

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

April 16, 2015

9:18 a.m.

MEMBERS PRESENT

Senator Bill Stoltze, Chair
Senator John Coghill, Vice Chair
Senator Charlie Huggins
Senator Bill Wielechowski

MEMBERS ABSENT

Senator Lesil McGuire

COMMITTEE CALENDAR

HOUSE BILL NO. 135

"An Act establishing a Roth contribution program for the public employees' deferred compensation program; and providing for an effective date."

- MOVED HB 135 OUT OF COMMITTEE

SENATE BILL NO. 74

"An Act relating to permanent fund dividends; relating to a medical assistance reform program; establishing a personal health savings account program for medical assistance recipients; relating to the duties of the Department of Health and Social Services; establishing medical assistance demonstration projects; and relating to a study by the Department of Health and Social Services."

- MOVED CSSB 74(STA) OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 22

Urging the Canada Border Services Agency to keep the border between Hyder, Alaska, and Stewart, British Columbia, open 24 hours a day.

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 135

SHORT TITLE: PUBLIC EMPLOYEE ROTH CONTRIBUTIONS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/04/15 (H) READ THE FIRST TIME - REFERRALS
03/04/15 (H) L&C, FIN
03/23/15 (H) L&C RPT 6DP 1NR
03/23/15 (H) DP: TILTON, KITO, JOSEPHSON, COLVER,
LEDOUX, OLSON
03/23/15 (H) NR: HUGHES
03/23/15 (H) L&C AT 3:15 PM BARNES 124
03/23/15 (H) Moved HB 135 Out of Committee
03/23/15 (H) MINUTE(L&C)
03/31/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/31/15 (H) Heard & Held
03/31/15 (H) MINUTE(FIN)
04/06/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/06/15 (H) Moved HB 135 Out of Committee
04/06/15 (H) MINUTE(FIN)
04/07/15 (H) FIN RPT 9DP
04/07/15 (H) DP: SADDLER, KAWASAKI, PRUITT, WILSON,
GUTTENBERG, GATTIS, EDGMON, MUNOZ,
THOMPSON
04/07/15 (H) THOMPSON
04/14/15 (H) TRANSMITTED TO (S)
04/14/15 (H) VERSION: HB 135
04/15/15 (S) READ THE FIRST TIME - REFERRALS
04/15/15 (S) STA, FIN
04/16/15 (S) STA AT 9:00 AM BUTROVICH 205

BILL: SB 74

SHORT TITLE: MEDICAID REFORM/PFD/HSAS/ER USE/STUDIES

SPONSOR(s): KELLY

03/13/15 (S) READ THE FIRST TIME - REFERRALS
03/13/15 (S) HSS, STA, FIN
03/13/15 (S) HSS AT 1:30 PM BUTROVICH 205
03/13/15 (S) -- MEETING CANCELED --
03/23/15 (S) HSS AT 1:30 PM BUTROVICH 205
03/23/15 (S) Heard & Held
03/23/15 (S) MINUTE(HSS)
04/01/15 (S) HSS AT 1:30 PM BUTROVICH 205
04/01/15 (S) Heard & Held
04/01/15 (S) MINUTE(HSS)
04/02/15 (S) STA AT 9:00 AM BUTROVICH 205
04/02/15 (S) <Pending Referral>
04/03/15 (S) HSS AT 1:30 PM BUTROVICH 205
04/03/15 (S) -- MEETING CANCELED --
04/08/15 (S) HSS AT 1:30 PM BUTROVICH 205
04/08/15 (S) Heard & Held

04/08/15 (S) MINUTE(HSS)
 04/10/15 (S) HSS AT 1:30 PM BUTROVICH 205
 04/10/15 (S) Moved CSSB 74(HSS) Out of Committee
 04/10/15 (S) MINUTE(HSS)
 04/11/15 (S) HSS RPT CS 3DP 1NR NEW TITLE
 04/11/15 (S) DP: GIESSEL, ELLIS, STOLTZE
 04/11/15 (S) NR: STEDMAN
 04/13/15 (S) STA AT 8:00 AM BUTROVICH 205
 04/13/15 (S) Heard & Held
 04/13/15 (S) MINUTE(STA)
 04/14/15 (S) STA AT 8:00 AM BUTROVICH 205
 04/14/15 (S) Scheduled but Not Heard
 04/15/15 (S) STA AT 8:00 AM BUTROVICH 205
 04/15/15 (S) Heard & Held
 04/15/15 (S) MINUTE(STA)
 04/16/15 (S) STA AT 9:00 AM BUTROVICH 205

BILL: HJR 22

SHORT TITLE: STEWART-HYDER BORDER HOURS

SPONSOR(s): ORTIZ

04/02/15 (H) READ THE FIRST TIME - REFERRALS
 04/02/15 (H) STA
 04/09/15 (H) STA RPT 4DP
 04/09/15 (H) DP: TALERICO, STUTES, KELLER, LYNN
 04/09/15 (H) STA AT 8:00 AM CAPITOL 106
 04/09/15 (H) Moved HJR 22 Out of Committee
 04/09/15 (H) MINUTE(STA)
 04/13/15 (H) TRANSMITTED TO (S)
 04/13/15 (H) VERSION: HJR 22
 04/14/15 (S) READ THE FIRST TIME - REFERRALS
 04/14/15 (S) STA
 04/16/15 (S) STA AT 9:00 AM BUTROVICH 205

WITNESS REGISTER

JOHN BOUCHER, Deputy Commissioner
 Alaska Department of Administration
 Juneau, Alaska

POSITION STATEMENT: Provided an overview of HB 135.

KATHY LEA, Chief Pension Officer
 Division of Retirement and Benefits
 Alaska Department of Administration
 Juneau, Alaska

POSITION STATEMENT: Addressed questions regarding HB 135.

HEATHER SHADDUCK, Staff
Senator Pete Kelly
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding SB 74.

JON SHERWOOD, Deputy Commissioner
Medicaid and Health Care Policy Division
Alaska Department of Health and Social Services
Juneau, Alaska

POSITION STATEMENT: Addressed questions regarding SB 74.

REPRESENTATIVE DAN ORTIZ
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Prime sponsor of HJR 22.

ACTION NARRATIVE

[9:18:02 AM](#)

CHAIR BILL STOLTZE reconvened and adjourned the April 15, 2015 Senate State Affairs Standing Committee meeting that was recessed to the call of the Chair. He called the April 16, 2015 Senate State Affairs Standing Committee meeting to order at 9:18 a.m. Present at the call to order were Senators Coghill, Huggins, and Chair Stoltze.

HB 135-PUBLIC EMPLOYEE ROTH CONTRIBUTIONS

[9:19:39 AM](#)

CHAIR STOLTZE announced the consideration of HB 135.

[9:20:05 AM](#)

JOHN BOUCHER, Deputy Commissioner, Alaska Department of Administration, Juneau, Alaska, provided an overview of HB 135 as follows:

HB 135 is an act establishing a Roth contribution option for public employees who choose to participate in the deferred compensation program. This legislation enables plan members to take control of one portion of their retirement portfolio that they currently do not have a choice over, essentially that is the timing of the taxation of the contributions that they make to their deferred compensation plan. The current statute has been in effect since 1973 and the statute

currently only allows deferred compensation to be made as part of a pretax contribution. HB 135 is an effort to modernize and update the options that are available to members of the plan to comport with changes that have been made on a national level with other deferred compensation plans.

CHAIR STOLTZE asked if the new opportunities are because of federal laws.

MR. BOUCHER answered correct. He continued his overview as follows:

In January of 2011, Congress passed legislation enabling governments to implement a designated Roth contribution option and HB 135 would allow for the incorporation of this option to public employees who participate in the State of Alaska deferred compensation plan. The bill enables members to control the timing of the taxation of their deferred compensation contributions, whether it be at the time that the contribution is made to the deferred compensation plan or at the time of distribution. Should HB 135 pass as purposed, it would enable members to choose to have their contributions taxed at the time of contribution, which would mean that the income could be considered tax-free at the time of a qualified dividend distribution. The default option for existing members would be the current pre-tax plan and members would have to positively elect to a Roth investment to have their contributions changed to a taxable status. This proposed legislation is in response to requests by members to the Division of Retirement & Benefits to offer this option to members.

[9:21:58 AM](#)

SENATOR WIELECHOWSKI joined the committee meeting.

CHAIR STOLTZE asked if the request was from organized employee groups or individuals.

MR. BOUCHER replied that the request came from individual employees.

CHAIR STOLTZE asked if there have been any formalized requests from any employee groups or retired groups.

[9:23:46 AM](#)

KATHY LEA, Chief Pension Officer, Division of Retirement and Benefits, Alaska Department of Administration, Juneau, Alaska, explained that the requests have come to the division through its regional counselors who travel all over the state and meet individually with members. She specified that the option was published a couple of years ago when Congress inaugurated the bill and the option has been a topic of conversation.

SENATOR WIELECHOWSKI asked if the option is common in other states.

MS. LEA answered that more states are adding a designated Roth option. She detailed that approximately 12 states offered the option.

SENATOR WIELECHOWSKI asked if the maximum that can be deferred is the same as the current maximum.

MS. LEA answered that the current limit is \$18,000. She detailed that the Roth option would take on all of the rules and contribution limits of the deferred compensation plan.

SENATOR WIELECHOWSKI asked if contributions can be "stacked" where \$18,000 is deferred to each plan or "split" where \$9,000 is deferred to each plan.

[9:25:36 AM](#)

MS. LEA answered the contributions can be split as long as the \$18,000 limit is not exceeded.

SENATOR HUGGINS noted that education and healthcare workers have a Roth 403(b) contribution option. He asked what the differences were in the various retirement plans.

MS. LEA answered that she is not versed in Roth 403(b) details because the division does not administer the plan.

SENATOR HUGGINS asked why public employees are not covered by Social Security and how that came about officially.

MS. LEA explained that the early 1950s, the state's teachers had an opportunity to come into Social Security and the option at that time was the teachers did not need to opt into Social Security due to an existing retirement plan. The State of Alaska signed an agreement with Social Security that their teachers would not participate, many states did the same. She revealed

that in 1980, state employees held a referendum and voted for a Social Security replacement plan, the Alaska Supplemental Annuity Plan. She noted that the option to choose has sunset and Social Security only allows an option choice for new entities; for example, when a borough and city merges.

[9:28:28 AM](#)

SENATOR HUGGINS asked if Ms. Lea had history on whether the teachers supported the state not opting into Social Security.

MS. LEA answered that the division does not have any public records.

SENATOR WIELECHOWSKI assumed that the same investment options would be available that would be treated like deferred compensation. He asked if there would be a separate state account or could the deferred compensation be directed to a personal Roth Individual Retirement Account (IRA). He inquired that if there is a state account, would the same Alaska Supplemental Annuity Plan (SBS-AP) and deferred compensation investment options be offered.

MS. LEA answered as follows:

This is an option within the deferred compensation program, so you would not be able to direct it to a private IRA and this type of option is only allowed in a 457 plan because the limits are higher for contribution, it is a taxation option so the investment lineup that are in the deferred compensation plan don't change, it is the same investments.

SENATOR WIELECHOWSKI asked if the investments are the same investments that currently exist in the deferred compensation.

MS. LEA answered correct.

SENATOR WIELECHOWSKI asked if a state employee has the option of rolling their Roth IRA into their own private Roth IRA when the individual leaves state-service.

MS. LEA answered yes. She specified that the investment product is "rollable" and can go into a Roth IRA.

[9:30:38 AM](#)

SENATOR WIELECHOWSKI asked if there is any opposition to the bill.

MR. BOUCHER answered that he is not aware of any opposition.

SENATOR WIELECHOWSKI commented that the proposition looks like another employee option.

MR. BOUCHER answered correct. He opined that the option depends on how the future of taxation is viewed where a person decides between the certainty in current rates and the uncertainty in future rates. He noted that one option could be setting aside a portion of tax-free income for an individual's heirs. He summarized that the option is just another tool.

SENATOR COGHILL asked to verify that taxes are paid prior to deferral.

MR. BOUCHER answered yes.

SENATOR COGHILL asked what tax rates are applied prior to deferral.

MS. LEA answered that an individual is taxed at the applicable rate during the time of the pay period contribution.

SENATOR COGHILL asked to verify that an individual decides on what percentage of income is deferred.

MS. LEA answered correct. She specified that the contribution is a positive election that the employee has to make.

[9:33:46 AM](#)

SENATOR WIELECHOWSKI assumed that excess money after taxes of \$18,000 could be put into a Roth IRA. He asked if a person has to wait a certain amount of time for withdrawal.

MS. LEA answered that there are some restrictions that are different from a personal IRA and withdrawal is allowed under the following conditions:

- Account must be maintained for at least 5 years.
- In the case of a disability.
- A survivor may remove the money.
- Age 59-1/2 and employment has been terminated.

MS. LEA summarized that any investment earnings on the contributions are not taxed as long as the qualifiers are met.

SENATOR WIELECHOWSKI asked to verify that a person strictly pays taxes on the dividends or interest if money is withdrawn from the plan within the first five years.

MS. LEA answered that money cannot be removed from a deferred compensation plan unless a person is terminated from employment.

CHAIR STOLTZE asked if the plan can be used as a loan account where an individual can borrow on the money and repay with interest to oneself.

[9:35:33 AM](#)

MS. LEA answered that the state plans do not allow for a loan option. She specified that a loan option is considered "leakage" from an individual's retirement plan. She remarked that loans on a retirement plan is considered robbing from an individual's future.

CHAIR STOLTZE asked if the policy Ms. Lea described was a decision that she made in presenting the bill and offering the programs.

MS. LEA replied that the policy decision was made by the Legislature when the deferred compensation plan was created.

CHAIR STOLTZE assumed that the policy decision was made with guidance from the Department of Administration.

SENATOR HUGGINS asked if there is a provision that allows for rolling over a different Roth IRA into the public employees' Roth IRA.

[9:37:19 AM](#)

MS. LEA answered that private IRA roll-in is permissible except for the SIMPLE (Savings Incentive Match Plan for Employees) IRA.

SENATOR COGHILL asked how a catch-up contribution works.

MS. LEA answered that a catch-up provision is allowed within three years of an individual's normal retirement date. She specified that contributions can be doubled in each of the three catch-up years where the limit is \$36,000 rather than \$18,000.

SENATOR WIELECHOWSKI asked to verify that funds from a private Roth IRA can be rolled into the bill's Roth IRA if the legislation is passed.

MS. LEA answered yes.

SENATOR WIELECHOWSKI asked if unlimited amounts maybe rolled into the plan.

MS. LEA answered that she is not sure what the limitation is.

[9:39:05 AM](#)

At ease.

[9:40:09 AM](#)

CHAIR STOLTZE called the committee back to order. He asked Mr. Boucher if he had any closing comments.

MR. BOUCHER commented that the plan is a fantastic option for people who may want to choose to have a portion of their retirement income not taxed or taxed now and not taxed in the future.

CHAIR STOLTZE asked to verify that the bill has a zero fiscal note.

MR. BOUCHER answered correct.

[9:41:23 AM](#)

SENATOR COGHILL moved to report HB 135, [version 29-GH1015\A], from committee with individual recommendations and the attached zero fiscal note.

[9:41:37 AM](#)

CHAIR STOLTZE announced that hearing no objection, [HB 135 moved out of Senate State Affairs Standing Committee].

[9:42:04 AM](#)

At ease.

SB 74-MEDICAID REFORM/PFD/HSAS/ER USE/STUDIES

[9:44:08 AM](#)

CHAIR STOLTZE announced the consideration of SB 74.

[9:44:24 AM](#)

HEATHER SHADDUCK, Staff, Senator Pete Kelly, Alaska State Legislature, Juneau, Alaska, stated that the concept of SB 74 is to slow the growth of Alaska's Medicaid program. She said Alaska's Medicaid program is growing at a very unsustainable rate which puts the entire program in jeopardy for the state's most vulnerable Alaskans. SB 74 is an attempt to make sure that the state has safeguards in place for a Medicaid program which Alaska is federally obligated to provide. She set forth that the bill gets payment reforms in place while trying new concepts like managed care. She summarized that the bill starts Alaska down the reform process.

CHAIR STOLTZE remarked that irrespective of whether an expansion bill passes, SB 74 is a good policy measure.

MS. SHADDUCK added that SB 74 is a good policy call. She noted that the current administration testified in yesterday's committee meeting that Alaska's current Medicaid program is unsustainable without reform.

CHAIR STOLTZE noted that the Department of Health and Social Services (DHSS) responded to his request for Medicaid cost projections. He said his intent was to point out Medicaid's growth and sustainability without expansion. He voiced his frustration that DHSS has not taken ownership of its Medicaid cost forecasts.

[9:46:58 AM](#)

MS. SHADDUCK revealed that DHSS has been very open with Senator Kelly's office. She disclosed that there was an exchange on provisions that were agreed and disagreed upon. She pointed out that DHSS paid for the Evergreen Economics Report. She added that the Office of Management and Budget (OMB) and the Alaska Division of Legislative Finance were excellent in providing fiscal note and forecasting assistance.

CHAIR STOLTZE stated that perhaps Mr. Sherwood could explain why DHSS does not want to take ownership of just a simple economic fact on the fiscal realities of sustainability. He said DHSS has been given ample opportunity to say what they expect to save; however, their averting of the discussion of what current growth is, causes suspicion and puts a little kink in the strong bond of trust.

[9:49:05 AM](#)

JON SHERWOOD, Deputy Commissioner, Medicaid and Health Care Policy Division, Alaska Department of Health and Social

Services, Juneau, Alaska, stated that DHSS never intended to hide the numbers.

CHAIR STOLTZE declared that Mr. Sherwood is obligated to audibilize projected year-by-year growth for the public record. He reiterated that DHSS did not take ownership on providing Medicaid growth projections.

[9:50:10 AM](#)

At ease.

[9:51:51 AM](#)

CHAIR STOLTZE called the committee back to order.

MR. SHERWOOD provided Medicaid spending projections from 2014 out to 2034 as follows:

- 2014: \$1.5 billion,
- 2016: \$1.7 billion,
- 2018: \$2 billion,
- 2022: \$2.5 billion,
- 2024: \$3 billion,
- 2026: \$3 billion,
- 2028: \$3.5 billion,
- 2030: \$4 billion,
- 2032: \$4.2 billion,
- 2034: \$4.5 billion.

He added that the general funds component is just over \$1.5 billion by 2034.

[9:53:13 AM](#)

CHAIR STOLTZE asked to verify that DHSS's projections assume that the federal government keeps all of its obligations.

MR. SHERWOOD answered that the forecast assumes that the match rates stay approximately the same.

CHAIR STOLTZE noted that the forecast is absent of any expansion.

MR. SHERWOOD confirmed that the DHSS forecast is absent of any expansion or changes to the Medicaid program.

CHAIR STOLTZE appreciated that Mr. Sherwood put DHSS's Medicaid spending forecast on the record. He asked that Mr. Sherwood

address areas that DHSS supports and does not support. He added that the Senate Finance Committee will continue to deliberate the bill and allow public input.

MR. SHERWOOD noted that Commissioner Davidson previously testified about areas of particular concern about the bill. He explained that DHSS wants to make sure it understands the intention of Section 2 requiring a computerized income, asset, and identity eligibility verification system. He divulged that DHSS has moved forward on the assumption that the section would be a separate component that would be an adjunct to the department's existing computerized eligibility verification system. He stated that the department has developed cost estimates for adding components to the current system.

[9:55:22 AM](#)

MR. SHERWOOD pointed out that on line 4, the department is instructed to pursue new payment processes. He said the department recommends using "or" rather than "and" in the section because potential conflicts between some of the methods may occur. He reiterated that DHSS does not support Section 5 which requires Legislative approval prior to adding any mandatory Medicaid coverage groups. He asserted that the bill contains a number of beneficial reforms and the department welcomes an opportunity to pursue those reforms.

CHAIR STOLTZE explained that the department's noted concerns allows any member in the next committee to make an amendment. He asked that Mr. Sherwood address the issue of privatization. He asked if the department and the administration will allow outsourcing in looking at finding fraud. He noted that Illinois has been very aggressive in allowing a "different set of eyes" outside of the institutions. He remarked that outsourcing may allow the most analytical sets of eyes with a proven track record to find savings and ferret out inherent abuse that sometimes is not seen.

[9:58:34 AM](#)

MR. SHERWOOD replied that DHSS is always willing to consider outsourcing when permissible under federal law. He noted that restrictions exist; for example, eligibility determinations need to be made by a civil servant. He revealed that DHSS currently outsources a substantial amount of Medicaid audits and third party recovery efforts. He disclosed that DHSS has been instructed by the administration to consider cost effective opportunities for outsourcing. He summarized that there is no general philosophical opposition to outsourcing as long as the

department can ensure that programs are operated appropriately, effectively, and desired outcomes are achieved.

CHAIR STOLTZE pointed out that technology exists to simply use the internet for finding fraud. He asked if Mr. Sherwood found internet searches as intrusive.

10:01:03 AM

MR. SHERWOOD replied that DHSS does an extensive amount of verification; for example, cause for additional investigation occurs when no income is reported when income generating assets are noted. He asserted that taking advantage of new technology must be done in a thoughtful and equitable manner that takes into consideration privacy issues where people are not singled out for the wrong sorts of reasons.

CHAIR STOLTZE remarked that the real substantive fraud abuse cases have been brought on against large providers and institutions rather than an individual making a bad decision. He added that the real systematic fraud often occurs at the higher levels.

10:04:05 AM

SENATOR WIELECHOWSKI noted that legislative staff members are not permitted to use Facebook. He asked if DHSS employees are allowed to use Facebook.

MR. SHERWOOD explained that state employees have to get permission to use Facebook. He noted that an individual must have a legitimate business purpose to access Facebook through state resources.

SENATOR COGHILL addressed uncompensated care and noted that based upon population, the federal government gives disproportionate share payments to hospitals. He asked how the disproportionate share payments are calculated.

MR. SHERWOOD answered that there are two kinds of disproportionate share payments: Medicare and Medicaid. He specified that the state does not have any direct involvement in Medicare, but the state's Office of Rate Review calculates how much an institution is eligible to receive.

SENATOR COGHILL asked to verify that disproportionate means higher than the regular Medicaid payment. He inquired what formulation is used.

10:06:45 AM

MR. SHERWOOD answered that he did not know formulation specifics. He revealed that Alaska has historically not allocated all of its federal Disproportionate Share Hospital (DSH) allotment because the state did not have the matching general funds to go along with it. He specified that the state's current DSH payments are targeted toward the Alaska Psychiatric Institute to the maximum extent allowed by federal law. He noted that there are three other hospitals that provide psychiatric services as well.

SENATOR COGHILL assumed that calculations are based upon a hospital's billing volume which includes uncompensated care flow. He advised that additional uncompensated care details be provided to the Senate Finance Committee. He stated that hospitals are probably paid fairly well by Medicaid, but smaller payers are the ones that have felt the heat due to a payment system lag. He pointed out that hospitals are able to shift costs within hospitals and noted that imaging centers pay for things like uncompensated care.

10:09:50 AM

CHAIR STOLTZE pointed out that hospitals in the Mat-Su region are very competitive in retaining their profitable imaging centers.

SENATOR WIELECHOWSKI asked how much the \$100 million in uncompensated care costs the average family in Alaska and how much an average family would save if Medicaid was expanded.

MR. SHERWOOD answered that he did not have any cost estimates.

10:12:01 AM

SENATOR WIELECHOWSKI noted that 65 to 70 percent of Alaskans receive government healthcare: state workers, federal workers, military members, veterans, and Medicare recipients. He asked if Mr. Sherwood had an estimate of what percentage of the total state population is already on government healthcare.

MR. SHERWOOD answered that he does not have the information.

SENATOR WIELECHOWSKI replied that he would like to receive information with a breakdown.

CHAIR STOLTZE asserted that a system that wants to add people on requires some type of mechanism that is watching out for institutional fraud before it gets too far and racks up real

numbers. He reiterated that privatization involves organizations that specialize in ferreting out fraud. He asked if there is a commitment to outside eyes that have total objectivity solely on cost containment. He noted that are not always the most savory during times of budgetary deficits.

[10:14:42 AM](#)

MR. SHERWOOD answered that the department and the administration are in complete agreement that limited resources should go to meet the real needs of individuals and not go to support fraud or abuse. He remarked that a role exists for external entities in assisting the department in staying appropriately focused on program integrity

SENATOR HUGGINS asked to confirm that Mr. Sherwood projected Medicaid costs to increase by 300 percent from 2014 to 2034.

[10:18:30 AM](#)

MR. SHERWOOD answered correct.

SENATOR HUGGINS noted that Mr. Sherwood worked off of assumptions that lower projected growth is due to cost containment. He admitted that Mr. Sherwood's growth forecast's big number frightens him if the calculations are incorrect. He asked of the state's overall healthcare picture is under control and sustainable.

[10:20:10 AM](#)

MR. SHERWOOD revealed that he has worked with the Medicaid program for 25 years and during the entire time the department has actively tried to manage and control costs. He remarked that managing costs has not been the department's only objective and noted the creation of the Denali KidCare program, expanded coverage, and added services where needed. He detailed that the 20 year Medicaid cost forecast is based on historical spending patterns and does not include program changes. He concurred that the forecast is concerning, but admitted that he has lived with the concern for 25 years. He said there are always ways to "bend the curve" and noted that the 2012 forecast's 20 year projection would have been \$6 billion instead of \$4.5 billion. He remarked that Medicaid is not unique and noted that healthcare in general has seen its expenses rise where its share of the economy increases due to inflation. He said DHSS will work vigorously to manage the Medicaid program.

[10:22:34 AM](#)

SENATOR HUGGINS asked to verify that Mr. Sherwood has been involved with Medicaid for 25 years.

MR. SHERWOOD answered yes.

SENATOR HUGGINS asked what the state has done with Denali KidCare over time.

MR. SHERWOOD explained that Denali KidCare was started in 1999.

CHAIR STOLTZE added that Denali KidCare was part of "Smart Start."

MR. SHERWOOD explained that the Children's Health Insurance Program (CHIP) was an option that was added to expand Medicaid for children. He detailed that existing coverage for low income children and pregnant women was rolled into a package and called Denali KidCare. He specified that income limits were set at 200 percent of the poverty level.

CHAIR STOLTZE asked what the program's starting cost was and what the current costs are.

MR. SHERWOOD answered that he could not provide specific numbers.

CHAIR STOLTZE asked that Mr. Sherwood provide legislators with Denali KidCare's growth analysis.

[10:24:39 AM](#)

SENATOR COGHILL moved to report CSSB 74(STA) from committee with individual recommendations and attached fiscal note(s).

[10:24:58 AM](#)

CHAIR STOLTZE announced that without objection, CSSB 74(STA), [version: 29-LS0692\F], moves out of the Senate State Affairs Standing Committee.

[10:25:12 AM](#)

At ease.

HJR 22-STEWART-HYDER BORDER HOURS

[10:26:09 AM](#)

CHAIR STOLTZE announced the consideration of HJR 22.

[10:26:21 AM](#)

REPRESENTATIVE DAN ORTIZ, Alaska State Legislature, Juneau, Alaska, prime sponsor, provided an overview of HJR 22 as follows:

HJR 22 is a resolution that calls on the Canadian Border Services Agency (CBSA) to reopen a border that exists between Hyder, Alaska and Stewart, British Columbia on a 24 hour basis. As of April 1, the border between Stewart and Hyder was closed and is closed between midnight and 8:00 a.m.

He said the border closing has created issues for Hyder's 87 residents and Stewart's 500 residents. He explained that Hyder residents do not have emergency access to hospital facilities. He added that economic issues are involved where tourism is impacted and access to the mine on the Hyder side is affected. He specified that the resolution calls on CBSA to look at their decision and perhaps reopen the border on a 24 hour basis, at least during the border's peak-time during the summertime. He disclosed that he has met with Hyder and Stewart residents at a town meeting and both communities are very much concerned about CBSA's decision. He added that U.S. Senator Murkowski's office and the Governor have been involved as well.

[10:28:53 AM](#)

CHAIR STOLTZE asked if there has been an issue raised about changing the border hours at the Skagway crossing as well.

REPRESENTATIVE ORTIZ answered that he is unaware of a border issue with Skagway.

CHAIR STOLTZE stated that he will talk to Representative Munoz regarding the Skagway border. He asked how the proposed daylight savings bill is being received in Southeast Alaska.

REPRESENTATIVE ORTIZ answered that Southeast folks are happy that the bill is on hold.

CHAIR STOLTZE asked if the situation with daylight savings will cause issues with the crossing.

REPRESENTATIVE ORTIZ replied that the issue with daylight savings has not played into the border crossing discussions.

[10:30:30 AM](#)

CHAIR STOLTLZE noted that the committee is lacking a quorum and recessed the meeting to a call of the Chair. [The committee did not reconvene this day therefore, HJR 22 was held in committee.]