

HOUSE FINANCE COMMITTEE  
January 26, 2005  
2:17 P.M.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [2:17:11 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair  
Representative Kevin Meyer, Co-Chair  
Representative Bill Stoltze, Vice-Chair  
Representative Richard Foster  
Representative Jim Holm  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Carl Moses  
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Eric Croft  
Representative Mike Hawker

ALSO PRESENT

Joel Gilbertson, Commissioner, Department of Health & Social Services; John Sherwood, Staff, Office of the Commissioner, Department of Health & Social Services; Steve Atkins, Director, Division of Senior & Disabilities Services, Department of Health & Social Services

GENERAL SUBJECT(S):

**Overview: Senior Health Care Program**

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 24th Legislative Session, contact 465-6814. After the 24th Legislative Session they will be available through the Legislative Library at 465-3808.

<b>TIME</b>	<b>SPEAKER</b>	<b>DISCUSSION</b>
<a href="#">2:17:30 PM</a>	Co-Chair Chenault	Convened the House Finance Committee to take testimony from Commissioner

		Gilbertson of the Department of Health & Social Services regarding the Senior Health Care Program.
		<b>OVERVIEW: SENIOR HEALTH CARE PROGRAM</b>
<a href="#">2:18:36 PM</a>	JOEL GILBERTSON, COMMISSIONER, DEPARTMENT OF HEALTH & SOCIAL SERVICES	Provided Committee members with a handout regarding the "Comparison of Qualifications and Benefits - Beginning January 2006". (Copy on File). He introduced his staff John Sherwood, who would answer Committee questions about the program. Commissioner Gilbertson noted that the Governor had submitted a bill, HB 106, which will address the Senior Care initiative effort throughout the State of Alaska. One piece of that legislation establishes a cash assistance benefit drug subsidy for low-income seniors.
<a href="#">2:19:27 PM</a>	Commissioner Gilbertson	The proposed legislation builds off the federal Medicaid benefit and efforts done last session.
<a href="#">2:20:12 PM</a>	Commissioner Gilbertson	The cost of prescriptive drugs has skyrocketed and inflation rates have rose as high as 27% in one year.
<a href="#">2:20:38 PM</a>	Commissioner Gilbertson	The Governor's proposal provides for enhancement of the Senior Care drug benefit and will interact will with the federal Medicaid benefit. Medicare consists these parts: <ul style="list-style-type: none"> <li>• Part A - virtually all seniors are in Part A, and covers in patient service and hospital care;</li> <li>• Part B is the Medicare component for seniors when they receive out patient services;</li> <li>• Part C is not available in Alaska and deals with Medicare plus (+) choice plans or Medicare managed care;</li> <li>• Part D will begin in Alaska in January 2006 and it will allow seniors to enroll in Part D and receive Medicare drug assistance.</li> </ul>
<a href="#">2:21:40 PM</a>	Commissioner Gilbertson	Advised that Seniors pay a premium when they are in Part D and when they enroll, they will have to pay another premium for the prescription drugs. Additionally, they will have a new deductible. The federal government does have a sliding scale and seniors below 135% have no cost sharing. The

		sliding scale moves to about 175% for when they receive assistance.
<a href="#">2:22:33 PM</a>	Commissioner Gilbertson	HB 106 clarifies that beginning in January 2006, when the benefit begins, the State Senior Care program will be converted to a drug assistance program. The State will pay for out of pocket costs for senior's premiums or deductible up to an income level 300% of poverty. He pointed out the chart (Attachment #1), which better clarifies the Governor's intent. Cash assistance will continue. Under the previous Senior care proposal, the seniors under 135% poverty level, an annual income for a single senior of about \$15,700 dollars per year and a couple with \$21,000 dollars income per year. They currently receive \$120 per month and it will continue. Those seniors will have access without paying a premium or deductible.
<a href="#">2:23:57 PM</a>	Commissioner Gilbertson	Continued, the Senior care cash assistance is for seniors above 135% poverty and up to 300% poverty level, which for an Alaska senior would be up to \$34,800 dollars income per year. There would be an asset limit and the benefit would be \$670 dollars per year. The premium would be \$40 per month.
<a href="#">2:24:35 PM</a>	Commissioner Gilbertson	Noted that the Department expects to serve approximately the same number of individuals, 7,000. Any senior that enrolls in Part D will have to pay a deductible in order to receive assistance.
<a href="#">2:25:25 PM</a>	Commissioner Gilbertson	Clarified that. He referenced Attachment #1: Under the old senior drug proposal from last session, the 1 <sup>st</sup> \$2,500 spent, would amount to a \$1,000 subsidy per individual. Under HB 106, the seniors expense will be reduced to a little over \$450 dollars.
<a href="#">2:26:14 PM</a>	Commissioner Gilbertson	Noted the senior care benefit component and Medicare care benefit. The goal of the legislation is to guarantee that not a single senior in Alaska is unable to pay out of pocket costs.
<a href="#">2:26:49 PM</a>	Commissioner Gilbertson	He clarified what this would mean for "real Alaskans". He referenced Page 2, Attachment #1, which provides examples of savings within the program

		highlighting a couple and individual.
<a href="#">2:28:05 PM</a>	Commissioner Gilbertson	Stated that the program is an effort to guarantee that seniors, particularly low income seniors, have needed access. He addressed what would happen to seniors who have access to drug benefits under a retirement program. There would be a capped amount that the State pays.
<a href="#">2:28:45 PM</a>	Representative Joule	Noted that he receives a lot of district correspondence regarding the cash assistance program. The information required for the program is complicated. He reiterated that some people registering for the program are uncertain what is requested of them. It has become a hardship for those seniors. He requested that a system be made, such as a follow-up call, to help keep seniors "in the loop".
<a href="#">2:31:39 PM</a>	Commissioner Gilbertson	Addressed the out-reach concerns of Representative Joule. He stressed that the Governor has been adamant that there should be a "clearing house" for senior information and there will be a (800) number and a website where seniors can call to help find appropriate providers. He added that a staff would be added to the Senior Office. He warned that the next twelve months will be the most confusing and challenging times for the seniors. They will be receiving mailings from the federal government asking them to enroll and will be complex information determining which plan to enroll in.
<a href="#">2:33:41 PM</a>	Commissioner Gilbertson	The federal as well as the State applications will be going out. It is the "unknown" group, the group that is not currently receiving benefits that are worrisome. He reiterated that it will be a challenge.
<a href="#">2:34:07 PM</a>	JOHN SHERWOOD, STAFF, OFFICE OF THE COMMISSIONER, DEPARTMENT OF HEALTH & SOCIAL SERVICES	Spoke to the issue regarding the review and the number of individuals that are lost each year due to that paperwork. Over the years, the process has been simplified and in the federal needs based payment, the State no longer requires the individual review. He noted that there are two notices sent out as reminders. There to date, has not been a practice of calling

		participants when their reviews are not returned.
<a href="#">2:35:20 PM</a>	Mr. Sherwood	Explained that the recipient only needs to let the State know when things have changed.
<a href="#">2:35:38 PM</a>	Representative Joule	Asked that when these people do not respond, if there be anything that would prohibit the Department from sharing that information with his office. His office could do the "foot work" to help those constituents.
<a href="#">2:36:07 PM</a>	Mr. Sherwood	Responded that he would need to consult with Department of Law. He feared that it could require a statute change because of confidentiality issues. He added that there is a special statute around the Temporary Assistance to Needy Families (TANF) program.
<a href="#">2:36:38 PM</a>	Representative Joule	Commented that his office could easily coordinate follow-up for the seniors in his district in order that they are able to receive services.
<a href="#">2:37:00 PM</a>	Vice-Chair Stoltze	Advised that someone at his district's Senior Center questioned Medicaid payment delays and had contacted him. He inquired about solutions for those software concerns.
<a href="#">2:37:55 PM</a>	STEVE ATKINS, DIRECTOR, DIVISION OF SENIOR & DISABILITIES SERVICES, DEPARTMENT OF HEALTH & SOCIAL SERVICES	Stated that on July 1 <sup>st</sup> , 2004, the U.S. government required that any procedure codes used by the State for Medicaid waiver services, need to be uniform statewide. That process worked well for three of the four senior programs. The codes had to be converted to the waiver program used by the Senior Center. A problem exists under the Medicaid waiver for mental retardation and developmental disabilities (D.D.). They do not have a database that can convert the old procedure codes into the new ones. The value was not transferring over. He acknowledged trouble with the D.D. side of business for paying Medicaid bills. By the end of this month, Mr. Atkins claimed that the Department would be converting the D.D. program into the same type database used for the other waivers.
<a href="#">2:40:16 PM</a>	Commissioner Gilbertson	Noted the follow-up happening in Vice Chair Stoltze district.
<a href="#">2:40:43 PM</a>	Co-Chair	Questioned how sustainable the proposed

	Chenault	program would be over time, pointing out the size of the fiscal note. Commissioner Gilbertson acknowledged that is a concern for the Department for it to be sustainable. He added that providing for prescription drug coverage is expensive. There is a balance in the Senior Care program fund. The Department was concerned with using only that fund to get through the first year and then experiencing a huge due amount each year. He claimed that the program would cost between \$17 & \$18 million dollars per year.
<a href="#">2:42:29 PM</a>	Co-Chair Meyer	Asked how much of the original amount of \$26 billion dollars was remaining.
<a href="#">2:42:52 PM</a>	Commissioner Gilbertson	Replied that as of January 1, 2006, when the Medicare benefit begins, there would be no expense for the first half of the fiscal year; the remaining balance would be \$7.7 million dollars.
<a href="#">2:43:21 PM</a>	Co-Chair Meyer	Inquired why there was money left over. Commissioner Gilbertson explained that the Department was very conservative in their estimates and the eligibility calculations were higher. It difficult to predict the number of seniors based on economic data.
<a href="#">2:44:44 PM</a>	Commissioner Gilbertson	Added that it was initially difficult to get seniors enrolled. The old Senior care proposal was out dated from that of the Governor's intent.
<a href="#">2:45:01 PM</a>	Commissioner Gilbertson	Spoke of the cash subsidies for seniors below poverty level and a prescription drug subsidy for seniors between 135%-150% level of poverty. He stated that it has been difficult to access that group; there is an effort happening in the next few weeks to raise awareness within that group. He emphasized that has been a complex issue for seniors. The assistance is only now being provided for the drug assistance. Last year, the federal government provided a drug assistance card, which ended up being very confusing. He stressed that there had been a number of issues confusing seniors. The enrollment is far lower than the Administration wants and consequently, the Department has spent time educating Alaska Association of

		Retired Persons (AARP) and working with appropriate organizations to educate.
<a href="#">2:46:31 PM</a>	Co-Chair Meyer	Asked if the estimated \$18 million dollar number was correct. Commissioner Gilbertson replied that the Department has to date not missed by much. He recommended that Mr. Sherwood address comments.
<a href="#">2:47:33 PM</a>	Co-Chair Meyer	Commented on how the costs would be paid during the next five years. Commissioner Gilbertson pointed out that the costs were indicated in the fiscal note, through FY2011. It should be included in the general fund requests during those years. Co-Chair Meyer inquired who would qualify to receive the allocated funds. Commissioner Gilbertson referred to the handout, pointing out that those below the 135% poverty level.
<a href="#">2:49:20 PM</a>	Co-Chair Chenault	Noted members who came into the meeting late.
<a href="#">2:49:52 PM</a>	Representative Joule	Asked how married couples would file. Mr. Sherwood replied that the couple would have to file together as a couple and that there would be no choice.
<a href="#">2:51:03 PM</a>	Representative Kelly	Asked about the difference in costs between that program and the Longevity Bonus in FY06. Commissioner Gilbertson explained that he did not have the analysis for the Longevity Bonus for 2006 and offered to look it up. Representative Kelly inquired how Alaska compares to other states. Mr. Sherwood pointed out that each state varies a lot. Each state attempts to determine the best method for them. Commissioner Gilbertson reiterated that regarding delivery Alaska is unique.
<a href="#">2:54:02 PM</a>	Commissioner Gilbertson	Responded to a question by Representative Kelly regarding the relationship between administrative costs and direct benefits. Commissioner Gilbertson stated that in FY06, the administrative costs would be \$450 thousand dollars.
<a href="#">2:56:25 PM</a>	Mr. Sherwood	Added that he would need to research the difference between those costs.
<a href="#">2:57:06 PM</a>	Representative Holm	Inquired how many seniors would actually receive the benefit and what was the goal of the new program.

<a href="#">2:57:56 PM</a>	Commissioner Gilbertson	<p>Referred to the Governor's message that the Department focuses on the needs-based population. The program will serve 40% of the 40,000 seniors in Alaska.</p> <p>Commissioner Gilbertson continued that 7,000 seniors would receive cash assistance. He stressed that there have been tremendous gaps in the Medicare program for a number of years. Representative Holm observed that 40% was too large of an amount.</p> <p>Commissioner Gilbertson advised that the program was not developed with the intent to serve 40% of the seniors. The program was designed by actual incomes. The Department believes that the appropriate place to draw the line is at the 135% poverty level income per year.</p> <p>Representative Holm interjected that was generous.</p>
<a href="#">3:01:43 PM</a>	Representative Holm	<p>Asked why seniors are not signing up for the program.</p> <p>Commissioner Gilbertson responded that the State has a pretty good penetration. It has been difficult to reach seniors between the 135% and 150% poverty level income. He reiterated efforts of the Department being taken to enroll seniors from that group. He addressed integrating the process with federal agencies.</p> <p>Representative Holm noted appreciation for the Department's efforts in administering the monies.</p>
<a href="#">3:05:32 PM</a>	Representative Kelly	<p>Questioned if there was any "double dipping" occurring such as with the Indian Health Service (IHS).</p> <p>Commissioner Gilbertson replied there was not.</p> <p>Representative Kelly suggested revising the sensitivities.</p>
<a href="#">3:06:51 PM</a>	Commissioner Gilbertson	<p>Explained that there was considerable questioning through the federal agency regarding individuals with dual eligibility. The issue is not for the beneficiaries but rather the agency responsible for paying for the services to determine which fund source to use to pay for the service.</p>
<a href="#">3:07:53 PM</a>	Mr. Sherwood	<p>Explained that there are no discriminations against the IHS</p>

		<p>beneficiaries. There will be no discriminations for the Alaskan people. Commissioner Gilbertson added that many decisions need to be determined about who is eligible. He said that about 40% of the population is dual eligible. In response to Representative Kelly, Commissioner Gilbertson noted that it is a matter of processing claims so not to expend general funds. Representative Kelly voiced his opposition to any discrimination within such a program. Commissioner Gilbertson assured him that discrimination is not intentionally occurring in any of the programs.</p>
<a href="#">3:11:40 PM</a>	Co-Chair Chenault	<p>Asked about rank and average. Commissioner Gilbertson acknowledged that he is concerned about the State's ability to continue funding the program. He agreed that it will be a tremendous financial burden, but indicated that the Department is committed to continued funding for the program.</p>
<a href="#">3:13:42 PM</a>	Vice-Chair Stoltze	<p>Questioned if eligibility would be based on an "honor" system. Commissioner Gilbertson explained that would be difficult at first, but as the program matures, the reporting requirements will be drastically increased.</p>
<a href="#">3:15:16 PM</a>	Representative Kelly	<p>Asked about the 50% not included in the budget and the odds of attaining that amount. Commissioner Gilbertson replied that is up to the U.S. Congressional delegation and will require extensive work. The Department is optimistic.</p>
<a href="#">3:18:09 PM</a>	Co-Chair Meyer	<p>Asked what options were available to seniors if the program is not passed. Commissioner Gilbertson replied that in January 2006, seniors who receive cash assistance will see that go away; seniors currently receiving prescriptive drug assistant will see that go away; any senior receiving any benefit will receive none. What they will get instead would be their traditional Medicare prescription drug assistance for seniors below the 135% poverty.</p>

		Mr. Sherwood pointed out that penalties would be added if seniors do not enroll when they become eligible. Commissioner Gilbertson added that was consistent with Medicare, Part B, the payback.
<a href="#">3:21:44 PM</a>	Co-Chair Meyer	Requested materials on the various poverty level determinations. Commissioner Gilbertson stated that the Department has done that work and will submit it to Committee members.
	Co-Chair Chenault	<u>ADJOURNMENT</u> The meeting was adjourned at 3:22 P.M.