

**CS FOR SENATE BILL NO. 366(FIN) am H**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**EIGHTEENTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Amended: 5/4/94**

**Offered: 4/6/94**

**Sponsor(s): SENATE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to medical support and health insurance coverage for children;  
2 allowing a member of the teachers' retirement system or the public employees'  
3 retirement system to assign to a Medicaid-qualifying trust the member's right to  
4 receive a monetary benefit from the system; relating to the effect of a Medicaid-  
5 qualifying trust on the eligibility of a person for Medicaid; relating to the  
6 recovery of certain Medicaid payments from estates and trusts; requiring persons  
7 who receive Medicaid services to be liable for sharing in the cost of those  
8 services to the extent allowed under federal law and regulations."

9 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

10 \* **Section 1. PURPOSES.** The purposes of this Act are to

11 (1) bring the state into compliance with federal law with respect to the recovery of  
12 Medicaid payments from the estates and trusts of individuals under certain circumstances and

1 with respect to the establishment of medical support orders for children;

2 (2) allow diversion of certain employee pension payments into Medicaid-qualifying  
3 trusts if the trusts provide that Medicaid payments made on behalf of the individual may be  
4 recovered from the trust after the individual's death.

5 \* Sec. 2. AS 14.25.200(a) is amended to read:

6 (a) Except as provided in AS 29.45.030(a)(1), member contributions and other  
7 amounts held in the system on behalf of a member or other person who is or may  
8 become eligible for benefits under the system are exempt from Alaska state and  
9 municipal taxes and are not subject to anticipation, alienation, sale, transfer,  
10 assignment, pledge, encumbrance, or charge of any kind, either voluntary or  
11 involuntary, before they are received by the person entitled to the amount under the  
12 terms of the system, and any attempt to anticipate, alienate, sell, transfer, assign,  
13 pledge, encumber, charge, or otherwise dispose of any right to amounts accrued in the  
14 system is void. However, a member's right to receive benefits may be assigned

15 (1) under a qualified domestic relations order; or

16 (2) to a trust or similar legal device that meets the requirements for  
17 a Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4).

18 \* Sec. 3. AS 21.36 is amended by adding a new section to read:

19 Sec. 21.36.095. COVERAGE OF CHILDREN. (a) An insurer may not deny  
20 enrollment of a child under the health care insurance of the child's parent on the  
21 ground that the child

22 (1) was born out of wedlock;

23 (2) is not claimed as a dependent on the parent's federal income tax  
24 return;

25 (3) does not reside with the parent; or

26 (4) does not reside in the insurer's service area.

27 (b) If a parent is required under AS 25.27.020(a)(9) or 25.27.060(c) to provide  
28 medical support for a child and the parent is eligible for family health coverage  
29 through an insurer, the parent's insurer

30 (1) shall allow the parent to enroll the child under the family coverage  
31 without regard to restrictions relating to enrollment periods if the child is otherwise

1 eligible;

2 (2) shall, if the parent fails to apply for enrollment of a child under (1)  
3 of this subsection, enroll the child under the parent's family coverage upon application  
4 by the child's other parent or custodian, the child support enforcement agency, or the  
5 Department of Health and Social Services; and

6 (3) may not disenroll or eliminate coverage of the child unless the  
7 insurer has received written evidence that

8 (A) the parent with the insurance coverage is no longer required  
9 by court order or administrative order to provide the child's medical support;  
10 or

11 (B) the child is or will be enrolled in comparable health  
12 coverage through another insurer that will take effect not later than the  
13 effective date of the disenrollment or elimination of coverage.

14 (c) An insurer who provides health coverage of a child through family health  
15 coverage of a parent who does not have sole physical custody of the child shall

16 (1) provide to the child's other parent or custodian the information that  
17 may be necessary for the child to obtain benefits through the family health coverage;

18 (2) allow the child's other parent or custodian, or the child's health care  
19 provider with the parent's or custodian's approval, to submit claims for covered  
20 services without the approval of the parent whose insurance covers the child; and

21 (3) make payment on claims submitted under (2) of this subsection  
22 directly to the child's other parent or custodian, the health care provider, or a state  
23 agency to which the child's medical support rights have been assigned under  
24 AS 25.27.120 or AS 47.07.025.

25 (d) If an individual is covered for health benefits from an insurer, the insurer  
26 may not impose requirements on a state agency to which the rights of the individual  
27 under AS 25.27.120 or AS 47.07.025 have been assigned that are different from  
28 requirements applicable to an agent or assignee of other individuals covered by the  
29 insurer.

30 (e) In this section, "insurer" includes

31 (1) an insurer, as defined in AS 21.90.900;

1 (2) a group health plan, as defined in 29 U.S.C. 1167(l) (Employee  
2 Retirement Income Security Act of 1974);

3 (3) a health maintenance organization, as defined in AS 21.86.900;

4 (4) hospital service corporation or medical service corporation, as  
5 defined in AS 21.87.330;

6 (5) a writing carrier, as defined in AS 21.55.500; and

7 (6) an entity offering a service benefit plan, as referred to in 42 U.S.C.  
8 1396g.

9 \* Sec. 4. AS 25.27.020(a) is amended to read:

10 (a) The agency shall

11 (1) seek enforcement of child support orders of the superior courts of  
12 the state in other jurisdictions and shall obtain, enforce, and administer the orders in  
13 this state;

14 (2) adopt regulations to carry out the purposes of this chapter, including  
15 regulations that establish

16 (A) schedules for determining the amount an obligor is liable  
17 to contribute toward the support of an obligee under this chapter and under 42  
18 U.S.C. 651 - 669 (Title IV-D, Social Security Act);

19 (B) procedures for hearings conducted under AS 25.27.170; and

20 (C) subject to AS 25.27.025 and to federal law, a uniform rate  
21 of interest on arrearages of support that shall be charged the obligor upon  
22 notice if child support payments are 10 or more days overdue or if payment is  
23 made by a check backed by insufficient funds; however, an obligor may not be  
24 charged interest on late payment of a child support obligation, other than a  
25 payment on arrearages, if the obligor is

26 (i) employed and income is being withheld from the  
27 obligor's wages under an income withholding order;

28 (ii) receiving unemployment compensation and child  
29 support obligations are being withheld from the obligor's unemployment  
30 payments under AS 23.20.401; or

31 (iii) receiving compensation for disabilities under

- 1 AS 23.30 and child support obligations are being withheld from the  
2 obligor's compensation payments;
- 3 (3) administer and enforce AS 25.25 (Uniform Reciprocal Enforcement  
4 of Support Act);
- 5 (4) establish, enforce, and administer child support obligations  
6 administratively under this chapter;
- 7 (5) administer the state plan required under 42 U.S.C. 651 - 669 (Title  
8 IV-D, Social Security Act) as amended;
- 9 (6) disburse support payments collected by the agency to the obligee,  
10 together with interest charged under (2)(C) of this subsection;
- 11 (7) establish and enforce administratively under this chapter, or through  
12 the superior courts of the state, child support orders from other jurisdictions pertaining  
13 to obligors within the state;
- 14 (8) enforce and administer spousal support orders if a spousal support  
15 obligation has been established with respect to the spouse and if the support obligation  
16 established with respect to the child of that spouse is also being administered; [AND]
- 17 (9) obtain a medical support order as part of a child support order if  
18 health care coverage is available to the obligor at a reasonable cost; the medical  
19 support order must meet the requirements of AS 25.27.063; and
- 20 (10) act on behalf of the Department of Health and Social Services  
21 in the enforcement of AS 47.07.025(b).

22 \* Sec. 5. AS 25.27.060(c) is amended to read:

23 (c) In a court proceeding where the support of a minor child is at issue, the  
24 court may order either or both parents to pay the amount necessary for support,  
25 maintenance, nurture, and education of the child. The court shall issue a medical  
26 support order as part of a child support order if health care coverage is available to the  
27 obligor at a reasonable cost. The medical support order must meet the  
28 requirements of AS 25.27.063. Upon a showing of good cause the court may order  
29 the parents required to pay support to give reasonable security for payments.

30 \* Sec. 6. AS 25.27.062(i) is amended to read:

31 (i) An employer shall, to the extent permitted under 15 U.S.C. 1673(b),

1 withhold the current support obligation from an obligor's wages, including the  
2 obligor's share, if any, of the premium for health coverage required to be  
3 withheld under AS 25.27.063(c)(4). An employer shall withhold additional income,  
4 to the extent permitted under 15 U.S.C. 1673(b), from an obligor's wages for any  
5 support arrearage.

6 \* Sec. 7. AS 25.27 is amended by adding a new section to read:

7 Sec. 25.27.063. MEDICAL SUPPORT ORDER. (a) A medical support order  
8 issued under AS 25.27.020(a)(9) or 25.27.060(c) must require that the obligor provide  
9 health care coverage for the child to whom the duty of support is owed.

10 (b) If an obligor who is required to provide health care coverage under a  
11 medical support order is eligible for family health coverage through an employer doing  
12 business in the state, the court or agency issuing the medical support order shall send  
13 a copy of the medical support order to the employer.

14 (c) An employer who receives a copy of a medical support order under (b) of  
15 this section

16 (1) shall allow the employee named in the order to enroll the child  
17 under the family coverage without regard to restrictions relating to enrollment periods  
18 if the child is otherwise eligible and is not already enrolled under the family coverage;

19 (2) shall, if the employee fails to apply for enrollment of a child under  
20 (1) of this subsection, enroll the child under the employee's family coverage upon  
21 application by the child's other parent or custodian, the child support enforcement  
22 agency, or the Department of Health and Social Services;

23 (3) may not disenroll or eliminate coverage of the child while the  
24 employee is still employed by the employer unless the employer has eliminated family  
25 health coverage for all of its employees or has received written evidence that

26 (A) the employee is no longer required by court order or  
27 administrative order to provide the child's insurance coverage; or

28 (B) the child is or will be enrolled in comparable health  
29 coverage through another insurer that will take effect not later than the  
30 effective date of the disenrollment or elimination of coverage; and

31 (4) shall withhold from the employee's compensation the employee's

1 share, if any, of premiums for health coverage to the extent permitted under 15 U.S.C.  
2 1673(b) (Consumer Credit Protection Act) and pay the withheld amount to the  
3 appropriate insurer; if federal regulations allow the employer to withhold less than the  
4 employee's share of the insurance premium, the employer may withhold the lesser  
5 amount and pay it to the appropriate insurer.

6 \* Sec. 8. AS 25.27.065(b) is amended to read:

7 (b) When the right to receive child support has been assigned to a  
8 governmental entity, an agreement under (a) of this section that has not been adopted  
9 as an administrative order of the agency is not effective during a period when the  
10 obligee is receiving [PUBLIC] assistance under AS 47.07 or AS 47.25.310 -  
11 47.25.420.

12 \* Sec. 9. AS 25.27.120(a) is amended to read:

13 (a) An obligor is liable to the state in the amount of assistance granted under  
14 AS 47.07 and AS 47.25.310 - 47.25.420 to a child to whom the obligor owes a duty  
15 of support except that, if a support order has been entered, the liability of the obligor  
16 for assistance granted under AS 47.25.310 - 47.25.420 may not exceed the amount  
17 of support provided for in the support order, and, if a medical order of support has  
18 been entered, the liability of the obligor for assistance granted under AS 47.07  
19 may not exceed the amount of support provided for in the medical order of  
20 support.

21 \* Sec. 10. AS 25.27.120(d) is amended to read:

22 (d) If the agency fails to comply with (c) of this section, interest does not  
23 accrue on the liability to the state unless a support order or medical support order,  
24 as applicable, has been entered.

25 \* Sec. 11. AS 25.27.130(b) is amended to read:

26 (b) To establish or enforce an order of support, including, if applicable, a  
27 medical support order, based on the subrogation of the state, the agency is not  
28 limited to the amount of assistance being granted to the child.

29 \* Sec. 12. AS 25.27.130(c) is amended to read:

30 (c) The recovery of any amount for which the obligor is liable that exceeds the  
31 total assistance granted under AS 47.07 and AS 47.25.310 - 47.25.420 shall be paid

1 to the obligee.

2 \* Sec. 13. AS 25.27.130(d) is amended to read:

3 (d) Except as provided in (f) of this section, if the obligee is not receiving  
4 assistance under AS 47.07 or AS 47.25.310 - 47.25.420 at the time the state recovers  
5 money in an action under this section, the recovery of any amount for which the  
6 obligor is liable shall be distributed to the obligee for support payments, including  
7 medical support payments, that have become due and unpaid since the termination  
8 of assistance under AS 47.07 or AS 47.25.310 - 47.25.420 under a support order in  
9 favor of the obligee.

10 \* Sec. 14. AS 25.27.130(e) is amended to read:

11 (e) After payment to the obligee under (d) of this section, the state may retain  
12 an amount not to exceed the total unreimbursed assistance paid on behalf of the  
13 obligee under AS 47.07 or AS 47.25.310 - 47.25.420.

14 \* Sec. 15. AS 25.27.130(f) is amended to read:

15 (f) Notwithstanding (d) of this section, the state shall, if required under federal  
16 law or regulations, distribute amounts recovered through offset of the obligor's federal  
17 tax refund as past due support with first distribution to the state for unpaid support  
18 assigned to the state under AS 47.07.025 and AS 47.25.345.

19 \* Sec. 16. AS 39.35.500 is amended to read:

20 Sec. 39.35.500. SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE  
21 SYSTEM. Except as provided in AS 29.45.030(a)(1), employee contributions and  
22 other amounts held in the system are exempt from Alaska state and local taxes.  
23 Amounts held on behalf of, or payable to, any employee or other person who is or  
24 may become eligible for benefits under the system are not subject to anticipation,  
25 alienation, sale, transfer, assignment, pledge, encumbrance, or charge of any kind,  
26 either voluntary or involuntary, before being received by the person entitled to the  
27 amount under the terms of the system. An attempt to anticipate, alienate, sell, transfer,  
28 assign, pledge, encumber, charge, or otherwise dispose of a right to amounts held  
29 under the system is void. However, an employee's right to receive benefits may be  
30 assigned

31 (1) under a qualified domestic relations order; or

1                                   **(2) to a trust or similar legal device that meets the requirements for**  
2                                   **a Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4).**

3 \* **Sec. 17.** AS 47.07.020 is amended by adding new subsections to read:

4                   (f) A person may not be denied eligibility for medical assistance under this  
5 chapter on the basis of a diversion of income, whether by assignment or after receipt  
6 of the income, into a Medicaid-qualifying trust that, according to a determination made  
7 by the department,

8                               (1) has provisions that require that the state will receive all of the trust  
9 assets remaining at the death of the individual, subject to a maximum amount that  
10 equals the total medical assistance paid on behalf of the individual; and

11                               (2) otherwise meets the requirements of 42 U.S.C. 1396p(d)(4).

12                   (g) A person's eligibility for medical assistance under this chapter may not be  
13 denied or delayed on the basis of a transfer of assets for less than fair market value  
14 if the person establishes to the satisfaction of the department that the denial or delay  
15 would work an undue hardship on the person as determined on the basis of criteria in  
16 applicable federal regulations.

17 \* **Sec. 18.** AS 47.07 is amended by adding a new section to read:

18                   **Sec. 47.07.025. ASSIGNMENT OF MEDICAL SUPPORT RIGHTS.** (a) An  
19 applicant for or recipient of assistance under this chapter is considered to have  
20 assigned to the state, through the department and the child support enforcement  
21 agency, all rights to accrued and continuing medical support that the applicant and  
22 other persons for whom assistance is sought may have from all sources. The  
23 assignment takes effect upon a determination that the applicant is eligible for assistance  
24 under this chapter. Except with respect to the amount of any unpaid medical support  
25 obligation accrued under the assignment, the assignment under this section terminates  
26 when the applicant ceases to receive assistance under this chapter.

27                               (b) Through the child support enforcement agency or on its own behalf, the  
28 department may garnish the wages, salary, or other employment income of a person  
29 who

30                                       (1) is required by a medical support order under AS 25.27.063 to  
31 provide coverage of the costs of medical care to a child who is eligible for medical

1 assistance under this chapter;

2 (2) has received payment from a third party for the costs of the  
3 services; and

4 (3) has not used the payments to reimburse, as appropriate, the other  
5 parent or custodian of the child, the provider of the services, or the department.

6 (c) Garnishment under (b) of this section is limited to the amount necessary  
7 to reimburse the department for expenditures for the child under this chapter. Claims  
8 for current support or support arrearages take priority over claims under this section.

9 \* **Sec. 19.** AS 47.07.030 is amended by adding a new subsection to read:

10 (d) The department may use a case management system under which certain  
11 eligible individuals are required to seek approval from the case manager before  
12 receiving some services under this chapter and under which certain services may be  
13 denied eligibility under this chapter if the case manager does not approve provision of  
14 the service. A case manager may approve coverage of an optional service listed in  
15 AS 47.07.035, notwithstanding that coverage of that service may have been eliminated  
16 under AS 47.07.035.

17 \* **Sec. 20.** AS 47.07 is amended by adding a new section to read:

18 **Sec. 47.07.042. RECIPIENT COST-SHARING.** (a) Except as provided in (b)  
19 and (c) of this section, the state plan developed under AS 47.07.040 shall impose  
20 deductible, coinsurance, and copayment requirements or similar charges on persons  
21 eligible for assistance under this chapter to the maximum extent allowed under federal  
22 law and regulations. The plan must provide that health care providers shall collect the  
23 allowable charge. The department shall reduce payments to each provider by the  
24 amount of the allowable charge. A provider may not deny services because a recipient  
25 is unable to share costs, but an inability to share costs imposed under this section does  
26 not relieve the recipient of liability for the costs.

27 (b) The state plan developed under AS 47.07.040 shall impose a copayment  
28 requirement for inpatient hospital services in an amount that is the lesser of

29 (1) \$50 a day, up to a maximum of \$200 per discharge; or

30 (2) the maximum allowed under federal law and regulations.

31 (c) If the department has clear and compelling reason to believe that

1 application of the maximum allowable charges under (a) of this section to a specific  
2 service would not reduce state expenditures or would generate savings to the state that  
3 are insignificant in relation to the total cost containment possible, then the department  
4 may waive the charges otherwise required under (a) of this section as to that specific  
5 service.

6 \* Sec. 21. AS 47.07 is amended by adding a new section to read:

7 Sec. 47.07.055. RECOVERY OF MEDICAL ASSISTANCE FROM  
8 ESTATES. (a) The estate of an individual who received medical assistance payments  
9 is subject to a claim for recovery of the medical assistance after the individual's death  
10 that, except as provided in (b) of this section, may be secured by a lien filed against  
11 the individual's real property during the individual's lifetime if the

12 (1) individual was an inpatient in a nursing facility, intermediate care  
13 facility for the mentally retarded, or other medical institution;

14 (2) department required the individual, as a condition of receiving  
15 medical assistance under this chapter, to spend for medical expenses all but a minimal  
16 amount of that individual's income; and

17 (3) department determined during the individual's lifetime, after notice  
18 and opportunity for hearing, that the individual could not reasonably be expected to  
19 be discharged from the institution and to return home.

20 (b) A lien may not be filed under (a) of this section against an individual's  
21 home if the home is lawfully occupied by the individual's

22 (1) spouse;

23 (2) child under age 21;

24 (3) blind or disabled child as described in AS 47.25.615(3) or (5) or  
25 42 U.S.C. 1382(c); or

26 (4) sibling, if the sibling has an equity interest in the home and was  
27 residing in the home for at least one year before the date of the individual's admission  
28 to the institution.

29 (c) The state may not recover the costs of medical assistance under a lien on  
30 a home under (a) of this section until after the death of the individual's surviving  
31 spouse, if any, and only at a time when neither of the following is lawfully residing

1 in the home:

2 (1) a sibling of the individual who was residing in the individual's  
3 home for a period of at least one year immediately preceding the date of the  
4 individual's institutionalization and who has continuously resided in the home since  
5 the institutionalization began; or

6 (2) a son or daughter of the individual who

7 (A) resided in the home for at least two years immediately  
8 preceding the date of the individual's institutionalization;

9 (B) has continuously resided in the home since the  
10 institutionalization began; and

11 (C) establishes to the department's satisfaction that the son or  
12 daughter provided care to the individual that allowed the individual to reside  
13 in the home rather than in an institution.

14 (d) A lien and claim authorized under (a) of this section are extinguished if,  
15 during the individual's lifetime, the individual is discharged from the institution and  
16 returns home. However, a new lien and claim are authorized for subsequent expenses  
17 if the circumstances described in (a) of this section occur after the individual returns  
18 home.

19 (e) In addition to recovery of medical assistance upon sale of property subject  
20 to a lien authorized under (a) - (d) of this section, after an individual's death, the  
21 individual's estate is subject to a claim for reimbursement for medical assistance  
22 payments made on behalf of the individual under this chapter for the following  
23 services to the extent that those services were provided when the individual was 55  
24 years of age or older:

25 (1) services received while an inpatient in a nursing facility,  
26 intermediate care facility for the mentally retarded, or other medical institutions; and

27 (2) home and community-based services provided through a waiver  
28 received from the federal government that allows home and community-based services  
29 to be covered under this chapter for persons who are eligible for coverage under this  
30 chapter while in an institution but who are able to avoid institutionalization because  
31 of the provision of home and community-based services.

1 (f) Other than a recovery upon sale of a home, a claim under this section may  
2 be made only after the death of the individual's surviving spouse, if any, and only at  
3 a time when the individual has no surviving child under age 21 and no surviving child  
4 who is blind or totally and permanently disabled.

5 (g) For purposes of AS 13.16.470, the claims authorized under this section are  
6 debts with preference under the laws of the state.

7 \* **Sec. 22. APPLICABILITY.** The charges provided for under AS 47.07.042, added by  
8 sec. 20 of this Act, apply to services performed on or after July 1, 1994.