

HOUSE FINANCE COMMITTEE  
May 11, 2007  
2:18 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [2:18:50 PM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Senator Bettye Davis; Thomas Obermeyer, Staff, Senator Bettye Davis; Walter Majoros, Executive Director, Juneau Youth Services; Janet Clarke, Assistant Commissioner, Division of Finance and Management Services, Department of Health and Social Services; Marie Darlin, AARP; Suzanne Cunningham, Staff, Representative Meyer

PRESENT VIA TELECONFERENCE

None

SUMMARY

CSSB 27(FIN) am"An Act relating to eligibility requirements for medical assistance for certain children, pregnant women, disabled persons, and persons in medical or intermediate care facilities; and providing for an effective date."

HCS CSSB 27 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #5 by the Department of Corrections, and fiscal notes #6, #7, and #8 by the Department of Health and Social Services.

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CS FOR SENATE BILL NO. 27(FIN) am

"An Act relating to eligibility requirements for medical assistance for certain children, pregnant women, disabled persons, and persons in medical or intermediate care facilities; and providing for an effective date."

SENATOR BETTYE DAVIS, sponsor, related that the bill had been heard by the House Finance Committee previously. The bill would provide an opportunity to keep some kids on Denali Kid Care and brings other on the program. She urged the committee to support the bill.

THOMAS OBERMEYER, STAFF, SENATOR BETTYE DAVIS, explained that Denali Kid Care program is a part of the State Children Health Insurance Program (SCHIP) program, which funds at a rate of 70 percent federal money and 30 percent state money. It supports children in all states. The Denali Kid Care Program had about 7,600 children on the rolls as of the end of 2006. Since the program was cut back in 2003, 3,000 children are no longer served. Another 1,000 children will be dropped from the program if nothing is done.

The bill restores the Denali Kid Care program at 175 percent of federal poverty level, the level that was set in 2003 after having been at 200 percent previously. Alaska is at the lowest level of poverty percentage in the country, with the exception of Montana and North Dakota. He requested support for the bill.

Senator Davis added that the funding request is at 175 percent of poverty level. Co-Chair Meyer asked how that percentage was decided. Senator Davis reported that the original bill was at 200 percent and the amount was decreased in Senate Finance. Co-Chair Meyer asked if permanent funds were included when determining eligibility. Senator Davis didn't know.

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Mr. Obermeyer mentioned that the 175 rate is a percentage of the federal poverty guidelines. He emphasized that those people are seriously financially strapped.

Representative Gara related that increasing from 150 percent to 175 percent adds about 1,000 to 1,300 kids to the health insurance rolls at a cost of about \$600,000. 200 percent would have added 2,000 - 2,500 kids to the rolls at a cost of \$1.2 million in state money because of the federal match. The state's cost is \$600 per child. Only two states insure at a lower level than Alaska. He argued for 200 percent.

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WALTER MAJOROS, EXECUTIVE DIRECTOR, JUNEAU YOUTH SERVICES, testified in strong support of SB 27. He related the impact of Denali Kid Care on children's behavioral health services, which funds the majority of these services. He discussed the Bring the Kids Home Initiative. He spoke of the problems with lessening support for health services due to kids not qualifying for Denali Kid Care. Several states are taking steps to expand health care coverage for kids. He urged the committee to pass the amount at over 175 percent.

Representative Gara pointed out that if federal eligibility is lost due to falling below 150 percent, it would cost the state about \$3 million.

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MARIE DARLIN, AARP, testified in support of SB 27. She referred to a letter to the committee members (copy on file.) She termed AARP the largest group of grandparents in favor of Denali Kid Care. Her organization sees Denali Kid Care as an important building block of the state's health care program. She mentioned the number of kids who are no longer qualifying for the program. She termed the bill preventive health care that saves money later on. Behavioral health needs also ought to be considered.

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Co-Chair Meyer turned attention to the fiscal notes.

JANET CLARKE, ASSISTANT COMMISSIONER, DIVISION OF FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, drew attention to the three fiscal notes by the department. She referred to a chart (copy on file) which showed the total impact of the costs of Denali Kid Care at 175 percent, as well as the number of kids served. In 2008 the bill would add 1,277 kids and 218 pregnant women to the program for an annual Medicaid program cost of \$2,651.3 million and an annual administrative cost of \$40.2 million. The total cost would be \$2,691.5 million, with the federal share of \$1,907.4 million, and the general fund share of \$783.5 thousand. Some of the children who were dropped would be eligible for the program again.

Representative Gara asked if the general fund share would be \$783.5 thousand at 175 percent, and would be double that at 200 percent. Ms. Clarke said that is correct - it would double.

Co-Chair Meyer asked if the dollar amount requested for Denali Kid Care is available in the budget. Ms. Clarke

replied that these dollars are not in the budget and a fiscal note would be needed.

Representative Gara pointed out the loss of federal monies by not funding the program. It would be cheaper for the state to go to 175 percent, than to do nothing.

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Representative Kelly asked how federal eligibility could be maintained. He wondered if 150 percent is the goal amount. Ms. Clarke said he was in the ball park.

Representative Gara announced that he and Senator Wielechowski have a proposal that would provide universal health care for children and let families buy into the program if they are above 175 percent of the federal poverty level. He asked if the fiscal note would only be about \$3 million under such a proposal. Ms. Clarke said she does not have that information with her.

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Co-Chair Meyer MOVED to ADOPT Amendment #1:

Page 1, lines 2-3:

Delete ", disabled persons, and persons in medical or intermediate care facilities"

Insert "and disabled persons"

Co-Chair Chenault OBJECTED.

SUZANNE CUNNINGHAM, STAFF, REPRESENTATIVE MEYER, explained that Amendment #1 was brought to the Co-chair's attention by legislative legal services. An amendment was made in Senate Finance that removed a section pertaining to the percentage of federal poverty guidelines and individuals in medical or intermediate care facilities. A title amendment was needed because of that. It does not involve a title change resolution because it is a technical change.

Representative Gara asked if the original bill extended care to persons in medical or intermediate care facilities. Ms. Cunningham said that was correct. Representative Gara asked for more information.

Ms. Clarke reported that the original bill covered persons who were eligible at 300 percent of poverty level. The cost of adding 106 of them was \$6.1 million. The Senate Finance Committee changed that and kept it frozen in statute. She explained that those individuals eventually qualify for nursing homes.

Representative Gara asked if the levels would fall every year. Ms. Clarke said they would.

Vice Chair Stoltze WITHDREW his objection. There being NO OBJECTION, it was so ordered.

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Representative Gara MOVED to ADOPT Amendment #2:

Page 3, Line 26, following "poverty":  
Delete: "line"  
Insert: "guideline"

Page 4, Line 6, following "poverty":  
Delete: "line"  
Insert: "guideline"

Page 4, Line 29, following "poverty":  
Delete: "line"  
Insert: "guideline"

Line 25, following "poverty":  
Delete: "line"  
Insert: "guideline"

Representative Hawker OBJECTED.

Representative Gara MOVED to AMEND Amendment #2 by omitting the Page 4, Line 6 change. There being NO OBJECTION, it was so ordered.

Representative Gara explained that the Denali Kid Care is based on a percentage of the federal poverty guideline. He thought the wording "poverty line" was incorrect and should be "poverty guidelines". Representative Hawker commented that according to the federal Health and Human Services Bulletin the correct wording is "poverty line" for Alaska. He suggested conforming the bill to legislative drafting suggestions. Vice Chair Stoltze concurred.

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Senator Davis related that legislative legal suggested leaving "line" in the bill.

Representative Gara WITHDREW Amendment #2.

Representative Gara asked about the guideline for Alaska. Ms. Clarke said it is an Alaska statute and it is a drafting choice not to say "in Alaska".

Representative Gara asked about the federal schedule listing for Alaska. Ms. Clarke deferred to legislative legal.

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Representative Kelly brought up that the state is approaching a deficit. He voiced concern about adding to this entitlement program. He spoke against having a third of Alaskan kids in the program. He didn't think the program was having a positive effect on social issues in the state. He was opposed to handing out money from the government.

Representative Kelly MOVED to ADOPT Conceptual Amendment #3 - to set the federal rate of poverty at 150 percent for the bill.

Representative Nelson OBJECTED.

Representative Hawker referred to a section of the bill on page 5 regarding cost sharing, which would also have to be changed if Conceptual Amendment #3 passes. Representative Kelly thought whatever needed to be included to make the bill conform to 150 percent could be done.

Co-Chair Meyer asked how easy it would be to make the change. Ms. Clarke said that it would have a larger impact than just reducing the percentage. It would change the current Denali Kid Care program to 150 percent sooner than was planned. A number of children would lose coverage immediately. Representative Kelly said that was not his intent. Co-Chair Meyer suggested the Representative Kelly come up with an amendment by tomorrow.

Representative Gara suggested raising the percentage to 200 in a pending amendment.

Co-Chair Meyer suggested saving both amendments for the floor. Representative Kelly agreed.

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Co-Chair Chenault asked if a family of four at 175 percent poverty level makes about \$47,000 a year. Ms. Clarke said 150 percent for a family of four would be \$38,730; 200 percent would be \$51,640. Co-Chair Chenault asked for underlying factors why some families would need this insurance support. He wondered if the numbers were too high.

Ms. Clarke said SCHIP is a relatively new program, so many of the changes have not been demonstrated yet. She brought up the expense of health care in Alaska. There is a provision in federal law prohibiting eligibility for Denali Kid Care for a period of time. Co-Chair Chenault gave an example of a family that would opt out of insurance to go on Denali Kid Care. Ms. Clarke said if the insurance is

available by their employer, they do not qualify. Co-Chair Chenault asked how many children in Alaska require state assistance. Ms. Clarke thought about 50 percent.

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Mr. Obermeyer pointed out that the 2007 poverty guidelines for Alaska show 175 percent of a family's income, not total income. For a family of four, \$41,300 is 200 percent of their actual income. Ms. Clarke added that Denali Kid Care does not cover the parents.

Representative Gara explained what is covered under the kid's universal health care provision in his bill. He shared statistics that half of employers in Alaska do not provide insurance. He gave an example why this coverage is needed. Half of the kids without insurance have parents who work.

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Representative Kelly spoke of lack of faith in the system regarding defined benefits. He spoke against adding more into the welfare system - to entitlements.

Representative Kelly WITHDREW Conceptual Amendment #3.

Vice Chair Stoltze related a personal story supporting families taking care of their own.

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Co-Chair Chenault MOVED to REPORT CSSB 27 (FIN) am, as amended, from committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCS CSSB 27 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #5 by the Department of Corrections, and fiscal notes #6, #7, and #8 by the Department of Health and Social Services.

#### ADJOURNMENT

The meeting was adjourned at 3:12 PM.