

ALASKA STATE LEGISLATURE
SENATE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE
JANUARY 14, 2004

1:31 p.m.

TAPE(S) 04-1

MEMBERS PRESENT

Senator Fred Dyson, Chair
Senator Lyda Green, Vice Chair
Senator Gary Wilken
Senator Bettye Davis
Senator Gretchen Guess

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 259

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

MOVED SB 259 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 259

SHORT TITLE: SENIORCARE

SENATOR(S): RULES BY REQUEST OF THE GOVERNOR

01/12/04	(S)	READ THE FIRST TIME - REFERRALS
01/12/04	(S)	HES, FIN
01/14/04	(S)	HES AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

Commissioner Joel Gilbertson
Department of Health & Social Services
PO Box 110601
Juneau, AK 99801-0601

POSITION STATEMENT: Presented SB 259.

Ms. Marie Darlin
AARP
Juneau AK

POSITION STATEMENT: Supported SB 259.

Mr. Ed Zastrow
AARP
Ketchikan AK

POSITION STATEMENT: Supported SB 259.

Ms. Sara Jackson
St. Francis House
Anchorage AK

POSITION STATEMENT: Supported SB 259.

ACTION NARRATIVE

TAPE 04-1, SIDE A

SB 259-SENIORCARE

CHAIR FRED DYSON called the Senate Health, Education and Social Services Standing Committee meeting to order at 1:31 p.m. Present were Senators Wilken, Davis, Guess and Dyson. The first order of business to come before the committee was SB 259.

MR. JOEL GILBERTSON, Commissioner, Department of Health and Social Services, said SB 259 was a bill presented by the Governor to establish the SeniorCare Drug Assistance Program for the State of Alaska.

For a number of years seniors have been facing difficult challenges in trying to afford prescription drugs and the Medicare Program was established over 38 years ago. Yet, in those 38 years, it never covered the vast majority of prescription drugs that seniors needed. That changed last fall; Congress did act and Congress did add a prescription drug benefit to Medicare.... But, that benefit does not begin in full until January 1, 2006. In the meantime, seniors will continue to be faced with difficulty in affording prescription drugs, vital medicines that are necessary for them to maintain good health....

SENATOR LYDA GREEN arrived at 1:35 p.m.

COMMISSIONER GILBERTSON stated that SeniorCare was developed to fill that gap. It is a three-step effort to make prescription drugs both more affordable and more accessible for seniors. It

offers the choice of either cash assistance or a drug subsidy to make prescription drugs directly more affordable. It also includes the development and implementation of a preferred drug list and makes it accessible to all Alaskan seniors in an understandable form so they can see that some drugs serve the same purpose, but have a varied price. Thirdly, the SeniorCare program establishes a senior information office within the department so seniors can see firsthand that they have one place to go - one-stop shopping - and this can help them move through the wide variety of programs offered by the Department of Health and Social Services.

In FY03, the department provided almost \$203 million worth of programs directly to seniors in the state - from heating assistance, energy, food, housing, assisted living, long-term care and health care coverage.

COMMISSIONER GILBERTSON said SB 259 delivers the first part of this state program, which is the direct subsidy or cash assistance to seniors to help them afford prescription drug coverage. When the Longevity Bonus was replaced with the needs-based Alaska Senior Assistance Program last fall, his department implemented that program. It provides \$120 per month of cash assistance to seniors below 135 percent of poverty level. This program will continue and is in the governor's FY04 budget. The SeniorCare program puts that into statute and establishes an option for these seniors and new ones who qualify to opt for prescription drug benefits instead of the money. Single seniors below 135 percent of the poverty level have an annual income of \$15,135 and just under \$20,500 for a couple. They would receive a \$1,600 annual prescription drug subsidy or a continuation of the \$120 cash assistance under the governor's SeniorCare proposal. So, seniors between 135 percent and 150 percent of the poverty level, (slightly less than \$17,000 for a single individual and a little over \$23,000 for a couple), have access to a \$1,000 prescription drug subsidy. This program is bridge assistance until the Medicare program begins in full in 2006.

COMMISSIONER GILBERTSON explained that the federal government is also providing temporary assistance for low-income seniors in the form of an annual subsidy of \$600, which would interact with the state's \$1,600 subsidy for those below 135 percent of poverty level. All seniors will have access to a Medicare prescription drug discount card, which will provide negotiated discounts of 10 - 25 percent of the drugs' cost. He showed the committee a chart of how the two programs would work together for qualifying seniors.

He emphasized that this is not an insurance program; it is a drug subsidy. Over the counter drugs and vitamins are excluded and generic drugs have a preference, although brand name drugs can be specified by the provider as long as the need is documented on the prescription, itself.

COMMISSIONER GILBERTSON concluded that the program is part of the three-prong effort to make drugs more affordable.

CHAIR DYSON said, in reference to the governor's letter in which he urges the Legislature to pass this legislation in January so the benefits can begin in April, that he is reluctant to take significant pieces of legislation and pass them on the first day. He asked how quickly the Legislature needed to act in order for him to proceed with his plans.

COMMISSIONER GILBERTSON replied that the need exists now. Congress acknowledged that there is a need for a prescriptions drug benefit in the fall. His goal is to have the bill up and running on April 1 of this year; that is also when the federal temporary assistance is targeted to begin. He would like to begin the eligibility verification in March with applications going out in February. A companion bill is also in the House.

CHAIR DYSON said the governor's press release implied that SeniorCare was more than this component and asked if it was going to create one-stop shopping for all of the programs that a senior Alaskan might be able to access.

COMMISSIONER GILBERTSON replied that SeniorCare legislation is about establishing the drug subsidy program, but outside of the legislation, it would provide a clearinghouse for all the other programs seniors are offered inside the department, like Adult Public Assistance, the Alaska Senior Assistance Program, Food Stamps Program, heating and energy assistance, Medicaid, home and community based waivers, assisted living and more. He said the department would be working with local Medicare-accepting providers and making a clear list of all doctors who are accepting new Medicare patients so that when a senior needs to find one, they can.

CHAIR DYSON asked him if that program was up and running.

COMMISSIONER GILBERTSON replied that a contractor began operating the senior information office in late December and that will continue until the hiring process for the two full-

time employees that will be staffing the senior information office is finalized.

CHAIR DYSON asked if the new reimbursement rates the feds are offering induce more doctors to be willing to treat Medicare patients.

COMMISSIONER GILBERTSON replied that anecdotally the rate is providing greater access, but it's too early to tell for sure.

SENATOR GUESS complimented the governor for presenting this legislation. She asked why 135 percent and 135 - 150 percent of the poverty level were picked as the levels to use.

COMMISSIONER GILBERTSON replied that the 135 percent and below is the same criteria used for the Senior Assistance Program along with the same asset test requirements (\$4,000 for an individual and \$6,000 for a couple). That is also the demographic that is identified by the federal government in its legislation for receiving bridge assistance. The 135 - 150 percent is an additional build out on top of that for individuals who will not be receiving assistance at all from the federal government until the full benefit begins in 2006.

SENATOR GUESS asked if they needed to worry that the 135 percent of poverty level for this state is tied to some federal code on page 2, line 4.

COMMISSIONER GILBERTSON responded that this is how other programs, like Denali Kid Care, for instance, are handled. The federal poverty level is established by the federal government and adjusted in the base formula by 25 percent in Alaska to reflect the cost of living.

1:46 p.m.

SENATOR GUESS asked him to explain the interaction between Medicaid and Medicare. Does the federal government say that you have to have Medicaid before you can have Medicare?

COMMISSIONER GILBERTSON explained that seniors on Medicaid are already receiving a prescription drug benefit through their Medicaid eligibility and they would receive the cash assistance in lieu of the drug benefit. Medicaid has very comprehensive drug benefits.

SENATOR GUESS asked how the Indian Health Service fit into the picture.

COMMISSIOER GILBERTSON answered that this program is based on out-of-pocket costs. Some individuals receive services (federally funded programs) from facilities where they incur no out-of-pocket costs. This program would not compensate the facility or the federal government for that service.

SENATOR GUESS asked him to explain how the credit works.

COMMISSIONER GILBERTSON answered that some details would be handled through regulation, but they are currently looking at the delivery method, itself. The federal drug discount card is going to be available in the spring and they are looking to see if the credit can in some way be embedded in the discount card so seniors don't have to have more than one card. Another option is to see if the state can piggyback its subsidy directly onto the federal subsidy and run it through one process. The benefit is not reliant upon the delivery mechanism being finalized and can begin immediately.

SENATOR GUESS asked if the goal of the administration is not to have seniors be reimbursed, but have the credit happen at the point of sale.

COMMISSIONER GILBERTSON replied that their goal, which depends on other partners agreeing to it, is to have an electronic debit card rather than having people sending in receipts.

SENATOR WILKEN asked what the residency qualifications were specifically on page 2, line 2 and page 4, line 28.

COMMISSIONER GILBERTSON responded that there is no waiting period and page 3, line 27, clarifies residency for people who have to leave the state, sometimes for medical treatment or a business trip and absences less than 30 days and not have their eligibility challenged.

SENATOR WILKEN asked further on page 4, line 1, who defines the special circumstances if you leave the state for more than 30 days.

COMMISSIONER GILBERTSON replied that the department would.

SENATOR WILKEN asked if other departments had that discretion, because it could set up a system over time by which they would simply grant extensions.

COMMISSIONER GILBERTSON replied that the intent of this section was to give the ability to individuals to leave the state and still have access to programs.

SENATOR WILKEN asked him to explain the funding source of federal receipts in fiscal note 2.

COMMISSIONER GILBERTSON replied that Alaska was the recipient of fiscal relief as a part of the recently passed federal assistance and tax reduction plan by President Bush. It consists of two deposits to the state. The last of the payments under that legislation would be used for the bulk of the cost for FY05. They can't predict that the program will be extended and that's why the program for FY06 is funded from the general fund.

SENATOR WILKEN asked, regarding fiscal note 3, if an individual in a Pioneer Home have special circumstances.

The commissioner answered that the legislation, itself, excludes eligibility for individuals who are in institutional settings, because nursing homes, for instance, already have access to prescription drug coverage through the facility. The program would be compensating facilities and not individuals under that scenario, which wasn't in the spirit of the program. The Pioneer's Home System has a series of sliding scales and if they were to provide assistance to the individuals, their rent would go up. They instead provide Pioneer Homes with prescription drug program coverage and discounted medications.

SENATOR WILKEN asked why the Pioneer Home has a fiscal note if the program doesn't apply to them.

COMMISSIONER GILBERTSON replied that the eligibility determinations for the drugs and the cash assistance are being done through the Pioneer Home management, because that is where the Longevity Program was formerly located and the infrastructure was in place.

CHAIR DYSON asked if irrevocable election happened on an annual basis or once in a lifetime (page 2, line 23).

COMMISSIONER GILBERTSON replied that the legislation requires individuals upon their application to make an annual election.

This refers to individuals below 135 percent poverty where they have the choice between prescription drugs and cash assistance. The reason is that they create the strange incentive where individuals could exhaust their benefits under one program half way through the year and switch to the other program and receive benefits for the remainder of the year.

2:00 p.m.

SENATOR GUESS asked if there was a reason they excluded smoking cessation products on page 3, line 13.

COMMISSIONER GILBERTSON said most of the exclusions are consistently excluded from most public programs. They also looked at what was the intent of the program which was providing drug assistance to seniors. They wanted to make sure the resources were going towards the drugs seniors have the prescriptions for, but can't afford to fill.

SENATOR GUESS asked if she was correct in that he assumes approximately 600 out of the 8,100 seniors who are eligible will choose the prescriptions over the cash.

COMMISSIONER GILBERTSON answered that their assumption is for the last quarter of FY04, they would serve 7,550 seniors under the cash benefits and 600 seniors under the drug benefit for those below 135 percent of poverty level and 2,120 seniors for the drug benefit between 135 and 150 - for a total of 10,500 seniors served. Of those, roughly 46.6 percent didn't receive the Longevity Bonus indicating that they are tapping a number of people who were not served through the Longevity Bonus into a needs-based program.

SENATOR GUESS thanked him for implementing the Senior Assistance Program after the Longevity Bonus was gone. Since most people under this program would be choosing the cash option and the program runs only to 2006, she wanted to know why the cash assistance part of the program doesn't keep going. "...I got confused about why we're cutting off cash assistance for seniors in four years when that cash maybe didn't have to go towards prescriptions. It went towards food or rent."

COMMISSIONER GILBERTSON replied that the department would continue after this program to believe in cash assistance for seniors.

"We currently run the Adult Public Assistance Program in the State of Alaska, which is a 100 percent generally funded program that provides direct cash assistance to low income seniors in the state. We are providing the Alaska Senior Assistance Program now as an additional supplement on top of that. We have a vibrant collection of social service programs, largely administered through my department for seniors in the state. I think it's one of the richest programs for seniors across the nation.... Well over \$200 million of services directly administered from that building across the street to seniors across the state in a variety of areas from heating to housing to food to public assistance to Medicaid services...services that are costing more on an annual basis...The Medicaid Program has grown by \$100 million in this state each year since 1999 and we're projecting continued growth going into the future. That's requiring an additional general fund investment. The Governor's key philosophy is that first and foremost our resources have to be targeting toward those individuals who are the neediest. We will continue to strengthen first the Medicaid and safety net services such as Adult Public Assistance, which sometimes gets lost in the conversation. We're providing cash assistance to almost 5,000 seniors in the state right now at \$20 million per year for low-income senior. We have to continue funding that program which is growing at a very high rate.

SENATOR GUESS said she was still confused. If the purpose of this program isn't cash assistance, why is he providing cash assistance to seniors who have enough support and may not use it on prescription drugs?

If the goal is prescription drugs, why aren't we spending all the funding on prescription drugs? If the goal is cash assistance, why are we setting up a similar situation that we just went through [by stopping the Longevity Bonus]?

She didn't want seniors to think they would start to get \$120 for the rest of their lives and then be disappointed.

COMMISSIONER GILBERTSON responded that this is a prescription drug program and the reason they continue the cash assistance is because this is a needs based program and seniors are going to

be on it until the Medicare drug benefit becomes available. The governor felt that seniors, at least, deserved a choice.

CHAIR DYSON said he wanted to get to the public testimony and asked Marie Darlin to testify.

2:12 p.m.

MS. MARIE DARLIN, AARP, said that 2003 was a difficult year for many older Alaskans, especially those over 72, as the Alaska Longevity Bonus was part of their retirement budgets and it was stopped. As some people get older, they require more prescription drugs and those costs have been increasing at rates higher than normal inflation.

Although the Senior Assistance Program did not replace the Longevity Bonus, it does help over 7,000 of our lowest income older Alaskans determine how to pay their day-to-day costs, especially for prescription drugs.

MS. DARLIN said the Medicare prescription drug bill that Congress just passed would help an estimated 23,000 older Alaskans who are below 150 percent of the federal poverty level when it fully takes effect in 2006. Until then, the proposed Senior Care Program will provide some financial relief. "Any financial assistance to help cope with escalating drug costs will be welcome...."

She said that AARP approves the legislation as presented by the governor's office.

2:16 p.m.

TAPE 04-1, SIDE B

MS. DARLIN continued saying that AARP supports the Senior Care preferred drug list (PDL). Her final comment was on how the senior programs are going to be paid for. They want to be certain they are not supporting a new benefit for older persons that will result in a decrease in funding for a neo-natal program somewhere and that, "We are all in this together. We are all Alaskans no matter what our age..."

MR. ED ZASTROW, AARP, supported Ms. Darlin's comments and SB 259.

MS. SARA JACKSON, St. Francis House, Catholic Social Services, said they run the largest food pantry in Alaska. For the last six months they have been operating a USDA food program that uses 130 percent of the poverty level for qualification. In December they fed 4,693 people - 188 were 65 years and older. They are among the most desperately poor. She supported SB 259 and thanked the governor for introducing it.

CHAIR DYSON asked what was the will of the committee and did they want to pass it out now.

SENATOR GREEN moved to pass SB 259 from committee with individual recommendations with the understanding that if anyone had any additional concerns, they could be addressed in Senate Finance, since three of the committee members were on the Finance Committee also.

CHAIR DYSON added, "If we choose to do that, I will certainly commit to our two members who aren't a member of that, that any questions or objections or amendments or whatever, I'll work hard to get them addressed."

There were no objections and SB 259 moved from committee with individual recommendations.

There being no further business to come before the committee, he adjourned the meeting at 2:25 p.m.