

**ALASKA STATE LEGISLATURE**  
**JOINT MEETING**  
**SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**  
**HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**  
February 1, 2012  
1:35 p.m.

**MEMBERS PRESENT**

SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

Senator Bettye Davis, Chair  
Senator Dennis Egan  
Senator Johnny Ellis  
Senator Kevin Meyer  
Senator Fred Dyson

HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

Representative Wes Keller, Chair  
Representative Bob Miller  
Representative Charisse Millett

**MEMBERS ABSENT**

Representative Alan Dick, Vice Chair  
Representative Bob Herron  
Representative Paul Seaton  
Representative Beth Kerttula

**COMMITTEE CALENDAR**

SENATE BILL NO. 144

"An Act temporarily reinstating the child and adult immunization program in the Department of Health and Social Services; and providing for an effective date."

- MOVED SB 144 OUT OF COMMITTEE

- UNIFORM RULE 23 WAIVED

PRESENTATIONS: ALASKA HEALTH CARE COMMISSION REPORT UPDATE

- HEARD

OVERVIEW: DEPARTMENT OF HEALTH AND SOCIAL SERVICES REPORT

- HEARD

**REVIOUS COMMITTEE ACTION**

BILL: SB 144

SHORT TITLE: STATE IMMUNIZATION PROGRAM

SPONSOR(s): SENATOR(s) GIESSEL, OLSON

01/17/12	(S)	PREFILE RELEASED 1/6/12
01/17/12	(S)	READ THE FIRST TIME - REFERRALS
01/17/12	(S)	HSS, FIN
01/30/12	(S)	HSS AT 1:30 PM BUTROVICH 205
01/30/12	(S)	Heard & Held
01/30/12	(S)	MINUTE(HSS)
02/01/12	(S)	HSS AT 1:30 PM BUTROVICH 205

**WITNESS REGISTER**

WARD HURLBURT, M.D., Director and Chief Medical Officer  
Division of Public Health  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Commented on the fiscal note for SB 144.

DEBORAH ERICKSON, Executive Director  
Alaska Health Care Commission  
Anchorage, Alaska

**POSITION STATEMENT:** Informed the committee about the Cost of Health Care in Alaska.

WILLIAM STREUR, Commissioner  
Department of Health and Social Services (DHSS)  
Juneau, Alaska

**POSITION STATEMENT:** Presented an overview of the Department of Health and Social Services.

**ACTION NARRATIVE**

1:35:06 PM

**CHAIR BETTYE DAVIS** called the joint meeting of the Senate and House Health and Social Services Standing Committees to order at 1:35 p.m. Present at the call to order were Senators Ellis, Egan, Dyson, and Chair Davis, and Representative Millet, and Chair Keller. Senator Meyer and Representative Miller arrived shortly thereafter.

**SB 144-STATE IMMUNIZATION PROGRAM**

[1:35:55 PM](#)

CHAIR DAVIS announced that SB 144 was before the committee.

SENATOR GIESSEL, sponsor of SB 144, thanked the committee for hearing the bill and sharing the concern about the importance of the bill. She said the fiscal note was prepared by the Department of Health and Social Services (DHSS). Here to address the fiscal note is Dr. Ward Hurlburt.

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WARD HURLBURT, M.D., Director and Chief Medical Officer, Division of Public Health, Department of Health and Social Services (DHSS), explained the fiscal note for SB 144. He said that it would put a vaccination program into place and replace some of the lost federal funding. The fiscal note is sensitive to the cost effectiveness of individual immunizations for children and adults. He pointed out that, overall, a dollar spent for vaccines saves over \$8 in health care costs and over \$16 in time lost from work.

He noted that three vaccines are included in the bill for uninsured adults: influenza, pneumococcal, and Tdap, but not shingles due to expense. For children, all vaccines required for school entry are included, but not rotavirus, HPV, or meningococcal due to high costs. The fiscal note totals \$2.9 million and there is some flexibility in the program. For example, if more funds were to be available, the rotavirus vaccine could be added back in.

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SENATOR EGAN asked if the three vaccinations not included for children could be added back into the program.

DR. HURLBURT responded that they may be added at a later date.

REPRESENTATIVE KELLER noted the arrival of Representative Miller.

CHAIR DAVIS noted the arrival of Senator Meyer.

CHAIR DAVIS said she felt the goals of the committee had been met, and SB 144 would have further review in the Senate Finance Committee. She pointed out that the bill has a sunset date of 2015, which would allow time for a long-term solution to be developed in order to provide immunizations to those who need

them. She said she understood that as money becomes available, it can immediately go toward funding more vaccinations.

DR. HURLBURT agreed. He said DHSS will continue to try to find other sources of funding for the program. He listed possible options; turn the program back to the state or cover additional vaccines.

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SENATOR EGAN moved to report SB 144 from committee with individual recommendations and attached fiscal note. There being no objection, SB 144 was reported from the Senate Health and Social Services Committee.

**PRESENTATIONS: ALASKA HEALTH CARE COMMISSION REPORT UPDATE**

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CHAIR DAVIS invited the executive director of the Alaska Health Care Commission to give an update.

DEBORAH ERICKSON, Executive Director, Alaska Health Care Commission (AHCC), addressed concerns about the increasing cost of health care in Alaska and the sustainability of the health care system. She related that in the past five years, total spending for health care has increased 40 percent and is projected to double again by 2020. A comparison to the value of oil output shows that in 2020, total health care spending will be about 75 percent of the value of oil. She noted that spending on health care represents the transfer of wealth with fewer resources available to spend on health care in the future.

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MS. ERICKSON spoke of the affordability of health care for U.S. families versus Alaskan families. Nationwide, over the past 12 years inflation has increased 38 percent and workers' earnings have increased 50 percent, although over that same time period the cost of health insurance premiums have increased 160 percent and workers' contributions to premiums have increased 168 percent. Over the past decade the health care cost growth has wiped out real income gains for the average U.S. family.

For Alaskan families, since 1982 prices for medical services in Anchorage have increased 320 percent and the consumer price index (CPI) has increased 95 percent. For Alaskan employers who provide health benefits for their employees, between 2003 and 2010, the number of large employers who provided benefits dropped from 95 percent to 93 percent and the number of small

employers who provided benefits dropped from 35 percent to 30 percent. She shared a story about a family that lost insurance coverage, pointing out that there are real people behind the numbers.

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MS. ERICKSON described the value in Alaska's health system. Alaska has the highest per capita total health spending and is second in the nation for personal health expenditures, behind Massachusetts. She compared Alaska to Massachusetts's health care program. She emphasized that Alaska's health care system is perfectly designed to deliver the results it is getting. She questioned how the system could be redesigned to deliver the best possible health care at the lowest possible cost. She voiced concern about how to control costs. The department's focus is on ways to make health care work better for the providers and the patients.

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MS. ERICKSON highlighted a vision of a future health care system. Part of the service will be to enhance the consumer's role and support healthy life styles. She discussed ways to diagnose problems and described two related studies, an economic analysis by Institute of Social and Economic Research (ISER) and an actuarial analysis by Milliman, Inc.

She addressed what Alaska's health care dollars currently buy. Hospital care and physician services represent the greatest proportion of spending. Premiums in Alaska are 30 percent higher per member than comparison state averages. She reported on cost drivers such as utilization, which is not a major driver behind higher premium rates, according to Milliman's study. However, Alaska prices are significantly higher than comparison states. Physician services are 69 percent higher than all of the comparison states for commercial payers and 60 percent higher for all payers combined. Facility services are also higher than comparison states; they cost 37 percent more for commercial payers and 36 percent higher for Medicare payers.

She showed sample comparisons of mean commercial allowed charges for non-facility-based professional services. She also showed sample comparisons by payer within Alaska.

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MS. ERICKSON shared information on health care cost (price) drivers such as operating costs, like medical salaries, cost of

living, and hospital operating costs, and provider discounts, which are lower in Alaska.

She reported on Milliman's cost driver conclusions: private hospital sector prices in Alaska are high relative to comparison states, physician services (non-facility-based) prices for commercial payers are very high relative to comparison states, and low Medicare rates create upward pressure on prices for other payers.

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MS. ERICKSON shared statistics on health care solutions that focus on value and health. About 5 percent of the U.S. population required 50 percent of all health care spending in 2009, while 50 percent of the population required 3 percent of health care spending in that same year. She stressed that the solution is to focus resources on prevention in the healthy population, but also to improve effectiveness of care for those with complex health care issues. AHCC recommends fostering the use of evidence-based medicine.

MS. ERICKSON listed AHCC's recommendations and solutions regarding health care expense by enhancing quality and efficiency of care on the front end. She said this can be done by using a patient-centered primary care model and supporting all components of a strong trauma system.

Another area of importance to AHCC is to increase price and quality transparency to empower both the consumers and the providers. This can be achieved by encouraging full participation in a hospital discharge database and possibly an all-payers claims database.

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MS. ERICKSON continued to discuss health care solutions by focusing on a pay-for-value solution. AHCC studied a payment reform system that would focus on outcomes rather than services.

Other areas of focus for AHCC are how to build the foundation of a strong health care system, and prevention. Obesity is the most significant public health challenge facing Alaska today. AHCC recommends implementing evidence-based programs to address obesity. Another way to support healthy lifestyles is to ensure adequate funding for immunization programs. A third goal for promoting healthy lifestyles is to address behavioral health issues by integrating behavioral health and primary care

services, support new payment methodologies, and screen using evidence-based tools.

MS. ERICKSON concluded with AHCC's 2012 agenda, which includes continuing to learn about current health care system challenges and considering additional strategies for future recommendations. She discussed the Affordable Care Act which AHCC is tracking, and provided web sites for more information.

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CHAIR DAVIS asked if anyone else present is on the commission.

MS. ERICKSON replied that David Morgan and Representative Keller are on the commission.

REPRESENTATIVE MILLETT wondered which recommendations the commission has worked on that have proved to be successful.

MS. ERICKSON explained that AHCC was established in statute in 2010 and just recently began to meet.

DR. HURLBURT noted that one of the recommendations was related to increasing primary care providers because there were so few, yet Alaska spends more than 50 percent to 100 percent more than any other industrialized country. Another recommendation was to look at the value of Medicaid.

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CHAIR DAVIS asked if there was a dollar amount attached to all of AHCC's recommendations.

MS. ERICKSON replied that no dollar amounts have been set. AHCC is still trying to strike a balance between policy recommendations and operational expenses.

CHAIR DAVIS asked Ms. Erickson to highlight recent public health initiatives.

DR. HURLBURT answered the question. He spoke of the benefits of a current wellness program in the Division of Public Health. He shared a vision of a statewide program. He maintained that healthy employees are more productive.

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CHAIR DAVIS said the idea of a wellness program came from the Senate Health and Social Services Standing Committee. She asked if there was a plan for a statewide employee program.

DR. HURLBURT said there was a statewide plan that would grow out of Public Health's model. He compared the plan to an infectious disease that would spread in a positive way throughout the state.

SENATOR ELLIS pointed out that for many years, people have asked the question as to why health care costs were so much higher in Alaska. He said he understood that there was federal money available to the Division of Insurance that was either not applied for or not accepted. He questioned if the work DHSS is doing is being done with state resources. He also wondered if the commission's work would continue and what source of funding would be used.

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MS. ERICKSON replied that state resources were used to establish the commission and for the studies done. Future studies will also use state general funds.

SENATOR ELLIS suggested researching if federal funds were still accessible.

CHAIR DAVIS thanked the presenters.

#### **DEPARTMENT OF HEALTH AND SOCIAL SERVICES REPORT**

[2:19:19 PM](#)

CHAIR DAVIS introduced the commissioner of the Department of Health and Social Services (DHSS).

WILLIAM STREUR, Commissioner, Department of Health and Social Services (DHSS), presented an overview of the department. He emphasized the fact that change is needed in the department in many areas. He said that the cost of Medicaid is approaching \$6 billion. He noted that woven through the presentation will be the topic of change.

COMMISSIONER STREUR detailed the DHSS organizational structure. He mentioned the Chief Medical Officer, Dr. Ward Hurlburt, and introduced Kim Poppe-Smart, Deputy Commissioner for Medicaid and Health Care Policy. He pointed out that Medicaid services currently fall under the responsibilities of one deputy commissioner, a change from the past. Medicaid represents \$1.6 billion of the \$2.6 billion DHSS budget for 2013.

COMMISSIONER STREUR listed several of the support services for the department: public information, legislative relations, health policy, special assistant, and AHCC. He introduced the Deputy Commissioner for Family, Community and Integrated Services, Ree Sailors, and listed the divisions under her supervision. Finally, he mentioned the Assistant Commissioner for Finance Management Services, Nancy Rolfzen.

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COMMISSIONER STREUR discussed the core services the department provides, which he stressed would change due to a focus on partnerships, integration, and families. Core services include providing the highest quality of life in a safe home environment for older Alaskans and veterans. In the last 10 years, the percentage of veterans in Alaska has increased exponentially. The percentage of veterans has increased by 14 percent across the nation compared to an increase of 70 percent in Alaska, which is going to present a challenge.

He related that another core service is to manage an integrated and comprehensive behavioral health system based on sound policy, effective practices, and open partnerships. He suggested the core service needed to be changed to say "manage an integrated and comprehensive health system" because behavioral health is a part of everything that is done in health care.

He said other core services are to promote safe children and strong families, and to manage health care coverage for Alaskans in need. He questioned the allocation of the department's budget of \$1.5 billion and the uncertainty if it is being spent on "the right care, at the right time, at the right place, for the right people." He emphasized that there needs to be a significant effort to drive care back to the primary care physician and services, such as through Native health partners or community health centers or private practitioners.

COMMISSIONER STREUR listed additional core services: hold juvenile offenders accountable for their behavior, promote the safety and restoration of victims and communities, and assist offenders and their families in developing skills to prevent crime; provide self-sufficiency and basic living expenses to Alaskans in need; protect and promote the health of Alaskans; promote the independence of Alaskan seniors and persons with physical and developmental disabilities; and provide quality administrative services in support of the department's mission.

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COMMISSIONER STREUR addressed the department's four priorities: integrated health and wellness; health care access and delivery; sustainable long-term care delivery system; and safe and responsible families and communities. He shared a story about the importance of dentures. He related a story about the effectiveness of a vaccination program dealing with the H1N1 virus. He highlighted the efforts taken to address childhood obesity.

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COMMISSIONER STREUR talked about improved health care access and delivery with the use of a Medicaid Task Force that deals with patient-centered medical homes, the effective use of generic and formula drugs in pharmacies, and the Community First Choice program. He discussed sustainable long-term care delivery systems for Alaska seniors and veterans in Pioneer Homes. About 30,000 recipients were served through senior and disabilities service programs. The department partnered with Native organizations for nursing home care in Kotzebue, Nome, and Bethel.

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COMMISSIONER STREUR spoke of a department priority to promote safe and responsible families and communities. He opined that the Office of Child Services (OCS) has one of the toughest jobs there is. The department supports child advocacy centers, the child welfare system's Family-to-Family (F2F), Families First, and Bring the Kids Home. It works on juvenile justice through the Alaska Native Recidivism Committee and through Behavioral Health Services for juveniles within detention and treatment centers. It also promotes heating assistant grants and home and community-based senior and disabilities services.

COMMISSIONER STREUR showed a slide depicting Medicaid's increase in cost to the state from \$1.6 billion to more than \$5 billion by 2030. He said there are ways to address this problem by working with partnerships.

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COMMISSIONER STREUR showed a slide depicting costs to the department by category, with Medicaid being by far the largest at 61.9 percent of total costs. He listed the services provided by the department. He praised the high quality of life in the Alaska Pioneer Homes. He highlighted the challenges in the Division of Behavioral Health, such as substance abuse. He noted the Office of Children's Services also has challenges. He reported on a recent OCS public hearing as a successful

opportunity to discuss solutions. He spoke highly of the director, Christy Lawton. He called the issues in OCS "a work in progress" with no easy solutions when dealing with kids.

He described the various programs within the Division of Health Care Services, a large part of which are direct interactions with providers. He said the Medicaid Management Information System (MMIS) continues to be under development.

He noted that the Division of Juvenile Justice (DJJ) facilities are spread throughout Alaska. He shared a story about taking DJJ kids caribou hunting this year.

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COMMISSONER STREUR talked about the programs within the Division of Public Assistance. He called the division the gateway to an array of services that the department provides. He described the Division of Public Health as the most interactive division with other departments. Senior and Disabilities Services is quickly increasing in size, and he spoke of a need to enhance the services there. He spoke of misunderstood regulations that had to be withdrawn and refined. He said that the Finance and Management Services is the "budget shop."

COMMISSIONER STREUR concluded that the overriding theme for the future direction of the Alaska Department of Health and Social Services is helping individuals and families create safe and healthy communities. It is all about partnerships and moving forward.

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SENATOR DYSON highlighted the Chugiak Senior Center as one of the better centers in the state. He asked Commissioner Streur to comment on medical benefit fraud.

COMMISSIONER STREUR responded that nationally benefit fraud has become a part of major crime. He reported on the federal crime status of benefit fraud in New York and Florida. He said the state needs to continue to develop systems to detect fraud and start benchmarking providers for quantity. The new MMIS system will have capabilities to detect fraud.

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SENATOR ELLIS appreciated the pullback of senior services regulations. He brought up detox regulations that require a higher level of nursing services which are hard to come by and

afford. He asked the commissioner to look closer at those regulations.

COMMISSIONER STREUR spoke of his efforts to meet this challenge. He shared his previous experience running a detox center and maintained that detox is not child's play and effective care is needed. He said he would look further at the issue.

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SENATOR ELLIS spoke of federal money for states to develop their own health exchanges in order to comply with federal law. The administration chose to use state resources instead. He asked what the cost in state dollars has been so far, and what the cost projections would be to develop a health exchange for Alaska. He also requested an update on the process so far.

COMMISSIONER STREUR reported that the money spent so far has been incremental in that it has been largely Josh Applebee's salary. A consultant has been hired for up to \$300,000 to develop the health exchange. He said he hoped it was as simple a process as he could make it. The department is currently identifying the target population.

He related that the Medicaid expansion will occur on January 1, 2014, where every man, woman, or child under 138 percent of poverty level will be eligible for Medicaid. That will cost \$35,000 off an estimated \$100,000 of uninsured. Probably another 25 percent will choose not to buy insurance. A finite population would be eligible for this program.

He described the high and low ends of other states' health exchange costs. At the low end is Utah at \$500,000 and at the high end is Massachusetts at \$30 million. Washington is at about \$26 million. He did not know what Alaska's costs would be. He said he wanted to make the health exchange as electronic as possible. A new EIS enrollment system could be used for the exchange because it looks at a person's resources and determines eligibility for services. The levels can be stratified. A linkage to the broker community to help those seeking insurance could be a reality.

COMMISSIONER STREUR concluded that Alaska is unique with a small insurable population and a high level of self-insured. The first report from the consultant will be done by March 30. A request for proposal to solicit a vendor could be out by June or July and the information could come before the legislature at that time. An interim report will be out by early summer.

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CHAIR DAVIS noted there was a bill to establish an exchange. She wondered if the administration is considering that bill, and she requested a comparison of the bill's costs and the consultant's recommendations on cost.

COMMISSIONER STREUR said the administration is not considering that bill and is waiting for more information from the consultant regarding Alaska's needs.

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There being no further business to come before the committee, Chair Davis adjourned the Joint Senate and House Health and Social Services Standing Committees at 2:57 pm.