

HOUSE FINANCE COMMITTEE

May 2, 2019

1:45 p.m.

1:45:37 PM

CALL TO ORDER

Co-Chair Wilson called the House Finance Committee meeting to order at 1:45 p.m.

MEMBERS PRESENT

Representative Tammie Wilson, Co-Chair
Representative Jennifer Johnston, Vice-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton

MEMBERS ABSENT

Representative Neal Foster, Co-Chair

ALSO PRESENT

Representative Zach Fields, Sponsor; Tristan Walsh, Staff,
Representative Zach Fields; David Teal, Director,
Legislative Finance Division.

PRESENT VIA TELECONFERENCE

Clinton Lasley, Director, Division of Alaska Pioneer Homes,
Department of Health and Social Services.

SUMMARY

HB 96 PIONEERS' HOME AND VETERANS' HOME RATES

HB 96 was HEARD and HELD in committee for further consideration.

#hb96

HOUSE BILL NO. 96

"An Act relating to Alaska Pioneers' Home and Alaska Veterans' Home rates and services."

1:46:08 PM

Co-Chair Wilson reported that the committee would review the fiscal notes.

CLINTON LASLEY, DIRECTOR, DIVISION OF ALASKA PIONEER HOMES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), reviewed the new fiscal impact note from the Division of Alaska Pioneer Homes, Department of Health and Social Services. He relayed that the total cost of operating the homes was \$62 million. The administration was currently proposing to return the operation of the Pioneer Homes into a need based system versus the present manner of appropriating \$33 million in state funding regardless of the residents' ability to pay. The fiscal note reflected the governor's proposal. He pointed to the \$1.5 million in federal receipts from the Veteran's Administration that were for the Veteran's Home in Palmer. In addition, the \$26,052.2 million (with the reduction of \$5,552.2 million in the current fiscal note) from program receipts were the funds collected from the elder residents or their private insurance. The interagency receipts amounting to \$32 million, reduced by \$7,751.7 in HB 96 were typically from the Medicaid waiver program. He elaborated that under the governor's proposal a separate component would be added under the Medicaid Waiver, called the Pioneer Homes Payment Assistance component. The Pioneer Homes Payment Assistance funding would supplement the interagency receipts on the current fiscal note for individuals without the ability to pay. Finally, the \$3,083.7 million in Statutory Designated Funds were receipts that were received for pharmacy. He delineated that when the administration decided to propose rates equivalent to the cost of providing services, they examined a report done by Agnew Beck Consulting. The division considered the current expected spend in FY 20 based on the expected 95 percent occupancy which equated to a total population of 471 elders. He concluded that based on the level of care, population, and using their rate methodology, HB 96 would leave the homes \$13 million short from what the homes would be able to earn. He referenced public testimony earlier in the week from a resident

stating that the proposed rate increase would cost him \$78 thousand. He indicated that the \$78 thousand was the amount the state was currently subsidizing which amounted to \$13 thousand each month at the highest level of care. Under the bill the maximum the state could charge for the highest level of care left a \$3,000 gap. The funding gaps would add up to \$13 million in GF (General Funds) and was necessary to fund the Pioneer Homes.

Co-Chair Wilson asked whether there was a spreadsheet available to provide detail. Mr. Lasley answered that he had provided a spreadsheet to the Legislative Finance Division (LFD). He offered to provide it.

[1:52:06 PM](#)

Co-Chair Wilson referenced the fiscal note and surmised that the governor included \$25 million for residents needing payment assistance and no other general funds (GF). Mr. Lasley answered in the affirmative. He recapped that the governor's proposal removed \$33 million GF and added a new need-based payment assistance component appropriating \$25 million.

Vice-Chair Johnston asked how long the Pioneer Home been working on restructuring its finances. Mr. Lasley responded that the division had started looking at restructuring in the current year. Since 2015, the legislature and the governor had asked the division to look for other ways of earning revenue. The division gradually transitioned from GF to other funding sources, primarily Medicaid and program receipts. He pointed to the challenges of providing the same service with less GF and offer the same subsidy to all residents regardless of income. Vice-Chair Johnston recalled spending time with the previous division director of the Pioneer Homes who had seemed to be working on something similar. She asked whether the current plan had been worked on for some time. Mr. Lasley replied in the affirmative. He detailed that the agency had asked the Alaska Mental Health Trust Authority (AMHTA) to help fund a study to determine how to best utilize and fund the home for the needs of the community and increasing aging population. He noted that the study was published in November 2018. The division worked on the issue for one year and was implementing some of the findings.

Vice-Chair Johnston pointed out that some of the concerns was related to "the mix of the population in the homes." She understood that "some mission creep" had occurred in running the homes due to an older population currently residing in the homes compared to the past's more active population. She shared a concern that if the rates were raised too high, it could penalize some of the more active residents living with a spouse who required a higher level of service and were paying via insurance. She pondered whether raising rates resulted in the state losing money; thus, the ability to subsidize the residents. She was trying to get a sense whether there were enough residents paying their own way at a lower level of care that offsets the higher costs for high level care. She thought statistics should reflect the change and costs of the home's population.

[1:58:02 PM](#)

Mr. Lasley responded that currently over 50 percent of the elders were in a higher level of care requiring 24 hour assistance due to dementia and other issues and currently 10 percent at the lowest level. He restated that currently seniors were not required to prove how much they could afford to pay prior to moving in. Once a person was admitted to the home, the amount a resident could pay was determined and the remainder was subsidized. He emphasized that the proposal was requiring residents "that can pay, to pay what they can." The state was currently subsidizing about half of the home's service costs. Total costs were over \$60 million, and the state subsidized roughly \$33 million. Vice-Chair Johnston asked what percentage of the population paid on their own and what percentage was paying strictly through Medicaid and Medicare. Mr. Lasley answered that currently approximately 50 percent received a state subsidy.

Vice-Chair Ortiz asked whether the governor's proposal had potential to drive out a population of current payers covering at least some of their costs leading to an increased population without the ability to pay. Mr. Lasley replied that anything was possible. He noted that if the rates went into effect, they would be closer to the cost in the private sector. He relayed that every time the rates were increased some residents left the Pioneer Homes and chose to reside in a private facility.

[2:02:42 PM](#)

Co-Chair Wilson asked for the difference between when a person needed assisted living versus a nursing home setting. Mr. Lasley replied that the Pioneer Home allowed and elder to age in place until the end of life. Typically, many assisted living facilities asked residents to leave when they required higher levels of care and the next step would be a nursing home. He indicated that the Pioneer Homes' unique model was a cost saver to the state because the nursing home care was reimbursed at a higher rate. He noted that it was rare that high care seniors were asked to leave the home due to care issues.

Co-Chair Wilson wondered whether federal law dictated the type of home an elder resided in. Mr. Lasley answered that the level of care was based on medical need. The homes had nurses on staff but did not provide skilled nursing services, which would require a resident to leave the Pioneer Homes. Co-Chair Wilson recalled viewing a chart showing the number of care levels and the amount of beds associated with the levels. She asked if the homes still measured beds in the same way. Mr. Lasley responded that the homes were staffed based on the level of care that was anticipated in the community except for the Juneau home, which solely accepted people via their position on the waitlist. The division structured their homes based on the needs of the individuals on the waitlist and were not holding beds according to care level. He offered that prior to his tenure many beds were left vacant while many individuals remained on the waitlist. He determined that the system was unacceptable, and he instituted a goal of 95 percent occupancy; the industry standard. Co-Chair Wilson asked for clarification that the state currently subsidized the Pioneer Homes and residency was not based on the ability to pay. Mr. Lasley elaborated that once a person was transitioned to an active list, which meant they were ready to move in within 30 days, was the point the individual's finances and ability to pay was determined. He cited AS 37.55 that clearly outlined in statute that elders living in Alaska were not accepted or evicted based on their ability to pay.

[2:08:32 PM](#)

Co-Chair Wilson clarified that she was not attempting to evict any seniors from the Pioneer Homes. She referenced

Mr. Lasley's testimony stating the state subsidized every resident at the same level regardless of their ability to pay and asked for clarity. Mr. Lasley responded that under the current system the state was subsidizing every resident at the same level because the rates were artificially low. He exemplified that a current level 3 resident was charged \$6,795. per month but the true cost was \$13,333. The state subsidized the difference in cost, regardless of the ability to pay. Co-Chair Wilson surmised that even if someone could pay the \$13,300, the level had been set so low the costs were automatically subsidized. Mr. Lasley replied in the affirmative.

Vice-Chair Johnston asked if a sliding fee scale had been considered. Mr. Lasley answered that essentially, the payment assistance program that had been in effect was based a sliding fee scale. He used the top level 3 rate of \$13,333 as an example; if the resident was able to pay \$5,000 per month the state subsidized the remainder. The sliding fee scale was based on the resident's resources and monthly income. Vice-Chair Johnston asked if the current sliding fee schedule considered insurance or other forms of payment. Mr. Lasley answered that currently, the payment assistance program was only subsidizing against the rate of \$6,795. He voiced that the problem was that the rates were set artificially low and it was not a regulatory issue. Vice-Chair Johnston surmised that under the proposal that established 5 levels of care, the division would still use the same approach. The fiscal note would show what the actual costs were because residents would be charged the full amount of their ability to pay. She asked whether she was correct.

[2:13:23 PM](#)

Mr. Lasley replied that under HB 96 the state would fall \$13 million short because the maximum allowable rate was \$10,000. However, the actual cost was \$13,333.

Co-Chair Wilson wondered why the division would not base the rate on \$13,333. Mr. Lasley answered that the governor's proposal under the current regulatory package was to do as stated and charge \$13,333. The division would charge the rate based on the true cost of services and the remainder would be subsidized by the state in recognition of the statute that provided the payment assistance program. The problem was that the rates had been so low it

did not reflect the true cost of services. The change was proposed in regulation and was currently in the public comment period. Co-Chair Wilson wondered whether the elders understood the payment system versus a sliding scale based on the ability to pay. Mr. Lasley answered that it had been very difficult to communicate the proposal. He reiterated that the division was not doing anything different except charging the true costs of services. The residents would still only receive a monthly bill for the portion deemed they could afford to pay under the formula set in statute. The system that protected every elder that allowed them to live and stay in the home regardless of their ability to pay remained in place. Co-Chair Wilson understood why the residents were upset. She wondered whether a general letter was sent to residents or a letter to each individual resident explaining the rate increase and detailing how it affected their monthly bill including their subsidy. Mr. Lasley replied that he had sent a blanket letter to every resident in October that was not specific to everyone's financial situation. He maintained that he lacked the financial information of residents that were privately paying the full advertised rate and would need to request financial information from each elder.

[2:18:24 PM](#)

Co-Chair Wilson did not understand how the division had communicated a huge rate increase and did not anticipate the anxious reaction by residents. She countered that the division had collected the necessary financial paperwork and the ability to pay was known. She suggested that the division wanted to avoid the work of sending individual letters. She thought that the division upset the individuals in the home for no reason.

Representative Josephson ascertained that the division was attempting to maximize the payments of residents' other resources like Medicaid benefits or private insurance and then subsidize the remaining amount. Mr. Lasley replied in the affirmative and added that the goal was to create a true need based system. He furthered that for individuals paying the full rate, until recently they had never asked them what resources they had. Representative Josephson asked about the impact on the self-paying resident, He deduced that the increase would reduce their resources and leave their estate diminished. Mr. Lasley affirmed the statement. He indicated that payment assistance required a

resident to use their resources prior to receiving a state subsidy, which was the same with Medicaid. He conveyed that under current statute and regulations, residents paying the advertised rate were exempted from financial reporting. The proposal planned to maximize the resident's revenue and the payment assistance would be a true need-based system.

[2:22:33 PM](#)

Representative Josephson asked how the division would know what it could capture in the maximization effort. Mr. Lasley replied that presently, the division was uncertain. He shared that in 2017 the division began requesting "simple" resource information and again in November 2018. The division did not know the amount of additional revenue that would be generated under program receipts due to the limited data. Representative Josephson concurred with one of the concerns that had been expressed about increasing rates. He did not know how much income could be replaced if people decided to look at the private marketplace. Mr. Lasley agreed that there was no way of knowing whether elders would move to the private marketplace or remain in the Pioneer Homes. He referenced the number \$5.7 million that was the estimated amount of additional program receipts that would be generated based on the limited data. Representative Josephson asked that if the figure was \$5.7 million, why not raise the rate to that level. Mr. Lasley answered that the goal was to reflect the true cost of service in the rates. He noted that the division had been asked to find ways to earn more money in the past couple of legislative sessions. The effort was to be truthful and honest about the cost and to return to a true needs-based system. The payment assistance program should operate on need and not based on an arbitrary number.

[2:26:37 PM](#)

Representative Merrick asked how to address the problem of fraud. She exemplified the individual who transferred their assets to a family member. She wondered if the division had considered the issue. Mr. Lasley answered that the program required a three-year lookback under state statute and Medicaid required a five-year lookback. Representative Merrick asked if it was a lookback at income or assets. Mr. Lasley answered that it was a review of both. The financial disclosure required bank statements, property, other non-liquid assets, title searches, etc.

Co-Chair Wilson thought the state may need to increase the number of years in the review.

Co-Chair Wilson asked to hear from the sponsor.

[2:28:26 PM](#)

REPRESENTATIVE ZACH FIELDS, SPONSOR, reported the purpose of the bill was to honor the state's historic commitment to the Pioneer Homes and provide a solid financial base. He commented that the discussion centered on a disagreement regarding finding the best economic policy for the Pioneer Homes versus a competitive environment. His concern was that "setting a price point that was impossibly high would scare off paying customers, adversely impact the pool of residents, and ultimately cost the state money" He detailed that he had studied economics and an artificially high price point in terms of the market and not based on actual cost of care could decrease the home's revenue collection. He suggested hearing from LFD. His goal was for the home to be as financially sound as possible for the next 100 years.

Co-Chair Wilson asked exactly what the bill accomplished. Representative Fields replied that the bill capped the rates that the department could set. He preferred not to cap the rates in statute but given the governor's current proposal, he worried about the long-term financial viability of the Pioneer Homes. In addition, the bill allowed the Department of Health and Social Services (DHSS) to raise rates based on the Social Security rate of inflation to better keep pace with the increasing cost of care. Co-Chair Wilson pointed to Section 5(f) [page 3, line 20] and ask whether the section was based on the proposed five tiers. Representative Fields answered in the affirmative. He emphasized that the bill supported the recommendation to go from three to five levels of care based on the Agnew Beck Report and SB 74- Medicaid Reform; Telemedicine; Drug Database [Chapter 25 SLA 16 - 06/21/2016] recommendations. He pointed to Section 5, subsection (f)(5) and relayed that he did not propose rate caps for a category in Tier 5 care for complex behavioral health issues, which was a separate rate of reimbursement. He maintained that it was unnecessary to cap the Level 5 rates in terms of keeping the Pioneer Homes competitive. Co-Chair Wilson surmised that he did not number the levels of care in the bill but addressed the levels by specifying the rates and care for each level. Representative Fields

affirmed that the levels of care language corresponded to the department's tiers.

2:31:51 PM

Co-Chair Wilson referred to subsection (f) (5) on page 4 and reasoned that the subsection corresponded to level 5, the highest level of care and was not "setting the level" in statute. Representative Fields responded in the affirmative. Co-Chair Wilson pointed to subsection (f) (6) and (7) and asked what the subsections corresponded to.

TRISTAN WALSH, STAFF, REPRESENTATIVE ZACH FIELDS, cited page 4, line 8 and line 13, and explained that the provisions reflected payments for respite care services that were set in regulation and not in statute. The bill would set the schedule in statute.

Co-Chair Wilson asked if respite care was available in a person's home versus the Pioneer Homes. Mr. Walsh replied that respite care was available in the Pioneer Homes. He deferred to Mr. Lasley to expound on the extent to which respite care was used. Co-Chair Wilson cited Section 5, Subsection (6) on page 4, lines 8 through 12 and Section 5, Subsection (7) on page 4, lines 13 through 16. She inquired whether the respite rates were paid in addition to the rate a resident paid. Mr. Lasley answered in the negative and expounded that respite care allowed the home to provide temporary services for up to 14 days for an individual that needed to come into a home, or for a temporary replacement for a primary care provider that took care of an elder in a Pioneer Home. The regulation allowed them to secure the service at a "good daily rate." Co-Chair Wilson asked whether the following provisions were reflective of the actual cost. She cited the provisions as follows:

(6) \$70 a day for services provided in a home to a recipient who requires the provision of housing, meals, emergency assistance, medication administration, health-related services, recreation, and extensive assistance with activities of daily living for up to eight hours a day between 6:00 a.m. and 6:00 p.m., including meals scheduled during the period the recipient is receiving the services;

(7) \$100 a day for room and board provided in a home to a recipient who requires the provision of housing,

meals, emergency assistance, medication administration, health-related services, recreation, and extensive assistance with activities of daily living for 24 hours a day for up to 14 consecutive days

Mr. Lasley answered that the subsections reflected the fees that were currently in statute but were increased in the new regulation package. Co-Chair Wilson asked what the rates were increased to.

[2:35:00 PM](#)

Mr. Lasley answered that the \$70 rate would change to \$161 and the respite service would change to \$322.

Representative Merrick asked if the home had a certain number of beds allocated to respite care. Mr. Lasley answered in the negative. He elaborated that the vacancy rate dictated the space available to take in residents. The respite service was rarely utilized but he wanted to maintain the ability when necessary.

Representative Josephson recalled hearing that the rates Representative Fields recommended were higher than the typical adjustments for inflation. He asked for clarity. Representative Fields affirmed that the rates in the bill were a bit higher. He indicated that based on testimony and the prior committee process the rates had been increased. He would be supportive of ratcheting the increase back down a bit after discussions with LFD about the economics of revenue capture and keeping the homes on a sound financial footing.

Co-Chair Wilson speculated that the legislature was disadvantaged by not having access to the actual financials.

Vice-Chair Ortiz asked if most of the homes had a substantial waiting list. Mr. Lasley replied that there was a waitlist for every home. He furthered that 200 individuals were on the waitlist systemwide. The vacancy rate of 95 percent occupancy ensured that there was always a set number of rooms available. Vice-Chair Ortiz inquired about the selection process. He asked if the waiting list was on a first come, first served basis. Mr. Lasley responded that anyone age 65 or older could place

themselves on the inactive wait list, which set their place in line. He elucidated that once an individual was ready to move into a home, they were placed on an active waitlist. The selection was based on the original application date. The home considered the level of services needed to find the placement.

[2:40:07 PM](#)

Vice-Chair Johnston ascertained that a person residing in the state for at least one year had the ability to place themselves on the inactive waiting list at the age of 65. The inactive waiting list was weighted against how many years the person was on the inactive list. The individual placed themselves on an active waitlist when they desired to move into a home. She asked whether she was correct. Mr. Lasley replied in the affirmative. Vice-Chair Johnston expressed concern about mission creep. She detailed that the Pioneer Homes had been established for people who had built Alaska and in honor of the state's pioneers. However, it was found unconstitutional to require a longer than one year residency requirement. She asked for confirmation. Mr. Lasley answered in the affirmative. However, many of the residents entering the homes had been in the state for a substantial amount of time due to the waitlist system. He articulated that the average age of a resident was 87 years old. Elders were entering the Pioneer Homes at a later point in life when they truly need high levels of service. Vice-Chair Johnston thought that the mission of the home had changed drastically. Mr. Lasley confirmed that Vice-Chair Johnston was correct and added that over 50 percent of the residents were at the highest level of care.

[2:43:35 PM](#)

Representative LeBon provided a hypothetical scenario of someone age 66 placing themselves on the list. He wondered when the person met the one year requirement could he jump to a second list and accrue time on that list and make themselves available to move in as soon as possible. He asked whether a person on the active list that was a resident for 65 years could be treated "more special" than the one year resident on the active list. Mr. Lasley affirmed that a person could put their name on an inactive list and change to the active list after one month as required under statute. He explained that since the active waitlist was predicated on the application date on the

inactive waitlist, the earlier a person placed themselves on the inactive waitlist, the better the chance of placement. Therefore, the new person on the active waitlist would have their placement drop as more people that had applied years earlier placed themselves on the active list. He noted that individuals placed themselves on the active list each month. Representative LeBon felt assured that the system prohibited the new resident from being placed before the long-term resident.

Co-Chair Wilson asked Mr. Teal to speak to the fiscal notes.

[2:46:22 PM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, indicated that he could not provide a "simple walk through" of the fiscal notes based on the previous discussion. He noted that the behavioral and other implications made the fiscal impacts more than "merely a numbers exercise." He emphasized that the bill changed the source of funds but not the amount required to operate the Pioneer Homes. The state would still operate the Pioneer Homes System. He pointed out that a complicating factor was a change in structure by adding the Payment Assistance component. The component made it appear that the funds were reduced by \$33 million. The add back of \$20 million along with program receipts, etc. created confusion. He thought it was best to envision the fiscal note as a single appropriation that reduced GF by roughly \$12.3 million. The problem with the governor's appropriation was that the administration did not expect to cover the receipts. The fiscal note made it appear that the \$12.3 million in UGF would be replaced by program receipts and Medicaid. However, the Pioneer Homes did not expect to receive more than about \$5.7 million. He informed the committee that LFD estimated that amount at \$5 million rather than \$5.7 million. The governor's budget left the Pioneer Homes short by about \$6 million to \$7 million. In other words, the governor left the home underfunded relative to FY 19 and he advised the committee to expect a supplemental request. The governor's budget was replacing GF with uncollectible receipts. It appeared that the Pioneer Homes would run out of funding in May. He highlighted that the current legislation did collect less funds. He cautioned that it was best not to compare the governor's budget to the fiscal note. He deduced that HB 96 reduced costs by approximately \$2 million, which was much

less than the governor's reduction of \$12.3 million. He reminded the committee that the fiscal note was being compared to a governor's scenario that had not yet occurred and was not fully funded. He felt that the situation made the fiscal note comparison difficult. He continued that the primary concern when analyzing the fiscal note was how the change affected behavior. He was concerned that the rate increase would drive the level 1 residents out of the homes. He figured that if the level 1 residents were replaced by higher level residents the governor's plan could cost more than HB 96 and the exact amount was difficult to quantify but emphasized that the scenario was a significant concern. He pointed to the handout that was prepared by the director of the Pioneer Homes.

[2:52:26 PM](#)

AT EASE

[2:56:28 PM](#)

RECONVENED

Mr. Teal pointed to a handout from LFD with no title related to the Pioneer Homes' bed rate and costs (copy on file). The chart showed the current bed rate and the bed rate under HB 96. He explained that the furthest left column indicated the number of residents at each level of care that illustrated over half were at level 4 care versus 20 years ago when most occupants were at level 1 care. The furthest column to the right characterized the significant impact of the shift through continual increases in the state subsidy, which totaled \$13 million under HB 96. He reiterated that the governor did not request additional funding and would result in insufficient funding. The monthly Level 1 bed rate under HB 96 was \$3,100. He remarked that if making money was the goal the Level 1 rates should be lowered. Increasing the rate for Level 1 care meant going to the Pioneer Homes would be much more expensive than remaining in a person's home. He referenced the fourth column on the left that reported the current bed rate costs for Level 1 care that was \$3,623.20. He hypothesized a scenario where the cost of Level 1 care was decreased to \$2,000 per month which resulted in a \$1,600 subsidy, creating more demand for Level 1 residents and less beds for Level 4 residents. The outcome would still be more cost effective considering the \$15,000 subsidy of the Level 4 resident. He maintained that the fiscal note preparer was asked to project behavior and economic

alternatives. He asserted that it was impossible to use current data, which did not include information about occupant's finances, impacts of rate increases, and future occupants care requirements and craft a reliable fiscal note. The best projection that LFD could calculate was that HB 96 appeared to reduce costs from FY 19 by about \$2 million. The governor's proposal would reduce it by more than that, but due to rate increases it could cost more. The exact outcome was unpredictable. He indicated that the \$13 million increase in the fiscal note was based on the current costs to operate the homes relative to governor's budget where he eliminated the GF and underfunded the program. The HB 96 fiscal note funded the program for a full year. He stressed that the fiscal note was difficult to prepare. He understood why the fiscal note created confusion. He believed the HB 96 fiscal note was reasonable and reiterated that the increase in GF reflected the cost to fully fund the homes for one year.

[3:02:44 PM](#)

Vice-Chair Johnston agreed with Mr. Teal that the costs were unpredictable. She reported that the DHSS subcommittee had also struggled with the topic and chose to fund the subsidy at a higher rate than the governor. She declared that one aspect that was overlooked was the policy to capture as much available funds as possible, particularly at the high levels of care (Levels 4 and 5). She voiced that the state was not capturing all the available Medicaid funds at the high levels of care. The difficulty was that residents could have gone into the facility with funds of their own, but when fees would be subsidized eventually became a negotiation with Medicaid, which meant a divesture of their assets. She discerned that the discussion was about the amount of state subsidy, the population of the Pioneer Homes, and whether the issue could be viewed as subsidizing residents' estates. Mr. Teal believed the points were all good. He thought the answer was known, but it could not be quantified. He commented that the governor's proposal would cost more for certain residents like those that self-pay, in theory, because the rates were increased. However, the increase could push a self-payer into requiring partial subsidies. He emphasized that without access to the financial records of the individuals and always dealing with the unknowns of the amount and level of care of future residents, fiscal notes were impossible to prepare. He did not know how big the problem

was but did not think that many could be self-paying when the cost was \$15,000 per month. He offered that as the rates increase, the costs drive self-payers out and potentially replace them with completely subsidized residents. Unless one could specify who would occupy the homes, he could not prepare an accurate fiscal note.

[3:07:27 PM](#)

Representative Sullivan-Leonard referenced the spreadsheet and was not sure they were receiving accurate numbers. She indicated that the budget the committee worked on was not the FY 20 budget the governor transmitted to the legislature in February [2019]. She requested another comparison that included the FY 19 budget and the budget action items the DHSS subcommittee reviewed. Mr. Teal stated that her request made perfect sense, but unfortunately fiscal notes were compared to the governor's original budget. Representative Sullivan-Leonard thought the comparison should include the FY 19 budget. She noted that the committee received updated fiscal notes "all of the time." Mr. Teal clarified that the fiscal notes were updated because the costs changed, not the comparison to the governor's request base budget. He continued that in the case of the Pioneer Homes' budget, the governor included an amendment for an additional \$5 million GF in recognition that the shortage in GF could not be made up based on receipts collected from residents. He disclosed that the governor's original budget was \$18 million short funded rather than \$12.3 million. The comparison was to the governor's amended budget. He referenced testimony that \$5.7 million in additional Medicaid funding could be captured, however that still left a shortage of \$6 million to \$7 million.

[3:10:30 PM](#)

Co-Chair Wilson clarified that the governor's budget had zero under GF for the Pioneer Homes. She asked that if \$15 million was added through the budget process, would the Pioneer Homes still need the \$13 million. Mr. Teal answered that the \$13 million would be additional money added to the Conference Committee budget leaving the negative \$2 million, that would really be an \$11 million net add. The net add would bring the Pioneer Homes appropriation up to the full cost of running the home. Co-Chair Wilson thought that the fiscal note would qualify that the \$13 million

appropriation was predicated on the assumption that the conference committee number stayed at zero. Mr. Teal answered that the house budget added \$10 million; the governor's amendment added \$5 and the house added \$5 million more, if the conference committee chose the House number then the fiscal note would be reduced by \$5 million, which occurred in Conference Committee. Co-Chair Wilson recapped the conference committee process and noted that the final numbers would reflect that the Pioneer Homes were fully funded. Mr. Teal affirmed. He added that under HB 96 the costs were roughly \$2 million less than in FY 19. Co-Chair Wilson reiterated that the HB 96 fiscal note and the funding was "a best guess" of what was necessary to cover the costs. Mr. Teal mostly agreed, but cited the spreadsheet demonstrated where the subsidies occurred and that \$10 million out of the \$13 million subsidy was attributed to Level 4 care. The data offered a snapshot of information even though it was not calculated on a per person basis; he was unsure the numbers could really be understood in that manner.

[3:15:10 PM](#)

Co-Chair Wilson noted that the 12 Level 5 individuals' subsidies were not reflected on the chart. Mr. Teal answered in the affirmative. He voiced that the fiscal note was "the messiest fiscal note you will see - through no fault of the bill or the sponsor..." He reiterated that the fiscal note contained a comparison to an underfunded budget and was trying to predict behavior that was virtually impossible to predict.

Representative Carpenter was not sure he understood the purpose of the Pioneer Homes. He stated that if the purpose was to care for all the elderly the "purpose" would cost a given amount then the question was nothing more than where to obtain the money. He questioned whether the intent of the original service of the Pioneer Homes was ever to provide more than Level 1 care. Representative Fields responded that the homes were originally established in 1913 as a home for indigent men. He surmised that the changing population in the homes was reflective of demographic changes in the population at large rather than from policy decisions. He offered that 50 years ago people did not live long enough to reach the age dementia and other diseases affected the elderly. The homes were meeting the original mission that was to take care of people in

their final home. However, the demographics had changed significantly, resulting in higher cost care.

Representative Carpenter deduced that the issue boiled down to a question of purpose and policy. He asked whether the state was going to subsidize any amount "to be all things for all people." He questioned what the policy was that the state wanted to subsidize and pay for if the subsidy covered all levels of care. He reiterated that the question was the intent of the Pioneer Homes and whether it was all things to all people.

Co-Chair Wilson agreed that the issue was a policy call.

Representative Fields replied that he did not believe the purpose of the homes, past or present was to be all things to all people. However, there was a historic policy decision that believed in the benefit of a diversity of residents which brought a quality of life benefit to the residents. The benefit extended to the state, which happened to correspond to a financial benefit. He concluded that meeting the historic mission, offering a respectful and supportive final home to elders, and maintaining a diversity of residents which included level 1 and level 2 was consistent with its historic mission.

[3:19:54 PM](#)

Representative Carpenter was sensitive to the matter but noted that someone had to pay for it. He contended that the discussion in the committee was focused on who was paying at what level and was germane to the facilities and "structure that exist to take care of people." He wondered if the structure considered all levels of care or was it limited to service the state could afford to provide. He surmised that unfortunately, a level of care that was not affordable for the state would have to be found elsewhere.

Co-Chair Wilson agreed that Representative Carpenter's statement was "absolutely correct." The bill before the committee included a policy call regarding the level of subsidy and whether it was included in HB 96 or in the operating budget. She remarked that unless a bill to change the structure of the Pioneer Homes was introduced - the current bill was under discussion.

[3:22:04 PM](#)

Representative Fields put the bill into the context of a broader discussion on a sustainable budget and healthcare savings that began with SB 74. He recognized that savings were associated with operating the homes. He referred to Mr. Lasley's testimony that the Pioneer Homes were not equivalent to nursing home care and that they qualified for a 50 percent match for Medicaid funding. He voiced that the costs were real, but people did not just disappear if they were not residing in the Pioneer Homes. Some were in the Alaska Psychiatric Institute (API) at a cost of \$500 thousand per year. He stated that the 451 residents of the homes "existed in a much broader eco system."

Co-Chair Wilson affirmed that HB 96 was a policy call.

Representative Josephson asked for verification that the administration's initial assumption wanted the Pioneer Homes to "have a net zero cost to the state." Subsequently, the administration conceded that the homes would need a \$25 million subsidy. Mr. Teal thought that Representative Josephson's perspective was from a single appropriation to the Pioneer Homes that did not factor in the governor's payment assistance allocation. He surmised that it did not appear that the governor's intent was to eliminate GF support for the Pioneer Homes. He recalled that the governor's subsidy increased to \$20 million versus the house's \$25 million. Representative Josephson deduced that the administration agreed that it had to continue to subsidize funding for the homes. Mr. Teal responded in the affirmative. Representative Josephson stated that the bill was a long way from becoming law but suggested that there was merit in passing the bill pending completion of obtaining the financial information that was not yet available regarding capturable revenue. He asked whether his suggestion made sense. Mr. Teal stated that it made sense to examine the information, but it was unobtainable due to the unknowns regarding the future population.

Co-Chair Wilson stated concerns regarding obtaining accurate information related to resident who self-pay. She was unsure the state was collecting the necessary information. She wondered if the state was subsidizing individuals who could pay more. She inquired whether the \$25 million should be Designated General Fund (DGF) verses GF.

[3:27:47 PM](#)

Mr. Teal responded that a separate fund was not created. He verified that the fund source was UGF. He thought the component breakdown was created for clarity. He indicated that the \$33 million was UGF and the structure change did not make it any more visible, it merely confused the issue. It appeared that the funding would need to come from two different allocations and created "a bureaucratic inefficiency" and the department would need to request funding transfers from one allocation to another. Co-Chair Wilson noted that the bill did not correct the inefficiency. Mr. Teal affirmed and added that the bill maintained the governor's structure.

Representative Carpenter appreciated the work that had gone into the bill. However, he wondered if HB 96 put the cart before the horse. He asked whether there was a level of care the Pioneer Homes could provide without a subsidy. Mr. Lasley did not believe so. He detailed that the Pioneer Homes system was designed to be a safety net for individuals that could not afford services in the private sector. The homes had become a safety net for individuals with the understanding that the state would provide a subsidy. Representative Carpenter stated that the answer did not "jive" with what had been stated as the original intent - to provide level one care. He reiterated that it was not possible to provide all things to all people. He stated that if the policy continued, the only question was about where the money would come from; either the state or individuals.

Co-Chair Wilson asked where the individuals would go if the Pioneer Homes did not exist. Mr. Lasley answered that if the Pioneer Homes did not exist there were not enough facilities in the state to provide care for individuals. The individuals would leave Alaska. He addressed Representative Carpenter's statement and concurred that in 1913 there was only one level of service that jumped to 3 service levels in 1954 and increased to 5 service levels in 1996 and was again decreased to 3 levels in 2004. He observed that the homes were providing and subsidizing multi-levels of care for 70 years.

[3:32:38 PM](#)

Co-Chair Wilson asked if the state had always played a part in subsidizing the Pioneer Homes. Mr. Lasley answered that

residents were only paying a small portion of the costs in 1913 when the homes had been established for indigent men.

Co-Chair Wilson found it interesting the homes had been established for men only.

Vice-Chair Ortiz deemed that just because the original home only offered one level of care did not necessarily make a statement about what the purpose of the homes had been. The population and needs had changed. The changes were not based on policy, but changes were based on changing population and needs. He read the mission statement of the Pioneer Homes as follows: "Assist older Alaskans to have the highest quality of life by providing assisted living in a safe home setting which promotes independence positive relationships meaningful activities physical and emotional and spiritual growth." He did not view any changes in the mission; just adaption to the needs of Alaskans.

Representative Carpenter interjected that if assisted living was the mission and individuals exceeded that level of care, it was no longer assisted living but a nursing home.

Vice-Chair Ortiz thought Representative Carpenter was assuming a specific definition of assisted living. Representative Carpenter agreed and offered that the industry had standards for assisted living homes, nursing homes, etc. Therefore, the mission was assisted living and the Pioneer Homes was providing higher levels of service.

[3:36:19 PM](#)

Co-Chair Wilson noted that HB 96 would be heard again the following afternoon. Discussion ensued regarding what policy decisions were being made by the bill.

Representative Knopp thought that Representative Carpenter brought up a good point about the level of care. He reasoned that if the structure was changed to provide low levels of care the individuals would need to find care somewhere else and the revenue would be lost. He pointed to the over 471 bed capacity and vacancies that would be created by only offering lower levels of care, which would ultimately increase costs.

Co-Chair Wilson underscored that pioneers in Alaska were very important and to understand that the members were struggling with policy calls.

HB 96 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

3:38:23 PM

The meeting was adjourned at 3:38 p.m.