

HB

374

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/6/04

REPORTED OUT
FEB 17 2004
SENATE FINANCE
COMMITTEE

FURTHER:

DATE TURNED
IN TO OFFICE: 2/17/04

Finance Committee considered CS FOR HOUSE BILL NO. 374(FIN) am

HB 374 SENIORCARE

"An Act establishing the senior care program and relating to that program; creating a new fund for the provision of senior services; relating to aid to senior citizens; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	indet.	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DHSS	1/28/04			✓	10
DHSS	1/28/04	14,649.6			9
DHSS	1/28/04	7.1			8
DHSS	1/28/04	184.3			6
DHSS	1/28/04	61.5			7

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Frank...</i>	✓			
<i>...</i>				✓
<i>...</i>				✓
<i>Ben Stearns</i>				✓
COCHAIR: <i>Lynne Green</i>	✓			
COCHAIR: <i>Thomas Wells</i>	✓			

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 10
 Bill Version: CSHB 74(FIN)
 (H) Publish Date: 1/28/04
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction):

FEB 17 2004

Title ESTABLISHING THE SENIOR CARE PROGRAM

RDU Health Care Services
 Component Health Purchasing Group

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester HOUSE (FIN)

Component No. 243

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual		50.0				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	50.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

CHANGE IN REVENUES (0)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other (Specify Type - do not abbreviate)						
1189 Senior Care Fund		50.0				
TOTAL	0.0	50.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 85.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The total cost of the Senior Care Program is \$26,340,330 which includes \$3,334,000 in funds already appropriated for the Alaska Senior Assistance Program in FY 04. This fiscal note assumes that the total amount of \$26,340,330 will be appropriated or reappropriated to the Senior Care Fund created by Section 2 of HB 374 and therefore available for appropriation from the Senior Care Fund for program expenditures.

The program will span fiscal years FY 04-FY06. A detailed analysis of total program costs is attached.

The Department of Health and Social Services Division of Health Care Services anticipates required FY04 start-up costs of \$85.0 for the development of MMIS claims processing capability for payment of the state program's drug benefit plan.

Prepared by: Sherry Hill, Special Assistant Phone 465-1618
 Division Office of the Commissioner Date/Time 01/23/2004
 Approved by: Joel S. Gilbertson, Commissioner Date 01/28/2004
 Agency Department of Health and Social Services

FISCAL NOTE
FN # 10

STATE OF ALASKA
2004 LEGISLATIVE SESSION

CSHB 374(FIN)

ANALYSIS CONTINUATION

There are no additional anticipated costs during the course of FY05.

The department anticipates costs of \$50.0 for MMIS system changes and documentation with the sunset of the program in FY06.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

FEB 17 2004

Fiscal Note Number: 9
 Bill Version: CSHB 374(FIN)
 (H) Publish Date: 1/28/04
 Dept. Affected: Health & Social Services
 RDU Public Assistance
 Component SeniorCare

Revision Date/Time (Note if correction):
 Title ESTABLISHING THE SENIOR CARE PROGRAM

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester HOUSE (FIN)

Component No. 2760

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	14,649.6	7,690.9				
Miscellaneous						
TOTAL OPERATING	14,649.6	7,690.9	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
1189 Senior Care Fund	14,649.6	7,690.9				
TOTAL	14,649.6	7,690.9	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 554.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The total cost of the Senior Care Program is \$26,340,330 which includes \$3,334,000 in funds already appropriated for the Alaska Senior Assistance Program in FY 04. This fiscal note assumes that the total amount of \$26,340,330 will be appropriated or reappropriated to the Senior Care Fund created by Section 2 of HB 374 and therefore available for appropriation from the Senior Care Fund for program expenditures.

The program will span fiscal years FY 04-FY06. A detailed analysis of total program costs is attached.

The proposed SeniorCare program provides a cash or drug benefit to eligible seniors age 65 or older. Program benefits will be disbursed through the SeniorCare program in the Division of Public Assistance budget. The program is proposed to operate during the last quarter of FY 04, the entire FY 05 and the first half of FY 06.

Prepared by: Sherry Hill, Special Assistant Phone 465-1618
 Division Office of the Commissioner Date/Time 01/23/2004
 Approved by: Joel S. Gilbertson, Commissioner Date 01/28/2004
 Agency Department of Health and Social Services

STATE OF ALASKA
2004 LEGISLATIVE SESSION

CSHB 374(FIN)

ANALYSIS CONTINUATION
Senior Care Caseload Projections, continued

FY 05

Cash benefit: $7,928 \times \$1,440 = \$11,415,600$

Drug benefit, below 135% poverty: $630 \times \$1,600 = \$1,008,000$

Drug benefit between 135% and 150% poverty: $2,226 \times \$1,000 = \$2,226,000$

TOTAL FY 05 COST: $\$11,415,600 + \$1,008,000 + \$2,226,000 = \$14,649,600$

FY 06

Cash benefit: $8,323 \times \$720 = \$5,992,830$

Drug benefit, below 135% poverty: $662 \times \$800 = \$529,600$

Drug benefit between 135% and 150% poverty: $2,337 \times \$500 = \$1,168,500$

TOTAL FY 06 COST:

$\$5,992,830 + \$529,600 + \$1,168,500 = \$7,690,930$

FISCAL NOTE
FN # 9

STATE OF ALASKA
2004 LEGISLATIVE SESSION

CSHB 374(FIN)

ANALYSIS CONTINUATION
SeniorCare benefit levels

Cash benefit: \$360/yr. in FY04; \$1,440/yr. in FY05; \$720 in FY06

Drug benefit, below 135% poverty: \$400/yr. in FY04; \$1,600/yr. in FY05; \$800/yr. in FY06

Drug benefit between 135% and 150% poverty: \$250/yr. in FY04; \$1,000/yr. in FY05; \$500/yr. in FY06

SeniorCare Caseload Projections

FY 04

Cash benefit: 7,550

Drug benefit below 135% poverty: 600

Drug benefit between 135% and 150% poverty: 2,120

FY 05

Cash benefit: 7,928

Drug benefit, below 135% poverty: 630

Drug benefit between 135% and 150% poverty: 2,226

FY 06

Cash benefit: 8,323

Drug benefit, below 135% poverty: 662

Drug benefit between 135% and 150% poverty: 2,337

Cost Projections:

FY 04 (4th Qtr. only)

Cash benefit: $7,550 \times \$360 = \$2,718,000$

Drug benefit, below 135% poverty: $600 \times \$400 = \$240,000$

Drug benefit between 135% and 150% poverty: $2,120 \times \$250 = \$530,000$

TOTAL FY04 COST: $\$2,718,000 + \$240,000 + \$530,000 = \$3,488,000 - \$2,934,000$ (FY 04 appropriation for Alaska Senior Assistance Program) = **\$554,000**

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 8
 Bill Version: C SHB 374(FIN)
 (H) Publish Date: 1/28/04
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction): FEB 17 2004

Title ESTABLISHING THE SENIOR CARE PROGRAM
 RDU Departmental Support Services
 Component Information Technology Services

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester HOUSE (FIN) Component No. 2754

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies	7.1	7.5				
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	7.1	7.5	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (0)						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
1189 Senior Care Fund	7.1	7.5				
TOTAL	7.1	7.5	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 6.8

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The total cost of the Senior Care Program is \$26,340,330 which includes \$3,334,000 in funds already appropriated for the Alaska Senior Assistance Program in FY 04. This fiscal note assumes that the total amount of \$26,340,330 will be appropriated or reappropriated to the Senior Care Fund created by Section 2 of HB 374 and therefore available for appropriation from the Senior Care Fund for program expenditures.

The program will span fiscal years FY 04-FY06. A detailed analysis of total program costs is attached.

The Public Assistance Systems Operations unit, under the departmental Information Technology Services component, will issue a rd mail SeniorCare drug benefit cards to approximately 2,720 recipients in FY 04, 2,856 recipients in FY 05, and 2,999 recipients in FY 06.

Prepared by: Sherry Hill, Special Assistant Phone 465-1618
 Division Office of the Commissioner Date/Time 01/23/2004
 Approved by: Joel S. Gilbertson, Commissioner Date 01/28/2004
 Agency Department of Health and Social Services

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 7
 Bill Version: CSHB 374(FIN)
 (H) Publish Date: 1/28/04
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction): FEB 17 2004

Title: ESTABLISHING THE SENIOR CARE PROGRAM
 RDU: Public Assistance
 Component: Public Assistance Admin

Sponsor: (RLS) BY REQUEST OF THE GOVERNOR

Requester: HOUSE (FIN) Component No. 233

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	40.0	20.0				
Travel	7.0	3.0				
Contractual	12.0	4.0				
Supplies	2.0	1.5				
Equipment	0.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	61.5	28.5	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
CHANGE IN REVENUES (0)						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
1189 Senior Care Fund	61.5	28.5				
TOTAL	61.5	28.5	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 25.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The total cost of the Senior Care Program is \$26,340,330 which includes \$3,334,000 in funds already appropriated for the Alaska Senior Assistance Program in FY 04. This fiscal note assumes that the total amount of \$26,340,330 will be appropriated or reappropriated to the Senior Care Fund created by Section 2 of HB 374 and therefore available for appropriation from the Senior Care Fund for program expenditures.

The program will span fiscal years FY 04-FY06. A detailed analysis of total program costs is attached.

Outreach for the proposed SeniorCare program will include the staffing and operation of a SeniorCare Information Office to provide full-time, telephone-based information on programs and services, advertising about the SeniorCare program and travel to provide information to seniors throughout the state.

Prepared by: Sherry Hill, Special Assistant Phone 465-1618
 Division: Office of the Commissioner Date/Time 01/23/2004
 Approved by: Joel S. Gilbertson, Commissioner Date 01/28/2004
 Agency: Department of Health and Social Services

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 6
 Bill Version: CSHB 374(FIN)
 (H) Publish Date: 1/28/04

Revision Date/Time (Note if correction):

Title ESTABLISHING THE SENIOR CARE PROGRAM

Dept. Affected: Health & Social Services

RDU Alaskan Pioneer Homes

Component Alaska Pioneer Homes Management

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester HOUSE (FIN)

Component No. 2731

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	94.6	5.2				
Travel						
Contractual	74.0	4.0				
Supplies	15.7	0.9				
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	184.3	10.1	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
CHANGE IN REVENUES (0)						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
1189 Senior Care Fund	184.3	10.1				
TOTAL	184.3	10.1	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 46.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	2	2				
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The total cost of the Senior Care Program is \$26,340,330 which includes \$3,334,000 in funds already appropriated for the Alaska Senior Assistance Program in FY 04. This fiscal note assumes that the total amount of \$26,340,330 will be appropriated or reappropriated to the Senior Care Fund created by Section 2 of HB 374 and therefore available for appropriation from the Senior Care Fund for program expenditures.

The program will span fiscal years FY 04-FY06. A detailed analysis of total program costs is attached.

The Division of Alaska Pioneer Homes will process enrollment and determine program eligibility for the SeniorCare program. The division will also issue and mail checks for the cash benefit segment of the program. The SeniorCare program will operate for the last quarter of FY 04, the entirety of FY 05, and six months of FY 06.

Prepared by: Sherry Hill, Special Assistant
 Division: Office of the Commissioner
 Approved by: Joel S. Gilbertson, Commissioner
 Agency: Department of Health and Social Services

Phone 465-1613
 Date/Time 01/23/2004
 Date 01/28/2004

FISCAL NOTE
FN # 6

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSHB 374(FIN)

ANALYSIS CONTINUATION

Due to increasing costs, a 10% inflation factor was applied to FY 05 costs to determine FY 06 contractual services and supply costs.

The eligibility Tech I (range 13, step A) will provide or supervise the provision of accurate eligibility determinations and benefit authorizations for new and ongoing SeniorCare cash benefit or pharmacy benefit applicants/recipients. In accordance with regulations the position's work includes interviews, data collection, data review and analysis and investigations. The position will enroll pharmacy benefit recipients in the public assistance EIS system.

The Admin Clerk III, (range 10, step A) position will perform specialized clerical functions requiring knowledge of SeniorCare policies. The position will need to understand laws and regulations and vary procedures depending on different situations, and be able to explain the requirements to others. The position will need to recognize errors and discrepancies in information and take appropriate action. The Admin Clerk III will be the back up position for the ET I and will process "month-end" cash benefit checks in the absence of the ET I.

FAILED
SENATE FINANCE
COMMITTEE

Amendment Number: #1
Bill Number: HB 374
Sponsor: Olson Date: 2/17/04
Logged In By: Robin

AMENDMENT

OFFERED IN SENATE FINANCE

BY SENATOR OLSON

TO: CS HB 374(FIN)am

Page 1, line 5:

Delete all material and insert:

“*Section. 1. AS 47.65 is amended by adding a new section”

Page 1, line 7:

Delete “SENIORCARE PROGRAM.”

Insert

“Article 4. Cash and Drug Benefit for Older Alaskans.

Sec. 47.65.300. Senior care program.”

Page 5, line 26 to page 6, line 3:

Delete all material.

Renumber the following bill section accordingly.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

GRAND IGLOO
PIONEERS OF ALASKA
ORGANIZED AUGUST 4, 1908



OFFICE OF PAST GRAND PRESIDENT

The Honorable Donald Olson
Alaska Senate
Alaska State Capitol
Juneau, Alaska 99801-1182

February 7, 2004

Dear Senator Olson:

The Pioneers of Alaska support passage of CS for SB 259. This SeniorCare program will serve as an important component of services to seniors in need.

Your amendment to the bill is of utmost importance. The automatic repeal provision contained in the present bill is based on reliance of the federal prescription drug program taking effect in its present form. From a public policy perspective, it makes more sense to us to have the debate on any repeal take place at the time the new federal program may kick in, rather than now. This would give the state's policymakers, at that time, knowledge of how the state's SeniorCare program has worked over a two year period as well as see how the new federal program will be implemented, if indeed, it is. Dropping the automatic repeal provision now, however, would make it much more likely there would be a full and open debate at a more meaningful and appropriate time.

In conclusion, we urge swift passage of CS for SB 259, in conjunction with your amendment deleting the automatic repeal provision.

Sincerely:

A handwritten signature in cursive script that reads "Robert Huffman".

Robert Huffman, Chair
Legislative & Gov't. Affairs Committee
GRAND IGLOO, PIONEERS OF ALASKA

SENATE FINANCE COMMITTEE
7 / 17 / 2004 COMMITTEE ACTION

Bill Number	HB 374		
Amendment	#1		
Motion	to amend		
<u>Motion by</u>	Olson		
<u>Objection by</u>	Green		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	Vote	N
Senator Bunde			✓
Senator Dyson			✓
Senator Hoffman	✓		
Senator Olson	✓		
Senator Stevens			✓
Co-Chair Green			✓
Co-Chair Wilken			✓
<u>Tally</u>			
Yea	2		
Nay	5		
Absent			
<u>MOTION</u>	FAILED		

House Bill 374/CS HB 374(FIN) am
Summary of Changes

- A number of technical and stylistic changes are reflected in the House passed bill reflecting the differences in drafting techniques between the Department of Law and the Legislative Affairs Agency. These are not material to the underlying purpose of the bill.
- The House passed bill creates the SENIOR CARE FUND as a sub-account in the general fund for the provision of senior services including, but not limited to, the Senior Care Program. The unexpended balance of the SENIOR CARE FUND lapses into the General Fund on June 30 of the fiscal year in which the Senior Care program is repealed. This would allow for any funds not expended on Senior Care to be spent on other senior services during that fiscal year. (Title, Pg. 1, lines 1-2; Sec. 2, Pg. 5, lines 10-16; Sec. 4, Pg. 6, lines 1-3)¹
- The House passed bill does not require the prescriber of a brand-name drug to state on the prescription the reason(s) the brand-name drug is medically necessary as opposed to an equivalent generic drug. (Section 1, Pg. 3, lines 16-18)
- The House passed bill amends the prohibition on allowing persons in public institutions to participate in Senior Care by making an exception for persons institutionalized for medical services for a period of less than three months as long as the recipients can demonstrate that upon discharge they plan to return to their previous living arrangements. (Section 1, Pg. 3, lines 26-31)
- The House passed bill amends the provisions relating to allowable absences from the state to include accompanying a family member outside the state for medical treatment and also defines "family member. (Section 1, Pg. 4, lines 5-6; Sec. 1, Pg. 5, lines 1-5)

¹ Section, Page and Line references are to CS HB 374 (FIN) am

Provided by the Department of Health + Social Services

SeniorCare and Alaska Medicaid Preferred Drug List

Department of Health and Social Services

What is the Preferred Drug List and generic drug preference under SeniorCare?

The preferred drug list is a list of specific prescription drugs identified as effective, which would be first choice for prescribing for Medicaid patients. The Department of Health and Social Services has been encouraged by senior advocacy groups, such as AARP, to make this program available to SeniorCare beneficiaries. SeniorCare also includes language that places a preference on generic drugs when available.

Under Alaska's preferred drug list program:

- Drugs in specified drug classes are approved for the preferred drug list based on clinical efficacy, safety, and cost.
- Preferred drugs will require no special authorization; non-preferred drugs simply require a prescriber's documentation of medical necessity.

Why work to lower drug costs with a preferred drug list or generic drug preference?

Medicaid provides health coverage to over 115,000 low-income elderly, children and disabled Alaskans. The department is committed to provide for the medical needs of Alaska's most vulnerable populations, and yet DHSS is facing fiscal challenges.

- Medicaid prescription costs have increased 17 percent to 27 percent annually – increasing to nearly \$100 million in FY03
- Medicaid pharmaceutical expenditures are projected to reach \$200 million by 2010.

A preferred drug list will:

- Help contain costs
- Protect eligibility and core services to Medicaid recipients
- Maintain access to medications and other services
- Protect rates to physicians and other practitioners
- Maximize level of care to seniors, disabled, and individuals with a chronic condition.
- Ensure high quality care for Medicaid recipients

How does a physician prescribe non-preferred or brand name drugs under SeniorCare?

For drugs not on the preferred drug list, prescribers will document medical necessity and the reason on the prescription. The pharmacist will submit the prescription claim with an override indicator to show the drug is medically necessary. Reasons for medical necessity include:

- **PATIENT ALLERGY:** The patient has an allergy to the preferred drug.
- **CONTRAINDICATIONS:** The patient has a history of an unacceptable or toxic side effect, contraindication, and/or an adverse drug interaction with the preferred drug.
- **FDA APPROVED MULTIPLE INDICATIONS:** The non-preferred drug treats at least one more of the patient's diagnosed conditions than the preferred drug.
- **INEFFECTIVE TREATMENT:** The preferred drug has proven ineffective in treating the specific patient for a diagnosed condition.

The pharmacist billing for the drug will use an override code to indicate that the prescription documents the need for the non-preferred drug. Prior authorization will NOT be required. The pharmacist will NOT be changing nor questioning the physician's prescription.

What did the House of Representatives Change in the SeniorCare legislation that impacts prescription drug processing?

The Amendments:

Page 3, line 17 & 18, DELETE: ... "The Brand-name drug is"

Page 3, line 18& 19, following – "medically necessary" – DELETE – "and the prescriber states the reason that the brand-name drug is medically necessary"

What is the impact of this change?

The SeniorCare prescription drug subsidy is a defined benefit. By reducing the incentive to prescribe equivalent but lower cost drugs, many seniors will see a reduction in the amount of prescription drugs they can receive with their subsidy assistance — the seniors will pay higher prices for brand name drugs, therefore using up the \$1600 subsidy faster than if the generic drug was issued.

The Department has designed the SeniorCare program to be in concert with the current Medicaid program, minimizing administrative costs to implement the program. This change will create two different sets of procedures for pharmacists to follow when filling prescriptions for those on Medicaid or SeniorCare.

What is the Process for developing the PDL?

The Preferred Drug List is being developed by Pharmacy and Therapeutics Committee, which is responsible for determining the most effective drug or reference drug on the PDL.

- The P&T Committee is comprised of a group of **Alaskan medical professionals** who prescribe or dispense prescription drugs. The Committee has **statewide representation** and includes various physician specialties, pharmacists, dentists, and a nurse practitioner.
- These are **Alaska-based providers who are volunteering their time** to save money and protect access to care.
- **Additional expertise** is available to the Committee when needed.
- A **simple override system** exists if a non-preferred drug is medically necessary.



Comparison of Qualifications and Benefits

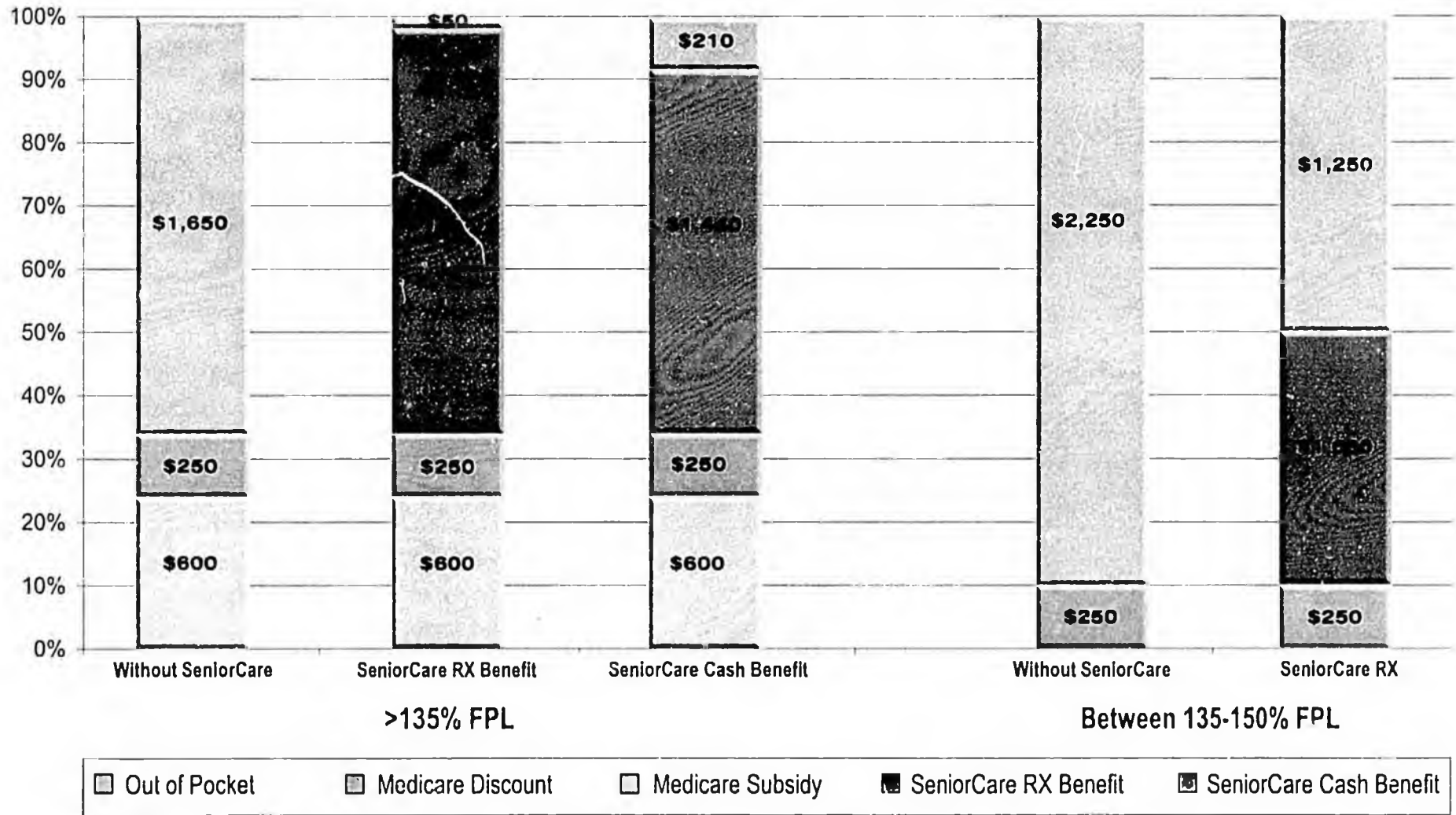
	SeniorCare Prescription Drug Subsidy	SeniorCare Cash Assistance Subsidy	SeniorCare Prescription Drug Subsidy
Qualifications	<ul style="list-style-type: none"> ◆ 135% of Poverty Level ◆ Annual Income below \$15,135 Single \$20,439 Couple ◆ Liquid Assets below \$4,000 Single \$6,000 Couple 	<ul style="list-style-type: none"> ◆ 135% of Poverty Level ◆ Annual Income below \$15,135 Single \$20,439 Couple ◆ Liquid Assets below \$4,000 Single \$6,000 Couple 	<ul style="list-style-type: none"> ◆ 135% to 150% of Poverty Level ◆ Annual Income below \$16,815 Single \$22,710 Couple ◆ Liquid Assets below \$4,000 Single \$6,000 Couple
SeniorCare Benefit April 2004 - December 2005	<ul style="list-style-type: none"> ◆ \$1,600 Annual Prescription Drug Subsidy (prorated) 	<ul style="list-style-type: none"> ◆ \$120 a month cash assistance (up to \$1,440 annual) 	<ul style="list-style-type: none"> ◆ \$1,000 Annual Prescription Drug Subsidy (prorated)
Medicare Benefit May 2004 - December 2005	<ul style="list-style-type: none"> ◆ Annual Medicare Subsidy \$600 ◆ Medicare drug discount 	<ul style="list-style-type: none"> ◆ Annual Medicare Subsidy \$600 ◆ Medicare drug discount 	<ul style="list-style-type: none"> ◆ Medicare drug discount



Bridging the Gap

Comparison of Benefits

\$2,500 Annual Rx Cost



Out of Pocket
 Medicare Discount
 Medicare Subsidy
 SeniorCare RX Benefit
 SeniorCare Cash Benefit

DHSS Senior Programs
Updated 1/14/04

Note: # of participants are based on FY03 information unless otherwise noted.

Program	# of Clients or Eligibles	FY03 Program Cost	FY04 Program Cost Estimate	Benefit	Eligibility Criteria
Adult Public Assistance	4,860	\$18.6 million	\$17.9 million	Maximum \$362/mo; combined with SSI max is \$914/mo.	Age 65 or older; Income of less than \$1025/mo, and assets of no more than \$2,000 for individual, \$3,000 for a couple.
Ak Senior Assistance Program	7,700		\$9.6 million	\$120/mo	Age 65 or older; Annual Income for individuals up to \$15,134, couples combined income up to \$20,439 (PFD not counted); Individual assets up to \$4,000; couples combined assets up to \$6,000.
Food Stamps	1,100	\$2.4 million	\$2.5 million	\$309/mo maximum	Two persons, one disabled or 60+ (urban) allowable monthly income of \$1,618 and allowable resources of \$3,000
Heating Assistance Program	1,800 households w/at least 1 elderly resident	\$1.1 million	\$1.1 million	\$619/year average per household	150% Federal Poverty Level per household
Alaska Pioneer Homes	600 beds	\$35.7 million	\$35.5 million	Rates are subsidized for low income seniors.	Age 65 with one year Alaska residency
Home and Community Based Services	2,297	\$4.6 million	\$4.4 million	Adult Day, respite care, care coordination, ADRD education and support	60 years of age and older with physical disabilities or mental health issues who are at risk on institutional placement *(NOTE: eligibles and expenditures are NOT only seniors, but includes some adults with disabilities; however majority of recipients are seniors/elderly)
HCB Services Family Caregiver Grant	1,403	\$700 thousand	\$886.4 thousand	Services include: Information, Assistance, individual counseling, support groups, caregiver training, respite and supplemental services. Funds are used in eleven communities to operate twelve Adult Day centers.	Alaskans over sixty and their caregivers
Assisted Living (General Relief)	200	\$2.6 million	\$2.0 million	\$92/day max depending on geographic location	
Medicaid	7,028	\$119.5 million	\$136.2 million		Individuals aged 65 and older
Medicaid for Disabled 65 and Older	749	\$7.8 million	\$8.9 million		
Total		\$193 million	\$219 million		

Medicaid Category of Service for Seniors (FY03)	Elderly	Disabled Age 65 and Older	
Dental Services	\$ 197.5	\$ 20.6	Adult Public Assistance criteria (see above)
Hold Harmless	\$ 253.9	\$ 6.6	Adult Public Assistance criteria (see above)
Hospital Services	\$ 6,025.2	\$ 623.5	Adult Public Assistance criteria (see above)
Mental Health	\$ 299.7	\$ 68.3	Adult Public Assistance criteria (see above)
Nursing Homes	\$ 44,801.2	\$ 1,731.3	Nursing Home Income Standards \$1,656/mo per individual
Other Services	\$ 3,189.5	\$ 304.2	Adult Public Assistance criteria (see above)
Personal Care	\$ 16,850.2	\$ 1,224.9	Adult Public Assistance criteria (see above)
Pharmacy	\$ 16,049.9	\$ 1,773.4	Adult Public Assistance criteria (see above)

Physician Services	\$	2,634.6	\$	352.7
Psychiatric Hospital	\$	10.9	\$	0.8
Transportation	\$	3,539.1	\$	303.3
Waivers	\$	25,376.6	\$	1,388.1

Adult Public Assistance criteria (see above)
Adult Public Assistance criteria (see above)
Adult Public Assistance criteria (see above)
Nursing Home Income Standards \$1,656/mo per individual

Subject: SeniorCare question

Date: Wed, 21 Jan 2004 15:02:40 -0900

From: "Hill, Sherry" <Sherry_Hill@health.state.ak.us>

To: "Senator_Lyman_Hoffman@legis.state.ak.us" <Senator_Lyman_Hoffman@legis.state.ak.us>

CC: "Sheila Peterson (E-mail)" <Sheila_Peterson@legis.state.ak.us>

Senator Hoffman:

in response to your question about whether SeniorCare cash and prescription drug subsidies would be taxable, I received the following answer: checked the 2003 IRS publication #17 "Your Federal Income Tax". Chapter 13 of this publication describes many kinds of income and explains whether they are taxable or non-taxable. In particular, the chapter contains a discussion of "Welfare and Other Public Assistance Benefits" as follows:

Welfare and Other Public Assistance Benefits

Do not include in your income benefit payments from a public welfare fund, such as payments due to blindness. Payments from state fund for the victims of crime should not be included in the victims' incomes if they are in the nature of welfare payments. Do not deduct medical expenses that are reimbursed by such a fund. You must include in you income any welfare payments obtained fraudulently."

Alaska residents. Payments the state of Alaska makes to its citizens who meet certain age and residency tests that are not based on need are not welfare benefits. Include them in income on line 21 of Form 1040. (This exception is for the old Alaska Longevity Bonus (ALB) payments. The counted as income for tax purposes because they were not needs-based. - Jim Steele)

The subsection also goes into more detail to describe other types of public assistance beenefits that are non-taxable (such as payments for vocational rehabilitation, disaster relief, mortgage assitance, nutrition programs for the elderly, and energy assistance. The bottom line is that needs-based welfare or public assistance benefits are disregarded as income for federal tax purposes. This would include amny benefits provided through the Alaska Senior Assistance Program or the proposed SeniorCare Program.

Thank you,
-Sherry Hill

Sherry L. Hill, MScPR
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February 2, 2004

To: Members of the Alaska House of Representatives

From: AARP Alaska

RE: HB 374 – Support Without Amendments

On behalf of the 76,000 members of AARP in Alaska, we respectfully ask that you support HB 374, the Alaska SeniorCare Program without amendments, particularly amendments supported by the pharmaceutical industry to weaken the preferred drug list (PDL) which is being used for Medicaid and will be used for the prescription drug program under SeniorCare.

All of you have heard from your lower-income constituents about financial difficulties they faced with the loss of the Longevity Bonus. You have also undoubtedly heard from these same individuals about their problems with the high cost of prescription medications.

HB 374 will help address both these issues for an estimated 10,000 lower income older Alaskans by extending the Senior Assistance Program or a limited drug subsidy until the Medicare Rx program begins in January, 2006.

The SeniorCare drug subsidy program will use a Preferred Drug List (PDL) that will use prescription drugs that are the most therapeutically effective as well as the least expensive medications to treat a particular condition. These drugs have been reviewed by Alaska physicians, pharmacists, and nurse-practitioners. The PDL Committee also takes advantage of the extensive "evidence-based research" on therapeutic effectiveness that is being conducted throughout the nation by scientists who are not affiliated with any particular drug manufacturer.

Alaska physicians who wish to "override" the system and recommend a more expensive and even less therapeutically effective drug can do so under the Alaska system.

We understand that some pharmacy company lobbyists are trying to have Members of the House weaken some features of the PDL. AARP recommends that you "just say no" to the drug lobbyists. Support HB 374 without any weakening amendments.

Thank you for your consideration.

Should you have any questions about our position, please feel free to contact Marie Darlin (907-586-3637), Coordinator of the AARP Capital City Task Force, Marguerite Stetson (907-245-5259), State Coordinator for Advocacy, or Patrick Luby (907-762-3314), Legislative Representative.



WHY AARP SUPPORTS THE PREFERRED DRUG LIST (PDL)

The Alaska Preferred Drug List (PDL) is based on scientific, clinical evidence and includes the safest and most effective medications for each treatment condition. Alaska physicians, pharmacists, and allied health professionals with expertise in a particular condition are volunteering their skills, expertise and experience to put together a list of the most therapeutically effective medications that also are the least expensive.

If a treating physician determines that a non-listed medication is appropriate for a particular patient, he or she is able to "over-ride" the system and prescribe the more expensive item.

All of us, legislators and citizens alike, are frustrated by the rising costs of prescription drugs in the Medicaid program. "Whatever the market will bear" increases in prescription drugs cannot continue without devastating our state budget. Indeed, twenty-one other states have already established preferred drug lists as a tactic to rein in prescription spending while still providing the most effective therapy available. States that have implemented Medicaid PDL's have generally saved at least 10% on prescription costs. It is just good common sense. Why should Alaska pay for a more expensive medication when a less expensive one is available, especially when the less expensive one has been found scientifically to be equivalent or even more effective?

It is important for us to realize how new brand name prescriptions are brought to market. The only requirement by the FDA is that a new medication be more effective than a sugar pill. It does not have to be more effective than medications already available to treat a problem. The FDA does not require a new brand name drug to even be as good as similar treatments already available in the marketplace at less cost. A pharmacy company with a good television marketing campaign can create demand by consumers for a product that is not as good as another medication that may be much less expensive and much more effective.

Operating without a PDL is neither good public policy nor good pharmacology.

PDL's do take advantage of pharmaceutical manufacturers' desire for market share. Anyone who watches thirty minutes of television understands how serious pharmacy companies are about direct-to-consumer marketing. With the companies spending significantly more on marketing than on scientific research, PDL's offer these companies

an opportunity to expand the market share they obviously desire. If their product is therapeutically effective, they can get on the PDL simply by reducing their prices.

The Alaska PDL program is being developed at a fortunate time. Federal funding for state efforts has resulted in unbiased information for therapeutic effectiveness comparisons between drugs in the same class and making prudent purchasing decisions based on scientific evidence, not marketing claims.

In the past we have not had a "Consumer Reports" for prescription drugs. All we had were the claims of the manufacturer or the television image of how much better life would be if only we took that particular brand name medicine. Now, however, PDL's are being developed using scientific evidence on effectiveness as well as cost.

The comparative information on the PDL will be good consumer information for all of us, whether we are Medicaid beneficiaries or not. AARP pledges to help educate not only our members but the general public so the evidence from the PDL can make all of us more prudent prescription purchasers.

ARGUMENTS MADE BY THE PHARMACY INDUSTRY AGAINST THE USE OF A PREFERRED DRUG LIST...and why you should reject them

Claim: PDL's hurt consumers by preventing access to the full range of medications.

Response: Currently the greatest barrier to access is the high prices charged by drug makers. By lowering costs, a PDL system provides the access to medications long denied to so many. Independent research has consistently documented a significant degree of medication noncompliance because drugs are unaffordable. For many people, when costs are too high, prescriptions are not filled, dosages are inappropriately reduced (pill splitting) and drug regimens are inappropriately shortened. The great benefit of PDL's to consumers and taxpayers are better medical care and reduced costs.

Alaska's PDL does not exclude medications. The PDL is structured to offer any non-listed medication to be prescribed by a physician based on legitimate concerns about a particular individual's medical condition.

Claim: Racial and ethnic minorities may be denied the medications that work best for them. Since most pharmaceutical testing is done on white males, PDL's include medications that are effective for white males but may not work as well for others.

Response: PDL's can and should take into account racial and ethnic differences. The Alaska PDL is being designed to ensure that every group has ready access to medications that are most effective for them. Unfortunately, the drug industry typically limits their

clinical trials and testing to Caucasians. The Alaska PDL is designed to allow access to non-listed medications whenever the patient's physician believes it is medically necessary.

Claim: PDL's are inappropriate for some diseases (mental illness, HIV/AIDS, etc.) All patients should have access to the medications that work best for them. Patients may be harmed by PDL-forced changes in medications.

Response: The Alaska PDL takes into account the needs of all patients and all diseases. The Alaska PDL allows access to non-listed medications whenever the patient's physician believes it is necessary.

Claim: PDL's do not recognize the eventual cost savings that will result from the use of more expensive medications.

Response: Evidence-based PDL's result in the optimum treatment by including the best and most effective medications. Appropriate outreach and education (not television advertising or salesmen visiting physician offices) that shares the results of comparative research on which the PDL is based will promote better care and disease management. New medications that are demonstrably medically advantageous can be added to the PDL. The Alaska plan is to conduct periodic review of new medications and research results. New drugs can be added to the PDL when they provide better treatment and/or cost less than those already on the list.

Should you have any questions about our position, please feel free to contact Marie Darlin, Coordinator of the AARP Capital City Task Force (907- 586-3637); Patrick Luby, AARP Legislative Representative (907-762-3314); or Marguerite Stetson, AARP State Coordinator for Advocacy (907-245-5259).

HB 374



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 2004

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of article III, section 18 of the Alaska Constitution, I am transmitting a bill establishing the "SeniorCare" program.

Prescription drug prices have spiraled upwards for years, placing a heavy financial burden on Alaska's seniors. This past year my administration has initiated a number of reforms to our Medicaid program that will help assure that seniors receive the safest and most clinically appropriate prescription drugs they need at a reasonable cost. Among these reforms is the development of a preferred drug list, requiring prior authorization for certain drugs, and expanding case management of high-cost clients; often persons with chronic conditions that require a large number of medications.

This fall, Congress approved a comprehensive package of Medicare prescription drug subsidies. However, these subsidies are not fully effective until 2006. This creates a gap for seniors who need immediate assistance. SeniorCare is an innovative program, which bridges that gap for Alaska's seniors. The Senior Assistance Program, which I established this year to help Alaska's neediest seniors, has been brought under SeniorCare.

The SeniorCare program would provide two levels of subsidies, based on income. An individual who has an annual income of up to 135 percent of the federal poverty level for Alaska, and who is not already receiving a prescription drug benefit through Medicaid, may choose to receive up to \$1,600 a year in prescription drug subsidies or to receive a monthly cash payment of \$120. An individual who has an annual income of more than 135 percent but no more than 150 percent of the federal poverty level for Alaska may receive up to \$1,000 a year in prescription drug subsidies, but

The Honorable Pete Kott
January 9, 2004
Page 2

would not be eligible for the alternative cash payment. In addition, under federal law separate from this bill, the temporary Medicare prescription drug subsidy would add an extra \$600 per year of prescription drug coverage to the first group.

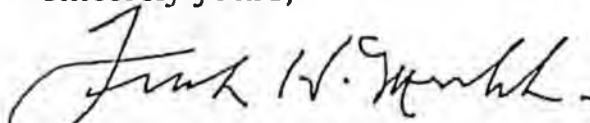
Eligibility for the program would be limited to Alaska's most needy seniors. The program would not pay for prescription drug subsidies for seniors who already receive coverage under Medicaid or certain similar prescription drug subsidy programs. Eligibility for the program would be further defined by regulations developed by the Department of Health and Social Services under authority granted in this bill. Until those regulations are in effect, the eligibility requirements that govern the Alaska Senior Assistance Program (established by regulation in 2003) would govern the SeniorCare program. This would ensure that the SeniorCare program could go into operation without delay.

Prescription drug subsidies under the program would cover almost all prescription drugs, insulin and insulin syringes, and would require that, if available, cheaper and therapeutically equivalent generic drugs must be used unless a medical professional indicates that a brand name is medically necessary. This requirement would ensure that the subsidies would cover the maximum amount possible of each recipient's prescription drug costs.

The SeniorCare program is designed to help Alaska's seniors meet their financial and prescription drug needs. When the new Medicare prescription drug subsidy administered by the federal government begins, SeniorCare would be discontinued.

I urge your prompt and favorable action on this measure.

Sincerely yours,



Frank H. Murkowski
Governor

Enclosure

SENATE FINANCE COMMITTEE

SIGN-IN

HB 374-SENIORCARE

NAME: Marie Harlin Subject/Bill No: 374
Co./Dept./Title: AARP Phone: 6-3637
Address: 415 Willoughby # 506 Zip: Juneau 99801

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

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Do you wish to testify? Yes No Respond To Questions

