

HB

409

File No. 1

WORK ORDER REQUEST FORM

KEYWORDS: Health--catastrophic

ASSIGNED TO Haley

REQUEST FOR: BILL RESOLUTION RESEARCH OTHER

SUBJECT Catastrophic Illness

REQUESTED FOR Rep. Buchholdt BY Hubbard/Buchholdt EXT. _____

* DELIVER TO _____ TAKEN BY Haley

INSTRUCTIONS, EXPLANATIONS Identify gaps in catastrophic coverage. Estimate cost impact of various alternatives expanding the catastrophic illness committee's mandated coverage. Present alternatives to Rep. Buchholdt. Prepare written definition of the chosen target groups for amendment to HB 409.

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED

AUTHORIZED TO CONFER WITH Health & Social Services

RETURN _____ TO REQUESTER

APPROVED: GNE Director, Legal Services

Director, Research

REVIEWED _____

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

IN 2/10/78 DUE _____

TYPED - Draft _____ DATE _____

Final _____ DATE _____

PROOFED _____ DELIVERED _____

DRAFT

FINAL

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Tenth Legislature

I. REQUEST

Bill No. CS for HB 402 (Finance)

Title: Catastrophic Illness

Requested By: _____ Date: _____

Return Date Requested: ASAP

Agency: Department of Health & Social Services Program: Health

II. FISCAL DETAIL

Budget Request Unit(s) Affected: General Relief Medical

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		20.0	21.0	22.0	23.1	24.2
200 TRAVEL		4.0	4.2	4.4	4.6	4.8
300 CONTRACTUAL		2.0	2.1	2.2	2.3	2.4
400 COMMODITIES		1.0	1.0	1.1	1.2	1.3
500 EQUIPMENT		3.0	5	5	5	5
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		30.0	28.8	30.2	31.7	33.2

B. FUNDING: (Thousands of dollars)

FUND	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		30.0	28.8	30.2	31.7	33.2
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
MAN MONTHS (P./T.)	1	2	2	2	2	2
	6	6	6	6	6	6

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

A two person part time staff to handle the administrative and clerical supporting function to the claims review committee would involve an Administrative Assistant III (part time) and a Clerk Typist III (part time). Offices would be located in Juneau.

No provision has been made in the above for claims. This is normally included in the Governor's requested budget. The Request for FY 78 is \$450,000.

An inflation figure of 5% annually was utilized in computation of future fiscal years.

IV. ATTACHMENTS

V. DATE: 5/20/77

PREPARED BY:

Don Kemp

Don Kemp, Acting Director
Division of Public Assistance

Original: Legislative Finance
Budget and Management

Thomas K. Seibart

ISSUES: Housing, employment, the handicapped, daycare, minority business, Landlord-tenant mediation, utility "phantom" taxes, credit, property taxes, oil taxes.

HOUSING ISSUES

Redlining.

The issue here involves banks and savings and loan associations discriminating against neighborhoods which are considered low-income or deteriorating, particularly when it comes to financing rehabilitation of older residential buildings, older homes, or the purchase of single family units. A bank may view a financing request in a poor neighborhood as a bad investment because the area seems to be deteriorating, even though the credit standing of the individual requesting the financing is good. However, this process becomes a self-fulfilling prophecy, as a lack of residential development drives out those residents who have an interest in the neighborhood and would comprise a strong community, and leaves the area in a continued state of deterioration. The coalition would first need to research the extent to which such redlining occurs in Anchorage, by talking with people in areas such as Mountain View, Fairview, and Government Hill who have tried to obtain financing and been unsuccessful. If we decided that a problem indeed exists, then we may want to petition the Department of Revenue to adopt a rule requiring local banks to disclose their investment patterns on a neighborhood by neighborhood basis. If we petitioned the agency in this way, they would have to decide within 30 days to accept, reject, or hold a hearing on our proposal. If a hearing date were set, we would then come forth with testimony and evidence of redlining practices. Should a disclosure regulation show that systematic redlining is indeed occurring in certain areas, then we would want to consider further strategies for pressuring financial institutions into providing more financing in these neighborhoods.

Linda Arms Apartments.

While there are several low-income housing units which could be studied, there is a timely situation surrounding the recent HUD proposals for the disposition of the Linda Arms Apartments in Fairview. It appears that the buildings, which are now owned and managed by HUD, will undergo major redesign and rehabilitation, and possibly be sold to the Alaska State Housing Authority (ASHA). The aspects of this issue which may interest the coalition would be the involvement of minority businesses and contractors in the rehabilitation work; the input of tenants and area residents into design, management, and rent levels; and the manner in which the relocation of current residents is carried out while the buildings undergo rehabilitation. We still need to talk with more people from HUD and ASHA, and study their programs and regulations to determine the best way for interested parties to become involved in the project. The coalition may wish to lend its support to an ad hoc tenants organization which now exists at Linda Arms, in order that the residents' needs are heeded, and that the stipulations of the HUD Uniform Relocation Act are enforced.

Use of HUD Block Grants.

* HUD provides funding to the Municipality through its Block

Grant Program, which is to be directed toward improvements in low-income neighborhoods, such as property acquisition for parks, street improvements, rehabilitation of publicly-owned residential dwellings, and removal of architectural barriers. The Planning and Zoning Department of the Municipality solicits input from various neighborhood and citizen's groups to make recommendations for the use of Block Grant funds. It would be appropriate for the coalition to examine the uses to which Block Grant funds have been put in the past, and the current recommendations for their use which are under consideration. There will be a public hearing on this subject in May, in which we could become involved. It is important for these funds to be utilized in low-income neighborhoods, and for them to be directed toward needed services and facilities.

Architectural Barriers.

Several people have noted that the characteristics of buildings which make it difficult for handicapped people to get around on their own is a definite problem in Anchorage. Barrier-free buildings and transportation facilities are of the utmost importance to the handicapped. The Federal government recently approved the institution of a \$25,000 tax credit to employers and transportation services which alter their buildings, entranceways, etc., to make them accessible to the handicapped. However, making the public aware of the availability of this option, and having them utilize it, is the next barrier to be crossed on the local level. We might also wish to push the Assembly to adopt ordinances for removal of architectural barriers, and for the institution of barrier-free codes in new buildings. In addition, the HUD Block Grant Program, which is administered through the Municipal Planning Department, has specific provisions for funding the removal of architectural barriers. We would have to become actively involved in the hearing process through which the Planning Department solicits and prioritizes recommendations from the community for the use of HUD Block Grant money.

Senior Citizen Housing.

We are currently gathering information on the unique housing problems of senior citizens. Within the next two weeks, we expect to have contacted several resource people on the subject, and are looking at some studies and research which have been done. At that time we can present you with a more thorough assessment of this issue. In the meantime, any resources and information any of you can provide will be appreciated.

*Home makes
services*

EMPLOYMENT ISSUES

Discrimination and Affirmative Action.

Several people have suggested that serious discrimination problems exist for minorities and women, particularly in the State and Municipal governments. As a recent report from the General Government Subcommittee of the State Senate Finance Committee shows, 81% of the positions in State government which pay \$20,000 and over are filled by men; a mere 3.7% of these positions are filled by minorities. The report also points out that there are wide variations between different Departments of the State as far as each one's commitment to affirmative action

hiring is concerned. The coalition might want to advocate that the Municipal Assembly conduct a similar survey to assess the extent of the progress made in city level affirmative action. We could also ask that the Municipality do a hard review of its internal employment practices, backing up our request with data from an inquiry conducted by the Assembly. In addition, some input into having the Municipality define and expand the powers of the Equal Rights Commission would be valuable for the purpose of instituting affirmative action in the Municipal government and local businesses. At this point, the Commission's budget allotment is apparently too meager to maintain an adequate staff, and the Commission's caseload is backing up. In general, the Commission needs the "teeth" -- through budgetary commitments, and general support from the rest of the Municipal government -- to make some substantive inroads into the affirmative action and discrimination area. Finally, we might want to promote that the Municipality and the State -- by means of an ordinance, and through the Department of Administration-- require contractors bidding on public projects to disclose their equal employment opportunity practices.

HANDICAPPED ISSUES

Architectural Barriers.

Included with housing issues.

Employment.

Discrimination in employment is a problem for handicapped people, and involves issues such as training, employer awareness, etc. The Opportunities for the Handicapped Commission of the Municipality recently completed a survey, in conjunction with the Department of Labor, assessing the extent to which handicapped individuals are utilized by employers in the city of Anchorage. We are currently studying this survey, and also talking with individuals who are knowledgeable in the area of employment for the handicapped. We will have more of the specifics of this issue ready at the upcoming coalition meeting, which we will present at that time.

↓
already in contract
boiler plate forms

TAX ISSUES

Renters' Tax Credit;

Unlike Alaska, the states of Oregon and California have a tax credit for renters. This works within the state income tax system, and the amount of the credit is a function of income and rent paid. Currently in Alaska, a tax break is enjoyed by resident home owners who can claim mortgage interest paid as a deduction. The Coalition might want to promote legislation to this effect.

OK /

Tax Reform;

The biggest tax reform issue is the continuing debate over a

proper oil and gas tax policy.

The largest producing area in Alaska is Prudhoe Bay whose reserves represent the largest oil field in North America. This single discovery will soon be moving six billion dollars worth of oil to market annually. Oil company profits from the field have been conservatively estimated at 98 billion dollars.

Much of the profitability of the field is windfall to the oil companies. The world-wide price of oil was around \$2 a barrel when Prudhoe Bay was first discovered in 1968. Then in 1973 the OPEC oil cartel began pushing prices up to their present level of about \$13.50 a barrel. Current royalty agreements and severance tax laws are designed to provide Alaskans with around 24% of the net proceeds from production off the field, but unfortunately, the oil companies have inflated the costs of transporting the oil to market, thereby cheating Alaskans out of our fair share of the revenue. For example, Sohio has inflated tanker, pipeline, and field costs to a point where the state only receives 36 cents a barrel in royalty payments for each barrel of oil produced, a mere 2.6% of the sale price of the oil.

Another hot issue is the state income tax for the oil industry. Recent studies by the Department of Revenue indicate that the large oil companies pay only 2.5% to 3% in state income taxes, while Alaska corporations and wage earners pay the full 9.5% rate. The oil corporations are able to avoid the payment of State of Alaska income taxes by "transfer pricing" which shifts profits from Alaska to other states for tax purposes in transactions where the oil companies are selling a product or service from one subsidiary to another.

Both of these practices shortchange the Alaskan taxpayers hundreds of millions of dollars a year. Proposals for changing the method of computing production taxes and the state corporate income tax are currently before the legislature, and promise to be issues next year as well. The importance of the oil tax issue is overwhelming. Many important social reforms in housing, education, and social services can only be financed through state revenues. Tax relief to tenants, property owners and wage earners won't be meaningful without a replacement source of revenue. Furthermore, economic development proposals such as the development of the fisheries and other renewable resources cannot be accomplished without substantial new revenues. For all of these needed programs, oil revenues are vital.

Naturally, the oil industry is using all of its power to persuade legislators and other policy makers not to enact

new tax reform measures. So far, the oil industry has been very successful in its efforts. This is due, in large part, to the lack of grass roots support for a tougher policy towards the oil industry.

MINORITY BUSINESS

There is an organization in Anchorage, the Minority Business Task Force, which has formed to promote minority business in general, and in particular the adoption of a ordinance by the Municipality requiring that at least 15% of municipal contracts be let to minority contractors. The adoption of this ordinance, and the adherence to its provisions by the City would be a positive step given the negative impact of racial discrimination in the business realm.

Also, minority businesses, especially contractors, face harsh obstacles in the necessary dealings with the established lending institutions whose standards for the qualification for business loans and contract performance bonds reflect racial and economic discrimination.

This issue is an important one in light of the Coalition's objective of economic justice. The best resolution of this issue would prompt a reduction in minority unemployment and therefore improve the economic conditions of minorities in the community, and would also cut into racial discrimination which is still very much with us.

A number of important groups within the community are already aligned with this effort. We hope to have representatives from these groups as well as at least one from AMBTF at our next meeting. We should really get together on this one.

LANDLORD-TENANT DISPUTE MEDIATION

At the CRA sponsored Citizen Participation Conference in February, it was made clear that especially the poor and the elderly have problems with landlords. Currently, the Housing and Community Services is the only organization, besides the small claims court and Alaska Legal Services, which is any way involved with the landlord-tenant problem. And this involvement by Housing and Community Services is strictly an educational and referral service.

Years ago, the Anchorage CAP program ran a tenant's rights operation which offered counseling and education. When the CAP folded, the needed service was no longer available. The Citizens' Housing Action Coalition (CHAC) pushed for new program to provide this service. When the rent review

boards were set up during the pipeline boom, they were expected to deal with no-cause evictions but didn't in any meaningful way. The Consumer Protection Agency within the Attorney General's Office is not authorized to deal with landlord-tenant problems in a mediatory way.

In a needs assessment and feasibility report released in October of 1977, the Alaska Judicial Council affirms the need of a dispute mediation center to deal with landlord-tenant problems among others. There are numerous programs of this sort in operation throughout the country which have been developed in response to inadequacies of the court system to handle these. There is every reason to expect that such a program would be as effective in Alaska as elsewhere.

While the study has already been done and recommendations made, there is one aspect of the recommendation that the Coalition might want to look into. Essentially it is that such a center for mediation can be operated or sponsored by either the court system or by a private, non-court affiliated agency. The report acknowledges the respective benefits and problems. Whether the Council's recommendation is followed will depend upon input. The Coalition might want to examine this aspect of the matter more fully and make a recommendation. One way or another, the Coalition should support the establishment of a dispute mediation center.

DAY-CARE

Some time back the League of Women Voters in conjunction with numerous other groups exerted a very concentrated and admirable effort toward the development of quality child-care facilities and a funding program to support these. The large group divided itself into two sub-groups, each with a special task;

- A. an educational task force - which worked on four problems;
 1. the scarcity of day-care homes and centers
 2. the tremendous cost of providing quality day-care
 3. the cost of paying to receive day-care
 4. the great need of training and on-going supervision and support of day-care personnel
- B. a legislative task force - which worked on
 1. establishing a state day-care subsidy program

Thanks to this large effort, there is now a state Day Care Assistance Program which provides subsidy payment to providers based on the income of parents using the facilities. The program was also designed to provide loans to those establishing centers for the purpose of upgrading property to meet code requirements for this special purpose, and for the purchase of necessary equipment. Anchorage has also seen an increase in the number of licensed day-care facilities as a consequence of this effort. But the need for more and improved quality day-care is still with us.

We are informed by the City that there is a serious need to develop more family day-care homes (as opposed to larger centers) and small neighborhood centers since these, when well regulated, are preferable for very young children . Some of the issues needing to be addressed in order to expand the small program are;

1. a shortage of licensors
2. providing additional resources and staff to assist the small programs
3. review of the zoning laws to permit the establishment of small neighborhood centers where there is need

Additionally, it is rumored that there may be a move on the part of the larger centers to require an increase in the per-child subsidy provided by the Day Care Assistance Program, and to reduce the staff/child ratio. The reason for this is reported to be that the centers are not making it financially.

Any good evaluation of these expected requirements/demands should entail a definition of "making it". Like all businesses, child care centers are entitled to a decent profit. The argument is expected to be that with the current level of per-child subsidy, \$250 per month per child maximum, and with the code required staff/child ratios the centers cannot afford to operate. There is a difference of course between not making enough money to pay operating expenses and make a decent profit, and not making as much profit as would be possible if the children were allowed to endure a reduced staff requirement.

The quality of care in the centers is a direct function of both the amount of subsidy and of the ratios. The younger the children the more this is true since younger children require more individual attention. The ratio of staff to children affects the quality and quantity of interaction between the children and their care-givers. Were the operators of the day-care centers to ask that these ratios be changed to permit fewer staff persons, the burden of proof is on them to show that the quality

of care will not suffer, a burden virtually impossible to meet unless these operators propose to exclude the very young children from the centers.

It may well be true that the subsidy should be increased. State and municipal regulations do not address the qualifications of care-givers with respect to training and education. If a care-giver is 18 or older, alive, and without the burden of past criminal record or emotional disturbance, he/she is qualified. These are very minimal requirements. Women in particular are presumed to be qualified simply by virtue of their sex. Hypothetically, an increase in the per-child subsidy would permit an improvement or maintenance of present quality by enabling centers to retain their current staff levels and/or to hire persons of more specific qualification. This is some reason to be supportive of an increase provided that data indicate a need. Given the importance of the function of day-care, any increase in subsidy should be tied to quality considerations.

There is a direct link between the number and quality of child-care facilities, and the economic condition of women with children, since they cannot work without these facilities. Good day-care is a vital social service, the quality and quantity of which should be promoted by the Coalition.



ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

Board of Directors: Hugh Fleischer, Pres.; Malcolm Roberts, Vice Pres.; Julie Wroe, Sec.; Treas.: Melissa Middleton, Jane Angvik, Terry Stinson, Dave Case, Robert Goldberg, Joan Ray Charles, Eric Ekva'll

Coalition for Economic Justice

March 22, 1978

Dear Thelma,

Though it's been a while since we've been in touch about what's happening with the Coalition, I'm glad to be writing to you now to say that we've accumulated a lot of good information about issues suggested for the Coalition to work on. People in the community have been most cooperative about giving us information. We're ready, now, to select issues and I hope you'll make every effort to attend our meeting. We've included an outline of information on all of these issues. We need your attention to this information in order that the best possible decisions be made.

Once we have a decision about starting issues, we'll need to formalize the Coalition. Of course we can't do all of this at the next meeting. So we'll need to schedule a meeting shortly after this one to attend to formalizing business.

In addition to myself and Sara Tiffit, a new Coalition staff person who's been great to work with the past month, we hope to have others at the meeting who've contributed to our information who'll be able to give you further details in order to facilitate your deciding.

It promises to be a most interesting meeting and will be held Tuesday, March 28th, from 5:15 to 7:00 p.m., at the Community Center at 325 E. 3rd Avenue, in the first floor conference room.

Again, without your participation and input the Coalition cannot be effective. With your participation, we can go far toward improving the quality of life for large numbers of people. You DO make a difference. If it should happen that you've made a previous commitment for this time, please send someone from your organization in your place.

Sincerely,


Linda Trafford, CEJ Coord.

Catastrophic Illness
program:

1976 leg. - program
be continued

Suggested some
of the budget be used

DSS

for admin. costs.

(why not let O.S.S.
pick up the project).

189 exp. received now.

87-'77

102-'78

way ^{out} run of money before
end of the year.

Type of illness vary.

7 cases of nursing
home or extended care
needed.

1. Sig. of patients
could not be considered
catastrophic.

2. latitude

Fair issues:

1. Admin. of prog.
exp. content & come in
through the veil
through eligibility
worker.

2. Placement: Not
in Public Assistance
but in Public Health -
for image reason.

3. Is the coverage
adequate?

4. How large approx-
imations.

In it the family or the pat-
ient whom we need to
address?

32 states "medically needy"
program. Set up on sliding
scale.

~~Pilot~~ Pilot project in Mult-
nomah County.

What are "catastrophic
illness"

Catagoria program
catastrophic "

Helmson's will:

Throw out O. R. prog.

Throw out catastrophic
illness; cover ~~all~~ pay
except the pass.

Take out requirement to
sell house.

Options for research -
Pondering problem?
D. R. med. to be more
flexible.

State of Wm. - Sliding
scale w/ 100 deduct inh.

Insurance - medical costs
Blue Cross?

What would insurance cov-
rage cost the AFDC program.
Would it cancel the present

benefits?

Client has to come up
w/ first dollar - client
has to make some de-
cision about what he wants
to do.

Categorically - month to
month.

Initially injury

Catch 22 for

1. Social Security
2. D.C. med.
- 3.

over income
what's going to happen to
family? 50,000. med bill
& family -

Over the income help.
from social security.

Snapshot -

1. Amount of money
(set amount). why not
a supplemental?
2. Shar.

What groups are we
talking about?

1. Arranging to be held in
a review of border line
programs? G. R. Meel
meel.

2. Long term care patients
median in Hosp. Nursing
Home, no.

450 Thru.
G. R. Meel. Took
sufficient amount

Peter Hamilton

514

(3/20)

Statute location
into a different
category -

placed in under

[aid to need under
G. R. med.]

Increase in app. -

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

Catastrophic Illness Committee

JAY S. HAMMOND, GOVERNOR

Pouch H-06
Juneau, Alaska
99811

April 4, 1977

Legislature
Document# General #31

The Honorable Charles Parr
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Parr:

Re: Catastrophic Illness

We welcomed the recent opportunity of discussing with you some of the concerns of the Catastrophic Illness Committee which have developed during our deliberations promulgating regulations by which the Committee may implement the legislation. We have attempted to develop regulations applicable to Alaskans but following many of the concepts expressed in regulations utilized in Rhode Island and Maine. We have held hearings in Anchorage, Fairbanks, and Juneau regarding the regulations and have reacted favorably to some of the constructive criticisms received. Concern has been expressed by Alaska Legal Services concerning the floor of \$1,000, below which no claim will be considered by the Catastrophic Illness Committee. Concern has also been expressed regarding the grey area between the level of income under which medical costs are covered under the GRM Program, or categorical situations covered under Medicaid, and the floor of the Catastrophic Illness Regulations. We recognize this grey area but feel that the Catastrophic Illness legislation was not designed to fill all the gaps and that the legislature may need to react to this gap subsequently or to encourage medical assistance to continue to utilize a program of medical exceptions in these circumstances.

The Committee does wish to alert the Legislature that the level of funding projected for this legislation will probably be inadequate. Since it is new legislation, the \$300,000 projected for this present year may be adequate. However, we feel that for the next fiscal year the \$450,000 projected will probably be considerably short of the need and that the budget may more realistically be more than \$1,000,000. Accurate projections are impossible to obtain as we have no prior experience to guide our deliberations.



"1776-A TRIBUTE FROM OUR STATE TO OUR NATION-1976"



April 4, 1977

In view of the projected budget override, the legislature may wish to guide us through the legislative process and there may be a number of alternatives that could be considered in your deliberations. One alternative would be to raise the floor of minimal medical expenses that would be considered by the Committee. Certainly if the floor was raised to \$5,000, as an example, the number of claims under this legislation would be considerably reduced. Criticism would be generated, however, by advocate groups concerned with the protection of lower income situations and the hiatus between GR Med and Catastrophic Illness coverage would be further increased.

A second alternative might be to limit the Catastrophic Illness coverage to categorical diseases which could be considered as Catastrophic Illnesses. This could further be limited to diseases that are not totally incapacitating but require a continuing level of medical support beyond the means of ordinary income if an individual is to remain productive. The rationale of this limitation would be that these are individuals who need additional support to continue working and the alternative is perpetuation of an invalid state because they could not earn enough money to meet the medical expenses, and if they are working they would not be covered under Medicaid or one of the other assistance programs. Diseases which could be considered under this category would be hemophilia, progressive degenerative neurologic conditions requiring continuing levels of medical support, conditions under which a person may continue to be productive such as multiple sclerosis. The additional costs for chronic renal dialysis not covered under the Federal Medicare Program would be included, as would chronic pulmonary disease requiring home or ambulatory oxygen, and blood dyscrasias such as leukemia which now has an improved prognosis if appropriately treated, but is a disease in which the treatment program is extremely costly. While the Committee feels this is a possible approach, we do not feel it is realistic. If the Committee was left latitude in designating illnesses to be covered, it is our impression that there would be a number of potential lawsuits against this type of regulation.

Thank you for your consideration of the concerns of the Catastrophic Illness Committee and we would appreciate any assistance you could offer us in resolving the problem areas of this program.

Sincerely,

Robert I. Fraser

Robert I. Fraser, M.D.

TAPE #48
HHESS

MINUTES OF HOUSE HESS COMMITTEE

May 6, 1977

The meeting was called to order by Chairman Parr at 3:15 p.m. Members present: Mr. Parr, Mr. Nakak, Mr. Chatterton, Mr. Phillips & Dr. Beirne.

Absent: Mr. Bennett, Mr. Ose, Mr. Cotten and Mrs. Buchholdt.

HB 409

Thomas

Chairman Parr announced HB 409 was on the agenda and Michael Thomas an attorney from a local law firm testified on behalf of the American Council of Life Insurance. He said he also worked closely on matters such as HB 409 with the Health/Insurance Association of America. Two concerns with regard to Section 255 were: He felt it was clear in context that the benefits provided for applied only to needy persons as opposed to all persons. Said they believed this because Article 2 in which the statute is found, is entitled General Relief Assistance and he read Sec. 120. Stated "needy person" was defined in Sec. 300. Said they felt it was fairly clear that Sec. 255 fell within these perimeters and the eligibility under that section is limited to persons who are needy. He said the second concern was that the catastrophic illness committee established by Sec. 255 should not be given so much latitude that they can, by regulation, discourage individuals and employers from buying insurance or in other ways providing for disability hospitalization. Felt there was very wide insurance coverage in the state at the present time. Said the committee had been made available some copies of provisions that had been enacted in Rhode Island to meet some of the problems that are inherent in undertaking to provide limited assistance to citizens who can't otherwise get private health insurance. Said this was made available as an example of a fairly carefully drafted set of provisions which take into consideration what the proper degree of state liability might be and what the proper interface might be between state program, private insurance and other government programs.

He said they have drafted some suggested language which should be in the folders. He said with regard to the specific language of 409, said this goes in the opposite direction from the rest of the Chapter on relief assistance. Said this language would be to repay the people who give assistance and prohibit recoupment by the State against the person, his estate or other people who do not contribute to the medical needs. He said

that the Association has costed the regulations that have been suggested by the Dept. under Sec. 255 without this amendment and they estimate \$375,000 per year, plus or minus 25 per cent. Said that is without intermediate care facilities being covered. He said if the legislature intends a program under Section 255 to benefit a'l persons and not just the needy, then he felt the statute really needs very extensive revision and expansion to provide for the kinds of considerations and that it ought to be studied over the interim to make certain that all incentive to insure or take advantage of other programs or access is given to the state treasure is not taken away. He said in that event, Section 255 should be repealed or its effective date should be put off until such time as the legislature can make a definitive statement as to what it wishes to have covered.

There was discussion as to 3rd party sources and who the third party would be. Discussion on the limitations for life insurance.

Mr. Thomas was asked if the Association would have any objection if it were mandated that every company which sold group health plans offer catastrophic health insurance? Mr. Thomas said there was a problem with this.

Arnold
Next to testify was Elizabeth Arnold from the Attorney General's Office. She said she agreed with Mr. Thomas' statement wherein he said they need guidance from the legislature. Said there is extremely little guidance in the statute or in terms of legislative intent. She said it seemed the fundamental issue was "who was intended to be covered". She told of public hearings they had had on the subject. She elaborated on the fact that if it is intended for the needy person, their medical bills are already covered under general relief. Said she didn't know why this particular section was even put in. She said even if there isn't a constitutional problem about the catastrophic committee acting as it has acted because of the statute and major implications as it was interpreted, the regulations are more vulnerable to attack than if they clearly set out what catastrophic illness was, what groups would be covered and how the funding was to work and is the committee expected to stay within the appropriation, etc. She felt either the statute should be repealed and the concept dropped and the committee should continue paying off the people whom they have obligated money, or the statute should be seriously over-hauled. Felt outside experts should be brought in, the experience of other states who have had this type of legislation should be studied, if they don't repeal the section, the committee needs some kind of amendment

to at least indicate what group is to be covered and if they are expected to stay within the appropriation or whether they can expect to receive a supplement.

Mr. Phillips said it was his understanding that this law was supposed to apply to the middle class people and not just the needy people.

Mr. Chatterton felt it was necessary to have something in the statute.

Mr. Nakak said he doesn't feel a means should be used to decide whether someone should qualify for catastrophic illness assistance.

Frazier

Next to testify was Dr. Frazier with the Division of Public Health. Said a lot of his testimony was already presented by Ms. Arnold. Said he thought the decision that the committee is left with is what facilitated action can occur now that we enable the committee to operate during the next year or should the whole legislation be discarded. Said there was concern about the over-ride on the budget. He said their experience, so far is that 11 cases have been approved with an authorization of \$53,284. 14 applications have been denied, additional 10 were not considered because they were not qualified. 35 applications are pending. Said it is a new program and hasn't been heavily advertised and still not sure how the expenditures will run in another year. Said for this fiscal year it looks like they won't expend but about half of the funds and they don't know what will happen next year. Said he felt that the guidelines that have been drawn up by the committee demand a sufficient amount as the applicant's share, that it won't discourage the purchase of insurance. Said they do need guidelines from the legislature as to whether they should continue the activities of the committee, whether they need to limit expenditures to the amount budgeted or whether the legislature would consider favorably a supplemental request if this becomes necessary.

After much discussion Ms. Arnold said she would like to submit by Monday, something in writing, in moving this out of this chapter, deciding where it should be put, not doing a major revision but including what the determination of eligibility in addition to allowable costs levels and what reimbursements should be made by the committee. Felt this would be a help to the committee in determining who is going to be covered.

Mr. Chatterton objected in that he felt some action should be taken on the bill due to the lateness in the Session.

Mr. Parr said they could meet the next day after the Session and take the bill up again if Ms. Arnold could come back with the draft by then.

(
Action

Mr. Chatterton moved that on Line 9, page 1, strike the words "amended to read" and replace with "repeal". After much discussion a vote on the motion showed it to fail.

Mr. Parr said the bill would be brought up again on the next day right after the Session adjourned.

The meeting adjourned at 4:45 p.m.

MINUTES OF HOUSE HESS COMMITTEE

April 15, 1977

The meeting was called to order by Chairman Parr at 3:30 p.m. Those present were: Parr, Chatterton, Buchholdt, Phillips, Bennett.

Absent: Nakak, Ose, Cotten & Beirne.

HB 409

Chairman Parr announced that HB 409 would be taken up and asked Mrs. Buchholdt to speak on her bill. She told the committee her reasons for introducing the bill, the main one being trying to correct problems that have occurred with people she knows in Anchorage who have had an illness and had to sell their homes and all in order to pay the medical bills. She said she would be happy to expand the bill.

Fraser

Next to testify was Dr. Robert Fraser, Director, Division of Public Health. Dr. Fraser said the Department's concern with the bill is with the budgetary restriction. He said they do recognize the present bill does penalize people who have made the effort to meet their costs by going into debt, borrowing money for relatives, etc., and are sympathetic with them.

Mr. Parr informed the committee that he had met with Dr. Fraser and Mrs. Jund (from the Department) a few weeks back regarding this bill. He said this bill had been before the House last year and explained why it did not pass then. Said the committee would have to take a look at this bill and use it as a vehicle to resolve some of the problems facing the Dept. of Health & Social Services. He gave his views as to several alternatives.

There was discussion by members as to what a catastrophic illness was, whether to one person it would be catastrophic and to another person it might not be, depending on their financial status and how they defined catastrophic illness.

Dr. Fraser said the committee on catastrophic illness first met in November and their initial problem was regulations. They felt the fewer regulations they had would be best but said the Attorney General's office told them this would get them into trouble and that they need regulations and a formula to go by. Said they have processed the applications that have been forwarded to them, they have made disposition on roughly \$100,000 worth of claims, Said a number of claims have been denied, utilizing the formula.

Mr. Bennett said he would be very apprehensive if they started identifying the give or take 100 different disease conditions. Said you could get into a combination of other conditions. Said perhaps basing it on a scale based on income which has a financial value you could identify he thought perhaps was the only way to halfway be reasonable about it.

Dr. Fraser said they have approved approximately 6 applications, denied about 15 and have about 15 or 20 that did not qualify due to the low amount of their bills. Said they had 25 pending that they had requested more information on. Dr. Fraser was asked by Mr. Chatterton how long it would take them to act on the ones they are waiting information on. Dr. Fraser said depending on how quickly they got their information back they had requested but if they got it back within the next 2 weeks they could have them processed within the next 2 months.

Mr. Parr asked Dr. Fraser what the budget called for for this year. Dr. Fraser said they had asked for \$300,000 for this year. He said they had no previous experience to go on so just had to judge as what to ask for.

Dr. Fraser said much of their guidance in drawing up regulations was on the experience of the State of Maine. Said in trying to project the amount they need in Alaska is hard because of some very expensive problems, said a premature infant may have bills up to \$35 or \$40 thousand dollars. Someone in a skilled nursing facility for a period of time, 10 patients in that category would utilize the entire budget.

There was then much discussion as to the possibility of the state buying insurance for this type of illness through an insurance company.

Pfeiffer Next to testify was Jim Pfeiffer, Deputy Director for the Division of Insurance and a member of the Catastrophic Illness Committee. Said the way he understood the bill it would allow payments to be made to the person who made the original payments. Said the original bill contemplated payment to medical providers only, but now payment can be paid to a relative, friend, or whoever paid the medical provider. Said he would oppose that type of amendment. Said the original bills intent was to provide a source of funds for persons suffering a catastrophic illness who had no other fund and source available. He said if a person could tap a friend or relative he didn't believe the state should absorb that cost. Said he felt this would add and compound the problems of the committee. Said he thought the administration of such an amendment would be difficult.

There was much discussion with Mr. Pfeiffer regarding a group insurance policy for the entire state of Alaska as to what the premiums would be etc.

Mr. Parr asked if it would possible to structure a program to match the amount of money instead of matching the money to the program. Mr. Pfeiffer said it was an approach that had a great deal of logic. Said he has sent these regulations to Blue Cross and they had indicated from their already existing records in the State to try to come up with an answer. Mr. Parr informed Mr. Pfeiffer there wasn't much point in having legislation that would offer false hope to people and then not funding it. Said it would make more sense to have something on the books that would be funded by the legislature so the people would know the money was there if they qualified but said he had no idea what would be appropriated but presently doesn't see the 1.2 million being there even with the oil money.

Mr. Bennett asked if they had a dollar figure to provide a program like the one they had discussed that would have a true catastrophic coverage. Pfeiffer said they have not but the closest thing is what he has asked Blue Cross to do. Mr. Parr asked that he furnish us the material when he got it from Blue Cross.

Mr. Parr said for personal policies, he understood Blue Cross policies have a dollar limit. Mr. Heueisen said most policies covered up to a quarter of a million dollars. State employees policy is \$250,000 maximum (lifetime) per individual. There was discussion on the different types of policies.

Mr. Parr asked the Committee to hold off action on the bill until we received the information requested from Mr. Pfeiffer back.

The meeting adjourned at 4:50 p.m.

MEMORANDUM

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

TO: The Honorable Charles H. Parr
State House of Representatives

TE: May 4, 1977

FILE NO.

TELEPHONE NO.

FROM:

James E. Pfeifer
Deputy Director
Division of Insurance

SUBJECT:

Catastrophic Illness Legislation

Since another commitment prevents me from testifying before your committee on Friday, May 6, 1977, I present the following written comments:

At your April 15, 1977 committee meeting you requested information as to the anticipated cost which could be attached to the catastrophic illness legislation as currently reflected in the regulations drafted by the Catastrophic Illness Committee.

I have contacted the Health Insurance Association of America (HIAA) and Blue Cross of Washington and Alaska for assistance in cost projections. Neither source was willing to place much reliance on cost projections because of the unavailability of the necessary statistics.

With the understanding that these projections will be viewed as very rough estimates, I present the following:

The HIAA projected an estimated maximum cost of \$657,000 for the fiscal year beginning July 1, 1977. This estimate considers substantial intermediate care confinements which is an area of coverage of great concern to HIAA and one which can significantly impact costs.

A copy of a letter from HIAA is attached to this memorandum. Mr. Charles D. Kuhnen, Counsel, raises a number of valid questions and concerns about the legislation and regulations. I should point out that one of his major concerns is that the Catastrophic Illness Committee may have exceeded its authority in defining the legislation as being available for all of the people of Alaska. Even if one determines that the legislation was not intended to be limited to needy persons, the fact that it is included as a part of the statutes governing general relief assistance for needy persons raises a number of questions. I refer you to Mr. Kuhnen's letter for further details.

Blue Cross developed its projections by examining the experience of a large group plan in Alaska. Costs were related to an assumed population group which would be eligible for the program. In other words, Alaskans covered under other programs (such as Medicare, Medicaid, private insurance coverage, the military, Native Health Act, ecc.) would be excluded.

On the assumption that 10 percent of Alaska's population would be eligible, the total cost would be estimated at \$1,418,000. Blue Cross acknowledges that the 10 percent estimate could be high. Even if one

May 4, 1977

cuts it in half, however, the cost would be over \$700,000, well above the appropriation.

Because of the magnitude of these projections as well as the wide variance, it appears prudent to me that the HESS Committee should take a position on this matter in the current session. If the HESS Committee is satisfied with the scope of the current regulations, then an additional appropriation probably would be required.

On the otherhand, if your committee believes that the regulations do not fall within the intent of the law, then more specific direction should be given to the Catastrophic Illness Committee.

You should be aware that our committee is now reviewing and approving claims on a regular basis. As of this date, claims totaling \$53,000 have been approved. This number may appear small but you must consider that the committee has been approving claims only for about two months and more importantly, this program is not yet well known in the State. Pending claims on hand yet needing further information could well double the total above.

If I can provide further information or assistance, please advise.

JEP/wj/2/6

cc: Al Ose	Samuel R. Cotten
Alfred C. Wakak	H. F. Beirne
Don Bennett	C. V. Chatterton
Gandy Phillips	Martin Seve.
Thelma Buchholdt	Robert Fraser

HEALTH INSURANCE ASSOCIATION OF AMERICA

CHICAGO

NEW YORK

WASHINGTON

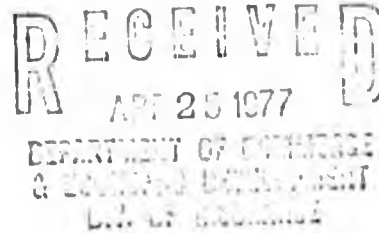
LEGAL DEPARTMENT

Charles D. Kuhnen, Counsel

Chicago Office
332 South Michigan Avenue
Chicago, Illinois 60604
(312) 939-0901

April 22, 1977

Mr. James E. Pfeiffer, CPA CLU
Deputy Director
State of Alaska
Division of Insurance
Pouch "D"
Juneau, Alaska 99811



Re: Alaska Catastrophic Medical Care Costs Law; Proposed Regulation;
H.B. 409

Dear Mr. Pfeiffer:

You have asked for our comments about the proposed regulation of the Catastrophic Illness Committee, which is intended to implement AS 47.25.255, and for any cost estimate we might have for the catastrophic illness plan set out in the regulation.

The proposed regulation shows that the Committee gave considerable thought and study to the problems involved in developing such a plan. We have several suggestions for you to consider, based on the insurance experience of our companies, on the experience of the plans in Maine and Rhode Island, and on my own experience working with the Arizona Legislature to try to establish a workable plan for that State. In this letter I will mention some of our serious concerns, leaving details and other suggestions for a later letter.

THE STATUTE

We have one very fundamental difference with the Catastrophic Illness Committee. This is over the meaning of the statute itself. To us, the statute quite clearly authorizes the payment of catastrophic illness benefits for needy persons who are eligible for general relief assistance. The proposed regulation, to the contrary, would make all residents of the State eligible for catastrophic illness benefits.

Mr. James E. Pfeiffer
April 22, 1977

(2)

All of the statutory signs point in the direction of our interpretation. AS 47.25.255 is contained in Title 47, chapter 25, Article 2. Title 47 is the title covering welfare, and social services and institutions. Chapter 25 is entitled "Destitute and Needy Persons". Article 2 deals with general relief assistance for needy persons. All of the sections in Article 2, including the catastrophic illness section, are governed by the first section (47.25.120) of that Article. Section 120 says that financial "assistance" may be given under §§120-300 of chapter 25 to a "needy person" who is eligible under regulations of the Department of Health and Social Services. Over and over again, the provisions of Article 2 tie all of the sections (120-300) of that Article together.

Thus, all of the sections of Article 2 are to be read together, and should be read as dealing with financial "assistance" for "needy persons".

Section 220 provides that the total amount paid in "assistance" to a recipient constitutes a claim against the recipient and his estate. It directs the courts to allow such a claim against the recipient's estate. So catastrophic illness payments, like other assistance for the needy, are recoverable by the State should the needy person or his estate have the resources to repay them.

To me, it would be a mere quibble to say that catastrophic illness payments are not subject to this provision because those payments are made to the provider of services on behalf of the needy person, rather than to the needy person himself. Section 190 allows for assistance payments to be made to a guardian, and I would guess that in practice the State may make other assistance payments to third parties on behalf of a needy person. For the purposes of §220, the needy person would still be the "recipient".

Section 255 itself exhibits its connection with other parts of Article 2. It specifically exempts the catastrophic illness program from the provisions of sections 230 and 240. It does not give the Catastrophic Illness Committee authority to determine who is eligible for catastrophic illness benefits, but only allows the Committee to determine allowable costs and levels of reimbursement. Eligible persons would be the needy who are eligible for general relief assistance under §120.

Section 255 was added to Article 2 by Chapter 221, Laws of 1976, the bill being Senate Bill 542. The Title to the Act supports the above analysis.

Mr. James E. Pfeiffer
April 22, 1977

(3)

It refers only to medical assistance for needy persons. The Act does not indicate that it was intended to enact a State catastrophic insurance program for all of the people of Alaska.

The journals of the House and Senate are not, as far as I can determine, available here in Chicago. I do not know how the catastrophic section of S.B. 542 was explained. If the bill had been intended to provide for a State catastrophic insurance program for all of the citizens of Alaska, I would have expected that it would be much debated and publicized. As far as I know, it did not receive such notice.

And the mere two sentences that the Legislature devotes to catastrophic insurance argues against it being considered a broad State catastrophic insurance program. Had it been considered to be so, would the Legislature have left it to a committee of three persons (the Catastrophic Illness Committee) to say what that program would be? Would the Legislature have left it to the Catastrophic Illness Committee to undertake any program it saw fit, without any direction from the Legislature as to scope or detail, even though such a program could cost millions of dollars or else fail to deliver what it promised? Most unlikely. Although I must say that the Committee has, in this proposed regulation, shown remarkable restraint. If the statute was really intended to give the committee a free hand, it could have developed a regulation which would have made the State, for all practical purposes, the sole health insurer in Alaska. The Committee could do this by making the threshold amount and required out-of-pocket expense low enough so that people no longer found it economical to pay premiums for private health insurance.

What I suspect the Legislature intended to do was provide catastrophic medical cost benefits for some of the people the Medicaid law describes as the "medically needy", without going to the expense that would be required to participate in the full program for the "medically needy" under Medicaid. I don't pretend to understand much about the Medicaid law, but two publications I have read say that Alaska participates in the Medicaid program for the "categorically needy", not in the Medicaid program for the "medically needy". If this is so, a catastrophic program for the medically needy could be adopted which would cost less than the medically needy program under Medicaid. It may be argued that the Department of Health and Social Services could already provide medical assistance to persons eligible for general relief assistance under Article 2. But this argument overlooks the requirement that a person liable for the

Mr. James E. Pfeiffer
April 22, 1977

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support of a needy person was required to participate in covering the needy persons medical needs under §§230 and 240, and that the amount of temporary assistance that could be given under §250 was limited to \$80 per month. Chapter 221 of the Laws of 1976 removed the requirements of §§230 and 240 for needy persons with catastrophic illnesses, and make an exception to the \$80 limit in §250 in the case of assistance for medical care.

Recommendations. If the Legislature meant to do what my analysis shows that it did in fact do, then, in view of the different interpretation made by the Catastrophic Illness Committee, it would be a good idea for the Legislature to amend §255 to prescribe more explicitly what it intended.

If the Legislature intended to delegate to the Catastrophic Illness Committee the power to adopt a State catastrophic illness program for all Alaskans, paid for by the State, we think it would be wise for the Legislature to amend pending H. B. 409 to postpone the effective date of AS 47.25.255 long enough so the Legislature can develop and enact the program it wants. The delegation of such power to the Catastrophic Illness Committee may very well be an unconstitutional delegation of legislative authority, most particularly since the legislature provided no guidelines whatsoever to the Committee. And, in any event, it seems unfair to the Committee members to place the entire burden of deciding on such an important program on them.

If the Legislature had in mind neither of the above interpretations, it would appear necessary now to amend AS 47.25.255 to clarify what was intended by it.

PROPOSED REGULATION: OUT-OF-POCKET
EXPENSE REQUIREMENTS

Many Alaska residents now have coverage, paid for by themselves or their employers, for health care expenses. This coverage may be provided under health insurance policies, Blue Cross-Blue Shield plans or other prepaid service plans, or under plans provided by noninsured entities. Such policies or plans often do protect against catastrophic losses. In recent years insurers have been increasing the maximum benefits they now provide, so that coverage is available, particularly under group plans which constitute 75% to 80% of the health insurance

Mr. James E. Pfeiffer
April 22, 1977

(5)

business up to limits of \$250,000, or \$1,000,000, or sometimes without a maximum overall dollar limit. It is interesting to know that increasing the limits generally costs less than securing separate coverage for catastrophic health care expenses.

We estimate that 248,000 Alaska residents under age 65 are covered for hospital expenses, 250,000 for medical expenses, 142,000 for major medical expenses. The major medical figure is for residents covered under insurance policies issued by insurance companies, and does not include any similar coverage furnished by the Blues. These are December 31, 1975 figures, the latest available from our statistics department. Persons age 65 and older are generally covered under Medicare, and are not included in the above figures.

Insurers do not want to be put out of the health care expense insurance business by a State plan for the general population. We think that your State government would not wish to use State funds to pay for health care costs for persons who have adequate insurance coverage, not to encourage people (or their employers) to drop their insurance coverage because of a State plan. This latter possibility could happen if you are not careful enough about the way you set the threshold amount and the out-of-pocket expense deductibles under the State plan.

Rhode Island has a catastrophic illness plan that contains provisions which encourage people to retain their insurance coverage. Under the Rhode Island law, the dollar amount of the out-of-pocket expense requirement decreases when the person has insurance coverage. Thus, for a person with no nonstate plan, there is a stated or percentage of income out-of-pocket expenditure required. The out-of-pocket expenditure amount is less for a person who has a basic nonstate plan, and is even less for a person with a major medical plan. Enclosed is a copy of the Rhode Island law that includes this graded out-of-pocket expense requirement.

You may wish to consider the Rhode Island requirements or something similar to them.

INTERMEDIATE CARE FACILITIES

We are very much concerned about the regulation proposing to pay for confinements in intermediate care facilities. These facilities are mostly

Mr. James E. Pfeiffer
April 22, 1977

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engaged in providing long-term custodial or semi-custodial care for the elderly.

Medicare does not cover confinement in intermediate care facilities. Medicaid does cover such confinements. Information from the State of Maine is that 40% of the benefit cost of that State's Medicaid program is for intermediate care facility confinements.

This information about Maine came from John Fickett, who is Director of the Division of Medical Assistance of the Maine Department of Health and Welfare. His Division administers Maine's Medicaid program and its catastrophic illness program. The Maine catastrophic illness program does not cover intermediate care facility confinements, and Mr. Fickett says he would advise any other State adopting a catastrophic illness program to omit coverage for such confinements.

OTHER PROBLEMS

As I told you by phone, the proposed regulation needs some additional work. One significant omission is that it does not contain a statement of what health care services are to be covered. This is just as important as listing the exclusions, if not more so.

We think the list of exclusions should be expanded somewhat.

The provisions concerning application of the out-of-pocket expense requirements when there are two or more catastrophic illnesses in the same family needs to be given more thought. This will be difficult to apply, particularly when the twelve-month benefit periods overlap, but begin at different times.

I will comment in more detail on these and other problems in a later letter.

COSTS

For a number of reasons it is very difficult to estimate the probably cost of the plan contained in the proposed regulation. One problem is that the regulation itself needs to be more definitive of the services covered, and of the benefit periods, and of the matters mentioned above. Also we have no up-to-date information on the distribution of the Alaska population by income and family size, and very little information about health care facilities.

Mr. James E. Pfeiffer
April 22, 1977

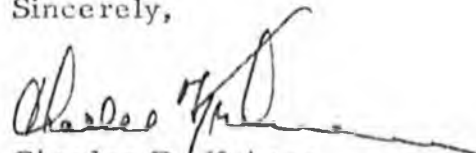
(7)

In order to make anything more than a general guesstimate, our actuary would need to have a more definitive plan and considerably more information.

His rough estimate, from what information we have including your explanation of a number of points that are not clear in the proposed plan, is about \$.90 (plus or minus 25%) per Alaska resident for the fiscal year beginning July 1, 1977, or about \$375,000 \pm 25% for a population of about 413,000. If intermediate care facility confinements are covered, and if there is a substantial amount of covered intermediate care confinements in Alaska, the figure could be as much as 40% higher on that account.

As with any insurance program, claim costs are likely to run significantly ^{above} below such costs in later years, when the program is better known to eligible claimants. Also the costs of health care services are continuing to rise at a high rate, and the rate of this increase will have a substantial effect on future costs.

Sincerely,


Charles D. Kulnen
Counsel

CDK:rt
Enclosure

	\$ 375,000
Add 25%	<u>94,000</u>
	469,000
Intermediate care 40%	<u>188,000</u>
	<u>\$ 657,000</u>

CATASTROPHIC ILLNESS PROGRAM DETERMINATION FORMULA

AMOUNT TO BE PAID BY APPLICANT*

PART I - INCOME MEASURE

Annual Gross Income	Number of family members						
	1	2	3	4	5	6	7 or more
\$ 0 - \$ 5,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
\$ 5,001 - \$ 5,600	1,275	1,000	1,000	1,000	1,000	1,000	1,000
\$ 5,601 - \$ 6,200	1,575	1,275	1,000	1,000	1,000	1,000	1,000
\$ 6,201 - \$ 6,800	1,950	1,575	1,275	1,000	1,000	1,000	1,000
\$ 6,801 - \$ 7,400	2,325	1,950	1,575	1,275	1,000	1,000	1,000
\$ 7,401 - \$ 8,000	2,700	2,325	1,950	1,575	1,275	1,000	1,000
\$ 8,001 - \$ 9,000	3,150	2,700	2,325	2,000	2,000	2,000	2,000
\$ 9,001 - \$10,000	3,750	3,150	2,700	2,325	2,000	2,000	2,000
\$10,001 - \$11,000	4,350	3,750	3,150	2,700	2,325	2,000	2,000
\$11,001 - \$12,000	4,950	4,350	3,950	3,750	2,700	2,325	2,000
\$12,001 - \$13,000	5,550	4,950	4,350	3,750	3,150	3,000	3,000
\$13,001 - \$14,000	6,150	5,550	4,950	4,350	3,750	3,150	3,000
\$14,001 - \$15,000	6,750	6,150	5,550	4,950	4,350	3,750	3,150
\$15,001 - \$16,000	7,350	6,750	6,150	5,550	4,950	4,350	3,750
over - \$16,000	Amount from \$16,000 line plus 75% of income over \$16,000.						

PART II - LIQUID ASSET MEASURE

Amount of Liquid Assets	Percentage of Liquid Assets to be applied to Medical Expenses
0 - \$1,000	-0-
\$1,001 - \$2,500	50% of excess over \$1,000
\$2,501 - \$5,000	75% of excess over \$2,500
over \$5,001	100% of excess over \$5,000

*It is the joint responsibility of the provider and the applicant to arrange a payment schedule to retire the amount to be paid by applicant.

	Example #1	Example #2	Example #3
Total Medical Expenses	\$20,000	\$20,000	\$20,000
Gross Income	6,200	16,000	30,000
Number of Family Members	4	4	4
Liquid Assets	1,500	1,500	1,500
Amount to be paid by Applicant:			
Part I - Income Measure	1,000	5,550	16,050
Part II - Liquid Asset Measure	250	250	250
Total - Applicant	1,250	5,800	16,300
Total Medical Expenses	20,000	20,000	20,000
Balance Eligible for Catastrophic Illness Program	<u>\$18,750</u>	<u>\$14,200</u>	<u>\$ 3,700</u>
Monthly payment by applicant			
Assuming 3 year payment Schedule			
For Part I above	\$ 28	\$ 154	\$ 446
% of Gross Income	5.4%	11.6%	17.8%

Note: At the higher income levels, significant tax benefits would reduce the impact of the higher percentage monthly payment.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

1977

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 409
 Title relating to catastrophic illness
 Requested by _____ Date 3/29/77

II. FISCAL DETAIL
 Agency Affected Commerce & Economic Development
 Program Category Affected Protection
 Budget Request Unit(s) Affected Division of Insurance

EXPENDITURES (Thousands of Dollars)

	NONE					
	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

	NONE					
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	NONE					
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

NONE

IV. DATE April 5, 1977 PREPARED BY James E. Pfeifer
 AGENCY Insurance
 Original: Legislative Finance PHONE 465-2515
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

CATASTROPHIC ILLNESS PROGRAM DETERMINATION FORMULA

MINIMUM MEDICAL EXPENSES FOR CONSIDERATION

ANNUAL GROSS SALARY	MINIMUM MEDICAL COSTS
0 - \$ 5,000	\$ 1,000
\$ 5,001 - \$ 8,000	\$ 2,000
\$ 8,001 - \$12,000	\$ 3,000
\$12,001 - \$16,000	\$ 4,000
\$16,001 - over	\$ 5,000

*ANNUAL SHARE FORMULA

Annual Gross Income	Number of family members							
	1	2	3	4	5	6	7	8 or More
\$ 0 - \$ 5,000	333	333	333	333	333	333	333	333
\$ 5,001 - \$ 5,600	425	333	333	333	333	333	333	333
\$ 5,601 - \$ 6,200	525	425	333	333	333	333	333	333
\$ 6,201 - \$ 6,800	650	525	425	333	333	333	333	333
\$ 6,801 - \$ 7,400	775	650	525	425	333	333	333	333
\$ 7,401 - \$ 8,000	900	775	667	667	667	667	667	667
\$ 8,001 - \$ 9,000	1,050	900	775	667	667	667	667	667
\$ 9,001 - \$10,000	1,250	1,050	900	775	667	667	667	667
\$10,001 - \$11,000	1,450	1,250	1,050	900	775	775	667	667
\$11,001 - \$12,000	1,650	1,450	1,250	1,050	1,000	1,000	1,000	1,000
\$12,001 - \$13,000	1,850	1,650	1,450	1,250	1,050	1,000	1,000	1,000
\$13,001 - \$14,000	2,050	1,850	1,650	1,450	1,250	1,050	1,000	1,000
\$14,001 - \$15,000	2,250	2,050	1,850	1,650	1,450	1,250	1,050	1,000
\$15,001 - \$16,000	2,450	2,250	2,050	1,850	1,650	1,450	1,250	1,050
over \$16,000	Amount from \$16,000 line plus 25% of income over \$16,000.							

*Annual Share will be required for a period of 3 years.

Amount of Liquid Assets Percentage of Liquid Assets to be applied to Medical Expenses

0 - \$1,000	-0-
\$1,001 - \$2,500	50% of excess over \$1,000
\$2,501 - \$5,000	\$1,250 + 75% of excess over \$2,500
over \$5,001	\$3,125 + 100% of excess over \$5,000

EXAMPLE: Gross Income - \$6,200; Liquid Assets - \$1,500;
 Medical Expenses - \$5,000; Number of Family Members - 4.

TOTAL MEDICAL EXPENSES	\$5,000	(Qualifies as it exceeds minimum of \$2,000)
ANNUAL SHARE - \$333 X 3 years	1,000	
BALANCE	4,000	
LIQUID ASSETS (50% of \$500)	250	
BALANCE ELIGIBLE FOR PROGRAM*	<u>\$3,750</u>	

*Subject to requirements of regulations.

LAW OFFICES OF
ALASKA LEGAL SERVICES CORPORATION

524 WEST SIXTH AVENUE, SUITE 204
ANCHORAGE, ALASKA 99501

TELEPHONE 272 9431

March 14, 1977

Catastrophic Illness Committee
Pouch II-06
Juneau, Alaska 99811

RE: Comments on Proposed Catastrophic Illness Regulations.

Dear People:

Pursuant to Commissioner Williamson's notice of February 2nd, 1977, I am submitting the comments contained in this letter for the Committee's consideration. The catastrophic illness program has the potential for providing substantial benefits to many of our clients. The draft regulations, however, contain a number of provisions which, if not revised, may adversely effect the substantive and procedural rights of a number of eligible persons and involve the Committee in protracted litigation.

Before commenting on specific sections of the proposed regulations, I would like to point out that one of their most serious shortcomings is that they fail to require that the catastrophic illness program be publicized. There is, thus, a real danger that the program will become a secret benefit which will--like the Medicaid program--be unused by large numbers of eligible persons. This eventually is manifestly contrary to the legislative intent behind AS. 47.25.255; it can be avoided if the Committee adopts a requirement that posters publicizing the availability of benefits and applications be displayed in the emergency rooms and entrance areas of state licensed hospitals and of public buildings. A similar requirement has been placed on the Violent Crimes Compensation Board and has contributed significantly to the success of its efforts.

I. COMMENTS ON SPECIFIC PROPOSALS

7 AAC 48.030 There are two sources of potential difficulty in this section. The first lies in its requirement that applications be made "in the manner prescribed" on the application form. Though the form and "instructions relating to the use of the form" are expressly excluded from coverage of the rule-making provisions of the State Administrative Procedure Act (AS. 44.62.010 et seq), an attempt to use the instructions as a vehicle for substantive rule-making would be clearly violative of the Act's terms. For example, an instruction on the form requiring applications to be submitted

*Application
approve on
a prognosis
from. J.P.P.*

within a certain time period after medical treatment is received would undoubtedly constitute a "regulation" as defined in AS. 44.62.640(a)(2) and, thus, be subjected to the procedural requirements in AS. 44.62.040--.290.

The second difficulty lies in subsection (d)'s provision stating that no application will be considered unless medical bills related to the catastrophic illness total more than ~~\$1000~~. It seems that the Legislature intended two elements to be present for an illness to be considered "catastrophic"--a medical element and an economic element. Though it may be possible to set up objective medical standards for determining whether an illness has sufficient physical or mental impact to be considered catastrophic, whether its economic impact rises to the level of a catastrophe is a purely subjective measurement. For some persons medical bills totaling \$500. may constitute a catastrophe while other persons might be able to absorb expenses totaling many thousands of dollars without assistance. Arbitrarily setting a cut-off point for the economic element of the definition of a catastrophic illness will exclude an entire class of people whose medical bills are less than \$1000. but are suffering a disastrous economic impact from the illness due to the fact that their expenses are very high in relation to their income.

There is a high probability that such a classification violates the right to equal protection of the law granted these class members by the Alaska Constitution. When dealing with a regulation of an economic nature, such a violation exists if the classification does not bear a "fair and substantial relation to the purpose sought to be advanced" by the legislative scheme. Issacson v. Rickey, Alaska Supreme Court Opinion No. 2550 (1976).

A regulatory classification excluding persons whose medical bills are less than \$1000 from the coverage of AS. 47.25.255 does not bear a fair and substantial relation to the Legislature's purpose in passing that statute. The catastrophic illness law was directed at helping all persons who suffer a serious economic impact as a result of severe medical problems. As has already been pointed out, this impact can exist when expenses are less than \$1000.

In response to this criticism it might be argued that people whose incomes are so low that bills of less than \$1000. represent a serious impact would be covered by the Medicaid or General Relief Medical Assistance Program. This argument ignores the fact that GRM and Medicaid eligibility requirements are quite restrictive and the benefits of those programs are not available to large numbers of poor people.

Change

Alternatives to the arbitrary cut-off point do exist. The Committee could, for example, develop a formula similar to that proposed in 7 AAC 48.070(a). The purpose of this formula would be to determine at what point a persons financial resources are inadequate to meet medical expenses. Such a formula should not be adopted without public input. See comments to 7 AAC. 48.070(a), infra.

An even better alternative to the arbitrary cut-off point would be to adopt a formula similar to that used by the State of California to determine medical indigency. That formula is contained in California Welfare and Institutions Code §14.005.7 (copy attached). If applied in Alaska's catastrophic illness program it would operate as follows:

Step 1--The Committee would determine the amount by which the applicant's income exceeded the GPA and GRM standard of need

Step 2--The Committee would determine the value of resources not excluded under 7 AAC 48.070(c).

Step 3--The value of the excess income derived under Step 1 and the resources described in Step 2 would be added. The sum obtained would then be compared to the applicant's medical bills. If the total bills exceeded the sum of the above-described assets there could be a finding that the illness had had a catastrophic economic impact.

7 AAC.48.050. The exclusion in subsection (e) of psychological or psychiatric treatment not required by court order is over-broad. It is quite possible that a person may suffer emotional difficulties which are severe enough to intervere with his ability to support himself or his family but which would not justify court-ordered treatment. Severe depression or persistent anxiety may, for example, interfere with a person's ability to hold a job. The definition of excluded psychological or psychiatric treatment should be narrowed so that such persons will be given the benefit of AS 47.25.255 (unless they can receive help from public agencies of programs in their community).

7 AAC.48.070(a). It is unacceptable for the formula which will determine what benefits people receive to be devised without public comment. Whatever formula is suggested will not relate solely to the Committee's internal affairs but will directly affect the public. It is, thus, a "regulation" as defined in AS.44.62.640 and must be adopted pursuant to the Administrative Procedure Act. If the Committee fails to utilize the Act's rule-making procedures and promulgating the formula the first person whose benefits are denied or reduced as a result of its application will have a cause of action based on the illegality of the procedure

used to adopt it.

Any proposed formula should be based (upon net) not gross, income, for a formula based upon gross income would ignore the applicant's necessary non medical expenses and, thereby, underestimate the true impact of medical bills.

7 AAC.48.070(c). The main shortcoming of this section is that it does not exclude restricted property such as Native Allotments or Townsite lots from consideration as assets. This realty is restricted property which under federal law and regulations is held in trust by the Secretary of the Interior and is not freely alienable. It, thus, cannot be liquidated to meet medical expenses. 43 USC. §5270-1, 732-733; 43 CFR. §2561.3.

The subsection also fails to exclude the Alaska Longevity Bonus from consideration as income. This failure contravenes the purpose of the Longevity Bonus Statute, as set forth in AS.47.45.170.

In light of the foregoing, the following language should be added to the subsection:

"(8) Money received from Alaska Longevity Bonus Fund.

"(9) Lands held pursuant to the Allotment Act of 1906 [43 USC. §270-1 et seq].

"(10) Lands described in restricted deeds issued by the Townsite Trustee, U.S. Department of the Interior."

It is also suggested that § .070(5) be changed to read, "one thousand dollars of liquid assets not otherwise excluded by this subsection". In light of the definition of "liquid assets" in 7 AAC. 48.130 (8), such a change would clarify the apparent intent of clause (5).

7 AAC.48.080(b). See discussion of \$1000. cut-off point, supra.

7 AAC.48.080(d). This subsection appears to allow the Committee to consider the overall availability of catastrophic illness funds in deciding individual cases. AS.47.25.255 does not grant the Committee such discretion. By passing the statute the state has undertaken to grant all persons suffering from catastrophic illness benefits of the legislative scheme. The Committee cannot shirk this responsibility to individual applicants by considering the overall availability of funds.

7 AAC.48.080(e). This provision is ambiguous. The "other factors or circumstances" should be specified.

7 A.F.C. 48.090-.110 There is little reason for interposing the reconsideration procedure between the decision of an application and the fair hearing which is required as a matter of procedural due process. Though it might be said that a reconsideration may serve to narrow issues on appeal, the issues which will arise as the result of adverse decisions on applications will most likely revolve around narrow factual questions anyway (e.g: the applicant's income, the nature of his assets, the character or impact of his illness). Furthermore, requiring a reconsideration will have the effect of clogging the Committee's calendar with disputed matters that could be expeditiously resolved by hearing officers and could affect its ability to deal efficiently with new applications.

The most significant arguments against having a reconsideration prior to a fair hearing is that, as structured in the proposed regulation, the reconsideration will have a chilling effect on the exercise of the right to a hearing by many low income people in the state. In order for the reconsideration to be obtained, the applicant must submit a detailed written statement along with supporting documentation. A substantial portion of the state's low income population is not used to expressing arguments in writing. The reliance on written statements of grounds by proposed §.090 will discourage a number of people in this category from pursuing meritorious appeals.

Another defect with the proposed regulations relating to appeals procedures is that they do not require applicants to be notified regarding their due process rights when adverse decisions are rendered. As was recognized in Aguchak v. Montgomery Ward Co., Inc., 520 P.2d 1352 (Alaska 1974), applicants' procedural due process rights will only be protected if the notices regarding the Committee's decision are reasonably calculated to apprise them of these rights.

To remedy this shortcoming I propose that the following provisions shall be added:

"All information describing hearing rights and procedures and rights to representation shall be printed in bold-face type on the front or facing page of the notice informing the applicant of the Committee's decision. In addition, the front or facing page of the notice shall indicate that those unable to hire legal counsel to represent them may be able to obtain assistance from Alaska Legal Services Corporation."

The provision of section 100 incorporating the Department's regulations regarding welfare and food stamp fair hearings by reference could cause problems. Though many of the procedures re-

lating to welfare fair hearings can be easily adapted to appeals from the Committee's decisions, others may be wholly inappropriate. It is suggested that a thorough review be made of these procedures so that those which conflict with the goals of the catastrophic illness program will not be inadvertently adopted.

My final comment on the proposed appeals procedure concerns the 30 day limit for seeking review contained in section 110. This period will normally give applicants ample time to request a hearing. but a provision stating that the limit can be extended or waived for good cause would serve the ends of justice by assuring that hearing rights are protected when the failure to make a timely request results from circumstances beyond the control of the applicant (e.g. a representative's negligence or inability to understand hearing procedures). Also, the regulation should specify that a request for a hearing will be deemed made upon a dispatch. This will protect the rights of persons who live in areas of the state where mail service is erratic.

7 AAC. 48.130(3). The arbitrary nature of the \$1000 cut-off point in the definition of "catastrophic illness" has already been discussed. It should also be noted that the limitation of the definition to a single illness conflicts with §. 070(b).

II. CONCLUSION

By the comments contained herein, Alaska Legal Services does not waive any objection to the final regulations adopted by the Catastrophic Illness Committee. I hope, however, that these suggestions provide the Committee with some assistance in devising workable and fair rules. Thank you for the opportunity to participate in the rule-making process.

Sincerely,

ALASKA LEGAL SERVICES CORPORATION

Richard Brown
Staff Attorney

RB:shb

Library References

Social Security and Public Welfare C.S.S. Social Security and Public Welfare § 211. C.S.S. Social Security and Public Welfare § 73.

§ 14005.7 Medically indigent adult and family persons eligible for health care service

The following medically indigent adult and family persons are eligible for health care service under Section 14005:

(a) A medically indigent adult person whose monthly income in excess of the amount required for maintenance established pursuant to Section 14005.12 (exclusive of any amounts considered exempt as income under other provisions of this code pertaining to public assistance recipients) is not sufficient to provide for the cost of health care or coverage less any amount by which the value of his other resources, owned by him alone, or in combination with his spouse, exceeds the value established in accordance with Section 14006, or a reasonable portion of such value thereof as may be determined in accordance with standards established by the director; or

(b) A medically indigent family person in a family whose monthly family income in excess of the amount required for maintenance established pursuant to Section 14005.12, by family size (exclusive of any amounts considered exempt as income under other provisions of this code pertaining to public assistance recipients) is not sufficient to provide for the cost of health care or coverage less any amount by which the value of the family's other resources exceeds the value established in accordance with Section 14006, or a reasonable portion of such value thereof as may be determined in accordance with standards established by the director.

(Added by Stats.1971, c. 577, p. —, § 13, eff. Aug. 13, 1971, operative Oct. 1, 1971.)

Cross References

Medi-Cal card, see § 14017.

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LAW OFFICES OF
ALASKA LEGAL SERVICES CORPORATION

524 WEST SIXTH AVENUE, SUITE 204
ANCHORAGE, ALASKA 99501

TELEPHONE 272-9431

March 14, 1977



Catastrophic Illness Committee
Pouch H-06
Juneau, Alaska 99811

RE: Comments on Proposed Catastrophic Illness Regulations.

Dear People:

Pursuant to Commissioner Williamson's notice of February 2nd, 1977, I am submitting the comments contained in this letter for the Committee's consideration. The catastrophic illness program has the potential for providing substantial benefits to many of our clients. The draft regulations, however, contain a number of provisions which, if not revised, may adversely effect the substantive and procedural rights of a number of eligible persons and involve the Committee in protracted litigation.

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within a certain time period after medical treatment is received would undoubtedly constitute a "regulation" as defined in AS. 44.62.640(a)(2) and, thus, be subjected to the procedural requirements in AS. 44.62.040--.290.

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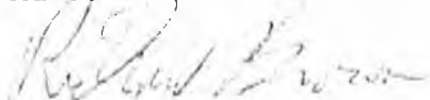
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II. CONCLUSION

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Sincerely,

ALASKA LEGAL SERVICES CORPORATION



Richard Brown
Staff Attorney

RB:shb

§ 14005.6

PUBLIC SOCIAL SERVICES

Div. 9

Pt. 3

Library References

Social Security and Public Welfare § 241.

C.I.S. Social Security and Public Welfare § 73.

§ 14005.7 Medically indigent adult and family persons eligible for health care service

The following medically indigent adult and family persons are eligible for health care service under Section 14005:

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(b) A medically indigent family person in a family whose monthly family income in excess of the amount required for maintenance established pursuant to Section 14005.12, by family size (exclusive of any amounts considered exempt as income under other provisions of this code pertaining to public assistance recipients) is not sufficient to provide for the cost of health care or coverage less any amount by which the value of the family's other resources exceeds the value established in accordance with Section 14006, or a reasonable portion of such value thereof as may be determined in accordance with standards established by the director.

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Brent is
secretary
out of town till Thurs.
AFF.

MINUTES OF HOUSE HESS COMMITTEE

April 15, 1977

The meeting was called to order by Chairman Parr at 3:30 p.m. Those present were: Parr, Chatterton, Buchholdt, Phillips, Bennett.

Absent: Nakak, Ose, Cotten & Beirne.

HB 409

Chairman Parr announced that HB 409 would be taken up and asked Mrs. Buchholdt to speak on her bill. She told the committee her reasons for introducing the bill, the main one being trying to correct problems that have occurred with people she knows in Anchorage who have had an illness and had to sell their homes and all in order to pay the medical bills. She said she would be happy to expand the bill.

Fraser

Next to testify was Dr. Robert Fraser, Director, Division of Public Health. Dr. Fraser said the Department's concern with the bill is with the budgetary restriction. He said they do recognize the present bill does penalize people who have made the effort to meet their costs by going into debt, borrowing money for relatives etc., and are sympathetic with them.

Mr. Parr informed the committee that he had met with Dr. Fraser and Mrs. Jund (from the Department) a few weeks back regarding this bill. He said this bill had been before the House last year and explained why it did not pass then. Said the committee would have to take a look at this bill and use it as a vehicle to resolve some of the problems facing the Dept. of Health & Social Services. He gave his views as to several alternatives.

There was discussion by members as to what a catastrophic illness was, whether to one person it would be catastrophic and to another person it might not be, depending on their financial status and how they defined catastrophic illness.

Dr. Fraser said the committee on catastrophic illness first met in November and their initial problem was regulations. They felt the fewer regulations they had would be best but said the Attorney General's office told them this would get them into trouble and that they need regulations and a formula to go by. Said they have processed the applications that have been forwarded to them, they have made disposition on roughly \$100,000 worth of claims, Said a number of claims have been denied, utilizing the formula.

Mr. Bennett said he would be very apprehensive if they started identifying the give or take 100 different disease conditions. Said you could get into a combination of other conditions. Said perhaps basing it on a scale based on income which has a financial value you could identify he thought perhaps was the only way to halfway be reasonable about it.

Dr. Fraser said they have approved approximately 6 applications, denied about 15 and have about 15 or 20 that did not qualify due to the low amount of their bills. Said they had 25 pending that they had requested more information on. Dr. Fraser was asked by Mr. Chatterton how long it would take them to act on the ones they are waiting information on. Dr. Fraser said depending on how quickly they got their information back they had requested but if they got it back within the next 2 weeks they could have them processed within the next 2 months.

Mr. Parr asked Dr. Fraser what the budget called for for this year. Dr. Fraser said they had asked for \$300,000 for this year. He said they had no previous experience to go on so just had to judge as what to ask for.

Dr. Fraser said much of their guidance in drawing up regulations was on the experience of the State of Maine. Said in trying to project the amount they need in Alaska is hard because of some very expensive problems, said a premature infant may have bills up to \$35 or \$40 thousand dollars. Someone in a skilled nursing facility for a period of time, 10 patients in that category would utilize the entire budget.

There was then much discussion as to the possibility of the state buying insurance for this type of illness through an insurance company.

Next to testify was Jim Pfeiffer, Deputy Director for the Division of Insurance and a member of the Catastrophic Illness Committee. Said the way he understood the bill it would allow payments to be made to the person who made the original payments. Said the original bill contemplated payment to medical providers only, but now payment can be paid to a relative, friend, or whoever paid the medical provider. Said he would oppose that type of amendment. Said the original bills intent was to provide a source of funds for persons suffering a catastrophic illness who had no other fund and source available. He said if a person could tap a friend or relative he didn't believe the state should absorb that cost. Said he felt this would add and compound the problems of the committee. Said he thought the administration of such an amendment would be difficult.

There was much discussion with Mr. Pfeiffer regarding a group insurance policy for the entire state of Alaska as to what the premiums would be etc.

Mr. Parr asked if it would possible to structure a program to match the amount of money instead of matching the money to the program. Mr. Pfeiffer said it was an approach that had a great deal of logic. Said he has sent these regulations to Blue Cross and they had indicated from their already existing records in the State to try to come up with an answer. Mr. Parr informed Mr. Pfeiffer there wasn't much point in having legislation that would offer false hope to people and then not funding it. Said it would make more sense to have something on the books that would be funded by the legislature so the people would know the money was there if they qualified but said he had no idea what would be appropriated but presently doesn't see the 1.2 million being there even with the oil money.

Mr. Bennett asked if they had a dollar figure to provide a program like the one they had discussed that would have a true catastrophic coverage. Pfeiffer said they have not but the closest thing is what he has asked Blue Cross to do. Mr. Parr asked that he furnish us the material when he got it from Blue Cross.

Mr. Parr said for personal policies, he understood Blue Cross policies have a dollar limit. Mr. Heueisen said most policies covered up to a quarter of a million dollars. State employees policy is \$250,000 maximum (lifetime) per individual. There was discussion on the different types of policies.

Mr. Parr asked the Committee to hold off action on the bill until we received the information requested from Mr. Pfeiffer back.

The meeting adjourned at 4:50 p.m.

Public Hearings

Talked to Michele Shook -
465-3090

Fairbanks

Anchorage } Getting a copy of the Arch. hearings
Journal July act. nov.

Most Hospitals have been appraised

& supplied with applications - perhaps there
could be some help in rural communities
that may not -

14 states have CIHP

3 member Board -

Dr. Fraser

Jim Pfeifer -

Barbara Bownes -

Other States -

ALASKA - (Rhoos Island)

MAINE

ARIZONA

MASS. ?

They have not staffed this program as
yet -

DRAFT

Register , 1977 HEALTH & SOCIAL SERVICES

7 AAC 48.010
7 AAC 48.020
7 AAC 48.030

CHAPTER 48. CATASTROPHIC ILLNESS.

Section

10. Committee meetings
20. Confidentiality
30. Applications for assistance
40. Residency
50. Services excluded from coverage
60. Required documentation; investigation
70. Applicant's share
80. Standards for reimbursement to providers
90. Reconsideration of decision by committee
100. Fair hearing
110. Finality of decisions
120. Lien on subsequent payment from collateral sources
130. Definitions

7 AAC 48.010. COMMITTEE MEETINGS. The Catastrophic Illness Committee shall meet twice a month on dates which the committee establishes. (Eff. / /1977, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.020. CONFIDENTIALITY. The confidentiality provisions of 7 AAC 37.020 -- 7 AAC 37.130 are adopted by reference and made applicable to this chapter.

(Eff. / /1977, Register)

Authority: AS 47.05.010
AS 47.05.020
AS 47.05.030

7 AAC 48.030. APPLICATIONS FOR ASSISTANCE. (a) All applications for financial assistance under this chapter must be made on a form authorized by the committee, and in the manner prescribed on it.

(b) Application forms will be available at Regional Health Offices of the Division of Public Health, or may be obtained by writing to the committee at Pouch H06, Juneau, Alaska 99811.

(c) Applications may be filed by a person who has suffered a catastrophic illness or by a parent, spouse, or legal guardian of that person; or by any other interested party with the written consent of the person who has suffered a catastrophic illness.

(d) No application will be considered unless the total medical bills related to the catastrophic illness are more than \$1,000 in a 12 month period after all sources of third party payment have been exhausted.

(Eff. / /1977, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.040. RESIDENCY OF APPLICANT. Applicants must be residents of the State of Alaska at the time of application and at the time the catastrophic illness for which state aid is sought occurred.

(Eff. / /1977, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.050. SERVICES EXCLUDED FROM COVERAGE. The following services and charges are excluded from coverage under this chapter:

(a) Dentistry and optometry unless prescribed by a licensed dentist or physician as medically necessary as the result of an injury or illness;

(b) Elective medical or surgical procedures;

(c) Drugs and medications not prescribed by a licensed physician;

(d) Services received as a result of a normal pregnancy;

(e) Psychological or psychiatric treatment unless required by court order and not available from public agencies or programs;

(f) Chiropractic services;

(g) Services not of a medical nature.

(Eff. / /1977, Register)

Authority: AS 47.05.010
AS 47.35.255

7 AAC 48.060. REQUIRED DOCUMENTATION; INVESTIGATION.

Each application will be reviewed by the committee or its designee for completeness of information, including required documentation of medical expenses, gross income and assets. The committee or its designee may return the application for more complete information to the person who is applying and may investigate any portion of an application.

(Eff. / /1977, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.070. CALCULATION OF APPLICANT'S SHARE. (a) A

formula adopted by the committee shall be utilized in determining the applicant's share of total medical bills related to a catastrophic illness, based on annual gross income, number of dependents and amount of assets. This formula may be revised by the committee from time to time and shall be made available to persons who request it by writing to the committee at Pouch H06, Juneau, Alaska 99811;

(b) For the purposes of applying the formula to determine the applicant's share, multiple catastrophic illness occurring within a 12 month period to the applicant or other members of the applicant's family shall be treated as one catastrophic illness;

(c) In applying the formula to determine the applicant's share, the total gross income and the total assets of the family of an applicant may be considered; the following assets will be excluded:

(1) a home providing shelter for the applicant and the land on which it is situated;

(2) one automobile or truck, not used for business purposes;

(3) tools, equipment and vehicles required in a trade or business;

(4) ordinary household and personal effects;

(5) \$1,000 of liquid assets;

(6) all non-liquid assets unless such exclusion would bring about an inequitable result; however, all income derived from such property will be taken into consideration in determining the recipient's gross income;

(7) inalienable shares in a Native Corporation created pursuant to the Alaska Native Claims Settlement Act, P.L. 92-203, 43 U.S.C. 1601 et seq., during the period of their inalienability as specified in the act.

(d) Assets received as custodian, guardian, conservator or trustee for another are not considered assets of the custodian, guardian, conservator or trustee himself.

(Eff. / /1977, Register)

7 AAC 48.080. STANDARDS FOR REIMBURSEMENT TO PROVIDERS.

The amount that the committee reimburses providers for medical services rendered to a person who has suffered a catastrophic illness shall not be greater than 100% of the total unpaid bills related to the catastrophic illness and must be determined by the following standards:

(a) Medical bills related to a catastrophic illness will be considered for 12 month periods. The initial 12 month period begins with the date of the first charges incurred because of the illness, but no charges incurred before July 1, 1976, will be considered;

(b) The committee may not reimburse a provider if the applicant's total bills related to the catastrophic illness are less than \$1,000 in any 12 month period described in (a) after all sources of third party payment have been exhausted by the applicant or by someone acting on behalf of the applicant;

(c) The committee may not reimburse a provider for the applicant's share of the total medical bill, as determined by the formula referred to in section 70 of this chapter;

(d) The committee may consider the availability of catastrophic illness funds;

(e) The committee may consider any other factors or circumstances which it determines to be relevant in an individual case.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.090. RECONSIDERATION OF DECISION BY COMMITTEE.

The committee shall promptly notify an applicant of its decision with written reasons for the amount of the award or for a finding of non-eligibility. An applicant who is dissatisfied with a decision of the committee may apply to the committee for reconsideration within 30 days of receipt of the decision. The request for reconsideration must include a written statement of grounds for reconsideration and any supporting documentation which was not available to the committee for its original decision. Within 30 days of receipt of a request for reconsideration, the committee shall affirm, amend or reverse its original decision. The committee shall promptly notify the applicant of its decision upon reconsideration with written reasons for its action.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.100. FAIR HEARING. An applicant who is dissatisfied with the committee's decision upon reconsideration may request a fair hearing in accordance with the procedures established by the Department of Health and Social Services at 7 AAC 49.020 -- 7 AAC 49.250.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.110. FINALITY OF DECISIONS. Decisions as to catastrophic illness awards are final (a) 30 days after receipt by the applicant of the committee's decision unless a reconsideration is requested during this time; or (b) 30 days after receipt of the committee's decision upon reconsideration unless a fair hearing is requested during this time; or (c) after denial or dismissal as provided by 7 AAC 49.110; or (d) 15 days after receipt of the hearing authority's decision if that decision is not appealed during this time as provided by 7 AAC 49.230; or (e)

after the decision of the director on appeal as provided by 7 AAC 49.240.

(Eff. / /77, Register)

Authority: AS 47.05.010

AS 47.25.180

AS 47.25.255

7 AAC 48.120. REIMBURSEMENT TO CATASTROPHIC ILLNESS FUND.

If the applicant or a provider is recompensated from any other source for medical bills which have been paid by the catastrophic illness fund, the state shall have the right to reimbursement for the amount paid from the fund. As a condition of application for catastrophic illness funds an applicant shall sign an agreement to this effect. As a condition of payment from the fund a provider shall sign an agreement to this effect.

(Eff. / /77, Register)

Authority: AS 47.05.010

AS 47.25.255

7 AAC 48.130. DEFINITIONS. In this chapter

(1) "applicant" means a person who has suffered a catastrophic illness:

(2) "applicant's share" means the amount of the total medical bill related to the catastrophic illness which the committee determines that the applicant can reasonable be expected to pay based on income, assets, and number of dependents;

(3) "catastrophic illness" means a single illness or injury which results in medical expenses of over \$1,000 during a 12 month period, after all other sources of third party payment have been exhausted;

(4) "committee" means the Catastrophic Illness Committee;

(5) "elective medical or surgical procedures" means treatment which is not immediately essential to the life or health of a person;

(6) "family" means two or more persons related by blood or marriage or adoption living as one economic unit;

(7) "fund" means the catastrophic illness fund;

(8) "liquid assets" means assets which can be readily converted to cash;

(9) "non-liquid assets" means all assets not covered by (6);

(10) "provider" means a licensed physician, pharmacist, dentist, or other health services worker who has provided services not excluded by section 50 of this chapter to an applicant as a result of a catastrophic illness, or a licensed hospital, clinic, skilled nursing home, intermediate care facility or health maintenance organization which has provided these services;

(11) "third party payments" means payments of medical expenses related to a catastrophic illness by sources other than the applicant or the catastrophic illness fund, including, but not limited to state and federal medical assistance programs; private health insurance; employment-related health insurance; military health insurance; Workmen's Compensation; Violent Crimes Compensation; Indian Health Service of the U.S. Department of Health, Education and Welfare.

(Eff. 1/1/77, Register)

Authority: AS 47.05.01u

P. O. Box 1124
Anchorage Alaska 99510

April 9, 1977

Representative Thelma Buchholdt
Alaska State Legislature
Pouch V
Juneau 99811

Dear Thelma:

Enclosed is a copy of a letter sent to Joe McKinnon and certain documents which may be of interest to you.

The Catastrophic Illness law is a good one and with all the money spent by the state for so many things I don't know of a better way to spend state money.

Anything you can do to help keep it a good law will be appreciated.

Clifford E. Warren

STATE OF ALASKA
DEPARTMENT OF HEALTH & SOCIAL SERVICES
CATASTROPHIC ILLNESS PROGRAM
POUCH H-06
JUNEAU, ALASKA 99811

Applicant's Name _____

Date of Birth _____ Social Security Number _____ Phone _____

Address _____ Residence in Alaska from _____

Number of persons in household _____ Ages of Children in household _____

Name of Employer _____ Address _____

Position occupied _____ Salary _____

If unemployed, state length of unemployment and include statement as to future employment. _____

Husband's or Wife's Employer _____ Address _____

Position occupied _____ Salary _____

Total Annual Income before taxes \$ _____ Other income \$ _____

How Received. Weekly Monthly Annually Source(s) _____

Describe Catastrophic Illness for which you are applying for assistance.

Date of onset of illness _____ Physician _____ Address _____

ATTACH COPIES OF ALL MEDICAL BILLS INCURRED TO DATE IN CONNECTION WITH THE CATASTROPHIC ILLNESS.

List all medical insurance policies and indicate extent of coverage. If none, explain. _____

List all State and/or Federal programs and all private organizations to which application for assistance has been made. Indicate eligibility determination of each and amount of assistance allowable.

Describe your current and future ability to pay for medical costs. Discuss when you will be able to return to work if applicable, expected income during future months, and how much can be set aside to meet medical cost.

ATTACH A STATEMENT OF ILLNESS FROM PHYSICIAN.

Use this space or attach additional sheets to provide any further information relative to this application.

WARNING: Please note that a person who knowingly makes a false claim under this Chapter is guilty of a misdemeanor and upon conviction is punishable by a fine not to exceed \$1,000 or imprisonment not to exceed 1 year, or both. This is pursuant to AS 47.25.280-290.

I certify that I have read this application and that the information contained herein is true and correct to the best of my knowledge and belief.

Signature of applicant or person applying of his/her behalf

Date

I agree to turn over to the Department of Health and Social Services any third party payments received as a result of this Catastrophic Illness subsequent to payment by the Department in an amount not to exceed the Department's payment on my behalf.

I understand that the Department may take legal action to secure this reimbursement.

Signature of applicant, parent, or guardian

Date

AUTHORIZATION TO RELEASE INFORMATION

I/we hereby authorize you to release to the Catastrophic Illness Committee any information or copies of documentation that they may request relative to a Catastrophic Illness claim for financial assistance.

Photostatic copies of this authorization will be considered as valid as the original.

Signature of applicant, parent or guardian

Date



Source

Chapter No.

HCS CSSR 5A2 am H

221

AN ACT

Relating to medical assistance for needy persons; and providing for an effective date.

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

* Section 1. AS 47.07.020(b) is amended by adding a new paragraph to read:

(6) persons in a medical or intermediate care facility whose income while in the facility does not exceed 300 per cent of the supplemental security income benefit rate under title XVI of the Social Security Act but who would not be eligible for an optional state supplementary payment if they left the hospital or other facility.

* Sec. 2. AS 47.07.030 is amended to read:

Sec. 47.07.030. MEDICAL SERVICES TO BE PROVIDED. Medical services to be offered to eligible persons include inpatient hospital, outpatient hospital, laboratory and X-ray, inpatient psychiatric hospital for persons age 65 or older and persons under age 21, skilled and intermediate nursing home, physician, home health care services, early periodic screening diagnosis and treatment of persons under 21 years of age, clinic services, treatment of speech, hearing and language disorders, and reasonable transportation to and from the point of medical care. No additional services may be provided unless approved by the legislature.

* Sec. 3. AS 47.07.080 is amended by adding a new paragraph to read:

(3) "clinic services" means services which are restricted to state-approved outpatient community mental health services which receive grants under AS 47.30.520 - 47.30.620 and state-operated mental health clinics.

* Sec. 4. AS 47.25.250 is amended to read:

Sec. 47.25.250. TEMPORARY RELIEF. When a needy person is not entitled to assistance under secs. 120 300 of this chapter and has no relatives in the state liable for his support under secs. 230 and 240 of this chapter, the needy person may receive temporary assistance in the form and amount which the department considers necessary. Temporary assistance for needs other than transportation and medical care may not exceed \$80 per person per month.

* Sec. 5. AS 47.25 is amended by adding a new section to read:

Sec. 47.25.255. CATASTROPHIC ILLNESS. Notwithstanding the provisions of secs. 230 and 240 of this chapter, the department shall reimburse providers of medical care for costs incurred in the treatment of persons suffering catastrophic illness. The determination of allowable costs and levels of reimbursement shall be made by the Catastrophic Illness Committee, consisting of a medical review officer from the Department of Health and Social Services, a member appointed by the governor who has suffered a catastrophic illness, and a representative of the Department of Commerce and Economic Development appointed by the governor.

* Sec. 6. Section 1 of this Act takes effect immediately in accordance with AS 01.10.070(c).

* Sec. 7. Sections 2, 3, 4 and 5 of this Act take effect July 1, 1976.

STATES WITH INSURANCE LAWS
CONCERNING ALCOHOLISM COVERAGE

	Citation	Effective Date
Alabama		
Alaska		
Arizona		
Arkansas		
California		
Colorado	§10-8-301	1-1-75
Connecticut	Public Act 77-237 Laws 1977	10-1-77
Delaware		
Florida		
Georgia		
Hawaii		
Idaho		
Illinois	Sec. 979 (10)	10-1-73
Indiana		
Iowa		
Kansas	S. B. 105	7-1-77
Kentucky		
Louisiana	§215.5	7-1-75
Maine		
Maryland	477L	7-1-76
Massachusetts		

	Citation	Effective Date
Michigan	§3609	7-1-74
Minnesota	62A.149	9-1-76
Mississippi	83-9-27 83-9-29 83-9-30	1-1-75
Missouri		
Montana		
Nebraska		
Nevada	689A.030 689B.030 (HIAA Ins. Dept. Bul. Nev. No. 1-75)	
New Hampshire		
New Jersey		
New Mexico		
New York		
North Carolina		
North Dakota	26-39-01 Dept. Bul. No. 30	7-1-75
Ohio		
Oklahoma		
Oregon	743.411 to 743.444	10-4-77
Pennsylvania		
Rhode Island		
South Carolina		

	Citation	Effective Date
South Dakota	58-18-7.1 58-18-7.2 58-18-7.3	7-1-77
Tennessee	56-1167	7-1-74
Texas		
Utah		
Vermont		
Virginia	38.1-348.7	7-1-78
Washington	48.21.160 48.21.170 48.21.180 48.21.190	7-1-74
West Virginia		
Wisconsin	632.89	9-1-74
Wyoming		

06-10-75

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

PAGE 89

CATEGORY: HEALTH
AGENCY: HEALTH & SOC. SERV.

PROGRAM: DEPARTMENT OF HEALTH
SUB-PROGRAM: GENERAL RELIEF MEDICAL

04-06-22-01-00
063306020000

EXPEND. AND FUNDING RECORD	(01) FY74 ACT	(02) FY75 ACT	(03) FY76 ATH	(04) FY76 RP	(05) FY76 SUP	(06) MAINT.	(07) REQUEST	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) F.O.C.	(12) SPC APPR	(13) FIS NOTE
01 PERS SERVICE													
02 TRAVEL		19.3	24.9			31.6	31.6	31.6	11.6	30.0	30.0		3.2
03 CONTRACTUAL		2294.5	2970.9	430.2-		3020.7	3020.7	3020.7	2620.7	1903.4	1503.4		300.4
04 COMMODITIES		489.0	453.3			628.3	628.3	628.3	400.0	608.7	603.7		2.0
05 EQUIPMENT		.	2.8			1.3	1.3	1.3	1.3				
06 LAND, BLDGS													
07 GRANTS, CLMS													
08 MISC													
** TOTAL EXP.		2802.8	3456.9	430.2-		3681.9	3681.9	3681.9	2433.6	2542.1	2542.1		305.6
09 I-A TRANSFER		.1											
10 FEDERAL RECP													
11 CF MATCH													
12 GENERAL FUND		2802.8	3456.9	430.2-		3681.9	3681.9	3681.9	2433.6	2542.1	2542.1		305.6
13 PROGRAM RECP													
14 OTHER FUNDS													
15 FULL-TIME													
16 PART-TIME													
17 TEMPORARY													
18 MAN MONTHS													

NEW POSITION RECORD SEGMENTS

POSITION TITLE	LOCATION	TYP	PRI	NP	SB	COST	OTH.COST	TOT.COST	FED.FUND	GEN.FUND	OTH.FUND	BY HS	SN	PC	FN
NO ENTRIES															

NEW POSITION, REVISED PROGRAM, APPROPRIATION AND FISCAL NOTE FOOTNOTES

REVISED PROGRAMS: 76283 32.0-; 76288 358.2-; 76335 40.0-;
 FISCAL NOTES: SB 615 2.0; SB 542 303.0;

2,542,100

1977

3 Copies

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

06-10-76

CATEGORY: HEALTH
AGENCY: HEALTH & SOC. SERV.PROGRAM: DEPARTMENT OF HESS
SUB-PROGRAM: GENERAL RELIEF MEDICAL04-05-22-01-00
063306020000

* * * * F.C.C. ANALYSIS * * * *

OBJECT GROUP	\$ DIFF.	% DIFF.	DESCRIPTION OF DIFFERENCES: GOVERNOR - F.C.C.
02 TRAVEL	-1.6	-5.3	GOVERNOR'S AMENDMENT (1000.0)
03 CONTRACTUAL	-1117.3	-58.7	
04 COMMODITIES	-19.6	-3.2	
05 EQUIPMENT	-1.3	0.0	
TOTAL	-1139.8	-44.8	

LEGISLATIVE INTENT:

- (A) HOSPITALS ARE TO RECEIVE 100% REIMBURSEMENT UNDER THE DEPARTMENTS FEE SCHEDULE.
 (B) A SUPPLEMENTAL IS TO BE REQUESTED IF ACTUAL COSTS EXCEED THE APPROPRIATION.
 (C) NO FUNDS ARE TO BE TRANSFERRED OUT OF THIS APPROPRIATION.
- 



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DEPARTMENT OF HEALTH
75 Davis Street
Providence, R. I. 02908



January 26, 1977

Donald K. Freedman, Director
Department of Health and Social Services
312 Health and Social Services Building
150 3rd Street
Pouch H
Juneau, Alaska 99801

Dear Mr. Freedman:

We understand that your State passed some type of catastrophic health plan during the last year and we would appreciate receiving any information concerning this program.

As you may know, Rhode Island began such a program in January, 1975. For your information, I am enclosing a copy of our CHIP Manual. Any information you may wish to exchange will be appreciated.

Sincerely,

Brian E. Keeler,
Assistant Chief
Division of Health Insurance

BEK/mcj

enclosure

PLEASE RETURN TO
ROBERT I. FRISER, MD
DIRECTOR, Division of Public

*Robert J. Fraser, M.D.
Director, Division of
Public Health*

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DEPARTMENT OF HEALTH

DIVISION OF HEALTH INSURANCE

CHIP MANUAL

CATASTROPHIC HEALTH INSURANCE PLAN

ROBIN HARLEY/Department of Health and Social Services

An Act relating to catastrophic illness; and providing for an effective date.

The Catastrophic Illness Committee has been working under an existing, one paragraph statute, AS 47.25.255, for six months and has encountered many problems in attempting to formulate regulations and policies with the inadequate guidance supplied by the Statute. CS HB 409 answers three of the major problems encountered:

1. It removes the Catastrophic Illness statute from the chapter on needy persons eligible for general relief and creates a new chapter on Catastrophic Illness assistance in AS 47. This reflects the intent of the legislature to assist persons of middle income rather than low income persons eligible for other forms of public assistance;

2. It specifically gives the Committee the power to determine eligibility for catastrophic illness assistance in addition to allowable costs and levels of reimbursement and to establish reasonable classifications of persons based on certain criteria which is set out in the bill; and

3. It expresses the intent of the legislature that the Committee remain within its appropriation rather than return to the legislature requesting a supplemental appropriation. In order to do so, the Committee is instructed to establish priorities.

The Department views this bill as a "bandaid" approach to Catastrophic Illness assistance, which will make it possible for the Committee to function until next year. Without the changes in its authorizing statute, the Committee could be subject to legal attack for giving assistance to the "non-needy" and for exercising powers which have not been delegated to it.

The Department of Health and Social Services supports this bill.

Recommended by: Robert I. Fraser Date: 5/18/77
Robert I. Fraser, M.D.
Director, Division of Public Health

Approved by: Francis S. L. Williamson Date: 5/19/77
Francis S. L. Williamson
Commissioner

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 27, 1977

SUBJECT: State Health Insurance (W.O. #4206)

TO: The Honorable Thelma Buchholdt

FROM: Sharman Haley SH
Research Analyst

Carter's National Health Insurance Proposal

The Carter Administration has not developed a comprehensive health insurance proposal. An advisory committee was recently established to evaluate the alternative approaches to national health insurance, and they are currently taking testimony in several cities across the country.

During the campaign, Carter promised national health insurance with the following provisions:

1. universal and mandatory coverage, implemented in stages based on priorities of need and financial feasibility;
2. comprehensive and uniform benefits with emphasis on preventive medicine;
3. financing by payroll taxes and general tax revenues;
4. cost and quality controls, uniform standards and set rates;
5. maximum personal interrelationship between patient and physician, consumer choice of provider, and basic concern for the dignity of the person, unrelated to wealth or income;
6. incentives for improved delivery of services, for increased productivity, for redistribution of health personnel, and

- resources for the development of alternative delivery systems;
7. consumer representation in development and administration.

Carter estimated the cost of implementing this program at \$10 billion of new federal expenditures. It is not clear what his reasoning was to arrive at such a low figure, since he has not proposed a plan that can be costed out. One comprehensive mandatory plan that has been cost estimated is the Health Security Act, and the estimate of new federal expenditures for that plan is \$80 billion.

There were 23 different national health insurance proposals before Congress last year, but none are moving now.

State Approaches

Two national organizations have developed model state health insurance legislation. The Conference of Insurance Legislators proposes a comprehensive health care program with universal voluntary coverage, regulated by the state, but administered by private carriers and financed by consumers. The National Association of Insurance Commissioners proposes a catastrophic health care program financed by the state. We have requested copies of these two models.

There are five states that have passed and implemented state health insurance. In Rhode Island, Maine, and Minnesota, the state provides financial assistance for catastrophic health expenses. In Hawaii, Connecticut and Minnesota, again, the state regulates private comprehensive health coverage to insure quality and availability and to control costs. No state directly subsidizes comprehensive health insurance for its residents, because it appears to be prohibitively expensive.

Hawaii: Every employer in Hawaii is required to offer a qualified health care plan to his/her employees and to pay at least half the premium. Qualified plans must meet state minimum standards. Small employers with fewer than eight employees whose share of the premiums would exceed 1.5% of their payroll, when that excess is greater than 5% of the employer's income from the business are entitled to a state subsidy for the remainder of the premium. This statute took effect in 1975, and though several employers applied for state assistance, none were found to be eligible.

Connecticut: The Connecticut comprehensive health care plans statute insures the universal availability of comprehensive health care insurance contracts meeting state minimum standards, at standardized premiums. The Health Reinsurance Association is created with mandatory membership of all carriers in the state to pool risk for the mandated coverage. The premium rates vary by sex and age, and for group contracts by geographical area, as well. Sample quarterly premium rates are in Table I.

Table I - Sample Quarterly Premium Rates for Connecticut Comprehensive Health Care Plans

Individual/ /Group*	30-year old Female	60-year old Male
Deductible	\$114.57/	\$243.15/
\$200	/\$103.11	/\$218.82
\$500	\$ 85.92/	\$182.37/
	/\$ 77.34	/\$164.13
\$750	\$ 74.46/	\$158.04/
	/\$ 67.02	/\$142.23

* Rate for Hartford, New Haven and Fairfield region.

Minnesota: The Minnesota statute requires all health insurance carriers to offer health coverage which meets minimum state standards, and requires employee health benefits to meet minimum standards. It also establishes a state comprehensive health plan available to any resident who is rejected, restricted, or limited in their health coverage from the private sector. This state plan is offered by all carriers and reinsured by an association of carriers, in which membership is mandatory, to pool the profits and losses of high risk coverage.

This comprehensive health insurance statute in Minnesota took effect in January of this year. There are now 12 law suits pending challenging the law. Interstate employers complain that when Minnesota law requires a high standard of health benefits for employees, the employer must offer the same high benefits to its employees in other states. Thus, the law has impact beyond the borders of the state and may be unconstitutional.

Minnesota also has a Catastrophic Health Expense Protection Act under which the state pays 90 percent of a resident's health care expenses after the resident's out-of-pocket expenses exceed (a) 40 percent of his/her household income under \$15,000, 50 percent of his/her household income between \$15,000 and \$25,000, plus 60 percent of his/her household income in excess of \$25,000; or (b) \$2,500; whichever is greater. This statute does not take effect until July 1 this year, so its fiscal impact is not known. On the basis of very crude estimates, it was budgeted for \$18 million over the two year budget period, plus \$50,000 for administration.

Rhode Island: Rhode Island's catastrophic health insurance statute has been in effect for three years. For the 85 percent of Rhode Island's residents who have private health coverage which meets minimum standards,

the state will pay costs of health care beyond the limits or coverage of the private insurance and above \$500 or 10 percent of the resident's income. For the other 15 percent who do not have private insurance, the state will pay costs over \$5,000 or 50 percent of the resident's income. The program is not well known yet. Of the 300 to 400 applications to the state for payment of health bills received each year, only half are found to be eligible. The annual state expenditure for the coverage is running \$1,500,000 per year.

A health resources development fund is established not only to pay catastrophic costs but to make grants, loans, or contracts for the improvement of health facilities, services or education.

The statute also authorizes state regulation regarding consumer protection, quality of health coverage, universal availability, and rates.

Maine: The Maine catastrophic illness statute provides that the state will pay all remaining eligible health care expenses when the resident's out-of-pocket expenses reach 20 percent of the resident's net income, plus \$1,000. For residents whose net worth exceeds \$20,000 and such net worth includes cashable assets, 10 percent of such cashable assets are added to the out-of-pocket expenses threshold.

Considerations for Alaska

Although Alaska has a Catastrophic Illness Committee, it has not been given clear guidelines nor adequate funding.

The state approaches which have been tested elsewhere which you may want to consider for Alaska include:

1. state minimum standards for comprehensive health plans offered by private carriers;
2. mandatory availability of such plans to all state residents regardless of age or physical condition;
3. mandatory membership of all health insurance carriers in a reinsurance association to pool risk;
4. regulation of premium rates and provider reimbursements;
5. comprehensive health benefits mandated for all employees, with at least 50 percent of the premiums paid by employers;

All of the above provisions combined would still leave some people without comprehensive coverage. Self-employed, part-time or non-working people with adequate incomes would have a choice whether or not to purchase coverage, and some would choose not to. Self-employed, part-time, unemployed and non-working people with low incomes, however, could not afford to purchase private health insurance. People in this category might include farmers, homesteaders, miners, independent truckers, fishermen, small family business people, widows, retired people not eligible for Medicare, lots of low paid part-time workers (mostly women) and, of course, all their dependents. In addition, there are large numbers of seasonally employed people in Alaska who would only have coverage part of the year, such as loggers, cannery workers, and tourist industry employees. Public Health Services, Medicaid, and Medicare provide coverage for large sectors of low income Alaskans, plus General Relief-Medical and other state programs provide piecemeal health services for eligibles, but we are still far from comprehensive coverage for all.

The only way for the state to insure universal coverage is to subsidize it to the tune of millions of dollars.

Before we can proceed to draft a state comprehensive health insurance plan for Alaska, some policy decisions must be made:

1. Coverage - is enrollment voluntary or mandatory, and for whom is the coverage targeted?
2. Benefits - which expenses will be covered?
3. Financing - what portion will the state or employers pay? How much in premiums, deductibles, or co-payments must the consumer pay?
4. Cost and Quality Control - how will rates or standards of care be set?
5. Administration - what is the role of private carriers? What is the role of the state?

There will be a seminar on state health insurance plans on Friday, July 29, in Washington, D. C., sponsored by the Georgetown University Health Policy Center. There will be four forums: (1) political planning for enactment of state health insurance; (2) administrative aspects; (3) benefit coverage and eligibility; and (4) the cost of state health insurance, and looking ahead to national health insurance. Reservations or inquiries should be directed to: Jordan Braveman, Director of Policy Analysis, Georgetown University Health Policy Center, 3520 Prospect Street, N.W., Washington, D. C. 20057. He can also be reached by phone at (202) 625-3092.

We will be happy to meet with you at your earliest convenience to discuss these questions.

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Tenth Legislature

I. REQUEST

Bill No. CS for 15 402 (Priority)
Title: Catastrophic Illness
Requested by: Don Kemp Date: 5/20/77
Return Date Requested: ASAP
Agency: Department of Health & Social Services Program: Health

II. FISCAL DETAIL

Budget Request Unit(s) Affected: General Relief Medical
A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		20.0	21.0	22.0	23.1	24.3
200 TRAVEL		4.0	4.2	4.4	4.6	4.8
300 CONTRACTUAL		2.0	2.1	2.2	2.3	2.4
400 COMMODITIES		1.0	1.0	1.1	1.2	1.3
500 EQUIPMENT		3.0	5	5	5	5
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		30.0	28.8	30.2	31.7	33.4

B. FUNDING: (Thousands of dollars)

GENERAL FUND		30.0	28.8	30.2	31.7	33.4
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	1	2	2	2	2	2
MAN MONTHS (P./T.)	1	6	6	6	6	6

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

A two person part time staff to handle the administrative and clerical supporting function to the claims review committee would involve an Administrative Assistant III (part time) and a Clerk Typist III (part time). Offices would be located in Juneau.

No provision has been made in the above for claims. This is normally included in the Governor's requested budget. The Request for FY 78 is \$450,000.

An inflation figure of 5% annually was utilized in computation of future fiscal years.

IV. ATTACHMENTS

V. DATE: 5/20/77

PREPARED BY: Don Kemp

Don Kemp, Acting Director
Division of Public Assistance

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Handwritten signature: Marshall Heilbrunn

II. FISCAL DETAIL

Budget Request Unit(s) Affected: General Relief Medical

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		20.0	21.0	22.0	23.1	24.3
200 TRAVEL		4.0	4.2	4.4	4.6	4.8
300 CONTRACTUAL		2.0	2.1	2.2	2.3	2.4
400 COMMODITIES		1.0	1.0	1.1	1.2	1.3
500 EQUIPMENT		3.0	.5	.5	.5	.5
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		30.0	28.8	30.2	31.7	33.4

B. FUNDING: (Thousands of dollars)

GENERAL FUND		30.0	28.8	30.2	31.7	33.4
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	2/	2/	2/	2/	2/
MAN MONTHS (P./T.)	/	6/	6/	6/	6/	6/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

A two person part time staff to handle the administrative and clerical supporting function to the claims review committee would involve an Administrative Assistant III (part time) and a Clerk Typist III (part time). Offices would be located in Juneau.

No provision has been made in the above for claims. This is normally included in the Governor's requested budget. The Request for FY '78 is \$450,000.

An inflation figure of 5% annually was utilized in computation of future fiscal years.

IV. ATTACHMENTS

V. DATE: 5/20/77

PREPARED BY: Don Kemp

Don Kemp, Acting Director
Division of Public Assistance

Original: Legislative Finance
cc: Budget and Management

Marsha Hubbard

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CSHB 409 (Finance)
 Title Catastrophic Illness
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Dept. of Health & Social Services
 Program Category Affected Health
 Budget Request Unit(s) Affected General Relief Medical

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		20.0				
200 TRAVEL		4.0				
300 CONTRACTUAL		2.0				
400 COMMODITIES		1.0				
500 EQUIPMENT		3.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		30.0				

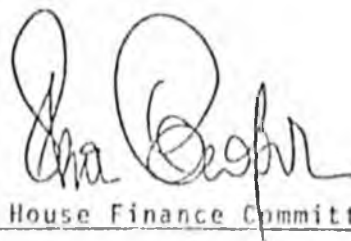
FUNDING (Thousands of Dollars)

GENERAL FUND		30.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME		2				
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. DATE 5/19/77 PREPARED BY  House Finance Committee
 AGENCY _____
 PHONE _____
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

II. FISCAL DETAIL

Budget Request Unit(s) Affected: General Relief Medical

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		20.0	21.0	22.0	23.1	24.3
200 TRAVEL		4.0	4.2	4.4	4.6	4.9
300 CONTRACTUAL		2.0	2.1	2.2	2.3	2.4
400 COMMODITIES		1.0	1.0	1.1	1.2	1.3
500 EQUIPMENT		3.0	5	5	5	5
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		30.0	28.8	30.2	31.7	33.4

B. FUNDING: (Thousands of dollars)

GENERAL FUND		30.0	28.8	30.2	31.7	33.4
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	2/	2/	2/	2/	2/
MAN MONTHS (P./T.)	/	6/	6/	6/	6/	6/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

A two person part time staff to handle the administrative and clerical supporting function to the claims review committee would involve an Administrative Assistant III (part time) and a Clerk Typist III (part time). Offices would be located in Juneau.

No provision has been made in the above for claims. This is normally included in the Governor's requested budget. The Request for FY 78 is \$450,000.

An inflation figure of 5% annually was utilized in computation of future fiscal years.

IV. ATTACHMENTS

V. DATE: 5/20/77

PREPARED BY: Don Kemp

Don Kemp, Acting Director
Division of Public Assistance

Original: Legislative Finance
cc: Budget and Management

Marsha Hubbard

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

JAY S. HAMMOND, GOVERNOR

1100 MacKAY BUILDING
333 DENALI STREET
ANCHORAGE 99501

ALASKA PUBLIC UTILITIES COMMISSION

May 12, 1977

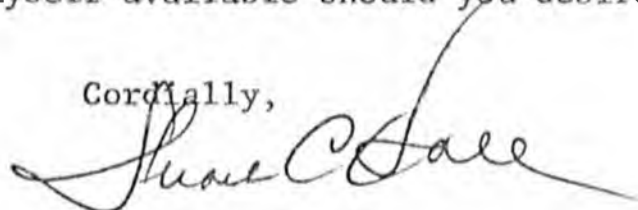
Honorable Steve Cowper, Chairman
House Finance Committee
Pouch WF, State Capitol
Juneau, Alaska 99811

Dear Steve:

Enclosed is the Commission's comments concerning House Committee Substitute for Senate Bill 50 pending before the House Finance Committee. Because of the extraneous material now contained in what has been a very important measure, the Commission has grave reservations about the legislation, particularly Section 5 of the bill, and desires to call its concern to your and the Committee's attention.

If you or the other members of the Committee have any questions about our position, please do not hesitate to contact us. I will be in Juneau over the weekend of May 13-15 and would be pleased to make myself available should you desire it.

Cordially,



STUART C. HALL
Commissioner

SCH:McP

cc: Frances A. Ulmer, Esq.
Legislative Assistant to the Governor
Pamela Knode, Information Officer
Department of Commerce & Econ. Dev.
Arthur H. Peterson, Esq.
Assistant Attorney General
Honorable Lisa Rudd, Chairman
House Community & Regional Affairs Committee
Honorable Sam Cotten, Chairman
House Rules Committee
Honorable Mike Miller, Majority Leader
House of Representatives

Aleph

April 8, 1977

State of Alaska
Dept. of Health & Social Services
Catastrophic Illness Program
Pouch H-06
Juneau, Alaska 99811

Gentlemen:

I offer the following comments on the proposed regulations to be promulgated by your committee.

I preface my specific comments by stating that it is my belief that the Catastrophic Illness (AS 47.25.255) statute was enacted by the Alaska State Legislature to help those citizens of the State of Alaska who have suffered catastrophic illness, and who were financially injured by such illness.

Further, that the intent of the legislature was that such persons did not have to be at the poverty level to receive assistance, but were to have their medical costs paid by the State so that they could continue to lead normal lives and continue to be wage earners, or continue operating their businesses so that they would not become a burden to the State, and assume at least part of continuing medical expenses.

While it is understood that eligibility should not be given to the wealthy, neither is eligibility predicated on the person's need to sell all his assets, and to disregard his liabilities. He should be allowed to retain reasonable assets so that he could continue to live a reasonably normal life and continue to make his living. Certainly it was not legislative intent that AS 47.25.255 be considered as a means of paying off the medical profession's bad debts.

Proposed Regulations

7 AAC 48.050 Services Excluded from Coverage (C)

This paragraph infers that Laetrile is excluded. The use of Laetrile has been legalized in the State of Alaska and is being prescribed and used by Alaska physicians. Dr. Ernesto Contreras of Mexico also is a licensed physician. By international ethics or agreements, treatments by foreign doctors are honored in this country.

Please Note that this paragraph indicates that all prescribed drugs or medications (not just Laetrile) are to be paid for under the Catastrophic Illness statute.

7 AAC 48.070 Calculation of Applicant's Share

(b) Does this paragraph mean that applicants will not receive payment until after 12 months? If so, there will be problems with the medical providers demanding payment, or refusing services.

(c) (1) "Note" that Clifford E. and June C. Warren sold their home to pay medical and other bills.

(3) "Note" that liquid assets and working capital are needed to run a business. Without these assets tools, equipment, vehicles, etc. are of no use and your business is bankrupt and your source of income is eliminated.

(5) One thousand dollars of liquid assets will not sustain a business, nor will it last very long for living expenses: rents, payments, utilities, transportation costs, food, clothing, etc. etc. etc. \$1,000 is far too low an amount to be excluded nowadays; that is almost the poverty level.

7 AAC 48.080 Standards For Reimbursement To Providers

There is nothing in the Catastrophic Illness statute that indicates that only unpaid bills will be paid. The statute is intended to help Alaskan citizens injured by catastrophic illnesses. People who have paid their medical bills to the point of severe financial damage should, and I believe are intended, to be compensated. There would be no equity for one person to sell his liquid and non-liquid assets (home, life insurance, etc.), as we did to meet our obligations, and practically bankrupting our business and means of livelihood, while another person keeps his home and other liquid or non-liquid assets, etc. etc., not meeting his obligations and then having the State pay his unpaid bills. This would be inequitable.

The statute does not limit payments to unpaid bills. Warren Painting Co., Inc. was the provider of the majority of June Warren's medical services in the sense that these bills were paid for by the company by selling its liquid and non-liquid assets. It is my interpretation of the Catastrophic Illness statute that the provider was to receive the payment to insure that payments were for medical costs, and money could not be obtained under false pretenses. The medical providers, such as doctors, hospitals, etc., can be paid and in return reimburse those who paid them. Prescription drugs and laboratory tests are cash on the line (unless you pay more at a clinic for the laboratory tests), and being vital to treatment, have to be paid for in cash.

(a) Nothing in the statute says you have to leave unpaid bills for 12 months, nor is there a time limit on the length

of time as to when the medical bills will be paid. There is nothing in the statute limiting payments to those incurred after July 1, 1976. The statute was intended to help those injured by catastrophic illness before or after July 1, 1976. The only criterion should be the person's liquid financial position at the time of application, and were the medical costs bona fide, etc. etc.

(b) Again the twelve month period question arises. Does this mean the bills remain unpaid for twelve months? It should be that bills are not paid until \$1,000 worth are accumulated. The third party payment is understandable regarding third party payments from Medicare, medical insurance, etc., but what is meant by someone acting on behalf of the applicant? If it is meant that some other individual, company, etc. helping an applicant, then that is wrong as they have no moral or legal obligation to do so and are entitled to be repaid.

(c) The statute does not contemplate a formula, but if such formula is allowed the one proposed is wrong as far as amount of liquid assets. First of all, liquid assets should not be considered as liquid assets until liabilities are taken into consideration. Secondly, no formula should start below \$5,000, as this amount will be needed to pay applicant's living and miscellaneous expenses, etc., and then only for a short period of time.

If it is shown that an applicant has a weekly or monthly income in an amount above that needed for a reasonable standard of living or payment of bills and miscellaneous medical expenses, and the liquid assets are surplus, then perhaps the formula is justified. But not until then.

(d) The statute gives no authority for a split-the-pot determination. There is an additional \$2,542,100.00 available to the committee, as listed under the Component Budget Summary of the State Health and Social Services Department, which also states under (B), Legislative Intent:

"A supplemental appropriation is to be requested if actual costs exceed the appropriation."

If funds are short, it is requested that the \$2,542,100.00 be used, and if needed, additional funds be requested from the legislature.

(e) It is hoped the committee will take into consideration the particular factors regarding our application as presented to it.

7 AAC 48.130 Definitions

(10) (11) A provider can also be a non-responsible

Summary

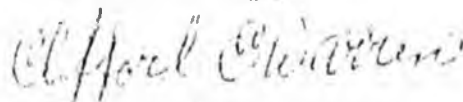
It is my belief that the legislative intent, being to help Alaskans who suffered catastrophic illnesses, does not allow regulations that thwart that intent.

Legislative intent was not to force Alaskans to the poverty level, or be financially disabled to the degree that they could not continue to earn a living, meet their obligations, live reasonably well, etc. before their eligibility is recognized.

It is not believed that it was legislative intent to penalize those Alaskans who meet their obligations by selling their non-liquid assets (homes, etc.), while others are to be helped by the State who retained their non-liquid assets (homes, etc.), and left their medical and other bills unpaid. It is not believed that eligible Alaskans are required to wait a year before their medical bills are paid. The Catastrophic Illness statute does not show legislative intent to allow costs only after July 1, 1976. Such prior costs are part of the current Catastrophic Illness, and need to be paid if the intents and purposes of the law are recognized and adhered to.

The Catastrophic Illness law is one of the best laws passed by the legislature to help Alaskans suffering catastrophic illness to live a reasonably normal life, continuing or allowing spouses to continue to earn their own living, paying at least in part their medical bills and not becoming a burden on the State. It is requested that in the light of my comments that the Catastrophic Illness Committee will revise their proposed regulations so that the legislative intent is carried out and equity can be maintained between all applicants applying.

Yours truly,



Clifford E. Warren
P. O. Box 1124
Anchorage, Alaska 99510

CHAPTER 48. CATASTROPHIC ILLNESS.

Section

- 10. Committee meetings
- 20. Confidentiality
- 30. Applications for assistance
- 40. Residency
- 50. Services excluded from coverage
- 60. Required documentation; investigation
- 70. Applicant's share
- 80. Standards for reimbursement to providers
- 90. Reconsideration of decision by committee
- 100. Fair hearing
- 110. Finality of decisions
- 120. Recovery from collateral source
- 130. Definitions

7 AAC 48.010. COMMITTEE MEETINGS. The Catastrophic Illness Committee shall meet twice a month on dates which the committee establishes.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.020. CONFIDENTIALITY. The confidentiality provisions of 7 AAC 37.020 -- 7 AAC 37.130 are adopted by reference and made applicable to this chapter.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.05.020
AS 47.05.030

7 AAC 48.030. APPLICATIONS FOR ASSISTANCE. (a) All applications for financial assistance under this chapter shall be made on a form authorized by the committee. The information required by the committee shall be supplied in full by the applicant or the applications may not be considered. Additional sheets may be used, as necessary.

(b) Application forms, along with the formula used to calculate the applicant's share, described in section 70 of this chapter, shall be available at Offices of the Division of Public Assistance, at Regional Health Offices of

the Division of Public Health, at state licensed hospitals, or by writing to the committee at Pouch H06, Juneau, Alaska 99811.

(c) Applications may be filed by a person who has suffered a catastrophic illness or by a parent, spouse, or legal guardian of that person; or by any other interested party with the written consent of the person who has suffered a catastrophic illness.

(d) No application shall be considered unless the total medical bills related to the catastrophic illness are more than \$1,000 in a period not to exceed 12 months after all sources of third party payment have been exhausted.

(e) A poster publicizing the availability of benefits under this chapter shall be supplied to hospitals licensed in the state of Alaska for display in a public area. The poster shall also be supplied for display in appropriate public buildings throughout the state according to the availability of appropriations for catastrophic illness.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.040. RESIDENCY OF APPLICANT. Applicants shall be residents of the state of Alaska at the time of application and at the time the catastrophic illness for which state aid is sought occurred.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.050. SERVICES EXCLUDED FROM COVERAGE. The following services and charges are excluded from coverage under this chapter:

(a) Dentistry and optometry unless prescribed by a licensed dentist or physician as medically necessary as the result of an injury or illness;

(b) Elective medical or surgical procedures;

(c) Drugs and medications not prescribed by a licensed physician;

(d) Services received as a result of a normal pregnancy;

(e) Private psychological or psychiatric treatment or private alcoholism treatment, unless not available from public agencies or programs;

(f) Chiropractic services;

(g) Services not of a medical nature;

(h) Medical services currently provided to persons in the custody of the Division of Corrections;

(i) Residential care in a skilled nursing home or intermediate care facility for more than 90 days, if the committee finds such exclusion to be necessary based on the availability of catastrophic illness funds and the need of other applicants.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.060. REQUIRED DOCUMENTATION; INVESTIGATION. Each application shall be reviewed by the committee or its designee for completeness of information, including required documentation of medical expenses, gross income and assets. The committee or its designee may return the application for more complete information to the person who is applying and may investigate any portion of an application.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.070. CALCULATION OF APPLICANT'S SHARE. (a) A formula adopted by the committee shall be utilized in determining the applicant's share of total medical bills related to a catastrophic illness, based on annual gross income, number of dependents and amount of assets. This formula shall be provided along with the application form and shall also be made available to persons who request it by writing to the committee at Pouch 1106, Juneau, Alaska 99811;

(b) For the purposes of applying the formula to determine the applicant's share, multiple catastrophic illness occurring within a 12 month period to the applicant or other members of the applicant's family shall be treated as one catastrophic illness;

(c) In applying the formula to determine the applicant's share, the total gross income and the total assets of the family of an applicant may be considered; the following assets shall be excluded:

(1) a home providing shelter for the applicant and the land on which it is situated;

- (2) one non-commercial vehicle;
- (3) tools, equipment and vehicles required in a trade or business;
- (4) ordinary household and personal effects;
- (5) \$1,000 of liquid assets;
- (6) all non-liquid assets unless such exclusion would bring about an inequitable result; however, all income derived from such property shall be taken into consideration in determining the recipient's gross income;
- (7) inalienable shares in a Native Corporation created pursuant to the Alaska Native Claims Settlement Act, P.L. 92-203, 43 U.S.C. 1601 et seq., during the period of their inalienability as specified in the act.
- (8) Alaska longevity bonus;
- (9) any other assets specifically restricted for the use of the recipient by state or federal law.

(d) Assets received as custodian, guardian, conservator or trustee for another are not considered assets of the custodian, guardian, conservator or trustee himself.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.080. STANDARDS FOR REIMBURSEMENT TO PROVIDERS. The amount that the committee reimburses providers for medical services rendered to a person who has suffered a catastrophic illness shall not be greater than 100% of the total unpaid bills related to the catastrophic illness and shall be determined by the following standards:

(a) Medical bills related to a catastrophic illness shall be considered for periods not to exceed 12 months. The initial 12 month period begins with the date of the first charges incurred because of the illness, but no charges incurred before July 1, 1976, shall be considered;

(b) The committee may not reimburse a provider if the applicant's total bills related to the catastrophic illness are less than \$1,000 in any period not to exceed 12 months described in (a) after all sources of third party payment have been exhausted by the applicant or by someone acting on behalf of the applicant;

(c) The committee may not reimburse a provider for the applicant's share of the total medical bill, as determined by the formula referred to in

section 70 of this chapter;

(d) The committee shall reimburse hospitals and other institutions at the rates and in the manner established by existing provider agreements with the department of health and social services. Physicians, dentists, and all other providers shall be reimbursed at rates not less than those set out at 45 Code of Federal Regulations 250.30(b)(3)(i)(A);

(e) The committee may consider the availability of catastrophic illness funds;

(f) The committee may consider any other factors or circumstances which it determines to be relevant in an individual case.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.090. RECONSIDERATION OF DECISION BY COMMITTEE. The committee shall promptly notify an applicant of its decision with written reasons for the amount of the award or for a finding of non-eligibility. An applicant who is dissatisfied with a decision of the committee may apply to the committee for reconsideration within 30 days of receipt of the decision. The request for reconsideration shall include a written statement of grounds for reconsideration and any supporting documentation which was not available to the committee for its original decision. Within 30 days of receipt of a request for reconsideration, the committee shall affirm, amend or reverse its original decision. The committee shall promptly notify the applicant of its decision upon reconsideration with written reasons for its action. Information describing hearing rights and procedures shall be printed in bold-face type on the written notification of decision.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 100. FAIR HEARING. An applicant who is dissatisfied with the committee's decision upon reconsideration may request a fair hearing in accordance with the procedures established by the department of health and social services at 7 AAC 49.020 -- 7 AAC 49.250.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.110. FINALITY OF DECISIONS. Decisions as to catastrophic illness awards are final (a) 30 days after receipt by the applicant of the committee's decision unless a reconsideration is requested during this time; or (b) 30 days after receipt of the committee's decision upon reconsideration unless a fair hearing is requested during this time; or (c) after denial or dismissal as provided by 7 AAC 49.110; or (d) 15 days after receipt of the hearing authority's decision if that decision is not appealed during this time as provided by 7 AAC 49.230; or (e) after the decision of the director on appeal as provided by 7 AAC 49.240. Time limits for appeal may be extended or waived for good cause. Request for a hearing shall be deemed made upon dispatch.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.130
AS 47.25.255

7 AAC 48.120. RECOVERY FROM A COLLATERAL SOURCE. If the applicant or a provider is recompensated from any other source for medical bills which have been paid by the catastrophic illness committee, the state shall have the right to reimbursement for the amount paid by the committee. As a condition of application for catastrophic illness assistance, an applicant shall sign an agreement to this effect. As a condition of payment by the committee a provider shall sign an agreement to this effect.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.130. DEFINITIONS. In this chapter

(1) "applicant" means a person who has suffered a catastrophic illness;

(2) "applicant's share" means the amount of the total medical bill related to the catastrophic illness which the committee determines that the applicant can reasonably be expected to pay based on income, assets, and

number of dependents;

(3) "catastrophic illness" means a single illness or injury which results in medical expenses of over \$1,000 during a period not to exceed 12 months, after all other sources of third party payment have been exhausted;

(4) "committee" means the Catastrophic Illness Committee;

(5) "elective medical or surgical procedures" means treatment which is not essential to the life or health of a person;

(6) "family" means two or more persons related by blood or marriage or adoption living as one economic unit;

(7) "liquid assets" means assets which can be readily converted to cash;

(8) "non-liquid assets" means all assets not covered by (7);

(9) "provider" means a licensed physician, pharmacist, dentist, or other health services worker who has provided services not excluded by section 50 of this chapter to an applicant as a result of a catastrophic illness, or a licensed hospital, clinic, skilled nursing home, intermediate care facility or health maintenance organization which has provided these services;

(10) "third party payments" means payments of medical expenses related to a catastrophic illness by sources other than the applicant or the catastrophic illness committee, including, but not limited to state and federal medical assistance programs; private health insurance; employment-related health insurance; military health insurance; Workmen's Compensation; Veterans' Crises Compensation; Indian Health Service of the U.S. Department of Health, Education and Welfare, awards in legal actions.

(Eff. 1/1/77, Register)

Authority: AS 47.05.010

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 409
 Title relating to catastrophic illness
 Requested by _____ Date 3/29/77

II. FISCAL DETAIL
 Agency Affected Commerce & Economic Development
 Program Category Affected Protection
 Budget Request Unit(s) Affected Division of Insurance

EXPENDITURES (Thousands of Dollars)

	NONE					
	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

	NONE					
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	NONE					
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

NONE

IV. DATE April 5, 1977 PREPARED BY James F. Pfeifer
 AGENCY Insurance
 Original: Legislative Finance PHONE 465-2515
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

CHAPTER 48. CATASTROPHIC ILLNESS.

Section

- 10. Committee meetings
- 20. Confidentiality
- 30. Applications or assistance
- 40. Residency
- 50. Services excluded from coverage
- 60. Required documentation; investigation
- 70. Applicant's share
- 80. Standards for reimbursement to providers
- 90. Reconsideration of decision by committee
- 100. Fair hearing
- 110. Finality of decisions
- 120. Recovery from collateral source
- 130. Definitions

7 AAC 48.010. COMMITTEE MEETINGS. The Catastrophic Illness Committee shall meet twice a month on dates which the committee establishes.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.020. CONFIDENTIALITY. The confidentiality provisions of 7 AAC 37.020 -- 7 AAC 37.130 are adopted by reference and made applicable to this chapter.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.05.020
AS 47.05.030

7 AAC 48.030. APPLICATIONS FOR ASSISTANCE. (a) All applications for financial assistance under this chapter shall be made on a form authorized by the committee. The information required by the committee shall be supplied in full by the applicant or the applications may not be considered. Additional sheets may be used, as necessary.

(b) Application forms, along with the formula used to calculate the applicant's share, described in section 70 of this chapter, shall be available at Offices of the Division of Public Assistance, at Regional Health Offices or

the Division of Public Health, at state licensed hospitals, or by writing to the committee at Pouch H06, Juneau, Alaska 99811.

(c) Applications may be filed by a person who has suffered a catastrophic illness or by a parent, spouse, or legal guardian of that person; or by any other interested party with the written consent of the person who has suffered a catastrophic illness.

(d) No application shall be considered unless the total medical bills related to the catastrophic illness are more than \$1,000 in a period not to exceed 12 months after all sources of third party payment have been exhausted.

(e) A poster publicizing the availability of benefits under this chapter shall be supplied to hospitals licensed in the state of Alaska for display in a public area. The poster shall also be supplied for display in appropriate public buildings throughout the state according to the availability of appropriations for catastrophic illness.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.040. RESIDENCY OF APPLICANT. Applicants shall be residents of the state of Alaska at the time of application and at the time the catastrophic illness for which state aid is sought occurred.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.050. SERVICES EXCLUDED FROM COVERAGE. The following services and charges are excluded from coverage under this chapter:

(a) Dentistry and optometry unless prescribed by a licensed dentist or physician as medically necessary as the result of an injury or illness;

(b) Elective medical or surgical procedures;

(c) Drugs and medications not prescribed by a licensed physician;

(d) Services received as a result of a normal pregnancy;

(e) Private psychological or psychiatric treatment or private alcoholism treatment, unless not available from public agencies or programs;

(f) Chiropractic services;

(g) Services not of a medical nature;

(h) Medical services currently provided to persons in the custody of the Division of Corrections;

(i) Residential care in a skilled nursing home or intermediate care facility for more than 90 days, if the committee finds such exclusion to be necessary based on the availability of catastrophic illness funds and the need of other applicants.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.060. REQUIRED DOCUMENTATION; INVESTIGATION. Each application shall be reviewed by the committee or its designee for completeness of information, including required documentation of medical expenses, gross income and assets. The committee or its designee may return the application for more complete information to the person who is applying and may investigate any portion of an application.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.070. CALCULATION OF APPLICANT'S SHARE. (a) A formula adopted by the committee shall be utilized in determining the applicant's share of total medical bills related to a catastrophic illness, based on annual gross income, number of dependents and amount of assets. This formula shall be provided along with the application form and shall also be made available to persons who request it by writing to the committee at Pouch H06, Juneau, Alaska 99811;

(b) For the purposes of applying the formula to determine the applicant's share, multiple catastrophic illness occurring within a 12 month period to the applicant or other members of the applicant's family shall be treated as one catastrophic illness;

(c) In applying the formula to determine the applicant's share, the total gross income and the total assets of the family of an applicant may be considered; the following assets shall be excluded:

(1) a home providing shelter for the applicant and the land on which it is situated;

- (2) one non-commercial vehicle;
- (3) tools, equipment and vehicles required in a trade or business;
- (4) ordinary household and personal effects;
- (5) \$1,000 of liquid assets;
- (6) all non-liquid assets unless such exclusion would bring about an inequitable result; however, all income derived from such property shall be taken into consideration in determining the recipient's gross income;
- (7) inalienable shares in a Native Corporation created pursuant to the Alaska Native Claims Settlement Act, P.L. 92-203, 43 U.S.C. 1601 et seq., during the period of their inalienability as specified in the act.
- (8) Alaska longevity bonus;
- (9) any other assets specifically restricted for the use of the recipient by state or federal law.

(d) Assets received as custodian, guardian, conservator or trustee for another are not considered assets of the custodian, guardian, conservator or trustee himself.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.080. STANDARDS FOR REIMBURSEMENT TO PROVIDERS. The amount that the committee reimburses providers for medical services rendered to a person who has suffered a catastrophic illness shall not be greater than 100% of the total unpaid bills related to the catastrophic illness and shall be determined by the following standards:

(a) Medical bills related to a catastrophic illness shall be considered for periods not to exceed 12 months. The initial 12 month period begins with the date of the first charges incurred because of the illness, but no charges incurred before July 1, 1976, shall be considered;

(b) The committee may not reimburse a provider if the applicant's total bills related to the catastrophic illness are less than \$1,000 in any period not to exceed 12 months described in (a) after all sources of third party payment have been exhausted by the applicant or by someone acting on behalf of the applicant;

(c) The committee may not reimburse a provider for the applicant's share of the total medical bill, as determined by the formula referred to in

section 70 of this chapter;

(d) The committee shall reimburse hospitals and other institutions at the rates and in the manner established by existing provider agreements with the department of health and social services. Physicians, dentists, and all other providers shall be reimbursed at rates not less than those set out at 45 Code of Federal Regulations 250.30(b)(3)(i)(A);

(e) The committee may consider the availability of catastrophic illness funds;

(f) The committee may consider any other factors or circumstances which it determines to be relevant in an individual case.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.090. RECONSIDERATION OF DECISION BY COMMITTEE. The committee shall promptly notify an applicant of its decision with written reasons for the amount of the award or for a finding of non-eligibility. An applicant who is dissatisfied with a decision of the committee may apply to the committee for reconsideration within 30 days of receipt of the decision. The request for reconsideration shall include a written statement of grounds for reconsideration and any supporting documentation which was not available to the committee for its original decision. Within 30 days of receipt of a request for reconsideration, the committee shall affirm, amend or reverse its original decision. The committee shall promptly notify the applicant of its decision upon reconsideration with written reasons for its action. Information describing hearing rights and procedures shall be printed in bold-face type on the written notification of decision.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 100. FAIR HEARING. An applicant who is dissatisfied with the committee's decision upon reconsideration may request a fair hearing in accordance with the procedures established by the department of health and social services at 7 AAC 49.020 -- 7 AAC 49.250.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.110. FINALITY OF DECISIONS. Decisions as to catastrophic illness awards are final (a) 30 days after receipt by the applicant of the committee's decision unless a reconsideration is requested during this time; or (b) 30 days after receipt of the committee's decision upon reconsideration unless a fair hearing is requested during this time; or (c) after denial or dismissal as provided by 7 AAC 49.110; or (d) 15 days after receipt of the hearing authority's decision if that decision is not appealed during this time as provided by 7 AAC 49.230; or (e) after the decision of the director on appeal as provided by 7 AAC 49.240. Time limits for appeal may be extended or waived for good cause. Request for a hearing shall be deemed made upon dispatch.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.180
AS 47.25.255

7 AAC 48.120. RECOVERY FROM A COLLATERAL SOURCE. If the applicant or a provider is recompensated from any other source for medical bills which have been paid by the catastrophic illness committee, the state shall have the right to reimbursement for the amount paid by the committee. As a condition of application for catastrophic illness assistance, an applicant shall sign an agreement to this effect. As a condition of payment by the committee a provider shall sign an agreement to this effect.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.130. DEFINITIONS. In this chapter

(1) "applicant" means a person who has suffered a catastrophic illness;

(2) "applicant's share" means the amount of the total medical bill related to the catastrophic illness which the committee determines that the applicant can reasonably be expected to pay based on income, assets, and

number of dependents;

(3) "catastrophic illness" means a single illness or injury which results in medical expenses of over \$1,000 during a period not to exceed 12 months, after all other sources of third party payment have been exhausted;

(4) "committee" means the Catastrophic Illness Committee;

(5) "elective medical or surgical procedures" means treatment which is not essential to the life or health of a person;

(6) "family" means two or more persons related by blood or marriage or adoption living as one economic unit;

(7) "liquid assets" means assets which can be readily converted to cash;

(8) "non-liquid assets" means all assets not covered by (7);

(9) "provider" means a licensed physician, pharmacist, dentist, or other health services worker who has provided services not excluded by section 50 of this chapter to an applicant as a result of a catastrophic illness, or a licensed hospital, clinic, skilled nursing home, intermediate care facility or health maintenance organization which has provided these services;

(10) "third party payments" means payments of medical expenses related to a catastrophic illness by sources other than the applicant or the catastrophic illness committee, including, but not limited to state and federal medical assistance programs; private health insurance; employment-related health insurance; military health insurance; Workmen's Compensation; Violent Crimes Compensation; Indian Health Service of the U.S. Department of Health, Education and Welfare, awards in legal actions.

(Eff. / /77, Register)

Authority: AS 47.05.010

7 April 77

DEAR Thelma -

I support your stand RE-
garding the Amendment to the
CATASTROPHIC illness bill (HB 409).

FAMILIES IN NEED SHOULD RECEIVE
AID BEFORE THEY BECOME BANKRUPT.
I APPRECIATE your position on human
rights.

Sincerely,
Dick

P.S. I HAVE NOT BEEN REINSTATED in the DAY CARE
PROGRAM, they say no funds yet.



Mrs. Thelma Buckholdt.
State Representative.

Dear Mrs. Buckholdt:

Thank you, Thelma, for letting me know about HB. 409. It is good to know that we have Representatives that still think of others in troubles. Most people do not think of, or care about the tremendous Hospital & Doctor Bills that occur during a catastrophic illness, and that there are many that are financially unable to meet these demands. Thank God there are some who do think & act on these things.

Yes, I heartily approve of Bill HB-409. Thank you again for including us on your mailing list. We remain supporters of you

Sincerely
Vernon + Helen Gilbert.

Introduced: 3/29/77
Referred: Health, Education &
Social Services and Finance

BY BUCHHOLDT, BEIRNE, BRADLEY,
COTTEN, GARDINER, MCKINNON,
OSTERBACK AND RUDD

1 IN THE HOUSE

2 HOUSE BILL NO. 409

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to catastrophic illness; and providing
7 for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 47.25.255 is amended to read:

10 Sec. 47.25.255. CATASTROPHIC ILLNESS. Notwithstanding the provi-
11 sions of secs. 230 and 240 of this chapter, the department shall reim-
12 burse providers of medical care for costs incurred in the treatment of
13 persons suffering catastrophic illness. If (1) costs of a catastrophic
14 illness were paid by the person suffering the illness or by a parent,
15 spouse, child or other person related by blood to that person; (2) debt
16 was incurred to pay all or part of the cost; and (3) the debt has not
17 been fully repaid, the person paying the costs shall be reimbursed the
18 allowable cost to the extent of any payment made by that person. The
19 determination of allowable costs and levels of reimbursement shall be
20 made by the Catastrophic Illness Committee, consisting of a medical
21 review officer from the Department of Health and Social Services, a
22 member appointed by the governor who has suffered a catastrophic illness
23 and a representative of the Department of Commerce and Economic Develop-
24 ment appointed by the governor.

25 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
26 070(c).

(OVER)

There is no doubt that the bill on the reverse is a good bill and well intended as far as it goes but in my mind it only scratches the surface.

Anyone that is ill and much more so for one with any form of catastrophic illness, has their recovery seriously hindered and in some cases, blocked, by the oppressing fear of the financial strain. To provide aid only after having already "spent a high percentage of their income and other resources" is much too late to remove the worry and strain caused by seeing their financial security go even if there is good reason to believe that all or part will, hopefully, be returned to them.

My only income is from Disability payments (Workmans Compensation) made by the insurance company, the state and social security. These allow me to live-no more-just live. If I were to suffer a heart attack and require both in-hospital and later in-home care the costs would be beyond my ability to cover. However, at the onset of the condition one could by simple math compute my income and my outgo and see that I would not be able to stand up under the extra cost load. If the bill were inclusive enough payments could begin at the onset to defer costs over and above my ability to pay. The expenses would be covered, and above all my mind put to rest so that I could devote all my energy to getting well and not worrying about money problems which in the case given (heart) might in itself cause another attack.

In summary I am trying to say...do not wait until the horse is gone before locking the barn. Your bill helps and makes the original bill much more livable but it still misses the mark. It will have to be reworked again at another date. Cannot it be done all at one time? Too much can happen to a person if you step in to help after the fact. I can see no reason, if this type of help is going to be given, that the help cannot be made to begin at the beginning.

Maybe I read the bill wrong and if so disregard my comments but at this time I have the strong feeling that the bill as amended (proposed) still has a long way to go before it is able to meet the original intent and the full intent of the amendment and the good people that drafted it.

My heartfelt thanks for your efforts to help us that for one reason or another are not qualified to fully help ourselves. God will love you for your thoughts and efforts.

Sincerely,



Robert L. Merrill
3402 Wyoming Drive.
Anchorage, Alaska
99503

1A

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. HB 409
Title relating to catastrophic illness
Requested by _____ Date 3/29/77

II. FISCAL DETAIL
Agency Affected Commerce & Economic Development
Program Category Affected Protection
Budget Request Unit(s) Affected Division of Insurance

EXPENDITURES (Thousands of Dollars)

	NONE					
	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

	NONE					
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	NONE					
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

NONE

IV. DATE April 5, 1977 PREPARED BY James F. Pfeifer
AGENCY Insurance
PHONE 465-2515
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)



ALASKA STATE HOSPITAL ASSOCIATION, INC.

5531 ARCTIC BLVD, SUITE 1
PHONE 277-1633

ANCHORAGE, ALASKA 99502

April 1, 1977

Thelma Bucholdt
Alaska House Of Representatives
Pouch V
Juneau, Alaska

Dear Thelma,

In response to your telephone call this week regarding HB 409 I wish to make the following observations:

The catastrophic legislation that was passed last year resulted in a mere \$300,000 fund being established to pay for such illnesses. Since that bill was retroactive to July 1, 1976 for reimbursement purposes, the \$300,000 will be depleted before it ever addresses cases in 1977.

I understand that only \$450,000 is being appropriated for 1978. I don't know if that survived the budget or not. A catastrophic illness will probably average \$30,000 per case. We are talking about taking care of 10 to 15 patients. Anyone with a lick of common sense can see that in reality - we don't even have catastrophic care! Lets quit giving lip service to something that is a hoax.

To further augment that hoax by adding the three items you suggest in HB 409 only confuses the issue more. What has to be done, Thelma, is for legislators to better understand the true number of catastrophic cases in Alaska and a projection of those dollar amounts along with the conditions pertaining thereto. We provided some figures to the Dept. of H & SS last year. We would be glad to do this again. These figures would not include what hospitals write off for bad debts, plus charity care, plus other payment denials and deficits they encounter. It would reflect the dollar amounts of catastrophic cases. The Medicaid program should have a good basis, too. All the money they spent for "medical exceptions" beyond Medicaid and GR Med could have fallen into this category. In fact the two sources could be compared. It would look more like \$1,200,000 from our experience.

If Alaska is going to take credit for providing catastrophic illness funds then lets do it! Lets not pretend and give our residents false hope. This has been a problem for some time and we endorsed several attempts in past years to get catastrophic care passed in the legislators. We were glad to see it was. But thoroughly disappointed in the unrealistic approach to funding. Many people, such as Mr. Malasarte, are caught in that lack of action by previous legislators. We can't go back and pick up all those people - we will be doing well to provide for those who are getting trapped today. If we don't correct this funding problem; next year we will have that many more Malasarte's.

Let me know how we can help!

Sincerely,

Marion K Lampman
Executive Director

mk1

cc: Various Legislators and hospitals



Alaska State Legislature ~ House

HEALTH, EDUCATION & SOCIAL SERVICES COMMITTEE

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 465-3797

RE: Catastrophic Illness

Some ideas for eligibility requirements:

1. All insurance has to be used up first.
2. A family is allowed one vehicle.
3. A family is allowed to keep one place of residence if it occupies that place.
4. There will be a ceiling of \$20,000. per year per family.
5. 90% of liquid assets (stocks, bonds, land) must be used first.
6. If any money is received from the Violent Crime Compensation Board, it must be used first.
7. The order of priorities shall be:
 - a. People in need of treatment so they can continue, or be restored to "normal".
 - b. People with a prognosis of "no improvement".
 - c. Terminal cases.

These are only suggestions. Any constructive criticism is welcomed. Please send comments to Charlie Parr or Rocky Mackinnon in House HESS. 465-3777 or 465-3797.

HB 409, Catastrophic Illness will be heard Friday, May 6 at 3:00p.m. in room 112 of the Capitol Building.

409

Clifford E. Warren
P. O. Box 1124
Anchorage 99510

May 2, 1977

Thelma Buchholdt
State Representative
Pouch V
Juneau Alaska 99811

Dear Thelma:

Received your letter of April 18, 1977 enclosing House Bill 409.

One of the greatest complaints in this country today by the majority of the people is that when it comes to medical care, legal services, etc. the rich get it because they can afford it, the poor get it for nothing, while the average citizen can't afford it, goes without it, or goes into debt for it.

When the Alaska State Legislature enacted the Catastrophic Illness law I thought, not only for June and I but for the majority of the people of this state, that the legislature had recognized the rights and needs of the people in these areas. But it appears at this stage that the Catastrophic Illness Committee is going to turn the law into another ripoff to pay off the medical professions' old, bad debts and it will not help the people suffering catastrophic illness and the large medical expenses accruing.

Catastrophic illness starts when you have medical expenses above five or ten thousand dollars and do not have medical insurance. There are many reasons why some people do not have medical insurance including the fact that they cannot obtain any.

Certainly people with large liquid assets should not benefit from the catastrophic illness program, but those with small or no liquid assets or with fixed assets needed to live a reasonable normal life or maintain a business so that they may continue to earn a living, pay at least part of the medical bills, and not become a burden on the state under welfare should be helped. The fact that a person has liquidated his assets to pay his medical bills and placed his livelihood and business in jeopardy should be recognized. It is unjust for one person to do this while another keeps his assets (in particular fixed assets) and does not pay his medical bills but has the state pay them for him.

Representative Thelma Buchholdt
May 2, 1977
Page Two

A person or company who has liquidated assets to pay medical bills should be reimbursed by the state to the degree that he or his company can regain the former position as to his home and business. The present catastrophic illness law allows this to be done.

If the catastrophic illness law is only allowed to pay after medical bills of five or ten thousand or more are incurred those people having medical insurance will continue to keep that insurance, but those people needing help to maintain their normal lives and continue in business will be helped.

Certainly people with high incomes should not need the help from the state and can pay their medical bills in most cases, even then there are circumstances that would warrant helping them.

Enclosed is an article from the paper showing that (allowing for the increased cost of living in Alaska) a family needs over \$20,000. per year to live a normal life.

I wont go into the subject much further as many of the other thoughts are contained in my letter to the Catastrophic Illness Committee regarding their proposed regulations.

With many people still having and maintaining their medical insurance there will not be too many applying for state help under the law, but supposing it did cost ten or twelve million (which I doubt) to help those suffering catastrophic illness -- this is peanuts compared to programs the state is paying hundreds of millions for and which are much less needed. As an example, the ten or twelve million being spent by the federal and state governments on alcoholism, etc., etc., etc.

If I am able to and if I can be of any help I will come to Juneau, not only for June and I, but for the many people of the state who need and deserve help.

Thank you very much for your interest and your help.

Sincerely,

Cliff
Clifford E. Warren

cc: Rep. Joe McKinnon

Encl.

Brent is
secretary
out of town till Thurs.
Att.

MINUTES OF HOUSE HESS COMMITTEE

April 15, 1977

The meeting was called to order by Chairman Parr at 3:30 p.m. Those present were: Parr, Chatterton, Buchholdt, Phillips, Bennett.

Absent: Nakak, Ose, Cotten & Beirne.

HB 409

Chairman Parr announced that HB 409 would be taken up and asked Mrs. Buchholdt to speak on her bill. She told the committee her reasons for introducing the bill, the main one being trying to correct problems that have occurred with people she knows in Anchorage who have had an illness and had to sell their homes and all in order to pay the medical bills. She said she would be happy to expand the bill.

Fraser

Next to testify was Dr. Robert Fraser, Director, Division of Public Health. Dr. Fraser said the Department's concern with the bill is with the budgetary restriction. He said they do recognize the present bill does penalize people who have made the effort to meet their costs by going into debt, borrowing money for relatives, etc., and are sympathetic with them.

Mr. Parr informed the committee that he had met with Dr. Fraser and Mrs. Jund (from the Department) a few weeks back regarding this bill. He said this bill had been before the House last year and explained why it did not pass then. Said the committee would have to take a look at this bill and use it as a vehicle to resolve some of the problems facing the Dept. of Health & Social Services. He gave his views as to several alternatives.

There was discussion by members as to what a catastrophic illness was, whether to one person it would be catastrophic and to another person it might not be, depending on their financial status and how they defined catastrophic illness.

Dr. Fraser said the committee on catastrophic illness first met in November and their initial problem was regulations. They felt the fewer regulations they had would be best but said the Attorney General's office told them this would get them into trouble and that they need regulations and a formula to go by. Said they have processed the applications that have been forwarded to them, they have made disposition on roughly \$100,000 worth of claims, Said a number of claims have been denied, utilizing the formula.

Mr. Bennett said he would be very apprehensive if they started identifying the give or take 100 different disease conditions. Said you could get into a combination of other conditions. Said perhaps basing it on a scale based on income which has a financial value you could identify he thought perhaps was the only way to halfway be reasonable about it.

Dr. Fraser said they have approved approximately 6 applications, denied about 15 and have about 15 or 20 that did not qualify due to the low amount of their bills. Said they had 25 pending that they had requested more information on. Dr. Fraser was asked by Mr. Chatterton how long it would take them to act on the ones they are waiting information on. Dr. Fraser said depending on how quickly they got their information back they had requested but if they got it back within the next 2 weeks they could have them processed within the next 2 months.

Mr. Parr asked Dr. Fraser what the budget called for for this year. Dr. Fraser said they had asked for \$300,000 for this year. He said they had no previous experience to go on so just had to judge as what to ask for.

Dr. Fraser said much of their guidance in drawing up regulations was on the experience of the State of Maine. Said in trying to project the amount they need in Alaska is hard because of some very expensive problems, said a premature infant may have bills up to \$35 or \$40 thousand dollars. Someone in a skilled nursing facility for a period of time, 10 patients in that category would utilize the entire budget.

There was then much discussion as to the possibility of the state buying insurance for this type of illness through an insurance company.

Next to testify was Jim Pfeiffer, Deputy Director for the Division of Insurance and a member of the Catastrophic Illness Committee. Pfeiffer: Said the way he understood the bill it would allow payments to be made to the person who made the original payments. Said the original bill contemplated payment to medical providers only, but now payment can be paid to a relative, friend, or whoever paid the medical provider. Said he would oppose that type of amendment. Said the original bills intent was to provide a source of funds for persons suffering a catastrophic illness who had no other fund and source available. He said if a person could tap a friend or relative he didn't believe the state should absorb that cost. Said he felt this would add and compound the problems of the committee. Said he thought the administration of such an amendment would be difficult.

There was much discussion with Mr. Pfeiffer regarding a group insurance policy for the entire state of Alaska as to what the premiums would be etc.

Mr. Parr asked if it would possible to structure a program to match the amount of money instead of matching the money to the program. Mr. Pfeiffer said it was an approach that had a great deal of logic. Said he has sent these regulations to Blue Cross and they had indicated from their already existing records in the State to try to come up with an answer. Mr. Parr informed Mr. Pfeiffer there wasn't much point in having legislation that would offer false hope to people and then not funding it. Said it would make more sense to have something on the books that would be funded by the legislature so the people would know the money was there if they qualified but said he had no idea what would be appropriated but presently doesn't see the 1.2 million being there even with the oil money.

Mr. Bennett asked if they had a dollar figure to provide a program like the one they had discussed that would have a true catastrophic coverage. Pfeiffer said they have not but the closest thing is what he has asked Blue Cross to do. Mr. Parr asked that he furnish us the material when he got it from Blue Cross.

Mr. Parr said for personal policies, he understood Blue Cross policies have a dollar limit. Mr. Heueisen said most policies covered up to a quarter of a million dollars. State employees policy is \$250,000 maximum (lifetime) per individual. There was discussion on the different types of policies.

Mr. Parr asked the Committee to hold off action on the bill until we received the information requested from Mr. Pfeiffer back.

The meeting adjourned at 4:50 p.m.

CATASTROPHIC ILLNESS

PUBLIC HEARING

ANCHORAGE (3/2/77)

Dr. Fraser introduced the meeting and reviewed Committee's intent with description of legislative intent. He also reviewed with those present the regulations with comments as to changes and intent of committee in promulgating each particular regulation. (Line 21 - 135).

Comments and/or questions from the group as follows:

Mary Tomasiewicz, Easter Seal Society: (line 145) "I'd like to say that we're very happy to see these rules and regulations. ^{It's} ~~There's~~ going to save a lot of agencies a lot of time because when people talk with one agency to find out where they can get their bills paid, they're told that there isn't a resource they keep calling all others, so I think ~~that~~ with this it will certainly make it easier for agencies. One of the things that I do ask is ~~that~~ under the definition of providers it mentions hospitals, clinics and I'm just wondering under clinics, would something like the Alaska Treatment Center be considered and also the Speech and Hearing Center in Fairbanks for speech therapy, also there's physical therapy and occupational therapy at the Center? Would some of the care provided by the Municipality--are they to be considered a provider?" Dr. Fraser indicated that the Treatment Center would be covered. Mrs. Tomasiewicz clarified the Municipality to mean that agencies Home Health Care Program--Dr. Fraser indicated that they would. "It's (referring to Home Health) not listed as that type of facility and I'm just wondering about that. The other thing I am ? is the dentistry. We get many dentures. calls from senior citizens for ~~dentistry~~ If they do cost over \$1000 and financially I am sure they would be covered under this-- I'm not sure that ^{dentures} ~~xxx~~ are always due to either a ? ^{is} would relate to because of an injury or illness and /that excluded? Is that to be considered as something that is provided" Dr. Fraser: "This is something that the Committee, of course, will consider, but my own reaction is probably not because one of the things that is ? apparent is that the funding of this program is going to mean that the Committee is very limited There are lots of groups that are not intended to be considered in this legislation and I think that it is the prerogative of people who feel that additional things should be covered or that additional programs should be considered is to notify their legislators and the Department." Mary Tomasiewicz: "I'll start with you by saying that I feel that this is one of the needs."

and Fred Gladden

Judy Sharpe, Providence Hospital, Judy Sharpe, Spokeswoman: Submitted concerns in writing (see attached) (Line 207) (Fantastic, more should submit written comments, then testify) Mrs. Sharpe read her written comments aloud, making the following questions:

"...Your creating a program which I think is really good, but you can hurt a lot of people by offering them an additional hope and then not being able to respond to many peoples needs." Dr. Fraser indicated her statement as valid, however Committee limited by

(207)

legislative intent and limited appropriation in implementation; if it is obvious that the expenditures are going to be in excess, then perhaps the legislature will be requested to either give a supplemental appropriation or change the legislation. Dr. Fraser indicated the recognition of the Committee that 10 patients in a nursing home for a year could well use up the appropriation. Judy Sharpe: "I think perhaps it should be identified right from the start with the Legislature that this is a great program, but not realistic to do any sort of real good..." Medical Exception subject discussed: (line # 257): "... we have attempted (Judy Sharpe) to get the figures on how much is spent on Medical exceptions for the last year and weren't able to come up with anything, but it wouldn't surprise me if the medical exceptions alone were more than your ^{operating} ~~authorized~~ budget for the first year." bill

Dr. Fraser indicated intent of Catastrophic Illness/was not to eliminate medical exceptions and discussed tenuous legislative setup for medical exceptions.... Dr. Fraser indicated where Committee looks at an application referred to Committee by PA and it does not qualify for Catastrophic Illness, the application will be bounced back to PA.

Judy Sharpe: (line #309) - "Are the costs for administering the CI program to come out of \$300,000 budget?" Dr. Fraser: At present there are costs for administration.

Incurred Expenses (#4 on attached memo) (line 328) - "... if so, to what extent?" Dr.

Fraser: "Within the terms of the CI program ~~guidelines~~ will continue to pick up the expenses after the guidelines have been fulfilled" Judy Sharpe: "So that a patient could ~~seek~~ apply to CI for expenses that are in the future, getting a determination" Dr.

Fraser: "But during the 12 month interval. Now for the second year or ongoing problem, bills will be considered ^{from} ~~from~~ the beginning of the illness in a particular year and continue for a 12 month period. If the illness continues for a second 12 month period, there would be a similar deductible and a similar responsibility on the part of the patient and then CI would pick up the additional expenses." Believe Dr. Tower: "Is H-300

there any provision whereby a person can get assurance that his costs will be covered before the incurred expense?" Judy Sharpe: "We've dealt with many patients that need to have rehab and when they find out what it's going to cost, just say no way, go home physically debilitated and never going to get any better because they can't afford and refuse to take the risk..." Income level discussed. (line # 382) Makeup of Committee/(line ^{discussed}

405). Recommendation of Committee include member from provider community. Dr. Fraser pointed out that to keep administrative expense down, committee would have to be kept localized. Criteria to evaluate the effectiveness discussed (line #442). Dr. Fraser indicated he could not answer that (refer to #8 of memo attached).

Marion Lampman, Alaska Hospital Association: (line 463) "...I'd like to go back to about a year when we had our mid-year meeting in Juneau, which was last March. We had a number of our administrators present some case studies and this problem really came to the surface of the need for such ~~xxxx~~ legislation. Subsequently, we did a rough survey for Dr. Chalmers. I looked some of those old figures back up and we estimated at that time

cases that were current amounted to \$648,000 and that's just hospitals... and what they had on the books at that time and of patients that really were in a catastrophic illness medically ... As you see these applications come in and as you get a better handle on it, let us help you to get some more money for this program." End of side 1.

"... Every time some more deficiencies rise in the funding of such programs, hospitals are reminded that they owe so much for charity care and I don't think that collectively that that was ever intended to be 50% of their revenue and it's getting out of hand..."

Shirley Harmon, Alaska HOmemakers, Home Health Aide Service: (line 13) Referenced definition of 'provider' - "...Whether a private non-profit agency, whether it's Alaska Homemaker-Home Health agency or another, is also included as a provider..." Dr. Fraser indicated the intent of the Committee when drawing up the regulations, that this type of expense would be considered and not excluded. Ms. Harmon ~~asked~~ suggested that this be clarified in the definition of provider.

Daisy Van Nortuick, Alaska Hospital and Medical Center: (line #53) -- concern with medical exceptions "... we were told there is no more funds available until catastrophic illness comes through. Is this in fact right, or is it wrong? Is there funds for medical exceptions at this time, still?" Dr Fraser indicated it a matter of interpretation and *reiteration*

as above discussion. Indicated his inability to answer any detailed questions on operation of PA. Ms. ~~Harmon~~ ^{Van Nortuick} directed questions relative to limited budget (line 120) -- "...if you run out of funds in Oct or Nov, could the people you have under consideration then, would they be carried over into the next year or would it be cut off...?" Dr. Fraser ~~referencex~~ ^{appropriation.}

indicated the possibility of requesting a supplemental ~~from the legislature~~ Person of ^{possibly Shirley Ms. VanNortuick??} (line #143) ^{Helen Beirne?} unknown determination:/"... I think what we're talking about is the \$300,000 for this

year and 6 months of this year have already passed, so we're now up against another legislative session where they will be looking at this again as to whether it's going to be more than \$300,000, whether they will accept that or not. We're also ~~lookingxak~~ have covered as a precedence in this, the Violent Crimes Commission, which in a sense is sort of a catastrophic type of illness and they do know that over the years that Violent Crimes has increased to about \$350,000 now, over a 3 or 4 year period; so that was one of the reasons they put in the \$300,000. They didn't know. I don't think there was any anticipation however, that the medical exception would be cut out at that time, even though we knew two million had been turned back in prior to this bill being enacted that had not been expended through various medical assistance programs, it had been reverted back into the general budget. This bill went ~~back~~ through much easier because that had reverted back. The reason the \$300,000 is because nobody knows any different, and so I think the Department cannot stand up and say what are we going to do, what ~~xxxx~~ we really have to say is are we going to bring enough ~~xxxx~~ before the legislature have it increased. The other thing I would say is that the CI concept is really for

catastrophic illnesses and how we are going to determine that is what they are attempting to do here and I can understand their problem, because we can say a stroke is a catastrophic illness and it is. My concern is the formula I read here to me addresses people who are not in the category which was intended. I thought the intent was that these would be the citizens who fell in an area where they would not be eligible for welfare and let me say that the example looks to me that that's a person who would fall under something other than CI, we're talking about the gross income of \$6200..." "I think the intent was that these probably were the middle income people, pay their taxes -- support many, many concepts of people who are not capable or have not for some environmental reason or whatever, have not paid taxes, now they're suffering an injury or CI which forces them for all purposes under welfare unless they have some assistance. As I look at the example, a person who only has a income of \$6200 is a person who probably is in a category that would fall under a categorical. Because last year, the formula we had was based on somebody with \$10,000 but they couldn't even work with it because they said a \$10,000 income with this kind of a deficit would throw them down into a welfare category." Pointed out by Dr. Tower that Medicaid has not medical deductable in their provisions in Alaska, and other categorical programs (AFDC or Aid to the Disabled) would cover medical what Committee has done is to take this down to the lowest level. There is no other program to cover it. Helen Beirne -- "I feel that the formula -- I would like to have seen the example addressed to a middle income individual, \$6200 person is not going to be paying taxes really, however, I realize they need assistance." Dr. Fraser discussed Committee's attempt relative to the formula. Helen Beirne: "... I think your formula addresses the other category... but I think that probably the people who ask questions her, the questions their asking are legitimate questions, but I don't think we can expect an answer right now. I am surprised that general relief went down as this came in!"(above, she is referring to medical exceptions, not general relief). Medical exception legislation again discussed. "... whatever authorized Lampman speaking???) the medical exception anyway? (line 220) I'm guessing, but ... so you're trying to do two things with this piece of legislation... if this is truly a catastrophic bill, you just can't make it all things to all people... so maybe you ought to raise the limit, and I think what Helen is saying is very good, the lower incomes need to be put into a different category and maybe we have to go to the legislators or wherever and battle that they be covered under the GR Med..." "I just might point out one of the problems that we've had in trying to identify the adequacy of the CI Program is to identify exactly how much was expended toward the exception under the GRM program. We contacted the DHSS, they could not tell us how many dollars were expended under the GRM exception program and we wanted to get a handle on those costs to see exactly what the appropriateness of this \$300,000 level would be. And apparently it's bumped into the general fund, there's no identification as to how the costs have been incurred or how the money's been expended." Helen Beirne:

(Line 260)

"As I recall what came before the committee (HESS); we couldn't get an answer either because I do believe it was jumbled up together, but it seemed to be very minimal. Now, during the course of the year, I have submitted several people that have fallen into certain categories of what I thought was categorical or CI and in a couple of cases they have said these people don't own a home, whatever might be the reason, the baby was a congenital defect baby, they fall under certain other areas, so many of these things will be picked up that we have been calling CI. ... An awful lot has to be worked out still, and I think it's going to take a year to work out. I hope something isn't

(line 281)

eliminated in the process of transition." "The other thing about the Committee, the Committee was made by Statute and it was made with the idea that it could be expedited. I think the idea was that probably there might be conflict of interest by getting people on who were from hospitals and so forth; they felt they would bring in just a very small group who could sit down at regular intervals at a minimum of cost and that the \$300,000 would not have to be expended on administrative costs." Marion Lampman: "...

what happened to the figures that we, the Hospital Assn when this was all polled by all the hospitals, was submitted--what happened to the \$648,000 that was reserved figures?"

Helen Beirne: "I think the feeling of the Committee (HESS) was that the idea was not to pay the debts of hospitals--the idea was to establish a program which would have a firm base and grow, and not to go retroactively and talk about what debts there were at the present time owed to hospitals. We did that 6 years ago when revenue sharing was brought into effect... I think that one of the things that could be done this year now that there's been more activity on this that that could be resubmitted and the HESS Committee could look at it again after a year of activity, or should we say inactivity?"

Line 323-- Dave Pritz, Office of Vocational Rehabilitation: "I guess I have a different outlook on this. A couple of things that have been said really confuse. One of them is it looks as though we just hatched the first egg or something and it really kind of surprised me because a program like this, as I understand it, is operable in 14 states, and it would seem to me uncharacteristic of Alaska that we benefit by finding out how it's doing in those 14 states and how much it's costing them. From the comments I hear, it would seem to indicate that it's the first CI bill ever to happen and nobody knew or had any ballpark figures." Dr. Fraser referred to other states, some of which required a tie-in with a qualified insurance program. Dave Pritz: "And secondly, I was wondering, questions have been raised ... concerning the subject of what used to be medical exceptions being tossed into this category of CI, and no real answer has been given to this question." D. Pritz referred to PA people in audience who might be able to address this question, Garth Patterson and John Lappo. Briefly discussed -- nothing new here!!!

Line 396-- Rick Jarvis, Office of Vocational Rehabilitation: "I am most interested in a clients of mine who have disabilities that require large medical expenses each year,

such as hemophiliacs... Would you be able to cover them?" Dr. Fraser answered appropriately. Rick Jarvis referred to a particular case for which he had an interest. Dr. Fraser referred to guidelines of regulations. End of tape 1.

Tape # 2:

Question relative to liquid assets raised by Rick Jarvis. Discussed briefly by Dr. Fraser. Line 15-- Helen Beirne discussed hemophiliacs and experience with few other states from which HESS Committee got information relative to a workable formula. ^(Line 45) Marion Lampman further discussed \$648,000 figure. Grace Dillon, CI person: Related her personal experience -- kidney problem. Kidney renal dialysis relationship with SSI. Discussion ensued relative to other forms of treatment which can be received at home, like renal dialysis. Garth Patterson, Division of PA: (Line 141) -- Recommend add under exclusions of consideration of assets, change "one automobile or truck" to "one non-commercial vehicle". Other comment re "GRMed Exception is not a program, it is an exception to a program; and I could propose a CI Exception program. There is always an exception. Gayle McKenzie, CI person, gives her personal story. (Line 151) Line 210: Helen Beirne: "...It indeed this program got started, would everybody say we're not going to buy insurance because the State will pay for it all. This is a very vital concern because once it becomes known, everything above and beyond what your capable of paying ... that makes it then something else other than CI, it makes it a national health insurance, so we had some problems here ..." Dr. Fraser indicated that there is feeling by many that Legislature might look at bill and make a requirement of having CI insurance a pre-requisite to this program. Helen Beirne: ^{we} "You mean/go back and pull one of those ^{earlier} bills out that was written better and get it passed instead of this one that slipped through." Line 234: Dr. Tower raised question relative to coverage of transportation costs. Discussion ensued on costly travel to outside facilities as well as local travel, i.e., Bethel to Anchorage. Garth Patterson (or Rick Jarvis): "Under the definition where "physician recommends therapy" whether it's speech or whatever, maybe that could be considered. It would be worth investigating." Someone pointed a case where a quadraplegic was transported outside and the cost was \$7000, which points out validity of problem. Pointed out by Dr. Tower that there can be no pre-authorization under CI. Dr. Tower: " ... It's going to come up quite a bit. With a person whose gone down to Virginia Mason, I'm thinking particularly of ^a babies, under private means until the family w-s completely wiped out." ^(Helen Beirne) Line #320, "Dr. Fraser, when does this come before the Committee (HESS) in terms of funding? Are there enough figures to present to them to have an increase in the \$300,000? That was an arbitrary figure, based really on nothing." Dr. Fraser indicated that Committee was going to run through what they had and hopefully be able to ~~put~~ come up with some projected figures. ^{possibly Fred Gladden} Line #329, Rick Jarvis (23): "I'd just like to make one comment as far as maybe pulling together the illusions or x comments that have gone

on this evening. I don't know that in every case the provider is necessarily concerned with payment being rendered, as far as the hospital is concerned, we're not looking at payment to the hospitals in this case, your right, ~~xx~~ is a legal obligation that we have, ^{Hill Burton} the in
out at the same time, I think that the provider in many cases is/the best position to speak on behalf of the patient for the population being served, and that's the intent behind us being here today. We'll not in allprobability see much of that money, but we at the same time, are in a very definiteposition to crystalize some of the situations that we encounter on a daily basis and bring that to your attention and it's not." Line 366--
Helen Beirne: "...right now the Violent Crimes Commission has actually put a limit on what can be paid. Although that this isn't the way we really desire it, it might be that a limit would haveto be put on. And certainly if your're suffering from a CI, it's better to have \$10,000 paid or nothing paid As I recall, that formula originally said there could be up to \$10,000 paid and the way it was written, of course, if they had insurance that paid up to \$10,000, that eliminated them from getting \$10,000 from the Violent Crimes Commission. So that was changed, so that \$10,000~~xxxxxxx~~ above insurance and third party payments. Believe it is raised now to \$15,000. /just one illness ~~would~~ wipe out everything for people who might only have \$5,000. I just don't know how high this could go, but that is something. We'd like to think that everybody could get paid whether they had \$30,000 or \$50,000, but if they can't ^{maybe} / there has to be a limit/^{set} on it so that it can be stretched further"
Further discussion ensued on this subject. End of Anchorage meeting. ~~xxxxxx~~

PROVIDENCE HOSPITAL



3200 Providence Drive
Anchorage, Alaska 99504

276 4511

POSITION STATEMENT: PROPOSED CATASTROPHIC ILLNESS REGULATIONS

We support the concept of a catastrophic illness program to help Alaskans defray burdensome medical expenses resulting from major illness or injury. For those citizens without adequate insurance coverage and for those not eligible for assistance through existing state or federal programs, an ironic dilemma can result: A person can end up medically sound but financially destroyed by lengthy or intensive medical treatment. For many, recovery from the financial burden becomes an impossible or life-long task, requiring a drastic alteration of goals and lifestyle and depletion of every resource for which the individual has worked. For too many people, the stress and anxiety of a major illness or trauma is outweighed by the anxiety caused by the bills accumulated because of the illness. For these citizens, the Catastrophic Illness program offers hope.

However, we would like to identify several areas of concern:

- 1) If the proposed operating budget is \$300,000 for the first year, the program's effectiveness is immediately seriously stunted. In the current age of sophisticated and costly medicine, it is all too easy for a patient to have a \$25,000 hospital bill, \$15,000 in physician fees and \$10,000 in skilled nursing home care leading to recovery. Only a handful of claims of this nature would deplete the year's budget, leaving out hundreds of other valid claimants. Although this may seem to be an extreme example, it unfortunately can happen. And there are many more less dramatic cases of accumulated bills beyond the patient's means. To create an effective program which will reach people, the State must make a serious commitment of financial support. Otherwise the program cannot offer any hope to the majority of applicants.
- 2) Furthermore, we are aware that the Department of Health and Social Services has eliminated another financial assistance program (General Relief Medical Assistance - Medical Exception) at the same time it is creating the Catastrophic Illness program. All applications for GRM-Medical Exception are being referred for action to the Catastrophic Illness program. The limited budget and the closure of another viable resource program make it seem less and less likely that the Catastrophic Illness program can make a serious impact.

- 3) Are the costs of administering the program to come out of the \$300,000 budget? If so, the limited resources would be further dissipated by administrative costs.
- 4) The proposed regulations appear to deal only with incurred expenses. Consideration should be given to those people who need further major medical treatment but who cannot assume the financial burden and therefore refuse treatment. A good example of this problem is the stroke patient who requires extensive rehabilitation to achieve the highest level of recovery but who refuses because of lack of resources. Will the program assist this person? If so, to what extent? And further, will the budget be able to handle the costs?
- 5) Item 7 AAC 48.030(d) It is our opinion that if the budget is going to be so severely limited, perhaps it would be appropriate to raise the base limit for application from \$1,000 to a higher amount. This could be one method of reaching true catastrophic victims. Further, the program regulations could better serve the applicant by considering the total episode from onset to finish rather than restricting it to a 12-month period.
- 6) Further clarification of 7 AAC 48.080(d) (the Committee may consider the availability of catastrophic illness funds;) is requested. What does this mean?
- 7) What is the make-up of the Committee? We feel it should include a representative from the provider area (i.e., nursing home, hospital).
- 8) What criteria will be used to evaluate the effectiveness and worth of the program? What mechanism will be used to correct any deficiencies?

✓ MARY TOMASIEWICZ. Easter Seal Society
 ✓ FRED GLADDEN PROVIDENCE HOSPITAL
 ✓ JUDY SHARPE PROVIDENCE HOSPITAL
 ✓ Marion Sampson AK State Hosp Assn
 ✓ Shirley Harmon ALASKA HOMEMAKERS - HOME HEALTH AIDE SERV
~~POWHA BEADY AK State Hosp Assn.~~
 Missylin Sertunak Alaska Hosp & Med. Center
 Dan Fritz D.V.R.
 Rick James D.V.R.
 Grace Wilson California
 ✓ Gertrude Paltem Div of Pub. Assistance
 ✓ Gayle McKenzie

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CHAPTER 48. CATASTROPHIC ILLNESS.

Section

- 10. Committee meetings
- 20. Confidentiality
- 30. Applications for assistance
- 40. Residency
- 50. Services excluded from coverage
- 60. Required documentation; investigation
- 70. Applicant's share
- 80. Standards for reimbursement to providers
- 90. Reconsideration of decision by committee
- 100. Fair hearing
- 110. Finality of decisions
- 120. Recovery from collateral source
- 130. Definitions

7 AAC 48.010. COMMITTEE MEETINGS. The Catastrophic Illness Committee shall meet twice a month on dates which the committee establishes.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.020. CONFIDENTIALITY. The confidentiality provisions of 7 AAC 37.020 -- 7 AAC 37.130 are adopted by reference and made applicable to this chapter.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.05.020
AS 47.05.030

7 AAC 48.030. APPLICATIONS FOR ASSISTANCE. (a) All applications for financial assistance under this chapter shall be made on a form authorized by the committee. The information required by the committee shall be supplied in full by the applicant or the applications may not be considered. Additional sheets may be used, as necessary.

(b) Application forms, along with the formula used to calculate the applicant's share, described in section 70 of this chapter, shall be available at Offices of the Division of Public Assistance, at Regional Health Offices of

the Division of Public Health, at state licensed hospitals, or by writing to the committee at Pouch H06, Juneau, Alaska 99811.

(c) Applications may be filed by a person who has suffered a catastrophic illness or by a parent, spouse, or legal guardian of that person; or by any other interested party with the written consent of the person who has suffered a catastrophic illness.

(d) No application shall be considered unless the total medical bills related to the catastrophic illness are more than \$1,000 in a period not to exceed 12 months after all sources of third party payment have been exhausted.

(e) A poster publicizing the availability of benefits under this chapter shall be supplied to hospitals licensed in the state of Alaska for display in a public area. The poster shall also be supplied for display in appropriate public buildings throughout the state according to the availability of appropriations for catastrophic illness.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.040. RESIDENCY OF APPLICANT. Applicants shall be residents of the state of Alaska at the time of application and at the time the catastrophic illness for which state aid is sought occurred.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.050. SERVICES EXCLUDED FROM COVERAGE. The following services and charges are excluded from coverage under this chapter:

(a) Dentistry and optometry unless prescribed by a licensed dentist or physician as medically necessary as the result of an injury or illness;

(b) Elective medical or surgical procedures;

(c) Drugs and medications not prescribed by a licensed physician;

(d) Services received as a result of a normal pregnancy;

(e) Private psychological or psychiatric treatment or private alcoholism treatment, unless not available from public agencies or programs;

(f) Chiropractic services;

(g) Services not of a medical nature;

(h) Medical services currently provided to persons in the custody of the Division of Corrections;

(i) Residential care in a skilled nursing home or intermediate care facility for more than 90 days, if the committee finds such exclusion to be necessary based on the availability of catastrophic illness funds and the need of other applicants.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.060. REQUIRED DOCUMENTATION; INVESTIGATION. Each application shall be reviewed by the committee or its designee for completeness of information, including required documentation of medical expenses, gross income and assets. The committee or its designee may return the application for more complete information to the person who is applying and may investigate any portion of an application.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.070. CALCULATION OF APPLICANT'S SHARE. (a) A formula adopted by the committee shall be utilized in determining the applicant's share of total medical bills related to a catastrophic illness, based on annual gross income, number of dependents and amount of assets. This formula shall be provided along with the application form and shall also be made available to persons who request it by writing to the committee at Pouch H06, Juneau, Alaska 99811;

(b) For the purposes of applying the formula to determine the applicant's share, multiple catastrophic illness occurring within a 12 month period to the applicant or other members of the applicant's family shall be treated as one catastrophic illness;

(c) In applying the formula to determine the applicant's share, the total gross income and the total assets of the family of an applicant may be considered; the following assets shall be excluded:

(1) a home providing shelter for the applicant and the land on which it is situated;

- (2) one non-commercial vehicle;
- (3) tools, equipment and vehicles required in a trade or business;
- (4) ordinary household and personal effects;
- (5) \$1,000 of liquid assets;
- (6) all non-liquid assets unless such exclusion would bring about an inequitable result; however, all income derived from such property shall be taken into consideration in determining the recipient's gross income;
- (7) inalienable shares in a Native Corporation created pursuant to the Alaska Native Claims Settlement Act, P.L. 92-203, 43 U.S.C. 1601 et seq., during the period of their inalienability as specified in the act.
- (8) Alaska longevity bonus;
- (9) any other assets specifically restricted for the use of the recipient by state or federal law.

(d) Assets received as custodian, guardian, conservator or trustee for another are not considered assets of the custodian, guardian, conservator or trustee himself.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.080. STANDARDS FOR REIMBURSEMENT TO PROVIDERS. The amount that the committee reimburses providers for medical services rendered to a person who has suffered a catastrophic illness shall not be greater than 100% of the total unpaid bills related to the catastrophic illness and shall be determined by the following standards:

(a) Medical bills related to a catastrophic illness shall be considered for periods not to exceed 12 months. The initial 12 month period begins with the date of the first charges incurred because of the illness, but no charges incurred before July 1, 1976, shall be considered;

(b) The committee may not reimburse a provider if the applicant's total bills related to the catastrophic illness are less than \$1,000 in any period not to exceed 12 months described in (a) after all sources of third party payment have been exhausted by the applicant or by someone acting on behalf of the applicant;

(c) The committee may not reimburse a provider for the applicant's share of the total medical bill, as determined by the formula referred to in

section 70 of this chapter;

(d) The committee shall reimburse hospitals and other institutions at the rates and in the manner established by existing provider agreements with the department of health and social services. Physicians, dentists, and all other providers shall be reimbursed at rates not less than those set out at 45 Code of Federal Regulations 250.30(b)(3)(i)(A);

(e) The committee may consider the availability of catastrophic illness funds;

(f) The committee may consider any other factors or circumstances which it determines to be relevant in an individual case.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.090. RECONSIDERATION OF DECISION BY COMMITTEE. The committee shall promptly notify an applicant of its decision with written reasons for the amount of the award or for a finding of non-eligibility. An applicant who is dissatisfied with a decision of the committee may apply to the committee for reconsideration within 30 days of receipt of the decision. The request for reconsideration shall include a written statement of grounds for reconsideration and any supporting documentation which was not available to the committee for its original decision. Within 30 days of receipt of a request for reconsideration, the committee shall affirm, amend or reverse its original decision. The committee shall promptly notify the applicant of its decision upon reconsideration with written reasons for its action. Information describing hearing rights and procedures shall be printed in bold-face type on the written notification of decision.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 100. FAIR HEARING. An applicant who is dissatisfied with the committee's decision upon reconsideration may request a fair hearing in accordance with the procedures established by the department of health and social services at 7 AAC 49.020 -- 7 AAC 49.250.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.110. FINALITY OF DECISIONS. Decisions as to catastrophic illness awards are final (a) 30 days after receipt by the applicant of the committee's decision unless a reconsideration is requested during this time; or (b) 30 days after receipt of the committee's decision upon reconsideration unless a fair hearing is requested during this time; or (c) after denial or dismissal as provided by 7 AAC 49.110; or (d) 15 days after receipt of the hearing authority's decision if that decision is not appealed during this time as provided by 7 AAC 49.230; or (e) after the decision of the director on appeal as provided by 7 AAC 49.240. Time limits for appeal may be extended or waived for good cause. Request for a hearing shall be deemed made upon dispatch.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.180
AS 47.25.255

7 AAC 48.120. RECOVERY FROM A COLLATERAL SOURCE. If the applicant or a provider is recompensated from any other source for medical bills which have been paid by the catastrophic illness committee, the state shall have the right to reimbursement for the amount paid by the committee. As a condition of application for catastrophic illness assistance, an applicant shall sign an agreement to this effect. As a condition of payment by the committee a provider shall sign an agreement to this effect.

(Eff. / /77, Register)

Authority: AS 47.05.010
AS 47.25.255

7 AAC 48.130. DEFINITIONS. In this chapter

(1) "applicant" means a person who has suffered a catastrophic illness;

(2) "applicant's share" means the amount of the total medical bill related to the catastrophic illness which the committee determines that the applicant can reasonably be expected to pay based on income, assets, and

number of dependents;

(3) "catastrophic illness" means a single illness or injury which results in medical expenses of over \$1,000 during a period not to exceed 12 months, after all other sources of third party payment have been exhausted;

(4) "committee" means the Catastrophic Illness Committee;

(5) "elective medical or surgical procedures" means treatment which is not essential to the life or health of a person;

(6) "family" means two or more persons related by blood or marriage or adoption living as one economic unit;

(7) "liquid assets" means assets which can be readily converted to cash;

(8) "non-liquid assets" means all assets not covered by (7);

(9) "provider" means a licensed physician, pharmacist, dentist, or other health services worker who has provided services not excluded by section 50 of this chapter to an applicant as a result of a catastrophic illness, or a licensed hospital, clinic, skilled nursing home, intermediate care facility or health maintenance organization which has provided these services;

(10) "third party payments" means payments of medical expenses related to a catastrophic illness by sources other than the applicant or the catastrophic illness committee, including, but not limited to state and federal medical assistance programs; private health insurance; employment-related health insurance; military health insurance; Workmen's Compensation; Violent Crimes Compensation; Indian Health Service of the U.S. Department of Health, Education and Welfare, awards in legal actions.

(Eff. / /77, Register)

Authority: AS 47.05.010

For an Act entitled: "An Act relating to catastrophic illness; and providing for an effective date".

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

*Section 1. AS 47 is amended by adding a new chapter to read:

Chapter 08. CATASTROPHIC ILLNESS ASSISTANCE.

Sec. 47.08.010. REIMBURSEMENT OF PROVIDERS. According to the provisions of this chapter, the Department of Health and Social Services Catastrophic Illness Committee shall reimburse providers of medical care for unpaid costs incurred in the treatment of a person suffering an illness or accident which results in financial catastrophic to the person or his family as defined in regulations adopted by the Committee.

Sec. 47.08.015. CATASTROPHIC ILLNESS COMMITTEE. There is created the Catastrophic Illness Committee, consisting of a medical review officer from the Department of Health and Social Services, a member appointed by the governor who has suffered a catastrophic illness, and a representative of the Department of Commerce and Economic Development appointed by the governor, and necessary administrative staff.

Sec. 47.08.020. POWERS AND DUTIES OF COMMITTEE. The Catastrophic Illness Committee shall determine eligibility, allowable costs and levels of reimbursement. It shall adopt regulations, make reasonable classifications of persons according to the size of family, family income and assets, and health care coverage from all other sources. Other sources include, but are not limited to, state and federal medical assistance programs, private health insurance, employment-related health insurance, military health insurance, workmen's compensation, violent crimes compensation, and Indian Health Service. In order not to exceed the budget appropriated by the legislature, the committee shall establish priorities for those eligible for assistance under this chapter. The committee

may not make reimbursement for costs incurred before July 1, 1976.

Sec. 47.08.025. NOTICE. The Catastrophic Illness Committee shall seek the assistance of medical providers to assure that the public is aware of the catastrophic illness program.

*Sec. 2. AS 47.25.255 is repealed.

*Sec. 3. This Act takes effect immediately in accordance with AS 01.-10.070 (c).

Catasrophic Illness program:

This program has no budget for staff of its own. It has, therefore, been "robbing from Peter to pay Paul". There needs to be money in some budget to cover the expenses of the project.

There is a lack of understanding as to what limit catastrophic illness has. The committee has reviewed all applications and has found many medically needy but not eligible for G.R. medical and other programs. They are also not needy enough to qualify for C.I.

What needs to be done to provide a measure of assistance to these people?

Is that what the program needs to do or should it be used as a last resort?

Does the program belong in Public Health or Public Assistance. Public Health feels that it is a total money program and should remain in Public Assistance. I do to.

It is to early to judge if there's enough money available or not for the project.

MONTHLY BREAKDOWN OF EXPENDITURES FOR FY 77 CATASTROPHIC ILLNESS PROGRAM ---\$300,000 Appropriation

Month	Administration	Physicians	Hospitals	Others	Totals
April	\$ 258.91	\$ 2,645.39	---	--	\$ 2,904.30
May	12.28	7,385.20	\$40,482.89	---	47,880.37
June	36.50	890.65	961.11	\$4000.07	5,888.33
July 13	-----	1,841.13	4,235.32	-----	6,076.45
				TOTAL-----	\$62,749.45

FY 78 Budget (Starting July 14, 1977) \$450.000 Appropriation

Month	Administration	Physicians	Hospitals	Others	Totals
July 14, 1977	-----	\$ 686.69	\$ 4,666.54	-----	\$ 5,353.23
August	\$ 86.60	3,493.16	41,481.49	\$ 330.00	45,391.25
September	245.11	7,841.49	3,031.56	2,513.81	13,631.97
October	47.72	4,108.46	43,298.36	-----	47,454.54
				Total paid out to date	\$111,830.99

Estimated
 Medical Expenses committed for
 to date as yet unpaid -----\$51,131.33.

MONTHLY BREAKDOWN OF EXPENDITURES FOR FY 78 (Continued) \$450,000 Appropriation

Month	Administration	Physicians	Hospitals	Other	Totals
Total expenditures as of October 31, 1977-----					\$ 111,830.99
November	\$ 210.85	\$ 6,953.56	\$ 20,138.19	\$ 1,622.59	28,924.34
Total paid out to date					\$ 140,755.35
Estimated Medical Expenses committed for to date as yet unpaid-----					\$62,267.63
Amount of appropriation		\$ 450,000.00			
deducting total paid out & committed funds-----		<u>\$ 203,022.98</u>			
Amount of appropriation remaining-----					\$ 246,977.02
December	\$ 24.37	\$ 13,606.87	\$ 36,051.67	\$ 557.00	\$ 50,259.91
Total paid out to date					\$ 191,015.26
Estimated Medical expenses committed for to date as yet unpaid-----					\$71,996.06
Amount of appropriation		\$ 450,000.00			
deducting total paid out & committed funds---		<u>\$ 263,011.32</u>			
Amount of appropriation remaining-----					\$ 186,988.68

MONTHLY BREAKDOWN OF EXPENDITURES FOR FY 78 CATASTROPHIC ILLNESS PROGRAM (continued) \$450,000 Appropriation

Month	Adminimstration	Physicians	Hospitals	Other	Totals
Total expenditures as of December 31, 1977-----					\$ 191,015.26
January 1978	\$ 98.99	\$ 23,144.00	\$ 85,462.35	\$ 3,269.18	111,974.78
				Total paid out to date	<u>\$ 332,989.78</u>

Estimated Medical Expenses committed for to day as yet unpaid-----\$ 19,957.35

Amount of Appropriation	\$ 450,000.00
deducting total paid out & committed funds	<u>\$ 332,947.13</u>
Amount of appropriation remaining	<u>\$ 137,052.87</u>

Original sponsors: Buchholdt, Beirne,
Bradley, et al

*Cliff Warren
marked this copy*

IN THE HOUSE

BY THE FINANCE COMMITTEE

SENATE CS FOR CS FOR HOUSE BILL NO. 409

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to catastrophic illness; and providing
for an effective date."

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

* Section 1. AS 47 is amended by adding a new chapter to read:

CHAPTER 8. CATASTROPHIC ILLNESS ASSISTANCE.

Sec. 47.08.010. REIMBURSEMENT OF PROVIDERS. According to the provisions of this chapter, the Department of Health and Social Services shall reimburse providers of medical care for unpaid costs incurred in the treatment of a person suffering an illness or accident which results in financial catastrophe to the person or his family.

Sec. 47.08.020. CATASTROPHIC ILLNESS COMMITTEE. There is created the Catastrophic Illness Committee, consisting of a medical review officer from the Department of Health and Social Services, a member appointed by the governor who has suffered a catastrophic illness, and a representative of the Department of Commerce and Economic Development appointed by the governor.

Sec. 47.08.030. NOTICE. The committee shall enlist the assistance of medical providers in making the public aware of the catastrophic illness assistance program.

Sec. 47.08.040. APPLICATIONS FOR ASSISTANCE. An application for financial assistance under this chapter may be filed by a person who has suffered catastrophic illness or by a parent, spouse, or legal guardian of that person, or by any other interested party with the written consent of the person who has suffered the catastrophic illness.

Sec. 47.08.050. SERVICES EXCLUDED FROM COVERAGE. Annually, the committee shall determine in light of appropriated funds and expected need the medical expenses reimbursable under this chapter, except that the following are not reimbursable:

- (1) dentistry and optometry unless prescribed by a licensed dentist or physician as medically necessary as the result of the injury or illness;
- (2) elective medical or surgical procedures;
- (3) drugs and medications not prescribed by a licensed physician;
- (4) services received as a result of a pregnancy or birth without unusual complications;
- (5) private psychological or psychiatric treatment or private alcoholism treatment, unless not available from public agencies or programs;
- (6) chiropractic services;
- (7) services not of a medical nature;
- (8) medical services currently provided to persons in the custody of the division of corrections;
- (9) costs incurred before July 1976.

Sec. 47.08.060. CALCULATION OF APPLICANT'S SHARE. (a) As frequently as necessary the committee shall adopt, in light of appropriated funds and expected need, a formula to be used in determining the applicant's share of total medical expenses incurred as a result of a catastrophic illness, based on the applicant's annual gross income, number of dependents, amount of assets, and forthcoming third-party payments, all considered in light of the requirement that the applicant's share will be paid to the provider on a payment schedule covering a period of at least three years.

(b) For the purposes of applying the formula to determine the applicant's share, multiple catastrophic illness occurring within a 12-month period to the applicant or other members of the applicant's family shall be treated as one catastrophic illness.

(c) In applying the formula to determine the applicant's share, the total gross income and the total assets of the family of the applicant may be taken into account, with the following exceptions:

- (1) the applicant's permanent place of abode;
- (2) one noncommercial vehicle;
- (3) tools, equipment, vehicles and other assets required in a trade or business;
- (4) ordinary household and personal effects;
- (5) \$1,000 of liquid assets; *Person in business needs much more liquid assets to run business not enough for person not in business*
- (6) all nonliquid assets unless such an exclusion would bring about an inequitable result; however, all income derived from such property shall be taken into consideration in determining the recipient's gross income; *Should be reasonable limits on properties not used in business.*
- (7) inalienable shares in a Native corporation created under the Alaska Native Claims Settlement Act, P.L. 92-203; 43 U.S.C. 1601 et seq., for the period of their inalienability as specified in the Act;
- (8) Alaska longevity bonus payments;
- (9) any other assets specifically restricted for the use of the recipient by state or federal law.

(d) Assets received by the applicant as a custodian, guardian, conservator, or trustee for another are not considered assets of the custodian, guardian, conservator, or trustee himself.

(e) The applicant's share shall be reduced in the amount of any premiums paid for disability insurance or a prepaid medical plan up to \$500 if incurred in the 12-month period beginning with the occurrence of

the injury or the onset of the illness.

(f) Notwithstanding the provisions of this section, the committee may waive payment of an applicant's share when the catastrophic illness is the proximate result of an immunization required by law.

Sec. 47.08.070. STANDARDS FOR REIMBURSEMENT TO PROVIDERS. The amount that the committee reimburses providers for medical services rendered to a person who has suffered catastrophic illness may not be greater than 100 per cent of the total unpaid bills related to the catastrophic illness and shall be determined by the following standards:

(1) Only unpaid medical expenses for periods not to exceed 12 months, and related to catastrophic illness, may be considered. The initial 12-month period begins with the date of the first charges incurred because of the illness.

(2) The committee may not reimburse a provider if the applicant's total medical expenses related to the catastrophic illness are less than \$1,000 in any period not exceeding 12 months described in (1) of this section after all sources of third-party payment have been exhausted by the applicant or by someone acting on behalf of the applicant.

(3) The committee may not reimburse a provider for the applicant's share of the total medical expenses; moreover, a reimbursement to the provider shall be conditioned on the provider's agreement that the provider enter into a payment schedule with the applicant which will result in full liquidation of the applicant's share. Payment schedules may not be for a term of less than three years.

Sec. 47.08.080. RECONSIDERATION OF DECISION BY COMMITTEE. The committee shall promptly notify an applicant of its decision with written reasons for the amount of the award or denial. An applicant who is dissatisfied with a decision of the committee may apply to the committee

for reconsideration within 30 days of receipt of the decision. The request for reconsideration must include a written statement of grounds for reconsideration and any supporting documentation which was not available to the committee for its original decision. Within 30 days after receipt of a request for reconsideration, the committee shall affirm, amend, or reverse its original decision. The committee shall promptly notify the applicant of its decision upon reconsideration with written reasons for its action. Information describing hearing rights and procedures must be furnished with the written notification of denial.

Sec. 47.08.090. HEARING. An applicant who is dissatisfied with the committee's decision upon reconsideration may request a hearing in accordance with procedures established under AS 47.25.180.

Sec. 47.08.100. FINALITY OF DECISIONS. Decisions as to catastrophic illness awards are final

(1) 30 days after the applicant receives the committee's decision unless a reconsideration is requested during that time;

(2) 30 days after the applicant receives the committee's decision upon reconsideration unless a hearing is requested during that time;

(3) 15 days after the applicant receives the hearing authority's decision if that decision is not appealed to the director during that time;

(4) upon being notified of the decision of the director if an appeal is taken to the director under AS 47.25.180;

Sec. 47.08.110. EXTENSION OF TIME LIMITS. Time limits for reconsideration or for requesting an appeal may be extended, at the discretion of the committee, upon application or upon the committee's own motion. A request for reconsideration or for a hearing shall be con-

sidered made on the date when the request is dispatched rather than the date when it is received by the committee.

Sec. 47.08.120. RECOVERY FROM A COLLATERAL SOURCE. If the applicant or a provider receives payment from any other source for medical expenses which have been paid by the committee, the applicant or provider is liable to the committee in the amount of that payment. An application may not be considered by the committee unless the applicant agrees to this provision. A provider may not be paid by the committee under this chapter unless the provider agrees to this provision.

Sec. 47.08.130. REGULATIONS. The department may adopt regulations, in accordance with the Administrative Procedure Act, which establish rates of reimbursement to providers for medical expenses incurred, as well as other regulations necessary to carry out the purposes of this chapter.

Sec. 47.08.140. DEFINITIONS. In this chapter

(1) "applicant" means a person who has suffered a catastrophic illness and is applying for assistance under this chapter or is the subject of an application for assistance under this chapter;

(2) "applicant's share" means the amount of the total medical expense related to the catastrophic illness which the committee determines the applicant can reasonably be expected to pay based on income, assets, and number of dependents under sec. 60 of this chapter;

(3) "catastrophic illness" means illness or injury which result in medical expenses of over \$1,000 during a period not to exceed 12 months, after all other sources of third-party payment have been exhausted;

(4) "committee" means the Catastrophic Illness Committee, created under sec. 20 of this chapter;

(5) "elective medical or surgical procedures" means treatment

1 which is not essential to the life or health of a person;

2 (6) "family" means two or more persons related by blood or
3 marriage or adoption living as one economic unit;

4 (7) "liquid assets" means assets which can be readily con-
5 verted to cash;

6 (8) "medical expense" means any financial obligation incurred
7 in the course of treatment of illness as prescribed by a physician, in-
8 cluding bills for ancillary services, patient transportation, transpor-
9 tation of a medical or family escort when reasonably necessary, or
10 living expenses while receiving outpatient treatment in a community to
11 which the applicant is not reasonably able to commute from his permanent
12 place of abode;

13 (9) "nonliquid assets" means all assets which are not liquid
14 assets;

15 (10) "permanent place of abode" means a dwelling, or a dwell-
16 ing unit in a multiple dwelling, including lots and outbuildings or an
17 appropriate portion of these, which are necessary to convenient use of
18 the dwelling unit;

19 (11) "provider" means a licensed physician, pharmacist, den-
20 tist, or other health service worker or a licensed hospital, clinic,
21 skilled nursing home, intermediate care facility or health maintenance
22 organization which has provided services not excluded by sec. 50 of this
23 chapter to an applicant as a result of a catastrophic illness;

24 (12) "third-party payments" means payments of medical expenses
25 related to a catastrophic illness by sources other than the applicant or
26 the committee, including but not limited to state and federal medical
assistance programs, private health insurance, employment-related health
insurance, military health insurance, workmen's compensation, violent
crimes compensation, Indian Health Service of the United States Depart-

ment of Health, Education and Welfare, and awards in legal actions.

* Sec. 2. AS 47.25.255 is repealed.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
070(c).

Net Income should not be considered
unless over \$10,000

Cliff Warren

Thelma Buchholdt,

Please review this revised draft of HB 409. Commissioner Beirne has received a copy of this revision today and we will be meeting later in the week to discuss it. We spoke on the phone today and have reached tentative agreement. A revised fiscal note is forthcoming to support the bill. Basically we are asking for a full-time admin asst and clerk typist rather than a half time position.

Comments from your office are welcomed. You will be advised of our next meeting sometime later this week.

Sincerely

Barbara O. Bouns

Chairman of Catastrophic Illness Committee
364-2121 x 142, D.O.T.

For an Act entitled: "An Act relating to catastrophic illness; and providing for an effective date".

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

*Section 1. AS 47 is amended by adding a new chapter to read:

Chapter 08. CATASTROPHIC ILLNESS ASSISTANCE.

Sec. 47.08.010. REIMBURSEMENT OF PROVIDERS. According to the provisions of this chapter, the Department of Health and Social Services Catastrophic Illness Committee shall reimburse providers of medical care for unpaid costs incurred in the treatment of a person suffering an illness or accident which results in financial catastrophic to the person or his family as defined in regulations adopted by the Committee.

Sec. 47.08.015. CATASTROPHIC ILLNESS COMMITTEE. There is created the Catastrophic Illness Committee, consisting of a medical review officer from the Department of Health and Social Services, a member appointed by the governor who has suffered a catastrophic illness, and a representative of the Department of Commerce and Economic Development appointed by the governor, and necessary administrative staff.

Sec. 47.08.020. POWERS AND DUTIES OF COMMITTEE. The Catastrophic Illness Committee shall determine eligibility, allowable costs and levels of reimbursement. It shall adopt regulations, make reasonable classifications of persons according to the size of family, family income and assets, and health care coverage from all other sources. Other sources include, but are not limited to, state and federal medical assistance programs, private health insurance, employment-related health insurance, military health insurance, workmen's compensation, violent crimes compensation, and Indian Health Service. In order not to exceed the budget appropriated by the legislature, the committee shall establish priorities for those eligible for assistance under this chapter. The committee

may not make reimbursement for costs incurred before July 1, 1976.

Sec. 47.08.025. NOTICE. The Catastrophic Illness Committee shall seek the assistance of medical providers to assure that the public is aware of the catastrophic illness program.

*Sec. 2. AS 47.25.255 is repealed.

*Sec. 3. This Act takes effect immediately in accordance with AS 01.-
10.070 (c).