

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

April 18, 2019

3:10 p.m.

**MEMBERS PRESENT**

Representative Ivy Spohnholz, Co-Chair  
Representative Tiffany Zulkosky, Co-Chair  
Representative Harriet Drummond  
Representative Geran Tarr  
Representative Lance Pruitt

**MEMBERS ABSENT**

Representative Matt Claman  
Representative Sharon Jackson

**OTHER LEGISLATORS PRESENT**

Representative Andi Story

**COMMITTEE CALENDAR**

HOUSE BILL NO. 96

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

- HEARD AND HELD

CS FOR SENATE BILL NO. 37(FIN)

"An Act relating to the statewide immunization program; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 96

SHORT TITLE: PIONEERS' HOME AND VETERANS' HOME RATES

SPONSOR(S): REPRESENTATIVE(S) FIELDS

03/15/19	(H)	READ THE FIRST TIME - REFERRALS
03/15/19	(H)	STA, HSS
03/26/19	(H)	STA AT 3:00 PM GRUENBERG 120
03/26/19	(H)	Heard & Held
03/26/19	(H)	MINUTE(STA)
03/28/19	(H)	STA AT 3:00 PM GRUENBERG 120

03/28/19 (H) Heard & Held  
03/28/19 (H) MINUTE(STA)  
04/02/19 (H) STA AT 4:00 PM GRUENBERG 120  
04/02/19 (H) Moved CSHB 96(STA) Out of Committee  
04/02/19 (H) MINUTE(STA)  
04/03/19 (H) STA RPT CS(STA) 2DP 4NR  
04/03/19 (H) DP: SHAW, FIELDS  
04/03/19 (H) NR: LEDOUX, WOOL, STORY, KREISS-TOMKINS  
04/09/19 (H) HSS AT 3:00 PM CAPITOL 106  
04/09/19 (H) -- MEETING CANCELED --  
04/11/19 (H) HSS AT 3:00 PM CAPITOL 106  
04/11/19 (H) -- MEETING CANCELED --  
04/18/19 (H) HSS AT 3:00 PM CAPITOL 106

BILL: SB 37

SHORT TITLE: RENEWAL OF VACCINE ASSESSMENT PROGRAM

SPONSOR(s): SENATOR(s) GIESSEL

01/25/19 (S) READ THE FIRST TIME - REFERRALS  
01/25/19 (S) HSS, FIN  
02/06/19 (S) HSS AT 1:30 PM BUTROVICH 205  
02/06/19 (S) Moved SB 37 Out of Committee  
02/06/19 (S) MINUTE(HSS)  
02/08/19 (S) HSS RPT 5DP  
02/08/19 (S) DP: WILSON, BEGICH, COGHILL, STEVENS,  
GIESSEL  
02/13/19 (S) FIN AT 9:00 AM SENATE FINANCE 532  
02/13/19 (S) Heard & Held  
02/13/19 (S) MINUTE(FIN)  
03/12/19 (S) FIN AT 9:00 AM SENATE FINANCE 532  
03/12/19 (S) Moved CSSB 37(FIN) Out of Committee  
03/12/19 (S) MINUTE(FIN)  
03/13/19 (S) FIN RPT CS 5DP 3NR NEW TITLE  
03/13/19 (S) DP: VON IMHOF, MICCICHE, SHOWER,  
WILSON, BISHOP  
03/13/19 (S) NR: STEDMAN, WIELECHOWSKI, OLSON  
03/27/19 (S) TRANSMITTED TO (H)  
03/27/19 (S) VERSION: CSSB 37(FIN)  
03/29/19 (H) READ THE FIRST TIME - REFERRALS  
03/29/19 (H) HSS, FIN  
04/09/19 (H) HSS AT 3:00 PM CAPITOL 106  
04/09/19 (H) -- MEETING CANCELED --  
04/11/19 (H) HSS AT 3:00 PM CAPITOL 106  
04/11/19 (H) -- MEETING CANCELED --  
04/18/19 (H) HSS AT 3:00 PM CAPITOL 106

**WITNESS REGISTER**

REPRESENTATIVE ZACK FIELDS  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, presented HB 96.

TRISTAN WALSH, Staff  
Representative Zack Fields  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of Representative Fields, prime sponsor of HB 96, answered questions regarding the bill.

CLINTON LASLEY, Director  
Central Office  
Division of Alaska Pioneer Homes  
Department of Health and Social Services (DHSS)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions regarding HB 96.

BRAD RIDER  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 96.

FRED KOKEN  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 96.

LUANN MCVEY  
Douglas, Alaska

**POSITION STATEMENT:** Testified in support of HB 96.

MARK BADGER  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 96.

LAURA BONNER  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 96.

SUSAN MILLER  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 96.

SHARON LONG  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 96.

ROCKY PLOTNICK  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of HB 96.

JANET MACCLARENCE  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of HB 96.

JUSTIN PARISH  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in support of HB 96.

DEBBIE TILSWORTH  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of HB 96.

URBAN RAHOI  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of HB 96.

BARBARA PARKER  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of HB 96.

SUSAN CARTER  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified during the hearing of HB 96.

CAROL KLOPF  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified during the hearing of HB 96.

WILLIAM HARRINGTON  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified during hearing of HB 96.

SENATOR CATHY GIESSEL  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Introduced CSSB 37(FIN) as the sponsor of the bill.

JANE CONWAY, Staff  
Senator Cathy Giessel  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of Senator Giessel, sponsor, presented a sectional analysis of CSSB 37(FIN).

LILY LOU, MD  
Chief Medical Officer  
Central Office  
Division of Public Health  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified and answered questions regarding CSSB 37(FIN).

JILL LEWIS, Deputy Director (Juneau)  
Central Office  
Division of Public Health  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation titled "SB 37 Renewal of Alaska Vaccine Assessment Program."

DAVID TEAL, Legislative Fiscal Analyst  
Director, Legislative Finance Division  
Legislative Agencies and Offices  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions regarding CSSB 37(FIN).

NANCY MERRIMAN, Executive Director  
Alaska Primary Care Association (Alaska PCA)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of CSSB 37(FIN).

PATTY OWEN, Director  
Board of Directors  
Alaska Public Health Association  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of CSSB 37(FIN).

#### **ACTION NARRATIVE**

[3:10:18 PM](#)

**CO-CHAIR TIFFANY ZULKOSKY** called the House Health and Social Services Standing Committee meeting to order at 3:10 p.m. Representatives Drummond, Tarr, Spohnholz, and Zulkosky were present at the call to order. Representative Pruitt arrived as

the meeting was in progress. Also present was Representative Story.

**HB 96-PIONEERS' HOME AND VETERANS' HOME RATES**

[3:11:01 PM](#)

CO-CHAIR ZULKOSKY announced that the first order of business would be HOUSE BILL NO. 96, "An Act relating to Alaska Pioneers' Home and Alaska Veterans' Home rates and services." [Before the committee was CSHB 96(STA).]

[3:11:26 PM](#)

REPRESENTATIVE ZACK FIELDS, Alaska State Legislature, as prime sponsor, presented HB 96. He said the bill's goal is to keep Alaska's Pioneer Homes thriving. He explained that inflation has reduced the real value of rates paid at the Pioneer Homes. He said rates have been adjusted a few times since 2004, but rates have not kept pace with inflation. He said CSHB 96(STA) would rebase rates to keep pace with inflation since 2004. It would give the Department of Health and Social Services (DHSS) the ability to have care levels of Level IV and Level V. Representative Fields stated that there is a need for higher intensity of care, given that the average age of residents has risen to about 87, and given a growing population of residents with dementia. Consistent with the Agnew Beck Report [November 29, 2018], the proposed bill would allow a Level V care, which is a totally separate billing structure for what the department and Agnew Beck envision as behavioral health neighborhoods. These neighborhoods would be physically separate but still within the Pioneer Homes. He emphasized the importance of behavioral health neighborhoods for broader cost control and quality of care issues.

REPRESENTATIVE FIELDS stated the CSHB 96(STA) would effect a change from a Consumer Price Index (CPI) to a Social Security cost-of-living adjustment (COLA), which the department has indicated is its preference. He remarked that he does not have a strong preference on what the index rate is. He pointed out that the CSHB 96(STA) represents a substantive compromise between the original bill and where the department is trying to go.

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The committee took a brief at-ease.

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REPRESENTATIVE FIELDS noted that the first Pioneer Home was established in 1913 in Sitka. The Pioneer Homes expanded steadily throughout the Twentieth Century, with the newest home constructed in Juneau in 1988, and there are currently homes in six communities. There was a major improvement in 2007 when Representative Shaw helped establish the first certified Veterans' Home in Palmer while he was the commissioner of the Department of Military and Veterans Affairs.

REPRESENTATIVE FIELDS explained that the rates at the Pioneer Homes are established by regulation. Because the rates have failed to keep pace with inflation going back to 2004, the state has lost about 15 percent of real value since then. He said CSHB 96(STA) would make a significant rate update to keep pace with inflation. Unique about the Pioneer Homes is the mix of residents in terms of income levels and intensity of care. A large percentage of residents are private pay, and while the rates currently don't capture the full cost of care, they do capture a substantial amount of the cost of care.

REPRESENTATIVE FIELDS discussed the topic of what would be a sustainable financial model long into the future for the Pioneer Homes. He said it is to the state's and department's advantage to maintain a robust share of residents who are private pay, whether they are paying full cost of care or 70-90 percent of the cost of care. If 51 percent of the residents are paying at least a substantial portion of the cost of care, that is a more secure place to be financially than if 100 percent of the residents are being completely subsidized, because that would entail more general fund obligations to the Pioneer Homes.

REPRESENTATIVE FIELDS stated he is concerned about the department's proposed new rates, because the rate jumps are so high and the rate levels so high that many fewer self-paying residents will enter and stay in the Pioneer Homes. He posited that rather than simply capturing those much higher rates, there would be adverse selection and the population at the Pioneer Homes would quickly shift to a much larger percentage of residents who are almost wholly being subsidized by the state.

REPRESENTATIVE FIELDS said he supports the State of Alaska subsidizing residents to the extent necessary, including to seniors with less means. However, he cautioned, the legislature should be careful to not unintentionally push out self-paying

residents. Even a resident paying 80 percent of the cost of care is a lot more than 0 percent. That is an important part of the financial sustainability of the Pioneer Homes going forward and, hence, the rates in the proposed bill are a compromise.

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REPRESENTATIVE FIELDS said there are currently three levels of care. He related that internally DHSS is preparing, including through regulation, to go to five levels of care, which is consistent with the Agnew Beck recommendations that are very detailed and based on good research. The bill before the committee would allow five levels of care and would not cap base Level V because that is a separate category of reimbursement for much more intensive behavioral health care where a much higher reimbursement rate can be captured than the daily Medicaid rate for assisted living. Pioneer Homes are assisted living, not nursing homes, and because of that [the state] has a more limited ability to capture a higher daily rate from Medicaid. Pioneer Homes happen to be a relatively more acute intense form of assisted living, but they are still assisted living, and that does limit [the state's] federal revenue potential.

REPRESENTATIVE FIELDS stated that while the rates proposed under CSHB 96(STA) are a significant [increase], they are a much more modest increase for Levels I, II, and III. The proposed bill would allow a new Level IV, plus a new Level V that is not capped, based on the ability to capture potentially more revenue.

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REPRESENTATIVE FIELDS provided a comparison of rates: current costs of care that go back to 2004 for Levels I, II, and III; a comparison of the current monthly rate with the department's proposed rates; and the rates proposed under CSHB 96(STA). The bill represents a compromise and would cap rate increases in the future to the Social Security cost-of-living adjustment (COLA), which would provide certainty for residents following the significant bump in rates to catch up with inflation. He said this is important for residents and for older folks and families who are saving for their final years.

REPRESENTATIVE TARR observed sponsor information stating that the rate increases may be annual and then will be capped at the most recent Social Security COLA. She asked whether consideration was given between the words "may" and "shall". A

challenge she has seen over the years is that in some circumstances, using "may" creates a need to allow for receipt authority, so [DHSS] could collect more in fees. She inquired whether "shall do an annual adjustment" should be used so that it is built in.

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TRISTAN WALSH, Staff, Representative Zack Fields, Alaska State Legislature, replied that CSHB 96(STA) describes the rate increase mechanism on page 4, lines 17-21, Section 4(g), and the word "shall" is used. He explained he used "may" in the PowerPoint because the Social Security cost-of-living adjustment isn't necessarily always raised, sometimes it is held flat.

REPRESENTATIVE TARR expressed her hope that this would set up a new way of doing things because the Pioneer Home is not the only state service that has been limited in this way, where the user of the service would be willing to pay more if the state were asking more.

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REPRESENTATIVE FIELDS resumed his presentation. He talked about what the Social Security COLA has been historically. The rates of inflation were much higher in the 1970s, and in recent years they have been more modest. This provision in the bill would allow for keeping pace with gradual increases in costs.

CO-CHAIR SPOHNHOLZ inquired about the relationship between the Social Security COLA and the CPI and asked why the Social Security COLA was picked versus the CPI.

MR. WALSH responded that in discussions with the department, DHSS related that it has historically preferred the Social Security COLA because that is more directly linked to most residents' direct source of income. Broadly speaking the Social Security COLA is still largely relative to the CPI, so they generally track with each other.

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REPRESENTATIVE FIELDS summarized that CSHB 96(STA) would provide certainty for the residents and for the department. It would provide more certainty for DHSS in terms of capturing some additional revenue, but hopefully at prices that are affordable for residents. The bill would ensure timely and orderly rate

increases, and these would be more regular than in the past. Limiting the rate increases to the rate of inflation as per the Social Security COLA would provide peace of mind to the residents. The proposed update to the levels of care would more accurately correspond to the population of residents who are currently in the Pioneer Homes, which has many older residents and a higher and growing percentage of residents with dementia.

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REPRESENTATIVE TARR inquired about the bill's fiscal notes.

REPRESENTATIVE FIELDS replied the fiscal notes are complex. He said historically the Pioneer Homes have been subsidized through general fund. The administration's proposal is general fund and payment assistance. The bill is written so it would maintain the department's flexibility to use general fund funding for general support of the Pioneer Homes and payment assistance. The bill would give DHSS the ability to shift more to a need-based model while still allowing for the prices to be below the cost of care for some levels of care. The bill would raise revenue relative to the status quo. He deferred to Mr. Lasley of DHSS to explain the fiscal notes.

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CLINTON LASLEY, Director, Central Office, Division of Alaska Pioneer Homes, Department of Health and Social Services (DHSS), stated that the budget put forward by the governor, and then amended by the governor at the end of March, would raise rates reflective of what it truly costs to provide services. The structure in which the fiscal notes were set up was that the entire general fund (GF) portion of the Pioneer Homes component, which is the component that operates the homes themselves, was removed and general funds were put into a new component that was specifically for assisting those individuals that need assistance to pay, so it is a payment assistance component. In the subcomponent for the Pioneer Homes payment assistance component there is \$20.9 million, but in the governor's proposal there is no funding and currently the \$33 million that has been in the Pioneer Homes component is no longer there. The purpose of that was because current statute protects all elders who live in any of the Pioneer Homes such that if they cannot pay the rates that are charged, they may apply for the payment assistance program. Statute specifies how that program is managed and there are specifications on income limits and what portion a resident may keep for personal needs and for federal

taxes and a spouse in the community. The remaining portion would be paid to the Pioneer Homes and whatever the difference between the rates at the Pioneer Homes and the amount that the resident needs for assistance would be paid by the state - historically out of normal general funds, but under the governor's proposal it would come out of a new component which is specifically only to be used for payment assistance, so for those that truly need assistance.

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REPRESENTATIVE FIELDS interjected that a key question here is, what is the elasticity of demand for people to enter and stay in a Pioneer Home? He argued that by setting price points at the cost of care the department's assumption is that demand for the Pioneer Homes is highly inelastic - whatever price is set, people are going to enter the Pioneer Homes at that level. He said it is fair to assume that demand for the Pioneer Homes is relatively inelastic, but that it definitely isn't completely inelastic. This bill is important because right now 51 percent of the residents are self-paid people and it is really important to retain a payer mix that includes some self-pay along with people who are very reliant on the state for subsidies. Losing the self-pay population is not wanted. From a financial perspective it is better to have someone who is paying 80-90 percent of the cost of a given level of care than it is to have someone who is paying 0 percent of the cost.

REPRESENTATIVE FIELDS related that he compared prices for assisted living throughout the region. He said he found that the cost of assisted living in the Pacific Northwest frequently ranges between \$5,000 and \$6,000 per month, which is why the bill has an attractive rate structure to get people in the door. It would remain competitive at Level II and would be significantly more expensive at Levels III and IV, but he is trying to get people in the door because that self-pay population is really important for the financial health of the Pioneer Homes. He has no objection to the ethical decision that [the state] should go to a need-based model. As proposed by the Pioneer Homes, his concern is an economic one. If prices are set too high in a competitive marketplace, customers will be lost. There aren't a lot of institutions out there like the Pioneer Homes, but when families are looking around the country, regardless of whether they have limited or significant means, if the prices are that high, he is worried the Pioneer Homes will lose a significant percentage of the self-pay population.

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REPRESENTATIVE TARR acknowledged that there is a fast-growing senior population and so it seems that demand won't be a problem. She said she appreciates the department wanting to make sure there were funds available for people who didn't have the ability to pay and she also appreciates the move toward capturing the people who can. She noted the bill would raise the rates and secondarily would try to maintain this new [needs]-based pot of money that was going to be the general fund portion. The fiscal note says the difference would be \$13 million to fund the gap between charge rates and full cost of services for the residents on private pay. There would be some increase in revenue from the increased rates and hopefully a healthy percentage of fully private-pay people would be maintained. The increased rates would also help offset what is trying to be accomplished by having the needs-based system. She asked how to blend the two sets of numbers.

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MR. LASLEY responded that the current structure of the Pioneer Homes is a needs-based system, but [the department] has not been charging the rates that reflect the needs. Therefore, everyone who lives in the Pioneer Homes, regardless of whether they are private pay today, is being subsidized by the state and this is anywhere from 40 percent to a little over 100 percent. That is where the \$33 million the department has been spending in general fund in the Pioneer Homes component comes in because the department isn't charging rates equivalent. Under CSHB 96(STA), if the current pair mix and the current level of care mix in the home is looked at and what is anticipated for fiscal year (FY) 2020, the maximum amount that [the department] would be able to charge is \$13 million less than what it costs to provide the service. There would need to be \$13 million in general fund in the Pioneer Homes component in order to make up, because under the current proposal from the governor the payment assistance component is only for payment assistance. For example, if the rate was \$13,000 and [the department] was only charging \$10,000, [the department] couldn't draw that extra \$3,000 a month from the payment assistance component because the resident is not truly on payment assistance, [the department] is not charging the resident for it. Same today - for those individuals who are on Medicaid, for example, [the department] charges a rate for Medicaid, [the department] only gets a certain reimbursement rate; that cannot be drawn down from payment assistance. "And so," Mr. Lasley continued, "the intent of this from the

governor's bill is to truly charge what it costs to provide services knowing that there is the protection in place that those individuals that are on Medicaid - it would not affect Medicaid Waiver because we have a set rate - those individuals that are currently on payment assistance it would not affect in any way because they're already paying the maximum amount that they can under the formula of the payment assistance program. And those individuals who are currently private pay, but still being subsidized by the state, would pay what they could pay under the payment assistance formula that's set in statute and the remainder amount would be subsidized by the state and be captured in that payment assistance component."

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REPRESENTATIVE TARR surmised the difference is from the \$33 million to the \$13 million. The bill would get [the state] \$20 million ahead in the financial problem because it would go from the \$33 million for the general fund subsidy down to \$13 million with implementation of the bill.

MR. LASLEY answered there still would be the \$33 million; just \$20 million is in the payment assistance general fund component and \$13 million. When doing the original analysis for proposing the rate increases, and looking at the budget and how to pay for services if [the state] truly needs to not spend more than what it is earning, [the state] can't earn the money if [the state] is not at least charging for it. Proposing rate increases of that amount was not an easy decision to make. The proposal put forward is a true needs-based system, [the state] is not subsidizing those individuals who may have the ability to pay for the services. Everyone would use the program that is set forward under statute, which is payment assistance, and pay what they can pay, and the remainder would be subsidized by the state. So, in any of these proposals the general fund amount really doesn't change, it just is where the money is coming from - whether it is coming from true payment assistance or mandating the \$13 million under the bill because not enough is being charged to provide the services. In the initial analysis of raising the rates to what it truly costs to provide services it was estimated that revenue would be increased by about \$5.7 million, which is still nowhere near what it costs [the state] to provide the service.

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REPRESENTATIVE FIELDS said the aforementioned is a good description. Put another way, he continued, is that either the bill or the proposed rates and regulation would increase revenue to the state next year. If the administration's regulations went through, the question is how much of that would actually be captured in revenue because very few people will be able to pay that. The Medicaid daily rate for residential support living is \$162.70 per day, which comes out to a little less than \$5,000 per month. So, once the department has captured people's assets and they have qualified for Medicaid, the state is not going to capture anywhere near the department's advertised rates. If the department adopts these rates, the question is what will be the gap between advertised rate and what the state actually captures. An analogous question is what the complex interaction will be in two to five years of some private-pay people departing from the Pioneer Homes. Representative Fields posited that there would be a larger mix of people who are effectively paying nothing or are on the Medicaid daily rate. But under his bill, he posited further, more of those private-pay people would stay in the system with the relatively more affordable rates. Either way the state is going to increase revenue in the short term and his hope is that revenue is increased in a sustainable manner that does not unintentionally push private-pay people out of the system.

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CO-CHAIR SPOHNHOLZ requested clarification from Representative Fields that he said only 54 percent are currently self-pay.

REPRESENTATIVE FIELDS clarified that 51 percent are self-pay. He acknowledged Mr. Lasley correctly stated that self-pay is not self-pay per se, because they are not paying the full rate. However, he continued, they are paying a significant amount that does make the homes more financially sustainable. He wants to ensure that [the Pioneer Homes] still have a large self-pay population even if it is only 80 percent of the full cost.

CO-CHAIR SPOHNHOLZ compared the current rates to those proposed by the administration and those proposed by CSHB 96(STA). She noted that for Level I the current rate is almost \$2,600 a month, the administration has proposed \$3,800 a month, and the bill proposes \$3,100, which is still a substantial increase in rates. For the highest [level] the current rate is about \$6,800, the administration is proposing \$13,000, and the bill proposes \$10,000.

REPRESENTATIVE FIELDS responded that Level IV is a challenging level because these are largely going to be folks with dementia with a very high acuity level for assisted living. He said he doesn't know that \$10,000 is the perfect number, but \$13,000 is such a high rate compared to other assisted living care in this region that it could cause people to flee and deter them from ever entering the Pioneer Homes to begin with.

CO-CHAIR SPOHNHOLZ asked Mr. Lasley whether dementia patients are typically Level IV, because her understanding was that these patients are typically Level V. She requested Mr. Lasley describe the difference between Level IV and Level V.

MR. LASLEY answered that a little over 50 percent of the elders in the Pioneer Homes are at the current Level III, the highest level of care, and those individuals primarily would move to the new Level IV. He said the gap is primarily in [the current] Level II. Individuals move into the home at Level I or Level II, but there is a big gap at the Level II because the current Level II requires that the individual only receive nursing care during the day. As individuals age in place they maybe don't need 24-hour a day nursing care seven days a week, so they don't move to the current Level III. As their acuity level continues to increase, they sort of get trapped at that high level of II because they don't meet that definition of Level III. So, [the Pioneer Homes would] try to move the current 50 percent of the population up to a Level IV, and then Level II would be split into two levels of care. The Level V that is proposed is individuals with complex behaviors that [the Pioneer Homes] are not currently serving.

CO-CHAIR SPOHNHOLZ stated that a current challenge in providing for Alaska's elder community is ensuring adequate care for people with dementia. She inquired about the difference between Level IV and Level V as they relate to that and further inquired what "complex care" means. She requested Mr. Lasley to be more specific about the kinds of care at Level V and whether care is being provided to people with dementias at Level IV.

MR. LASLEY replied that the proposed Level V, complex behaviors, are individuals with dementia that may have excessive wandering, elopement issues where they try to leave the building, self-harm, aggressive to themselves or others. Under the current model, the Pioneer Homes have not been caring for this population, but oftentimes these individuals are inappropriately placed in emergency rooms or maybe the Alaska Psychiatric Institute (API). Last year capital funding was requested to

help take a neighborhood within the Anchorage Pioneer Home and build out a complex behavior neighborhood to serve that need. Current Level III individuals with dementia can progress in the dementia through their life, so [the homes] may have individuals at the lower level of dementia all the way up to starting some wandering or a lot of memory loss, who cannot do activities of daily living on their own, and then all the way to the point of getting closer to end of life to where they are heavy dementia but bedridden. So, there is a large gap in there.

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REPRESENTATIVE FIELDS added that Level V is an important thing to mention because this is actually a significant cost savings opportunity for the state at large. Right now, there are folks who could be in a prospective behavioral health neighborhood in the Anchorage Pioneer Home. These folks currently cost the state over \$500,000 a year at API or similar levels at other facilities that aren't well suited for these seniors; API is really not an ideal place to house these seniors. So, while it sounds expensive to have Level V in the Pioneer Homes, the Agnew Beck Report details that this would actually save the state a lot of money and would be safer for seniors.

CO-CHAIR SPOHNHOLZ agreed with the aforementioned, noting that back-of-the-hand math indicates it costs the state about \$40,000 a month to keep somebody at API. He said if it can be done at half of that at the Pioneer Home, which is a more supportive and home-like environment, that is probably better for everyone. As well, it would be a very significant cost savings and would ensure that API can be used for people that only API can care for, which is a very significant population.

REPRESENTATIVE FIELDS related that Mr. Lasley did a good job describing to the State Affairs Standing Committee how the population at the Pioneer Homes has changed over time. Mr. Lasley said the population used to be more of a cocktail hour crowd - self-supporting people who have a great assisted living facility to live out their final years. Whereas now it is an older population with a greater spectrum and higher acuity of need and CSHB 96(STA) really reflects that. The Level V shows how much that spectrum has broadened as the needs have changed.

[3:47:37 PM](#)

CO-CHAIR ZULKOSKY asked whether it is correct that the Pioneer Homes, through regulation, are able to adjust the rates with or without this legislation.

REPRESENTATIVE FIELDS confirmed that is correct. He said the bill would effectively cap the extent to which the Pioneer Homes can raise the rates and it would allow the Pioneer Homes to capture significantly more revenue. However, the bill would not allow the Pioneer Homes to set as high of rates as proposed in the current draft regulations.

CO-CHAIR ZULKOSKY offered her understanding that the bill does increase rates as Co-Chair Spohnholz indicated, but with an intention to find some rationale for basing those costs and also finding some compromise in bringing in receipts where possible.

REPRESENTATIVE FIELDS confirmed that is correct. He related he has heard from many people who are scared or angry about the proposed rate increases. He sympathizes with the department and how DHSS wants to capture new revenue, but he thinks it is really important to share respect for the state's elders and have rates that are affordable and that the Pioneer Homes (indisc.).

[3:49:00 PM](#)

REPRESENTATIVE PRUITT asked when the rates had last been changed.

MR. LASLEY responded that there was an 8.5 percent rate increase in 2016, a 1 percent [increase] in 2017, which was equivalent to Social Security, and no rate increase in 2018.

REPRESENTATIVE PRUITT surmised the rates have been changed fairly regularly as needed.

MR. LASLEY answered that they have not been raised at a rate that has kept up with inflation. He said the department is trying to make a correction now and then come up with a methodology in policy that would set an expectation that rates would be raised (indisc.) some form, whether it be CPI or Social Security. There are many variations of CPI. A health care economist recently advised him that [the department] should be looking at the health care CPI, which is much higher than the CPI shown in the slides from Representative Fields. Last year, for instance, health care CPI in the state of Alaska was 7 percent. So, the challenge has been that even with rate

increases, this bill does not get to what it truly costs [the department] to provide service. Secondly, [the department] is not keeping up with the cost of health care in the state of Alaska.

REPRESENTATIVE PRUITT inquired about the annual increase in delivering care through the Pioneer Homes.

MR. LASLEY replied that after talking with the health care economist he looked at the budgets from the past 15 years and looked at the cost of health care CPI for urban Alaska, which is the sector to look at, and the cost is right in line with the health care CPI. On average in the state of Alaska it is about 4.5-5.0 percent a year for health care cost in the state, and last year was 7 percent.

REPRESENTATIVE PRUITT surmised that those changes are made through a regulation change with a public process and comment time, so therefore it takes a bit of time to make those changes.

MR. LASLEY responded correct. He said that currently when [the department] puts forward the proposed rate increases it's not like [the department] is saying this is the rates that are going to be; [the department] is not mandating that these are the rates at the end of the regulatory process. The purpose of the process being in regulation is to allow for public comment. It is now currently published and is a 60-day process, and during the 60 days individuals have the ability to either make comment through public meetings or send them in writing. All of that information is then gathered, and the commissioner looks at all of that data and determines what is in the best interest of the department and the division and the elders.

REPRESENTATIVE PRUITT asked whether the bill would provide the ability to recover costs and [make] change, or whether the bill would provide a cap and once that cap was hit there would be no way to recover any costs or make those changes or go through the 60-day process of changing regulations to deal with the impact of increased CPI for medical in Alaska.

MR. LASLEY answered that, if passed, the bill would take the ability for the department to manage the finances of the division and put it with the legislature since it would become statute, so [the department] would not have the regulatory process.

REPRESENTATIVE PRUITT remarked that this would be a classic scenario of "it takes an act of Congress to make a change there." In this case it would take an act of the legislature to be able to make these changes. He inquired about how easy it would be to make changes in this particular case and whether Mr. Lasley sees this as pretty much permanent. Representative Pruitt posited that the fiscal note is probably wrong in regard to the set amount of cost and therefore it should be expected that there would be an increase to the State of Alaska in general fund because the number will have been set at a specific amount that cannot be raised.

MR. LASLEY replied it would be the anticipation under this bill that the department would have to come before the legislature every year and re-look at this because if anything changes and there is additional cost to the division there is no way to recapture those funds and they would be set in statute and [the department] would be set to a formula that it has no way of managing. As the subject matter experts, the department would have to come and ask for a change.

[3:55:42 PM](#)

REPRESENTATIVE FIELDS noted that as a practical reality, CPI has risen twice as fast as rates since 2004 and, as pointed out by Mr. Lasley, health care costs have grown much faster than that. So, he said, the regulatory process has not kept up with costs. He pointed out that the bill would re-base rates to take into account some of the growth in costs. There is a point beyond which price increases are kind of theoretical because of people's ability to pay. The charge could be \$30,000 a month, but if no one can actually pay that then more money isn't actually being captured and helping the financial situation of the Pioneer Homes. It is important to have rates that are reality based that people can pay.

REPRESENTATIVE PRUITT stated that his point was just made by Representative Fields. Rates haven't increased at the level that it costs; rates have been increased through the regulatory process at half the CPI. [The bill] would set in statute the inability to raise them at all, so as the CPI increases [the department] is going to have to come in front of [the legislature] every single time [the department] has to make an adjustment. Setting a rate from which to start this particular year may make sense, but [the bill] doesn't give the ability to recoup the cost going forward and that is a binding of the

hands. This legislation doesn't look to the future, it looks to what the current situation is and isn't forward thinking.

[3:57:22 PM](#)

CO-CHAIR SPOHNHOLZ offered her understanding that CSHB 96(STA) would re-base the rates and would allow for rates to be adjusted annually based on Social Security cost-of-living adjustment.

REPRESENTATIVE FIELDS confirmed Co-Chair Spohnholz is correct. Addressing Representative Pruitt, he said the bill does look forward. By giving the department the authority to raise rates annually it's designed to keep [the state] from falling back into this hole like [the stated] did last time.

CO-CHAIR SPOHNHOLZ said that in many respects CSHB 96(STA) is designed to be forward thinking and to make sure that the cost-of-living adjustment is taken into account and that a major reform effort does not have to be launched in order to adjust rates moving forward.

REPRESENTATIVE FIELDS concurred. He offered that if it would be the committee's preference to have a medical CPI as the annual cost inflator, he would be supportive. He noted he has had discussion with the department about what is the best annual way to keep pace with increasing cost.

CO-CHAIR SPOHNHOLZ recalled Mr. Lasley's statement that health care inflation went up 7 percent last year. But, she noted, not all the costs at the Pioneer Homes are health care related; many are akin to traditional CPI because they are costs for people who do laundry, deliver food, or other day-to-day living costs. She therefore inquired how the department came up with using the Social Security COLA to Representative Fields instead of health care inflation or CPI.

MR. LASLEY answered that when he talked to Representative Fields before they were talking about under the current payment assistance program, for which the Social Security cost-of-living increase has always been used because it was determined that individuals on payment assistance have no additional resources to pay for services and so the state is already subsidizing them an amount determined under the formula of payment assistance. The only additional increase in revenue that they would have every year is primarily Social Security, and it is set in statute that [the department] would have to review any additional revenue that they have. When talking about the

health care CPI, 81 percent of the cost for operating the Pioneer Homes is personnel and almost all of that is direct care. Out of the 600 staff within the homes, 150 are not direct care staff operating the 24-hour facility and 144 of those staff are laundry, housekeeping, and food service currently. Usually those individuals are at the lower end of the wage scale. Is health care CPI the right number? That was a recommendation made to him by a health care economist listening in on one of the board meetings. It is known that the Social Security rate of increase is not keeping up with the cost of inflation and the cost of providing the services. That is why he did a comparison of what was it costing to provide the services knowing that 81 percent of that is personnel. He compared it against health care CPI after the health care economist's recommendation and it was pretty close to the same.

CO-CHAIR SPOHNHOLZ asked whether Mr. Lasley just said that health care inflation is pretty close to what the increase in [Pioneer Home] expenses is from year to year.

MR. LASLEY replied yes. When doing the comparison, he took health care CPI and looked back 15 years at the Pioneer Homes' true cost of providing services and it is almost in line with that.

[4:01:49 PM](#)

REPRESENTATIVE DRUMMOND inquired whether the State of Alaska owns all the Pioneer Homes and Veterans Homes and that they are not leased.

MR. LASLEY responded correct.

REPRESENTATIVE DRUMMOND surmised that these rates cover operating costs and services delivered to the residents. She asked whether [the division] has money set aside for maintenance or major maintenance or whether that is something the Pioneer Home system has to come to the state for if a major capital improvement or roof repair is needed. She further asked whether money is set aside for that or whether it goes on the capital budget as a separate request.

MR. LASLEY answered it is both. Minor repairs are set within [the division's] budget and the capital budget pays for the large projects, so those are a capital request.

CO-CHAIR SPOHNHOLZ asked how much of [the division's] costs are related to health care delivery. She clarified she is trying to understand the distinction between what sort of a standard CPI adjustment and what is related to health care cost increases, and what the ratio is.

MR. LASLEY replied he does not have the exact percentage and will get back to the committee with an answer.

CO-CHAIR SPOHNHOLZ said understanding that ratio is important to her because she appreciates that the bill would allow for annual cost of living increases that will be faced that the current rate structure hasn't taken into account and which has meant that every once in a while [the department] has done a little jump-up that hasn't kept up with cost of services. [The bill] finds a compromise position because there is a lot of concern amongst people who are at the Pioneer Homes and the people who love them. Providing some certainty is important and to her there is a value statement that caring for the state's elders is an important thing when she thinks about the people who changed their children's diapers, put their children through school, and helped their children along their way. There is value in caring for elders and it isn't necessarily important to her that 100 percent of the cost of doing services is recovered. There are some things that are just a good thing to do and that she is proud of as an Alaskan. She would like to come up with some sort of a compromise that works that recognizes what true cost growth is. It's probably not 100 percent health care inflation and probably not just CPI. It would be helpful if some rational compromise is identified that is based on what percentage of monthly expenses are related to health care and what are not.

MR. LASLEY responded he agrees with Co-Chair Spohnholz. He said the proposal put forward was not an easy decision to make and he struggles with it every day because his job is to care for the state's elders. The governor's proposal is to truly make this a needs-based system and what is being proposed is that [the department] charge what it costs to provide services. Yes, [the Pioneer Homes] are classified as assisted living but they are providing services through the end of life. Many of those individuals who are primarily at [the current] Level III would not be accepted at a traditional assisted living facility. [The division's] mission is to provide elders a home in a community celebrating life through its final breath and that is exactly what [the division] does. The governor's proposal in this is to provide the assurance that there is a payment assistance program, which is set in statute, and to charge the rates that

truly reflect what it costs [the state] to provide services, but knowing that there is that payment assistance program that has been set in statute for many years to protect every individual 65 and older that needs to live in a Pioneer Home regardless of their ability to pay.

[4:06:55 PM](#)

CO-CHAIR SPOHNHOLZ offered her appreciation for Mr. Lasley's comments. She said she thinks it is an honest difference of opinion around the rate proposals being put forward by Governor Dunleavy's administration is that it's always highest and best that the Pioneer Homes charge the highest rates. There is a certain amount of value and dignity in being able to pay for yourself that a lot of people would like to continue to be self-pay for as long as possible. Increasing rates so dramatically will require a lot of people to spend down all of their assets, sending them into public assistance, which is psychologically a difficult burden for a lot of people. Historically the state has said the Pioneer Homes didn't have to operate on full cost recovery. She has heard from people in emails and phone calls that this forces them to spend down every last bit of their assets and go on to public assistance much earlier. There is a perceived lack of dignity that comes with that and she is included to go with her elders on this difference of opinion.

REPRESENTATIVE FIELDS added that a particularly challenging circumstance is that of a married couple with one spouse in a Pioneer Home and the other spouse living independently, perhaps in the home they shared for 50 years. He has heard from his constituents that the very, very high rates are particularly threatening for those independent couples where one person has dementia and the other is still working trying to self-pay at the Pioneer Home, and these new proposed very high rates from the administration just put them in an impossible situation. It is different than just one person who is on his or her own and maybe they pay or maybe they can't, and they are in the Pioneer Home already. [The state] should be respectful of those couples where one spouse is caring for another in the Pioneer Home.

[4:09:48 PM](#)

CO-CHAIR ZULKOSKY noted there is no invited testimony on the bill. She opened public testimony.

[4:10:31 PM](#)

BRAD RIDER testified in support of HB 96. He said his parents are in the Pioneer Home, and that the Pioneer Homes are amazing and something that should be held up for everyone to see. The state long ago offered to help its seniors and that should be continued. Cultures from the beginning of time across the world have taken care of their elders. For this administration to have said "it's time to rip the Band-Aid off" is disgusting.

[4:11:57 PM](#)

FRED KOKEN testified in support of HB 96. He said he was a financial consultant for 30 years and understands the need and the wisdom for a balanced budget. However, the proposed level of increase for the Pioneer Homes going forward is scary. His wife is currently a Level III resident in the Juneau Pioneer Home and the amount of increase they are looking at is scary. While a balanced budget is important, it shouldn't be balanced on the backs of the most vulnerable citizens - Alaska's seniors.

[4:13:26 PM](#)

LUANN MCVEY testified in support of HB 96. She stated she is very worried about the proposed current draft regulations that would make the Pioneer Homes unaffordable to people like her parents who have lived in Juneau since 1957. In the mid-1980s her 88-year-old father retired from the National Marine Fisheries Service and her 87-year-old mother retired from the U.S. Forest Service. They have continued to live in their Juneau home assuming they could eventually move to the Pioneer Home and afford to pay for it themselves. It was and is the only affordable long-term care option available to them here in Juneau. They applied to and remain on the Juneau Pioneer Home inactive list. So far, they haven't needed to move there, but eventually they will. The rate increases proposed in the governor's regulations would make the Pioneer Home absolutely unaffordable to them. Her parents are very worried, as is she, about what is going to happen to them. She urged that the Pioneer Home rates be kept reasonable so people like her parents who have spent their lives in Alaska will not have to spend down all their assets and go on public assistance.

[4:16:01 PM](#)

MARK BADGER testified in support of HB 96. He said he is a caregiver for his parents in Anchorage. He recalled visiting a 102-year-old man in the Fairbanks Pioneer Home in 1969 whose pilot license was signed by Orville Wright. It was clear to him

back then that the Pioneer Homes are a shrine to a great deal of wisdom. He has spent the last three years learning the details of Medicaid, Alzheimer's resources, and assisted living homes. It is a very difficult and people do not understand what they are going to have to field at the end of life and that it isn't what they expect. There is no golden net to catch people as they reach the end of their lives. The rate increase is putting to a parallel of private nursing homes, while the Pioneer Homes do not have the same patient to nurse ratio and are not the same as going into private nursing homes. The administration's managers are in charge of executing this incredibly destructive rate increase. They are saying no one will be discharged from the Pioneer Homes but will be moved to Medicaid, while the administration has made its disdain clear for the number of people on Medicaid. He expressed his strong support for HB 96 because it would provide a reasoned approach to the adjustment of rates and because he believes that regulatory or rate increases should be in the hands of the legislature.

[4:19:24 PM](#)

LAURA BONNER testified in support of HB 96. She said she is retired and nearly 70 years old and the bill would keep Pioneer and Veterans homes affordable. The notice recently sent to residents is a slap in the face and another example of cost shifting in the governor's plan for Alaska. Alaskans still value their veterans and seniors and have since 1913. Residents in the homes nearing the ends of their lives and their families need predictability in what the rates will be. She may be a [Pioneer Home] resident in the future and she would need that predictability. The legislature needs to find ways to raise revenues other than from veterans and elders who may be frail.

[4:21:10 PM](#)

SUSAN MILLER testified in support of HB 96. She said the bill attempts to restrain the effort of DHSS to raise the rates at the Pioneer Homes well beyond what an average Alaskan could possibly afford. Because the rates in the department's proposed regulations are so extraordinarily high, she can only speculate that the goal is not to pay the full cost of all services, but rather to eliminate the Pioneer Homes entirely or privatize them. By focusing on costs, the department ignores the reason for having and needing the Pioneer Homes. Based on her experience, people do not choose to live in the Pioneer Homes because they are looking for a comfortable place to stay. They live there because they desperately need the services these

homes provide. They live there because they can no longer live at home, they can no longer receive the care they need at home. Her mother lived in the Anchorage Pioneer Home from 2000-2008 because she had Alzheimer's disease, a form of dementia that gradually and inevitably destroys a person's ability to function and eventually kills them. She visited her mother almost every night for eight years, so she is quite familiar with and appreciative of the Anchorage Pioneer Home. She hopes she never needs the facility, but it would be a tragedy to take it away from those Alaskans who do and will need those services. The department may argue that it has a payment assistance program that helps those who cannot afford the rates they set. But to get that payment assistance a person must first pay every penny of the person's savings and then pay all their monthly income if they have any, making the person a pauper. The bill is needed to protect Alaskans from the unreasonable fees that DHSS proposes. The bill, however, is not without its flaws. The fees in Section 5 are too high, especially the \$10,000 monthly rate. She is also concerned that there appears to be no definition of the terms used to describe the services provided at each level. The terms for those services in the statute differ from those used in the department's proposed regulations. She receives many services from the state for which she pays nothing, and she is not sure why her government has chosen such an important service as the Pioneer Homes as one for which its users must pay full costs.

[4:24:39 PM](#)

SHARON LONG testified in support of HB 96. She said her husband came to Alaska with the U.S. Air Force in the 1960s and fell in love with Alaska. After two tours he knew Alaska was home and left the Air Force rather than be transferred. Now 84 years old he has spent his entire professional career in the private sector in Alaska. Due to advancing Parkinson's Disease he now requires the assisted living services of the Anchorage Pioneer Home. She is relating this so the committee will understand the depth of importance and meaning to her family of the concept of pioneer and home. The new supposedly comparable rates suggested by the administration and, frankly, the compromise bill [CSHB 96(STA)] before the committee, reflect rates in institutions that offer individual rooms with considerably greater square footage with kitchenettes or full kitchens, private rather than shared bathrooms, heating and cooling controls that work, bed sheets changed weekly, ceilings that don't leak into the residents' rooms, and dependable hot water for bathing, which is not the case in the Anchorage Pioneer Home. The administration

has not done an apples-to-apples assessment. She thanked members for attempting a legislative solution to the unconscionable approach the administration is pursuing. She encouraged the committee to craft a bill that: 1) repeals the regulatory authority under which the administration is making these unprecedented, ham fisted, and draconian changes to both the mission and the operation of the Pioneer Homes; and 2) confirms the current existing rates in statute and links future increases to the Social Security cost-of-living adjustment, which is a rational approach to increases and something that families could plan for. Her husband of 40 years and his fellow residents who write a check every month to the state are fearful of these machinations which threaten to drive them from the only place they call home and financially break their families. They are scared and bewildered. She is at the Pioneer Home nearly every day and has come to know and appreciate many of the residents who are truly pioneers and dedicated Alaskans who in many cases have served the state long and well. She urged the committee to do right by them.

[4:27:45 PM](#)

ROCKY PLOTNICK testified in support of HB 96. She stated she lives in her own home while her husband is currently in the Anchorage Pioneer Home. She agreed with Ms. Long that people in the Pioneer Home are afraid. They fear the proposed regulations will go forward and be implemented and these people feel helpless. She encouraged the committee to move forward with some version of HB 96. While the bill may not be perfect, it is a limit, and somewhat of a compromise. Knowing the timeline with the legislature and that the public comment [deadline] on the regulations is 5/28/19, time is ticking. So she hopes HB 96 will be moved soon or that there will be a companion bill in the Senate because a bill is hope to the seniors.

[4:29:48 PM](#)

JANET MACCLARENCE testified in support of HB 96. She said she is currently a resident of the Pioneer Home and will be until 4/25/19. She has given notice that she is moving into an apartment with one bedroom and one bath for \$1,300 a month, plus \$100 in utilities, plus whatever she adds to it for support. The combination of expenses for herself and her husband will be less than the \$5,000 a month they are currently paying and certainly much less than the \$7,200 a month they would be paying with the proposed increase. She has Crohn's Disease, which is aggravated by stress, and she is the caretaker of her husband

who is the survivor of a massive stroke. She and her husband were co-presidents of the Resident Council but had to resign because they needed to be in a less stressful and more predictable environment. The bill would go a long way to make the Pioneer Homes a more predictable environment. She concurred that the atmosphere in the Pioneer Home is fearful, people are very concerned about their ability to continue to retain any kind of dignity in an environment that forces them to become complete paupers in order to receive services. She urged the committee to support and honor the people who have done so much and who deserve an honorable exit.

[4:33:08 PM](#)

JUSTIN PARISH testified in support of HB 96. He said it is only right to provide some assurance to elders that the rates won't be doubled at the whim of the state. It is a clear moral imperative to take care of the state's elders, as is done for the state's youth. Some degree of assurance must be provided, and the bill would do a great job of that. The automatic price adjustment with time is appreciated and he hopes it won't need to be revisited in the future. He thanked the bill's sponsors.

[4:35:01 PM](#)

DEBBIE TILSWORTH testified in support of HB 96. She stated the bill is a thoughtful piece of legislation and an attempt to find middle ground between Mr. Lasley's proposed rates and the current rate structure. She said bravo to Representative Spohnholz' statement about dignity and respect. When her mother, who self-pays, moved into the Pioneer Home no one asked her how much money she had. The new model worries her because she can foresee a day when seniors are looked at as either assets or liabilities. If the state starts treating people as transactions rather than valued elders, then the state will be a colder and poorer place to be. Increases of the magnitude in the bill, which are 20-30 percent, need to be phased in over time. Current residents should be grandfathered into the current rate structure with annual cost of living or modest increases. Fifteen years ago, the University of Alaska changed its benefits structure and it grandfathered the current employees with benefits in effect at that time; future employees would come in under different rules. The university ended up with Tier 1, 2, and 3 benefits; the rules did not suddenly change for existing employees. The state wisely used the approach of phasing in the new structure and she asks for that same wisdom now. She does not buy into the governor's premise

or Mr. Lasley's shock therapy that huge increases are necessary in one year. It would create havoc with the residents' personal budgets, and it would not gain the state much money after the first year or two. While [the administration] estimated \$5.7 million, she came up with \$4.8 million; and while the state might get that in year one, what about years two and three? The state won't gain what [the administration] thinks it will and it will drive self-paying residents like her mother out of the Pioneer Home. One thing she does agree with in the governor's approach, as well as the co-sponsors of the legislation, is that the current services of the Pioneer Homes need to continue. The staff is excellent, the care is superb, and she has nothing but admiration for the way the Fairbanks Pioneer Home is run. She applauded the committee for taking the concerns of the residents and their families into account as the committee goes forward. She urged the committee to take a reasoned approach to the rising costs of care at Alaska's Pioneer Homes, which are a treasure that need to be protected for future generations.

[4:38:28 PM](#)

URBAN RAHOI testified in support of HB 96. He said he and his wife married in 1940 and lived happily on \$100 a month. He added he agrees with the previous testimony because he is a 73-year resident of Fairbanks and has done a lot for the country and appreciates being in the Pioneer Home because it is a good place for people who need help. He thanked the previous witnesses for saying the things he would like to say.

[4:39:45 PM](#)

BARBARA PARKER testified in support of HB 96. She stated she is a current resident of the Fairbanks Pioneer Home. She has noticed a great deal of concern and downright fear in the home over the proposed changes, especially in the monthly rates. Most of the residents don't have a lot and when legislators are talking about tying it to the Social Security increase, she thinks what increase? She has \$18 a month extra, which is eaten by her Part D payment. The care and staff at the Fairbanks Pioneer Home are wonderful. She is single and 74 and moved in voluntarily. She is healthy but came to the home because she wanted to have a safe, clean, healthy environment as she ages. She hopes she doesn't hurt herself, but knows that if she does, she will get care. She asked the committee to consider the residents who are on fixed incomes and alone and who have lived in the state 40-50 years. Other countries respect and care for their elders and Alaska should do the same.

[4:41:29 PM](#)

SUSAN CARTER testified that she is a resident of the Fairbanks Pioneer Home. She related that a friend of hers, as well as many residents, have had to turn over their homes, properties, savings, and investment income. She asked what happens to those assets and to that money because it is never mentioned, but it always has to be turned over to the state if a resident doesn't have enough money to self-pay. Those assets are an important consideration and should be put into the budget, given those assets are thousands of dollars for each person and most of the homes and properties have been paid off because the residents lived in them for so long. She is in her eighties and she heard that the average age in her home is 88. That means people are coming into the home in their eighties, not sixties or seventies, and that means they are staying in their homes because they cannot yet afford the Pioneer Home charges until they are forced to come in and turn over all their assets to the state. She urged that these assets are considered and that information about these assets and what has been done with that money be provided somewhere.

[4:43:47 PM](#)

CAROL KLOPF testified she lives in the Fairbanks Pioneer Home. She apologized for not being informed of what HB 96 would do except raise rates. She urged that any new rates be applied to the future residents and that everyone now living in the homes be grandfathered into the rates that they understood when they applied and moved in. She saved and planned for what she estimated her costs would be and then chose her time to enter accordingly. She thinks she has enough to pay for her estimated lifespan, she is 85, but if the rates are doubled, which is what the threat seems to be, she is going to run out of money, which is scary. Others are justifiably scared as well. Residents are told "no worries, the state will pay for it if you run out of money." However, it's not that easy. A person must apply for state assistance and there are requirements. She had a friend who didn't know some of the requirements and was unable to control some of the others and got denied. What happens then? It is scary and unfair, and residents should be grandfathered into what they agreed to and understood when they moved in. The new rules should be applied to people who are not yet in the Pioneer Homes.

[4:46:40 PM](#)

WILLIAM HARRINGTON testified he is 70 years old and is an "unaffiliated old person." He said he did not hear the words "boomer tsunami" or discussions of its effect and that of the vastly increasing longevity. Subsidizing elders for a dignified sunset of life is a fine goal and with money available should be a real bonus. He said [state] spending priorities as a whole are under attack and some amendments are needed: 1) privatize the system; 2) build 1,000-1,500 more units; and 3) the state needs to govern and not involve itself in private businesses.

CO-CHAIR ZULKOSKY left public testimony open.

[HB 96 was held over.]

### **SB 37-RENEWAL OF VACCINE ASSESSMENT PROGRAM**

[4:47:49 PM](#)

CO-CHAIR ZULKOSKY announced that the final order of business would be CS FOR SENATE BILL NO. 37(FIN), "An Act relating to the statewide immunization program; and providing for an effective date."

[4:48:40 PM](#)

The committee took a brief at-ease.

[4:49:49 PM](#)

SENATOR CATHY GIESSEL, Alaska State Legislature, as prime sponsor, introduced CSSB 37(FIN). She explained the bill would renew the Alaska Vaccine Assessment Program (AVAP) that was established in 2014. The bill would authorize a statewide vaccine program in the Department of Health and Social Services (DHSS). Because it is scheduled for repeal in 2021, the bill is a proactive action to extend it. This was a bill in 2014 that she sponsored. It monitors, purchases, and distributes all childhood vaccines and some adult vaccines to health care providers, allowing more access for Alaskans.

SENATOR GIESSEL stated the bill is an innovative solution to a challenging problem. She related that before this program was in play many health care providers had to buy two supplies of vaccines. One supply was for those people who had private insurance or cash pay. The other supply was for folks who were Medicaid beneficiaries or beneficiaries of some government

program such as Vaccines for Children. The reason for these two supplies is that the private pay vaccines had to be purchased by the providers themselves at the full retail prices. The two supplies could not be interchanged because the government supply was obtained by the state using bulk pricing at a much lower price. The two supplies had to be kept separate in separate refrigerators and the nurses had to keep track of the insurance and which supply of vaccine to use. If a provider had purchased its own supply for private payers and if out of a box of 10 vaccines only 9 were used and then the last one then expired, it had to be thrown away. Providers had to manage their supply and the expiration dates so there was full utilization. This program eliminates that confusion and duplication.

SENATOR GIESSEL noted the program is a private-public partnership that is funded by the insurers and the government programs. Everyone pools their money and uses the state's ability to buy at bulk prices, which results in lower cost for the vaccines. The program helps the insurance companies because it allows them to maximize the bulk buying potential that the state has, thereby keeping costs down for them, and they in turn supply the vaccine for their subscribers with just the charge of the injection fee or clinic visit fee. The state asks [the insurers] how many vaccines for, say, measles are needed, they estimate that, the state assesses them that amount of money, and then the state makes a big purchase and stores the vaccines in a central location in Anchorage. For more distant clinics in places like Bethel, Nome, or Kotzebue the manufacturer may ship directly to those locations versus the central location.

SENATOR GIESSEL reported the program has been wildly successful and has reduced costs, but more importantly it has increased vaccine rates. [The state] has gotten some awards for increased vaccination rates over the years that this program has been in place. The bill would simply renew that, as well as provide a funding mechanism.

[4:54:16 PM](#)

JANE CONWAY, Staff, Senator Cathy Giessel, Alaska State Legislature, on behalf of Senator Giessel, sponsor, paraphrased from the written sectional analysis of [CSSB 37(FIN)] included in the committee packets, which read [original punctuation provided]:

**Section 1:**

Amends AS 18.09.200(b)(1) by removing the "phase in" language from statute as the Alaska Vaccine Assessment Program is now fully implemented.

**Section 2:**

Amends AS 18.09.220(a) by removing the "phase in" language from statute as the Alaska Vaccine Assessment Program is now fully implemented.

**Section 3:**

Amends 18.09.230 by creating the vaccine assessment "fund" in the general fund for the purpose of providing funds for the program that will be appropriated by the legislature, that can also include program receipts, penalties, money from other sources along with interest earned from the fund. These appropriations to the fund will not lapse.

**Section 4:**

Repeals and reenacts AS.18.09.230 allowing the commissioner to administer the fund in accordance to the provisions of the statewide immunization program.

**Section 5:**

Amends 37.05.146(c)(75) changing the word "account" to "fund"

**Section 6:**

Repeals AS 18.09.220(e) by removing the "opt out" option for assessees since the program is no longer in the "phase-in" stage.

**Section 7:**

Repeals the sunset provisions (to repeal the program in 2021) that were in section 5 of the original bill, [Senate Bill] 169 in 2014.

**Section 8:**

Sets effective date for July 1, 2019.

[4:57:03 PM](#)

CO-CHAIR ZULKOSKY passed the gavel to Co-Chair Spohnholz.

CO-CHAIR SPOHNHOLZ invited Dr. Lou to continue the introduction of CSSB 37(FIN).

[4:57:48 PM](#)

LILY LOU, MD, Chief Medical Officer, Central Office, Division of Public Health, Department of Health and Social Services (DHSS), stated she served on the Alaska Vaccine Assessment Council for the first three years. She is a pediatrician and is president of the American Academy of Pediatrics, Alaska Chapter. She said she is disclosing this because there is a letter in the committee packet in support of the bill that was signed by her as the chapter president a few days before she took her current position with the State of Alaska.

DR. LOU explained the bill would reauthorize the Alaska Vaccine Assessment Program (AVAP), a program that makes access to vaccines universal for all Alaskans. It expands coverage from the subset of children who are covered by Vaccines for Children to all children and it also covers some adults. The program more than pays for itself, it allows for Alaska to get a 20-30 percent discount in the cost of vaccines. She brought attention to a graph in the committee packet, which shows that over the three to four years that this program has been in effect Alaska has saved \$11 million in the cost of vaccines.

[4:59:44 PM](#)

REPRESENTATIVE TARR surmised the savings is because the state would otherwise be responsible for the cost of the vaccines for the beneficiaries under state-run health programs. By doing bulk purchasing the state is realizing those savings on those individual vaccinations.

DR. LOU replied it is a volume discount because the state is purchasing vaccines for all Alaskans rather than piecemeal, including some retail pricing. The payers, the insurance companies who pay into the program, have realized savings by doing it this way.

CO-CHAIR SPOHNHOLZ asked which adult populations this would apply to.

DR. LOU responded that the unique part of Alaska's program is that the state offers payers and practitioners to opt in to cover vaccines for uninsured adults. Also doing this are the states of Vermont and Rhode Island.

DR. LOU continued her presentation on CSSB 37(FIN). She pointed out that this bill and this program would [continue to]

streamline the process of giving immunizations into a single system. Pediatricians would [continue with not needing] to have two refrigerators, two log systems, and two completely separated bookkeeping systems. The program was created in 2015 and is due to sunset in 2021. In 2018 the program covered 366,000 people, 50 percent of Alaskans. [The state] has demonstrated a trend of improving its vaccination rates through this system. She drew attention to a document in the committee packet and said the left half of the graph is pretty flat for these vaccines, but after the start of AVAP there is an increase. She noted the graph doesn't show all of the types of vaccines.

CO-CHAIR SPOHNHOLZ offered her understanding that it was stated during a hearing before the House Finance Standing Committee, Health & Social Services Finance Subcommittee, that some of the vaccination rates had gone down and subsequently Alaska had higher influenza rates. She asked whether the graph includes influenza vaccine.

[5:02:27 PM](#)

JILL LEWIS, Deputy Director (Juneau), Central Office, Division of Public Health, Department of Health and Social Services, replied that the graph includes some of the selected vaccines, but does not include the flu [vaccine] for which the rate has not gone up.

CO-CHAIR SPOHNHOLZ asked whether this program would allow the state to increase flu vaccination.

MS. LEWIS responded yes it would but noted it doesn't happen to show on the chart.

DR. LOU added that flu vaccination tends to fluctuate depending on the vaccine for the year and how people feel about it. She confirmed it is one of the covered vaccinations in the Alaska Vaccination Assessment Program.

DR. LOU pointed out that Alaska was recognized by the Centers for Disease Control and Prevention (CDC) for increases in both teen vaccines and pneumococcal vaccine for the population over 65. She said both are important populations and they demonstrate that when something new comes along this program is nimble enough to do something like the human papilloma virus (HPV) vaccine that prevents cancer. The department has seen the benefits of this program and that it is proven to be effective.

DR. LOU recapped that CSSB 37(FIN) would reauthorize the Alaska Vaccine Assessment Program to remove the phase-in language, including the opt-in language, and to remove the sunset language. It would not impact any regulations about exemptions, so it is only the provision of vaccinations. Alaskans will gain the following from reauthorization: 1) Improves access to vaccines, one of the few absolutely proven effective health interventions; 2) Removes the barriers, particularly for small practices that would have to buy a box of ten to give eight vaccinations; 3) Allows [the state] to take advantage of discounted volume vaccine pricing; 4) Allows the use of a unified inventory system, allowing [the state] to redistribute according to need and not according to box number; and 5) Decreases the cost as well as the pain and suffering of vaccine preventable diseases.

DR. LOU closed by reiterating that this program has proven itself since it began in January 2015. It has been a great public-private partnership. The training wheels can be taken off and [the program] continued into the future with greater health for all Alaskans.

[5:05:52 PM](#)

MS. LEWIS provided a PowerPoint presentation, entitled "SB 37 Renewal of Alaska Vaccine Assessment Program," to explain how the program operates. She brought attention to slide 2, entitled "SB 37," and stated the bill would reauthorize the program, would take out from the new language the temporary phase-in period that has already ended, would not use state general funds, and would restructure the vaccine assessment account.

MS. LEWIS turned to slide 3, entitled "What is the Alaska Vaccine Assessment Program?" She said the program provides all childhood and certain adult vaccines for privately insured children, which does not exclude the uninsured children as they are covered under a different program that is a federal program. The program also covers the majority of adults.

CO-CHAIR SPOHNHOLZ recalled that earlier it was described that this covers uninsured adults. She asked which adult vaccines are not included.

MS. LEWIS answered that the formulary of what vaccines are covered is provided in the committee packet. She said [the

program] covers the vaccines that are recommended by the national committee that makes vaccine recommendations.

DR. LOU added that the program follows the recommendations of the [Advisory Committee on Immunization Practices (ACIP)]. There are some vaccines [the program] likes, for example the human papilloma virus vaccine that is provided to young adults. Part of that is because the vaccines are felt to be most effective when they are given as soon as they can be in young adulthood. She referred members to the information in their packet for the specific details. Things like SHINGRIX [shingles vaccine] are covered, so the program is nimble enough to bring new vaccines on board and the assessment is just adjusted according to what is available and what is recommended by scientific evidence as effective.

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MS. LEWIS resumed her discussion of slide 3. She explained the program collects money by assessing health plans, health insurers, as well as other program participants. The state pools that money together and buys vaccines at the wholesale [price] at a greatly discounted rate off of a federal contract. It is a price that the private sector cannot achieve on its own. The state is in a unique position to provide this benefit. The state purchases and then distributes the vaccine. So really the bill is about vaccine purchasing and distribution.

MS. LEWIS moved to slide 4, entitled "What is the Alaska Vaccine Assessment Program?" She said Alaska is the only state that gives the providers the option to cover their uninsured adults. Two other states cover adults, but only for the insured population, the reason being that there is no assessment to be paid if there is no insurance coverage to provide the funds. In Alaska there is an option that if a provider has a large number of uninsured patients they can choose to opt in and pay the assessment, which allows them to get that same price break. Health plans are mandated to participate, but providers that want to get this price point for their uninsured adults can volunteer and then pay that. About 9 percent of what [the program] covers is related to the uninsured adults. About 32,000 lives are covered under the program, so this is an important option. Alaska is the only state able to offer that.

DR. LOU pointed out that the options for providers that don't opt-in to the uninsured adult coverage are that they pay full price for vaccine or they don't vaccinate those patients.

CO-CHAIR SPOHNHOLZ commented that given what is known about the "herd protection factor" and how important it is to get the maximum amount of people vaccinated; she thinks most people would support getting the maximum number of people vaccinated.

[5:11:28 PM](#)

MS. LEWIS addressed slide 5, entitled "AVAP." She explained the Vaccine Assessment Council sets the assessment rate once a year. The current rate is \$8.61 per member per month for children and 88 cents for adults per member per month. That rate is going to decrease for 2019 - it will go down to \$7.44 and 53 cents. Those rates are adjusted each year and are prospective, so if the vaccines didn't cost as much as was thought then that amount is factored into the next year's rate. Every quarter the assessed entities, the payers, pay their assessment based on the amount of covered lives they have for that quarter. This allows the payers to adjust their numbers during the year if they have a change in the number of members participating. The Division of Public Health pools that money and then uses it to buy off of a federal contract at a discounted price. Either [the division] ships the vaccine to the providers or it is shipped directly to them. [The division] does not charge the providers for the vaccine because the insurance plans have already paid for it upfront. Providers then cover their patients and provide the vaccines and the only thing they can bill for is the office visit, the charge to administer the vaccine, because that is not part of what this program is collecting assessments for. Every quarter the providers are required to report their vaccine usage to the department so it is known how much has been used and the inventories can be monitored and then [the department] uses that information to provide information back to the council for setting the next year's rate.

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MS. LEWIS displayed slide 6, entitled "Vaccine Cost," and related that the state is able to achieve a vaccine cost that is about 20-30 percent lower. She explained the slide shows how much just for the cost to vaccinate a person through age 18 and the difference in the cost between the Vaccine Assessment Program and the private sector.

MS. LEWIS turned to slide 7, entitled "Vaccine Coverage," and said that in regard to the state's increase in vaccination rates, the program already covers about 50 percent of the

population, 44 percent of the children, and 52 percent of the adults. Uninsured children are covered under a different program and are not represented on the slide.

MS. LEWIS moved to slide 8, entitled "Successes," and stated that overall it is a win for everyone. The Division of Public Health benefits because it gets to reduce vaccine preventable disease, which is one of the division's main objectives. Providers get improved health outcomes for their vaccinated individuals and they also have a lot easier stock management of their vaccine. The health insurance industry pays less overall for the cost to vaccinate. All Alaskans save money in the long run due to fewer medical costs and secondary costs from vaccine preventable diseases.

MS. LEWIS skipped slide 9 and went on to slide 10, entitled "For every \$1 spent on a vaccine in the US...." She stated that the slide shows how much can be saved for every \$1 spent on the individual types of vaccines in the U.S. For example, for every \$1 spent on the measles, mumps, and rubella (MMR) vaccine, \$26 is saved.

MS. LEWIS concluded with slide 11, entitled "In Closing...." She said reauthorizing this program ensures a healthier future for all Alaskans at a lower cost, plus no state general fund involved.

[5:16:20 PM](#)

REPRESENTATIVE TARR referred to the nationwide discussion that is going on about vaccination and some people being anti-vaccination with subsequent outbreaks. She inquired whether this discussion is being seen in Alaska or is influencing anything in Alaska. She further inquired whether the division is doing anything to overcome that to ensure participation.

DR. LOU stressed that this is an important issue across the country. However, she continued, vaccine hesitancy is quite separate from this bill, which is only about vaccine purchase. In regard to vaccine hesitancy, she said Alaska does have vaccine rates that are close to the borderline and for each vaccine there is a different percentage that confers herd immunity. It is not just the overall immunization rate that matters, but that collections of people who have a large number of unvaccinated people are where outbreaks can start.

REPRESENTATIVE TARR concurred it isn't one of the technical details of the bill. But, she noted, one of the overall goals of having AVAP is to increase participation by Alaskans. For example, when HPV first came out there was some hesitancy by parents around that vaccine, so she is inquiring about whether these kinds of things influence participation in the program.

DR. LOU replied that as a pediatrician, what she and her colleagues do every day is try to answer people's questions so they can make those decisions. This bill, in terms of vaccination rates, would remove barriers to people who have decided to get vaccinated and the bill would mean more offices, even small ones, are able to provide that. Some doctors might not vaccinate because they cannot afford to keep a stock and patients might not go somewhere else that does provide vaccines. The bill would impact that by making it less difficult and less expensive for people to get immunized. She said she believes the increase in vaccination rates is from removing barriers.

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REPRESENTATIVE PRUITT requested clarification on provider opt-in payments. He offered his understanding that the state assesses a fee on [opt-in] providers to cover the cost of the program. He asked whether there are people on the outside of this who might seek to be a part of it, such as individual doctors.

MS. LEWIS explained the program mandates that the insurers, the health plans, pay the assessment, but it is voluntary for a provider or a clinic to join. So, a provider's office is not assessed, but the health insurance industry is. Providers can opt in because that way they can also get 20-30 percent off of their vaccine cost, which otherwise they wouldn't be able to do. The most likely types of provider offices that are interested are the ones that see a large proportion of the uninsured. Quite a few that have opted in are in the tribal system or the Federally Qualified Health Centers (FQHCs) because they have to see everyone who comes to them whether or not they are insured. The providers all have to look at that and see if it costs out for them given the amount of the uninsured population that they see.

REPRESENTATIVE PRUITT offered his understanding that he cannot look at the financials and determine that that is the amount of actual usage. He asked how many providers have chosen to opt-in to the program. He further asked whether the limitation is just the cost aspect of it, or if in some cases smaller providers

don't have the personnel to look at this and determine whether it makes sense. He also asked whether there could be a greater participation in the program by providers who may not be utilizing it.

MS. LEWIS responded she does not have the number of the actual providers that are paying in at the moment, but it amounts to about 32,000 lives that they cover. That will be looked at as the program continues and more outreach will be done to the provider community to let them know about the program and the opportunity. Until now most of the outreach has been focused on the payer community, the health plans and those mandated to pay the assessments, because there was that phase-in period that allowed it to be optional, so it was important that all the mandated assessment payers were brought on board.

DR. LOU offered her belief that there is information about the opt-in providers, but that it doesn't really reflect what she believes Representative Pruitt's question is trying to get at. There could be providers that don't take care of kids or that only have two uninsured patients and so it may not be worth joining the program. But if a provider has 100 patients then it becomes worthwhile for them to engage with the program. So just looking at the percentage of providers wouldn't represent the distribution of uninsured adults.

[5:25:30 PM](#)

CO-CHAIR SPOHNHOLZ inquired about the mechanism that requires insurers to participate.

MS. LEWIS answered that the current statute requires the payers to participate.

CO-CHAIR SPOHNHOLZ further asked what the authorizing mechanism is that says insurers must do this. For example, whether the statute says that anybody who provides insurance in the state of Alaska must do this.

DR. LOU replied that in 2014 [the division] asked for everyone to be required to participate, but the bill was initially written to allow for payers to opt out for the first three years. During that period, she served on the council and a growing number of participants was seen because they knew they would be required to after three years anyway. That gave payers the opportunity to see how the program worked and to join on.

Essentially all of the payers participate now, including TRICARE participation.

CO-CHAIR SPOHNHOLZ offered her belief that there is an incentive to the payers to participate but that she wanted to know about the rule.

DR. LOU added that [in 2014] it was a new program and now that the program has proven itself [CSSB 37(FIN)] would remove the sunset. She offered her belief that the program has also proven itself in the minds of the payers.

MS. LEWIS noted the mechanism is in AS 18.09.240. She said a penalty could be assessed for non-compliance. She offered her belief that some interest has been assessed, but not any penalties for non-compliance because the phase-in period was open for a duration.

CO-CHAIR SPOHNHOLZ asked what the penalty is.

MS. LEWIS responded she would get back to the committee with an answer.

[5:29:22 PM](#)

DAVID TEAL, Legislative Fiscal Analyst, Director, Legislative Finance Division, Legislative Agencies and Offices, stated that CSSB 37(FIN) is a short and simple bill that extends a program that has been proven successful at both reducing cost and increasing the availability of vaccines. Although the program operates at no net cost to the state, there are three fiscal notes. In February when reviewing the bill in the Senate, his division suggested the program be re-established as a fund capitalization rather than as a fund transfer. The existing financing mechanism is a fund transfer method, which requires money to be transferred, or appropriated, into the fund and then appropriated out of the fund. That meant double counting the money and a fixed appropriation available to the department. That is because in the appropriation bill simply said the sum of \$10 million is appropriated to the department, the \$10 million being a surmised assessment.

MR. TEAL explained that a fund capitalization differs in that money only needs to be appropriated into the fund but not out of the fund. On the way out in Section 4 of the bill it says that the commissioner can spend the money without further appropriation. The constitution only requires that money be

appropriated once, not twice. A fund capitalization methodology provides increased flexibility. If more providers sign on to the program, or a new vaccine is added, or there is an outbreak of flu or measles, or other illness, the department can immediately increase its expenditures without legislative action, so it is more flexible. If there is not enough money in the fund, more assessments can come in without appropriation; whatever amount is collected is appropriated to the fund and there is no legislative action required to have the department then respond to the outbreak. It also eliminates double accounting. By permitting money in the fund to be spent with no further appropriation, the fund isn't subject to the annual sweep of sub-funds into the constitutional budget reserve (CBR) fund. That may not be important, it hasn't been in the past because there has always been a vote to reverse the sweep, but if there isn't at some point, that constitutional sweep into the CBR could end the program if health care insurers refuse to pay an assessment that didn't get used for vaccine purposes. Any money that is left in the fund carrying over from one year to the next would be swept into the CBR.

MR TEAL added that he doesn't see any disadvantage to moving to a fund capitalization because of the increased flexibility. He doesn't think that there is a fiscal problem with it. There are lots of fund capitalizations out there. It is a simpler, more direct, less double counting method, which is why his division recommended it.

CO-CHAIR SPOHNHOLZ commented that it is very practical.

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REPRESENTATIVE PRUITT offered his understanding that revenues generated in a particular year would have carry forward ability to the next year if all of them were not needed and the assessments would be adjusted based on that.

MR. TEAL replied the fund would be non-lapsing, so money in it would carry forward from year to year.

REPRESENTATIVE PRUITT recognized that Mr. Teal is explaining it would go from the vaccine assessment account to the vaccine assessment fund. He offered his understanding that currently in an account it doesn't lapse and because it is an account within the sub-fund the legislature must appropriate the money into that account and then subsequently the legislature must appropriate that money to the actual program.

MR. TEAL responded correct.

REPRESENTATIVE PRUITT surmised it is just like forward funding education, where the legislature funds the fund and it would automatically pay for it the next year as the legislature then put money into the public education fund.

MR. TEAL answered correct and said that the public education fund is a good example of an appropriation that goes in and doesn't lapse and then it flows to school districts without further appropriation per a formula. In this case it would simply flow without further appropriations as needed to purchase vaccines.

CO-CHAIR SPOHNHOLZ stated that an important element of using [the proposed] model is that it would allow for responding to health challenges in the community. So, if there were a need to dramatically increase the number of immunizations for a particular health crisis [the state] would be able to respond by utilizing the funds already on hand, eliminating the need for having to come back for an emergency supplemental, which would be important in an emergency situation.

[5:36:29 PM](#)

CO-CHAIR SPOHNHOLZ opened public testimony on CSSB 37(FIN).

[5:36:45 PM](#)

NANCY MERRIMAN, Executive Director, Alaska Primary Care Association (Alaska PCA), testified in support of CSSB 37(FIN). She spoke as follows:

The Alaska Primary Care Association supports the operations and the development of Alaska's 27 community health center organizations. And together with the leaders of the community health centers in this state, we strongly support SB 37 to reauthorize the Vaccine Assessment Program. Alaska's 27 community health centers are committed to community health and have as one of their primary and reportable measurable objectives to promote immunization for infants, children, and adults. In 2014, when the Alaska [Vaccine] Assessment Program legislation was passed, health centers were among the strongest of supporters. And a quick review of participating providers today

shows that 26 of the 27 community health center organizations actively rely on this program as a reliable source for their immunizations. This program allows these nonprofit practices a streamlined and cost-effective way to purchase, manage, and administer vaccinations to their patients. The assembly of private and public dollars to purchase vaccine through the AVAP eliminates the need for health centers to manage and maintain two separate stores of vaccine. Very importantly for health centers who serve all patients who walk through their doors regardless of their ability to pay, it also affords them a way to provide vaccination to lower income and uninsured adults, preventing them from contracting debilitating infectious diseases. The measles outbreak in the Lower 48, now having affected 555 children and adults reminds us of the toll of preventable infectious disease on an economy and the public health infrastructure. We should want to do everything we can to make immunizations easily accessible and affordable. This innovative program has succeeded in making both procurement and distribution of vaccine efficient and effective for the State of Alaska, payers, and health care providers across Alaska. Alaska community health centers work every day to improve the immunization rates of all children and adults regardless of their ability to pay and the AVAP gives them the framework and cost savings to do this. Alaska PCA strongly supports the reauthorization of the Alaska [Vaccine] Assessment Program through passage of SB 37.

[5:40:02 PM](#)

PATTY OWEN, Director, Board of Directors, Alaska Public Health Association, testified in support of CSSB 37(FIN). She said the Alaska Public Health Association would be remiss if it weren't here today because of the connection between public health and immunizations. Immunizations are one of the main pillars of public health. An affiliate of the American Public Health Association, the Alaska association has about 150 members statewide of public health professionals and other community members dedicated to improving the health and wellbeing of Alaskans. The association strongly supports the bill's passage. This innovative public partnership will make vaccinations more accessible to more Alaskans. Thanks to immunizations in general, particularly childhood immunizations, [Alaskans] are

benefitting from increased life expectancy largely due to the prevention of infectious diseases. Immunizations have become so successful in preventing diseases that people have become complacent and resurgence of outbreaks is being seen, so vigilance is needed. Vaccines are among the most cost effective clinical preventive service and core component of preventative service that can be offered. A strong immunization program is essential to public health infrastructure.

[5:42:27 PM](#)

CO-CHAIR SPOHNHOLZ left public testimony open.

CO-CHAIR SPOHNHOLZ announced that CSSB 37(FIN) was held over.

[5:43:18 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 5:43 p.m.