

**SB**

**78**

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

PO BOX 110601  
JUNEAU, ALASKA 99811-0601  
PHONE: (907) 465-3030  
FAX: (907) 465-3068

January 26, 2004

Honorable Fred Dyson, Chairman  
Senate Health, Education and  
Social Services Committee  
Alaska State Capitol; Rm. 121  
Juneau, AK 99801

Dear Senator Dyson,

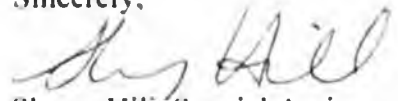
The Department of Health and Social Services respectfully requests a hearing in the Senate Health, Education, and Social Services Committee on Senate Bill 78 "An Act establishing the senior care program and relating to that program; creating a fund for the provision of the senior care program; repealing ch. 3, SLA 2004; and providing for an effective date."

The proposed legislation will repeal the existing SeniorCare program established in temporary law last year and replace it with a permanent law that will strengthen the SeniorCare program in future years.

A copy of Governor Murkowski's transmittal letter providing additional information on the bill and the associated fiscal notes should be on file with the committee. A sectional analysis will be provided to the committee prior to a hearing on the bill

Your favorable consideration of this request will be appreciated.

Sincerely,

  
Sherry Hill, Special Assistant  
Office of the Commissioner

cc: Kevin Jardell, Legislative Director  
Office of the Governor

Ms. Katherine Farnham, Director  
Division of Public Assistance

FRANK H. MURKOWSKI  
GOVERNOR  
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

SB 78  
P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
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January 21, 2005

The Honorable Ben Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to health care benefits available to eligible low-income senior citizens.

In 2004, the SeniorCare program was enacted that provided for needs-based cash assistance and a prescription drug benefit (ch. 3, SLA 2004). Today, approximately 6,800 seniors with incomes below 135 percent of the federal poverty level for Alaska receive \$120 a month in cash assistance through the SeniorCare program. This program has been very successful in reaching senior citizens in Alaska truly in need of cash assistance.

Unfortunately, the SeniorCare program is anticipated to sunset no later than January 1, 2006. Therefore, the legislation I am proposing today will repeal the temporary law created last year and replace it with a permanent law that will strengthen the SeniorCare program and allow it to continue. It is crucial that the State of Alaska continue to provide critical support for Alaska's most needy senior citizens beyond January 1, 2006.

My proposal to improve SeniorCare is through the creation of a supplement to the recently enacted federal Medicare drug benefit for Alaska's seniors. Under the new federal Medicare benefit, many seniors are still required to pay premium and deductible expenses for prescription drugs out of their own pockets. For Alaska seniors with incomes up to 300 percent of the federal poverty level, I propose that SeniorCare pay these premiums and deductibles on our seniors' behalf – a benefit of approximately \$670 per person annually. Seniors with Medigap or other comparable coverage will also be eligible to receive this benefit as long as they meet the basic income and asset standards for SeniorCare.

**COMMITTEE COPY**

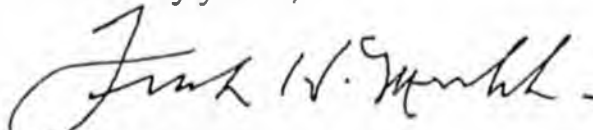
The Honorable Ben Stevens  
January 21, 2005  
Page 2

I anticipate that over 40 percent of the estimated 41,000 Alaska seniors will be eligible for the SeniorCare benefit. With passage of this legislation, the end result will be that as of January 2006 virtually all seniors in Alaska will be eligible for prescription drug coverage through a combination of federal, state, and employer-sponsored drug plans. This represents an achievement in which we should all be proud.

Over the past several years I have listened to our senior citizens throughout Alaska and there is no doubt in my mind that adequate prescription drug coverage remains a top priority of our seniors. Additional state support for SeniorCare in the years to come will help resolve this longstanding issue. It is a sound investment well worth making.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in cursive script, reading "Frank H. Murkowski".

Frank H. Murkowski  
Governor

Enclosure

## **Sectional Analysis of HB 106/SB 78 (Senior Care)**

*(Prepared by the Department of Health and Social Services and the Department of Law, January 28, 2005)*

HB 106/SB 78 would establish the senior care program, which provides cash assistance and prescription drug benefits to eligible seniors.

### **I. Establishment of the senior care program (Section 1):**

**Sec. 1:** Section 1 establishes and sets out the senior care program in statute by adding new sections to the chapter dealing with older Alaskans, as follows:

- it establishes senior care as a program, provides the Department of Health and Social Services with the authority to administer it, and establishes the order in which senior care benefits are to be reduced if funding is inadequate;
- it provides for a cash assistance benefit of \$120 per month for Alaska residents, age 65 and older, who have income less than or equal to 135 percent of the federal poverty guidelines;
- it provides for a prescription drug benefit for Alaska residents, age 65 and older, who have income less than or equal to 300 percent of the federal poverty guidelines, who do not receive a cash assistance payment under section 1, and who meet other requirements;
- it provides that the prescription drug benefit will pay for premiums and deductibles for prescription drug coverage under Medicare Part D, a group health plan, veteran benefits, Medigap, military coverage, and other plans comparable to Medicare Part D, while limiting the total benefit to the annual cost of Medicare Part D premiums and deductibles;
- it places the following limitations on the prescription drug benefit: an individual is not eligible for the prescription drug benefit if their premium and deductible are covered by another source or if they have a prescription drug benefit authorized under specific sections of the Social Security Act; in addition, residents of public institutions, nursing facilities, Pioneers' Homes, and Veterans' Homes are not eligible, unless they reside in a public institution or nursing facility for less than three months;
- it prevents recipients of either the cash assistance benefit or the prescription drug benefit from receiving benefits if they leave the state, unless it is temporary absence to receive medical treatment, accompany a family member receiving medical treatment, or take a trip of less than 30 consecutive days (or longer if the department grants an exception for special circumstances);

- it provides for an appeal process for people whose benefits are denied, terminated, or reduced;
- it makes an individual liable to the Department of Health and Social Services for benefits improperly paid due to inaccurate or incomplete information, and gives the Department of Health and Social Services the ability to recover those benefits and associated recovery costs through a civil action;
- it establishes the Alaska senior care fund in statute as an account in the general fund; the senior care fund would receive appropriations and unexpended funds in the current senior care fund created by temporary law;
- it provides definitions.

**II. Adds the senior care fund to the list of nongeneral fund program receipts (Section 2):**

**Sec. 2:** Section 2 adds the Alaska senior care fund to the list of nongeneral fund program receipts at AS 37.05.146(c).

**III. Repeal of existing senior care program in session law (Section 3):**

**Sec. 3:** Section 3 repeals ch. 3, SLA 2004, which sets out the existing senior care program.

**IV. Transition provisions (Sections 4 - 5):**

**Sec. 4:** Section 4 transfers the assets of the current senior care fund created under ch. 3, SLA 2004 to the senior care fund created under sec. 1.

**Sec. 5:** Section 5(a) gives the Department of Health and Social Services the authority to use the existing regulations to operate the senior care program until it can adopt regulations under the statutes added by the bill. Section 5(b) gives the Department of Health and Social Services authority to begin the process of adopting new regulations before the new statute takes effect.

**V. Effective dates (Sections 6 - 7):**

**Sec. 6:** Section 6 provides for an immediate effective date for sec. 5(b), authorizing the Department of Health and Social Services to begin adopting new regulations.

**Sec. 7:** Section 7 provides for an effective date of January 1, 2006, or the date Medicare Part D begins, whichever is sooner, for the remainder of the bill sections.

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 78  
 ( S ) Publish Date: 1/24/05

Revision Date/Time (Note if correction):

Title ESTABLISHING THE ALASKA SENIOR CARE PROGRAM

Dept. Affected: Health & Social Services

RDU Departmental Support Services

Component Commissioner's Office

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester GOVERNOR

Component No. 317

**Expenditures/Revenues** (Thousands of Dollars)

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

| OPERATING EXPENDITURES        | FY 2006    | FY 2007    | FY 2008    | FY 2009    | FY 2010    | FY 2011    |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services             |            |            |            |            |            |            |
| Travel                        |            |            |            |            |            |            |
| Contractual                   |            |            |            |            |            |            |
| Supplies                      |            |            |            |            |            |            |
| Equipment                     |            |            |            |            |            |            |
| Land & Structures             |            |            |            |            |            |            |
| Grants & Claims               |            |            |            |            |            |            |
| Miscellaneous                 |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b>        | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |
| <b>CAPITAL EXPENDITURES</b>   |            |            |            |            |            |            |
| <b>CHANGE IN REVENUES (0)</b> |            |            |            |            |            |            |

**FUND SOURCE** (Thousands of Dollars)

|  |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1002 Federal Receipts                  |                 |                 |                 |                 |                 |                 |
| 1003 GF Match                          |                 |                 |                 |                 |                 |                 |
| 1004 GF                                | 8,689.0         | 17,377.9        | 18,064.5        | 18,826.7        | 19,659.1        | 20,579.2        |
| 1037 GF/Mental Health                  |                 |                 |                 |                 |                 |                 |
| 1189 Senior Care Fund                  | 7,762.4         |                 |                 |                 |                 |                 |
| Other(Specify Type -do not abbreviate) |                 |                 |                 |                 |                 |                 |
| <b>TOTAL</b>                           | <b>16,451.4</b> | <b>17,377.9</b> | <b>18,064.5</b> | <b>18,826.7</b> | <b>19,659.1</b> | <b>20,579.2</b> |

Estimate of any current year (FY2005) cost: \_\_\_\_\_

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |

**ANALYSIS:** (Attach a separate page if necessary)

The bill authorizing the continuation of the SeniorCare program includes provision to establish a new Alaska senior care fund as an account in the general fund. Per proposed section 47.45.360 the fund would consist of 1) money in the former senior care fund established in sec. 2, ch. 2, SLA 2004; 2) appropriations to the Alaska senior care fund; and 3) any appropriation of interest earned on money in the Alaska senior care fund.

This fiscal note represents capitalization of the new Alaska senior care fund; expenditures are shown on associated fiscal notes for components that would be operating the program. See attachment A for summary of Alaska SeniorCare projected caseload and costs. (Continued on next page)

Prepared by: Janet Clarke, Assistant Commissioner  
 Division: Finance and Management Services  
 Approved by: Joel S. Gilbertson, Commissioner  
 Agency: Department of Health and Social Services

Phone 465-1630  
 Date/Time 01/10/2004  
 Date 01/14/2005

**FISCAL NOTE**

**FN # 1**

**STATE OF ALASKA  
2005 LEGISLATIVE SESSION**

**SB 78**

**ANALYSIS CONTINUATION**

The Alaska senior care fund would be capitalized with a General Fund deposit as well as deposit of the balance of the former senior care fund. The estimated balance of the former senior care fund will be approximately \$7,764.2 on January 1, 2006. This balance will be subject to actual claims and benefit payments under the existing SeniorCare program through December 31, 2005. The General Fund appropriation represents half of the FY07 projected expenditures for SeniorCare cash and drug benefits and the administrative costs to run the program.

It is anticipated that there will be an annual general fund capitalization deposit to the Alaska senior care fund that will be contained in the language section of the operating budget bill. Legislative approval of carryforward of the Alaska senior care fund annually (general fund sweep reversal) will be necessary to allow continuation of the Fund balance for use to pay benefits in the following year.

**Alaska SeniorCare Projected Caseloads & Costs**

FN #1 SB 78

|   | <b>FY 06<br/>-- 3rd &amp; 4th Qtr</b> | <b>FY 07</b>         | <b>FY 08</b>         |
|---|---------------------------------------|----------------------|----------------------|
| <b>Caseload Projections</b>                                     |                                       |                      |                      |
| Alaska SeniorCare Below 135% of Poverty-Cash Benefit            | 7,000                                 | 7,000                | 7,000                |
| Alaska SeniorCare Between 135% and 300% of Poverty-Drug Benefit | 9,975                                 | 10,474               | 10,997               |
| <b>Benefit Assumptions</b>                                      |                                       |                      |                      |
| Alaska SeniorCare Below 135% of Poverty-Cash Benefit            | \$ 720                                | \$ 1,440             | \$ 1,440             |
| Alaska SeniorCare Between 135% and 300% of Poverty-Drug Benefit | \$ 320                                | \$ 640               | \$ 672               |
| <hr/>   |                                       |                      |                      |
|   | <b>FY 06<br/>-- 3rd &amp; 4th Qtr</b> | <b>FY 07</b>         | <b>FY 08</b>         |
| <b>Budget Forecast</b>  |                                       |                      |                      |
| Alaska SeniorCare Below 135% of Poverty-Cash Benefit            | \$ 5,040,000                          | \$ 10,080,000        | \$ 10,080,000        |
| Alaska SeniorCare Between 135% and 300% of Poverty-Drug Benefit | \$ 3,192,000                          | \$ 6,703,360         | \$ 7,389,984         |
| <b>Total Program Cost</b>                                       | <b>\$ 8,232,000</b>                   | <b>\$ 16,783,360</b> | <b>\$ 17,469,984</b> |
| <b>Administrative Costs</b>                                     |                                       |                      |                      |
| Eligibility   | \$ 454,500                            | \$ 450,100           | \$ 450,100           |
| Claims Processing   | \$ 163,900                            | \$ 80,900            | \$ 80,900            |
| Information and Referral  | \$ 59,000                             | \$ 63,500            | \$ 63,500            |
| <b>Total Administrative Costs</b>                               | <b>\$ 677,400</b>                     | <b>\$ 594,500</b>    | <b>\$ 594,500</b>    |
| <b>Combined Program and Administrative Costs</b>                | <b>\$ 8,909,400</b>                   | <b>\$ 17,377,860</b> | <b>\$ 18,064,484</b> |

Source: Fiscal notes for LL-90, as of 1/13/05

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: SB 78  
 ( S ) Publish Date: 1/24/05  
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction):

Title: ESTABLISHING THE ALASKA SENIOR CARE PROGRAM  
 RDU: Public Assistance  
 Component: SeniorCare

Sponsor: (RLS) BY REQUEST OF THE GOVERNOR

Requester: GOVERNOR Component No. 2760

**Expenditures/Revenues (Thousands of Dollars)**

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

| OPERATING EXPENDITURES        | FY 2006        | FY 2007         | FY 2008         | FY 2009         | FY 2010         | FY 2011         |
|-------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Personal Services             | 301.5          | 361.8           | 361.8           | 361.8           | 361.8           | 361.8           |
| Travel                        | 3.5            | 3.5             | 3.5             | 3.5             | 3.5             | 3.5             |
| Contractual                   | 114.5          | 74.8            | 74.8            | 74.8            | 74.8            | 74.8            |
| Supplies                      | 35.0           | 10.0            | 10.0            | 10.0            | 10.0            | 10.0            |
| Equipment                     |                |                 |                 |                 |                 |                 |
| Land & Structures             |                |                 |                 |                 |                 |                 |
| Grants & Claims               | 8,232.0        | 16,783.4        | 17,470.0        | 18,232.2        | 19,064.6        | 19,984.7        |
| Miscellaneous                 |                |                 |                 |                 |                 |                 |
| <b>TOTAL OPERATING</b>        | <b>8,686.5</b> | <b>17,233.5</b> | <b>17,920.1</b> | <b>18,682.3</b> | <b>19,514.7</b> | <b>20,434.8</b> |
| <b>CAPITAL EXPENDITURES</b>   |                |                 |                 |                 |                 |                 |
| <b>CHANGE IN REVENUES (0)</b> |                |                 |                 |                 |                 |                 |

**FUND SOURCE (Thousands of Dollars)**

|                                       |                |                 |                 |                 |                 |                 |
|---------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1002 Federal Receipts                 |                |                 |                 |                 |                 |                 |
| 1003 GF Match                         |                |                 |                 |                 |                 |                 |
| 1004 GF                               |                |                 |                 |                 |                 |                 |
| 1037 GF/Mental Health                 |                |                 |                 |                 |                 |                 |
| 1196 AK Senior Care Fund              | 8,686.5        | 17,233.5        | 17,920.1        | 18,682.3        | 19,514.7        | 20,434.8        |
| Other(Specify Type-do not abbreviate) |                |                 |                 |                 |                 |                 |
| <b>TOTAL</b>                          | <b>8,686.5</b> | <b>17,233.5</b> | <b>17,920.1</b> | <b>18,682.3</b> | <b>19,514.7</b> | <b>20,434.8</b> |

Estimate of any current year (FY2005) cost: \_\_\_\_\_

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| Full-time | 6 | 6 | 6 | 6 | 6 | 6 |
| Part-time |   |   |   |   |   |   |
| Temporary |   |   |   |   |   |   |

**ANALYSIS:** (Attach a separate page if necessary)

This bill authorizes the continuation of the SeniorCare program, which provides a cash or drug benefit to eligible seniors age 65 or older. It also changes the drug benefit to a State Pharmaceutical Assistance Program, to cover the premiums and deductibles of the new Medicare Part D prescription drug coverage that begins January 1, 2006. This bill would allow seniors with incomes below 135% of the federal poverty guideline and countable assets below \$6,000 (\$9,000 for couples) to continue to be eligible for the \$120 monthly cash payment. Seniors with incomes below 300% of the federal poverty guideline and countable assets below \$50,000 (\$100,000 for couples) would be eligible to have their premiums and deductibles for Medicare Part D, or other similar prescription drug coverage, paid for by the new SeniorCare drug benefit.

Prepared by: Katherine Farnham  
 Division: Public Assistance  
 Approved by: Joel S. Gilbertson, Commissioner  
 Agency: Department of Health and Social Services

Phone: 269-7930  
 Date/Time: 01/14/2005  
 Date: 01/14/2005

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO. SB 78

ANALYSIS CONTINUATION  
SENIORCARE ANALYSIS CONTINUATION

Caseload & Benefit Cost Projections

Assumptions:

This fiscal note assumes the new SeniorCare program begins January 1, 2006 when Medicare Part D drug coverage first becomes available.

- In FY 04, an average of 7,000 seniors received the \$120 cash benefit each month. The Department estimates a monthly average of 7,000 seniors will be eligible for and continue to receive the \$120/month cash benefit, when the program is extended on January 1, 2006.
- The Department estimates an additional 9,975 seniors will become eligible for the new SeniorCare drug benefit beginning January 1, 2006, at an annual cost per individual of \$640.
- The number of seniors receiving the drug benefit and the associated drug benefit premium and deductible costs will increase by 5%/year beginning in FY 07.

Total FY 06 SeniorCare Benefit Costs (6 months): \$8,232.0

Cash benefit @ 135% of FPG: 7,000 x \$720 = \$5,040.0

Drug benefit @ 300% of FPG: 9,975 x \$320 = \$3,192.0

Total FY 07 SeniorCare Benefit Costs: \$16,783.4

Cash benefit @ 135% of FPG: 7,000 x \$1,440 = \$10,080.0

Drug benefit @ 300% of FPG: 10,474 x \$640 = \$6,703.4

Total FY 08 SeniorCare Benefit Costs: \$17,470.0

Cash benefit @ 135% of FPG: 7,000 x \$1,440 = \$10,080.0

Drug benefit @ 300% of FPG: 10,997 x \$672 = \$7,390.0

Total FY 09 SeniorCare Benefit Costs: \$18,232.2

Cash benefit @ 135% of FPG: 7,000 x \$1,440 = \$10,080.0

Drug benefit @ 300% of FPG: 11,547 x \$706 = \$8,152.2

Total FY 10 SeniorCare Benefit Costs: \$19,064.6

Cash benefit @ 135% of FPG: 7,000 x \$1,440 = \$10,080.0

Drug benefit @ 300% of FPG: 12,125 x \$741 = \$8,984.6

Total FY 11 SeniorCare Benefit Costs: \$19,984.7

Cash benefit @ 135% of FPG: 7,000 x \$1,440 = \$10,080.0

Drug benefit @ 300% of FPG: 12,731 x \$778 = \$9,904.7

FISCAL NOTE  
FN # 2

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO. SB 78

**ANALYSIS CONTINUATION**  
**SENIORCARE ANALYSIS CONTINUATION**

**Administration**

In FY 06, Administration of the new SeniorCare program will transfer from the Alaska Division of Pioneer Homes to the Division of Public Assistance (DPA). Six new positions are needed in DPA to administer the SeniorCare program: 1 Administrative Clerk II; 3 Eligibility Technician I's, 1 Eligibility Technician III Lead Worker; and 1 Program Coordinator. These positions will have statewide responsibility for processing the enrollment applications for the projected 16,975 eligible recipients. This includes the initial and ongoing determining of eligibility, processing claims, and serving as a liaison with the Social Security Administration to ensure recipient enrollment in Medicare Part D.

Assumptions:

- DPA staff recruitment, hiring, and program eligibility training for new staff will begin in September 2005.
- In October 2005, DPA will begin processing renewal applications for the 7,000 current SeniorCare cash benefit recipients, and begin accepting new applications for the new drug benefit coverage.
- Eligibility determinations for the new SeniorCare drug benefit will begin in November 2005, concurrently with the Social Security Administration's enrollment of beneficiaries for Medicare Part D.
- Starting in January 2006, DPA will have full responsibility for issuing the \$120 SeniorCare cash benefit checks and the new drug benefit identification cards.
- Modifications to DPA's Eligibility Information System (EIS) will be completed to facilitate the issuance of SeniorCare cash benefits and drug benefit identification cards.

**Total FY 06 Administrative Costs: \$454.5**

Personal Services (\$30,150/month x 10 months): \$301.5  
Travel (to support employee training, marketing, outreach): \$3.5  
Contractual: \$114.5  
\*Office Space: \$24.0  
\*Local & Long Distance Telephone Support \$8.5  
\*Marketing & Outreach \$30.0  
\*Regulations Development \$5.0  
\*EIS Computer System Programming Modifications: \$25.5  
\*Other Services (printing/mailing recipient warrants and drug benefit ID cards): \$21.5  
Office Supplies: \$10.0 Desktop computers, printers, and work stations: \$25.0

**Total FY 07 (Annual) Administrative Costs: \$450.1**

Personal Services (\$30,150/month x 12 months): \$361.8  
Travel (to support employee training, marketing, outreach): \$3.5  
Contractual: \$74.8  
\*Office Space: \$24.0  
\*Local & long distance telephone support: \$8.5  
\*Other Services (printing/mailing recipient warrants and drug benefit ID cards): \$42.3  
Office Supplies: \$10.0

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: 3  
 Bill Version: SB 78  
 ( S ) Publish Date: 1/24/05  
 Dept. Affected: Health & Social Services  
 RDU Senior and Disabilities Svcs  
 Component Senior/Disabilities Svcs Admin

Revision Date/Time (Note if correction):

Title ESTABLISHING THE ALASKA SENIOR CARE PROGRAM

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester GOVERNOR

Component No. 2663

**Expenditures/Revenues** (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2006     | FY 2007     | FY 2008     | FY 2009     | FY 2010     | FY 2011     |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Personal Services      | 36.0        | 48.0        | 48.0        | 48.0        | 48.0        | 48.0        |
| Travel                 | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         |
| Contractual            | 15.0        | 15.0        | 15.0        | 15.0        | 15.0        | 15.0        |
| Supplies               | 7.5         |             |             |             |             |             |
| Equipment              |             |             |             |             |             |             |
| Land & Structures      |             |             |             |             |             |             |
| Grants & Claims        |             |             |             |             |             |             |
| Miscellaneous          |             |             |             |             |             |             |
| <b>TOTAL OPERATING</b> | <b>59.0</b> | <b>63.5</b> | <b>63.5</b> | <b>63.5</b> | <b>63.5</b> | <b>63.5</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES (0)</b> |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|                                       |             |             |             |             |             |             |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts                 |             |             |             |             |             |             |
| 1003 GF Match                         |             |             |             |             |             |             |
| 1004 GF                               |             |             |             |             |             |             |
| 1037 GF/Mental Health                 |             |             |             |             |             |             |
| 1196 AK Senior Care Fund              | 59.0        | 63.5        | 63.5        | 63.5        | 63.5        | 63.5        |
| Other(Specify Type-do not abbreviate) |             |             |             |             |             |             |
| <b>TOTAL</b>                          | <b>59.0</b> | <b>63.5</b> | <b>63.5</b> | <b>63.5</b> | <b>63.5</b> | <b>63.5</b> |

Estimate of any current year (FY2005) cost: \_\_\_\_\_

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| Full-time | 1 | 1 | 1 | 1 | 1 | 1 |
| Part-time |   |   |   |   |   |   |
| Temporary |   |   |   |   |   |   |

**ANALYSIS:** (Attach a separate page if necessary)

This bill will make the SeniorCare program permanent. With the permanency, the Division of Senior and Disabilities Services needs to add one Administrative Clerk III to provide the support for the SeniorCare Information office. This position would be responsible for answering phones, making referrals to agencies, mailing out informational packets on the senior benefits, and maintaining files.

The division is requesting support costs for office space, furniture, a computer, telephone and computer lines, mailings, printing and general office supplies.

Prepared by: Sharon K. Lowe  
 Division: Senior and Disabilities Services  
 Approved by: Joel S. Gilbertson, Commissioner  
 Agency: Department of Health and Social Services

Phone: 907-465-5810  
 Date/Time: \_\_\_\_\_  
 Date: 01/14/2005

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: 4  
 Bill Version: SB 78  
 ( S ) Publish Date: 1/24/05  
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction):

Title ESTABLISHING THE ALASKA SENIOR CARE PROGRAM

RDU Health Care Services

Component Medical Assistance Admin.

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester GOVERNOR

Component No. 242

**Expenditures/Revenues** (Thousands of Dollars)

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

| OPERATING EXPENDITURES        | FY 2006      | FY 2007     | FY 2008     | FY 2009     | FY 2010     | FY 2011     |
|-------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Personal Services             | 80.9         | 80.9        | 80.9        | 80.9        | 80.9        | 80.9        |
| Travel                        |              |             |             |             |             |             |
| Contractual                   | 83.0         |             |             |             |             |             |
| Supplies                      |              |             |             |             |             |             |
| Equipment                     |              |             |             |             |             |             |
| Land & Structures             |              |             |             |             |             |             |
| Grants & Claims               |              |             |             |             |             |             |
| Miscellaneous                 |              |             |             |             |             |             |
| <b>TOTAL OPERATING</b>        | <b>163.9</b> | <b>80.9</b> | <b>80.9</b> | <b>80.9</b> | <b>80.9</b> | <b>80.9</b> |
| <b>CAPITAL EXPENDITURES</b>   |              |             |             |             |             |             |
| <b>CHANGE IN REVENUES (0)</b> |              |             |             |             |             |             |

**FUND SOURCE** (Thousands of Dollars)

|  |              |             |             |             |             |             |
|--|--------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts                  |              |             |             |             |             |             |
| 1003 GF Match                          |              |             |             |             |             |             |
| 1004 GF                                |              |             |             |             |             |             |
| 1037 GF/Mental Health                  |              |             |             |             |             |             |
| 1196 AK Senior Care Fund               | 163.9        | 80.9        | 80.9        | 80.9        | 80.9        | 80.9        |
| Other(Specify Type -do not abbreviate) |              |             |             |             |             |             |
| <b>TOTAL</b>                           | <b>163.9</b> | <b>80.9</b> | <b>80.9</b> | <b>80.9</b> | <b>80.9</b> | <b>80.9</b> |

Estimate of any current year (FY2005) cost: \_\_\_\_\_

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| Full-time | 1 | 1 | 1 | 1 | 1 | 1 |
| Part-time |   |   |   |   |   |   |
| Temporary |   |   |   |   |   |   |

**ANALYSIS:** (Attach a separate page if necessary)

This bill authorizes the continuation of the SeniorCare program and modifies the prescription drug benefit available under the program. Approximately 10,000 seniors will receive assistance paying their premiums and deductibles for prescription drug coverage under Medicare or some comparable insurance.

The Division of Health Care Services will need to contract for changes to its claims payment system (MMIS) to allow for payment of premiums and deductibles, at a one-time cost of \$133.0 (\$50.0 of this total cost is included in the FY06 Governor's Budget and so not reflected above). In addition, the division will need to add one, full-time staff member. Initially, this position will perform the development and testing of system changes to MMIS. Once the new prescription drug benefit is effective, the position will be responsible for overseeing the premium buy-in process and coordinating the coverage of deductibles with providers.

Prepared by: Jon Sherwood  
 Division: Office of Program Review  
 Approved by: Joel S. Gilbertson, Commissioner  
 Agency: Department of Health and Social Services

Phone 465-5820  
 Date/Time 01/05/2005  
 Date 01/14/2005

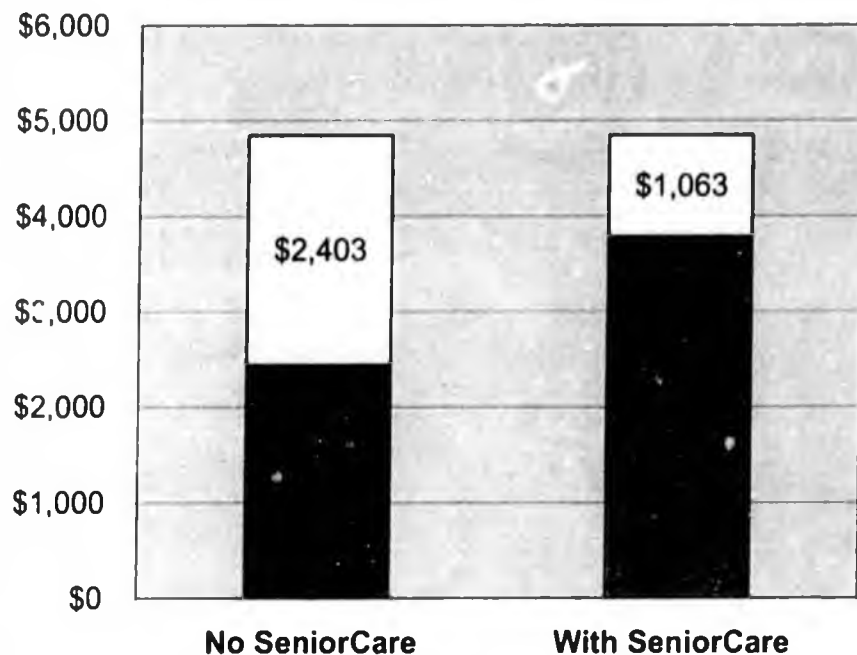
# Senior CARE

## Examples of Savings with SeniorCare

### Bill, age 70 and Janet, age 68

#### With and without SeniorCare

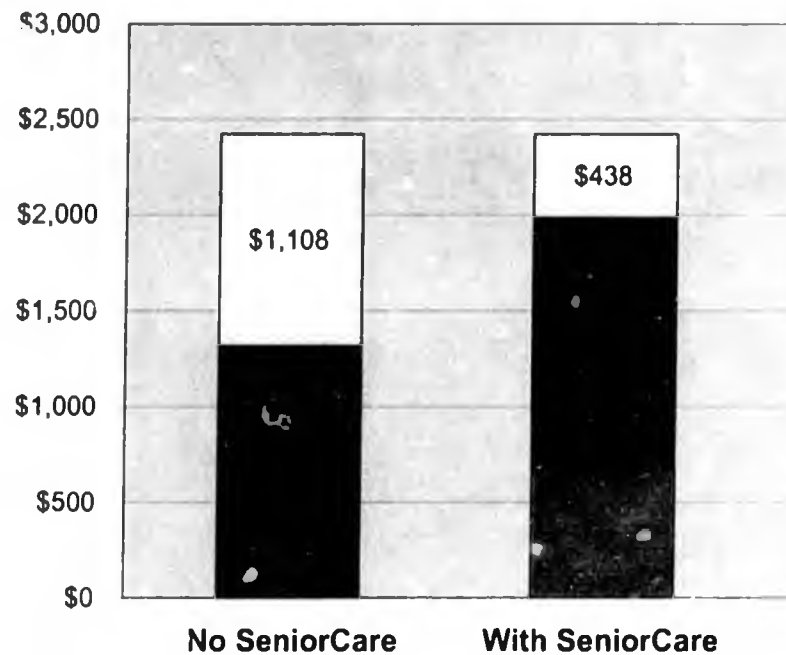
Bill and Janet are married, and have an annual income of \$42,000 with \$70,000 of savings in an IRA retirement account. Bill spends \$2,500 annually for prescription drugs, Janet spends \$1,500. **Bill and Janet will save \$1340 annually under SeniorCare.**



### Mary, age 85

#### With and without SeniorCare

Mary lives alone, has \$30,000 annual income and \$45,000 in the bank. She spends \$2,000 for prescription drugs each year. **Mary will save \$670 annually under SeniorCare.**



■ SeniorCare Benefit

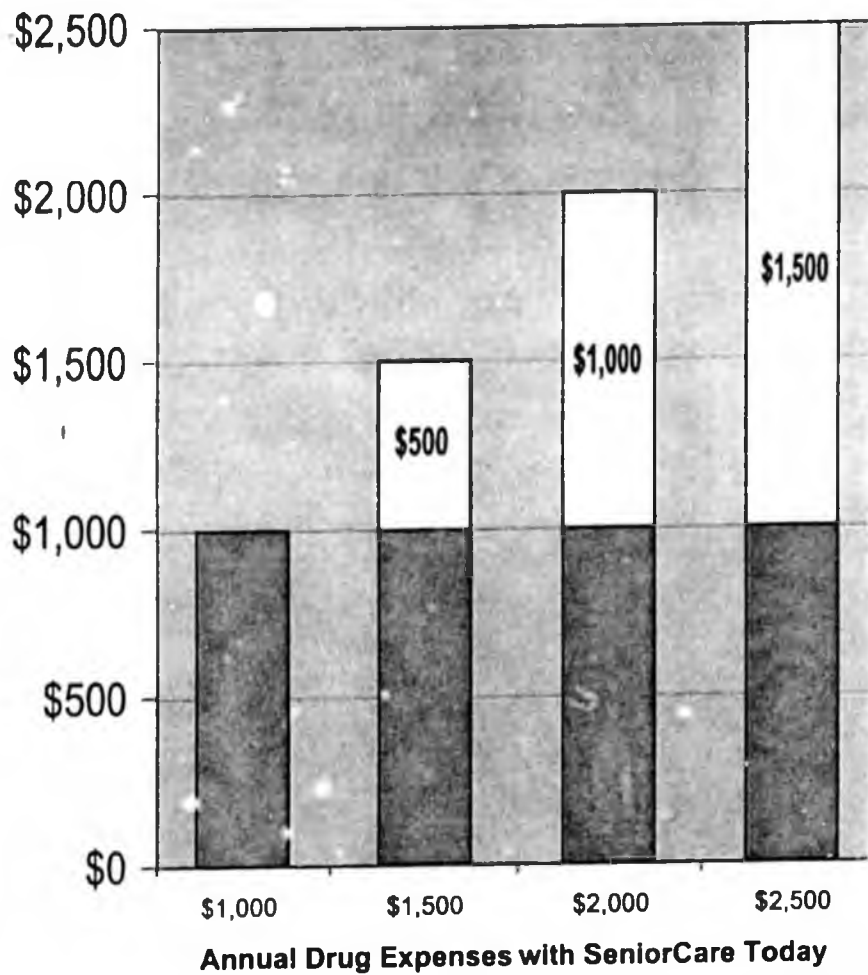
■ Medicare Drug Benefit

□ Individual Out-of-Pocket

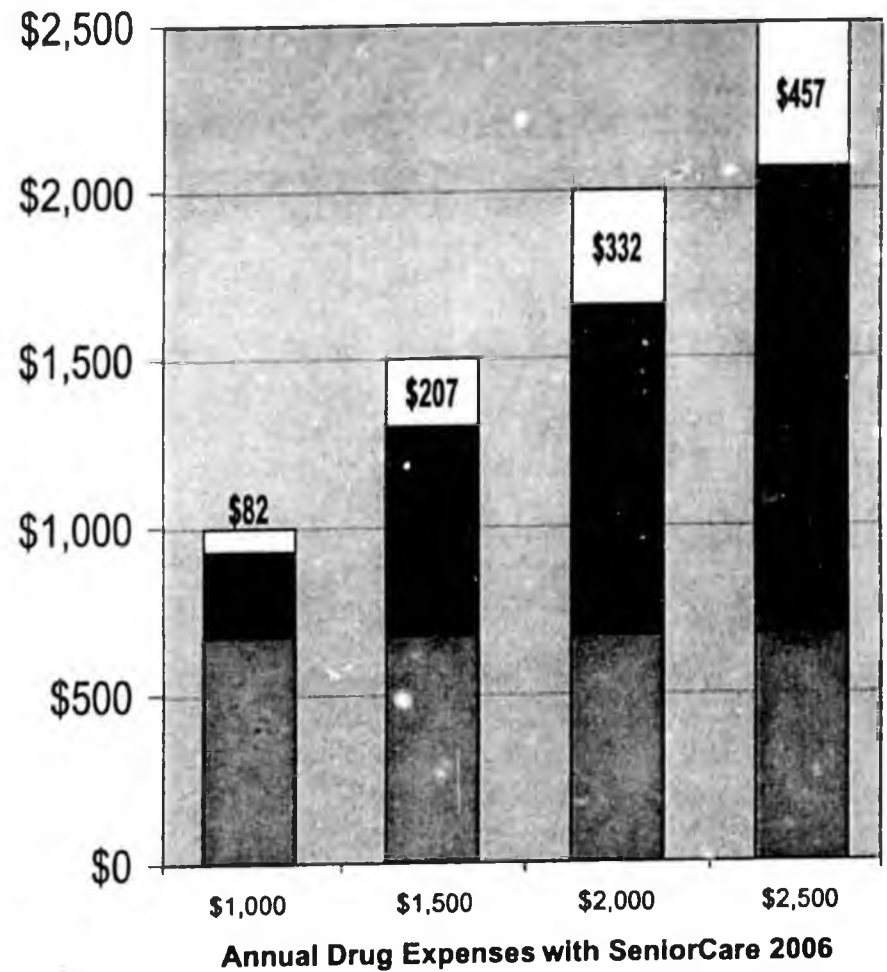
# Senior CARE

## Strengthening and Improving Drug Coverage for Alaska Seniors

Old SeniorCare Prescription Drug Benefit



New SeniorCare Prescription Drug Benefit



■ SeniorCare Benefit

■ Medicare Drug Benefit

□ Individual Out-of-Pocket



# Comparison of Qualifications and Benefits

Beginning January 2006

## SeniorCare Cash Assistance

## SeniorCare Prescription Drug Assistance

### Qualifications

Up to 135% of Poverty Level

Up to 300% of Poverty Level

Annual Income below  
\$15,708 Single  
\$21,084 Couple

Annual Income below  
\$34,890 Single  
\$46,830 Couple

Liquid Assets below  
\$6,000 Single  
\$9,000 Couple

Liquid Assets below  
\$50,000 Single  
\$100,000 Couple

### SeniorCare Benefit January 2006

\$120 a month cash assistance  
(up to \$1,440 annual)

\$670 Annual Medicare/Comparable  
Insurance Prescription Drug  
Premiums and Deductible

### Medicare Benefit January 2006

Annual Medicare Premiums and  
deductible covered  
\$670

Standard Medicare Part D,  
prescription drug coverage

Full prescription drug coverage  
Medicare Part D

### Seniors Served (Total 17,000)

7,000

10,000

24-GS1090\G

Mischel

2/11/05

**CS FOR SENATE BILL NO. 78( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

**BY****Offered:****Referred:****Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR****A BILL****FOR AN ACT ENTITLED**

1 **"An Act establishing the senior care program and relating to that program; creating a**  
2 **fund for the provision of the senior care program; repealing ch. 3, SLA 2004; and**  
3 **providing for an effective date."**

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

5 \* Section 1. AS 09.38.015 is amended to read:

6 **Sec. 09.38.015. Property exempt without limitation.** (a) An individual is  
7 entitled to exemption of the following property:

8 (1) a burial plot for the individual and the individual's family;

9 (2) health aids reasonably necessary to enable the individual or a  
10 dependent to work or to sustain health;

11 (3) benefits paid or payable for medical, surgical, or hospital care to  
12 the extent they are or will be used to pay for the care;

13 (4) an award under AS 18.67 (Violent Crimes Compensation Board) or  
14 a crime victim's reparations act of another jurisdiction;

- 1 (5) benefits paid or payable as a longevity bonus under AS 47.45;
- 2 (6) compensation or benefits paid or payable and exempt under federal
- 3 law;
- 4 (7) liquor licenses granted under AS 04;
- 5 (8) tuition credit or savings accounts under a higher education savings
- 6 account established under AS 14.40.802 or an advance college tuition savings contract
- 7 authorized under AS 14.40.809(a);
- 8 (9) a permanent fund dividend to the extent allowed under
- 9 AS 43.23.065;
- 10 (10) benefits paid or payable as a senior care benefit under
- 11 AS 47.45.300 - 47.45.390.

\* Sec. 2. AS 47.45 is amended by adding new section: read:

**Article 3. Senior Care Program.**

**Sec. 47.45.300. Senior care program.** (a) The senior care program is established in the Department of Health and Social Services to provide cash assistance benefits and prescription drug benefits as far as practicable under appropriations provided by law.

(b) The department shall

- (1) administer the program; and
- (2) adopt regulations under AS 44.62 to carry out the purposes of the program.

(c) If the department estimates that appropriations for the program are insufficient to meet the demands of the program in a fiscal year, the department may reduce or eliminate the benefits available to recipients. Benefits shall be reduced or eliminated in the following order:

- (1) deductible coverage under AS 47.45.320(c);
- (2) premium coverage under AS 47.45.320(c);
- (3) cash assistance under AS 47.45.310(b).

**Sec. 47.45.310. Cash assistance benefit.** (a) To be eligible for a cash assistance benefit under the program, an individual shall

- (1) be 65 years of age or older;

1 (2) be a resident of the state;

2 (3) have household income that does not exceed 135 percent of the  
3 federal poverty line as defined by the federal Office of Management and Budget and  
4 revised under 42 U.S.C. 9902(2), as amended;

5 (4) meet other eligibility requirements specified in this subsection and  
6 in regulations adopted under this subsection; and

7 (5) apply on a form provided by the department; the department may  
8 use an abbreviated form for an individual who received a payment under an assistance  
9 program for seniors that paid \$120 a month and was administered by the department  
10 on or before the effective date of this section.

11 (b) An eligible individual who meets the income standard of (a)(3) of this  
12 section shall receive cash assistance of \$120 a month as far as practicable under  
13 appropriations available to the program.

14 (c) Cash assistance provided under this section is inalienable by assignment or  
15 transfer and is exempt from garnishment, levy, or execution as provided in  
16 AS 09.38.015.

17 **Sec. 47.45.320. Prescription drug benefit.** (a) To be eligible for a  
18 prescription drug benefit under the program, an individual

19 (1) shall be 65 years of age or older;

20 (2) shall be a resident of the state;

21 (3) shall have household income that does not exceed 300 percent of  
22 the federal poverty line as defined by the federal Office of Management and Budget  
23 and revised under 42 U.S.C. 9902(2), as amended;

24 (4) may not be receiving a cash assistance payment under  
25 AS 47.45.310;

26 (5) shall be enrolled in at least one of the prescription drug programs  
27 described in (c) of this section;

28 (6) shall meet other eligibility requirements specified in this subsection  
29 and in regulations adopted under this subsection; and

30 (7) shall apply on a form provided by the department; the department  
31 may use an abbreviated form for individuals who received a payment under an

1 assistance program for seniors that paid \$120 a month and was administered by the  
2 department on or before the effective date of this section.

3 (b) To receive a prescription drug benefit under this section, an individual

4 (1) may not also receive a similar prescription drug benefit, except for  
5 a prescription drug program offered by a facility that operates under the authority of  
6 25 U.S.C. 450 - 458bbb-2; and

7 (2) if eligible for a similar prescription drug benefit, shall assign to the  
8 department the individual's right to payment of the other prescription drug benefit.

9 (c) The department may pay an eligible individual's premium and deductible  
10 for a prescription drug benefit authorized under

11 (1) 42 U.S.C. 1395w-101 - 1395w-152 (Medicare Prescription Drug,  
12 Improvement and Modernization Act of 2003), as amended, including

13 (A) a prescription drug plan funded under 42 U.S.C. 1395w-  
14 101 - 1395w-152 (Medicare Prescription Drug, Improvement and  
15 Modernization Act of 2003), as amended; and

16 (B) a Medicare Advantage plan that provides prescription drug  
17 coverage qualified under 42 U.S.C. 1395w-101 - 1395w-152 (Medicare  
18 Prescription Drug, Improvement and Modernization Act of 2003), as amended;

19 (2) a group health plan, including the federal employees health benefits  
20 program and qualified retiree prescription drug plan as defined in 42 U.S.C. 1395w-  
21 132 (sec. 1860D-22(a)(2) of the Social Security Act), as amended;

22 (3) coverage of prescription drugs for veterans, survivors, and  
23 dependents under 38 U.S.C. 1701 - 1784, as amended;

24 (4) coverage under a Medicare supplemental policy, such as medigap  
25 under 42 U.S.C. 1395ss (sec. 1882 of the Social Security Act), as amended, and as  
26 specified in 42 C.F.R. 403.205, that provides a prescription drug benefit regardless of  
27 whether the coverage was issued in accordance with the standardization requirement  
28 under 42 U.S.C. 1395ss(p)(1) (sec. 1882(p)(1) of the Social Security Act), as  
29 amended;

30 (5) military coverage under 10 U.S.C. 1071 - 1110, as amended; or

31 (6) any other private plan that is identified by the department as

1 providing coverage actuarially equivalent to 42 U.S.C. 1395w-101 - 1395w-152  
2 (Medicare Prescription Drug, Improvement and Modernization Act of 2003), as  
3 amended.

4 (d) If an eligible individual has a prescription drug benefit that is specified in  
5 (c) of this section, but that benefit does not require the individual to pay either a  
6 premium or a deductible, the department may not pay a prescription drug benefit to the  
7 individual under this section.

8 (e) The total prescription drug benefit that an eligible individual may receive  
9 under this section in a fiscal year may not exceed the annual premium cost of a plan  
10 identified in (c) of this section and any deductible required under 42 U.S.C. 1395w-  
11 101 - 1395w-152 (Medicare Prescription Drug, Improvement and Modernization Act  
12 of 2003), as amended.

13 (f) The department may not pay a prescription drug benefit under this section  
14 to an individual who has a prescription drug benefit authorized under

15 (1) Medicaid under 42 U.S.C. 1396 - 1396v (Title XIX of the Social  
16 Security Act), as amended; or

17 (2) a waiver under 42 U.S.C. 1315 (sec. 1115 of the Social Security  
18 Act), as amended.

19 (g) An individual residing in a public institution, a nursing facility, the Alaska  
20 Pioneers' Home, or the Alaska Veterans' Home is not eligible for a prescription drug  
21 benefit under this section. For purposes of this subsection, an individual is not  
22 considered to be residing in a public institution or nursing facility if the individual is  
23 institutionalized for medical services for a period of less than three months and  
24 continues to maintain and provide for the expenses of the individual's home or living  
25 arrangement to which that individual may return upon discharge from the institution or  
26 facility.

27 **Sec. 47.45.330. Continuation of benefits.** An eligible individual who leaves  
28 the state may not receive a cash assistance benefit under AS 47.45.310 or prescription  
29 drug benefit under AS 47.45.320 during the absence unless the individual's absence is  
30 temporary and is for one of the following reasons:

31 (1) to receive medical treatment for the individual;

1 (2) to accompany the individual's family member who is receiving  
2 medical treatment outside the state; or

3 (3) for a vacation, business trip, or other absence of less than 30  
4 consecutive days, unless the individual has applied for and received a time extension  
5 from the department for special circumstances.

6 **Sec. 47.45.340. Appeal rights.** An individual who receives a determination  
7 from the department that denies, limits, or modifies a cash assistance benefit or  
8 prescription drug benefit under AS 47.45.300 - 47.45.390, other than a determination  
9 under AS 47.45.300(c) to reduce or eliminate benefits, may request a hearing before  
10 the department under regulations adopted by the department.

11 **Sec. 47.45.350. Ability to recover or recoup improper assistance benefits.**  
12 An individual is liable to the department for the value of assistance or benefits  
13 improperly paid to the person under AS 47.45.310 or 47.45.320 if the improper  
14 payment was based on inaccurate or incomplete information provided by the  
15 individual. In a civil action brought by the state to recover from the individual the  
16 value of assistance or benefits improperly paid under AS 47.45.310 or 47.45.320, the  
17 state may recover from the individual the costs of investigation and prosecution of the  
18 civil action, including attorney fees as determined under court rules.

19 **Sec. 47.45.360. Alaska senior care fund.** The Alaska senior care fund is  
20 established as an account in the general fund. The fund shall be used by the  
21 commissioner of health and social services to pay for costs incurred in the provision of  
22 senior services under AS 47.45.300 - 47.45.390. The fund consists of

- 23 (1) money in the former senior care fund established in sec. 2, ch. 3,  
24 SLA 2004;
- 25 (2) appropriations to the Alaska senior care fund; and
- 26 (3) any appropriation of interest earned on money in the Alaska senior  
27 care fund.

28 **Sec. 47.45.390. Definitions.** In AS 47.45.300 - 47.45.390,  
29 (1) "department" means the Department of Health and Social Services;  
30 (2) "eligible individual" means an individual who meets the  
31 requirements of AS 47.45.310 or 47.45.320 and regulations adopted under those

1 statutes for eligibility for the program;

2 (3) "family member" means a person who is

3 (A) legally related to an eligible individual through marriage or  
4 guardianship; or

5 (B) an eligible individual's sibling, parent, grandparent, son,  
6 daughter, grandson, granddaughter, uncle, aunt, niece, nephew, or first cousin;

7 (4) "program" means the senior care program established in  
8 AS 47.45.300 - 47.45.390;

9 (5) "public institution" means a governmentally owned establishment  
10 that furnishes food, shelter, and some additional treatment or services to 16 or more  
11 persons; "public institution" does not include the Alaska Pioneers' Home or Alaska  
12 Veterans' Home;

13 (6) "resident" has the meaning given in AS 47.25.430(a).

14 \* **Sec. 3.** AS 37.05.146(c) is amended by adding a new paragraph to read:

15 (78) the Alaska senior care fund (AS 47.45.360).

16 \* **Sec. 4.** Chapter 3, SLA 2004, is repealed.

17 \* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 **TRANSITION: TRANSFER OF ASSETS TO THE ALASKA SENIOR CARE**  
20 **FUND.** Subject to appropriation, the assets of the senior care fund created by sec. 2, ch. 3,  
21 SLA 2004, are transferred to the Alaska senior care fund (AS 47.45.360) established by sec. 2  
22 of this Act.

23 \* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to  
24 read:

25 **TRANSITION: REGULATIONS.** (a) To the extent the regulations are not  
26 inconsistent with this Act, regulations adopted by the Department of Health and Social  
27 Services in 2003 to provide cash assistance of \$120 a month to seniors that were in effect on  
28 June 29, 2004, remain applicable and in effect as valid regulations until the Department of  
29 Health and Social Services adopts regulations under this Act and those regulations take effect  
30 under AS 44.62.

31 (b) The Department of Health and Social Services may proceed to adopt regulations

1 to implement the changes made by this Act. The regulations take effect under AS 44.62  
2 (Administrative Procedure Act), but not before the effective date of the statutory changes.

3 \* Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 DUTY OF COMMISSIONER TO NOTIFY REVISOR OF STATUTES. The  
6 commissioner of health and social services shall notify the revisor of statutes when 42 U.S.C.  
7 1395w-101 - 1395w-152 (Medicare Prescription Drug, Improvement and Modernization Act  
8 of 2003) is operational for recipients in this state, as communicated to the commissioner of  
9 health and social services by the United States Department of Health and Human Services.

10 \* Sec. 8. Sections 6(b) and 7 of this Act take effect immediately under AS 01.10.070(c).

11 \* Sec. 9. Except as provided in sec. 8 of this Act, this Act takes effect on the date that the  
12 commissioner of health and social services notifies the revisor of statutes that 42 U.S.C.  
13 1395w-101 - 1395w-152 (Medicare Prescription Drug, Improvement and Modernization Act  
14 of 2003) is operational for recipients in this state, as communicated to the commissioner of  
15 health and social services by the United States Department of Health and Human Services.



February 15, 2005

The Honorable Fred Dyson, Chair  
Senate Health, Education and Social Services Committee  
Alaska State Capitol, Room 121  
Juneau, AK 99801-1182

RE: SB 78-- (Governor Murkowski)--Support

Dear Chair Dyson:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the Senate Health, Education and Social Services Committee to support SB 78, introduced by the Senate Rules Committee at the request of Governor Murkowski.

Last year Governor Murkowski proposed, and the Legislature passed, the Alaska SeniorCare bill. As you know from talking to your own constituents, the cost of prescription medications for older Alaskans is a critical issue for many family budgets. Older persons use more medications than younger people. With more years, we use more medications. Our oldest Alaskans are the ones most likely to use the most prescriptions. They are also statistically likely to have the lowest incomes.

In Alaska, just like every other state, we also have a second group of persons who reach retirement age with serious health problems. Very often they already face significant prescription drug costs when they turn 65 and these costs usually continue to go up as they age.

Prescription medications are not a luxury. They are an essential part of preventive health care today. Without prescriptions, many older Alaskans would face more serious (and more costly) health interventions, including surgery. Providing prescription drug coverage under SeniorCare is smart medicine and we applaud the Governor and the Legislature for passing SeniorCare last year.

SB 78 would allow SeniorCare to continue beyond December 31, 2005. Better yet, SB 78 would compliment the new Medicare Part D program and assist older Alaskans who sign up for the new Medicare benefit with premium and deductible costs up to 300% of the federal poverty level. SB 78 also raises the "assets test" for eligibility in SeniorCare. The original assets test undoubtedly prevented some medically needy older Alaskans from participating. Older persons tend to save for that "rainy day." Even low income older people tend to save for emergencies. They may not be able to save much but what they do save often makes them ineligible for programs like SeniorCare. Raising the

assets test to more reasonable limits is certainly good public policy and supports the intent of the Governor and the Legislature.

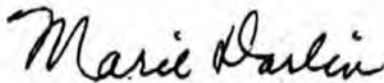
We are well aware that the Legislature faces competing requests for a limited budget. However, we also believe that SeniorCare is successful in its intent and, with the Governor's recommend changes in SB 78, Alaska's SeniorCare will be even more effective in helping older Alaskans deal with the ever-rising cost of prescription medications.

We urge an "AYE" vote on SB 78.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,



Marie Darlin, Coordinator  
AARP Capital City Task Force  
415 Willoughby Avenue, Apt. 506  
Juneau, AK 99801  
586-3637 (voice)  
463-3580 (fax)

CC: Vice-Chair Gary Wilken  
Senator Lyda Green  
Senator Kim Elton  
Senator Donny Olson  
Governor Frank Murkowski  
Commissioner Joel Gilbertson

# STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

*OFFICE OF THE COMMISSIONER  
FINANCE AND MANAGEMENT SERVICES*

**FRANK H. MURKOWSKI, GOVERNOR**

*P.O. Box 110650  
Juneau, AK 99811-0650  
Phone: (907) 465-3082  
Fax: (907) 465-2499*

February 23, 2005

The Honorable Fred Dyson, Chair  
The Honorable Gary Wilken, Vice-Chair  
State Capitol, Room 121, 518  
Juneau, AK 99801-1182

Dear Senators Dyson and Wilken:

The following information is being provided to you in response to questions that arose from the Senate HESS meeting February 17, 2005, pertaining to SeniorCare.

➤ *How does this proposal rank with other Western states' prescription drug proposals?*

We do not yet know how other western states will respond to the advent of the new Medicare prescription drug benefit under Part D. According to the National Conference of State Legislatures, 31 states have some drug assistance program that provides a direct subsidy; 22 states offer a drug discount program, the majority of which also offer the subsidy program.

Most of the programs are in eastern states. Among states west of the Mississippi, Nevada, Wyoming, Kansas, Minnesota, and Missouri have operational drug subsidy programs.

Nevada offers a drug subsidy program for people age 62 and older with income below \$22,434 for an individual or \$29,205 for a couple (approximately 235% of poverty). Recipients pay a co-payment of \$10 or \$25 per prescription. The benefit limit is \$5,000.

Wyoming offers a subsidy program for people of all ages with incomes below 100% of the federal poverty guidelines and countable assets below \$1,000. Recipients must pay co-payments of \$10 or \$25 per prescription; there is a 3 prescription per month limit.

Kansas covers people age 65 and older with incomes up to 135% of the federal poverty guidelines. It requires 30% co-payments, with a maximum benefit of \$1,200 per person.

Minnesota covers people who are disabled or age 65 and older with incomes up to 120% of the federal poverty guidelines and countable assets under \$10,000 for an individual and \$18,000 for a couple. Recipients pay the first \$35 in drug costs; the Minnesota drug program pays the rest.

Missouri offers a program that covers individuals age 65 and older with incomes up to \$17,000 for an individual or \$23,000 for a couple (approximately 185% of poverty). It requires 40% co-payments and a \$250 - \$500 deductible depending on income, and a maximum annual benefit of \$5,000.

Also, according to the National Conference of State Legislatures, 10 states west of the Mississippi offer drug discount programs: Washington, Oregon; California, Montana, Arizona, New Mexico, South Dakota, Iowa, and Arkansas.

➤ *What prompted us to set the level of people to serve at 300%? Provide other level options (i.e. 200%).*

As Commissioner Gilbertson responded to this question in a House Finance hearing "it's the right thing to do". The 300% level ensures that all seniors in the state can afford the buy in to Medicare prescription drug coverage.

Please see attachment 1 for a comparison of program costs at various levels of the Federal Poverty Guidelines.

➤ *What do we do for the PFD and how does that compare to this legislation?*

As 43.23.008 contains the provisions defining allowable absences for the Permanent Fund Dividend program. As the PFD program is much more broad-based than the SeniorCare program, it contains a number of reasons for absence that may not be appropriate for a needs-based assistance program for seniors. The text is below:

**AS 43.23.008. Allowable absences.** (a) Subject to (b) and (c) of this section, an otherwise eligible individual who is absent from the state during the qualifying year remains eligible for a current year permanent fund dividend if the individual was absent

- (1) receiving secondary or postsecondary education on a full-time basis;
- (2) receiving vocational, professional, or other specific education on a full-time basis for which, as determined by the Alaska Commission on Postsecondary Education, a comparable program is not reasonably available in the state;
- (3) serving on active duty as a member of the armed forces of the United States or accompanying, as that individual's spouse, minor dependent, or disabled dependent, an individual who is
  - (A) serving on active duty as a member of the armed forces of the United States; and
  - (B) eligible for a current year dividend;
- (4) serving under foreign or coastal articles of employment aboard an oceangoing vessel of the United States merchant marine;
- (5) receiving continuous medical treatment recommended by a licensed physician or convalescing as recommended by the physician that treated the illness if the treatment or convalescence is not based on a need for climatic change;
- (6) providing care for a parent, spouse, sibling, child, or stepchild with a critical life-threatening illness whose treatment plan, as recommended by the attending physician, requires travel outside the state for treatment at a medical specialty

- complex;
- (7) providing care for the individual's terminally ill family member;
  - (8) settling the estate of the individual's deceased parent, spouse, sibling, child, or stepchild, provided the absence does not exceed 220 cumulative days;
  - (9) serving as a member of the United States Congress;
  - (10) serving on the staff of a member from this state of the United States Congress;
  - (11) serving as an employee of the state in a field office or other location;
  - (12) accompanying a minor who is absent under (5) of this subsection;
  - (13) accompanying another eligible resident who is absent for a reason permitted under (1), (2), (5) - (12), or (14) of this subsection as the spouse, minor dependent, or disabled dependent of the eligible resident;
  - (14) for any reason consistent with the individual's intent to remain a state resident, provided the absence or cumulative absences do not exceed
    - (A) 180 days in addition to any absence or cumulative absences claimed under (3) of this subsection if the individual is not claiming an absence under (1), (2), or (4) - (13) of this subsection;
    - (B) 120 days in addition to any absence or cumulative absences claimed under (1) - (3) of this subsection if the individual is not claiming an absence under (4) - (13) of this subsection but is claiming an absence under (1) or (2) of this subsection; or
    - (C) 45 days in addition to any absence or cumulative absences claimed under (1) - (13) of this subsection if the individual is claiming an absence under (4) - (13) of this subsection.
- (b) An individual may not claim an allowable absence under (a)(1) - (13) of this section unless the individual was a resident of the state for at least six consecutive months immediately before leaving the state.
- (c) An otherwise eligible individual who has been eligible for the immediately preceding 10 dividends despite being absent from the state for more than 180 days in each of the related 10 qualifying years is only eligible for the current year dividend if the individual was absent 180 days or less during the qualifying year. This subsection does not apply to an absence under (a)(9) or (10) of this section or to an absence under (a)(13) of this section if the absence is to accompany an individual who is absent under (a)(9) or (10) of this section.
- (d) For purposes of (a)(7) of this section, "family member" means a person who is
- (1) legally related to the individual through marriage or guardianship; or
  - (2) the individual's sibling, parent, grandparent, son, daughter, grandson, granddaughter, uncle, aunt, niece, nephew, or first cousin.

By comparison, the Alaska Longevity Bonus program did not provide for such a long list of exceptions. The language for that program is below:

**AS 47.45.030. Absence from the state.** (a) After qualification, a recipient shall notify the commissioner of health and social services when the recipient expects to be absent from the state if the absence is for a continuous period that exceeds 60 days. After that notification, the recipient may no longer receive bonuses from the Department of Health and Social Services after the last regularly approved monthly application. Upon returning

to the state, the recipient may again make application for a bonus. Failure to notify the commissioner of an expected absence may be grounds for disqualification. ...

➤ *What is the SeniorCare distribution statewide – urban vs rural, geographic locations?*

| <u>Area</u>                       | <u>Number of Beneficiaries</u> |
|-----------------------------------|--------------------------------|
| Aleutians East Borough            | 25                             |
| Aleutians West Census Area        | 24                             |
| Anchorage, Municipality of        | 2,352                          |
| Bethel Census Area                | 450                            |
| Bristol Bay Borough               | 10                             |
| Denali Borough                    | 8                              |
| Dillingham Census Area            | 141                            |
| Fairbanks North Star Borough      | 465                            |
| Haines Borough                    | 36                             |
| Juneau Borough                    | 257                            |
| Kenai Peninsula Borough           | 464                            |
| Ketchikan Gateway Borough         | 162                            |
| Kodiak Island Borough             | 179                            |
| Lake & Peninsula Borough          | 275                            |
| Mat-Su Borough                    | 395                            |
| Nome Census Area                  | 227                            |
| North Slope Borough               | 78                             |
| Northwest Arctic Borough          | 189                            |
| Prince of Wales Census Area       | 111                            |
| Sitka Borough                     | 55                             |
| Skagway-Hoonah-Angoon Census Area | 56                             |
| Southeast Fairbanks Census Area   | 128                            |
| Valdez-Cordova Census Area        | 96                             |
| Wade Hampton Census Area          | 265                            |
| Wrangell-Petersburg Census Area   | 86                             |
| Yakutat Borough                   | 12                             |
| Yukon-Koyukuk Census Area         | 251                            |
| Other                             | 13                             |
| <b>Total</b>                      | <b>6,810</b>                   |

Prepared by: DHSS, FMS, Budget Section

- ***How many SeniorCare beneficiaries are eligible for Indian Health Service, i.e. dual eligible?***

We are not able to provide information on recipients in relation to their eligibility for IHS. SeniorCare does not collect ethnic information.

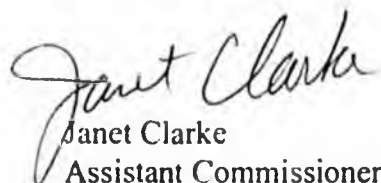
- ***Was the pro rata language in the SeniorCare legislation passed last year?***

The current SeniorCare law provides for pro rata reduction of cash assistance benefits linked to appropriation. The prescription drug coverage in the current SeniorCare law has no such provision; however, there is a proration provision that reduces the drug benefit for partial years of operation.

We propose to extend proration to the drug benefit under the new program to ensure that lower income recipients do not lose their benefit before higher income recipients. People eligible for the cash assistance program will not be eligible for the SeniorCare drug benefit, as they will already receive the equivalent benefit directly through Medicare. We chose the deductible as the first source of reductions, because covering the deductible only provides a benefit if a person can afford to pay the premium.

The fiscal projections for SB 78 show total program spending for FY 11 at \$19,984.7 serving about 19,700 seniors. Projects for the Alaska Longevity Bonus estimate that it would cost \$23,361.7 for about 9,300 seniors in FY 11.

Sincerely,

  
Janet Clarke  
Assistant Commissioner

Attachment

cc: Senator Bettye Davis, Capitol Building, Room 11  
Senator Kim Elton, Capitol Building, Room 115  
Senator Lyda Green, Capitol Building, Room 516  
Senator Donald Olson, Capitol Building, Room 510  
Joel Gilbertson, Commissioner  
Karleen Jackson, Deputy Commissioner  
Sherry Hill, Special Assistant  
Virginia Smiley, Director, Alaska Pioneer Homes  
Katherine Farnham, Director, Division of Public Assistance  
Laura Baker, Budget Chief, Finance and Management Services

## SeniorCare Program Projections

Population Growth 5%  
 Premium/Deductible Inflation 5%

|   | <u>FY 06</u> | <u>FY 07</u>  | <u>FY 08</u>  | <u>FY 09</u>  | <u>FY 10</u>  | <u>FY 11</u>  |
|---|--------------|---------------|---------------|---------------|---------------|---------------|
| <b>Maintain SeniorCare</b>                          |              |               |               |               |               |               |
| <b><u>Cash Benefit@135% FPG</u></b>                 |              |               |               |               |               |               |
| Number of Recipients                                | 7,000        | 7,000         | 7,000         | 7,000         | 7,000         | 7,000         |
| Annual Cost Per Client                              | \$ 720       | \$ 1,440      | \$ 1,440      | \$ 1,440      | \$ 1,440      | \$ 1,440      |
| Total/GF Cost                                       | \$ 5,040,000 | \$ 10,080,000 | \$ 10,080,000 | \$ 10,080,000 | \$ 10,080,000 | \$ 10,080,000 |
| <b><u>Drug Benefit @175% FPG</u></b>                |              |               |               |               |               |               |
| Number of Recipients                                | 3,900        | 4,095         | 4,300         | 4,515         | 4,741         | 4,978         |
| Annual Cost Per Client                              | \$ 320       | \$ 640        | \$ 672        | \$ 706        | \$ 741        | \$ 778        |
| Total/GF Cost                                       | \$ 1,248,000 | \$ 2,620,800  | \$ 2,889,600  | \$ 3,187,590  | \$ 3,513,081  | \$ 3,872,884  |
| <b><u>Drug Benefit @200% FPG</u></b>                |              |               |               |               |               |               |
| Number of Recipients                                | 5,400        | 5,670         | 5,954         | 6,252         | 6,565         | 6,893         |
| Annual Cost Per Client                              | \$ 320       | \$ 640        | \$ 672        | \$ 706        | \$ 741        | \$ 778        |
| Total/GF Cost                                       | \$ 1,728,000 | \$ 3,628,800  | \$ 4,001,088  | \$ 4,413,912  | \$ 4,864,665  | \$ 5,362,754  |
| <b><u>Drug Benefit @ 250% FPG</u></b>               |              |               |               |               |               |               |
| Number of Recipients                                | 7,700        | 8,085         | 8,489         | 8,913         | 9,359         | 9,827         |
| Annual Cost Per Client                              | \$ 320       | \$ 640        | \$ 672        | \$ 706        | \$ 741        | \$ 778        |
| Total/GF Cost                                       | \$ 2,464,000 | \$ 5,174,400  | \$ 5,704,608  | \$ 6,292,578  | \$ 6,935,019  | \$ 7,645,406  |
| <b><u>Drug Benefit @300% FPG</u></b>                |              |               |               |               |               |               |
| Number of Recipients                                | 9,975        | 10,474        | 10,997        | 11,547        | 12,125        | 12,731        |
| Annual Cost Per Client                              | \$ 320       | \$ 640        | \$ 672        | \$ 706        | \$ 741        | \$ 778        |
| Total/GF Cost                                       | \$ 3,192,000 | \$ 6,703,360  | \$ 7,389,984  | \$ 8,152,182  | \$ 8,984,625  | \$ 9,904,718  |
| <b>Summary -- Combined Cash and Drug Assistance</b> |              |               |               |               |               |               |
|   | <u>FY 06</u> | <u>FY 07</u>  | <u>FY 08</u>  | <u>FY 09</u>  | <u>FY 10</u>  | <u>FY 11</u>  |
| Drug Benefit @175% FPG                              | \$ 6,288,000 | \$ 12,700,800 | \$ 12,969,600 | \$ 13,267,590 | \$ 13,593,081 | \$ 13,952,884 |
| Drug Benefit @200% FPG                              | \$ 6,768,000 | \$ 13,708,800 | \$ 14,081,088 | \$ 14,493,912 | \$ 14,944,665 | \$ 15,442,754 |
| Drug Benefit @250% FPG                              | \$ 7,504,000 | \$ 15,254,400 | \$ 15,784,608 | \$ 16,372,578 | \$ 17,015,019 | \$ 17,725,406 |
| Drug Benefit @300% FPG                              | \$ 8,232,000 | \$ 16,783,360 | \$ 17,469,984 | \$ 18,232,182 | \$ 19,064,625 | \$ 19,984,718 |

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 1/24/05

FURTHER: Finance

Date of 5-Day Notice: \_\_\_\_\_  
(In accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2.24.05

Health, Education and Social Services Committee considered

SENATE BILL NO. 78

**SB 78 SENIOR CARE PROGRAM**

"An Act establishing the senior care program and relating to that program; creating a fund for the provision of the senior care program; repealing ch. 3, SLA 2004; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 78 (HES)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

|                                     |                          |
|-------------------------------------|--------------------------|
| <b>Senate Bill:</b>                 |                          |
| <input checked="" type="checkbox"/> | Same Title               |
| <input type="checkbox"/>            | New Title                |
| <b>House Bill:</b>                  |                          |
| <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 | Initial | Zero | FN# |
|------------|------|--------|---------|------|-----|
|            |      |        |         |      |     |
|            |      |        |         |      |     |
|            |      |        |         |      |     |
|            |      |        |         |      |     |
|            |      |        |         |      |     |

**PREVIOUS FISCAL NOTE(S):**

| Department | Date | Fiscal | Initial | Zero | FN# |
|------------|------|--------|---------|------|-----|
| HSS        | 1/14 | X      |         |      | 1   |
| HSS        | 1/14 | X      |         |      | 2   |
| HSS        | 1/14 | X      |         |      | 3   |
| HSS        | 1/14 | X      |         |      | 4   |
|            |      |        |         |      |     |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS | NO | NO | NO | NO |
|--------------------------------|----|----|----|----|
| <i>Lynne Green</i>             |    |    |    | ✓  |
| <i>Erin Kelly</i>              |    |    |    |    |
| <i>K. L. G.</i>                |    |    |    |    |
|                                |    |    |    |    |
| CHAIR: <i>Paul Jones</i>       |    |    |    | ✓  |