

ALASKA STATE LEGISLATURE
SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

January 27, 2020

1:31 p.m.

MEMBERS PRESENT

Senator David Wilson, Chair
Senator Natasha von Imhof, Vice Chair
Senator Cathy Giessel
Senator Mike Shower
Senator Tom Begich

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Elvi Gray-Jackson

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 96 (FIN)
"An Act relating to Alaska Pioneers' Home and Alaska Veterans'
Home payments, rates, and services."

- HEARD & 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
 04/18/19 (H) Heard & Held
 04/18/19 (H) MINUTE(HSS)
 04/23/19 (H) HSS AT 3:00 PM CAPITOL 106
 04/23/19 (H) Moved CSHB 96(STA) Out of Committee
 04/23/19 (H) MINUTE(HSS)
 04/24/19 (H) HSS RPT CS(STA) 4DP 1NR 1AM
 04/24/19 (H) DP: DRUMMOND, TARR, ZULKOSKY, SPOHNHOLZ
 04/24/19 (H) NR: JACKSON
 04/24/19 (H) AM: PRUITT
 04/24/19 (H) FIN REFERRAL ADDED AFTER HSS
 04/29/19 (H) FIN AT 1:30 PM ADAMS ROOM 519
 04/29/19 (H) Heard & Held
 04/29/19 (H) MINUTE(FIN)
 05/02/19 (H) FIN AT 1:30 PM ADAMS ROOM 519
 05/02/19 (H) Heard & Held
 05/02/19 (H) MINUTE(FIN)
 05/03/19 (H) FIN AT 1:30 PM ADAMS ROOM 519
 05/03/19 (H) Moved CSHB 96(FIN) Out of Committee
 05/03/19 (H) MINUTE(FIN)
 05/06/19 (H) FIN RPT CS(FIN) NT 4DP 6NR
 05/06/19 (H) DP: KNOPP, JOSEPHSON, ORTIZ, FOSTER
 05/06/19 (H) NR: JOHNSTON, TILTON, LEBON, MERRICK,
 SULLIVAN-LEONARD, WILSON
 05/07/19 (H) CORRECTED FIN RPT CS(FIN) NT 4DP 6NR
 05/07/19 (H) DP: ORTIZ, KNOPP, JOSEPHSON, FOSTER
 05/07/19 (H) NR: JOHNSTON, LEBON, TILTON, MERRICK,
 SULLIVAN-LEONARD, WILSON
 05/10/19 (H) TRANSMITTED TO (S)
 05/10/19 (H) VERSION: CSHB 96(FIN)
 05/10/19 (S) READ THE FIRST TIME - REFERRALS
 05/10/19 (S) HSS, FIN
 01/27/20 (S) HSS AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE ZACH FIELDS
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of HB 96.

DAVID TEAL, representing self
Juneau, Alaska

POSITION STATEMENT: Provided background information on HB 96.

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

POSITION STATEMENT: Presented the sectional analysis for HB 96 on behalf of the bill sponsor.

CLINTON LASLEY, Acting Deputy Commissioner
Family, Community, & Integrated Services
Department of Health and Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 96.

BRAD RIDER, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 96.

MARGIE BEEDLE, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 96.

DOUG LARSON, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 96.

LUANN MCVEY, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 96.

JUDY CRONDAHL, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 96.

LAURA STAS, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 96.

BRIEN DAUGHERTY, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 96.

KEVIN HENDERSON, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 96.

ACTION NARRATIVE

[1:31:13 PM](#)

CHAIR DAVID WILSON called the Senate Health and Social Services Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators von Imhof, Giessel, Begich, Shower, and Chair Wilson.

HB 96-PIONEERS' HOME AND VETERANS' HOME RATES

[1:32:10 PM](#)

SENATOR WILSON announced the consideration of COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 96(FIN), "An Act relating to Alaska Pioneers' Home and Alaska Veterans' Home payments."

He stated his intention to hold the bill.

[1:33:12 PM](#)

At ease

[1:34:32 PM](#)

CHAIR WILSON reconvened the meeting.

[1:35:08 PM](#)

REPRESENTATIVE ZACH FIELDS, Alaska State Legislature, Juneau, Alaska, sponsor of HB 96, delivered a PowerPoint on HB 96. He reviewed slide 2. HB 96 has three goals: maintain Pioneer Homes' commitment to Alaska's elders; stabilize revenue and improve financial sustainability of Pioneer Homes; and provide certainty and predictability to residents and department.

REPRESENTATIVE FIELDS reviewed slide 3, Committee Substitute for House Bill 96:

- Adjusts rates for inflation since 2004
- Adds Levels IV and V to be consistent with Agnew Beck Report and SB74
- Allows for the Pioneer Home Division's suggested index, Social Security Cost of Living Adjustment
- Passed 35-4 in House of Representatives

He added that HB 96, which passed the House, acknowledges that costs increase over time. Before the recent steep rate increase

for Pioneer Home residents, the rates had not kept pace with inflation for several years. HB 96 would add Levels IV and V, consistent with the Agnew Beck Report, and Senate Bill 74, the legislature's broad look at Medicaid reform in 2016. Further, adding Levels IV and V is important for an aging population with additional needs for dementia care.

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SENATOR BEGICH asked if he could give the rationale for the original rates and for changes made in House Finance. He asked whether the sponsor was comfortable with those changes.

REPRESENTATIVE FIELDS replied he is supportive of the rates as addressed by the House Finance Committee, which are a bit more modest than the ones he introduced. However, the rates directly line up with inflation-adjusted rates since 2004. As the bill went through the House State Affairs and Health and Social Services Committees, there was strong support from the public for keeping rates at an inflation-adjusted level and having a predictable trajectory for the future.

REPRESENTATIVE FIELDS reviewed slide 4, Pioneer Homes: Background:

- Established in 1913
- Originally created as home for indigent men as Territory of Alaska grew and aged
- Expanded throughout the 20th Century: there are currently homes in Sitka, Fairbanks, Palmer, Anchorage, Ketchikan and Juneau
- Population in 2019 was 592
- Rates currently adjusted by regulation
- 2004-2018 Inflation rose 30%, but rates only rose 15%.
In 2019, rates rose as high 140%

He said many generations of Alaskans worked to expand the system, including a colleague in the House who helped the Palmer Pioneer Home get certification as a veterans' home. That effort is important for a state with the highest per capita population of veterans in the country. This bill provides an opportunity to provide additional stability since rate increases have been irregular and, in some cases, dramatic. If the problem is that rates were not keeping pace with inflation, he would argue the state overcorrected with steep rate increases.

REPRESENTATIVE FIELDS reviewed the bar graph on slide 5, which shows that many Pioneer Home residents are private payers. These residents pay a significant portion of the cost of their care, but not the entire amount. Since the rate increase, the number of private payers has declined. One issue he and the House Finance considered was how to maintain a healthy payer mix to provide financial stability for the homes and to ensure that incoming residents are representative of Alaskans.

REPRESENTATIVE FIELDS shared the proposed levels of care and costs on slide 6:

Level I: \$2,976/mo

Level II: \$5,396/mo

Level III: \$7,814/mo

Level IV: \$8,500/mo

Level V: Rate to be determined by the Department to reflect the cost of care for services listed and complex behavior management

- Rates serve as base starting point, adjusted for inflation from 2004
- Rate increases may be annual, and will be capped at the most recent Social Security Cost of Living Adjustment
- Allows rates to more consistently track inflation-based increases in cost of care

He noted that under this bill, Level V costs are not capped because those complex behavioral health needs will be provided in a physically separate part of the Pioneer Home. Those costs will not be paid out of pocket because the costs are so high. This fits in with the broader attempt to control health care and Medicaid costs, and save money for the state. When the behavioral health wings are operational, it should allow some people at the Alaska Psychiatric Institute (API) to be housed at the Pioneer Homes. That could save the state a significant amount since the cost of housing people with complex behavioral health needs at the Pioneer Homes would be less expensive. The Agnew Beck report reviewed the Pioneer Homes' role in a broader attempt to find financial stability for the state's health care system.

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SENATOR VON IMHOF asked what per person maximum amount will Medicaid pay regardless of acuity.

REPRESENTATIVE FIELDS answered that the Medicaid rate for eligible recipients at the Pioneer Homes is the Residential Supportive Living (RSL) rate of \$162.70. There is a potential of an RSL acuity add-on of \$359.58. He understood that no resident has received the RSL rate. The state will receive all the federal receipts under HB 96 and the department's currently enacted rates. Thus, the Pioneer Homes will not lose potential federal revenue by adopting a more modest set of rates.

SENATOR VON IMHOF asked if that is a daily rate.

REPRESENTATIVE FIELDS answered yes, that the \$162.70 is a daily rate.

SENATOR VON IMHOF asked for the total monthly amount to compare it to the Level II rate of \$5,396 per month or the Level III rate of \$7,814.

REPRESENTATIVE FIELDS answered it is \$4,881 per month.

SENATOR VON IMHOF pointed out that Level III or IV residents would have a gap. The gap could be filled by private insurance, the resident's private income, or by state funds. She asked what incentive the Pioneer Homes has to accept residents at Levels III and IV versus Levels I and II where most of the cost is covered.

REPRESENTATIVE FIELDS replied that as the bill progressed through the House, the Alaska Pioneer Homes' director testified that the Pioneer Homes admit Alaskans without considering their ability to pay. As far as he knows, that is not in statute but is long-standing practice.

SENATOR VON IMHOF said she would like assurance that the Pioneer Homes will accept all levels of care. She would guess that there is probably a waiting list for all levels of acuity. Her only concern is that with a finite number of beds for Levels III, IV, and V, nothing will keep costs from going up faster than the Medicaid daily coverage. She asked how to make sure the gap does not widen more than the CPI [Consumer Price Index] each year.

REPRESENTATIVE FIELDS responded that the question begs a broader look at the financial situation with the Pioneer Homes. The state has an interest in providing a mix of individuals, some of whom are self-pay. Inevitably some will not be self-pay and some will be on 100 percent payment assistance, particularly as these residents progress toward higher levels of care and are forced

to liquidate their savings. There is a question about rates for individuals and the population composition in the Pioneer Homes. A mix is good for the financial situation for residents and for the Pioneer Homes. He related his understanding that the Pioneer Homes were once certified as nursing homes. Now most of them do not qualify because of the physical constraints of the older buildings, such as doorway widths. Renovating them to make them eligible for the much higher nursing home reimbursements would be a significant capital expense. Whether the department could consider nursing home reimbursement for certain homes that may be newer to capture federal funds is a good question.

[1:47:05 PM](#)

CHAIR WILSON acknowledged the presence of Senator Gray-Jackson.

[1:47:14 PM](#)

SENATOR GIESSEL asked whether the reimbursement rate was for Medicaid or Medicare.

REPRESENTATIVE FIELDS answered that the reimbursement is the Medicaid RSL, Residential Supported Living rate.

SENATOR GIESSEL related her understanding that residents typically receive Medicare, that some have private insurance and their own assets. When these residents can no longer meet their costs, it is necessary for them to go on Medicaid.

REPRESENTATIVE FIELDS reported that in February 2019, 451 of 496 licensed beds were filled. The higher number of residents he cited earlier is because of turnover in those beds. As of February 2019, 51 percent of people were private pay, 20 percent were on Medicaid waiver at the RSL rate, and 29 percent were on state-subsidized payment assistance. He deferred to the department for Medicare figures.

SENATOR GIESSEL said she would hold the question for the division director.

SENATOR BEGICH asked if anyone has done an analysis on whether capital projects to enable Pioneer Homes to receive nursing home rates would pay for themselves.

REPRESENTATIVE FIELDS said he had asked about the broader question of nursing home rates, but he has not asked that specific question about return on investment. He thought it was a worthwhile question to follow up on.

SENATOR BEGICH replied that he has struggled with the dramatic increases in the governor's budget. About 51 percent of the Pioneer Home's residents are private payers. If the state wipes out the private payers' ability to cover their costs relatively early on, that means 100 percent of the cost will end up being the state's burden because these residents will not be evicted.

REPRESENTATIVE FIELDS answered that is correct.

SENATOR BEGICH asked what analysis of has been done on the impact of those rates. He related his understanding that this bill will allow those private payers to continue to pay when patients become more in need of services, so that burden wouldn't fall entirely on the state.

REPRESENTATIVE FIELDS responded that it is accurate to assume that doing the right thing for Alaska's elders and helping them stay in the Pioneer Homes is in the financial best interest of the Pioneer Homes. He noted that he asked former Legislative Finance Director David Teal, who provided testimony in House Finance on this issue, to answer questions members may have.

1:51:46 PM

SENATOR GIESSEL related that married couples are financially affected when one spouse needed to be in the Pioneer Home. The couple's assets can be rapidly depleted leaving the non-Pioneer Home resident destitute. She asked if he has considered that issue, so that these couples will not have their assets drained.

REPRESENTATIVE FIELDS said the tragic stories he heard in his district were a primary motivation for introducing this bill. Senator Giessel was right that the committee could consider how payment assistance affects a married couple versus a single person. The legislature does not want people to become homeless or not be able to care for their kids. He has heard from constituents with one spouse in the Pioneer Home while the other is at home caring for their children.

REPRESENTATIVE FIELDS reviewed slide 7, Complexity of Care:

Current Levels

Level I: Services include housing, meals, emergency assistance, recreation, home activities

Level II: Services include all Level I services plus Medicaid administration, health related services,

staff assistance, incl assistance with daily living, supervision, reminders. (Non-night shift)

Level III: Services include all services of Level I and Level II, with 24- hour hands-on assistance provided.

Proposed Levels Level I: Services include housing, meals, emergency assistance, and recreation

Level II: Services include Level I services and medication administration, health related services, and intermittent assistance with activities of daily living

Level III: Services include Level I and Level II services as well as extensive assistance with activities of daily living

Level IV: Services include Level I, II, and III, as well nursing services for 24 hours a day, and intermittent behavior management

Level V: Services include all those included in Levels I-IV, as well as extensive behavior management

The department is moving from three levels of care to five, consistent with the direction under Senate Bill 74. Since the average age of Pioneer Home residents has increased significantly, the percentage of residents who have dementia has increased, which means a higher level of care is needed. The homes are evolving to meet that need.

REPRESENTATIVE FIELDS referred to slide 8, Rates and Impacts. This slide consisted of bar graphs comparing rates predating the recent rate increase, the current rates including the recent rate increases, and the proposed rates under HB 96. He said the blue bars represent rates before the rate hike, the orange bars represent the new rates, and the green bars represent the rates under the [CSHB 96(FIN) version 31-LS0646\S]. The green bars are inflation-adjusted 2004 rates, he said.

REPRESENTATIVE FIELDS pointed out that slide 8 includes a copy of an Anchorage Daily News article with the headline, "Pioneer Home residents and families struggle with 'heartbreaking' decisions after rate increase." He said 16 Level I residents decided to leave after the rate increases.

SENATOR VON IMHOF noted that the orange bars are the monthly rates enacted last year and the green bars are the proposed rates. She asked for the costs of operating the homes.

REPRESENTATIVE FIELDS answered that the department has stated that the Pioneer Home costs are the same as the orange bars.

SENATOR VON IMHOF asked if the fiscal note represents the difference between the green and orange bars.

1:57:05 PM

REPRESENTATIVE FIELDS said he believes that is correct.

SENATOR VON IMHOF asked how the legislature can determine that the new monthly rates of \$11,185, \$13,333, and \$15,000 represent the cost that does not inflate each year and that it is giving the state good value. She said she didn't know if that would be a comparison to other Pioneer Homes in the state, Pioneer Home-like facilities in the Lower 48, or a comparison over time.

REPRESENTATIVE FIELDS replied the next slide that references regional comparisons might address that.

SENATOR BEGICH asked if the fiscal note reflects the difference between a capped and uncapped rate. The \$15,000 amount is a capped rate under the existing scenario, but under the uncapped rate that limit wouldn't be there. The department might simply be projecting higher fiscal costs without knowing them.

REPRESENTATIVE FIELDS said there was considerable discussion in House Finance about how real the fiscal cost is and how much the department will actually collect. He concluded that there is a considerable uncertainty about how consumers react to prices that are well above market levels. He would defer to the department and Mr. Teal for further discussion.

SENATOR BEGICH said that is the crux of it for him. He discovered some minor discrepancies in the fiscal note that still amount to a few million dollars.

1:59:48 PM

CHAIR WILSON noted that the committee could ask Acting Deputy Commissioner Lasley for a brief explanation about the fiscal note.

REPRESENTATIVE FIELDS, in response to Senator von Imhof's question about value, said the Pioneer Home is not the cheapest assisted living situation. However, experience has shown that Alaskans value the quality of care and sense of community in the Pioneer Homes and will pay more for it. However, demand is not utterly elastic in terms of how much more people would be willing to pay. The Pioneer Home's value is more than the typical assisted-living facility that people might contemplate sending their parents to out of state. The comparison of long-term costs in the Pacific Northwest shows that if the rates under rates in HB 96 were enacted, it would not be underpricing the private market for assisted living in Alaska or the region. People will still pay a premium for that higher level of care. Pioneer Homes do not provide enough beds to distort the market. He related that about 450 or 500 people a year represents a small percentage of statewide long-term care beds.

CHAIR WILSON pointed out that Alaskans pay the most for health care cost in world. Some can argue that the Pioneer Homes provide the types of services a skilled nursing home facility does. He asked whether the rates tied to the cost of living reflect increases in health care costs from 2004 until today. For some residents, the Pioneer Home is assisted living, but for others it is a skilled nursing facility.

REPRESENTATIVE FIELDS reviewed slide 9, Cost of Long term Care in Pacific Northwest, Long Term Care Cost Comparison - 2019 Genworth. He said he thought the cost of health care in Alaska has grown faster than the cost of long-term care in the Pioneer Homes. Alaska has controlled per capita Medicaid since 2015. The legislature passed Senate Bill 74, trying to contain Medicaid costs and drive down uncompensated care. In turn, those cost savings are passed on to private insurers, including the state. The state has seen better coverage of the population at large leaving the state to carry less of the uncompensated care burden.

SENATOR VON IMHOF said the chart [on slide 9] shows that nursing homes cost more than assisted living homes in any location, but the cost of nursing homes in Anchorage and Alaska appears to be two to three times as much as in Seattle and Portland. She acknowledges the need for nursing homes, but these facilities are significantly more costly in Alaska. She asked what it will mean if Pioneer Homes move into the nursing home field. She and asked where people currently get nursing home assistance.

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REPRESENTATIVE FIELDS replied he is not suggesting that the Pioneer Homes provide a concentration of a higher level of acuity care. He expressed concern that the bill will inadvertently provide a higher level of care for a higher percentage of the population, which could put the state in a risky financial situation. He acknowledged some percentage of Levels I and II payers is good for the homes. The Pioneer Homes provide some care that could potentially qualify for nursing home levels of reimbursement. If so, the state could obtain more revenue. However, after reviewing the costs, one could conclude that the department has controlled the costs since the Pioneer Home rates are not nearly as high as nursing home rates. Still, it is hard to compare because the Pioneer Homes serves some assisted living residents and a significant percentage of people would need to seek nursing home care outside of Alaska if the Pioneer Homes were not an option. The diverse population makes it hard to compare, he said.

SENATOR BEGICH asked why there is such a difference in cost. Nursing homes costs in Seattle are about \$13,000, and \$11,000 in Portland, but private nursing home care in Anchorage and Alaska is \$30,000. He asked if the cost in Alaska was due to a narrow market, and so higher premiums are charged, or whether there are actual costs. That goes back to Senator von Imhof's earlier question about cost versus the market. He said he does not want Pioneer Home prices to match inflated market prices. He asked if any analysis has been done.

REPRESENTATIVE FIELDS deferred to Director Lasley for additional background on the [2019] Genworth report. He said he primarily reviewed the assisted living costs on the graph because Pioneer Homes fall under that category. He wanted to be sure that the chart did not distort the market by radically underpricing assisted living facilities.

REPRESENTATIVE FIELDS presented slide 10, Social Security Cost of Living, which showed the percentage of cost-of-living adjustments since 1975. "That really adds up over time," he said. That will provide a steady trajectory to capture cost increases and provide predictability for residents and the department.

REPRESENTATIVE FIELDS turned to slide 11, CSHB 96. He summarized his presentation by stating that HB 96 provides stability for residents and the department, ensures timely and predictable rate increases, and updated levels of care to reflect an aging population with higher levels of dementia. He noted that the

bill gives the department the flexibility to raise rates without using the lengthy regulation process. That process had discouraged the department from adjusting rates to keep pace with costs. The bill also provides residents and their family members peace of mind when making tough decisions about where and how to take care of their elder family members.

CHAIR WILSON invited David Teal to the table.

2:09:38 PM

DAVID TEAL, representing self, Juneau, Alaska, noted that he was the former Director of Legislative Finance, but he was speaking as a private citizen at the request of the bill sponsor. Legislative Finance had concerns about the lack of data, particularly financial data of Pioneer Home residents and those on the waiting list. That prompted the concern that the fiscal impacts might be too optimistic. He said that large rate increases at Level I, which is for little or no assistance, means that those people at Level I have options, including staying in their apartment or at home. Legislative Finance was concerned that it was possible that some self-paying residents might opt to leave the Pioneer Homes looking for a cheaper place to stay. Legislative Finance had no idea how many might do so, but based on the information that Director Lasley provided, Legislative Finance estimated that the savings projected by the governor were perhaps \$5 million too aggressive.

MR. TEAL said there is a request for additional funding in FY 2021 because Level 1 residents have elected to leave. If these residents are replaced by people who cannot fully pay, then the program receipts will not materialize.

MR. TEAL said Legislative Finance did not consider any personal aspects, but strictly reviewed whether the fiscal projections made sense. Given the lack of data, Legislative Finance was concerned the administration was too optimistic about cost savings. He said he has not kept up with the governor's bill so he has nothing to say about the rates. There is currently more data available, but he does not think it is sufficient to make good revenue or cost projections.

SENATOR BEGICH asked about the graph on slide 9 that compares the cost of long-term care in Pacific Northwest. He noted that assisted living rates include Levels I and II and some Level III rates. He asked where the \$7,126 figure for the cost of assisted living at Pioneer Homes was derived.

[2:15:44 PM](#)

TRISTAN WALSH, Staff, Representative Zach Fields, Alaska State Legislature, Juneau, Alaska, answered that slide 9 was produced by the [Division] of Pioneer Homes and refers to the enacted rates put into place in August.

REPRESENTATIVE FIELDS added that the Pioneer Home assisted living cost in the graph was the average of Levels 1, II, and III and the Pioneer Home nursing home cost was the average of Levels IV and V to try to approximate the assisted living care costs versus what is more nursing home costs.

SENATOR BEGICH said those are not the rates in the bill, which are slightly lower.

REPRESENTATIVE FIELDS replied correct.

MR. WALSH presented the sectional for CSHB 96 Version 6:

Section 1. This section amends AS 47.55.020(b), the statute regarding admission to a Pioneer Home, to raise the amount of monthly income a resident may keep for incidental expenses from \$200 to \$500. This section also makes conforming changes to reflect new language added in Section 5 of this bill.

MR. WALSH added that Section 1 was an amendment that was offered in the House Finance Committee.

Section 2. This section amends AS 47.55.020(d), the section of statutes relating to payment assistance, to raise the amount of monthly income a resident may keep for incidental expenses from \$200 to \$500. This section also makes conforming changes to reflect new language added in Section 5 of this bill.

Section 3. This section amends AS 47.55.030(a) the section relating to payment by a resident, with conforming language that reflects Section 5 of this bill.

Section 4. This section repeals and reenacts AS 47.55.030(b), which charges the Department to adopt regulations regarding a monthly rate for Pioneer Home residents, to reflect changes made in Section 5.

Section 5. This section amends AS 47.55.030 by adding a new section, (f). This section works to limit Pioneer Home Rate increases to no more than the rate of inflation, as measured by Social Security Cost of Living Adjustment, using current monthly and daily rates (adjusted for inflation since 2004) as a starting point.

Section 6. This section amends AS 47.55.070, the statute regarding indebtedness of a home resident to the State, with conforming language to reflect the changes made in Section 5 of this bill.

Section 7. This section makes conforming changes, by repealing sections of statutes requiring public notice for proposed rate changes, which could be infrequent. Section 5 of this bill sets this as an annual process.

MR. WALSH pointed out that Section 7 allows the department to enact rate increases through statutory authority, as Representative Fields described earlier.

SENATOR BEGICH asked if the allowances will also be inflation proofed or do the allowances need to be visited every few years and reset.

MR. WALSH answered that he thought the allowances were set as a single increase, but he would check.

CHAIR WILSON invited Acting Deputy Commissioner Lasley to the table.

2:21:00 PM

CLINTON LASLEY, Acting Deputy Commissioner, Family, Community, & Integrated Services, Department of Health and Social Services (DHSS), Juneau, Alaska, introduced himself.

SENATOR GIESSEL clarified that citizens enter and have assets to pay for residency. Residents also have Medicare. She related her understanding that once residents use up all personal assets Medicare will still be in place, but these residents would be asked to apply for Medicaid to help cover their costs.

MR. LASLEY replied that Pioneer Homes cannot accept Medicare because Medicare is hospitalization. The Pioneer Homes receive Medicaid waiver coverage. The Medicaid waiver has financial and medical requirements for individuals to be eligible. Individuals

must be below resources and must meet the nursing home level of care to be eligible for Medicaid waiver. The homes currently have 96 out of the 450 elders in the home who qualify for the Medicaid waiver. The Pioneer Homes try to shape the program around the Medicaid waiver requirement because individuals at some point need a higher level of care and will require a Medicaid waiver or assistance, with strict financial requirements for that.

SENATOR GIESSEL clarified that Medicare would cover their medications.

MR. LASLEY answered that their Part D plan would. The Pioneer Homes require that every elder have Medicare Part D or an equivalent.

CHAIR WILSON asked when the new rate increases took effect.

MR. LASLEY said the new rates went into effect on September 1. The notification went out at the end of July.

CHAIR WILSON asked if he knew how many residents had had financial hardships, the number who were provided additional assistance from the state, and the number who left the Pioneer Homes.

[2:24:28 PM](#)

MR. LASLEY said a presentation before the House Finance last week noted that the Pioneer Homes tracked those who left because of the rate increases. He noted 16 residents stated it was due to the rate increase. The majority were in Anchorage area. Some of them had moved into the three new facilities that opened in Anchorage, Palmer, and Wasilla in the past year.

CHAIR WILSON asked if Pioneer Home residents were offered payment assistance from the additional \$15 million that was added to the program for people who could not afford the rate increases.

MR. LASLEY said the Pioneer Homes held conversations with everyone who was concerned how to pay for the increased costs. Administrators and social workers helped them understand the payment assistance program so residents understood that individuals could stay in the Pioneer Homes regardless of their ability to pay. When the notification of rate increase went out at the end of July, the notification included a payment assistance application.

SENATOR VON IMHOF asked if HB 96 allows the Pioneer Homes to charge separately for supplies, equipment, and other services not included in the monthly rate.

MR. LASLEY answered that nothing in the bill limits the Pioneer Home from charging for supplies. Every elder in the homes who is private pay gets an invoice every month for their supply use and copays for medication from the Pioneer Homes' central pharmacy that the majority of residents use. Supply charges are typically minimal and individuals on the payment assistance plan are not charged for supplies. Historically that has been charged to their state indebtedness account.

SENATOR VON IMHOF said it was good to hear that the supply charge has been minimal. She did not know what kind of checks and balances could be put in place for supply charges.

MR. LASLEY replied the charge for supplies is at cost. He believed the pharmacy charge for medications was cost plus three percent.

SENATOR BEGICH discussed the burden that falls on a couple when all their assets are required when one of them is in the Pioneer Home. He said his constituents have considered divorce to protect assets. He asked if the Pioneer Homes understood that current rates could break up families.

MR. LASLEY responded that the department testified last year, that the Pioneer Home regulations are closely tied to the Medicaid waivers because typically only Level IV residents could qualify for the waiver. Historically, individuals at Level IV end up requiring the Medicaid waiver. Last year, the department also increased the spousal support limit, to mirror the Medicaid waiver requirements. The Medicaid waiver resource limit for an individual or couple is \$132,000, plus a family home.

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SENATOR BEGICH pointed out that the private nursing home rates as shown on slide 9 are quite high. He asked if these are arbitrary figures or if these figures are based on the actual cost of care for a nursing home. He asked how the department calculated its original rates.

MR. LASLEY answered that the department set the rates last year based on what it cost to provide services in the Pioneer Homes. The Pioneer Homes had a \$64 million budget in fiscal year (FY)

2019. The Pioneer Homes expenditures were about \$60 million. The department testified that the FY 2020 projected costs for services would be \$60 million. Assisted living homes in Alaska are not required to publish rates, but nursing homes or skilled facilities must do so to qualify for state reimbursement. Skilled home nursing reimbursement rates are set by the state based on nursing homes' actual costs. The department relies on the Genworth study for rates because it surveys its members every year.

SENATOR BEGICH highlighted that there are vast differences in nursing home rates, but assisted living rates are comparable across the board. He wanted to be sure the fiscal note reflects the actual cost of care, not what the cost of care in a private facility that might not be accurately reporting. The graph [on slide 9] consists of a map of services. He expressed concern that the fiscal note might be reflecting increased costs as a result of HB 96.

MR. LASLEY answered that the fiscal note of \$60 million is the cost of providing services at the Pioneer Homes system.

SENATOR BEGICH asked if the size of the fiscal note is not a result of the bill adding increased costs to the Pioneer Homes' operations.

SENATOR BEGICH observed that under this bill the department would not be required to write regulations. He asked if the department's fiscal note shows the reduction of regulation projects.

MR. LASLEY replied regulation costs were not calculated. The department's cost of writing regulations falls outside of the Pioneer Homes and is performed by the Department of Law or the DHSS commissioner's office.

CHAIR WILSON said the committee could ask the department for the cost of writing regulations.

SENATOR BEGICH added that he wanted it to be fair. If the department is going to put the cost of writing regulations in all bills the legislature writes, then the department should show the reduction in cost of not requiring regulations.

CHAIR WILSON said he is all about accurate notes. He has many conversations with different departments about the accuracy of costs and the reduction of costs in legislation.

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CHAIR WILSON opened public testimony on HB 96.

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BRAD RIDER, representing self, Juneau, Alaska, said he has lived in Juneau since 1960. His family came to Alaska because of his dad's dream of what it offered. Both his parents are in Pioneer Home. When the rate increase went into effect, his mother's rate went from just over \$4,000 to just over \$11,000. If his father has another stroke, his rate will be over \$24,000 a month and they will be wiped out. Pioneer Homes were designed to take care of elderly people in Alaska. The state needs to take care of Alaskan elders.

CHAIR WILSON reminded everyone that comments could be submitted in writing to senate.hss@akleg.gov until Wednesday.

2:42:33 PM

MARGIE BEEDLE, representing self, Juneau, Alaska, said her mother has lived in Juneau for 70 years and is in the Juneau Pioneer Home. She followed this bill last spring, gave testimony, and watched it gain bipartisan and public support, so she was surprised that the department raised the rates last year. These increases ranged from 40 to 140 percent, a sudden, extreme increase which left residents and their families reeling. Residents have moved out following the price increase. She knows of one person in Juneau who had been a private-pay resident. That person's family calculated that the cost of remodeling the house to accommodate a wheelchair and paying for respite care was less than the Pioneer Home's rate. If a private pay resident is replaced by one on Medicaid who has greater needs, the cost to the state is greater. Her mother is a private-pay resident at Level II of the new five-tier system and her rate increased 40 percent. She had purchased long-term care insurance. Before the department raised the rates, her insurance covered her residential service rate plus her room and board. After the increase, the maximum benefit amount falls short by over a \$1,000 a month. That discrepancy will increase as her needs increase. She is 90 and in the middle stages of Alzheimer disease.

MS. BEEDLE said her mother carefully planned for the Pioneer Home. If this rate increase stands, the situation her mother carefully planned for will have drastically changed. Her mother was a businesswoman, so she understands cost-of-living increases and how modest adjustments need to be made. Her mother does not

understand how the Pioneer Home community should be required to pay 100 percent of the cost for others who are not held to the same standards. If this bill is not enacted, the population of the Pioneer Homes will continue to change.

[2:46:18 PM](#)

DOUG LARSON, representing self, Juneau, Alaska, shared that he is a life-long resident of Juneau. His parents came to Alaska in the 50s, married, and had children. They contributed to the state and community. His parents were responsible and throughout their lives and invested in long-term care, taking into account the rates they expected to pay. The rate changes were devastating. His dad is 92 with dementia. His rate went up 95 percent. This bill will increase rates over time and gives people time to plan and figure out a new strategy. Moving out of state for many elderly, like his parents, would be difficult because of health reasons plus his parents do not want to move. HB 96 is a more reasoned approach to senior care funding.

[2:49:36 PM](#)

LUANN MCVEY, representing self, Juneau, Alaska, said she came to Alaska in 1957 with her parents, who were career professionals with the federal government. Her parents are now 87 and live in their home, but the challenges of aging impact their independence. Her parents are one major health event away from a serious life change that could require a permanent move to a long-term facility. Medicare does not pay for long-term care. As residents of the state since territorial days, her parents always envisioned their final days would be spent in the Pioneer Homes, which was meant to be an affordable senior living facility. This administration has raised the rates to the point that now even her parents, who receive federal pensions, cannot afford it. HB 96 has reasonable limits on Pioneer Home rates, which will allow elders to live at the Pioneer Home without fear of becoming destitute.

[2:51:56 PM](#)

JUDY CRONDAHL, representing self, Juneau, Alaska, said very few seniors who can live in their own homes choose to live in the Pioneer Home. The Pioneer Homes provide a vital service for those who cannot care for themselves. The Pioneer Homes were built and established in recognition and appreciation of contributions made by pioneers to the territory of Alaska and as a means to provide in-state alternatives to seniors who could no longer remain in their homes. Pioneer Homes provide high-quality care, but do not provide luxury accommodations. The rate increases will encourage seniors who can afford it to leave the

state. These prices will force the rest who stay to liquidate their estates in order to move into a Pioneer Home and depend on Medicaid when all other resources are depleted. She urged members to pass HB 96 from committee.

[2:53:24 PM](#)

LAURA STATS, representing self, Juneau, Alaska, said she has been in Juneau since 1981 raising a family. She was speaking on behalf of her mother-in-law, Betty Daugherty, who is 98 and has lived at the Juneau Pioneer Home since 2011. She ventured to Alaska in the 1940s. She came partly because her Great-uncle Heckman had journeyed to Ketchikan and devised the fish trap. She taught high school after raising six children. In 2019, her rate increased from \$6,795, at the equivalent of Level IV, to \$13,333. She is a private payer who had long-term coverage, which lasts four years. Since 2011, her rates have doubled, which is greatly unfair. She suggested that the state find other income streams such as adopting an income tax and using the Alaska Permanent Fund.

[2:56:22 PM](#)

BRIEN DAUGHERTY, representing self, Juneau, Alaska, explained that Laura Stats spoke about his mother. The Daugherty family is an old Alaska family. Going to the Lower 48 is not an option for them because the family has always lived in Alaska. The Sitka Pioneer Home was built when Alaska had few resources and still took care of its elders. He said he is testifying to appeal to the humanity of the committee. He urged members to not just talk about finances when talking about people's lives. He said he understands why legislators are talking about finances, but he asked them to think past that. The Pioneer Homes' population is 500 of 800,000 Alaskans. Many elders helped build this state, including his parents. The state must rise up and take care of elders, not force them to leave, and not bankrupt them. His mother is self-pay but is assessed \$14,000 every month. The state can do better.

[2:59:33 PM](#)

KEVIN HENDERSON, representing self, Juneau, Alaska, spoke in support of HB 96. He said he was testifying on behalf of his wife's mother, Beatrice Long, 93, who is at the Juneau Pioneer Home receiving Level II services and is self-pay. Beatrice and her husband moved to Alaska in 1964 and raised four children here. Her husband was a contractor and a state inspector overseeing various projects, including the Auke Bay ferry terminal. He expressed support for HB 96 on behalf of Beatrice and her family. HB 96 recognizes that it was never going to be

possible for the state to sustain for-profit, assisted living homes. It was understood that a subsidized Pioneer Home system was needed to support seniors. Last year the governor ignored the original intent of the Pioneer Home and decided that the homes should be completely self-funded. As a result, the exorbitant rate increases began last fall, which created lots of panic. HB 96 will place the payment rate and the additional charges in state statute. The bill will prohibit the administration from raising Pioneer Homes rates based solely on fiscal philosophy. If this bill passes, the legislature will decide future rate increases. The bill recognizes the state's fiscal responsibilities. This bill would create a 15 percent increase, which is more reasonable than the 40 to 140 percent increases. Rates must be fair, reasonable, and humane. HB 96 is good government. It recognizes fiscal reality and it honors the state's seniors.

[3:03:40 PM](#)

CHAIR WILSON said he would hold HB 96 in committee with public testimony open.

[3:04:12 PM](#)

SENATOR GIESSEL disclosed that she has a conflict of interest because her 92-year-old mother, who has lived in Alaska for 71 years, lives in the Anchorage Pioneer Home, is categorized at Level V and is private pay.

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CHAIR WILSON reconvened the meeting.

There being no further business to come before the committee, Chair Wilson adjourned the Senate Health and Social Services Standing Committee at 3:04 p.m.