

**ALASKA STATE LEGISLATURE**  
**HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**

March 14, 2013

3:33 p.m.

**MEMBERS PRESENT**

Representative Pete Higgins, Chair  
Representative Wes Keller, Vice Chair  
Representative Benjamin Nageak  
Representative Lance Pruitt  
Representative Lora Reinbold  
Representative Paul Seaton  
Representative Geran Tarr

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

CONFIRMATION HEARING(S):

Alaska State Medical Board

Kevin Luppen - Wasilla  
Casey Millar - Anchorage

- CONFIRMATION(S) ADVANCED

PRESENTATION: AFFORDABLE CARE ACT

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

KEVIN LUPPEN, Appointee  
Alaska State Medical Board  
Wasilla, Alaska

**POSITION STATEMENT:** Spoke as an appointee to the State Medical Board.

KATHLEEN (CASEY) MILLAR, Appointee

Alaska State Medical Board  
Anchorage, Alaska

**POSITION STATEMENT:** Spoke as an appointee to the State Medical Board.

DEBORAH ERICKSON, Executive Director  
Alaska Health Care Commission  
Office of the Commissioner  
Department of Health and Social Services  
Anchorage, Alaska

**POSITION STATEMENT:** Presented a PowerPoint, "Overview Affordable Care Act," during discussion of the Affordable Care Act.

JOSH APPLEBEE, Health Policy  
Office of the Commissioner  
Department of Health and Social Services  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the presentation on the Affordable Care Act.

#### **ACTION NARRATIVE**

[3:33:43 PM](#)

**CHAIR PETE HIGGINS** called the House Health and Social Services Standing Committee meeting to order at 3:33 p.m. Representatives Higgins, Reinbold, Pruitt, and Keller were present at the call to order. Representatives Nageak, Seaton, and Tarr arrived as the meeting was in progress.

#### **CONFIRMATION HEARING(S):** **Alaska State Medical Board**

[3:34:31 PM](#)

CHAIR HIGGINS announced that the first order of business would be the confirmation hearings for the Alaska State Medical Board. He clarified that signing the confirmation committee report did not reflect the intent of any member of the committee to vote for or against an individual in any further sessions for the purpose of confirmation.

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KEVIN LUPPEN, Appointee, Alaska State Medical Board, detailed his background as a physician assistant for more than 30 years. He said that he first came to Alaska in 1975, as a member of the Air Force. He reported that he had worked in various areas of Alaska, including the Aleutians and the North Slope, for both corporations and Native organizations. He expressed that his interest for the State Medical Board had derived from his work in the bush, in order to ensure that there was quality medical delivery in the rural areas.

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REPRESENTATIVE REINBOLD asked what was the biggest concern for the future of health care in Alaska and how did he plan to address this.

MR. LUPPEN, in response to Representative Reinbold, said that there were constant challenges for attracting and maintaining quality providers, especially in the bush. He detailed that many of the issues were for the length of the contract, lack of support, and time off. He opined that the key was to draw quality people and to address a way to keep them on-site. He declared that the initial draw to Alaska was salary, especially for mid-level providers, but that this was no longer the case. He declared the necessity to attract quality providers, to give them the necessary support, and to ensure they "are vetted and quality people to deliver health care in the rural areas."

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CHAIR HIGGINS asked what work Mr. Luppen had done with the state.

MR. LUPPEN, in response, said that he had worked in the eastern Aleutians region, southcentral Alaska, and other areas around the state.

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CHAIR HIGGINS asked about the work Mr. Luppen did with the oil and gas industry.

MR. LUPPEN, in response, stated that he was a health care provider and had served on local health boards in the Aleutians, assisting with delivery of the best health care system. In response to Chair Higgins, he said that he was a physician assistant, licensed in the State of Alaska.

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CHAIR HIGGINS opened public testimony.

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REPRESENTATIVE NAGEAK moved to advance the confirmation for Kevin Luppen from the House Health and Social Services Standing Committee to the joint session of the House and Senate for consideration. There being no objection, the confirmation was advanced.

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REPRESENTATIVE SEATON clarified that each member's signature on the committee report would in no way reflect the member's vote during the joint floor session.

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CHAIR HIGGINS moved to the next confirmation.

KATHLEEN (CASEY) MILLAR, Appointee, Alaska State Medical Board, explained that her choice to serve on the State Medical Board had arisen from the recommendation of another board member, who had suggested that she would be a good addition to the board. She stated that her first term on the board had been a great experience, and she opined that it was important to have a public member on the board. She declared the importance for board longevity, hence her willingness to serve a second term.

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REPRESENTATIVE REINBOLD asked about her current employment as a nutritionist for the Anchorage School District.

MS. MILLAR, in response, said that she had been with the district for five years, but was no longer with the school district. She stated that she was now running a store in Anchorage.

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REPRESENTATIVE REINBOLD, expressing her concern with school nutrition, stated that there had been home cooked meals during her attendance at public school. She enquired about the lack of

emphasis on "fresh, good quality food in our cafeterias in our schools," and asked Ms. Millar for her thoughts.

MS. MILLAR expressed her agreement, stating that it "was a constant frustration," and that the school food was "somewhat of a government subsidy, and so it is a little bit out of the control of the individual schools unless they are a private school." She allowed that the food had gotten better, as the soda machine drinks had been replaced with water and vitamin energy drinks. She pointed out that there were now fresh vegetables and fresh fruits being served, especially at the provisional schools.

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CHAIR HIGGINS asked how often the State Medical Board members met during her first term on the board.

MS. MILLAR replied that the board members met four times annually, with teleconferences more often, if necessary. She declared, as she had no medical background, that it took her "a while to get up to speed" and to feel comfortable. She reported that the health care providers on the board were very supportive, and she reiterated that longevity is important because the board is still addressing issues that precede her time on the board. Therefore, having some history of what has happened is really valuable. She said that the Federation of State Medical Boards was also helpful, as it met once a year and had sessions for public members. She declared that this had been very valuable to her for learning the duties and responsibilities of a public member.

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REPRESENTATIVE REINBOLD suggested that a home economics or a culinary arts program could help the school lunch programs, and she asked Ms. Millar for any suggestions.

MS. MILLAR expressed her agreement, and noted that University of Alaska Anchorage (UAA) had a culinary department which taught cooking and supplied meals. She offered her belief that there were cost effective ways to offer the program in the public schools, and she suggested that, as more attention was brought for the lack of nutrition to food currently being served, this would "bring new ideas to light."

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REPRESENTATIVE TARR, noting that Ms. Millar was a volunteer host for weekly staff meetings for "Young Life Alaska," asked about her community service activities. She questioned whether some of the "fairly controversial practices by the organization," which included requirements of staff and the statement of non-negotiables, would interfere with Ms. Millar's unbiased service on the State Medical Board.

MS. MILLAR said that although her son was the Anchorage area director for Young Life, she did not see how that would be a conflict or cause any adverse effect to the health and medical community. She asked Representative Tarr for a more specific question which she would answer.

REPRESENTATIVE TARR pointed out that there were difficult decisions to be made by the State Medical Board, and she expressed appreciation that Ms. Millar had publicly stated that there would not be any conflicts.

MS. MILLAR replied that she did not see how there could be any conflicts, pointing out that she was only one voice on the voting board.

REPRESENTATIVE REINBOLD asked Ms. Millar if her son was Trevor Millar, who she declared to be "a fabulous individual and has been an incredible role model to my son." She shared her enthusiasm for Young Life.

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CHAIR HIGGINS opened public testimony. Hearing none, he closed public testimony.

REPRESENTATIVE KELLER moved to advance the confirmation for Casey Millar from the House Health and Social Services Standing Committee to the joint session of the House and Senate for consideration. There being no objection, the confirmation was advanced.

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The committee took an at-ease from 3:54 p.m. to 3:57 p.m.

**Presentation: Affordable Care Act**

[3:57:51 PM](#)

CHAIR HIGGINS announced that the next order of business would be a presentation on the Affordable Care Act.

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DEBORAH ERICKSON, Executive Director, Alaska Health Care Commission, Office of the Commissioner, Department of Health and Social Services, said that she would talk about the highlights of the Patient Protection and Affordable Care Act during the PowerPoint, "Overview Affordable Care Act," [Included in members' packets] and would ask that Mr. Applebee answer any questions regarding the interpretation and implementation of the act in Alaska.

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JOSH APPLEBEE, Health Policy, Office of the Commissioner, Department of Health and Social Services, said that he would appreciate for the committee to hold its questions until the end of the presentation.

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MS. ERICKSON introduced slide 3, "Federal Health Reform Law," stating that this major law was enacted in March 2010. She explained that there were 10 Titles within the act, acknowledging that many people had commented that the act was more about health insurance reform than health care reform, as most of the major provisions addressed the expansion of health care coverage and insurance. She said that the overview would center on the major functional pieces of the act.

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MS. ERICKSON moved on to slide 4, "Health Care Coverage Strategies," a graph illustrating the strategies for health care coverage, which she listed: private insurance market reforms, individual and employer mandates, subsidies for individuals and small businesses, a health insurance exchange to provide an electronic marketplace for insurance shopping and purchasing, and the Medicaid expansion.

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MS. ERICKSON directed attention to slide 5, "Individual Mandate & Subsidies," and stated that the individual mandate required

all individuals to have a qualified health plan, or pay a tax penalty. She relayed that this requirement would take effect for the 2014 tax year, after being phased in over three years, and that the penalty was either \$95 per person per year, or 1 percent of the household income, whichever was greater, increasing to \$695 per person per year, or 2.5 percent of household income, by 2016. She noted that the penalty for children was half that of adults and that there was a cap on family penalties. She reported that there were exemptions, including a religious exemption; an American Indian and Alaska Native exemption, as there was an assumption of access to Indian Health Service benefits; and, a financial hardship exemption. She declared that there were subsidies and federal funding to assist with the purchase of insurance for low-income individuals, those people with incomes between 133 percent and 400 percent of the federal poverty level. She noted that the amount of subsidy varied between regions and income levels.

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MS. ERICKSON pointed to slide 6, "Employer Mandate & Subsidy," and explained that the employer mandate applied to businesses that had 50 or more full time employees, working 30 hours or more each week. She noted that the associated penalty could apply even to a business that did supply insurance. The way that this provision had been worded, the employer that did not offer coverage, must pay a penalty of \$2000 per full time employee per year after an exemption for the first 30 employees. She said that this was only if one or more employees received a subsidy through the exchange. She noted that an individual was not eligible for a subsidy if there was insurance coverage, which met certain standards, available through their employer. She reported that an employee's share of the insurance premium could not exceed 9.5 percent of their household income. She said there was also a subsidy for businesses with 25 or fewer full time employees, although there were caveats with this, as well. She offered examples of how different provisions of the Affordable Care Act applied in different ways, depending on the size of the business.

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MS. ERICKSON shared slide 7, "Health Insurance Exchange," the electronic market place for purchasing insurance. She said that these exchanges were to be a state-based electronic site, but that multiple states could together form a health insurance exchange. She explained that there was an opt-out provision

which required a federal exchange for any state that did not set up an exchange. She said that the insurance exchange was to be operational by October, 2013, in order to enroll people for 2014. One requirement was for the state exchange program to have an interface with the state Medicaid for eligibility and enrollment. She noted that the health insurance exchanges had to be self-sustaining by 2015.

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MS. ERICKSON reviewed slide 8, "Medicaid Expansion," explaining that the state had the option to expand eligibility to Medicaid for those individuals who had income under 138 percent of the federal poverty level, and that the federal government would pay 100 percent of the medical claim portion until 2017, at which time the state share would phase in to a maximum of 10 percent by 2020. She referenced the recent Supreme Court decision that had allowed states to make the Medicaid expansion an option, as it had been determined to be overly coercive by the federal government to require the expansion. She affirmed that, although the federal government clarified that a partial expansion of Medicaid was not allowed, there was no deadline for the expansion decision, so states had the option to discontinue the expansion at a later date. She mentioned that the law had shifted the methodology for eligibility determination to modified adjusted gross income, which would have a significant impact on all the state Medicaid programs, in 2014. She observed that states were required to coordinate eligibility determination with the Health Insurance Exchange.

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MS. ERICKSON indicated slide 9, "Payment Reform," and spoke about provisions which were intended to drive reform for the way health care services were delivered. She listed many provisions, some of which were changes for Medicare payment services, and some demonstration projects for Medicaid programs. She mentioned there were also some multi-payer initiatives which encouraged states to partner the Medicaid and the Medicare programs with private insurance companies. These payment reforms were designed to drive the usual fee-for-service mechanism toward a payment for outcomes and value.

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MS. ERICKSON considered slide 10, "How the Act Pays for Itself," and spoke about the savings through payment reform provisions,

and fraud and abuse provisions. She noted that there were limits to the increase of Medicare rates, as well as a series of "New Fees & Taxes," slide 11. She said that most of the fees and taxes would be taking effect in 2013. She listed the tax on indoor tanning, and the annual fee on the pharmaceutical industry as already having been implemented; whereas, the tax on some medical devices, and the Medicare payroll tax increase for high income individuals and unearned income would all take effect in 2013. She reported that an \$8 billion annual tax on the health insurance industry would take effect in 2014; and, in 2018, an excise tax on high value employer sponsored insurance plans would also go into effect.

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MS. ERICKSON provided slide 12, "Alaska Impact 2019," which was calculated by an Institute of Social and Economic Research (ISER) study for the net increase in health care spending by the federal government, and the high level economic impact, up to \$700 million in Alaska. She noted that the federal government would also collect more than \$500 million in taxes in Alaska.

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MS. ERICKSON indicated slides 13 - 14, "Legal Challenges & Political Realities," noting the significance of the Supreme Court Ruling in June, 2012, as it upheld the constitutionality of the individual mandate, but limited the Medicaid expansion and made it an option for states. She offered an anecdote about the roles of state governments in implementation of the Affordable Care Act and the subsequent political ramifications.

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MS. ERICKSON furnished slide 15, "Legal Challenges & Political Realities," and stated that the federal budget constraints which resulted in the Fiscal Cliff and the March 1 sequester were having some effect on the Affordable Care Act. She said that the Co-Op program, a consumer operated non-profit health insurance plan, had its not-yet-awarded available funding eliminated, and that Title VIII, the CLASS Act which created a new, public, long term care insurance program, was also repealed. She listed other examples of provisions which affected the health care industry with direct impacts to the Affordable Care Act.

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MS. ERICKSON presented slide 16, "Federal Implementation to Date," and highlighted that four new federal offices had been established, as well as the establishment of new boards, commissions, committees, and regulations. She noted that many grants had also been awarded.

MS. ERICKSON shared slides 17 - 19, "Summary of December 2012 to March 2013 Updates," which summarized the changes, impacts, regulations, and guidance documents during that time period. Concluding with slides 20 - 21, "Timeline," she highlighted that a number of private insurance market reforms had been implemented in 2010, and that the grants and planning activities were also quickly available. She reported that the cornerstone pieces of the Affordable Care Act, Medicaid expansion, the Health Insurance Exchange, and the mandates and subsidies, would all take effect in 2014, while additional provisions would continue to take effect all the way into 2018.

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REPRESENTATIVE SEATON asked to clarify that the Affordable Care Act was dealing more with insurance, and not as much with health care. He asked if the overview emphasis of the Alaska Health Care Commission had been for access and payment, instead of health.

MS. ERICKSON, in response, said that the commission had attempted to track all of the provisions. She directed attention to the commission's website, which contained a detailed overview of the Affordable Care Act, as well as provisions in which the state and health care providers had participated.

REPRESENTATIVE SEATON offered his belief that the Affordable Care Act was simply about paying for access to care. He asked if there was anything on the website which talked about health.

MS. ERICKSON replied that the website listed a more specific overview for the provisions to the Affordable Care Act which she had not discussed, as well as more detailed information about specific implementation in Alaska.

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MR. APPLEBEE said that several divisions within the Department of Health and Social Services were involved with the overview,

to ensure focus on all the different sections of the Affordable Care Act.

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REPRESENTATIVE REINBOLD asked for an explanation to the \$2.8 billion annual fee on the pharmaceutical industry, which would increase over time.

MR. APPLEBEE asked to clarify whether Representative Reinbold was asking about the intent of the federal government to increase taxes, noting that this gave the federal government the ability to pay for the Affordable Care Act.

REPRESENTATIVE REINBOLD offered her belief that "driving the cost just ends up spreading it around more. To me, I mean, it seems 100 percent illogical." She asked about the collection process for this tax, and she opined that it was driving up the cost of pharmaceuticals.

MR. APPLEBEE stated that many people had expressed agreement that the rising cost of health care was the primary concern, along with access and the ability to deliver the right care at the right time.

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REPRESENTATIVE PRUITT asked how much had been collected from the 10 percent sales tax on indoor tanning, and whether this had met the revenue expectation.

MR. APPLEBEE replied that he did not know, as implementation of the Affordable Care Act was still in its early stages. He declared that there were still many questions to be answered.

REPRESENTATIVE PRUITT expressed his concern that assumptions had been made by the federal government regarding the amounts of money available to pay for the Affordable Care Act. He asked how the state could be assured of federal funding to provide for this requirement.

MR. APPLEBEE opined that this was the crux for the decision making by the State of Alaska, as the future federal funding levels were unknown.

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CHAIR HIGGINS, stating that the governor was now going to agree to Medicaid expansion, asked for an explanation to this expansion.

MR. APPLEBEE clarified that the governor had stated on February 28, 2013, that he would not submit any plans concerning Medicaid expansion to the Legislature. He shared that the next decision point by the governor would be during the budget submittal in December. He reported that HHSS had been discussing the impact from Medicaid expansion for services provided and costs. He declared that the Commissioner of HHSS had stated that he wanted to make the correct decision, and, as this was not a simple answer, it would require a lot of time and analysis.

MR. APPLEBEE explained that Medicaid expansion under the Affordable Care Act meant that Medicaid services would be provided to all patients with an income level up to 138 percent of the federal poverty level (FPL). He clarified that this would be offered to everyone under that income level, and not just to families with children or pregnant women, as in the past. He clarified that the newly eligible population were those who were not currently enrolled but would be eligible with this expansion. He described another eligible group which he deemed as the woodwork effect. These were people who were currently eligible for Medicaid, but had not enrolled. If they enrolled after the Medicaid expansion, they would still only be covered under the current participation rate, which was about 50 percent of cost to the state.

REPRESENTATIVE SEATON asked to clarify that those who would be covered under the "woodwork effect" were only those who were currently eligible but had not yet applied.

MR. APPLEBEE expressed agreement that those who would currently qualify would also qualify under the expansion, but for a lower federal reimbursement rate.

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REPRESENTATIVE KELLER asked if there was any deadline for the Medicaid expansion.

MR. APPLEBEE explained that the Supreme Court ruling to make the Medicaid expansion decision optional had clarified that there was not a deadline for expansion. He pointed out that the 100 percent federal reimbursement was only effective from January 2014 through December 2016. If a state decided to enroll at a

later date, it would forego reimbursement for any time already lapsed.

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REPRESENTATIVE KELLER asked if there were more talks about block grants to the states as an option to the Medicaid expansion. He declared that the state was "far more capable of figuring out who needs it than the federal regulations that are gonna come from afar." He commented that although the state could legally rescind after its expansion of Medicaid, this would be a very contentious political decision, and would not really be an option for the legislature. He asked if the state would have more control of the money from the expansion of Medicaid.

MR. APPLEBEE replied that the Supreme Court decision for the option of Medicaid had raised the national conversation for block grants to pay for entitlement programs.

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REPRESENTATIVE NAGEAK asked to clarify the funding of Medicaid expansion for three years.

MR. APPLEBEE replied that the 100 percent federal reimbursement for Medicaid expansion would be offered for the three calendar years of 2014, 2015, and 2016. He explained that any delay for state expansion would not receive an extension, and that a sliding scale of reimbursements would begin in the calendar year of 2017.

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REPRESENTATIVE KELLER asked if there was a calculation for the 10 percent cost to the state after the Medicaid expansion.

MR. APPLEBEE replied that DHSS was working on the actuarial analysis, and he cited several studies, including an estimate and analysis by the Urban Institute. He pointed out that DHSS was reviewing all the possible information to make its decision. He offered to provide the range of cost, although he did not know whether the exact cost would be available.

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REPRESENTATIVE TARR cited her discussions with small business owners for their needs and shared that she had "warmed up to the

Affordable Care Act" after having initial concerns. She reported on a documentary about the implementation and drafting of the Affordable Care Act, and the involvement of the pharmaceutical industry. She announced that 138 percent of the federal poverty level in Alaska would be about \$40,000 for a family of four. She pointed out that Arkansas had now applied for a waiver to Medicaid expansion, and was planning to use those funds to buy private health insurance for the population that would have been covered by the expansion. She asked if this was an idea for Alaska to consider.

MR. APPLEBEE, in response, shared that he had had numerous conversations with the Director of Health and Social Services in Arkansas, since its announcement, and had asked Arkansas to share any details. He clarified that currently there was only a verbal agreement with the federal government and not yet anything in writing, as the details were still being worked out. He opined that, should this be a sign of increased federal flexibility, that Alaska would be very excited to review the potential opportunities. He observed that currently the federal government had stated that this was an all or nothing proposition.

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REPRESENTATIVE SEATON, noting that there were two hospitals in his district, stated that they were supportive for Medicaid expansion, as they were cost shifting for an increase to those patients who had insurance. He asked that should the Medicaid expansion be rescinded, would only Alaskans bear the cost shift, or would treatment be withheld until people were extremely sick, with its corresponding cost increase.

MR. APPLEBEE asked to clarify whether Representative Seaton was referring to the Medicaid expansion, with a subsequent pull back. He offered his agreement with Representative Keller, that it would be a far easier decision to expand Medicaid than to rescind at a later date.

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REPRESENTATIVE SEATON replied that his conversations had been with those people who were doing all the paying, and not with those who would be recipients of the Medicaid expansion.

MR. APPLEBEE replied that the decision would require a review of all the information, as "the Medicaid program touches a lot of what we do in the state in terms of health care delivery."

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REPRESENTATIVE REINBOLD, referencing slide 11, "New Fees & Taxes," offered her belief that these fees and taxes were "hurting successful couples, businesses, and really gonna penalize those older people who need medical devices." She stated that she had never liked the Affordable Care Act, and that she was "alarmed. I'm getting much colder towards this plan than I ever imagined." She asked if all the fees were being paid to the federal government, "so this is just a, basically, just a grab of money and power and control of something that's so powerfully important to us." She asked to clarify if the federal legislators had been exempted, and she requested to know all of the exemptions from the plan.

MR. APPLEBEE, in response to Representative Reinbold, stated that the taxes were being paid to the federal government. He offered to respond with the list of exemptions.

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REPRESENTATIVE PRUITT asked to clarify that an additional 52,000 Alaskans would be covered by the Affordable Care Act. He asked if the assessment was correct that many companies would cease to provide, or limit, [health care] insurance.

MR. APPLEBEE, in response, said that it was unclear for how people would act or how premiums would change. He cautioned that there were many pieces still to be clarified before any such statements, and he offered his belief that the Affordable Care Act assumed that businesses, and business owners, wanted to continue to offer health insurance coverage.

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REPRESENTATIVE PRUITT asked how the state and federal health care plans would be affected, and he opined that these would be defined as "cadillac" plans. He asked for the probability that states would merge plans in order to cut costs.

MR. APPLEBEE, clarifying that this was for state employee plans, said that these plans would not be impacted, as the intent of the Affordable Care Act was to maintain existing insurance and

add to them, observing that the "cadillac" plans were not affected until 2018. He opined that there would not be any change for state employees, "certainly not in the short term," as most of the changes in Alaska were for the 17 percent of uninsured Alaskans.

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CHAIR HIGGINS suggested - as there were still many questions and only a short amount of time - that the presenters return at a later date.

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REPRESENTATIVE KELLER, asking about eligibility, requested to know the income for a traditional family of four in Alaska at 138 percent of the federal poverty level.

MS. ERICKSON expressed his agreement with the earlier figures from Representative Tarr that the current federal poverty income guideline for a family of four in Alaska was \$40,627.

CHAIR HIGGINS added that this figure was equivalent to about 70 percent of the average income in Alaska. He asked that the presenters return at an agreed upon date to continue the discussion with the committee.

MR. APPLEBEE offered for any committee member to contact him with any questions.

[5:01:22 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 5:01 p.m.