

HB

152

<TARGET><BILL>HB 152</BILL><SUBJECT>HB
152</SUBJECT><COMM>HHSS27</COMM></TARGET>

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA

MEMORANDUM

DATE: February 17, 2011
TO: Representative Wes Keller
FROM: Representative Les Gara
RE: Hearing Request for HB 152

I respectfully request that House Bill 152, the Alaska Medical Care for Seniors Act, be scheduled for a hearing in the House Health and Social Services. Please feel free to contact me, or my aide Rose Foley, with questions or thoughts at 465-6591.

Attached you will find a background packet for HB 152. This includes the current version of the bill, a sponsor statement, sectional analysis and backup materials.

Thank you for your consideration.

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA
SENATOR HOLLIS FRENCH

HB 152: The Alaska Medical Care for Seniors Act

Too many seniors aging into Medicare cannot find a doctor. Primary care doctors serving Medicare patients are losing money as costs far exceed reimbursement. Until action is taken at the Federal level, the State must step in to ensure seniors receive the healthcare they paid for and deserve to receive. HB 152 is one step the legislature can take to immediately improve seniors' access to doctors.

HB 152 establishes a grant fund for health care providers serving seniors 65 years of age or over. The grants would provide payments to those providers that see seniors in a cost effective manner and expand access to health care for this underserved population. Grants are to be administered through the Department of Commerce, Community and Economic Development because of compliance with a Federal law which prohibits the Department of Health and Social Services from overseeing the program. All health care providers would be eligible for the grant fund, including physicians, nurse practitioners, and physician assistants among others.

For most primary care visits, a physician receives approximately \$60 less from Medicare patients than they receive from patients on private insurance. On some primary care visits physicians can lose well over \$100. Grant funding will bridge part of this gap so Alaskans can receive necessary medical care.

Grants would be provided to increase access to primary care visits. Primary care is the essential services to promote general health and to prevent conditions from worsening. Preventative care and regular office visits head off major medical conditions and keep patients from using the emergency room as their primary source of health care. Unfortunately, Medicare under-compensates primary care health services by the greatest percentage relative to the cost to provide services. HB 152 is designed at decreasing the loss doctors' experience for this specialty; allowing seniors to receive the routine health services they require.

Seniors aging into the Medicare system are in crisis now. If a senior can not pay out-of-pocket, they do not receive health services. We must act now to ensure our seniors that paid into the Medicare system throughout their lives are not denied healthcare because they don't have enough money in their pocket today.

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA

Sectional Analysis

HB 152 – Alaska Medical Care for Seniors Act

Section 1: Establishes the title of the Act as the “Alaska Medical Care for Seniors Act.”

Section 2: Creates a grant program for medical providers who see an increased number of additional primary care patients. Priority is given to applicants that serve the greatest number of additional primary care patients for the least amount of grant money.

Section 3: Revisor’s note.

How Hard Is It for Alaska's Medicare Patients to Find Family Doctors?

By Rosyland Frazier and Mark Foster

UA Research Summary No. 14 • March 2009

Institute of Social and Economic Research • University of Alaska Anchorage

In the past few years, Alaskans have been hearing reports that some primary-care doctors won't see new Medicare patients. Medicare pays these doctors only about two-thirds of what private insurance pays—and that's after a sizable increase in 2009. But most Americans 65 or older have to use Medicare as their main insurance, even if they also have private insurance. Just how widespread is the problem of Alaska's primary-care doctors turning away Medicare patients? ISER surveyed hundreds of doctors to find out—and learned that so far there's a major problem in Anchorage, a noticeable problem in the Mat-Su Borough and Fairbanks, and almost no problem in other areas.

Medicare is the federal health insurance program for older Americans and for some younger people with disabilities. At issue is what Medicare pays primary-care doctors for their services—not what it pays for other medical costs. Alaska's 50,000 Medicare enrollees are almost all in the "fee for service" plan, which pays doctors standard fees for their services.*

Why is it so worrisome if primary-care doctors won't see Medicare patients? These are the doctors who provide broad care, track patients' overall health, and coordinate care with specialists. That's very important for older people, who often have various medical problems and chronic conditions. And the number of Alaskans over 65 is growing fast—it's expected to double in the next 15 years.

To learn how hard it is for older Alaskans to find primary-care doctors, in 2008 we tried to survey all those who could see the general population of Medicare patients. We were able to interview 229 doctors or their staffs—about 85% of those we tried to reach.

But Medicare payments for Alaska doctors increased in 2009, thanks to efforts of Alaska's U.S. senators. So we recently called back the doctors who had told us they weren't taking new Medicare patients. None of them had opened their doors to significant numbers of new Medicare patients. Four said they now see a very limited number of new Medicare patients, under special circumstances. Two doctors in a joint practice who still didn't see new Medicare patients had hired a nurse practitioner who did.

It's certainly also possible that without the 2009 increase, even more doctors would have decided not to see Medicare patients. Figure 1 shows what our 2008 and 2009 surveys found.

- *It's mainly doctors in Alaska's larger urban areas who are declining to see new Medicare patients.* But that's where the majority of older Alaskans live. Most doctors (even in Anchorage) will still see established patients—that is, patients they've seen in the past.

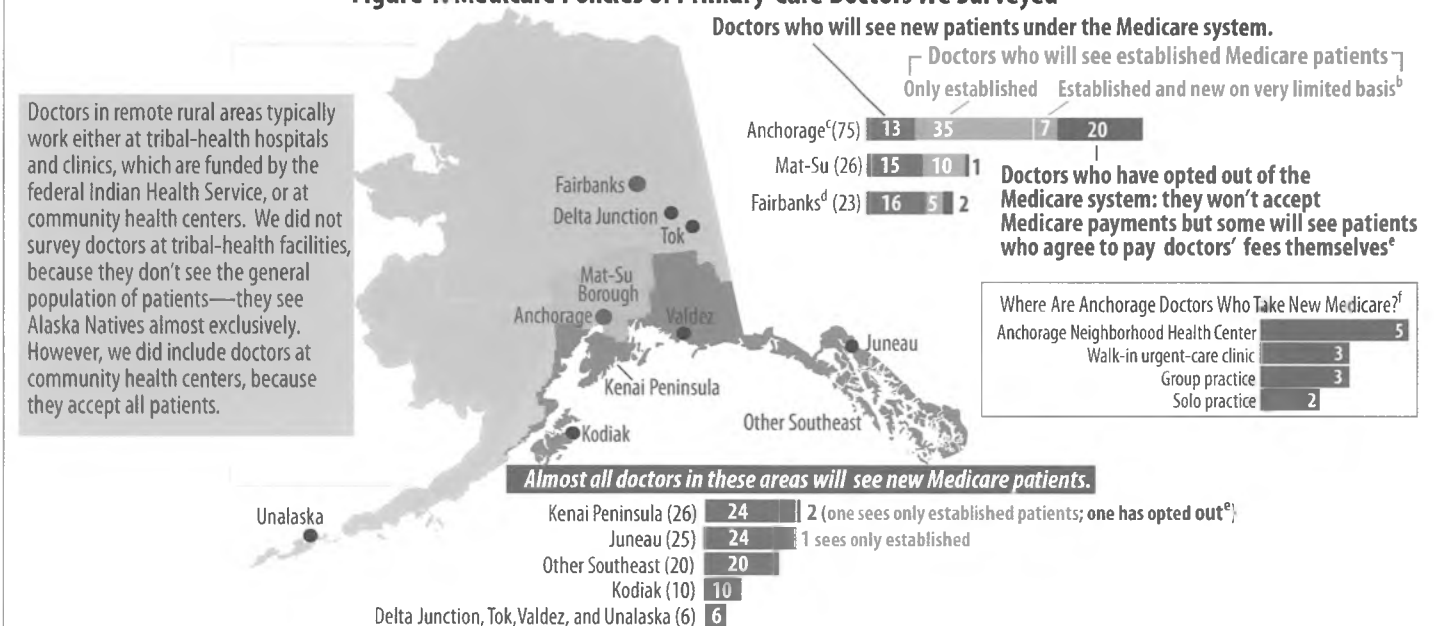
- *Almost all doctors in smaller communities take new Medicare patients.* Rural places have few doctors—so doctors probably feel more of an obligation to see all patients. For patients (Medicare or otherwise) in rural Alaska, the challenge is more likely to be recruiting and keeping doctors.

- *One in ten doctors we surveyed has opted out of the Medicare system.* Most are in Anchorage. They will not accept Medicare payments, but some will see patients who agree to pay the entire doctor's bill themselves.

- *The Anchorage Neighborhood Health Center, which accepts all patients, saw twice as many Medicare patients in 2007 as in 2001.* It has become the only choice for many of Anchorage's Medicare patients.

- *Medicare patients are not relying more on emergency rooms, if figures for Providence Hospital's emergency room in Anchorage are typical.* Numbers of Medicare patients there haven't changed much in the past several years.

Figure 1. Medicare Policies of Primary-Care Doctors We Surveyed^a



^aIn 2008 we surveyed 229 doctors; 15 weren't taking any new patients at all; 3 had no Medicare patients. In 2009 we re-surveyed doctors who didn't take new Medicare patients in 2008. ^bTen doctors (7 in Anchorage, 2 in Fairbanks, 1 in Mat-Su) accept a few new Medicare patients under special circumstances, but don't typically see new Medicare patients. ^cIncludes Eagle River/Chugiak. ^dIncludes North Pole. ^eSee Figure 9. ^fSee page 3.

* Nationwide, 21% of beneficiaries have enrolled in Medicare Advantage programs—which means they become members of private health plans, and Medicare then pays the plans a set monthly amount for each Medicare enrollee.

SURVEY OF PRIMARY-CARE DOCTORS

We surveyed only primary-care doctors. So far there hasn't been any sign that specialists are declining to see Alaska's Medicare patients—not surprising, since Medicare tends to pay them closer to private-insurance rates.

We first had to determine how many doctors fit our survey criteria: those who currently practice general, family, or internal medicine at least 20 hours a week and who could see the average Medicare patient, if they chose to.

About 700 primary-care doctors are licensed in Alaska, but most aren't available to see the general population of Medicare patients. Hundreds work for government agencies, are in public health, or see only specific groups (Figure 2).

Among those who didn't fit our criteria are doctors working for tribal-health facilities that provide Indian Health Service programs for Alaska Natives. These doctors do see Alaska Native Medicare patients.

We estimated that 264 doctors were left, after we took out those who didn't fit our criteria. In 2008 we tried to reach all 264. We were able to talk with about 85%—229 doctors or their staffs. We asked them to tell us their policies for seeing Medicare patients and to rank reasons why they might be limiting or turning them away. The top reason they cited was "inadequate reimbursement"—that is, Medicare payments aren't enough to cover the costs of seeing patients.

We also followed up, in 2009, with doctors who had told us in 2008 that they weren't taking new Medicare patients. We reached all but two.

MEDICARE VERSUS PRIVATE INSURANCE

The federal Center for Medicare and Medicaid Services (CMS) calculates Medicare payments for doctors under a complex formula that takes into account geographic differences in costs around the country. Alaska's doctors have historically been paid more than the U.S. average for seeing Medicare patients.

The CMS formula actually includes three geographic differentials: one for "physician work" itself, one for doctors' costs of operating practices, and one for doctors' costs of carrying liability insurance.

In 2008, Congress set the Alaska geographic differential for "physician work" at 50% above the U.S. average, effective in 2009. Alaska's U.S. senators Lisa Murkowski and Ted Stevens were instrumental in gaining that increase for Alaska doctors. But combined with the other differentials—set by CMS—the overall Medicare geographic differential for Alaska doctors in 2009 is 29% above the U.S. average. Figure 3 shows the differential since 2000.

• From 2000 to 2003, the geographic differential for Alaska doctors was about 12% above the U.S. average. That differential was set entirely under CMS's administrative process.

• In 2004 and 2005, the differential for Alaska doctors jumped to 67% above the U.S. average. Ted Stevens, at that time Alaska's senior U.S. senator, spearheaded the legislation that led to the substantial but temporary increase. In those two years, Medicare paid Alaska doctors as much as private health insurance (Figure 4).

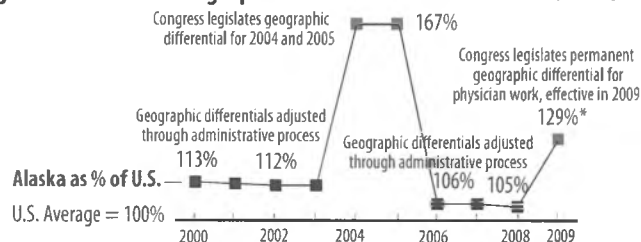
Figure 2. How Many Primary-Care Doctors Are Available to See Medicare Patients ?
(Among Alaska Doctors Practicing General, Family, or Internal Medicine at Least 20 Hours per Week)



^aWe excluded pediatricians and obstetrician-gynecologists, who are often included in definitions of primary-care doctors, because they don't routinely see older patients. ^bAbout 42 doctors were not at the addresses and phone numbers in the medical directory. We tried but weren't able to find them, and we assume they have left the state or are not practicing. ^cWe excluded doctors working for tribal-health organizations, the military, the Veterans' Administration, and Planned Parenthood, because they don't see the general population of Medicare patients. Doctors who work for tribal-health facilities do see Alaska Native Medicare patients. ^dWe interviewed either doctors or members of their staffs.

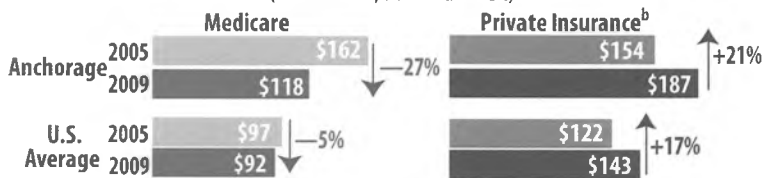
- After that legislation expired, the Medicare differential dropped sharply, to about 5% above the U.S. average from 2006 to 2008.
- In 2009, the cost differential for Alaska doctors climbed to 29% above the U.S. average, due to new federal legislation—as we just discussed. But Medicare still pays doctors less now than it did in 2005 (Figure 4).
- Medicare pays about two-thirds of what private insurance pays, in Alaska and on average nationwide. (But in the adjacent markets of Washington state, Medicare pays 68% to 75% of what private insurance pays.)
- That nationwide gap helps explain why more Medicare patients are having trouble finding doctors. Recent national surveys sponsored by the Medicare Payment Advisory Commission found that 17% of Medicare patients in the U.S. had "a big problem" finding family doctors in 2007, up from 13% in 2005. Alaska may be the harbinger of a national trend.

Figure 3. Medicare Geographic Cost Differential* for Alaska Doctors



*This is a weighted average of three geographic cost differentials the Center for Medicare and Medicaid Services uses in a complex formula that determines what doctors are paid. One of those is the differential for "physician work," and Congress set that at 150% of the U.S. average for Alaska doctors, effective in 2009. But the other differentials—for physicians' costs of operating their practices and for carrying liability insurance—are set by CMS and can vary from year to year.
Source: Center for Medicare and Medicaid Services; Medicare Payment Advisory Committee

Figure 4. Medicare and Private Insurance Payments^a To Primary-Care Doctors, Anchorage and U.S. Average, 2005 and 2009
(New Patient, 30-Minute Visit)



^aFigures include the amount Medicare or private insurance pays and the amount the patient pays. ^bMedian payments
Source: Ingenix National Fee Analyzer

WHERE ARE THE MEDICARE PATIENTS?

• Nearly 70% of non-Natives over 65 live in Anchorage, the Mat-Su Borough, and the Fairbanks area. Figure 5 shows only where older non-Natives live, because older Alaska Native patients have access to doctors through tribal health care facilities. For them, the issue is not that doctors won't see them but that there may not be enough doctors, especially in rural areas.

WHO ACCEPTS MEDICARE PATIENTS?

Besides the doctors who will see new or established patients, some doctors have made another choice: they've opted out of the Medicare system. They don't accept any Medicare payments (see Figure 9), but some will see Medicare patients who agree to pay the doctor's fee themselves. Patients who can do that have more choices. But for those who need Medicare to help pay the bill, the access problem is the worst in Anchorage.

• We found only 13 primary-care doctors seeing the general population of new Medicare patients in Anchorage. Of those, 3 were at walk-in, urgent-care clinics, which mostly just treat minor injuries and illnesses (Figure 1).

• Five of the 13 Anchorage doctors seeing new Medicare patients in 2008 were at the Anchorage Neighborhood Health Center. That's one of dozens of federally funded community health centers in Alaska. There are hundreds more across the U.S. These centers are open to everyone, but they are mainly for medically "under-served" groups of people—poor and uninsured, for instance—or areas of the country without adequate local medical care, like many of Alaska's rural communities.

• The Anchorage Neighborhood Health Center is the main choice for growing numbers of Medicare patients. Both the number of Medicare patients coming to the clinic and the percentage they make up of all patients doubled between 2001 and 2007 (Figure 6). That growth did flatten out in 2004 and 2005, when Medicare paid doctors at a level comparable to private insurance. But after that, the numbers climbed. (In Fairbanks, the community health center saw a similar percentage increase. In the Mat-Su Borough, a health center just opened in 2005, so data are limited.)

• Until recently there was another choice for Anchorage's Medicare patients—the Alaska Family Medicine Residency Program, where some family doctors get their final phase of training. These resident doctors see patients, and they had been accepting growing numbers of Medicare patients. But to make sure the residents see a variety of patients, the program has now capped the number of Medicare patients it accepts.

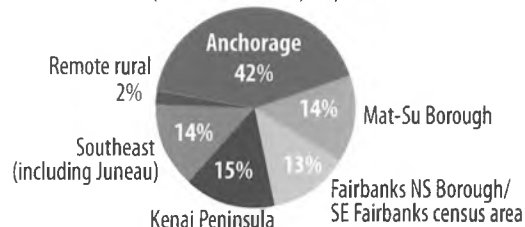
• Anchorage's Medicare patients don't seem to be turning more to emergency rooms. Data from Providence Hospital's emergency room show that visits by older patients have stayed mostly steady, with seasonal variations, since 2004 (Figure 7). But some health-care providers think that Medicare patients may be postponing care they need and coming in only when medical problems get much worse.

MEDICARE PAYMENTS TO DOCTORS AND TO HEALTH CENTERS

• Medicare pays doctors and community health centers differently. Some people believe that Medicare uniformly pays health centers more than it pays private doctors, making it more feasible for health centers to see Medicare patients. But the reality is more complex.

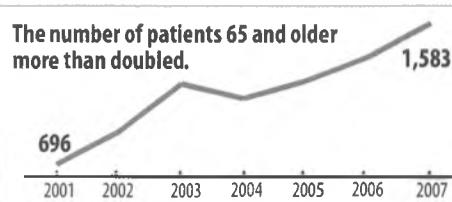
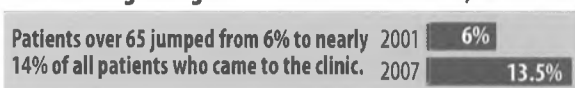
• Medicare pays health centers the same fee for seeing Medicare patients for any visit, but private doctors more for longer, more complex visits. Figure 8 compares payments for 30- and 60-minute visits with new patients, at doctors' offices and the Anchorage Neighborhood Health Center (ANHC). For a 30-minute visit, Medicare pays ANHC \$119 and doctors about \$95. But for a 60-minute visit, it still pays ANHC \$119, but the doctors \$189.

Figure 5. Where Do Non-Native Alaskans Over 65 Live?
(2006 Estimate: 38,227)



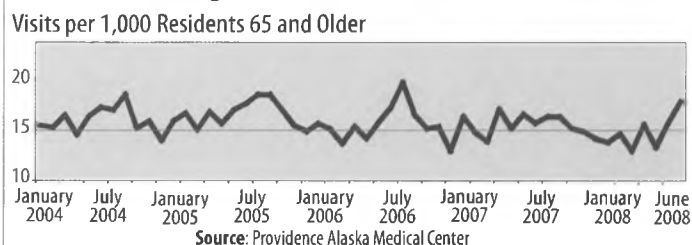
Source: Alaska Department of Labor, Research and Analysis section, 2006 bridge estimates

Figure 6. Growth in Number of Patients 65 and Older at Anchorage Neighborhood Health Center, 2001-2007



Source: Uniform Data System Reports, U.S. Department of Health and Human Services, Health Resources and Services Administration

Figure 7. Visits to Providence Hospital's Emergency Room in Anchorage, Patients 65 and Older, 2004 to 2008



Source: Providence Alaska Medical Center

Figure 8. Medicare and Patient Payments to Private Doctors and Anchorage Neighborhood Health Center, 2009

Visit Type	Provider	Payments	
		Medicare Patient	Patient
30-minute visit	Doctor	\$94.90	\$23.72 ^a = \$118.62
	ANHC	\$119.28	\$39.60 ^b = \$158.88
1-hour visit	Doctor	\$189.56	\$47.39 ^a = \$236.95
	ANHC	\$119.28	\$76.20 ^b = \$195.48

^aPatient co-pay; 20% of total payment. ^bFacility fee charged to patient, but many are not able to pay full charge. Patients with incomes up to 200% of federal poverty line pay on a sliding fee scale.

Sources: Anchorage Neighborhood Health Center; Ingenix National Fee Analyzer

• What Medicare patients pay at health centers and at doctors' offices is also determined in different ways. Essentially, Medicare allows the health centers to take their own fees into account when determining what patients are charged. But Medicare doesn't allow doctors to use their own fees; instead, Medicare sets a maximum allowable charge for specific kinds of visits, and patients pay a portion of that (see Figure 9).

• Neither ANHC nor the doctors' offices necessarily collect the amounts shown in Figure 8 as payments from patients. At ANHC, patients with incomes up to 200% of the federal poverty line are charged on a sliding fee scale. Likewise, private doctors may not always be able to collect the patient's share. And both private doctors and ANHC report losing money when they see Medicare patients.

DOCTORS AND THE SYSTEM

Primary-care doctors who see Medicare patients have three choices for getting paid. Figure 9 describes those choices among doctors we surveyed.

About 85% choose the standard Medicare process (“participating”). Another 4% still work with the Medicare system but charge patients somewhat more (“non-participating”). The final 11% have opted out of the Medicare system, but will still see patients who agree to foot the bill.

Patients also pay different amounts, depending on their doctors’ policies. For a service with an allowable Medicare fee of \$100, patients seeing doctors who accept that fee would pay \$20—but only after Medicare paid the other \$80. Patients seeing “non-participating” doctors would pay the doctors \$109.25; Medicare would later reimburse the patients \$76, so their final cost would be \$33.25. Patients seeing doctors who have opted out of the Medicare system would pay a fee determined by the doctor—perhaps a negotiated fee, but still typically more than Medicare pays.

CONCLUSION

With few exceptions, Americans 65 or older who are retired have to use Medicare as their primary insurance—even if they also carry private health insurance or have retirement benefits that include health-care coverage. Any other insurance they have can *only* be used to help pay *their share of the allowable Medicare charge*. They can’t use private insurance to pay doctors more than Medicare allows.

As more Alaskans turn 65, the access problem will get worse, unless something changes. Growing numbers of Medicare patients around the country are also reporting access problems. And the American College of Physicians has reported that a nationwide shortage of primary-care doctors is looming—which would make the problem even worse.

This summary talks about just a very narrow slice of the multitude of issues facing Medicare. It’s one of the largest and fastest-growing federal programs, and President Obama has said reforming it will be part of his plan to improve the U.S. health-care system. How potential reforms might affect Medicare patients’ access to family doctors isn’t clear today.

Because Medicare is a federal program, the state’s options for helping improve access are limited. But Alaskans are talking about various possibilities—like recruiting more doctors and offering them bonuses to see Medicare patients, and either establishing an Anchorage clinic for Medicare patients or expanding the Anchorage Neighborhood Health Center.

In a publication later this year, we’ll look at the implications of various ways of trying to improve access for Medicare patients. We’ll also report what family doctors themselves told us—how they make decisions about seeing Medicare patients and what might make them willing to see more.

Figure 9. How Do Alaska Primary-Care Doctors Who See Medicare Patients Deal with the System?

(Among 211 Surveyed Who See New or Established Patients)

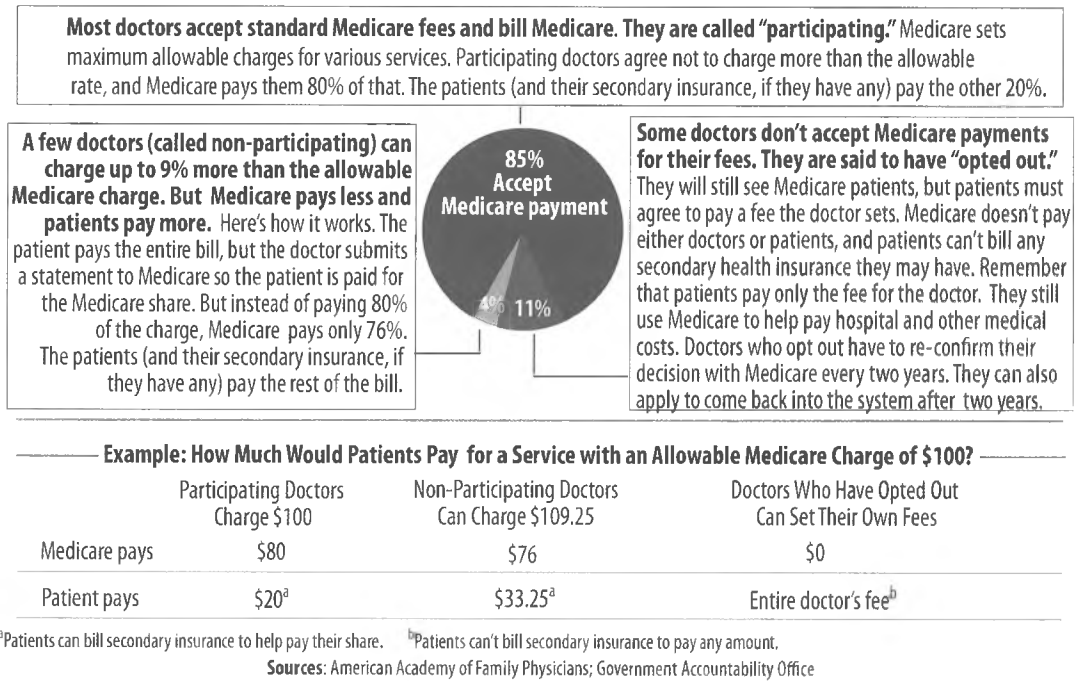
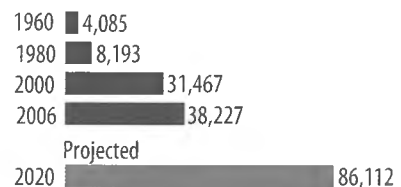


Figure 10. Alaska Medicare Enrollment, 2005



Source: Alaska Department of Health and Social Services, Alaska Health Care Data Book 2007

Figure 11. Non-Native Alaskans 65 and Older



Sources: U.S. Bureau of the Census; ISER estimates based on census data; Alaska Department of Labor, Research Analysis, 2006 estimates and mid-range 2020 projections

Back-up materials for figures in this summary are available from ISER. Call the authors at 907-786-7710 with questions. We’ve also developed a basic model that doctors—or anyone else—can use to estimate how changing the balance between patients paying with Medicare and with private insurance could affect doctors’ revenues. To try that model, go to ISER’s Web site:

www.iser.uaa.alaska.edu

The authors thank the doctors and others in health care who took the time to help us. We especially thank doctors Leslie Bryant, Richard Neubauer, and Thomas Nighswander; Joan Fisher of the Anchorage Neighborhood Health Center; James Jordan of the Alaska State Medical Association; and Providence Alaska Medical Center, Providence Health and Services - Alaska.

This research is part of ISER’s Understanding Alaska Choices research initiative, funded by the University of Alaska Foundation. Karen Perdue, associate vice president for health programs, University of Alaska, provided additional funds.

Federal Language

2343

1 *“Paragraph (3)(A) shall not apply to Federally*
2 *qualified health center services furnished on or after*
3 *the implementation date of the prospective payment*
4 *system under section 1834(0).”.*

5 *(j) Section 5505 is amended by adding at the end the*
6 *following new subsection:*

7 *“(d) APPLICATION.—The amendments made by this*
8 *section shall not be applied in a manner that requires re-*
9 *opening of any settled cost reports as to which there is not*
10 *a jurisdictionally proper appeal pending as of the date of*
11 *the enactment of this Act on the issue of payment for indi-*
12 *rect costs of medical education under section 1886(d)(5)(B)*
13 *of the Social Security Act (42 U.S.C. 1395ww(d)(5)(B)) or*
14 *for direct graduate medical education costs under section*
15 *1886(h) of such Act (42 U.S.C. 1395ww(h)).”.*

16 *(k) Subtitle G of title V of this Act is amended by add-*
17 *ing at the end the following:*

18 **“SEC. 5606. STATE GRANTS TO HEALTH CARE PROVIDERS**
19 **WHO PROVIDE SERVICES TO A HIGH PER-**
20 **CENTAGE OF MEDICALLY UNDERSERVED**
21 **POPULATIONS OR OTHER SPECIAL POPU-**
22 **LATIONS.**

23 *“(a) IN GENERAL.—A State may award grants to*
24 *health care providers who treat a high percentage, as deter-*

Federal Language

2344

1 *mined by such State, of medically underserved populations*
2 *or other special populations in such State.*

3 “(b) *SOURCE OF FUNDS.*—A grant program estab-
4 *lished by a State under subsection (a) may not be estab-*
5 *lished within a department, agency, or other entity of such*
6 *State that administers the Medicaid program under title*
7 *XIX of the Social Security Act (42 U.S.C. 1396 et seq.),*
8 *and no Federal or State funds allocated to such Medicaid*
9 *program, the Medicare program under title XVIII of the*
10 *Social Security Act (42 U.S.C. 1395 et seq.), or the*
11 *TRICARE program under chapter 55 of title 10, United*
12 *States Code, may be used to award grants or to pay admin-*
13 *istrative costs associated with a grant program established*
14 *under subsection (a).”.*

15 (l) *Part C of title VII of the Public Health Service*
16 *Act (42 U.S.C. 293k et seq.) is amended—*

17 (1) *after the part heading, by inserting the fol-*
18 *lowing:*

19 **“Subpart I—Medical Training Generally”;**

20 *and*

21 (2) *by inserting at the end the following:*

22 **“Subpart II—Training in Underserved Communities**

23 **“SEC. 749B. RURAL PHYSICIAN TRAINING GRANTS.**

24 “(a) *IN GENERAL.*—The Secretary, acting through the
25 *Administrator of the Health Resources and Services Admin-*

ALASKA STATE LEGISLATURE



SENATOR HOLLIS FRENCH
REPRESENTATIVE LES GARA
REPRESENTATIVE LINDSEY HOLMES

March 29, 2010

To: Governor Parnell and All Members of the Alaska State Legislature

Re: Opportunity for State to Increase Access to Medical Care for Seniors

Dear Governor Parnell and Legislative Colleagues:

The recent Federal health legislation includes a provision sponsored by Senator Begich that we believe will help Alaska's seniors. It is aimed at helping Alaska solve the shortage of physicians (and other medical providers) available to seniors in many areas in Alaska. The State of Alaska will have to pass legislation to implement and take advantage of this federal provision. We hope you will consider joining us in working to pass legislation this session, though we understand the remaining time is short. At a minimum, we hope you will consider working with us so we are ready to act when the next session starts.

The Problem: While Medicare has generally provided good coverage for seniors in most places in the country, the federal re-imburement rate formula used in Alaska under-compensates doctors, nurses and other medical providers in certain regions in the state, especially for primary care services, and for general office visits to both general practitioners and specialists.

Medicare in Alaska most severely under-compensates providers for "office visits". Since most "primary care" is offered at general office visits, and billed under Medicare's "office visit" codes, primary care providers suffer the greatest impact, and patients have the hardest time finding primary care providers to accept Medicare. Specialists, while often compensated more fairly for specialty services, are similarly undercompensated when they bill under Medicare's office visit codes, which they often must use for initial visits. Non-physician medical providers who use these codes face similar problems

Efforts to substantially revise the federal reimbursement rate have been blocked in Congress (Sen. Begich is a co-sponsor of S. 1776), though Congress did pass an important 10% increase in Medicare re-imburement for Primary Care providers in the recent health care legislation, and expanded funding for health clinics, which have been an important provider of Medicare services in Alaska. These efforts will help ease the present problem.

Given the reality that a major federal re-imbusement change will continue to be difficult to pass, at least until more states face problems similar to Alaska's under Medicare, we (Reps. Gara and Holmes) began work with Senator Begich for a solution that allows states to supplement Medicare funding in areas where Alaskans were facing a medical care shortage. Historically, the federal Medicare statute has broadly prohibited states, patients or insurance companies from supplementing the Medicare reimbursement rate, and federal authorities have in the past been very strict in their interpretation of that ban. That left states like Alaska little room to help solve their Medicare problems.

The New Legislation: Senator Begich succeeded at gaining support for a provision that was added to the recent federal health care legislation. The amendment he offered provides that a state may establish a "grant" that directs payments to medical providers in areas of a state where there is a medical care shortage. The inclusion of this amendment overcomes federal agency arguments that states may not provide funds to doctors to enable them to treat Medicare patients. Any grant program, however, will likely have to be worded to benefit seniors, not just seniors who utilize Medicare. And, it must be implemented by an agency other than DHHS.

Attached is the new federal legislation, and a copy of proposed language we offer for your consideration.

Our proposed legislation establishes a grant program for medical providers who treat senior citizens in areas where seniors are currently being underserved. Grants would go, in priority, to providers who, with the grant funding, will most efficiently expand their treatment of Alaska's seniors. We would, of course, welcome ideas and welcome any efforts by others to look for their own solutions under this new federal legislation.

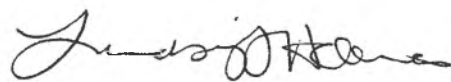
Sincerely,



Rep. Les Gara



Sen. Hollis French



Rep. Lindsey Holmes