

(LIMITED RUN SHOWING ALL ADDITIONAL SPONSORSHIPS)

**SENATE CS FOR CS FOR HOUSE BILL NO. 426(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FOURTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered: 5/6/06**

**Referred: Today's Calendar**

**Sponsor(s): REPRESENTATIVE COGHILL**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to cooperation of insurers with the Department of Health and Social**  
2 **Services; relating to subrogation, assignment, and lien rights and notices for medical**  
3 **assistance claims; relating to recovery of medical assistance overpayments; relating to**  
4 **asset transfers and income diversion by medical assistance applicants; relating to assets**  
5 **and Medicare enrollment as they affect medical assistance coverage; relating to home**  
6 **and community-based services; relating to medical assistance applications for persons**  
7 **under 21 years of age; requiring a report by the Department of Health and Social**  
8 **Services; and providing for an effective date."**

9 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

10 **\* Section 1.** AS 21.09 is amended by adding a new section to read:

11 **Sec. 21.09.240. Cooperation with the Department of Health and Social**  
12 **Services.** An insurer, including a pharmacy benefits manager, with respect to medical

1 assistance programs under AS 47.07, shall cooperate with the Department of Health  
2 and Social Services to

3 (1) provide, with respect to an individual who is eligible for or is  
4 provided medical assistance under AS 47.07, on the request of the department,  
5 information to determine during what period the individual or the individual's spouse  
6 or dependents may be or may have been covered by the insurer and the nature of the  
7 coverage that is or was provided by the insurer, including the name and address of the  
8 insurer and the identifying number of the health care insurance plan;

9 (2) accept the department's right of recovery and the assignment to the  
10 department of any right of an individual or other entity to payment from the party for  
11 an item or service for which payment has been made under AS 47.07;

12 (3) respond to any inquiry by the department regarding a claim for  
13 payment for any health care item or service that is submitted not later than three years  
14 after the date of the provision of the health care item or service; and

15 (4) agree not to deny a claim submitted by the department solely on the  
16 basis of the date of submission of the claim, the type or format of the claim form, or a  
17 failure to present proper documentation at the point-of-sale that is the basis of the  
18 claim if

19 (A) the claim is submitted by the department within the three-  
20 year period beginning on the date on which the item or service was furnished;  
21 and

22 (B) any action by the department to enforce its rights with  
23 respect to the claim is commenced within six years after the department's  
24 submission of the claim.

25 \* **Sec. 2.** AS 47.05.070(b) is amended to read:

26 (b) **When** [IF] the department provides or pays for medical assistance for  
27 injury or illness under this title, the department is subrogated to **not more than the**  
28 **part of an insurance payment or other recovery by the recipient that is for**  
29 **medical expenses provided by the department.** [THE RIGHTS OF THE  
30 RECIPIENT OF THAT MEDICAL ASSISTANCE FOR ANY CLAIM ARISING  
31 FROM THE INJURY OR ILLNESS AND TO THE PROCEEDS OF AN

1 INSURANCE POLICY COVERING THE INJURY OR ILLNESS TO THE  
 2 EXTENT OF THE VALUE OF THE MEDICAL ASSISTANCE PROVIDED. A  
 3 RECIPIENT OF MEDICAL ASSISTANCE OR THE RECIPIENT'S ATTORNEY  
 4 MUST NOTIFY THE DEPARTMENT IN WRITING OF ANY ACTION OR  
 5 CLAIM AGAINST A THIRD-PARTY PAYOR IF MEDICAL ASSISTANCE WAS  
 6 PROVIDED BY THE DEPARTMENT TO TREAT AN INJURY OR ILLNESS FOR  
 7 WHICH THE THIRD PARTY MAY BE LIABLE.] Notwithstanding the assertion of  
 8 any action or claim by the recipient of medical assistance, the department may bring  
 9 an action in the superior court against an alleged third-party payor to recover an  
 10 amount subrogated to the department for medical assistance provided on behalf of a  
 11 recipient.

12 \* **Sec. 3.** AS 47.05 is amended by adding new sections to read:

13 **Sec. 47.05.071. Duty of a medical assistance recipient.** (a) A medical  
 14 assistance recipient shall cooperate with and assist the department in identifying and  
 15 providing information concerning third parties who may be liable to pay for care and  
 16 services received by the recipient under the medical assistance program.

17 (b) As a condition of medical assistance eligibility, a person who applies for  
 18 medical assistance shall, at the time of application,

19 (1) assign to the department the applicant's rights of payment for care  
 20 and services from any third party to the extent the department has paid medical  
 21 assistance for care and services;

22 (2) cooperate with and assist the department in identifying and  
 23 providing information concerning third parties who may be liable to pay for care and  
 24 services received by the recipient under the medical assistance program; and

25 (3) agree to make application for all other available third-party  
 26 resources that may be used to provide or pay for the cost of care or services received  
 27 by the medical assistance recipient or that may be used to finance reimbursement to  
 28 the state for the cost of care or services received by the medical assistance recipient; a  
 29 medical assistance recipient is under no duty to file a civil or other action for the  
 30 purpose of reimbursing the state for the cost of care or services.

31 **Sec. 47.05.072. Duty of attorney for medical assistance recipient.** (a) An

1 attorney representing a medical assistance recipient shall notify the attorney general's  
2 office.

3 (b) The notice to the attorney general's office required under (a) of this section  
4 includes submission of the following:

5 (1) identification of the medical assistance recipient's name, last  
6 known address, and telephone number, and the date of the injury or illness giving rise  
7 to the action or claim;

8 (2) copies of the pleadings and other papers related to the action or  
9 claim;

10 (3) the identification of each potentially liable third party, including  
11 that party's name, last known address, and telephone number;

12 (4) the identification of any insurance policy potentially responsive to  
13 the action or claim; and

14 (5) a description of the facts and circumstances supporting the action  
15 or claim.

16 (c) An attorney who represents a medical assistance recipient shall give the  
17 attorney general's office notice within 30 days of any judgment, award, or settlement,  
18 in an action or claim by the medical assistance recipient to recover damages for an  
19 injury or illness that has resulted in the department's providing or paying for medical  
20 assistance.

21 (d) If a medical assistance recipient is handling the action or claim on a pro se  
22 basis, the provisions of this section apply as if the medical assistance recipient were an  
23 attorney representing the medical assistance recipient.

24 **Sec. 47.05.073. Judgment, award, or settlement of a medical assistance**  
25 **lien.** (a) A medical assistance recipient may not maintain any rights to payment for  
26 medical costs as a result of a judgment, award, or settlement of an action or claim for  
27 which another person may be legally obligated to pay without first making repayment  
28 to the department for costs of past medical assistance services provided to or paid for  
29 by the medical assistance recipient that relate to that action or claim.

30 (b) A medical assistance recipient may not place any payment as a result of a  
31 judgment, award, or settlement of an action or claim for which another person was

1 legally obligated to pay because of injury or illness into any trust for the purpose of  
 2 maintaining public assistance or medical assistance eligibility without first making  
 3 repayment to the department for costs of past medical assistance services provided to  
 4 the medical assistance recipient related to that action or claim.

5 (c) The attorney general may only discharge a medical assistance lien under  
 6 AS 47.05.075 if the discharge complies with federal law.

7 (d) Notwithstanding (a) - (c) of this section, a third-party payor shall have no  
 8 further liability if it settles or compromises a dispute in good faith and without  
 9 knowledge that the individual is a recipient of medical assistance.

10 **Sec. 47.05.074. Conflict with federal requirements.** If any provision of this  
 11 chapter related to subrogation, assignment, or lien conflicts with federal law  
 12 concerning the Medicaid program or receipt of federal money to finance the medical  
 13 assistance program, the provision does not apply to the extent of the conflict.

14 \* **Sec. 4.** AS 47.05.075(d) is amended to read:

15 (d) A perfected lien under this section has priority **over all other liens except**  
 16 **tax liens and a lien perfected for attorney fees and costs** [IMMEDIATELY AFTER  
 17 A LIEN PERFECTED BY A HOSPITAL, NURSE, OR PHYSICIAN UNDER  
 18 AS 34.35.450 - 34.35.480].

19 \* **Sec. 5.** AS 47.05.080(a) is amended to read:

20 (a) Benefit overpayments collected by the department in administering  
 21 programs under **AS 47.07 (medical assistance)**, AS 47.25.120 - 47.25.300 (general  
 22 relief), AS 47.25.430 - 47.25.615 (adult public assistance), AS 47.25.975 - 47.25.990  
 23 (food stamps), and 47.27 (Alaska temporary assistance program) shall be remitted to  
 24 the Department of Revenue under AS 37.10.050(a), **except for overpayments**  
 25 **recovered under AS 47.07 that cover the value of services paid from federal**  
 26 **sources.**

27 \* **Sec. 6.** AS 47.07.020(f) is amended to read:

28 (f) A person may not be denied eligibility for medical assistance under this  
 29 chapter on the basis of a diversion of income **or transfer of assets**, whether by  
 30 assignment or after receipt of the income, into a Medicaid-qualifying trust **or annuity**  
 31 that, according to a determination made by the department,

1 (1) has provisions that require that the state will receive all of the trust  
 2 **or annuity** assets remaining at the death of the individual, subject to a maximum  
 3 amount that equals the total medical assistance paid on behalf of the individual; and

4 (2) otherwise meets the requirements of 42 U.S.C. 1396p(d)(4) **for a**  
 5 **trust and 42 U.S.C. 1396p(c)(1)(F) and 42 U.S.C.1396p(e)(1) for an annuity.**

6 \* **Sec. 7.** AS 47.07.020 is amended by adding new subsections to read:

7 (j) A person may not apply for medical assistance coverage on behalf of a  
 8 child under 18 years of age who is not emancipated unless the person is the parent or  
 9 legal guardian of the child or, if the parent or legal guardian can be contacted and  
 10 consents to the application and the person is

11 (1) an adult caretaker relative who lives with the child and who is  
 12 exercising care and control of the child; or

13 (2) an employee of the department who is applying on behalf of a child  
 14 who is in the custody of the department.

15 (k) A child who is unemancipated may apply for medical assistance coverage  
 16 on the child's own behalf if the parent or legal guardian of the child consents to the  
 17 application. The department may waive consent under this section if the child  
 18 expresses a reasonable fear of the child's parent or legal guardian or the department  
 19 has been unable to contact the parent or legal guardian after the department has made  
 20 reasonable efforts to do so. If a waiver of consent is granted, the department shall  
 21 document the reason for the waiver in the child's medical assistance record.

22 (l) Notwithstanding the eligibility provisions under (a) and (b) of this section,  
 23 a person may not receive medical assistance under this section unless the person first  
 24 enrolls in the Medicare program under 42 U.S.C. 1395 to the extent that the person is  
 25 eligible to receive benefits and services under the program.

26 (m) Except as provided in (g) of this section, the department shall impose a  
 27 penalty period of ineligibility for the transfer of an asset for less than fair market value  
 28 by an applicant or an applicant's spouse consistent with 42 U.S.C. 1396p(c)(1).

29 (n) Except as provided under 42 U.S.C. 1396p(f) and 42 U.S.C. 1396u-1, the  
 30 department shall include as an asset for eligibility purposes the value of an applicant's  
 31 home if the equity value in the home exceeds \$500,000 at the time the application is

1 completed. Nothing in this subsection prohibits an applicant from reducing the equity  
 2 value in the applicant's home by selling the home or by taking out a loan that affects  
 3 the equity.

4 \* **Sec. 8.** AS 47.07 is amended by adding a new section to read:

5 **Sec. 47.07.045. Home and community-based services.** (a) The department  
 6 may provide home and community-based services under a waiver in accordance with  
 7 42 U.S.C. 1396 - 1396p (Title XIX, Social Security Act), this chapter, and regulations  
 8 adopted under this chapter, if the department has received approval from the federal  
 9 government and the department has appropriations allocated for the purpose. To  
 10 supplement the standards in (b) of this section, the department shall establish in  
 11 regulation additional standards for eligibility and payment for the services.

12 (b) Before the department may terminate payment for services provided under  
 13 (a) of this section,

14 (1) the recipient must have had an annual assessment to determine  
 15 whether the recipient continues to meet the standards under (a) of this section;

16 (2) the annual assessment must have been reviewed by an independent  
 17 qualified health care professional under contract with the department; for purposes of  
 18 this paragraph, "independent qualified health care professional" means,

19 (A) for a waiver based on mental retardation or developmental  
 20 disability, a person who is qualified under 42 CFR 483.430 as a mental  
 21 retardation professional;

22 (B) for other allowable waivers, a registered nurse licensed  
 23 under AS 08.68 who is qualified to assess children with complex medical  
 24 conditions, older Alaskans, and adults with physical disabilities for medical  
 25 assistance waivers; and

26 (3) the annual assessment must find that the recipient's condition has  
 27 materially improved since the previous assessment; for purposes of this paragraph,  
 28 "materially improved" means that a recipient who has previously qualified for a  
 29 waiver for

30 (A) a child with complex medical conditions, no longer needs  
 31 technical assistance for a life-threatening condition, and is expected to be

1 placed in a skilled nursing facility for less than 30 days each year;

2 (B) mental retardation or developmental disability, no longer  
3 needs the level of care provided by an intermediate care facility for the  
4 mentally retarded either because the qualifying diagnosis has changed or the  
5 recipient is able to demonstrate the ability to function in a home setting without  
6 the need for waiver services; or

7 (C) an older Alaskan or adult with a physical disability, no  
8 longer has a functional limitation or cognitive impairment that would result in  
9 the need for nursing home placement, and is able to demonstrate the ability to  
10 function in a home setting without the need for waiver services.

11 \* **Sec. 9.** AS 47.05.070(e) is repealed.

12 \* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 **APPLICABILITY.** Sections 2 - 4 of this Act apply to a cause of action related to a  
15 subrogation, assignment, or lien by the Department of Health and Social Services that accrues  
16 on or after the effective date of this Act.

17 \* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 **REPORT.** The Department of Health and Social Services shall prepare a report and  
20 deliver the report to the legislature not later than the first day of the First Regular Session of  
21 the Twenty-Fifth Alaska State Legislature. The report must include recommendations for  
22 statutory, regulatory, and systematic changes that will

23 (1) assist the department in reducing medical assistance expenditures for  
24 services received in mental health treatment facilities located in the state and outside the state,  
25 including community mental health facilities, residential psychiatric treatment centers, and  
26 substance abuse treatment facilities;

27 (2) enhance and clarify parental financial responsibility for children receiving  
28 services provided by mental health treatment facilities located in the state and outside the  
29 state, including community mental health facilities, residential psychiatric treatment centers,  
30 and substance abuse treatment facilities; and

31 (3) maximize all third-party resources available to pay for the cost of services

1 provided by mental health treatment facilities located in the state and outside the state,  
2 including community mental health facilities, residential psychiatric treatment centers, and  
3 substance abuse treatment facilities, before a provider seeks reimbursement under AS 47.07.

4 \* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6 TRANSITION: REGULATIONS FOR HOME AND COMMUNITY-BASED  
7 SERVICES. To the extent that regulations on home and community-based services that are in  
8 effect on the effective date of sec. 8 of this Act are not inconsistent with the language and  
9 purposes of sec. 8 of this Act, those regulations remain in effect as valid regulations  
10 implementing sec. 8 of this Act.

11 \* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 STATE PLAN. (a) The Department of Health and Social Services shall immediately  
14 apply for federal approval of a revised state plan to implement the changes to the medical  
15 assistance program made under secs. 1 - 7 and 9 of this Act.

16 (b) The commissioner of health and social services shall notify the revisor of statutes  
17 of the date of the federal approval of the revised state plan submitted under (a) of this section.

18 \* **Sec. 14.** Sections 8, 12, and 13 of this Act take effect immediately under AS 01.10.070(c).

19 \* **Sec. 15.** Section 1 of this Act takes effect July 1, 2007.

20 \* **Sec. 16.** Except as provided in secs. 14 and 15 of this Act, this Act takes effect July 1,  
21 2006, or on the date of notification under sec. 13 of this Act of federal approval of a revised  
22 state plan for medical assistance coverage incorporating the changes made by secs. 1 - 7 and 9  
23 of this Act, whichever is later.