health and Social Services would be responsible "for calculating and setting Medicaid payment rates for health care facilities."

JOEL GILBERTSON, Commissioner, Department of Health and Social Services, distributed, at the request of Co-chair Wilken, Medicaid program charts [copies on file] titled: "Medicaid Total Average Eligibles and Costs;" "Medicaid Eligible Children and Costs;" "Medicaid Eligible Adults and Costs;" "Medicaid Elderly Eligibles and Costs;" "Medicaid Disabled Eligibles and Costs" to Committee members.

Co-chair Wilken explained that these charts are being distributed because, "the width and breadth and the growth" of the program's history would be beneficial for the Senate Finance Committee members.

[NOTE: Further discussion regarding these charts occurs later in the meeting.]

Commissioner Gilbertson informed the Committee that SB 108 eliminates the Medicaid Rate Advisory Commission that was established in 1984 to determine Medicaid payment rates that must, by federal law, guarantee that a fair rate for reasonable costs be paid to acute care facilities. He continued that "in 1989, by Executive Order," the Commission's role changed from a rate-setting entity to that of advisor to the Commissioner of the Department of Health and Social Services, who was, thereby, responsible for establishing the Medicaid payment rates.

Commissioner Gilbertson continued that the federal law was repealed in 1997 and replaced with public process requirements. Therefore, he continued, this legislation would: eliminate the Medicaid Rate Advisory Commission; acknowledge that the rate setting function is a responsibility of the Department; and provide for a single public process within the Department. Additionally, he furthered, these changes would allow the Department to align with current federal law and develop a variety of payment methodologies that would be more efficient and responsive to the needs of differing size

facilities.

Commissioner Gilbertson elaborated that this legislation would allow the Department to establish an Office of Rate Review within the Commissioner's Office and to centralize the Department's rate setting operations for care facilities as well as for other services such as physician services, subsidized adoptions and foster care. He summarized that this legislation would allow "Alaska law to mirror federal law which requires simply a public process."

Commissioner Gilbertson informed that the elimination of the Medicaid Rate Advisory Commission would result in a small fiscal note savings resulting from associated travel and per diem expenses.

Senator Taylor clarified that the Medicaid Rate Advisory Commission's current role is advisory.

Commissioner Gilbertson concurred.

Senator Taylor furthered that the Commissioner must approve payments to facilities.

Commissioner Gilbertson concurred.

Senator Taylor asked whether additional benefits would be afforded by the elimination of the advisory Commission.

Commissioner Gilbertson reiterated that, in addition to the savings resulting from the elimination of the Commission's travel expenses, this legislation would allow the Department's policies to align with current federal regulations that would permit the Department to develop, through the public process, separate payment policy methodologies for facilities rather than being restricted to the current single methodology.

Senator Taylor asked how this new system would differ from the current system in addressing a Certificate of Need request, as, he revealed, Bartlett Regional Hospital in Juneau underwent five hearings over a six-year period in order to be granted a Certificate of Need for the purchase of a Magnetic Resonance Imaging (MRI) machine, and he declared that it is unknown as to whether Bartlett ever received the Certificate of Need that was required for the hospital to receive reimbursement. He opined that the Commissioner was responsible for the delay in this situation; and he questioned whether the elimination of the Advisory Commission would improve the situation.

Commissioner Gilbertson clarified that the legislation would not affect the Certificate of Need regulation.

JACK NIELSON, Executive Director, Medicaid Rate Advisory Commission, Division of Medical Assistance, Department of Health and Social Services testified via teleconference from Anchorage to respond to Senator Taylor's question. He reiterated that this bill would provide the Department with "rate setting flexibility and regulatory relief." He noted that the State settled the aforementioned situation with Bartlett Regional Hospital, and he stressed that the flexibility afforded by this legislation would help the Department "avoid those situations in the future."

Co-Chair Green shared her surprise at having received letters from Commission members lobbying legislators to increase Medicaid funding. She stated that Commission members should advise the Department rather than lobby, and she voiced support for this legislation.

Senator Olson voiced discomfort regarding language in Section 2 of the bill that reads as follows.

Sec. 2(a) The department by regulation shall require a uniform system of accounting, budgeting, and [FINANCIAL] reporting for health facilities receiving [PROSPECTIVE] payments under this chapter. The regulations must provide for reporting revenues, expenses, assets, liabilities, [AND} units of service, and other items considered necessary by the department to implement this chapter. [THE DEPARTMENT SHALL SPECIFY THE DATE THE SYSTEM BECOMES EFFECTIVE FOR EACH HEALTH FACILITY.]

New Text Underlined [DELETED TEXT BRACKETED]

Senator Olson stated that this language indicates that, "the determination regarding what the rates would be is at the discretion of the Department." He continued that, "there appears to be no oversight."

Mr. Nielsen responded that were the Department to implement a reporting requirement on a facility, the Department would be required to abide by the public process and regulation adoption process procedures before the requirements could be imposed.

Senator Olson reiterated that the Department would still make the determination.

Mr. Nielson specified that, while the Department makes the

decision, the regulatory process is required.

Senator Olson asked the composition of Commission members.

Mr. Nielson reported that four of the five Commission member positions have representation; however, he noted that the physician allocation on the Commission has been vacant for approximately one year.

Senator Olson asked whether Commission members support the bill.

Mr. Nielson affirmed that three of the four members "generally" support the bill. He specified that he has not had contact with the fourth member.

Senator Olson asked whether hospitals support the legislation.

Mr. Nielson replied that hospital administrators have not communicated a position regarding the bill; however, he believed that hospital administrators testified on the bill in earlier committee hearings.

Commissioner Gilbertson interjected that the Alaska State Hospital Nursing Home Association does not oppose the bill.

Commissioner Gilbertson responded to Senator Olson's concern regarding Section 2 by specifying that the section would allow the Department to gather information from facilities necessary for establishing rates. He stated that this information would provide for a uniform accounting and budgeting system for the rate setting function, and he verified that the public process is a requirement for gathering the information.

Senator Taylor voiced that he does not object to the bill as he has questioned the value of the Commission for some time. However, he opined, "rate setting has always been very contentious between the State and our hospital and medical facilities." He professed that the rates often determine whether a facility would survive, and he voiced concern that language in the bill would provide broader authority to the Department to audit and review facilities.

Senator Taylor voiced appreciation for language in the bill that would allow differing rates for facilities; however, he noted that federal and State auditors place "great, and duplicate," demands on medical facilities. He urged the Commissioner to determine measures to reduce the burden that auditing places on a facility.

Commissioner Gilbertson replied that, while the costs associated

with the auditing function are high, the need for good data is important. He stated that the Department would endeavor to reduce the administrative burden of the reporting requirement.

Co-Chair Wilken asked whether the Department's negative fiscal note is included in the Governor's budget proposal.

Commissioner Gilbertson replied that it should be.

Co-Chair Wilken ordered the bill HELD in Committee.

[Note: Further discussion concerning SB 108 continues later in the meeting.]

#sb109

SENATE BILL NO. 109

"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."

This was the first hearing for this bill in the Senate Finance Committee.

Commissioner Gilbertson explained that this bill would allow the Department of Health and Social Services to eliminate the optional Medicaid services priority list regulation that the Department must abide by when budgeted Medicaid funds are insufficient to meet the fiscal year's demands. He continued that the optional services list would be replaced with language authorizing the Department to undertake cost containment strategies for the Medicaid program based on three principles: 1) that the Department pursue all reasonable cost containment measures before eliminating any eligibility groups or services; 2) that the Department pursue strategies to maximize federal financial participation in the Medicaid program; and 3) that the Department make cost containment decisions that best reflect the needs and interests of eligible Medicaid recipients.

Commissioner Gilbertson shared that the Medicaid Options list is viewed by Governor Murkowski and the Department as an inefficient method to contain costs as, he explained, no annual review of the

options list is conducted, and the items on the list are inappropriately ordered in that the most expensive procedures would be disallowed last. He explained that the listing, in effect, forces the Department "to eliminate broad categories" such as prosthetics, wheelchairs, prescription drugs, and other valuable services "before any real savings are incurred." He stated that this legislation proposes that the same level of savings could be obtained without impacting services to beneficiaries in a negative manner. He continued that this change would allow the program to be operated within its appropriated budget without eliminating such things as pharmaceutical products that might incur more costs in the long run.

Commissioner Gilbertson assured "that individual decisions on individual procedures or individual cases" would not be allowed, but rather that decisions would be determined on a broad category of eligibility groups or services. He summarized that this legislation would allow the Department to make decisions on an annual basis as technology and medical industry changes occur.

In response to a question from Senator Taylor, Co-Chair Wilken clarified that the Members' packets contain information detailing the optional Medicaid services list in regulations "Sec. 47.07.035 Priority of medical assistance" [copy on file] that would be repealed.

Commissioner Gilbertson affirmed that the statute would be repealed and replaced with language that provides the Department with the discretion "to engage in the same level of cost containment but with greater flexibility" through the implementation of the three aforementioned guidelines.

Senator Taylor voiced appreciation that the Administration is addressing the Medicaid situation in this manner.

Co-Chair Wilken expressed that were the Committee's action on this bill to incur criticism, the three aforementioned objectives would assist in defending Committee action. He continued that the intent of the action is clearly identified by the Governor and in the bill on pages two, 24, and 31. He joined Senator Taylor in applauding the Administration's efforts to control the increasing expenses of the Medicaid program.

Co-Chair Green expressed that the zero fiscal note further supports the Department's effort to contain program costs without further "cuts or general fund money being withdrawn from the program."

Commissioner Gilbertson stated that the accompanying zero fiscal

note is based on Governor Murkowski's efforts to offset projected Medicaid program growth by implementing other "sizable general fund reductions" in FY 04. He informed that continuing the Medicaid program in FY 04, as it is currently designed, would result in "well over \$60 million in general fund growth" over the FY 03 budget. He stated that the Administration has exerted substantial effort to contain general fund growth in the Medicaid program and to limit impacts to beneficiaries and providers. He stated that the zero fiscal note is based on the assumption that the FY 04 Medicaid funding would be approved at the Governor's proposed budget level, which contains numerous cost containment strategies. He declared that, were the Governor's funding level approved, additional cost containment measures would not be required.

Senator Olson agreed that the more expensive procedures are at the bottom of the thirty-one items on the optional priority list; however, he voiced concern that the proposed change would eliminate the long established list that was developed "by a fair amount of thought and effort." He questioned whether the Department's decision-making process would allow the same level of input and consideration from such people as medical personnel.

Commissioner Gilbertson stated that this legislation would provide the Department "the discretion and the authority to make and weigh decisions" and the subsequent impact of those decisions. He reiterated that the current optional priority list is inadequate and is not a good cost containment method in that it does not allow for annual review or current circumstances to be considered. He avowed that the issue is complex and that the Department would be presenting cost containment strategies and their impact, on an annual basis, to the Legislature. He expressed that the Department anticipates a "very interactive process" with clear directives as to how the Department would "engage in cost containment" measures.

Senator Olson voiced that the mission of the Medicaid program is to provide a health care delivery system "to people in need" as determined by the eligibility standards defined in State statute, rather than "driving the program" from a cost containment position as proposed in this legislation.

Co-Chair Wilken reiterated that the sponsor statement and the three aforementioned guidelines indicate that this bill would provide benefits in addition to cost containment.

Commissioner Gilbertson agreed that "the Medicaid program is about providing care," and he specified that approximately \$900 million of health care services is projected to be spent in FY 04 to support those services and to protect service for low income

individuals at a time when State revenue resources are limited. He specified that cost containment efforts should be enacted in an effort "to protect the program and allow for good reimbursement rate." He continued that, were the program allowed to be "stretched so thin," such things as good reimbursement rates and the ability to "take care of our neediest seniors and disabled individuals" would be jeopardized. Therefore, he continued, cost containment is required in order to continue adequate level of care. He alerted that the Department has experienced tremendous growth that could jeopardize the Medicaid program.

Senator Bunde asked whether the Department would increase delivery of Medicaid services were the Legislature to increase funding to the program.

Commissioner Gilbertson responded that the Department would manage the program within the parameters of the budget provided. He stated that program expansions or increases in services would be determined through the Legislative process.

SFC 03 # 40, Side B 09:48 AM

Senator Bunde summarized the Department's position to be that there is "the very great likelihood that the Medicaid program would have less money or would grow beyond" available funding; however, he questioned whether the Department would further "these options of limitation" efforts, were an increased amount of funding made available to the Medicaid program.

Commissioner Gilbertson responded that regardless of the funding, cost containment measures would be implemented, as he asserted, the program must be administered efficiently. He stated that were additional funding provided, the Department could not expand programs or services without Legislative approval. He stated that the program would be managed as efficiently as possible and that any remaining funds would be returned to the general fund at the end of the fiscal year.

Senator Bunde commented that, were the program to continue to grow beyond the State's funding ability, cost containment measures must be implemented. He asked whether it could be anticipated that the Department might produce "its own list of thirty-one" services guideline.

Commissioner Gilbertson anticipated this would occur. He voiced the hope that "a dialogue with the Legislature" would take place during

the development of the forthcoming fiscal year's budget.

Co-Chair Green informed the Committee that the options list, to her knowledge, has not been reviewed since its original development; however, she opined, it has been expanded in response to requests from "special interest groups," without "proof" regarding the need or ranking of the item on the list. She summarized the process as "inconsistent" and "troublesome." In contrast, she stated that the Department's approach to the program is "consistent with their message that they are engaging in cost containment measures in the right way."

Co-chair Wilken ordered the bill HELD in Committee.

#SB108

#SB109

[Note: the following Committee discussion regards the Medicaid program discussed in SB 108 and SB 109.]

Senator B. Stevens, referring to the Medicaid charts provided by the Department of Health and Social Services during the hearing on SB 108, generalized that the Medicaid program is experiencing "a two-pronged" containment problem: the first being the cost of providing services; and the second being "the eligibility of your monthly recipients." He noted that, according to the chart on page one, titled "Medicaid Total Average Monthly Eligibles and Costs," there has been a 47 percent increase in eligible monthly participants between FY 99 and projected FY 04. He continued that the chart on page two titled "Medicaid Eligible Children and Costs" indicates that, during the same time frame, there has been an increase of 73 percent in monthly eligible children, while, he noted, the page three chart titled "Medicaid Eligible Adults and Costs" reflects a decrease of approximately one half of one percent. He continued that other charts in the packet indicate an approximate 18-percent increase in senior recipients and a 33-percent increase in disabled recipients. He asserted that, "no sector of our population is growing at that rate." He asked for an explanation to justify the increases in eligible participants.

Senator B. Stevens stated that SB 108 and SB 109 focus on cost containment, and he specified that, "the average cost per month per member" is identified on the charts. However, he identified the containment of program eligibility as the primary focus. He expressed that between FY 99 and FY 04, the total number of program recipients has increased by 30,691, with 27,734 of that total number being children.

Commissioner Gilbertson acknowledged Senator B. Stevens's concern, and stated that the growth in the Medicaid program "is a national trend." However, he clarified that on the national level, 71 percent of Medicaid cost increases result from seniors and disabled individuals; whereas, he attested, these groups account for approximately 50-percent of the cost increase in Alaska. He furthered that the costs for these groups are projected to align with the national average as "the graying of Alaska" results in more demand for long-term care and as people with disabilities "live longer." He specified that the most rapid population growth in the Medicaid program has been in children services, which is reflected by the growth of the Denali KidCare program while the only program that reflects a reduction is the adult program. He attributed this reduction to the success of such efforts as the State's welfare reform and welfare to work programs. However, the program has experienced an increase in costs associated with the number of pregnant women in the program. He noted that separate legislation is being considered to address eligibility standards for the various programs.

Co-Chair Green interjected that the increase in costs is associated with pregnant women who qualify for services through the Denali KidCare program.

Commissioner Gilbertson concurred, and he commented that "the vast majority" of growth in terms of children is associated with the Denali KidCare program. He professed that the State would eventually incur the majority of its cost increases from the overall growth in services to seniors and the disabled.

BOB LABBE, Deputy Commissioner, Department of Health and Social Services informed that prior to the "expansion" of the Denali KidCare program in 1999, the child population growth in the Medicaid program "was flat," and the family being on temporary assistance determined the edibility for a child. With the implementation of welfare reform measures, he continued, the number of child participants in the Medicaid program decreased "as the parents went to work." He noted that when the eligibility policy expanded to 200-percent of the poverty level, the caseloads started to increase.

Mr. Labbe stated that while the elderly Medicaid population growth has been "very predictable and very constant," the level does not correspond to the overall number of seniors in the State. He informed that to qualify for Medicaid funding, seniors must be receiving public assistance. However, he stated, the high incomes of many seniors excludes them from the program.

Mr. Labbe opined that these seniors might not qualify for the program until the age of 85 or older when long-term care services might be required.

Mr. Labbe noted that the State is experiencing a growth of individuals with disabilities as "baby boomers" are aging and as adults and children with disabilities live longer lives. He expressed that the population growth in the number of children in the Medicaid program is the result of a State "policy choice" to expand the State services through the Denali KidCare program.

Senator B. Stevens asked whether the eligibility specifications are located in Section B(13) of the Denali KidCare program.

Mr. Labbe was unsure of the specific section.

Commissioner Gilbertson interjected that the 200 percent of poverty level eligibility guideline is the standard for children and pregnant women through the Denali KidCare program.

Senator B. Stevens asked the level of the current federal poverty guidelines.

Commissioner Gilbertson replied that it is determined by the size of the family.

Co-Chair Wilken interjected that discussion relating to eligibility for the Denali KidCare program would be more appropriately addressed through forthcoming legislation.

Senator Bunde commented that, antidotally, people move to Alaska in order to qualify for the Permanent Fund Dividend and other State benefits. He asked whether the Department "tracks" the length of residency of new individuals to the Medicaid program.

Mr. Labbe responded that the Department does not track length of residency; however, he noted, Medicaid recipients are required to be a resident of the State. He mentioned that the Department had, several years previously, conducted studies in which a length of residency question was included and, he commented, that information could be provided.

Senator Bunde suggested that a length of residency question would be beneficial. He asserted that the minimum length of residency to qualify for Medicaid benefits should be at least 30 days.

Commissioner Gilbertson responded that the Medicaid program is an entitlement program whereby if an individual meets the program's

criteria, they must be enrolled in the program. However, he agreed that the length of residency information could be beneficial.

Senator Taylor asked the penalty that might be incurred were a state to deny benefits to individuals, contrary to federal standards.

Commissioner Gilbertson responded that were the State to disregard federal guideline standards for the Medicaid program, the State would be denied access to federal Medicaid funds. However, he noted that a state's participation in "the Medicaid program is optional; it is voluntary for States," and he continued, although "it is rare," states have the option to submit and manage their own plans through a wavier process.

Co-Chair Wilken asked whether a bill that passed in an earlier Legislative session included a study being conducted regarding the Medicaid program and the Permanent Fund.

Co-Chair Green reminded the Committee that the bill in question had been vetoed.

#SB124

SENATE BILL NO. 124

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

AT EASE 10:06 AM / 10:07 AM

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken explained that this bill, sponsored by the Governor, proposes to increase the required local match levels for alcohol and drug abuse programs from ten percent to twenty-five percent. He noted that this change would result in a \$1.61 million reduction in State spending.

ELMER LINDSTROM, Special Assistant to the Commissioner, Department of Health and Social Services, affirmed Co-chair Wilken's explanation of the bill, and he added that this is "the appropriate time" to change the level of local match specified in statute. He stated that while the statute regarding the local match level would be changed, language would remain "that would allow the Department to waive the local match in whole or in part, upon a determination that it would not be feasible in fact for the grantee to generate

that local match." He referenced the Department of Health and Social Services seven-page listing of grant programs titled "SB 124\HB 167 Increase Local Match Requirement for Substance Abuse Grants (Revised 3/12)" [copy on file] that would be subject to the provisions of this bill. He noted that some entities, specifically small rural based programs such as rural based suicide prevention programs, would be exempt from the local match requirement. Additionally, he qualified, some programs such as the substance abuse treatment programs for women and children would be held harmless from the increase.

Senator Taylor surmised that tax-based communities would be subject to the increased match levels; however, he noted, most other entities are exempt.

Mr. Lindstrom expressed that while there is no expectation that "local governments would necessarily be stepping in to provide the local match; ...there is an underlying assumption that larger communities, where many of these non-profits organizations operate, have a greater ability to raise funds."

Senator Taylor asked how local match funds are currently provided.

Mr. Lindstrom responded that client fees, grants, foundation funding, and local community fundraising are among the variety of methods that non-profits use to raise funds. He acknowledged that while the increased match level would be a challenge for some programs, he opined that, "the programs would be successful...in generating this additional match."

Senator Bunde asked why the Anchorage domestic violence program, as specified on page four of the aforementioned list of grantees, would be exempt from the local match requirement.

Mr. Lindstrom verified that the program is exempt from the local match. He explained that certain programs for women and children would be exempted; although he was uncertain whether this program is one of them.

Senator Bunde further questioned why the suicide prevention program on St. George Island, as specified on page six of the list, was exempt from the match, as he contended, the community's gambling revenue equates to \$15,000 per person per year. He suggested that the list of grantees be further reviewed.

Senator Olson specified that the gambling revenue referred to was in response to a fundraising endeavor.

Senator Taylor asked why an Anchorage program for Services for Families-Women with Children was exempt from the local match as identified on page four of the list, while a similar program in the smaller community of Sitka was specified for the ten percent match level.

Co-Chair Wilken asked for information regarding the 10%(A) and 10%(B) notations designated on the grantee listing.

Mr. Lindstrom explained that these notations are footnoted on page seven of the aforementioned grantee list as follows: "10%(A) Community Action against Substance Abuse programs receiving grant awards of \$30,000 or less; and 10%(B) designates treatment for youth, woman and children and special projects."

KAREN PEARSON, Acting Director, Division of Alcoholism and Drug Abuse, Department of Health and Social Services responded to Senator Taylor's question regarding the equitable methodology for determining which programs are exempt or specified to remain at the ten percent level by responding that she was newly appointed to this position and would supply the requested information to the Committee upon further research.

Co-Chair Wilken asked that the Fairbanks Native Association program, another similar program specified at the ten percent level listed on page three of the report, also be included in the research.

Co-chair Wilken ordered the bill HELD in Committee.

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**ADJOURNMENT**

Co-Chair Gary Wilken adjourned the meeting at 10:16 AM.