

HOUSE FINANCE COMMITTEE
April 2, 2007
1:42 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:42:42 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Harry Crawford
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mary Nelson

ALSO PRESENT

Karleen Jackson, Commissioner, Department of Health and Social Services; Janet Clarke, Assistant Commissioner, Division of Finance and Management Services, Department of Health and Social Services; Ellie Fitzjarrald, Director, Division of Public Assistance, Department of Health and Social Services; Jeanette Lacey, Juneau; Marie Darlin, Coordinator, Capital City Task Force, AARP

PRESENT VIA TELECONFERENCE

Herbert Simon, Offnet (location not disclosed)

SUMMARY

HB 198 An Act establishing the Alaska senior assistance payment program; repealing the senior care and longevity bonus payment programs; and providing for an effective date.

HB 198 was HEARD & HELD in Committee for further consideration.

AT EASE: [1:44:28 PM](#)
RECONVENE: [1:45:38 PM](#)

#HB198

HOUSE BILL NO. 198

An Act establishing the Alaska senior assistance payment program; repealing the senior care and longevity bonus payment programs; and providing for an effective date.

[1:46:38 PM](#)

Co-Chair Chenault MOVED to ADOPT work draft #25-LS074\E, Mischel, 3/30/07, as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

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REPRESENTATIVE MIKE HAWKER, SPONSOR, explained that the original HB 198 established the Alaska Senior Assistance Program to provide cash assistance payments to low-income Alaska seniors. The program, which is scheduled to sunset June 30, 2007, was amended to remove the little used prescription drug benefit and increase monthly cash payments to Alaskans, age 65 and older, based on their incomes related to the federal poverty level guidelines adjusted for Alaska (FPL-A). Monthly payments are:

- \$250 per month to individuals with income less than 75% of the FPL-A
- \$175 per month to individuals with income from 75% to less than 100% of the FPL-A
- \$125 per month to individuals with income from 100% to less than 135% of the FPL-A

Initially, it was proposed that the Alaska Senior Assistance Program combines features of both the Longevity Bonus and Senior Care programs into a single needs based structure that delivers real help to low-income seniors across Alaska. It will sunset June 30, 2011.

Representative Hawker continued, the work draft renames the program to the Alaska Senior Benefits Program. It also increases the income limit for the Alaska Senior Benefits Program to 175% of the federal poverty level guidelines adjusted for Alaska (FPA-A). Program participants whose income was between 100% and 175% of that formula would receive \$125 dollars per month as indicated in Section 8.

Representative Hawker pointed out that the increased income limit for Denali Kid Care to 175% of the federal poverty level guidelines indicated in Section 5 includes a technical change to correct sunset provisions, deleted in Section 13 of the original bill & inserting a new Section 17.

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Representative Hawker discussed raising the cash component level decision. Under the original Senior Care Program, there was both a drug benefit & cash component. The cash component had a cap of 135% of the federal poverty level, but the drug benefit provides for an income level of up to 165% of the FPL-A, intended "to leave no senior behind"; the work draft proposes raising that level to 175%.

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Representative Hawker thought that the proposed bill includes the best features of the two programs and could deliver public health recognition of the plight for low income seniors. The proposed program will not be closed, but rather open to everyone at age 65 that resides in Alaska.

HB 198 recognizes that the most powerful assistance to the Alaskan seniors is cash assistance. HB 198 is not a Medicaid eligible program; it will be taken only from the General Fund. He recognized that over time, it could possibly become a Medicaid eligible program. He pointed out it would sunset June, 2011.

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Representative Hawker continued, the bill identifies & fixes the Denali Kid Care policy ceiling, which provides health insurance to children and pregnant women. Previously, that program was established at 175% of the poverty level ceiling to participate in the program. The concern is that the effects of inflation purchasing power did not increase. As a result, the Alaska ceiling for that program eroded to 154%. The Denali Kid Care is a Medicaid & federal matching dollar program. As long as the Denali Kid Care Program is kept above 150%, it is Medicaid eligible & that Alaska qualifies for an enhanced matching rate, meaning 5% extra. HB 198 identifies the federal poverty level and needs based programs. The work draft adds clean up language to address the effective dates, noting the Denali Kid Care program does not sunset.

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Representative Crawford understood that the legislation would no longer lock in the rate at 175%. Representative Hawker stated that was correct for both of the programs, including Denali Kid Care.

Representative Crawford noted language on Page 7, Line 2, referencing the household income to not exceed 135%.

Representative Hawker countered, that concept had been addressed on Lines 25-27 of Amendment #1. (Copy on File).

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Representative Gara referenced the Denali Kid Care portion of the bill, noting the possible loss of a federal illegibility match. He thought the difference for the federal match was 70%; if Alaska does not comply, it means approximately a 57% match, pointing out the significant difference.

Representative Gara highlighted the fiscal difference of the two programs, listing questions with regard to the inclusion & exclusion of the Longevity Bonus.

Representative Hawker responded that Alaska will loose if we do not deal with the FPL-A and Denali Kid Care. It is anticipated that moving the FPL-A of the Senior Benefits portion from 135% to 175% results in a fiscal note that is approximately \$20 million dollars. There is difficulty in determining who could be dually eligible under the original Longevity Bonus. Assuming that all the new participants under the Senior Benefits Program were eligible, it could mean an additional \$15 million dollars a year added to the note. In reality, he thought there might be 1,000 eligible seniors.

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Representative Gara acknowledged that if the State falls below the 150% poverty line, the State could loose federal eligibility for the Denali Kid Care program. He noted that 39 other states provide eligibility for their Denali Kid Care program at 200% poverty level; also, it would allow other middle income families to buy into the program. He asked if buying into health insurance had been considered. Representative Hawker replied it would be a program policy change. HB 198 attempts to remedy the structural inefficiencies in current statute. He agreed that expansion of the program merits consideration but requested it not be included in HB 198. He commented that during the next few years, the State is going to be faced with difficult decisions determining whether to maintain & sustain programs currently in place. Reimbursement rates are the single greatest issue.

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Representative Gara requested that Representative Hawker keep an open-mind, pointing out how small the fiscal note actually is to offer that option. Representative Hawker took the information under advisement.

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Co-Chair Meyer inquired if any members knew of other states offering something similar to a Permanent Fund Dividend (PFD). Representative Hawker understood that Alaska is the only State offering such a program. HB 198 provides for the Denali Kid Care payment and the Senior Benefit payment, both needs based programs, using federal eligibility criteria. The PFD is not used when determining the poverty level amounts; there is no need for inclusion of a hold-harmless provision.

Co-Chair Meyer estimated that the dividend could be up to \$2000 in the near future. Representative Hawker agreed, stating that the PFD is a unique program & that there is a sense it will be growing; he reiterated inclusion of the sunset provision, which allows the Legislature to come forward and revisit all the proposed provisions.

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Co-Chair Meyer commented that because of the PFD, Alaska should not be compared to other states; he asked if other places provide a Senior Care Program. Representative Hawker did not know how Alaska compares to other places.

Co-Chair Meyer inquired if 150% had been considered as a match amount, noting that he personally had encouraged minimum matching in all budgets. Representative Hawker thought that could be a legitimate policy call, adding that on the Senior Care portion, he was comfortable with the 175% in the existing policy determination, now is "on the table". The prescription drug benefit eligibility should go away with the program, noting that it needs to be somewhere between 165% & 170% of the federal poverty level. He preferred the 175% level and hoped to justify establishing that level for both seniors and children.

Representative Hawker acknowledged that House Finance Committee (HFC) would be the place to determine a lesser level, yet thought that the 175% level gets Alaska closer to the objective held in the original program, while transitioning into a truly needs based program. He considered it a better policy direction.

Co-Chair Meyer pointed out that 175% was the number selected four years ago without including an inflation ratio. He worried about future funding with the proposed raise in fiscal costs; the fiscal note was initially prepared at 135%, which is now proposed to rise to 175%. Representative Hawker suspected that the Department's fiscal note has not yet been completed.

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Co-Chair Chenault addressed the difference in numbers submitted by Representative Gara. He provided income numbers, including family members and the increases those bring. He understood that insurance costs are high as well as the costs in raising a family.

Representative Hawker clarified for the record, what 175% of poverty level would look like with real numbers. The numbers for an Alaskan adjusted poverty level today:

A single person qualifies at \$30,170 dollars a year; a couple living together would qualify at \$40,446 dollars a year and families grow from there.

Representative Hawker admitted, it was a stretch for him to embrace the 175% number. He questioned the role of self responsibility for those individuals and what the State is expected to contribute. He reiterated that 175% was generous.

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Representative Gara brought forward the idea of Universal Health Care, commenting that Alaska "will miss the boat" by not leveraging federal funds to help provide health insurance for all kids. He explained the process. Some insurance companies charge \$3 to \$5 thousand dollars for a policy for a child. Denali Kid Care is able to provide health insurance to kids at a State cost, close to \$1 thousand dollars per child. He hoped to see that working families having a difficult time buying insurance in the market place have an opportunity to insure their children. Six other states are now leveraging those federal dollars. Representative Gara asked to discuss compromises, which could help families to buy in, helping the middle class. He stressed that this is not welfare program.

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Co-Chair Meyer commented that would be a "new twist" to the issue. Representative Kelly acknowledged problems existing for kid care and needy seniors. He disagreed with Governor Murkowski's deletion of the Longevity Bonus, which at that time, was on a downward phase out slope. He worried about the upcoming decade of projected deficits. He claimed that the sunset clause provides "zero comfort", recommending placing it on the front end. He supported the 150% number, inquiring if that could protect the "grandfathered seniors" without building up an entitlement in the future.

Representative Hawker acknowledged that mechanically, the language could be modified; however, he did not know the

legal consequence; he was responsive to the proposed arguments.

Representative Kelly questioned why the number for the Denali Kid Care issue was not placed at a hold harmless position by adding only the inflationary factor at the required level. Representative Hawker understood that was what had happened and that the numbers had been annually rolled forward. The consequence is the State's ability to sustain that offer. He added that Alaska has been "living the luxury of windfall revenues", while continuing to increase funding levels.

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Representative Kelly recommended that 150% be used as the trigger point for both programs. He worried about the Senate increasing any adjustment. Representative Kelly reiterated concerns regarding sustainability.

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Representative Gara referenced the handout chart indicating what other states use as their eligibility percentage for the Denali Kid Care Program. (Copy on File). He pointed out the \$100 million dollars proposed to the University for a new building in the Capital Budget & other projects he did not support. Those dollars could pay for the proposed programs. He noted there are only two states, at this time, that provide less coverage than Alaska.

Representative Crawford attempted to identify how Alaska has gotten into the current situation. He encouraged subsidizing small business employers to assist workers with health insurance costs & concerns. He believed that could encourage federal leveraging dollars.

Representative Hawker did not agree with previous comments. He thought such considerations should be policy decisions, which bear "huge weight" in up coming years of health care alternatives. He hoped that the Governor's Executive Order appointing a Health Care Council to evaluate, consider and report to the Legislature with policies on those issues, would be successful. Meanwhile, HB 198 addresses the short term horizon and contains a sunset provision in order to revisit these issues in the future.

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Representative Crawford agreed, however, encouraged that a long range consideration be debated now rather than as concerns become insurmountable. He reiterated his support for a private health care system model.

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HERBERT SIMON, (TESTIFIED VIA TELECONFERENCE), OFFNET, testified in support of the legislation. He suggested that the State cannot depend on continuing federal funding and saw the legislation as a compromise. He maintained that the new program is improved by providing an allowance for variables. He added that he could not envision reenactment of an income tax while a senior program exists.

JEANETTE LACY, BARTLETT REGIONAL HOSPITAL, JUNEAU, testified in support of the legislation, which represents good social policy. She referred to the poverty guide line, pointing out that 100% of that guide means only \$12,000 a year for one person. Representative Hawker agreed that was the accurate number. [Representative Hawker provided the revised numbers, copy on file]. Ms. Lacy went on to give additional information regarding the poverty guidelines, pointing out that the formula was developed in 1963; since that time, it has not been modified.

Ms. Lacy pointed out that a family of 2 would not be able to make more than \$29 thousand dollars a year @ 175% of the guideline. Most of the uninsured are working families. Ms. Lacy maintained that using the 175% benchmark above poverty is not an adequate amount for parents to purchase health insurance. She recommended that 200% be the bare minimum number. Children should be the first ones receiving health insurance.

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Representative Gara asked the amount a private health insurance policy might cost for a child. Ms. Lacey did not know, indicating that she pays \$3,000 dollars annually through the City and Borough of Juneau (CBJ).

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MARIE DARLIN, COORDINATOR, CAPITAL CITY TASK FORCE, ALASKA ASSOCIATION OF RETIRED PERSONS (AARP), testified in support of the legislation. She referred to a letter provided to the Committee. (Copy on File.)

Ms. Darlin noted that AARP had opposed deletion of the Longevity Bonus Program. She maintained that its deletion resulted in a huge loss to seniors throughout the State. She stated that AARP supports the Senior Care Program and is in support of the new program. She pointed out that the asset test in Senior Care was problematic and spoke in support of HB 198 as it does not include that test. She voiced support for the higher percentage number of 175%, noting the three beneficiaries:

- Older women, who did not work long or build up assets;
- Alaskans that did not have high paying positions; and
- Rural Alaskans who have not worked or been covered by any insurance.

Ms. Darlin expressed concern that services be made available and spoke in support of programs that keep seniors in their homes. She urged passage of HB 198.

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Representative Kelly questioned if AARP would support 175% now, anticipating a reduction to 150% in five years due to the Public Employees Retirement System/Teachers Retirement System (PERS/TRS) concerns. Ms. Darlin declined to answer, emphasizing that AARP will work for a solution and are aware of the problems.

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Representative Gara referenced the "Keep the Seniors at Home Proposal", pointing out the success and spoke in support of the personal care attendance program.

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In response to a question by Co-Chair Chenault, Ms. Darlin observed that the basic cost for three years in the Pioneer Home is approximately \$250,000 dollars. Most people that go into some kind of a facility are usually there for about three years.

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Representative Crawford opined that he hoped to work diligently to find more options for the seniors.

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Co-Chair Meyer questioned if other states have programs similar to the Senior Care Program. [The Department was unable to answer.]

Representative Gara asked for a fiscal analysis of a two-tiered senior bonus plan, questioning the addition of the Longevity Bonus.

KARLEEN JACKSON, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, agreed to provide the requested information.

Representative Gara asked the fiscal differences of transiting from the current Denali Kid Care Program to Universal coverage.

JANET CLARKE, ASSISTANT COMMISSIONER, DIVISION OF FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, clarified that the total General Fund cost would be approximately \$6 million dollars, adding that there would be co-pays and premiums & the federal share. She stated that the change from the current program to the one proposed by HB 198 would be \$1.3 million dollars for half a year, with \$600,000 in General Funds, adding 1,500 individuals (pregnant women and children.)

Representative Gara pointed out that Representative Hawker's proposal, from current law going to 175% would, on an annual basis add approximately \$1.2 million dollars. Ms. Clarke estimated for FY09, \$1.3 million dollars.

Representative Gara asked if for that period of time, the General Fund cost for the Universal coverage would be approximately \$6 million dollars. Ms. Clarke agreed.

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Co-Chair Meyer observed that the State of North Dakota is at 140%, asking if they received a federal match. Ms. Clarke could not speak to North Dakota's program, reiterating that a drop below 150% of poverty, results in a loss of federal funds.

Co-Chair Meyer questioned if the Department had a recommendation. Commissioner Jackson acknowledged it was the work of the Committee to determine the percentage. She stressed the desire to continue the Senior Care Program, or something like it. She added that more money spent upfront on children results in savings in the future; she would not speak to the proper split.

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Representative Thomas requested more information on programs offered by other states.

Representative Kelly spoke to the current cost of the Senior Care program; he noted that it is being used at a lower level due to prescription drug programs. Ms. Clarke clarified that amount is approximately \$10 million dollars. Representative Kelly concluded that full use of all programs would cost around \$30 million dollars. Ms. Clarke responded that the request was \$33.7 million dollars. Representative Kelly worried about doubling the cost of the program.

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Representative Gara asked for a chart indicating the poverty line for those living in Alaska as compared to those living in the lower 48 states.

ELLIE FITZJARRALD, DIRECTOR, DIVISION OF PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, clarified that there is a 25% difference in the poverty level between Alaska and other states. Representative Gara suggested that the difference would result in a "wash" when taking into consideration the Longevity Bonus and the PFD programs.

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Representative Hawker MOVED to ADOPT Amendment 1. Co-Chair Meyer OBJECTED.

AMENDMENT 1

Page 4, lines 30 through 31:

Delete all material

Insert: "poverty line applicable to a family of that size according to the **United States Department of Health and Human Services** [FEDERAL OFFICE OF MANAGEMENT AND BUDGET], and who, but for earnings in excess of the limit established"

Page 6, lines 1 through 11:

Delete all material

Insert: "whose household income does not exceed **175 percent of the federal poverty guideline as defined by the United States Department of Health and Human Services and revised under 42 U.S.C. 9902(2)**

- (A) \$2,208 A MONTH IF THE HOUSEHOLD CONSISTS OF TWO PERSONS;
- (B) \$2,782 A MONTH IF THE HOUSEHOLD CONSISTS OF THREE PERSONS;
- (C) \$3,355 A MONTH IF THE HOUSEHOLD CONSISTS OF FOUR PERSONS;
- (D) \$3,928 A MONTH IF THE HOUSEHOLD CONSISTS OF FIVE PERSONS;
- (E) \$4,501 A MONTH IF THE HOUSEHOLD CONSISTS OF SIX PERSONS;
- (F) \$5,074 A MONTH IF THE HOUSEHOLD CONSISTS OF SEVEN PERSONS;
- (G) \$5,647 A MONTH IF THE HOUSEHOLD CONSISTS OF EIGHT PERSONS;
- (H) \$5,647 A MONTH, PLUS AN ADDITIONAL \$574 A MONTH FOR EACH EXTRA PERSON ABOVE EIGHT PERSONS WHO IS IN THE HOUSEHOLD IF THE HOUSEHOLD CONSISTS OF NINE PERSONS OR MORE;"

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Page 7, line 2, following "exceed":

Delete "135"

Insert "175"

Representative Hawker explained that the amendment corrects existing statutory language reference to the United States (U.S.) Department of Health and Human Services. The amendment also raises the level for pregnant women and corrects the number from 135% to 175%. Additionally, it is a correction from 135% to 175%, whenever appropriate in the bill.

Representative Gara questioned if Representative Hawker would support the addition of Universal Care, noting that costs would increase from \$1.3 to \$6 million dollars. Representative Hawker said he would prefer to limit the legislation, as it is and addressing only current statute.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 1 was adopted.

[3:19:40 PM](#)

Representative Gara MOVED to ADOPT Amendment 2, #25-LS0714\A.2, Mischel, 4/2/07. Representative Hawker OBJECTED.

Representative Gara stated that Amendment 2 would correct the statutory concerns with the eligibility of the Longevity Bonus. That would leave the Senior Care Program for those people that do not qualify for the Longevity Bonus Program.

Representative Kelly asked if seniors were given the choice, wouldn't they all select the Longevity Bonus. Representative Gara thought that some would receive more under the Senior Care Program. The applicant would make that decision, not creating a \$49 million dollar overlap.

Representative Hawker advised that the Department has indicated that the restoration of the Longevity Bonus would be approximately \$33.7 million dollars. He addressed Amendment 2. The Longevity Bonus does not consider any need of the individual. He thought that it would benefit 13,000 Alaskans without regard to their income level. He reiterated the State's obligation to determine benefits, for the most needy. He wanted to seek the "moral high-ground" when determining terms and conditions, while not giving the State's wealth to the rich.

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Representative Crawford supported the Senior Care Program, however, he did not want to repeal the Longevity Bonus program. The amendment reinstates the Longevity Bonus. He

recommended removing references to the Longevity Bonus and asked if that would be considered a "friendly amendment". Representative Gara did not realize that there was a repeal of the Longevity Bonus throughout the bill.

Representative Hawker acknowledged that there is, which is identified in the sectional analysis in Section 15. Representative Gara was surprised. The repeal gets rid of the Longevity Bonus & by getting rid of the repeal, there would be a Longevity Bonus that would be unenforceable. He would not consider that a friendly amendment.

Representative Hawker reiterated that the deletion of the Longevity Bonus is stated clearly in the title of the bill.

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Representative Gara noted the reference to the fact that the Longevity Bonus plan helps wealthy seniors. The Senior Care Plan only protects the most impoverished seniors, individuals who earn \$22 thousand dollars a year. Assuming the costs of rent [Pioneer Home @ \$2300/month], medical, transportation, needs more than 175% of the poverty level. The program gives money to those that are the most impoverished. He emphasized that the amount of money left on the table for the oil industry last year could cover the deficit. People on the Longevity Bonus roll are going to decrease. He recommended that the State could do better than helping only the most impoverished, pointing out that the fiscal notes would not be out of line if seniors were given the choice of one or the other option, not both.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Crawford
OPPOSED: Hawker, Joule, Kelly, Thomas, Chenault, Meyer

Representatives Foster, Nelson and Stoltze were not present for the vote.

The MOTION FAILED (2-6).

HB 198 was HELD in Committee for further consideration.

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[3:36:09 PM](#)

ADJOURNMENT

The meeting was adjourned at 3:35 P.M.