Projected Disposition of Children's Health Insurance Federal Funding - FY99 thru FY04

		FY98	FY99	FY00	FY01	FY02	FY03	FY04
a.	Children's Health Insurance Federal Allotment	5,664.9	11,329.8	11,955.6	11,249.6	10,097.6	8,468.5	6,328.8
b.	Projected Children's Health Insurance Expenditures (Federal Funds)	-	5,039.1	6,370.9	6,816.9	7,294.0	7,804.6	8,351.0
c.	Unused Allotment	-	6,290.7	5,584.7	4,432.7	2,803.6	663.9	0.0

NOTES: Alaska's Federal Allotment under the Children's Health Insurance Program is $5,664.9 annually. The unused portion of an annual Federal Allotment for the Child Health Insurance Program is carried over for up to three Fiscal Years. The federal allotment shown in FY99 reflects a carryover of 100% of the FY98 allotment of 5,664.9. Federal Allotments for Succeeding fiscal years (00 - 04) are the sum of the previous fiscal years "Unused Allotment" (line c) and the Federal Allotment in that fiscal year. The annual rates of change assumed in this analysis are the same as those stated in the fiscal notes accompanying HB 369 (7% annual growth).

TONY KNOWLES
GOVERNOR

HB 347

P.O Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 27, 1998

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Phillips:

The state of Alaska has a unique opportunity to expand health coverage for the children and pregnant women of Alaska's working families, and to help new parents with the skills they need to raise healthy, happy kids who are prepared for a bright future. Today, I am transmitting a bill that seizes that opportunity. This legislation is part of my Smart Start for Alaska's Children initiative -- giving kids the chance for a healthy start in life.

This bill takes advantage of a new federal program to increase income eligibility for Medicaid to include children and pregnant women whose family incomes are below 200 percent of the federal poverty level. The Department of Health and Social Services estimates this new coverage will reach 11,600 children and 800 pregnant women who need, but currently cannot afford health insurance. The bill also authorizes the department to establish methods for case management and premium cost-sharing to make this new program as efficient and equitable as possible.

Especially appealing about this program is that it will cost the state no new general fund dollars because of increased federal funding for the state's Medicaid program. This bill proposes to reallocate about $7 million of general funds no longer required to match federal Medicaid dollars as the state's share for expanded children's health coverage. That $7 million will in turn leverage nearly $18 million new federal Medicaid dollars. I can think of no better use than children's health for a portion of our Medicaid savings.

HB 369

This bill also formally establishes in law the Healthy Families Alaska program, which provides education and support services to pregnant women and the families of children under age five. This proven program offers home visits designed to meet the needs of parents for information, emotional support, stress management, and assistance with other negative factors that undermine parents' health habits and the care of their children. Service providers work with families to ensure children receive medical care, such as immunizations, parents receive job training and substance abuse programs if needed, and mothers receive prenatal care – the "smartest start" we can offer Alaska's children.

Programs such as expanded health care and home visits for new parents have been proven to help reduce child abuse. The state of Vermont, for instance, experienced significant drops in child abuse and neglect after adopting initiatives similar to this proposal. Because child abuse and neglect make it more likely a child will resort to violence, health care and home visitation programs that prevent abuse and neglect are considered an effective, long-term strategy for preventing future crime and the public and private costs associated with it.

I can think of nothing more valuable for us to offer Alaska's children and families than the opportunity for a physical and emotional healthy start in life. This bill offers an excellent avenue for that effort and deserves your attention and prompt action.

Sincerely,

Tony Knowles
Governor

SECTIONAL ANALYSIS HB 369/SB 266

An Act relating to Medicaid coverage for certain eligible children and pregnant women; relating to primary care case management and managed care services as optional services and to premiums and cost sharing contributions under Medicaid; establishing the Healthy Families Alaska program; efd.

Section 1 — Adds to the Medicaid Program as new optional coverage groups children under age 19 and pregnant women with family incomes that do not exceed 200 percent of the federal poverty level. These children are added to Medicaid under the new Child Health Insurance Program (CHIP) enacted by Congress in the Balanced Budget Act of 1997.

Section 2 — Allows the department to implement continuous eligibility for up to 12 months for Medicaid eligible children under age 19.

Section 3 — Adds targeted case management for pregnant women and children under age 5 (Healthy Families Alaska), and comprehensive pregnancy-related services as new optional services for the Medicaid Program.

Section 4 — Allows the department to take advantage of new provisions of the Balanced Budget Act of 1997, that allows states to offer managed care services as a state option instead of through a Medicaid waiver. These options include Primary Care Case Management (PCCM) in which clients choose a primary care provider to receive all basic health care and who authorizes specialty care and other defined services, and contracts with managed care entities.

Section 5 — Makes technical changes to AS 47.07.042(a) consistent with changes in Section 6.

Section 6 — Grants the department the authority to require premiums or cost sharing for the new groups of pregnant women and children, added in section 1 of the bill, whose family income is between 150% and 200% of the federal poverty level.

Section 7 — Amends the definition of targeted case management related to Healthy Families Alaska.

Section 8 — Defines comprehensive pregnancy-related services to mean services in a greater amount duration or scope than is available to other recipients, or services on the options list at AS 37.07.035 that may otherwise be unavailable to adult recipients.

Section 9 — Establishes a statutory basis for the Healthy Families Alaska program.

Section 10 — Authorizes the department to adopt regulations necessary to implement this bill.

Section 11 — Immediate effective date for section 10.

Section 12 — Effective date of July 1, 1998 for all sections of the bill except 11 which is effective immediately.

CHILDREN'S HEALTH CARE:
Why Choose Medicaid
Instead of a Separate Health Insurance Program?

Under the State Child Health Insurance Program (SCHIP) federal law, states have the option to use their allotment to cover uninsured children *either* through their Medicaid program or through a child health insurance program, or a combination of both.

- If a state chooses the Medicaid option, Medicaid rules apply and a state must offer the Medicaid benefit package. If a state chooses a child health insurance program, it must offer a benefit package actuarially-equivalent to either the state's employee health plan, the federal employee health plan, or the largest HMO in the state[1].

For any state, the best option is dependent on many factors and the decision should be based on the following criteria:

- minimizing state general fund costs and maximizing the number of children covered,
- the cost and ease of administrating the program, and
- providing a benefit package that is most appropriate for children.

The Cost and Number of Children Covered

Using Alaska's SCHIP allotment to extend Medicaid coverage will stretch the State's general funds further and cover many more children.

- Between 25 and 40 percent of the SCHIP eligible children will be Alaska Native and by law must be included in any SCHIP plan. Under a Medicaid expansion for SCHIP, services provided to Alaska Native children by I.H.S. or tribal providers will be paid with 100 percent federal funds *outside the State's SCHIP allotment*. Under a separate insurance program, costs for Alaska Native children will come out of the state allotment at a 72 percent federal match. A Medicaid SCHIP expansion takes advantage of the special funding for Alaska Natives.

- Based on preliminary information gathered by the Division of Medical Assistance[2], comparable private health plans appear to be more costly than the average cost for a Medicaid child. The division compared the per child cost for a Medicaid expansion, estimated at $1,908, to what the Medicaid benefit package would cost in the current private market. These preliminary estimates suggest that the comparable (Medicaid) package in the current private market would cost at least $400 more per year than the average cost for a Medicaid child.

- The Governor's Smart Start proposal to invest $7.2 million in general funds will cover 11,600 uninsured children and 800 pregnant women. Under a separate insurance program, only an estimated 6,600 to 8,000 children (and no pregnant women) would be covered with same general fund investment.

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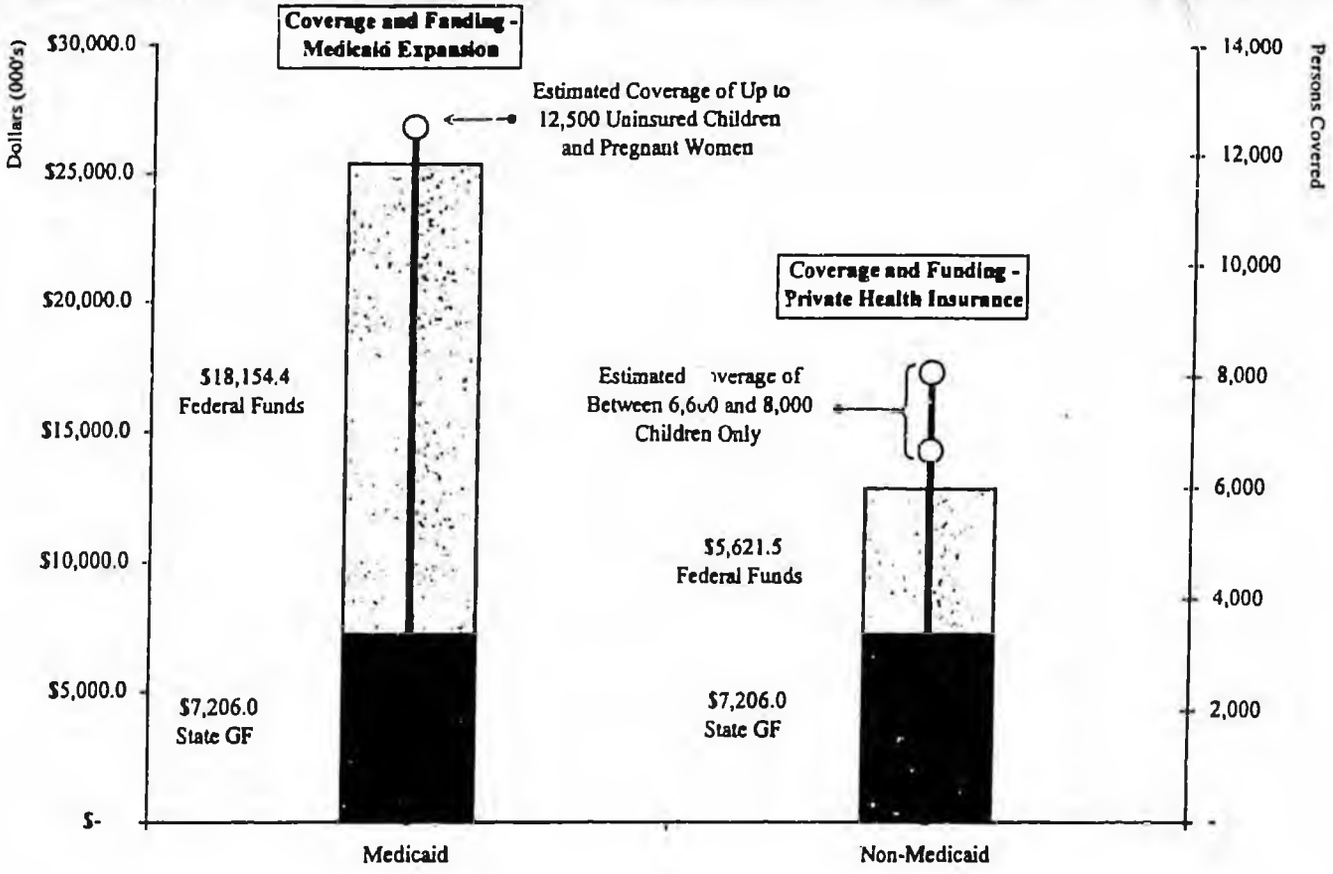
[1] The HMO option is not currently applicable since there are no HMOs licensed to sell health plans in Alaska.

[2] The Division of Medical Assistance continues to seek information from insurers on private insurance options but to date, have not received any information that suggests that less costly options exist in Alaska's private market.



The Cost and Ease of Administering the Program

Extending Medicaid, as compared to creating a child health insurance program, minimizes new administrative and cost management functions.

- Implementation of a new child health insurance program would require duplication of many administrative components which already exist in the Medicaid program. A further consideration is that start-up costs cannot be funded with SCHIP funds as administrative costs are limited to 10 percent of *actual* expenditures on children.

- As a condition of receipt of federal funds, each child who applies for SCHIP must be screened by the State for Medicaid eligibility. Therefore, eligibility determination in a child health insurance program is still linked to the Medicaid program.

- Most health care providers are already enrolled and familiar with the Medicaid program.

- Extending Medicaid to additional children can be readily implemented[3].

An Appropriate Benefit Package for Children

[3]A Medicaid expansion could be implemented within 2-3 months after passage of the enabling legislation. The federal child health initiative funding was available as of October 1, 1997.

The Medicaid benefit package provides an appropriate benefit package for children including preventive services such as well-child exams and immunizations which are *not* covered by most private insurance plans.

- The preventive health services offered under Medicaid make this approach a better fit in addressing issues in Alaska like our declining child immunization levels.

- The benefit package for either Medicaid or a child health insurance program is stipulated in federal law, therefore, reducing services in the benefit package as an approach to lowering premium costs is largely precluded.

Conclusion

Given the data available to the Alaska Department of Health and Social Services at this time, extending Medicaid to uninsured low-income children represents the best financial and least burdensome approach to providing health coverage. The department is continuing to seek additional information and cost estimates by meeting with private insurers and health care providers and securing the analysis and consultation of national experts.

SMART START

FOR ALASKA'S CHILDREN

"CHILDREN'S HEALTH CARE INITIATIVE"

December 4, 1997

SMART START

FOR ALASKA'S CHILDREN

Children's Health Care Initiative

Initiative Goal and Objectives

- The overall goal of the **Smart Start** for Alaska's Children: *Children's Health Care Initiative* is to assure adequate health care coverage for all children and pregnant women.

- The objectives of the ***Children's Health Care Initiative*** include:

  ⇒ **Make health care coverage available to all children and pregnant women in Alaska with annual incomes below 200 percent of Federal Poverty Level (FPL).**

  ⇒ **Identify and work to eliminate barriers that keep moderate income Alaskan families from purchasing health insurance for their children.**

  ⇒ **Assure that affordable child-only health plans are available for Alaskan families to purchase.**

  ⇒ **Ensure that every pregnant woman and child has access to preventive health services like prenatal care and immunizations.**

Why Assure Coverage NOW?

- The recently enacted Balanced Budget Act of 1997 changed the amount that the federal government pays for Alaska's Medicaid program from 50% to 59.8%. This change means that the federal government now pays more of the costs of Alaska's Medicaid program. This change frees up State funds already committed to the State health care program for the poor (Medicaid) enabling a reinvestment to expand coverage for uninsured children and pregnant women.

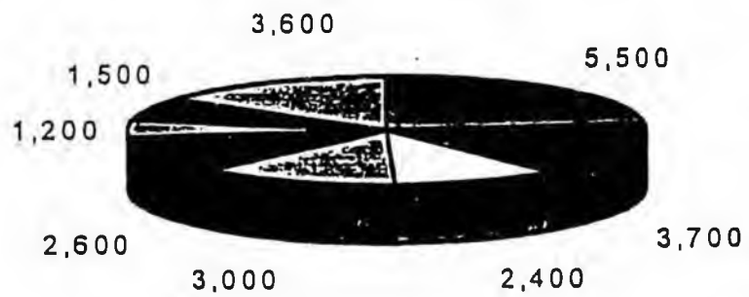
- Also in the Balanced Budget Act, Congress made available an additional $5.6 million to Alaska for expending health coverage to children. Although some State expenditure is required, for every State dollar spent, the federal government pays nearly $3 on behalf of Alaska's children.

- The State of Alaska has slipped well behind most other states in assuring that low-income families have options for providing coverage for their children.

Number of Uninsured Children and Pregnant Women

- Approximately 23,500 Alaskan children are without basic health care coverage. Of those, about half are in families with incomes below 200 percent of the Federal Poverty Level (FPL), or below $33,340 for a family of three.
- Approximately 800 pregnant women in families with incomes 200 percent of the FPL are without basic health care coverage.
- National data suggest that the percentage of uninsured children has grown dramatically in recent years.
- Contributing significantly to the trend is the decline in employer financial support for health care coverage for their employees' dependents.

Graph 2. Uninsured Alaskan Children Ages 0-18, by Poverty Status Merged Data Years 1994-1996

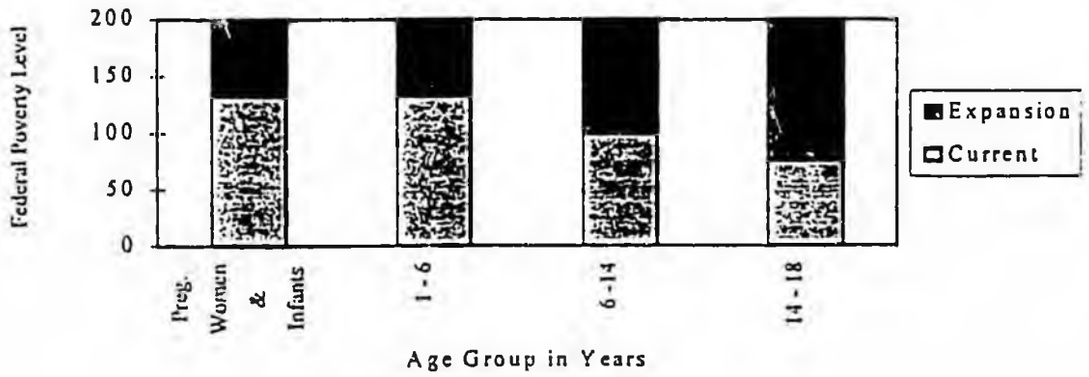


How the Lack of Health Care Coverage Affects Children

- Compared to privately insured children, children without health insurance are 6 times more likely to go without needed medical care, 5 times more likely to use the hospital emergency room as a regular source of care, and 4 times more likely to have necessary care.
- There are significant potential losses connected to periods of uninsurance for children. According to an article in the Journal of the American Medical Association, if a child develops a chronic health problem while uninsured, it can affect that child's health and well being for decades to come.

- Once an uninsured pregnant women is determined eligible, she is covered through her pregnancy and for two months following her delivery. An eligible uninsured child will retain their eligibility for six consecutive months.

Graph 4. Populations Served Under Current Medicaid Program and through Expansion



How will Eligibility be Determined and how will Families Hear about the Program?

- Applicants for the *Children's Health Care Program* will complete a simple application form which they can fill out and mail in to determine program eligibility. There will be multiple access points in local community agencies, doctor's offices, and other convenient locations for families.

- The *Children's Health Care Program* will have an extensive information and outreach component.

What will be in the Benefit Package?

- The *Children's Health Care Program* will offer all of the basic health care services a child would need with a special emphasis on preventive services aimed at detecting health care concerns before they become problems.

What Costs will Families be Responsible for?

- Families will be required to contribute to the cost of their coverage to the extent they are able.

Will Families be Expected to Choose a Primary Care Practitioner for their Children?

- In areas of the state where Primary Care Practitioners (PCPs) are available, enrollees will be asked to choose a PCP.

Which Providers will Participate in the Children's Health Care Program and Which Rules Apply?

- Qualified providers will be encouraged to voluntarily enroll in the *Children's Health Care Program.* Additionally, program participants will choose a Primary Care Practitioner (PCP) when they enroll. The PCP

- Some strategies to be considered include, but are not limited to:

  ◊ creating a public or private purchasing cooperative and use the State's clout in the marketplace to make available low-cost health plans, and give families the option of using the child's permanent fund dividend to pay part of the premium has been considered by other states and

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More Information?

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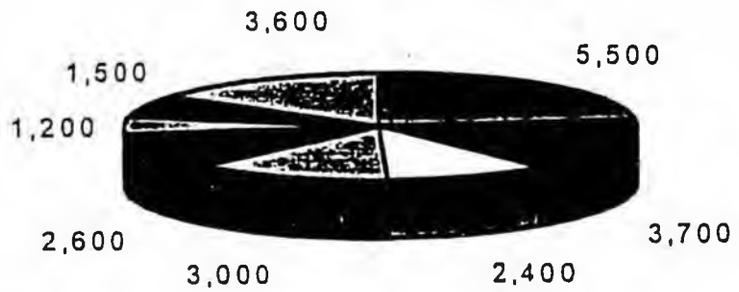

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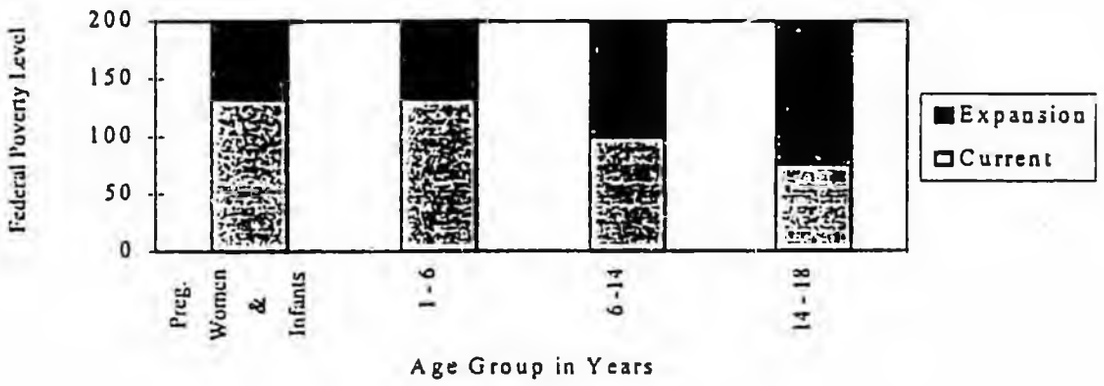

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  http://health.hss.state.ak.us
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- 23,000 Alaskan children are without health insurance; HB 369 covers 11,600 kids for less than $600 per child per year in state general funds.

- Expands Medicaid coverage for children with family incomes up to 200% of the Federal Poverty Level (annual income of $33,340 for a family of three). This will allow the state to take advantage of new federal Child Health Insurance Program (CHIP) funding appropriated to states for health care coverage for uninsured children.

- A Medicaid CHIP expansion allows Alaska to maximize federal funding available for Alaskan Native children served by native health care facilities.

- A $7.2 million general fund investment yields an additional $18 million federal funds for health care benefits.

- Adding 800 pregnant women to the Medicaid assures that Alaska's children receive a healthy start through early access to prenatal care.

- Medicaid benefit package is good for children because it includes well child services and immunizations. Comparable private insurance package costs more.

- Forty-one states exceed Alaska's coverage for pregnant women and children.

- Health coverage helps families become more self-sufficient.

CHILD HEALTH INSURANCE PROGRAM (CHIP)

- **WHO IS ELIGIBLE**: children under age 19, ineligible for Medicaid, not covered by health insurance, whose family income does not exceed 200% of the federal poverty level, not an inmate in a public institution, or dependent of a family member with benefits from public agency employment. Children with a pre-existing condition cannot be excluded; Alaskan Native children must be included. Any child applicant eligible for Medicaid must be enrolled in Medicaid.

- **BENEFITS:** State option: provide health insurance, expand Medicaid, or a combination of both.

- *Health Insurance* coverage must be equivalent to one of the following plans: the standard Blue Cross PPO plan for federal employees, the state employee plan, or an HMO plan; or a different benefit package that includes basic services that has an aggregate actuarial equivalent to one of the latter specified plans.

- *Medicaid Coverage* includes: the state has income and asset rules no more restrictive than those in place on June 1, 1997, a state can choose to expand coverage immediately for children born after October 1, 1983, and a state can allow 12 month continuous eligibility of children.

- **FUNDING:** $24 billion has been appropriated for 5 years of the program; Alaska's allotment for Federal Fiscal Year 1998 is $5,664,899. Enhanced Federal Medical Assistance Percentage (FMAP) expenditures can be used for health insurance, outreach activities, and administration. The FMAP for Alaska is 71.86%.

- Funds will remain available for three years as long as a state has an approved CHIP state plan in place; the Secretary will give unspent funds to other states who have spent their allotment. A plan must be approved by September 30, 1998 in order to retain the FFY 98 allotment; states are to submit plans by June 1, 1998 in order to allow sufficient time for approval.

- Administration of the plan is limited to 10% of expenditures, and include outreach, data collection, performance measurement and the required annual assessment.

- **CHIP STATE PLAN:** include a description of children with health coverage, state efforts to provide health coverage, how the plan will coordinate with efforts to increase coverage of children with health insurance, methods of delivery, utilization control, eligibility criteria, outreach activities, and methods of assuring appropriate care and access.

- **COST SHARING:** for families below 150% of the FPL, enrollment fee, premium or similar charge must be related to income, and deductible and cost sharing cannot exceed a "nominal" amount. For families with higher income, cost sharing can be imposed on a sliding scale fee but may not exceed 5% of the family's annual income. If child health services are provided through Medicaid, cost sharing is not allowed because of Medicaid rules.

Summary

Meeting Between Knowles Administration Representatives and Health Insurers Regarding the Children's Health Insurance Program

February 13, 1998
Anchorage

State/HCFA Participants: *Commissioner Karen Perdue, Jeff Bush, Alison Elgee, Bob Labbe, Marianne Burke, Nancy Cornwell.*

Industry Participants: *Mike Wiggins, NYLCare; Jeffrey Davis, Blue Cross/Blue Shield of Alaska, Cleo O'Rourke, (Great West) One Health Plan of Washington, Inc.; Patrick Carmody, Mutual of Omaha.*

State Children's Health Insurance Program (S-CHIP): Legal Guidelines and Requirements. *Elizabeth Trias, CHIP Coordinator, Region 10, Health Care Financing Administration explained the federal requirements and options available to the State of Alaska. Bob Labbe, Director, Alaska Division of Medical Assistance briefly reviewed the State's cost under a Medicaid CHIP program.*

Trends in Employer-Financed Health Coverage. *Nancy Cornwell, Alaska Division of Medical Assistance, briefly reviewed some national data which show a significant decline in employer-financed dependent coverage, particularly for low-income workers. Each of the insurers present explained their companies have experienced a significant decline in the financial contributions made by employers for dependent coverage.*

General Conclusions. *The following general conclusions were made related to the families expected to be covered under the Governor's Smart Start (Medicaid) coverage expansion.*

These families are poor or very low income. They live on tight budgets, and health care coverage is not their highest priority unless they have a child with high health care needs, for example, a chronically ill or disabled child. It is reasonable to assume that given the demands on their budgets for food, housing, clothing, child care, and other basic needs, that their ability to pay their portion of a health premium in an employer-supported benefit program is very limited (assuming their employer makes a plan available to them at all). With the understanding that most employers are increasingly requiring their employees to contribute a portion of their premium and other cost-sharing, particularly for dependents, it is reasonable to assume that these poor and low-income employees are MOST likely to participate in an employer-sponsored program for

their dependents when they a child with have high health care needs. In contrast, parents with healthy children are less likely to make the budget sacrifices on an ongoing basis if their child has no few health care needs.

If these poor and low-income families do not have access to an employer-sponsored benefit plan, and they are purchasing an individual plan for their child in Alaska's insurance market, they have a limited number of insurers to choose from. By far the largest, Blue Cross of Washington and Alaska, offers their Traditional Program (under 30, non-smoker) for the annual premium ($1,560) and ($200) deductible cost to a family for the for one child is $1,760. Again, given the tight budgets that these families exist on, it is reasonable to assume that most families at these income levels do not purchase individual policies for their children unless they are high health care needs.

Families at these income levels often have few assets so they are less concerned than higher income families about losing their assets as a result of a catastrophic health problem and the accompanying medical bills.

For families in these income levels, a parent may decide to take a particular job solely because the employer covers most or all of the cost for dependent coverage. If the employee's motivation is access to employer-financed dependent coverage, it should be anticipated that the parent's decision to stay with the employer will be driven by their child's health care problems and that they are prepared to wait through the pre-existing exclusion period in order to get their child's health care bills covered.

For the reasons stated above, the insurers who attended this meeting agreed that the poor and low-income Alaskan children who are expected to be eligible under the Governor's coverage expansion are not attractive as potential subscribers.

Future Meeting. *Marianne Burke, Director, Division of Insurance, reminded the group that these insurers would be in Alaska in late summer for unrelated meetings and that would be a good opportunity to reconvene the participants of this meeting.*

WHY MEDICAID

Leverage more federal funds because Alaska Native children served by IHS are reimbursed at 100% federal. Of the 11,600 children to cover, 4,500 are Native.

Medicaid Benefit package is good one for children because it includes well child services and immunizations. Comparable private insurance package costs more.

Medicaid administrative structure in place. Can use existing payment system, and network of Medicaid providers.

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Using Alaska's SCHIP allotment to extend Medicaid coverage will stretch the State's general funds further and cover many more children.

- Between 25 and 40 percent of the SCHIP eligible children will be Alaska Native and by law must be included in any SCHIP plan. Under a Medicaid expansion for SCHIP, services provided to Alaska Native children by I.H.S. or tribal providers will be paid with 100 percent federal funds *outside the State's SCHIP allotment*. Under a separate insurance program, costs for Alaska Native children will come out of the state allotment at a 72 percent federal match. A Medicaid SCHIP expansion takes advantage of the special funding for Alaska Natives.

- Based on preliminary information gathered by the Division of Medical Assistance[2], comparable private health plans appear to be more costly than the average cost for a Medicaid child. The division compared the per child cost for a Medicaid expansion, estimated at $1,908, to what the Medicaid benefit package would cost in the current private market. These preliminary estimates suggest that the comparable (Medicaid) package in the current private market would cost at least $400 more per year than the average cost for a Medicaid child.

- The Governor's Smart Start proposal to invest $7.2 million in general funds will cover 11,600 uninsured children and 800 pregnant women. Under a separate insurance program, only an estimated 6,600 to 8,000 children (and no pregnant women) would be covered with same general fund investment.

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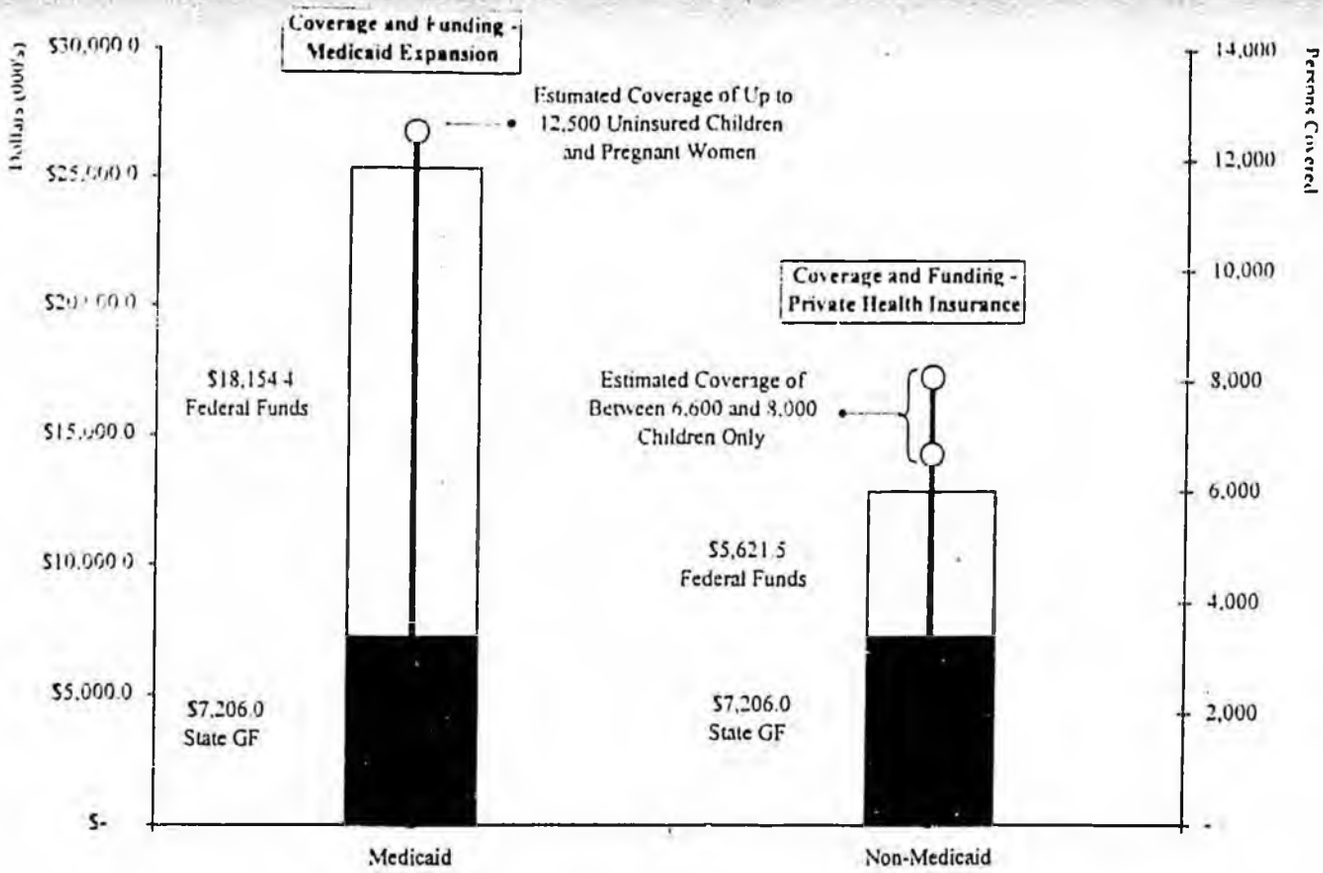
[1] The HMO option is not currently applicable since there are no HMOs licensed to sell health plans in Alaska.

[2] The Division of Medical Assistance continues to seek information from insurers on private insurance options but to date, have not received any information that suggests that less costly options exist in Alaska's private market.



The Cost and Ease of Administering the Program

Extending Medicaid, as compared to creating a child health insurance program, minimizes new administrative and cost management functions.

- Implementation of a new child health insurance program would require duplication of many administrative components which already exist in the Medicaid program. A further consideration is that start-up costs cannot be funded with SCHIP funds as administrative costs are limited to 10 percent of *actual* expenditures on children.

- As a condition of receipt of federal funds, each child who applies for SCHIP must be screened by the State for Medicaid eligibility. Therefore, eligibility determination in a child health insurance program is still linked to the Medicaid program.

- Most health care providers are already enrolled and familiar with the Medicaid program.

- Extending Medicaid to additional children can be readily implemented[3].

An Appropriate Benefit Package for Children

[3]A Medicaid expansion could be implemented within 2-3 months after passage of the enabling legislation. The federal child health initiative funding was available as of October 1, 1997.

The Medicaid benefit package provides an appropriate benefit package for children including preventive services such as well-child exams and immunizations which are *not* covered by most private insurance plans.

- The preventive health services offered under Medicaid make this approach a better fit in addressing issues in Alaska like our declining child immunization levels.

- The benefit package for either Medicaid or a child health insurance program is stipulated in federal law, therefore, reducing services in the benefit package as an approach to lowering premium costs is largely precluded.

Conclusion

Given the data available to the Alaska Department of Health and Social Services at this time, extending Medicaid to uninsured low-income children represents the best financial and least burdensome approach to providing health coverage. The department is continuing to seek additional information and cost estimates by meeting with private insurers and health care providers and securing the analysis and consultation of national experts.

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

DIVISION OF MEDICAL ASSISTANCE

P.O. BOX 110660
JUNEAU, ALASKA 99811-0660
PHONE: (907) 465-3355
FAX: (907)465-2204

MEMORANDUM

DATE: February 23, 1998

TO: Karen Perdue, Commissioner
Department of Health and Social Services

FROM: Bob Labbe, Director
Division of Medical Assistance

SUBJECT: Crowd-out

Attached is a memorandum from Deborah Chollet of the Alpha Center in which she provides an assessment of issues related to "crowd-out." She defines crowd-out as the "reduction in private effort to purchase private health insurance because of eligibility for public program coverage." I've summarized the key points:

- Only a few studies of crowd-out have been done and the results are inclusive.
- Estimates of crowd-out are greater when the program enrolls higher income adults than when it enrolls only children.
- Few people who would qualify for public insurance have access to affordable private coverage.
- States that have already expanded public coverage to low and middle income children (below 200%FPL) have not found crowd-out to be a problem. They believe:
    - Lower income workers typically have either steady but low wage jobs, or are periodically unemployed due to lay off or seasonal work; and that
    - These workers generally do not have ongoing access to employer based coverage.
- To prevent crowd-out some states have limited eligibility for public health insurance to those who don't have insurance.

Conclusion

Ms. Chollet's assessment supports our conclusion that crowd-out will not be a significant issue when we expand Medicaid coverage as the Governor has proposed in **Smart Start.**

Attachment

ALPHA CENTER

MEMORANDUM

TO: Bob Labbe, Director
Division of Medical Assistance
Department of Health and Social Services, State of Alaska

FROM: Deborah Chollet, Ph.D.
Vice President

SUBJECT: Issue of crowd-out

DATE: February 10, 1998

This memorandum responds to your request for a summary of the issue of crowd-out in public insurance programs. It addresses four aspects of the issue:

- What is crowd-out?
- How big is the problem of crowd-out?
- State program features to deter crowd-out; and
- State programs to buy employer-based coverage as one way potentially to mitigate crowd-out.

As you are aware, in states that are considering extending public health insurance eligibility to children and adults with income above poverty, concern about the potential for crowd-out has grown. Most recently, this concern underlies the federal requirement that states explicitly propose how children's health insurance programs will deter crowd-out in order to qualify for federal funds under Title XXI.

What is crowd-out?

Crowd-out is defined as a reduction in private effort to purchase private health insurance because of eligibility for public program coverage. In theory, crowd-out can result from any of four types of reduced effort:

(1) individuals may stop buying nongroup (individual) health insurance for themselves or their dependents, when it is available and affordable to them;

(2) individuals may stop making required contributions to employer-sponsored insurance for themselves or their dependents, when group insurance is available and affordable to them;

(3) employers may increase the level of employee contributions that they require, presuming that lower-wage employees have access to public coverage or subsidies; or

(4) employers may terminate the group health insurance plan altogether or some employees' eligibility for the group plan, presuming both that lower-wage employees have access to public coverage and that higher-wage employees can buy individual private health insurance.

Most states' concerns about crowd-out focus on the potential for workers or their employers to substitute public coverage for employer-group coverage (issues 2 through 4, above). In general, policy makers are less concerned about the possibility that individuals would substitute public coverage for individual insurance because few people who would qualify for public insurance would find individual insurance affordable. In some states, as public program eligibility begins to reach middle-income families without group coverage, concern about public programs crowding out individual insurance purchase may grow.

How big is the problem of crowd-out?

The research literature measuring the magnitude of crowd-out is thin and offers conflicting estimates of how great crowd-out might be when more people are made eligible for public insurance programs. Estimates of crowd-out range from quite large (in one study, researchers estimated that as many as 50 percent of new Medicaid enrollees would otherwise have been privately insured) to zero. In considering the usefulness of this literature to public policy makers, two aspects are of particular importance:

(1) The differences among estimates appear (in part) to be driven by the population subgroup being studied. Estimates of crowd-out are greater when

the program enrolls adults at higher income levels than when it enrolls only children or families with lower levels of income.

(2) The reliability of the estimates is unknown. None of the available estimates is based on actual observation of employer or individual behavior. Instead, all of the research to date compares population groups that are broadly similar (for example, women with similar annual income, age, employment and education levels) over time. None of these studies control for whether workers who enroll in public insurance programs have access to affordable employer-sponsored insurance.

Because these studies are inconclusive, public policy makers must base their decisions about whether a specific proposal would cause crowd-out on an appraisal of whether private health insurance is available, affordable and stable for most people who would become eligible for public coverage. No research to date is adequate to inform public policy makers about whether or how employers might adjust group health benefits in response to wider eligibility for public programs.

State program measures to deter crowd-out

In a recent monograph prepared for the Robert Wood Johnson Foundation's *State Initiatives in Health Care Reform* Program (attached), we reviewed sixteen states' public insurance programs, including:

- public programs for children,
- public programs that enroll adults and children, and
- Medicaid programs that have expanded eligibility under Section 1115 waivers.

In states that had expanded public health insurance not just to people in poverty but also to people with incomes as high as 200 percent of poverty or more, officials had differing views about the relative importance of crowd-out as an issue for the programs. In states that had developed programs only for low- or middle-income children or that had extended program eligibility to only the near-poor population (under 185 percent of poverty), officials were unconcerned about crowd-out. In these states, officials presume

that people with such low income have few or no options for finding group insurance. In families with such low income, workers typically are either (1) steadily employed, but at very low wages; or (2) periodically unemployed due to lay-offs or seasonal work opportunities. In either case, few of these workers are likely to have ongoing access to employer-based coverage.

Insurance programs that target populations up to 400 percent of poverty generally devote more attention to crowd-out than programs that cap eligibility at 200 percent of poverty or less, especially when they enroll adults as well as children. In states with programs that enroll low-income adults or that extend eligibility to middle-income populations, the potential for crowd-out is believed to be greater, and these programs are designed with various features to deter crowd-out. These features are of two major types:

(1) *Measures designed primarily to address other program issues but which also discourage crowd-out.* These include:

- program limits on enrollee assets and age, as well as income;
- requiring enrollees to pay premiums; and
- limited program benefits (for example, no coverage for hospitalizations).

These measures typically are imposed to address public funding constraints, not because the program is particularly concerned about crowd-out. However, they deter crowd-out *de facto* by targeting public programs to families and individuals who are less likely to have private insurance options.

(2) *Measures designed explicitly to address crowd-out.* These include:

- requirements that applicants be uninsured or underinsured;
- requirements that applicants be without insurance for some minimum spell; and
- requirements that applicants have no access to employer-based insurance.

Restrictions intended explicitly to deter crowd-out may seem necessary from the viewpoint of protecting the resources of public programs, but they can cause serious problems of equity and efficiency. Waiting periods, in particular, cause problems of equity because not all uninsured families with the same financial resources qualify for public coverage (some must wait), and because families that have made an effort to find and buy insurance must wait longer for public coverage than families that never tried. Problems of efficiency arise because families are forced to weather gaps in coverage to qualify for the public program. Gaps in coverage are a problem that the program ideally would solve, not require.

In addition, for all programs that require minimum spells without coverage or ineligibility for private coverage, enforcement is a problem. Verifying applicants' declarations that they are uninsured or underinsured is time-consuming and costly. Among the states that we reviewed, state-only children's programs were especially reluctant to invest resources to verify applicant declarations. Most state-only programs that include adults had found that verifying all applicant declarations was too costly to implement or to continue. In general, Medicaid expansion programs were the most likely to attempt to verify minimum spells without access to employer-based coverage. However, even these programs more often rely on partial and/or random audits to enforce restrictions than on systematic verification of applicant declarations.

With respect to their proposed Title XXI programs, two states -- California and Colorado -- have adjusted their use of waiting periods in an effort to minimize the equity and efficiency problems that they entail:

- California proposed a 3-month waiting period for any child who had been covered by an employer-sponsored plan. Children who had been covered in the nongroup (individual) market are not subject to the waiting period, nor are children of parents who lose coverage involuntarily (through job loss of termination of the group plan).

- Colorado also proposed a 3-month waiting period for children who were covered by an employer-sponsored plan, but (as in Minnesota's MinnesotaCare program) only if the employer pays at least 50 percent of the premium for dependents. As in California, the waiting period does not apply if prior coverage was nongroup, or if the parent loses coverage involuntarily.

Like research studies that attempt to measure crowd-out from available national data, studies that have attempted to evaluate the effectiveness of restrictions to reduce crowd-out are compromised by the quality of available information. However, evaluation studies conducted in a number of states with varying programs and restrictions on eligibility all have indicated that the potential crowd-out caused by the programs is small. Most program officials and policymakers also believe that their programs reach target populations with reasonable efficiency and that crowd-out is not a serious problem.

State programs to buy employer-based coverage

We identified two states (New York and Oregon) that have programs to assist employees in purchasing employer coverage when it is available. In principle, such programs would discourage crowd-out by maximizing available employer-based coverage. However, crowd-out still can occur if employers respond to available public contributions for coverage over time by reducing employer payments for coverage (substituting public funding for employer funding). In addition, a premium subsidy program may have trouble constraining its budget if the program becomes liable for any level of premium cost that the employer does not pay.

New York's program, an older pilot program to insure adults, is exclusively an employer-premium subsidy program for workers who (1) have access to employer coverage; and (2) have family income less than 200 percent of poverty. The program limited its total cost by closing new enrollment, and at this time, no new enrollment is contemplated. Because the program was experimental and ultimately enrolled very few workers, it is unlikely that crowd-out was ever a significant problem.

Oregon's new Family Health Insurance Assistance Program (FHIAP) is designed to enroll workers and dependents who (1) have income less than 200 percent of poverty; and (2) are without insurance for 12 months. The program screens applicants for available employer coverage. FHIAP will pay the applicant's employee contribution to enroll in the employer plan if it costs less than the average cost of FHIAP coverage. FHIAP is a new program, and at this writing, has processed few if any applicants pending the design of Oregon's Title XXI program for children. FHIAP's restrictions on income for eligibility and its 12-month waiting period both suggest that crowd-out will not be a significant problem. However, FHIAP's design suggests equity problems (families that succeed in finding or buying health insurance cannot qualify as soon as families that never try). In addition, over time, FHIAP may pay employee premiums for fewer and fewer applicants if FHIAP is able to control its costs more successfully than employers do.

I hope that this information is useful to you. Please do not hesitate to call on me or on other Alpha Center staff if we might be of further assistance to you in considering this issue.

Attachment: *Deterring Crowd-out in Public Insurance Programs: State Policies and Experience* (Alpha Center, October 1997).

cc: Nancy Barrand, Robert Wood Johnson Foundation, *State Initiatives in Health Care Reform* Program
W. David Helms, Ph.D.
Anne Gauthier

NATIONAL ASSOCIATION OF SOCIAL WORKERS
ALASKA CHAPTER
318 4th Street, Juneau AK 99801
586-4438 Fax: 586-4439
naswak@alaska.net

Testimony Regarding

HB 369 - MEDICAID COVERAGE/HEALTHY FAMILIES ALASKA PROGRAM

Before the
HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE
ALASKA HOUSE OF REPRESENTATIVES
April 7, 1998

Presented by
Angela M. Salerno, ACSW
Executive Director,
National Association of Social Workers Alaska Chapter

NATIONAL ASSOCIATION OF SOCIAL WORKERS
ALASKA CHAPTER
318 4th Street, Juneau AK 99801
586-4438 Fax: 586-4439
naswak@alaska.net

The National Association of Social Workers (NASW) is the world's largest organization of professional social workers. NASW's 155,000 members nationwide and 500 in Alaska work in a wide range of settings at all levels in the public and private sectors. Professional social workers focus on vulnerable populations and promote state and federal policies which enhance the lives of the people we serve.

NASW strongly supports HB 369 and urges its passage.

- Advocates for young children are unified by the common core of knowledge that children require special attention to begin the developmental process in an optimal fashion. HB 369 will expand Medicaid coverage to poor children and pregnant women with family income of up to 200 percent of the federal poverty level. Under the proposed new eligibility guidelines, a family of four with an income of roughly $40,000 a year would be covered. If passed, the bill will ensure that 11,000 poor children will have the benefit of preventative health care, and 800 more poor women will receive crucial pre-natal care.

- Studies have shown that without health insurance, children are six times more likely to go without needed medical care; five times more likely to use the hospital emergency room as a regular source of care and four times more likely to have necessary care delayed. Uninsured women often receive inadequate prenatal care and deliver low-birth weight babies who require special care.

- Currently, 41 states provide better Medicaid coverage than Alaska. By expanding Medicaid eligibility, the state of Alaska could provide a child with health coverage for just $562 per year in general funds. Existing cost management tools such as utilization review and prior authorization as well as case management provided by Primary Care Practitioners will be extended to manage the cost of this program.

- As more families move from welfare to work, it is appropriate to assist them in becoming self-sufficient by making affordable health care coverage available to their children. Many lower wage jobs in Alaska do not offer health benefits. Coverage under this initiative will allow families receiving public assistance to take jobs and still provide health security to their children.

- HB 369 will institutionalize in law the Healthy Families Program in Alaska. Research over the last two decades has consistently confirmed that providing education and support services to parents around the time of a baby's birth--and continuing for months or years afterwards--significantly reduces the risk of child abuse and contributes to positive, healthy, child-rearing practices. Families receiving this type of intensive home visitor service also show other positive changes such as consistent use of preventive health services, increased high school completion rates (for teen parents), higher employment rates, lower welfare use, and fewer pregnancies. Child abuse prevention programs save money. For every $3 spent on prevention, we save at least $6 that might have been spent on child welfare services, special education services, medical care, foster care, counseling, and housing juvenile offenders.

Thank you for the opportunity to provide testimony on this matter.

04/23/98 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
09:11:16 PARTICIPANT LIST (ALL PARTICIPANTS) BY:FBX
TCN:80718 SCHEDULED FOR:04/23/98 08:00 TO 10:30 FOR:FBX
PUBLIC HEARING HOUSE FINANCE

LOCATION:FAIRBANKS

HB 369	MS.	MARGRET	MILLER ✓ HEALTHY FAM	TESTIFY
HB 369	MS.	MISSY	POESCHEL ✓ "	TESTIFY
HB 369	MS.	LAURA	BUSH ✓ "	TESTIFY
HB 369	MS.	SARANA	SCHELL ✓ "	TESTIFY

8AM

House Finance Committee

DATE: April 23, 98

PLACE: CAP 519

SUBJECT OF MEETING:
HB 369
HB 408
SB 110

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Bob LABBE	DHSS				3355	(Y)	N	HB 369
JAY LIVEY	DHSS				3030	(Y)	N	
Karen Pearson	DHSS				3090	(Y)	N	HB 369 — If needed fu's
Lorraine L. Dow	ASANHA				6-1790	(Y)	N	HB 369
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	

MARC POESCHEL
P.O. Box 83057
Fairbanks, AK 99708

4/16/98 10:46 AM

To whom it may concern:

I am a police officer and first generation Alaskan citizen. My children are second generation Alaskans and I hope to have grandchildren who continue the tradition. I met my wife, got married and became a police officer all in Alaska. The most important events of my life have been in our great state.

I write today to lend my voice to those who would ask for some common sense in the way our children are treated. Alaska has the worst child abuse statistics of any state in the nation. I have seen the damage done by parents who drink, use drugs, sexually and mentally abuse their kids and neglect them to the point of death. Alaska has some of the strangest ways of showing love to our children.

As a police officer I held the head of an 18 month old boy who strangled on a grape he ate while his mother, a drug addict, fought with the boys father, an alcoholic. I saw the chains on the cupboards of food so the kids would not eat it while the mother and father were out drinking. And the padlock on the door to keep them in the house instead of a babysitter.

As a father I have watched the miracle of the birth of my own two girls and watched them grow. I am amazed at the pace they learn and understand complex issues and concepts. They have made me laugh, cry, worry and beam with pride.

So how does my proud state feel about my children and all the kids of this great state? I hear things like the Department of Family and Youth Services is allowing victims of abuse to be visited by the offenders and I recall a case of a famous artist who fathered a child by one of his teenage relatives and the court forced visitation with him since he had rights as a father. It sickens me.

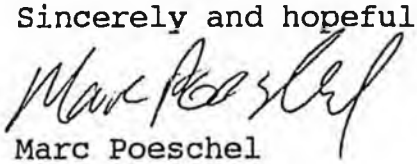
Virtually every criminal is an abuse victim at some point in their life. I see case after case of domestic violence involving kids in some way. There have been study after study to find out how to prevent crime in this country and stopping abuse tops the list. The various programs that educate new parents are the first wave to lowering the crime.

MARC POESCHEL
P.O. Box 83057
Fairbanks, AK 99708

If we are to change the trend in this state there must be hard choices made. The funding for the prevention programs and the education of our children should not take a backseat. Acknowledge that the money spent wisely is spent on prevention and save the cost in the future. Lessen overcrowding of the prisons, lower the cost of treatment of abused victims, reduce the cost of law enforcement and increase the productivity of the state.

I encourage the lawmakers of this state to consider the needs of the children of the state they represent. I have job security. Lets change that.

Sincerely and hopefully,



Marc Poeschel
Fairbanks, AK

The views I have expressed are not necessarily the views of my employer. They may not be reprinted, quoted or referred to unless attributed to myself and no other person.

To Whom It May Concern:

Healthy Families has been a big help to me. I have no phone and no car, so they come to my home. Laura and Missy checked on me when I was sick, and Missy comes to check on my babies.

She has helped me fill out paperwork for WIC and Medicaid. I don't speak much English, so this is great. Then she brought me the WIC checks.

She and a public health nurse come see me together sometimes. Diana, the public health nurse, and Missy helped me get prenatal care. Diana brought me vouchers, and Missy helped me make doctor's appointments, then gave me rides there.

Healthy Families has also helped with food boxes through Food Bank, Christmas presents, and Easter baskets.

Alba Fajardo

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House Finance
Committee Name

Committee on HB 369 Dated 4-20-98
Bill / Subject

This is a good bill and should be enacted into law. However, it was a better bill before the "Healthy Families" component and Medicaid for unborn children component were eliminated.

"Healthy Families" has been proven to be a cost-effective, family-supportive program. It is an essential counterpoint to the child-in-need-of-aid laws being amended in other bills (HB 375). In "Healthy Families," instead of government stepping in to break up the family, it is non-profit agency stepping in at the invitation of the family to help reinforce the family structure and strengthen it so it can deal with whatever problems beset it. It more than merits positive legislative action.

As to Medicaid coverage for unborn children, I think it sends the wrong message to say that children will qualify for this Medicaid coverage only after they are born. Their mothers need to understand that we value their pre-natal care for their children as highly as we value their care after their children are born, and the same eligibility criteria should apply in both situations.

SIGNED: Andrew Harrington

Testifier

Representing

4624 Stanford Drive Fairbanks AK 99709

Address / Phone Number

To whom it may concern:

It has come to understanding that there will be budget cuts in the next few months or years. Let me begin by saying, I understand there must be cuts, but my goal in this letter is to explain why I need Healthy Families.

Honestly I don't know what I would do if Annie from Healthy Families didn't come to my house once a week to help me.

As a first time mother I go through feelings of helplessness, and many frusterations. Also I have seen many of my friends leave because they believe I am not fun any longer.

Annie always seems to be there in my most difficult times, she is there to counsel me, to encourage me and much more importantly to be my friend.

I hope this letter will help you to understand the importance of this program to me, and to so many others like me, who

simply need who's been there and knows what its like to be a mother.

Sincerly,

Misty M. Hovda

Misty M. Hovda

To Whom it May Concern,

Hello, My name is Michelle Nguyen. I am 21 years old and a married mother of two. My life has been a struggle from the beginning. My family is all drug & alcoholics. I have seen alot of violence & hurt & pain. I have been on my own since the age of 14, met my husband at 16, had my first child at 17. I have been alone this hole time fighting to be a good mother & a wife. I now have a second child and I am about to go threw a divorce. I have had no family support threw most of my life and I am the first family that was picked by Healthy Families. If I could only explain how much this group has helped me I would put it into words. I often would just lock myself up in my house & not talk to anyone, but they never gave up they are always called and helped me with everything, they have helped guide me threw some of the hardest times of my life and believed in me when noone else did.

and now at 21 with 2 beautiful kids. When I divorce I am confident that I can be a good provider and the mother to my kids I never had. I am proud to say I have a good career and I am not a product of welfare, and I owe this to these women who have helped me. I hope that many others can benefit from healthy families as I did.

Thankyou

Richelle Kruger

To whom it may Concern:,

H.! My Name is Kathleen Lewis. I have been going through the Healthy Families organization for A little over A year. Annie Crawfield is the person that Ive been Working With.

Now ~~Beeo~~ Begins my story, I Just had my son Dustin. that was very small when he was born. 4lb 1oz ~~to~~ be adzacked. He lost Weight and Almost died. He was premature and it was very hard for me. Annie Collected information for me to read to know more About the prematurity. He was in the hospital for 1mo and 10 Days. And 2 days After he was born. My 1 yr old, Almost 2 in 3 days had to go in for Hurnia Operation. I was under Alot of Stress And Annie would Come over once A Week to talk And help me Because I Didn't have many Friends. While this was all going on With the New baby and my Sone Andy's Operation. I was Also having Problems in my relationship.

He Was Very Controling and I was in Need of Support. I don't have Family in town So it was hard. Annie helped me focus Where I needed to focus. She helped me With doctor's Appointments. I have four children and it was Very hard to focus on one thing. It felt really nice to have Support and a good friend. The people over At healthy Family have helped me with many problem's. I've Come Across in Just A years time.

My Family is Very Healthy and happy. Because of the Wonderful and understanding people over At Healthy Family's.

I know I Am One of many family's that really look forward ~~for~~ to Not only A Smiling face, A Friend. And Just Someone Who Cares And is there to help. All my Children Are very young and the last 3 are very close to gether and have A hard road Ahead. But With this Organization and All of the Wonerful people I Shall make it through!

Please Reconsider, Kathy + The Boyz

HB

369

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/8/98

FURTHER: 5/10/98

DATE TURNED
IN TO OFFICE: 10 May 98

Finance Committee considered CS FOR HOUSE BILL NO. 369(FIN) am

MEDICAID COVER/HEALTHY FAMILIES AK PROGRAM

and recommends:

[ ] be **replaced** with _____ CS _____(_____)

[ ] adopt **previous** _____ CS _____(_____)

[ ] attached amendment(s)

[X] adopt Letter of Intent by ~~House of Rep.~~ ~~Committee~~

[ ] further referral to the _____ Committee

Senate Bill:
[ ] same title
[ ] new title

House Bill:
[ ] same title
[ ] technical title
[ ] new: SCR"_____

SIGNING DO PASS	*DP*	*OTHER RECOMMENDATIONS*	*NR*	*DNP*	*AM*
	X				
			X		
					✓
			X		
Co-Chair:		*Co-Chair:*	✓		
Co-Chair:		*Co-Chair:*	✓		

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
Children's Health Insurance Eligibility	5/4/98		1,495.1
Indian Health Service	5/2/98		2,505.5
Medicaid Facilities	5/2/98		3,470.7
Medicaid Non-Facilities	5/2/98		7,174.4

[ ] **APPROPRIATION -- no fiscal note**

***include fiscal notes accompanying Governor's bill**

SFC Secretary 5/10/98

BILL NO. **CSHB369 (FIN)am**
Title: **"An act relating to Medicaid coverage for certain eligible children and pregnant women"**
Sponsor: **Senate Rules by Request of the Governor**
Requestor: **Senate Finance**

CSHB369 (FIN)am FISCAL SUMMARY

The Governor's original fiscal note on this bill totaled $7.2 million general fund need for FY99. This number has been revised to $4.1 million general fund need as a result of the following considerations:

> program implementation delayed to October 1, 1998,

> reduction in the rate at which children are enrolled in the Title XXI program,

> removal of the children who are currently eligible for Medicaid but not currently enrolled, who will enroll as a result of the outreach efforts, and

> revision for administrative expenditures to recognize one time startup costs.

The following table provides a combined summary of expenditures from all fiscal notes related to this bill based on these revised assumptions.

BRU	Component		FY99	FY00	FY01	FY02	FY03	FY04
Medical Assistance	Medicaid Non-Facilities		7,174.5	8,492.6	9,087.2	9,723.3	10,404.0	11,132.3
		Fed	4,832.1	5,756.7	6,159.7	6,590.9	7,052.3	7,546.0
		GFM	2,342.4	2,735.9	2,927.5	3,132.4	3,351.7	3,586.3
	Medicaid Facilities		3,470.7	4,108.4	4,395.9	4,703.5	5,032.8	5,385.1
		Fed	2,337.6	2,784.9	2,979.8	3,188.3	3,411.5	3,650.3
		GFM	1,133.1	1,323.5	1,416.1	1,515.2	1,621.3	1,734.8
	Indian Health Service		2,505.5	2,987.0	3,196.1	3,419.8	3,659.2	3,915.4
		Fed	2,505.5	2,987.0	3,196.1	3,419.8	3,659.2	3,915.4
Medical Assistance Admin	Children's Health Eligibility		1,495.1	1,558.8	1,669.1	1,788.0	1,915.0	2,051.0
		Fed	918.2	995.2	1,065.8	1,141.5	1,222.6	1,309.4
		GFM	576.9	563.6	603.3	646.5	692.4	741.6
Combined Fiscal Notes Summary			14,645.8	17,146.8	18,348.3	19,634.6	21,011.0	22,483.8
		Fed	10,593.4	12,523.8	13,401.4	14,340.5	15,345.6	16,421.1
		GFM	4,052.4	4,623.0	4,946.9	5,294.1	5,665.4	6,062.7
	Year to Year Growth Rate			17.1%	7.0%	7.0%	7.0%	7.0%

FISCAL NOTE

5/10/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CS HB 369 (FIN)am

evision Date:
Title: An Act relating to Medicaid coverage for certain eligible children and pregnant women;
Sponsor: Senate Rules by Request of the Governor
Requestor: Senate Finance

Dept. Affected: Health and Social Services
BRU: Medical Assistance Administration
Component: Children's Health Eligibility
COMPONENT SERIAL NO. 2260
See also (SN#): 960,230,229

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	1,495.1	1,558.8	1,669.5	1,788.0	1,915.0	2,050.9
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	1,495.1	1,558.8	1,669.5	1,788.0	1,915.0	2,050.9
CAPITAL EXPENDITURES						
CHANGES IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	918.2	995.2	1,065.8	1,141.5	1,222.6	1,309.4
1003 GF Match	576.9	563.6	603.6	646.5	692.4	741.6
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	1,495.1	1,558.8	1,669.5	1,788.0	1,915.0	2,050.9

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: $0.0

ANALYSIS: (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act, which allows states to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low income children without insurance and the geographic variations in health costs. Alaska's allocation is 5.6 million with a federal match rate of 71.86%. No more than 10% of expenditures under the Title XXI block grant can be applied to administrative support and outreach.

Program implementation requires an eligibility determination and outreach process. The Division will evaluate the options available to determine the most cost effective method to implement this function. Extension of this health care coverage will result in one time programming changes tot he state's eligibility and claims payment systems. Other one time costs will include furniture and equipment costs to support the staff processing the applications for decision.

Prepared by: Randy Super
Division: Medical Assistance
Phone: 465-5833
Date: 05/07/98

5/7/98

Approved by Commissioner: Karen Perdue, Commissioner
Agency: Department of Health & Social Services
Date: 5/8/98

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ANALYSIS (cont.):

Under Federal law, initial applications processing may be performed outside of Public Assistance offices and by other State agency staff. The balance of the contractual costs are divided between contracting for this outstationed application intake and processing, and programming enchantments to the State's EIS and Claims payment systems.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

The Division has assumed the following for calculation of the period FY00-04:
Alaska's Federal Medical Assistance Percentage (FMAP) for administration is 50%. It is also assumed that the enhanced federal participation for the Title XXI funding for the 10% administrative activities will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year which takes into account changes in the cost of medical assistance program administration.

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL

Family Income Above Current Medicaid Standards	Children to 200% FPL	Pregnant Women to 200% FPL	Totals to 200% FPL	
Uninsured	4,092	781	4,873	
State GF	$ 2,063,301	$ 1,989,017	4,052,318	
Federal	$ 6,704,732	$ 3,888,732	10,593,464	
Total	$ 8,768,033	$ 5,877,749	$ 14,645,782	*1

Source of Funds Analysis

	GFM	FMAP	IHS	TOTALS	
Title XIX - Medicaid	$ 2,079,017	$ 3,048,786	$ -	$ 5,127,802	
Title XXI - Child Health Ins.	$ 1,973,301	$ 5,039,141	$ -	$ 7,012,443	
Title XIX - IHS	$ -	$ -	$ 2,505,537	$ 2,505,537	
Totals	$ 4,052,318	$ 8,087,927	$ 2,505,537	$ 14,645,782	*1
Administration					
Title XIX - Medicaid	$ 357,170	$ 357,170	$ -	$ 714,341	
Title XXI - Child Health Ins.	$ 219,698	$ 561,033	$ -	$ 780,730	
Title XIX - IHS	$ -	$ -	$ -	$ -	
Admin Totals	$ 576,868	$ 918,203	$ -	$ 1,495,071	*2
Program					
Title XIX - Medicaid	$ 1,721,845	$ 2,691,615	$ -	$ 4,413,461	
Title XXI - Child Health Ins.	$ 1,753,604	$ 4,478,108	$ -	$ 6,231,712	
Title XIX - IHS	$ -	$ -	$ 2,505,537	$ 2,505,537	
Program Totals	$ 3,475,450	$ 7,169,724	$ 2,505,537	$ 13,150,711	

Notes: *1 10% Administration is included in estimated total costs for children

*2. IHS fund is only available for direct program services.

REPORTED OUT OF S 5/10/98

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSHB369 (FIN)am

evision Date:
Title: An Act relating to Medicaid coverage for certain eligible children and pregnant women;
Sponsor: Senate Rules by Request of the Governor
Requestor: Senate Finance

Dept. Affected: Health and Social Services
BRU: Medical Assistance
Component: Indian Health Service
COMPONENT SERIAL NO. 960
See also (SN#): 2260,230,229

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	2,505.5	2,987.0	3,196.1	3,419.8	3,659.2	3,915.4
MISCELLANEOUS						
TOTAL OPERATING	**2,505.5**	**2,987.0**	**3,196.1**	**3,419.8**	**3,659.2**	**3,915.4**
CAPITAL EXPENDITURES						
CHANGES IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	2,505.5	2,987.0	3,196.1	3,419.8	3,659.2	3,915.4
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	**2,505.5**	**2,987.0**	**3,196.1**	**3,419.8**	**3,659.2**	**3,915.4**

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: **$0.0**

ANALYSIS: (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act which allows States to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low-income children without insurance and the geographic variations in health costs. Alaska's allocation is $5.6 million with a federal match rate of 71.86%. No more than 10% of the funding can be applied to administrative support and outreach. Incremental funding expanding the Medicaid program for children up to 200% of the federal poverty level and pregnant women is requested.

The direct services costs related to the "Smart Start" initiative were estimated using a model that estimates the funding needed to provide Medicaid coverage to all uninsured Children and Pregnant Women up to 200% of the Federal Poverty Level. The model is based on a number of assumptions pertaining to the size and composition of the uninsured

5/7/98
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Division: Medical Assistance
Phone: 456-5833
Date: 05/07/98

Approved by Commissioner: Karen Perdue, Commissioner
Agency: Department of Health & Social Services
Date: 5/8/98

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ANALYSIS (cont.):

population in Alaska, the rates of anticipated participation in a medical insurance program by this population, and the costs associated with providing coverage for Medicaid services to these program participants. Specific assumptions used are:

Variables	Assumed Value
Costs per Participant Estimates:	
Cost per Child Age 0-18	$ 1,908
Cost per Pregnant Woman	$ 6,840
Childrens' Health Insurance Progam & Medicaid Matching Rates:	
Childrens Health Insurance - FMAP Rate	71.9%
Childrens Health Insurance - State GF Match Rate	28.1%
Medicaid FMAP	59.8%
Medicaid State GF Match Rate	40.2%
Children Health Insurance Program Funding:	
Childrens Health Insurance - Alaska Allotment (est)	$ 5,664,899
State Childrens Health Insurance Ma h	$ 2,218,345
Total Childrens Health Insurance Fun	$ 7,883,244
Native Children Participation and IHS Utilization:	
% of Eligible Children Below 200% of FPL Who are Native	35.6%
% of Native Children Who Use IHS Services	60.0%
Estimated Program Participation Rates:	
Participation Rate - All Children Year 1	67.8%
Participation Rate - All Children Year 2	80.1%
Participation Rate - Pregnant Women	86.8%
Estimated Number of Uninsured Children <200% of	6,036
Estimated Number of Uninsured Pregnant Women >133% and <200	900
Percent of Uninsured Pregnant Women Who are Native:	
% Native Uninsured Pregnant Women	26.4%

In addition to the specific assumptions, the model relies on the results of an analysis by Employee Benefits Research Institute (EBRI) which provided an estimate of the distribution of the uninsured Alaska population by Federal Poverty Level (FPL) and number of insured who fall into each FPL category. The results of that analysis are summarized below.

Employee Benefit Research Institute - 0 thru 18
Uninsured Children Estimate

Poverty Rate	Total
0-99%	5,553
100-149%	3,679
150-199%	2,357
200-249%	3,020
250-299%	2,597
300-349%	1,185
350-399%	1,529
400% & Up	3,571
Total Uninsured Alaskan Children	23,491

The funding model calculates the cumulative number of "Smart Start" participants based on the estimated number of children who fall into FPL categories between 0% and 199%. The total estimated number of uninsured children who fall below 200% of FPL is 11,589. An extimated 5,553 of the uninsured children are would be enrolled in the Medicaid

ANALYSIS (cont.):

program if they applied. The 6,036 balance of uninsured children are targeted under this proposal. This number is subsequently multiplied by the Participation Rate for All Children to yield an adjusted estimate of the children who would likely participate in the program in Year 1. This result is then multiplied by two factors, the "% of Eligible Children who are Native" and the "% of Native Children Using IHS" to estimate the total number of uninsured Native children who are anticipated to use the services of IHS providers under the program. A final calculation subtracts that number (uninsured Native children using IHS services) from the estimated total number of participating children to yield the number of children who would get services from non-IHS providers.

The costs per eligible child are based on an analysis of recent spending data from the Medicaid Management Information System for services provided AFDC children adjusted to reflect estimated costs for these same services in FY99. The estimated numbers of participating Native and non-Native children are multiplied by the projected cost per eligible child to provide a total cost of coverage for each of these groups. The model estimates that all services provided to eligible Native children who use IHS providers will qualify for reimbursement that is 100% federally funded. Funding for the services to the remaining population of children is under the Children's Health Insurance Program (Title XXI). For services to the remaining non-IHS children between 100% and 200% FPL, the State's allocation under Title XXI is used as the funding source at an enhanced match rate of 28.14% GF and 71.86% FFP.

In preparing this fiscal note an implementation date beginning October 1, 1998 was assumed for the enrollment of the first child. Enrollment is projected to increase at a monthly rate of 8.7% durning the first year, ending the year with a total enrollment of a projected 4,092 children.

Using the above assumptions, the funding model estimates that Title XXI Medicaid coverage for 4,092 participating children will r ire $8,768.0 in total expenditures ($2,063.3 SGFM / $6,704.7 Fed Funds) for services and administration.

Distribution of "Smart Start" related funding is based on analyses of Medicaid spending for medical services provic ed to AFDC Children. The historical expenditure data used came from the Medicaid Management Information System monthl, MR-O-91T report which is a summary of Medicaid spending by Medicaid Category of Assistance and colocation code. The expenditures used were cumulative dates of payment for the period July, 1996 through October, 1997. Distributions between the colocation codes were calculated separately for each of the Medicaid Program components (Medicaid Non-Facilities, Medicaid Facilities, and Medicaid Indian Health Services). No distributions were made for either AFDC Children to Medicaid Waivered Services as no spending occurred during the observed period in that component for these groups.

The total projected FY99 expenditures for direct services to uninsured children ($7,807.3 Total Funds, $1,753.6 GFM) was multiplied by the percentage distribution between the components, and that result was multiplied by the percentage distribution across each relevant colocation code to determine the amount of direct services to be allocated to each colocation code.

Medicaid Impacts

There are increased Medicaid program costs anticipated to result from outreach efforts required as part of a Title XXI program. As previously identified, there are an estimated 5,553 uninsured children who fall below 100% of poverty who would be eligible for Medicaid if they applied. Through the outreach effort required under Title XXI, the Division anticipates that about 40% of these uninsured children will enroll as new eligibles under Title XIX Medicaid. This 40% participation rate differs from the 80% participation rate assumed in the original Smart Start fiscal analysis. The 40% estimate is based on new information from recent outreach studies and also reflects delayed implementation of the Title XXI program. The model assumes that direct services to children who fall under 100% of FPL will be financed under the Medicaid program and the total costs for these services will be financed through the current Medicaid program at the Medicaid match rate of 40.2% GF and 59.8% FMAP. These costs are not depicted in this bill's fiscal notes as the costs do not directly relate to the proposed Title XXI-based program for uninsured children or the proposed Medicaid coverage limits for uninsured pregnant women.

ANALYSIS (cont.):

Note:
Costs per Child are based on FY97 date-of payment data. Costs exclude Indian Health Services, State Programs, API Disproportionate Share Facilities payments, and Medical Assistance Administration. The denominator is the number of eligible non-disabled children (52,154) as of June 1, 1997. The cost was then adjusted to reflect anticipated FY99 cost by multiplying times 1.06.

FORMULAS

"Uninsured" = "Estimated Uninsured by Federal Poverty Level" (Employee Benefits Research Institute) X Participation Rate (Children)

"State GF" *Native Children*
The model shows no State General Fund expenditures for Native Children who access IHS-funded services. All funding for services to this estimated population are 100% federally reimbursed

Other Children
This part of the uninsured children population accesses medicaid services.

Uninsured Children below 100% of the Federal Poverty Level
The estimated General Fund costs of covering non-native children up to 100% of the federal poverty level is calculated by assuming the State will participate at the current State Medicaid Match Rate of 40.2%.

Uninsured Children between 100% & 200% of the Federal Poverty Level
For the population of children between 100% and 200% of FPL, the model uses a formula that first calculates the total marginal cost of covering the additional children in each FPL category, calculates the federal portion this amount by multiplying by the CHI FMAP rate [71.2%], and compares this result with the total Alaska CHI Allotment ($5,621,510). If the federal portion of the marginal need is less than the Allotment amount, then the CHI GF Match rate is used to calculate the State general fund needed to fund the marginal costs above above 99% FPL. If the federal portion of the marginal need is greater than the State's CHI Allotment, then the difference between Total amount and the sum of the Total amount for below 100% FPL and total CHI Funds. This difference is then multiplied by the Medicaid State GF match rate to determine the remaining GF needed.

"Federal" *Native Children*
IHS-funded services are 100% federally reimbursed.

Other Children

Uninsured Children below 100% of the Federal Poverty Level
The estimated Federal portion of covering non-native children up to 100% FPL is calculated using the Alaska Medicaid FMAP rate of 59.2%.

Uninsured Children between 100% & 200% of the Federal Poverty Level
Federal funds are calculated by subtracting the State GF amount for each FPL category from the Total amount.

"Total" = "Uninsured' X 'Cost per Child - 0-18' X 1.1 Administrative Cost Factor"

ANALYSIS (cont.):

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL

Family Income Above Current Medicaid Standards	Children 0-18	Pregnant Women	TOTAL	
Uninsured	4,092	781	4,873	
State GF	$ 2,063,301	$ 1,989,017	$ 4,052,318	
Federal	$ 6,704,732	$ 3,888,732	$10,593,464	
Total	$ 8,768,033	$ 5,877,749	$14,645,782	*1

Source of Funds Analysis

	GFM	FMAP	IHS	TOTALS	
Title XIX - Medicaid	$ 2,079,017	$ 3,048,786	$ -	$ 5,127,802	
Title XXI - Child Health Ins.	$ 1,973,301	$ 5,039,141	$ -	$ 7,012,443	
Title XIX - IHS	$ -	$ -	$ 2,505,537	$ 2,505,537	
Totals	$ 4,052,318	$ 8,087,927	$ 2,505,537	$14,645,782	*1
Administration					
Title XIX - Medicaid	$ 357,170	$ 357,170	$ -	$ 714,341	
Title XXI - Child Health Ins.	$ 219,698	$ 561,033	$ -	$ 780,730	
Title XIX - IHS	$ -	$ -	$ -	$ -	
Admin Totals	$ 576,868	$ 918,203	$ -	$ 1,495,071	*2
Program					
Title XIX - Medicaid	$ 1,721,846	$ 2,691,615	$ -	$ 4,413,461	
Title XXI - Child Health Ins.	$ 1,753,604	$ 4,478,108	$ -	$ 6,231,712	
Title XIX - IHS	$ -	$ -	$ 2,505,537	$ 2,505,537	
Program Totals	$ 3,475,450	$ 7,169,724	$ 2,505,537	$13,150,711	

Notes: *1 10% Administration is included in estimated total costs for children

*2. IHS fund is only available for direct program services.

The Division has assumed the following for calculation of the period FY00-04:
Alaska's Federal Medical Assistance Percentage (FMAP) will continue after FY2000 at the enhanced rate of 59.8% because Alaska's Congressional delegation will be effective at securing reauthorization due to enactment of this legislation. It is also assumed that the enhanced federal participation for the Title XXI funding will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year. This growth takes into account changes in the cost of medical services as well as changes in the utilization of medical services by both the clients and providers for the Child Health Initiative.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

FISCAL NOTE

5/10/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSHB369 (FIN)am

evision Date:
Dept. Affected: Health and Social Services
Title: An Act relating to Medicaid coverage for certain eligible children and pregnant women;
BRU: Medical Assistance
Component: Medicaid Facilities
Sponsor: Senate Rules by Request of the Governor
COMPONENT SERIAL NO. 230
Requestor: Senate Finance
See also (SN#): 2260,960,229

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	3,470.7	4,108.3	4,395.9	4,703.6	5,032.8	5,385.1
MISCELLANEOUS						
TOTAL OPERATING	3,470.7	4,108.3	4,395.9	4,703.6	5,032.8	5,385.1
CAPITAL EXPENDITURES						
CHANGES IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	2,337.6	2,784.9	2,979.8	3,188.3	3,411.5	3,650.3
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POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: $0.0

ANALYSIS: (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act which allows States to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low-income children without insurance and the geographic variations in health costs. Alaska's allocation is $5.6 million with a federal match rate of 71.86%. No more than 10% of the funding can be applied to administrative support and outreach. Incremental funding expanding the Medicaid program for children up to 200% of the federal poverty level and pregnant women is requested.

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Date: 05/07/98
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ANALYSIS (cont.):

population in Alaska, the rates of anticipated participation in a medical insurance program by this population, and the costs associated with providing coverage for Medicaid services to these program participants. Specific assumptions used are:

Variables	Assumed Value
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Children Health Insurance Program Funding:	
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State Childrens Health Insurance Match	$ 2,218,345
Total Childrens Health Insurance Funds	$ 7,883,244
Native Children Participation and IHS Utilization:	
% of Eligible Children Below 200% of FPL Who are Native	35.6%
% of Native Children Who Use IHS Services	60.0%
Estimated Program Participation Rates:	
Participation Rate - All Children Year 1	67.8%
Participation Rate - All Children Year 2	80.1%
Participation Rate - Pregnant Women	86.8%
Estimated Number of Uninsured Children <200% of	6,036
Estimated Number of Uninsured Pregnant Women >133% and <200	900
Percent of Uninsured Pregnant Women Who are Native:	
% Native Uninsured Pregnant Women	26.4%

In addition to the specific assumptions, the model relies on the results of an analysis by Employee Benefits Research Institute (EBRI) which provided an estimate of the distribution of the uninsured Alaska population by Federal Poverty Level (FPL) and number of insured who fall into each FPL category. The results of that analysis are summarized below.

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250-299%	2,597
300-349%	1,185
350-399%	1,529
400% & Up	3,571
Total Uninsured Alaskan Children	23,491

The funding model calculates the cumulative number of "Smart Start" participants based on the estimated number of children who fall into FPL categories between 0% and 199%. The total estimated number of uninsured children who fall below 200% of FPL is 11,589. An extimated 5,553 of the uninsured children are would be enrolled in the Medicaid

ANALYSIS (cont.):

program if they applied. The 6,036 balance of uninsured children are targeted under this proposal. This number is subsequently multiplied by the Participation Rate for All Children to yield an adjusted estimate of the children who would likely participate in the program in Year 1. This result is then multiplied by two factors, the "% of Eligible Children who are Native" and the "% of Native Children Using IHS" to estimate the total number of uninsured Native children who are anticipated to use the services of IHS providers under the program. A final calculation subtracts that number (uninsured Native children using IHS services) from the estimated total number of participating children to yield the number of children who would get services from non-IHS providers.

The costs per eligible child are based on an analysis of recent spending data from the Medicaid Management Information System for services provided AFDC children adjusted to reflect estimated costs for these same services in FY99. The estimated numbers of participating Native and non-Native children are multiplied by the projected cost per eligible child to provide a total cost of coverage for each of these groups. The model estimates that all services provided to eligible Native children who use IHS providers will qualify for reimbursement that is 100% federally funded. Funding for the services to the remaining population of children is under the Children's Health Insurance Program (Title XXI). For services to the remaining non-IHS children between 100% and 200% FPL, the State's allocation under Title XXI is used as the funding source at an enhanced match rate of 28.14% GF and 71.86% FFP.

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Distribution of "Smart Start" related funding is based on analyses of Medicaid spending for medical services provided to AFDC Children. The historical expenditure data used came from the Medicaid Management Information System monthly MR-O-91T report which is a summary of Medicaid spending by Medicaid Category of Assistance and colocation code. The expenditures used were cumulative dates of payment for the period July, 1996 through October, 1997. Distributions between the colocation codes were calculated separately for each of the Medicaid Program components (Medicaid Non-Facilities, Medicaid Facilities, and Medicaid Indian Health Services). No distributions were made for either AFDC Children to Medicaid Waivered Services as no spending occurred during the observed period in that component for these groups.

The total projected FY99 expenditures for direct services to uninsured children ($7,807.3 Total Funds, $1,753.6 GFM) was multiplied by the percentage distribution between the components, and that result was multiplied by the percentage distribution across each relevant colocation code to determine the amount of direct services to be allocated to each colocation code.

Medicaid Impacts

There are increased Medicaid program costs anticipated to result from outreach efforts required as part of a Title XXI program. As previously identified, there are an estimated 5,553 uninsured children who fall below 100% of poverty who would be eligible for Medicaid if they applied. Through the outreach effort required under Title XXI, the Division anticipates that about 40% of these uninsured children will enroll as new eligibles under Title XIX Medicaid. This 40% participation rate differs from the 80% participation rate assumed in the original Smart Start fiscal analysis. The 40% estimate is based on new information from recent outreach studies and also reflects delayed implementation of the Title XXI program. The model assumes that direct services to children who fall under 100% of FPL will be financed under the Medicaid program and the total costs for these services will be financed through the current Medicaid program at the Medicaid match rate of 40.2% GF and 59.8% FMAP. These costs are not depicted in this bill's fiscal notes as the costs do not directly relate to the proposed Title XXI-based program for uninsured children or the proposed Medicaid coverage limits for uninsured pregnant women.

ANALYSIS (cont.):

Note:
Costs per Child are based on FY97 date-of payment data. Costs exclude Indian Health Services, State Programs, API Disproportionate Share Facilities payments, and Medical Assistance Administration. The denominator is the number of eligible non-disabled children (52,154) as of June 1, 1997. The cost was then adjusted to reflect anticipated FY99 cost by multiplying times 1.06.

FORMULAS

"Uninsured" = "Estimated Uninsured by Federal Poverty Level" (Employee Benefits Research Institute) X Participation Rate (Children)

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The model shows no State General Fund expenditures for Native Children who access IHS-funded services. All funding for services to this estimated population are 100% federally reimbursed

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This part of the uninsured children population accesses medicaid services.

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For the population of children between 100% and 200% of FPL, the model uses a formula that first calculates the total marginal cost of covering the additional children in each FPL category, calculates the federal portion this amount by multiplying by the CHI FMAP rate [71.2%], and compares this result with the total Alaska CHI Allotment ($5,621,510). If the federal portion of the marginal need is less than the Allotment amount, then the CHI GF Match rate is used to calculate the State general fund needed to fund the marginal costs above above 99% FPL. If the federal portion of the marginal need is greater than the State's CHI Allotment, then the difference between Total amount and the sum of the Total amount for below 100% FPL and total CHI Funds. This difference is then multiplied by the Medicaid State GF match rate to determine the remaining GF needed.

"Federal" *Native Children*
IHS-funded services are 100% federally reimbursed.

Other Children

Uninsured Children below 100% of the Federal Poverty Level
The estimated Federal portion of covering non-native children up to 100% FPL is calculated using the Alaska Medicaid FMAP rate of 59.2%.

Uninsured Children between 100% & 200% of the Federal Poverty Level
Federal funds are calculated by subtracting the State GF amount for each FPL category from the Total amount.

"Total" = "Uninsured' X 'Cost per Child - 0-18' X 1.1 Administrative Cost Factor"

ANALYSIS (cont.):

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL

Family Income Above Current Medicaid Standards	Children 0-18	Pregnant Women	TOTAL	
Uninsured	4,092	781	4,873	
State GF	$ 2,063,301	$ 1,989,017	$ 4,052,318	
Federal	$ 6,704,732	$ 3,888,732	$10,593,464	
Total	$ 8,768,033	$ 5,877,749	$14,645,782	*1

Source of Funds Analysis

	GFM	FMAP	IHS	TOTALS	
Title XIX - Medicaid	$ 2,079,017	$ 3,048 786	$ -	$ 5,127,802	
Title XXI - Child Health Ins.	$ 1,973,301	$ 5,039,141	$ -	$ 7,012,443	
Title XIX - IHS	$ -	$ -	$ 2,505,537	$ 2,505,537	
Totals	$ 4,052,318	$ 8,087,927	$ 2,505,537	$14,645,782	*1
Administration					
Title XIX - Medicaid	$ 357,170	$ 357,170	$ -	$ 714,341	
Title XXI - Child Health Ins.	$ 219,698	$ 561,033	$ -	$ 780,730	
Title XIX - IHS	$ -	$ -	$ -	$ -	
Admin Totals	$ 576,868	$ 918,203	$ -	$ 1,495,071	*2
Program					
Title XIX - Medicaid	$ 1,721,846	$ 2,691,615	$ -	$ 4,413,461	
Title XXI - Child Health Ins.	$ 1,753,604	$ 4,478,108	$ -	$ 6,231,712	
Title XIX - IHS	$ -	$ -	$ 2,505,537	$ 2,505,537	
Program Totals	$ 3,475,450	$ 7,169,724	$ 2,505,537	$13,150,711	

Notes: *1 10% Administration is included in estimated total costs for children

*2. IHS fund is only available for direct program services.

The Division has assumed the following for calculation of the period FY00-04:
Alaska's Federal Medical Assistance Percentage (FMAP) will continue after FY2000 at the enhanced rate of 59.8% because Alaska's Congressional delegation will be effective at securing reauthorization due to enactment of this legislation. It is also assumed that the enhanced federal participation for the Title XXI funding will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year. This growth takes into account changes in the cost of medical services as well as changes in the utilization of medical services by both the clients and providers for the Child Health Initiative.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

FISCAL NOTE

5/10/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSHB396(FIN)am

evision Date:
Title: An Act relating to Medicaid coverage for certain eligible children and pregnant women;
Sponsor: Senate Rules by Request of the Governor
Requestor: Senate Finance

Dept. Affected: Health and Social Services
BRU: Medical Assistance
Component: Medicaid Non-Facility
COMPONENT SERIAL NO. 229
See also (SN#): 2260, 960,230

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	7,174.4	8,492.7	9,087.2	9,723.3	10,404.0	11,132.3
MISCELLANEOUS						
TOTAL OPERATING	7,174.4	8,492.7	9,087.2	9,723.3	10,404.0	11,132.3
CAPITAL EXPENDITURES						
CHANGES IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	4,832.1	5,756.7	6,159.7	6,590.9	7,052.3	7,546.0
1003 GF Match	2,342.4	2,735.9	2,927.5	3,132.4	3,351.7	3,586.3
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	7,174.4	8,492.7	9,087.2	9,723.3	10,404.0	11,132.3

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: $0.0

ANALYSIS: (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act which allows States to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low-income children without insurance and the geographic variations in health costs. Alaska's allocation is $5.6 million with a federal match rate of 71.86%. No more than 10% of the funding can be applied to administrative support and outreach. Incremental funding expanding the Medicaid program for children up to 200% of the federal poverty level and pregnant women is requested.

The direct services costs related to the "Smart Start" initiative were estimated using a model that estimates the funding needed to provide Medicaid coverage to all uninsured Children and Pregnant Women up to 200% of the Federal Poverty Level. The model is based on a number of assumptions pertaining to the size and composition of the uninsured

Prepared by: Randy Super
Division: Medical Assistance
Phone: 465-5833
Date: 05/07/98

5/7/98

Approved by Commissioner: Karen Perdue, Commissioner
Agency: Department of Health & Social Services
Date: 5/8/98

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ANALYSIS (cont.):

population in Alaska, the rates of anticipated participation in a medical insurance program by this population, and the costs associated with providing coverage for Medicaid services to these program participants. Specific assumptions used are:

Variables	Assumed Value
Costs per Participant Estimates:	
Cost per Child Age 0-18	$ 1,908
Cost per Pregnant Woman	$ 6,840
Childrens' Health Insurance Progam & Medicaid Matching Rates:	
Childrens Health Insurance - FMAP Rate	71.9%
Childrens Health Insurance - State GF Match Rate	28.1%
Medicaid FMAP	59.8%
Medicaid State GF Match Rate	40.2%
Children Health Insurance Program Funding:	
Childrens Health Insurance - Alaska Allotment (est)	$ 5,664,899
State Childrens Health Insurance Match	$ 2,218,345
Total Childrens Health Insurance Funds	$ 7,883,244
Native Children Participation and IHS Utilization:	
% of Eligible Children Below 200% of FPL Who are Native	35.6%
% of Native Children Who Use IHS Services	60.0%
Estimated Program Participation Rates:	
Participation Rate - All Children Year 1	67.8%
Participation Rate - All Children Year 2	80.1%
Participation Rate - Pregnant Women	86.8%
Estimated Number of Uninsured Children <200% or	6,036
Estimated Number of Uninsured Pregnant Women >133% and <200	900
Percent of Uninsured Pregnant Women Who are Native:	
% Native Uninsured Pregnant Women	26.4%

In addition to the specific assumptions, the model relies on the results of an analysis by Employee Benefits Research Institute (EBRI) which provided an estimate of the distribution of the uninsured Alaska population by Federal Poverty Level (FPL) and number of insured who fall into each FPL category. The results of that analysis are summarized below.

Employee Benefit Research Institute - 0 thru 18
Uninsured Children Estimate

Poverty Rate	Total
0-99%	5,553
100-149%	3,679
150-199%	2,357
200-249%	3,020
250-299%	2,597
300-349%	1,185
350-399%	1,529
400% & Up	3,571
Total Uninsured Alaskan Children	23,491

The funding model calculates the cumulative number of "Smart Start" participants based on the estimated number of children who fall into FPL categories between 0% and 199%. The total estimated number of uninsured children who fall below 200% of FPL is 11,589. An extimated 5,553 of the uninsured children are would be enrolled in the Medicaid

ANALYSIS (cont.):

program if they applied. The 6,036 balance of uninsured children are targeted under this proposal. This number is subsequently multiplied by the Participation Rate for All Children to yield an adjusted estimate of the children who would likely participate in the program in Year 1. This result is then multiplied by two factors, the "% of Eligible Children who are Native" and the "% of Native Children Using IHS" to estimate the total number of uninsured Native children who are anticipated to use the services of IHS providers under the program. A final calculation subtracts that number (uninsured Native children using IHS services) from the estimated total number of participating children to yield the number of children who would get services from non-IHS providers.

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Program

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HB 370

HOUSE COMMITTEE REPORT

(11)
Date Referred to Committee: January 30, 1998 **FURTHER REFERRALS:**

Date of Committee Action: 3/5/98

The FINANCE Committee considered: **HB 370**

HOUSE BILL NO. 370 **APPROPRIATION: 1997 FISHERY DISASTER**

"An Act making an appropriation for relief of the 1997 fishery disaster in Bristol Bay and on the Kuskokwim River; and providing for an effective date."

recommends it be replaced with the following committee substitute CSHB 370 (FIN) [ ] the same title [ ] a new title

[ ] additional referral to _____ Committee
[ ] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Dept/Date)

[ ] fiscal note(s) _____ [ ] fiscal note(s) _____

[ ] zero fiscal note(s) _____ [ ] zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Therriault			X	
	Martin			X	
	Kohring		X		
	J. Davis	X			
	Grussendorf	X			
	J Moses	X			
	G. Davis			X	✓
	Kelly			✓	
	Foster	X			

CO - CHAIR'S SIGNATURE _____ _____
Therriault Hanley

Adopted 3/14/98

0-LS1399\F
Utermohle
3/4/98

CS FOR HOUSE BILL NO. 370(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Funding Information:	**General Fund**	**$1,480,634**
	Other Funds	**7,394,366**
		$8,875,000

Sponsor(s): HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act making appropriations for relief of the 1997 economic disaster in Bristol Bay and on the Kuskokwim River; and providing for an effective date."

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

*** Section 1.** FINDINGS AND PURPOSE. (a) The legislature finds that the following communities were adversely affected by the 1997 economic disaster in the Bristol Bay and Kuskokwim River regions:

(1) Bristol Bay region: Aleknagik, Chignik, Chignik Lagoon, Chignik Point, Clarks Point, Dillingham, Egegik, Ekuk, Ekwok, Igiugig, Iliamna, Ivanof Bay, King Salmon, Kokhanok, Koliganek, Levelock, Manokotak, Naknek, New Stuyahok, Newhalen, Pedro Bay, Perryville, Pilot Point, Port Alsworth, Port Heiden, Portage Creek, South Naknek, Togiak, Twin Hills, and Ugashik;

(2) Kuskokwim River region: Akiachak, Akiak, Aniak, Atmautluak, Bethel, Chefornak, Chuathbaluk, Crooked Creek, Eek, Goodnews Bay, Kasigluk, Kipnuk, Kongiganak, Kwethluk, Kwigillingok, Lower Kalskag, Napakiak, Napaskiak, Nunapitchuk, Oscarville,

Quinhagak, Red Devil, Sleetmute, Stony River, Tuluksak, Tuntutuliak, and Upper Kalskag.

(b) The purpose of this Act is to appropriate federal money that is anticipated to be received under the disaster declaration portion of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1801 - 1883) applicable to the Bristol Bay and the Kuskokwim River regions.

*** Sec. 2.** The sum of $1,866,667 is appropriated to the disaster relief fund (AS 26.23.300) for loans to fishermen affected by the 1997 Bristol Bay and Kuskokwim River economic disaster from the following sources:

Commercial fishing revolving loan fund (AS 16.10.340)	$ 394,367
Federal receipts	1,472,300

*** Sec. 3.** The sum of $7,008,333 is appropriated to the Department of Community and Regional Affairs, division of municipal and regional assistance, for relief for the 1997 Bristol Bay and Kuskokwim River economic disaster from the following sources:

General fund	$1,480,634
Federal receipts	5,527,699

*** Sec. 4.** The appropriations made by this Act lapse June 30, 1999.

*** Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).

3/5/98

NO OBJ

AMENDMENT 1

By Rep. Moses

CS for House Bill 370 (FIN)

Page 1, line 7, remove "Chignik Point"

Insert "Chignik Lake"

Page 1, Line 9

Insert "Nondalton"

0-LS1399\B-I
Utermohle
2/25/98

CS FOR HOUSE BILL NO. 370( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Funding Information:	**General Fund**	**$1,875,000**
	Other Funds	**7,000,000**
		$8,875,000

Sponsor(s): HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act making an appropriation for relief of the 1997 economic disaster in Bristol Bay and on the Kuskokwim River; and providing for an effective date."

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

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(2) Kuskokwim River region: Akiachak, Akiak, Aniak, Atmautluak, Bethel, Chefornak, Chuathbaluk, Crooked Creek, Eek, Goodnews Bay, Kasigluk, Kipnuk, Kongiganak, Kwethluk, Kwigillingok, Lower Kalskag, Napakiak, Napaskiak, Nunapitchuk, Oscarville,

Quinhagak, Red Devil, Sleetmute, Stony River, Tuluksak, Tuntutuliak, and Upper Kalskag.

(b) The purpose of this Act is to appropriate federal money that is anticipated to be received under the disaster declaration portion of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1801 - 1883) applicable to the Bristol Bay and the Kuskokwim River regions.

* **Sec. 2.** The sum of $8,875,000 is appropriated to the Department of Community and Regional Affairs, division of municipal and regional assistance, for relief for the 1997 Bristol Bay and Kuskokwim River economic disaster from the following sources:

General Fund	$1,875,000
Federal receipts	7,000,000

* **Sec. 3.** The appropriation made by this Act lapses June 30, 1999.

* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

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Date 8/11 — # of pages ▶ 7

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

August 11, 1997

The Honorable William M. Daley
Secretary of Commerce
U.S. Department of Commerce
14th Street and Constitution Avenue, NW
Washington, DC 20230

Dear Mr. Secretary:

Fishers and communities in the Bristol Bay and Kuskokwim River regions are experiencing severe economic hardship because of this year's record low runs and catches of sockeye and chum salmon. This problem is exacerbated by current low market prices for salmon. It is my belief these factors have created an economic disaster of a magnitude that warrants federal assistance. Accordingly, I have declared an economic disaster (declaration enclosed) for these regions and have committed the resources of the state in a comprehensive response. To further the assistance we are able to provide, I am formally requesting you declare a fishery resource disaster pursuant to Section 312 of the Magnuson-Stevens Fishery Conservation and Management Act (as amended through October 11, 1996), and provide such assistance as is within your power to assist the affected fishers, communities, small business owners, and employees of those businesses.

Support for my request for a disaster declaration is provided below in a summary format; additional detail will be provided as it may be needed to further substantiate current and anticipated effects. Because Section 312 of the Act is a new provision, this request is a first opportunity to implement the fishery resource disaster assistance provided for under the section. The legislative history behind Section 312 would appear to indicate that our situation is precisely the sort of fisheries disaster that was anticipated. Thus my request seems highly germane to the purpose for which the amendment was designed.

The Fisheries Situation

The 1997 sockeye salmon runs to Bristol Bay and chum salmon runs to the Kuskokwim River were dramatically lower than expected. In Bristol Bay, the commercial harvest of approximately 12 million sockeye salmon was about half of the anticipated harvest and the lowest harvest since the 1978 season. In fact, the combined price and catch in Bristol Bay this year is just 25 percent of the five-year average from 1992 to 1996. In the Kuskokwim River, where chum salmon is the primary commercial fishery, the chum salmon run was among the lowest ever recorded in the region and commercial fishing for chum salmon was closed after only one opening. The harvest of less than 14,000 chum salmon produced a total of only about $19,000 of cash income for Kuskokwim River residents. This amounts to an

average of less than $55 per fishing family. The combination of low prices and weak runs has had a devastating impact on the residents of the Bristol Bay and Kuskokwim River regions. The poor salmon season follows a very poor herring season for residents of these areas.

The Socio-Economic Situation

The harvest value of the Bristol Bay fishery this year is calculated at 25 percent of the past five-year average--*an expected loss of $135 million in the gross earnings of permit holders*. This represents a current year loss of income to fishermen of approximately 75 percent.

1,731 Alaska permit holders fishing in Bristol Bay are anticipated to lose $80.3 million in income; 990 of these are resident Bristol Bay fishermen, who will lose $32.8 million.

Bristol Bay cities and boroughs are anticipated to lose $4.6 million in locally-generated tax revenues and an additional $3.9 million in State Shared Fish Business taxes.

40 percent of the direct employment in the Bristol Bay region is in fisheries, not including indirect and support industries such as transportation, fabrication and repair, retail, services, and the public sector. The loss of income occurring in the region will severely affect the majority of households.

Assistance for Individuals, Families, and Communities

The state is already engaged in a comprehensive effort to provide assistance and services to affected residents of the region. State efforts to date have included the following activities:

- Governor Knowles declared an economic disaster for Bristol Bay on July 18 and set up the Coordinated Response Partnership (CRP) with Commissioner Mike Irwin of the Alaska Department of Community and Regional Affairs (DCRA) as the cabinet lead.
- Commissioner Irwin appointed DCRA staffer Jim Sanders to coordinate the CRP activities, directed Bethel and Dillingham staff (two positions) to act as local CRP liaisons, and mobilized Juneau staff for additional assistance.
- Commissioner Irwin conducted public meetings in Dillingham, Naknek, and Bethel to gather information on the impacts of the fishing disaster on local residents, communities, and fishers.
- As a result of the public meetings, the CRP agencies, which can respond to the immediate needs of the regions, have been identified. On July 23 the CRP team was identified and the first meeting was held (two additional meetings have been since held). The CRP consists of representatives from:

Alaska Department of Health and Social Services,
Division of Public Assistance
Alaska Department of Commerce and Economic Development,
Division of Investments
Internal Revenue Service (IRS)
Alaska Department of Labor
DCRA, Division Of Energy
DCRA, Municipal and Regional Assistance Division
DCRA, Job Training Partnership Act, Rapid Response Team

- The Alaska Department of Labor's, Rapid Response Team attended the Dillingham/ Bristol Bay Economic Development Council's Job Fair held on July 30.
- The CRP developed an Information Sheet (July 29) for Bristol Bay fishermen and communities. The information sheet includes a description of the programs that can assist with essential issues (food, fuel, power costs, jobs, and fishing related debts), agency travel schedules are provided, and contact phone numbers for assistance are listed.
- In coordination with state agency efforts, the IRS will be traveling to all Bristol Bay communities to assist with payment problems.
- The Division of Investments will be traveling to eight of the largest Bristol Bay communities, Petersburg, and Homer to work with fishermen on loan repayments.
- The Division of Public Assistance will be traveling to most of the Bristol Bay communities to provide assistance with food stamps, Energy Assistance Grants, and Low Income Housing Energy Assistance Program block grants.
- The Job Training Partnership Act (JTPA) Rapid Response identified resources to place temporary staff in Dillingham and Naknek. There will be two planning positions to help communities identify the affects of the disaster on local economies and to develop local mitigation plans. A JTPA in-take worker will be in place in Dillingham to assist residents with training and relocation needs.
- The Department of Health and Social Services allowed two parent welfare recipient families to receive the full amount of assistance for summer months (normally reduced to half in summer).
- The CRP coordinator and regional liaisons identified and set up local CRP participants. The Bristol Bay CRP and the Kuskokwim CRP will be charged with developing a strategic plan for assisting with the short- and long-term impacts of the fishing disaster. These plans will become guides for the mobilization and coordination of state and federal resources responding to the disaster.

Our response thus far, as well as our request for assistance to you, is based on firsthand knowledge of the situation from several fact-finding trips to the region and extensive interaction with local residents. The crisis for individuals, families, and communities results directly from loss of income and the subsequent difficulties in satisfying basic obligations

such as fishing vessel loans; mortgage payments; winter purchases for fuel and food supplies; utilities; and recovery of costs for boat fuel, nets, and insurance. Many families and individuals relied on anticipated fisheries earnings this year to satisfy prior debt for basics such as food and fuel, and now face the fall and winter season in a precarious financial condition. While it is an estimate only, and will no doubt increase along with our increasing knowledge of the situation, the assistance we seek will equal at least $10 million. This is only a fraction of the $80 million we anticipate in lost income to Alaska fishers, and would, together with state assistance, provide an effective immediate and near-term response. We are working closely with the Alaska delegation in this regard, but recognize at the same time that assistance from new and/or existing funds within the U.S. Department of Commerce will be crucial in developing a comprehensive and well-organized response.

A variety of federal programs will be needed in order to respond effectively to the impacts resulting from the dramatic economic losses suffered by fishers and others. Some of these programs fall directly under your authority in agencies such as the Small Business Administration and the Economic Development Administration. Other programs fall outside of your direct purview, but appear to be highly relevant and could constitute part of the core of the federal assistance effort. These include programs typically offered under a Stafford Act designation such as Disaster Unemployment Insurance; the Individual and Family Grant Program; the Community Disaster Loan Program; and Economic Injury Disaster Loans. Where these programs, and others like them, fall outside your jurisdiction, there may be a valuable role your office can play in coordinating the involvement of other federal agencies and bringing their programs and resources into play. A model for accomplishing this, based on our experience with the state's CRP and the establishment of a federal Community [illegible] for Southeast Alaska towns hit hard by mill closures, is more fully explained below.

Organization of the Response

The idea of the CRP was developed in response to pulp and sawmill closures in Southeast Alaska. The CRP provides a format for responding to economic distress that is both organized, accessible to residents, and responsive to local conditions. In Southeast Alaska, for example, the CRP was used in responding to mill closures and significant employment loss in Wrangell, Sitka, Ketchikan, and Prince of Wales Island. In fact, the Southeast Alaska effort has expanded in scope to include the recent authorization by the U.S. Department of Agriculture to establish a federal CERT, like those established in the Pacific Northwest, to oversee and coordinate all public agency assistance to stricken communities in the Southeast Alaska region. Commissioner Irwin will be designing and administering a response that brings state and federal agencies, and local partners, together to promote efficiency and expediency in the delivery of both immediate and longer-term assistance. While I am not at this juncture

proposing the formal designation of a CERT for these regions, I believe the CERT, like the CRP, provides an excellent model for designing an organized, efficient response. In essence, you and Commissioner Irwin would act as cochairs for the agencies in your respective branches of government, and work together to ensure the smooth delivery of services into the region. Organizing a response along these lines will provide a forum for regular meetings, for sharing information, resources and ideas, for involving local residents and organizations, and it will involve a discrete group of individuals with a common identity based on Bristol Bay and Kuskokwim River recovery efforts.

Thank you for your careful consideration of our request. I will forward any additional information you may require.

Sincerely,

Tony Knowles
Governor

Enclosure

cc. The Honorable Ted Stevens
The Honorable Frank Murkowski
The Honorable Don Young

Alaska State Legislature

Official Business

State Capitol

Juneau, Alaska 99801-1182

HOUSE COMMITTEE ON COMMUNITY AND REGIONAL AFFAIRS

SPONSOR STATEMENT-HOUSE BILL 370

House Bill 370 appropriates $2.3 million in general funds as a match for the $7 million in Magnuson-Stevens federal funds. These state and federal funds will provide for programs designed to assist communities and fishermen in the Kuskokwim and Bristol Bay regions that were declared economic disaster areas by the administration. This declaration was issued in response to the poor fishing returns that occurred in both areas.

The total amount of the state share is $2.3 million. However, with in kind contributions by the communities and the Department of Community and Regional Affairs, the amount actually needed for the state's share is $1.875 million.

The allocation within the regions is based on input from the Coordinated Response Partnership teams from both areas.

The following programs will be funded from this appropriation:

- Community Grant Program for projects that are of direct or indirect benefit to the fisheries, that sustain the economic viability of communities, help diversify the economy or assess the economic or social effects of the commercial fisheries failure. These grants will provide jobs to fishers, benefiting them as well as communities affected by the disaster.

- Loan program to Bristol Bay, Chignik and Kuskokwim permit holders that are in financial crisis. This program will be administered by the Division of Investments for DCRA. This program is based on need and should be used to pay past or future expenses. At least 51% of earned family income must be derived from commercial fishing in one of the above mentioned fisheries.