

**ALASKA LEGISLATURE**

**2673**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

Johnson and Chief of Quality Assurance Tony Barter's extensive research which included a visit to a test center in Finland, has made little to no effort to implement policy that would have dramatically reduced stud related road wear. Mr. Barter was able to substantiate and verify the accurate and unbiased research conducted in Europe.

We know that at some point, possible fiscal 1996-1997, DOT encouraged enactment of a state law that would have mandated the use of lighter studs. For reasons never explained to me the legislation did not succeed and the state lost an early opportunity to prevent 50% of the road wear caused by studs. During this time Johnson's Tire Service encouraged the passage of legislation that would have required the use of the lightweight environmental stud.

DOT, expressed their opinion to us during this time that they could already see a decrease in stud related road wear thanks to the studs we were using and the volume of tires we sold. They also applauded our voluntary efforts and our commitment in using the new technology that provided tremendous benefits.

At some point during this process and because of the state's unwillingness to act on this proven technology, I must say that I considered relenting on my position and going back to heavier studs. From a purely business sense, it didn't seem prudent to expend the extra money for studs that caused so much less damage when the state, knowing full well the benefit of the lighter studs chose to take no action.

I believe I made the right decision to stay my course knowing full well the benefit the studs we install have continued to provide in less road damage for these nine years.

It is my firm belief that decisions makers may be receiving less than forthright information concerning non-studded winter tire technology, specifically non-studded siped or friction tires are said to provide the same level of traction as studded tires. This is totally erroneous and we are prepared to bring tire engineers to Alaska who are unbiased and would provide factual information about the myth of these statements.

Some officials appear to be making inaccurate statements and spreading misguided information that the majority of road wear is caused by studded tires. Studs do cause some damage, but not to the extent represented by some parties. However, the environmental technology studs cause 50% less damage than the antiquated heavier studs.

All tires cause road wear, small tires, large tires, studded tires and non-studded tires. Once again we are prepared to bring, at our expense, professionals and engineers from VTI back to Alaska to address these issues once again so there can be no questions and to deal with the erroneous information being propagated concerning studs, studded tires, road wear and road conditions.

The legislation being considered, as a revenue generator, has no positive effects whatsoever. This is the first step to discourage or possibly ban studs altogether. If passed, some people who can easily afford it will shrug and pay the fee. Others less fortunate who cannot afford the extra \$40.00 may not purchase studded tires and put they or their loved ones in harms way.

Injuries, possible loss of life and property damage will go up with the discouragement and/or banning of studded tires. In order to provide traction for those who can't afford or won't pay this TAX, the state will have to use more sand, gravel and chemicals that will decrease air quality and create other potential side effects. This will also significantly increase cleanup costs each year.

There is also a serious negative potential to tire businesses. The smaller dealers will quite possibly experience severe hardship in trying to sell studded tires and seasonal changeovers. Less people using studs means less studs to install and taken off during those seasons. I see the potential of smaller tire businesses going out of business. Less business, even for the bigger tire dealerships, means less employees will be needed during those normally busy times in the spring and fall when studs are taken off and put on, causing an increase in unemployment.

At best this legislation, if passed, will encourage consumers not to purchase winter studded tires putting them at risk. There are environmental issues that need to be addressed. Injuries to Alaskans, possible loss of life and damage to property will increase with the additional effect of raising insurance rates. This legislation will cause undue harm to business.

If there is to be a tax to raise revenue, let us be reasonable and fair. If the state needs money tax every tire sold in the state and start it immediately. Place a tax of \$2.50 on every passenger car and light truck tire sold and a somewhat higher tax on every medium truck or commercial truck tire sold. The effect of such a tax would be fairer and actually generate more revenue than the proposed legislation. It would also not endanger anyone and would not single out any one group to be taxed.

If this user fee is enacted as written, Johnson's Tire Service would have no motivation or incentive in using the environmental technology studs. We would have little recourse but to start using heavier studs again. We have done our best to be a good citizen for nine years in the hope that the state and our fellow tire dealers would follow our lead. So far that has not been the case. If this legislation is enacted, the potential for significant additional road wear caused by studs will increase due to the large volume of tires we sell.

I cannot tell you how passionate I am on this very important consumer and safety issue. I encourage you in the strongest possible terms to prevent the flawed legislation from becoming law.

I thank you for your time and consideration in the very important matter. I am at your disposal for discussion and further input. I can be reached in Anchorage at 907-562-7090.

Respectfully,

**Jim Johnson, President  
Johnson's Tire Service**

**PROTECT OUR ROADS  
AND BE SAFE!**

**ICE GRIP STUDS**  
***ULTRA PREMIUM***

*J.T.S. Exclusive*

**"Street Smart"<sup>TM</sup>**



***Environment  
Friendly  
Technology***



- ✓ ***Decreases road wear by 50%.***
- ✓ ***Ranked #1 in Braking and Traction.***
- ✓ ***Outperforms all Ice Grip Studs in Alaska!***
- ✓ ***Recommended & Approved by Alaska's D.O.T.***

# STATE OF ALASKA

Tony Knowles, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

SOUTHEAST REGION

6860 Glacier Highway

Juneau, Alaska 99801-7999

PHONE: 465-4481

February 2, 1995

Re: Tire Studs  
Wear Resistance  
Finland Report

Jim Johnson  
Johnson Tire Center  
3330 Denali  
Anchorage, AK 99503

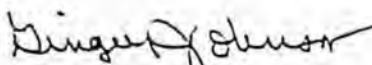
  
Dear Mr. Johnson:

As you are aware, our Department has been promoting the use of lightweight tire studs as an excellent way of reducing the rate of pavement wear on our highways. Studded tires were developed in Finland and all Scandinavian countries now require the use of lightweight tire studs to cut pavement wear.

We in the Department of Transportation are aware of the concerns of some tire dealers that lightweight aluminum bodied studs may wear more rapidly than the conventional steel bodied tire studs. For that reason, we have arranged the translation from Finnish to English of a recent article and test report on the rates of wear of both aluminum and steel bodied tire studs during 30,000 miles (50,000 kilometers) of tire use and wear. The results demonstrate that the best of the aluminum bodied studs continued to perform better than steel bodied studs over time and miles of use. A copy of the report is attached for your information and for sharing with your customers.

If you have any questions or comments, please do not hesitate to call me at 465-4481, or call our Research Office at 465-6956.

Sincerely,

  
Ginger Johnson  
Project Manager



**STATE OF ALASKA**  
DEPARTMENT OF TRANSPORTATION  
AND PUBLIC FACILITIES

Tony Knowles, Governor

CENTRAL REGION - DIVISION OF CONSTRUCTION AND OPERATIONS  
HIGHWAY CONSTRUCTION

P.O. Box 196900  
Anchorage, Alaska 99519-6900  
(907) 269-0450  
Fax (907) 243-5092

August 19, 1999

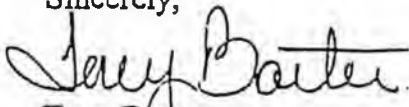
Jim Johnson  
Johnson's Tire Service  
3330 Denali Street  
Anchorage, Alaska 99503

Dear Mr. Johnson,

Thank you for your letter of August 6, 1999. I have reviewed your request to restate the departments desire to minimize pavement wear along the highway system. As you have indicated, this can be accomplished by better engineered pavements and the use of lightweight studs or environmentally friendly studs. Our mutual goal of reducing maintenance costs and providing safety for the traveling public can best be accomplished by the continued effort of the tire dealerships in distributing lightweight studs. Therefore, the ADOT approves of any tire dealership to use the following quote: "The Department of Transportation Approves and Recommends the use of Environmentally Friendly Studs."

Thank you for your continued efforts in supporting the department's goal of legislating towards lightweight studs.

Sincerely,

  
Tony Barter  
Chief, Quality Assurance

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

## DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

5800 E. TUDOR ROAD  
ANCHORAGE, ALASKA 99507-1225  
(FAX 269-6731) (507) 269-6230

### ENGINEERING DIVISION

August 22, 1997

Jim Johnson  
Johnson's Tire Service  
3330 Denali Street  
Anchorage, Alaska 99503

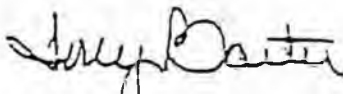
Dear Mr. Johnson,

I am forwarding a copy of the legislation which was introduced during the 1996-1997 legislative session in regards to regulating the weight of studs. Please note there were a number of errors as originally proposed and as such I have included recommendations for amendments.

I must compliment you on your devotion to market "Environmentally Friendly Studs". Historically we have identified these as lightweight studs. Your efforts to supply the market with this new technology has greatly assisted the public in reducing road wear from the abrasive action of studded tires. Controlled studies from the Scandinavian countries would suggest the continued use of environmentally friendly studs can reduce pavement wear by as much as 50%. Random review of pavement wear rates in the Anchorage area suggest a reduction of rutting. This can be contributed to a higher usage of lighter weight studs and a change in the mix design policy by the Department of Transportation.

I would encourage you to continue your efforts to market the "Environmentally Friendly Technology" as we form a partnership in solving this problem. If I can assist you further please give me a call.

Sincerely,



Tony Barter, P.E.  
State Materials Engineer

# The Legality of Studded Snow Tires

## Return to Winter Tire Info

STATE / PROVINCE	PERMISSABLE DATES	STATE / PROVINCE	PERMISSABLE DATES	STATE / PROVINCE	PERMISSABLE DATES
ALABAMA	ALL YR RUBBER ONLY	ALASKA	SEPT 30 - APR 15	ARIZONA	OCT 1 - MAY 1
ARKANSAS	NOV 15 - APR 15	CALIFORNIA	NOV 1 - APR 1	COLORADO	NO RESTRICTIONS
CONNECTICUT	NOV 15 - APR 30	DELAWARE	OCT 15 - APR 15	D.C.	OCT 15 - APR 15
FLORIDA	ALL YR	GEORGIA	ONLY SNOW & ICE	HAWAII	PROHIBITED
IDAHO	OCT 1 - APR 15	ILLINOIS	PROHIBITED	INDIANA	OCT 1 - MAY 1
IOWA	NOV 1 - APR 1	KANSAS	NOV 1 - APR 15	KENTUCKY	NO RESTRICTIONS
LOUISIANA	PROHIBITED	MAINE	OCT 2 - APR 30	MARYLAND	NOV 1 - MAR 31 WESTERN COUNTIES
MASSACHUSETTS	NOV 2 - APR 30	MICHIGAN	SOFT STUDS NOV 15 - APR 1	MINNESOTA	PROHIBITED
MISSISSIPPI	PROHIBITED	MISSOURI	NOV 1 - MAR 31	MONTANA	OCT 1 - MAY 31
NEBRASKA	NOV 1 - APR 1	NEVADA	OCT 1 - APR 30	NEW HAMPSHIRE	NO RESTRICTIONS
NEW JERSEY	NOV 15 - APR 1	NEW MEXICO	NO RESTRICTIONS	NEW YORK	OCT 16 - APR 30
NORTH CAROLINA	NO RESTRICTIONS	NORTH DAKOTA	OCT 15 - APR 30	OHIO	NOV 1 - APR 15
OKLAHOMA	NOV 1 - APR 1	OREGON	OCT 25 - APR 30	PENNSYLVANIA	NOV 1 - APR 15
RHODE ISLAND	NOV 15 - APR 1	SOUTH CAROLINA	ALL YR. 1/16	SOUTH DAKOTA	OCT 1 APR 30
TENNESSEE	OCT 1 - APR 30	TEXAS	ALL YR.	UTAH	OCT 15 - MAR 31
VERMONT	NO RESTRICTIONS	VIRGINIA	OCT 15 - APR 15	WASHINGTON	NOV 1 - APR 1
WEST VIRGINIA	NOV 1 - APR 15	WISCONSIN	PROHIBITED	WYOMING	NO RESTRICTIONS
ALBERTA	NO RESTRICTIONS	BRITISH COLUMBIA	OCT 1 - APR 30	MANITOBA	OCT 1 - APR 30
NEW BRUNSWICK	OCT 16 - APR 30	NEWFOUNDLAND	NOV 1 - APR 30	N.W. TERRITORIES	NO RESTRICTIONS
NOVA SCOTIA	OCT 15 - APR 30	ONTARIO	PROHIBITED	P.E.I.	OCT 1 - MAY 31
QUEBEC	OCT 1 - MAY 1 2300KG OR LESS	SASKATCHEWAN	NO RESTRICTIONS	YUKON TERRITORY	NO RESTRICTIONS

# SERVICE BULLETIN

Service Bulletin #96  
August 8, 1997

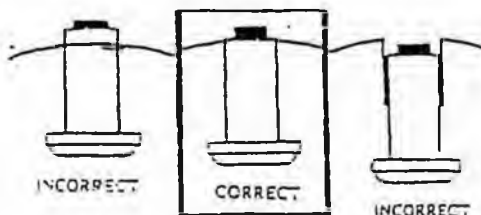
To: All Customers

## PROPER TIRE STUD INSTALLATION PASSENGER AND LIGHT TRUCK MUD & SNOW TIRES

For satisfactory stud performance in tires, follow the instructions below:

- Make sure the correct size stud is selected. Refer to the tire product manual and/or tire label for this information.
- Apply only water or tire lubricant to the stud hole and/or studding tool for easier stud installation and proper stud seating. Absolutely NO PETROLEUM BASED LUBRICANTS should be used.
- Install stud so it is perpendicular to the hole. Studs installed at an angle greater than 10 degrees will not seat properly into the tire and may cause premature stud failure or ejection. Providing proper support to the inside of the tire while studding is essential to ensure vertical stud installation.
- All new studded tires require a break-in period. Advise the consumer to drive carefully during the first 50 to 100 miles and avoid hard acceleration, braking, and cornering in order to allow for proper stud seating.

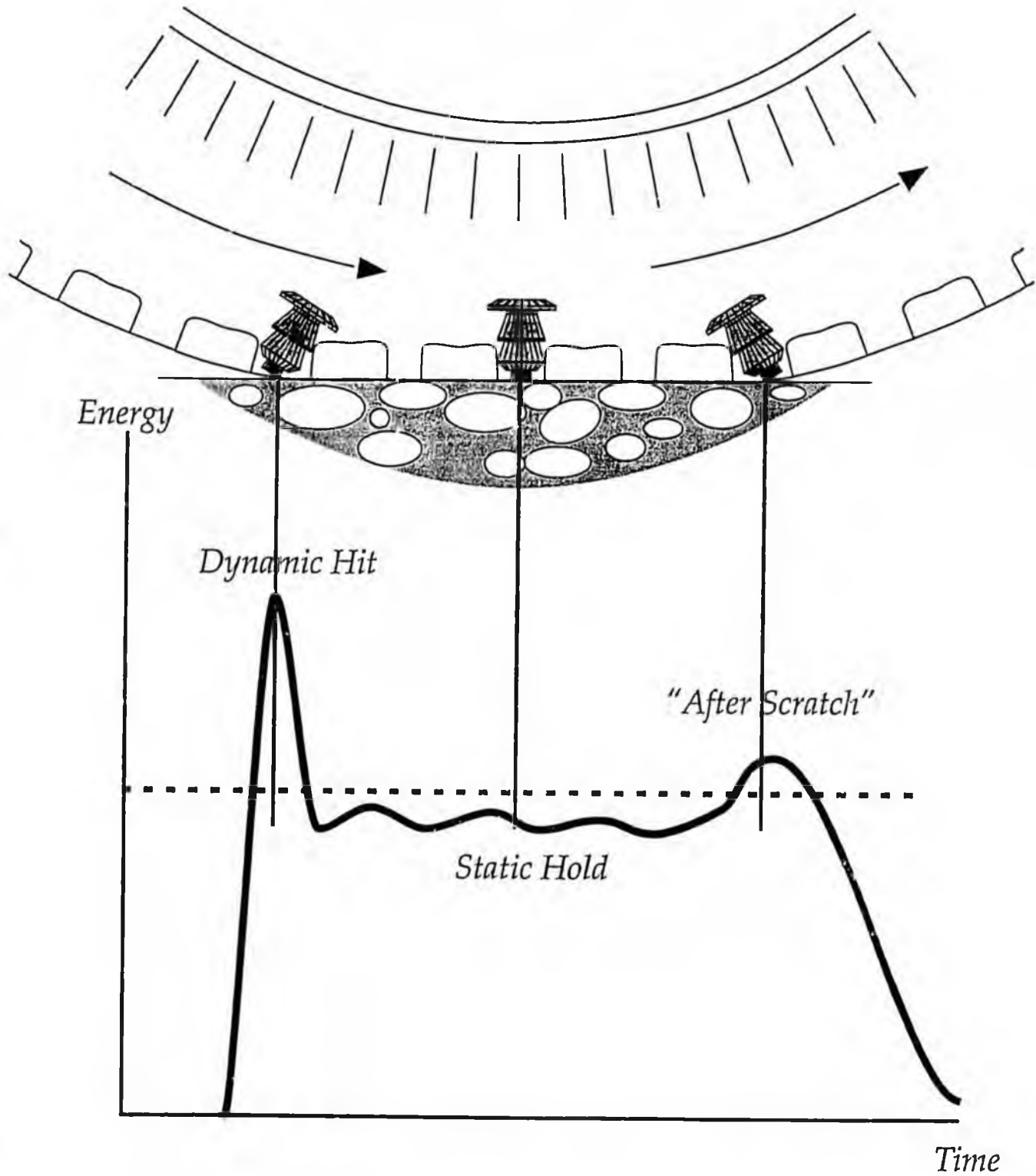
A properly installed stud should appear to be nearly flush with the tire surface as illustrated below. Only the pin tip should protrude (1/32" to 2/32") above the surface.



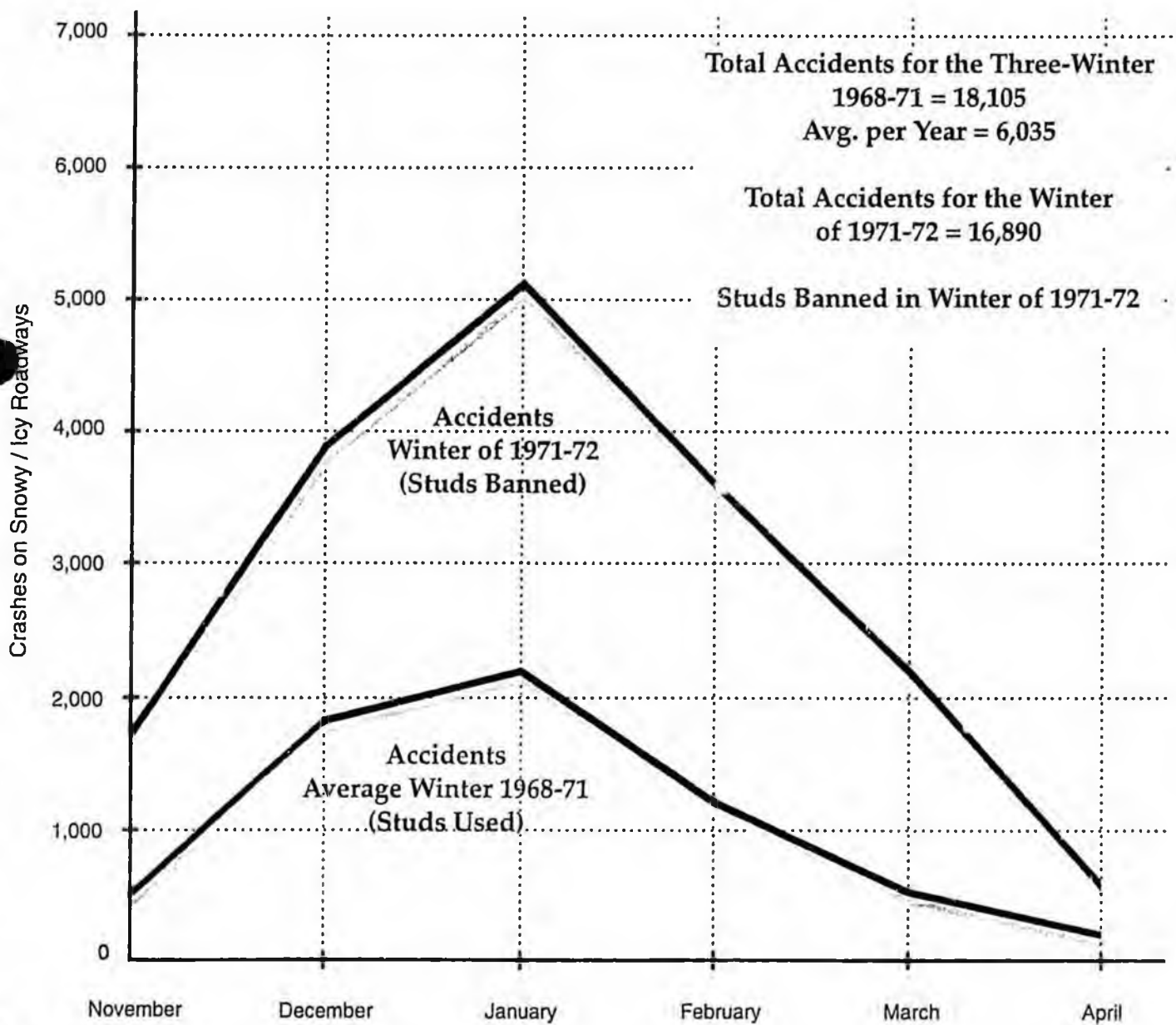
Always follow all safety instructions and equipment operating directions provided by the manufacturers of the studs and stud-installation equipment.

If you wholesale tires produced by Cooper to other dealers (sub-dealers) or have branch stores, each should receive a copy of this Service Bulletin. Please advise Cooper or your supplier of the number of Service Bulletins that are needed for these locations and we will provide them at no charge. You may order this Service Bulletin through the Consumer Relations Department, Cooper Tire & Rubber Company, Findlay, Ohio 45840.

# Kinetic Forces of Studs on Pavement



# Accidents on Snowy/Icy Minnesota Roadways for the Three-Winters of 1968-71 and the Winter of 1971-72



# The Goodyear Tire & Rubber Company

October 22, 1990

Enoch Turner  
Region Manager, Commercial Products  
Seattle 18400

SUBJECT: Tire Studding

We received an inquiry from Alaska regarding localized drilling of holes in order to insert studs for improved ice traction. We did some investigation and while we are unable to locate any specific product service bulletins on the subject, we were able to secure some information which may be of help to you in answering the inquiry.

The size and depth of the stud holes as well as their location is very important to the effectiveness of the studding and the durability of both the studs and the tire. Arbitrary and uncontrolled drilling of holes cannot be condoned by Goodyear. Stud retention is questionable and damage to the belts is possible.

The following is a quote from the Tire Industry Safety Council brochure titled Studded Tire Safety and Maintenance Guide:

"Studs should be installed only in tires designed for studding which have the proper hole location and size molded into the tire tread during the manufacturing process. Tires should be studded only when they are new, before they have been run on the road. Once tires have been used, dirt and frozen matter work their way into stud holes and can result in improper seating of the studs. Also, as tires wear down with use, the depth of the stud holes also decreases, resulting in excess stud protrusion if studs are added later."

We also followed up with the Rubber Manufacturers Association (RMA) and they concur that the above is also RMA's policy.

We hope we have been able to answer the inquiry to your satisfaction.



Product Manager  
Broad Market Passenger Tires

E D Macdonald  
kja/8/21/1



YOKOHAMA TIRE CORPORATION  
CORPORATE OFFICE  
P.O. BOX 4550  
FULLERTON, CA 92834-4550  
PHONE: (714) 870-3800 (800) 423-4544

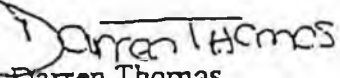
September 20, 2000

Del-Nat Tire  
Mr. Bob Gardner  
2365 Texas Drive  
Memphis TN 38106

Dear Mr. Gardner:

The Yokohama Tire Corporation does not recommend or condone the application of studs and/or stud hole drilling of any non-studdable product. As studdable products are designed and engineered to accept the use of specifically sized stud pins we do not endorse the use of studs on non-studdable products or the use of incorrect studs on studdable products.

Sincerely,

  
Darren Thomas  
Manager, Product Planning

cc: M. Mock  
R. Brennan



**COOPER TIRE**  
NORTH AMERICAN TIRE DIVISION

**COOPER TIRE & RUBBER COMPANY**  
701 LIMA AVE. FINDLAY, OH 45340-2315 (419) 423-1321 WWW.COOPERTIRE.COM

September 19, 2000

Mr. Bob Gardner  
Del-Nat Tire Corporation  
2365 Texas Drive  
Memphis, TN 38106

Dear Bob:

Per our conversation, any modification to a Cooper produced product outside of the original manufacturing process is strongly discouraged. Any modification such as drilling additional stud holes, adding additional siping, etc., will void any Cooper warranty, especially for failures that are directly or indirectly a result of such modifications. Additionally, these types of modifications can alter the handling and performance capabilities of the tire.

Any Cooper produced tire that has been modified will not be considered for credit and any property damage claims resulting from a modified tire will be the responsibility of the party making said modifications.

If you have any questions concerning this policy, please feel free to give me a call.

Sincerely,

A handwritten signature in black ink that reads "Steven L. Ketterman". The signature is written in a cursive style with a long horizontal flourish at the end.

Steven L. Ketterman  
Account Manager

SLK/lc  
N:\M\CHATEL\STEVE\DELNAT\prc\mod.doc

cc: S. F. Cramer  
W. R. Hansen



**nokian  
TYRES**

September 19, 2000

Mr. J. Johnson  
Johnson's Tire Service  
33<sup>rd</sup> & Deanli  
Anchorage, Alaska

Dear Jim,

This letter will confirm our recent discussion regarding the drilling of studs.

Nokian Tyres, Inc. does not recommend the drilling of tires for stud application. The size, depth and location of the studhole are critical to the effectiveness, and durability of the stud and the safety of the tire.

Nokian Tyres, Inc.'s policy is to prohibit this practice and state that the drilling of any Nokian tire for studs is an alteration of that tire and therefore voids our warranty.

Best Regards,

A handwritten signature in cursive script that reads "B.J. Del Duca".

B.J. Del Duca  
Nokian Tyres, Inc.

Cc: Bill Clendening

**NOKIAN TYRES, INC.**

339 Mason Road  
LaVergne, Tennessee 37086

Tel:  
(615) 287-0600

Fax:  
(615) 287-0610

Toll Free  
1-800-565-2525

[www.nokiantyres.com](http://www.nokiantyres.com)



Johnson's Tire Service  
3330 Denali Street  
Anchorage, AK 99503

September 25, 2000

Dear Mr. Johnson,

This letter is in response to your questions regarding the issue of re-studding winter tires. It appears that there is confusion regarding recommended practices relative to re-studding or studding worn tires as a result of articles on the subject in Anchorage newspapers. This document outlines Cooper Tire's technical position on the issue.

*From a technical standpoint we do not recommend or endorse the re-studding of winter tires or studding of partially worn tires under any circumstances.* Tire studs should only be installed in new tires with molded stud holes specifically designed for accepting tire studs.

Reasons to support this statement will be discussed in more detail below.

Winter tires are molded to accept studs of specific dimensions based on new tire non-skid depth. Winter tires are also molded such that there is a solid base of rubber in the area surrounding the stud to provide the stud with a proper foundation. The correct stud for a tire is listed in Cooper Tire's product literature for each size. Winter tires designated for use with studs should be studded, if desired, when new.

Installation of the incorrect tire stud, re-studding a worn tire, or deepening stud holes in worn tires, through drilling, could lead to loss of studs and/or stud penetration of the steel belts and inner liner. This could allow passage of water into the steel belts, corrosion, and even tire deflation.

Attached is a Service Bulletin from Cooper Tire that further discusses the procedures recommended for optimal performance of studded winter tires. If you have further questions please don't hesitate to call.

*D. L. Moyers*

Passenger Tire Development Engineer  
Cooper Tire & Rubber Company  
701 Lima Avenue  
Findlay, OH 45840  
(419) 423-1321



**MICHELIN®**

MICHELIN NORTH AMERICA  
Post Office Box 19001  
Greenville, South Carolina 29602-9001  
Tel: (803) 458-5000

24 September '996

To Whom It May Concern:

The practice of drilling of tires for ice stud application is not recommended on any MAST produced tire. The principal reason for this is the stud holes are molded into the tire during manufacture to a prescribed design in length, contour, diameter, and location to insure satisfactory consumer performance. A tire dealer cannot be expected to be knowledgeable on all of the design/performance requirements when drilling a tire for studs.

Based on the above explanation, any tire that is drilled for studs invalidates the tire warranty associated with that product.

R. M. Merzadonna

A large, stylized handwritten signature in black ink, appearing to read 'R. M. Merzadonna'.

Technical Marketing Manager

The Uniroyal Goodrich Tire Company  
600 South Main Street  
Akron, Ohio 44397-0001

Office of Consumer  
Relations

November 4, 1991

Better Business Bureau of Alaska, Inc.  
4011 Arctic Boulevard, Suite 206  
Anchorage, AK 99503

Attention Mr. Raymond H. Holmsen

Dear Mr. Holmsen:

This is in reference to your letter of September 27 which was addressed to Mr. D. Schaub, President and COO of the Uniroyal Goodrich Tire Company. Your letter referred to the drilling of tires for the installation of studs to improve ice traction. I had telephoned you on October 15 to let you know that we would respond to you as soon as we received technical viewpoint from our R&D. We now have their answer and, therefore, I am writing to you.

The Uniroyal Goodrich Tire Company does not recommend the practice of drilling tires for stud application. Stud holes are molded into a tire during manufacturing by carefully designing the length, contour, diameter and location of the stud pins in the mold to ensure satisfactory product performance. A dealer obviously cannot be knowledgeable on all of the design/performance requirements when drilling a tire for studs.

Furthermore, drilling a Uniroyal Goodrich tire for studs is an alteration of that tire and voids our warranty. I have enclosed a copy of the Uniroyal Goodrich warranty and highlighted the exclusion referring to alterations.

If we can be of further service in this or any other UGTC tire related matter, please let us know.

Yours very truly,



S. A. Colton

MAS:CONSULTER.ME

enclosure

cc: L. Baker - BFG, Anchorage  
K. C. Baranwal  
J. Johnson - Johnson's Tire Service, Anchorage  
P. Honoré  
R. Zurawski

THE UNIROYAL GOODRICH TIRE COMPANY  
600 South Main Street  
Akron, Ohio 44397-0001

October 29, 1990

FAX TRANSMISSION

Mr. Bob Gardner  
Del-Nat Tire Corporation  
2365 Texas Drive  
Memphis, TN 38106

RE: Drilling Tires For Studding

Dear Bob:

In answer to your question regarding UGTC policy on this procedure, please be advised that any drilling of our tires, or modification similar to drilling, totally and completely invalidates our warranty.

Sincerely,



Dick Zurawski  
Sales Manager  
Private Brand Sales

jp/158.RTZ

cc: J.R. Glavitsch

LES SCHWAB WAREHOUSE CENTER  
 MAIN OFFICE - LEGAL DEPARTMENT  
 P.O. BOX 667  
 PRINEVILLE, OREGON 97754  
 GENERAL OFFICE NUMBER (541) 447-4136  
 Fax Number: (541) 416-5374



**FACSIMILE TRANSMITTAL**

To	Phone No.	Fax No.
Gary Wilken Alaska Senate Finance Committee	907-465-3709	907-465-4714

**From:** Corey J. Parks  
*Direct:* 541.416.5412  
*Fax No.:* 541.416.5374

**Date:** March 25, 2003 / 1:50 p.m.

**Total number of pages including this sheet:**

3

**MESSAGE:**

Enclosed is a letter we would like submitted as testimony for SB 106. Please call me with any questions.

Corey J. Parks

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**LES SCHWAB TIRE CENTERS**  
646 N.W. Madras Highway  
P.O. Box 667  
Princville, Oregon 97754

**LEGAL DEPARTMENT**  
Telephone 541-416-5412  
Facsimile 541-416-5374  
corey.j.parks@lesschwab.com

**Testimony of Corey Parks Before the House Transportation Committee**

**Opposition to Senate Bill #106**

**March 25, 2003**

My name is Corey Parks, and I am corporate counsel for Les Schwab Tire Centers. I submit this testimony in opposition to SB 106.

Les Schwab works very hard to earn its customers' trust and business. Les Schwab places a high degree of importance on giving its customers choices in the selection of winter tires. It is our position that the bill before you will unfairly force Alaska consumers to choose safety only at a significant additional cost.

No price should be placed on customer safety

Studded tire fees place a price on customer safety by forcing the customer to pay additional fees for safe driving equipment. In our experience, studded snow tires are an option that many customers need in order to ensure safe travel during icy or snowy winter weather. While there are a number of alternatives to studded tires, including all weather tires, chains, and winter tires, many customers choose studded tires because they are the safest alternative for winter driving. In fact, studded tires do provide exceptional traction in icy and snowy conditions. Consumer travel groups such as AAA continue to support studded snow tires as an "appropriate option for safe winter driving."

Studded tires are necessary for many customers

Customers who travel frequently in icy and snowy conditions often want or need studded tires to ensure that they can get to their destination for work, medical care, or other important business. Many of the travelers who choose studded tires are elderly customers, and customers with mobility problems who are unable to put chains on their vehicles, and thus require equipment with the best possible traction and safety.

March 25, 2003

Page 2 of 2

Studded tire fees penalize those least able to afford additional costs

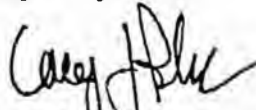
Many studded tire customers are on fixed or low incomes, and cannot afford an additional fee on top of the cost for studded tires. Also, customers from rural residences are often among the most price-sensitive populations, and at the same time, most in need of safe driving equipment to travel into urban areas.

Conclusion

Drivers who face icy and snowy conditions on a regular basis must decide what equipment makes them feel confident and safe under difficult driving conditions. Les Schwab is opposed to imposing a fee on those customers who choose studded tires in order to keep themselves and their families safe from accident and injury.

Thank you very much for the opportunity to submit this testimony.

Very Truly Yours,



Corey J. Barks  
Corporate Counsel

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/6/03

FURTHER: Finance

Date of 5-Day Notice: 3/4/03  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 3/12/03

Transportation Committee considered SENATE BILL NO. 106

### SB 106 FEE FOR STUDED TIRES

"An Act relating to a fee on studded tires; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 106 (TRA)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Rev.	3/3/03	✓		1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Olson</i> <i>wagner</i> <i>Cawdeny</i> <i>Thomas H. Wagner</i>				
CHAIR: <i>John J. Cawdeny</i>				

SENATE FINANCE COMMITTEE

SIGN-IN

SB 106-FEE FOR STUDED TIRES

NAME: LANDA BAILY Subject/Bill No: SB 106  
Co./Dept./Title: Dept Revenue Phone: 465-2302  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

SENATE FINANCE COMMITTEE

SIGN - IN

SB 106-FEE FOR STUDDED TIRES

NAME: Lancca Bailey Subject/Bill No: SB 106

Co./Dept./Title: VO Revenue Phone: 2302

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions



SENATE FINANCE COMMITTEE

SIGN-IN

SB 106-FEE FOR STUDED TIRES

NAME: George Levasseur Subject/Bill No: 106

Co./Dept./Title: DOT/PP Acting State Mtee. Engr Phone: 465-3906

Address: 3132 Channel Drive Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: BILL Corbus Subject/Bill No: SB 106

Co./Dept./Title: COMMISSIONER, DOR Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions









**SITE: OFFNETS**

**COMMITTEE: SFIN**

**DATE:**

**SUBJECT OF MEETING:**

**UPDATE #: 2**



**PLEASE SIGN IN**

**P R I N T YOUR NAME**                      **ADDRESS (MAILING & ZIP)**                      **REPRESENTING**                      **DO YOU WANT TO TESTIFY? Y OR N**

<b>Mark O'Brian</b>		<b>DOT</b>	<b>SB40 answer ?'s</b>
<b>Richard Nordness</b>		<b>NWTire</b>	<b>SB106-Y</b>
<b>Jim Johnson</b>		<b>Johnson Tire</b>	<b>SB106-Y</b>
<b>Chuck McGee</b>		<b>Ugigrip</b>	<b>SB106-Y</b>
<b>Bruno Wessel</b>		<b>Wessel Co.</b>	<b>SB106-Y</b>
<b>Eden Larson</b>		<b>ABC</b>	<b>SB40-Y</b>



**SB**

**107**

**SFIN**

**FILE**

SB 107

was referred to the  
Senate Finance  
Committee

No hearing was held  
on this bill

FRANK H. MURKOWSKI  
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

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March 5, 2003

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill eliminating the Alyeska Central School program (ACS), the state's correspondence program.

Alyeska was once the state's only correspondence program offering education services to students statewide. The school began operations in 1939 offering programs to students living in remote areas with no local schools. However, there are 12 school districts currently offering statewide correspondence services to Alaska's school age residents.

The district-operated statewide correspondence programs offer a variety of education delivery methods. Educational delivery models include US postal, Internet and family developed programs supported by district staff.

Eliminating the ACS program will eliminate the duplicative services currently being provided by school districts enrolling and serving correspondence students statewide. The Department of Education and Early Development will help ACS students and families identify the appropriate educational services and assist them in moving to other programs to ensure no child is left behind.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

**SB**

**108**

**HFIN**

**FILE**



# FISCAL NOTE

**STATE OF ALASKA  
2003 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 108  
 ( S ) Publish Date: 3/6/03  
 Dept. Affected: Health & Social Services  
 BRU Medical Assistance Admin  
 Component Health Purchasing Group

Revision Date/Time (Note if correction):  
 Title MEDICAID FACILITY PAYMENT RATES

Sponsor RULES  
 Requester GOVERNOR

Component No. 243

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

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel	( 6.5)	( 6.5)	( 7.0)	( 7.5)	( 8.0)	( 8.0)
Contractual	( 3.1)	( 3.1)	( 3.2)	( 3.5)	( 3.6)	( 3.6)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>( 9.6)</b>	<b>( 9.6)</b>	<b>( 10.2)</b>	<b>( 11.0)</b>	<b>( 11.6)</b>	<b>( 11.6)</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (0)</b>						
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts	( 4.8)	( 4.8)	( 5.1)	( 5.5)	( 5.8)	( 5.8)
1003 GF Match	( 4.8)	( 4.8)	( 5.1)	( 5.5)	( 5.8)	( 5.8)
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>( 9.6)</b>	<b>( 9.6)</b>	<b>( 10.2)</b>	<b>( 11.0)</b>	<b>( 11.6)</b>	<b>( 11.6)</b>

Estimate of any current year (FY2003) cost:

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill would eliminate the need for expenditures that support commission members' travel, per diem and other related support costs; and contractual funding for issuing public notices and court reporting services.

Prepared by: Virginia Stonkus  
 Division Medical Assistance  
 Approved by: Joel S. Gilbertson, Commissioner  
 Agency Department of Health and Social Services

Phone 465-1166  
 Date/Time 03/03/2003  
 Date 03/03/2003

COMMITTEE COPY

23-GS1125V  
Lauterbach  
4/23/03

adopted 4/24/03 NLO.

**HOUSE CS FOR SENATE BILL NO. 108(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to payment rates under the Medicaid program for health facilities and  
2 to budgeting, accounting, and reporting requirements for those facilities; abolishing the  
3 Medicaid Rate Advisory Commission; and providing for an effective date."

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

5 \* **Section 1.** AS 47.07.070 is repealed and reenacted to read:

6 **Sec. 47.07.070. Payment rates for health facilities.** (a) The department  
7 shall, by regulation, set rates of payment for health facilities under this chapter and  
8 AS 47.25.120 - 47.25.300 in accordance with 42 U.S.C. 1396 (Title XIX, Social  
9 Security Act, Medical Assistance) and this section. A rate established under this  
10 section takes effect under AS 44.62 (Administrative Procedure Act) but not until  
11 approved in writing by the commissioner. The commissioner may delegate the  
12 performance of these functions.

13 (b) In determining the rates of payment for health facilities for a fiscal year,  
14 the department shall, within the limit of appropriations made by the legislature for the

1 department's programs under this chapter and under AS 47.25.120 - 47.25.300 for that  
2 fiscal year, including anticipated available federal revenue for that fiscal year, set rates  
3 for facilities that are based on

4 (1) reasonable costs related to patient care; and

5 (2) audit and inspection results and reports, when the audit or  
6 inspection is conducted under AS 47.07.074.

7 (c) This section does not apply to the minimum daily reimbursement rate  
8 specified by law under AS 47.24.017 or AS 47.25.195(e) for assisted living homes.

9 \* Sec. 2. AS 47.07.073(a) is amended to read:

10 (a) The department by regulation shall require a uniform system of  
11 accounting, budgeting, and [FINANCIAL] reporting for health facilities receiving  
12 [PROSPECTIVE] payments under this chapter. The regulations must provide for  
13 reporting revenues, expenses, assets, liabilities, [AND] units of service, and other  
14 items considered necessary by the department to implement this chapter. [THE  
15 DEPARTMENT SHALL SPECIFY THE DATE THE SYSTEM BECOMES  
16 EFFECTIVE FOR EACH HEALTH FACILITY.]

17 \* Sec. 3. AS 47.07.073(c) is amended to read:

18 (c) The department may waive or modify a requirement for accounting,  
19 budgeting, or [FINANCIAL] reporting for a health facility if waiver or modification is

20 [(1) NECESSARY TO AVOID EXCESSIVE COSTS TO THE  
21 FACILITY; AND

22 (2)] consistent with the policies of this chapter.

23 \* Sec. 4. AS 47.07.073(d) is amended to read:

24 (d) Notwithstanding other provisions of this section, the department may, by  
25 regulation, modify the system of accounting, budgeting, and [FINANCIAL] reporting  
26 required under this section for a health facility having fewer than 25 acute care beds in  
27 order to reduce the operating costs of that facility.

28 \* Sec. 5. AS 47.07.074(a) is amended to read:

29 (a) As a condition of obtaining payment under AS 47.07.070, a health facility  
30 shall allow

31 (1) the department [AND THE COMMISSION] reasonable access to

1 the financial records of medical assistance beneficiaries; and

2 (2) audit and inspection of financial records by state and federal  
3 agencies.

4 \* **Sec. 6.** AS 39.25.110(23); AS 47.07.073(b), 47.07.110, 47.07.120, 47.07.130, 47.07.140,  
5 47.07.150, 47.07.160, 47.07.170, 47.07.180, 47.07.190, and 47.07.900(6) are repealed.

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

8 REGULATIONS. To the extent that regulations in effect under AS 47.07.070 on  
9 June 30, 2003, do not conflict with the requirements applicable under AS 47.07.070, as  
10 amended by sec. 1 of this Act, the regulations need not be readopted in order to comply with  
11 this Act.

12 \* **Sec. 8.** This Act takes effect July 1, 2003.

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



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March 5, 2003

SB 108

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill to provide greater flexibility to the Department of Health and Social Services to set Medicaid payment rates for Alaska's hospitals, nursing home and other health care facilities.

The proposed bill would eliminate the Medicaid Rate Advisory Commission and place the responsibility for calculating and setting Medicaid payment rates for health care facilities under the general authority of the Department of Health and Social Services.

Historically, the Medicaid facility rate setting process has been extremely cumbersome and costly for both the state and health care facilities. The current rate-setting process is both a barrier to effective cost containment as well as problematic for assuring adequate reimbursement for Alaska's diverse mix of health care facilities.

Passage of this legislation will allow the department to develop in regulation a more flexible, cost-effective rate setting process that will, for the first time, allow the department to explicitly take into account the appropriations made by the legislature for the Medicaid program when setting rates.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

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

April 17, 2003

Honorable Bill Williams  
Co-Chairman  
House Finance Committee  
Alaska State Capitol; Rm. 511  
Juneau, AK 99801

Dear Representative Williams,

The Department of Health and Social Services respectfully requests a hearing in the House Finance Committee on Senate Bill 108 "An Act relating to payment rates under the Medicaid program for health facilities and to budgeting, accounting, and reporting requirements for those facilities; abolishing the Medicaid Rate Advisory Commission; and providing for an effective date."

This bill will provide greater flexibility to the Department of Health and Social Services to set Medicaid payment rates for Alaska's hospitals, nursing homes and other health care facilities. Changes in federal law in the past few years providing more flexibility in rate setting have not been taken advantage of in Alaska due to our own inflexible statute.

The proposed bill would eliminate the Medicaid Rate Advisory Commission (MRAC). Since the MRAC currently acts in an advisory capacity and the Commissioner has ultimate authority to set rates, elimination of the Commission and its attendant costs is appropriate.

Passage of this legislation will allow the department to develop in regulation a more flexible, cost-effective rate setting process that will, for the first time, allow the department to explicitly take into account the appropriations made by the legislature for the Medicaid program when setting rates. A fiscal note should be on file with the committee.

Your favorable consideration of this request will be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Robert Buttane". The signature is written in black ink and is positioned above the printed name.

Robert Buttane  
Acting Assistant to the Commissioner

Cc: Representative Pete Kott  
Speaker of the House

Mike Tibbles, Legislative Director  
Office of the Governor

John Gaisford, Director  
Division of Medical Assistance

**SB**

**108**

SFIN

FILE

REPORTED OUT  
 APR 04 2003  
 SENATE FINANCE  
 COMMITTEE

**SENATE FINANCE COMMITTEE REPORT**

DATE: 3/28/03

FURTHER:

DATE TURNED  
 IN TO OFFICE: 4 April 2003

Finance Committee considered SENATE BILL NO. 108

**SB 108 HEALTH FACILITY MEDICAID RATES/ADV. COM'N**

"An Act relating to payment rates under the Medicaid program for health facilities and to budgeting, accounting, and reporting requirements for those facilities; abolishing the Medicaid Rate Advisory Commission; and providing for an effective date."

and recommends:

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

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
H&SS	3/3/03	(9.6)		#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

# FISCAL NOTE

REPORTED OUT  
  
 APR 04 2003  
  
 SENATE FINANCE  
 COMMITTEE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1  
 Bill Version: SB 108  
 ( S ) Publish Date: 3/6/03  
 Dept. Affected: Health & Social Services  
 BRU: Medical Assistance Admin  
 Component: Health Purchasing Group

Revision Date/Time (Note if correction):  
 Title: MEDICAID FACILITY PAYMENT RATES

Sponsor: RULES  
 Requester: GOVERNOR

Component No. 243

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

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel	( 6.5)	( 6.5)	( 7.0)	( 7.5)	( 8.0)	( 8.0)
Contractual	( 3.1)	( 3.1)	( 3.2)	( 3.5)	( 3.6)	( 3.6)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>( 9.6)</b>	<b>( 9.6)</b>	<b>( 10.2)</b>	<b>( 11.0)</b>	<b>( 11.6)</b>	<b>( 11.6)</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
------------------------	--	--	--	--	--	--

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts	( 4.8)	( 4.8)	( 5.1)	( 5.5)	( 5.8)	( 5.8)
1003 GF Match	( 4.8)	( 4.8)	( 5.1)	( 5.5)	( 5.8)	( 5.8)
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify type-do not abbreviate)						
<b>TOTAL</b>	<b>( 9.6)</b>	<b>( 9.6)</b>	<b>( 10.2)</b>	<b>( 11.0)</b>	<b>( 11.6)</b>	<b>( 11.6)</b>

Estimate of any current year (FY2003) cost: \_\_\_\_\_  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

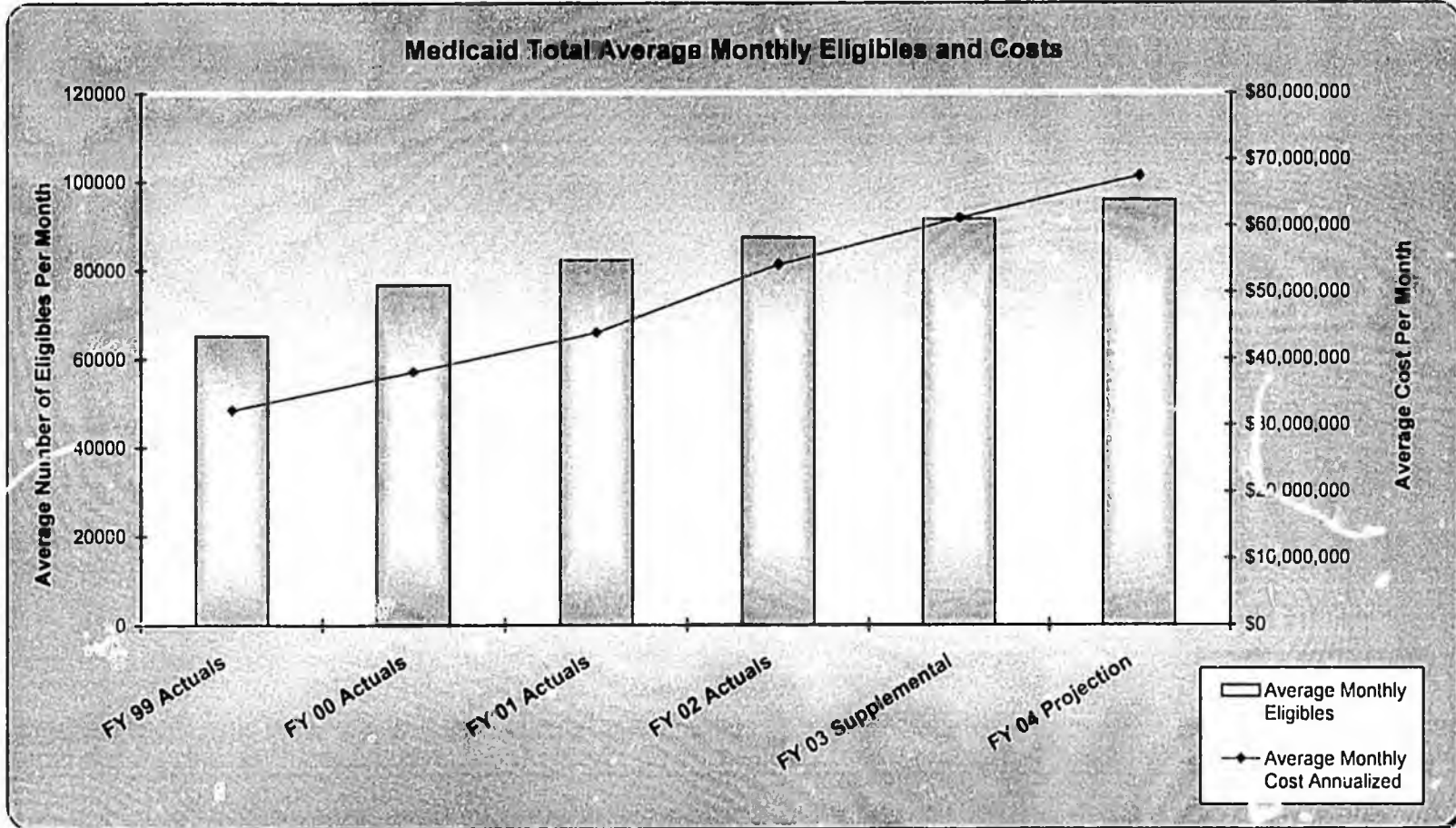
**ANALYSIS:** *(Attach a separate page if necessary)*

This bill would eliminate the need for expenditures that support commission members' travel, per diem and other related support costs; and contractual funding for issuing public notices and court reporting services.

Prepared by: Virginia Stonkus Phone 465-1166  
 Division: Medical Assistance Date/Time 03/03/2003  
 Approved by: Joel S. Gilbertson, Commissioner Date 03/03/2003  
 Agency: Department of Health and Social Services

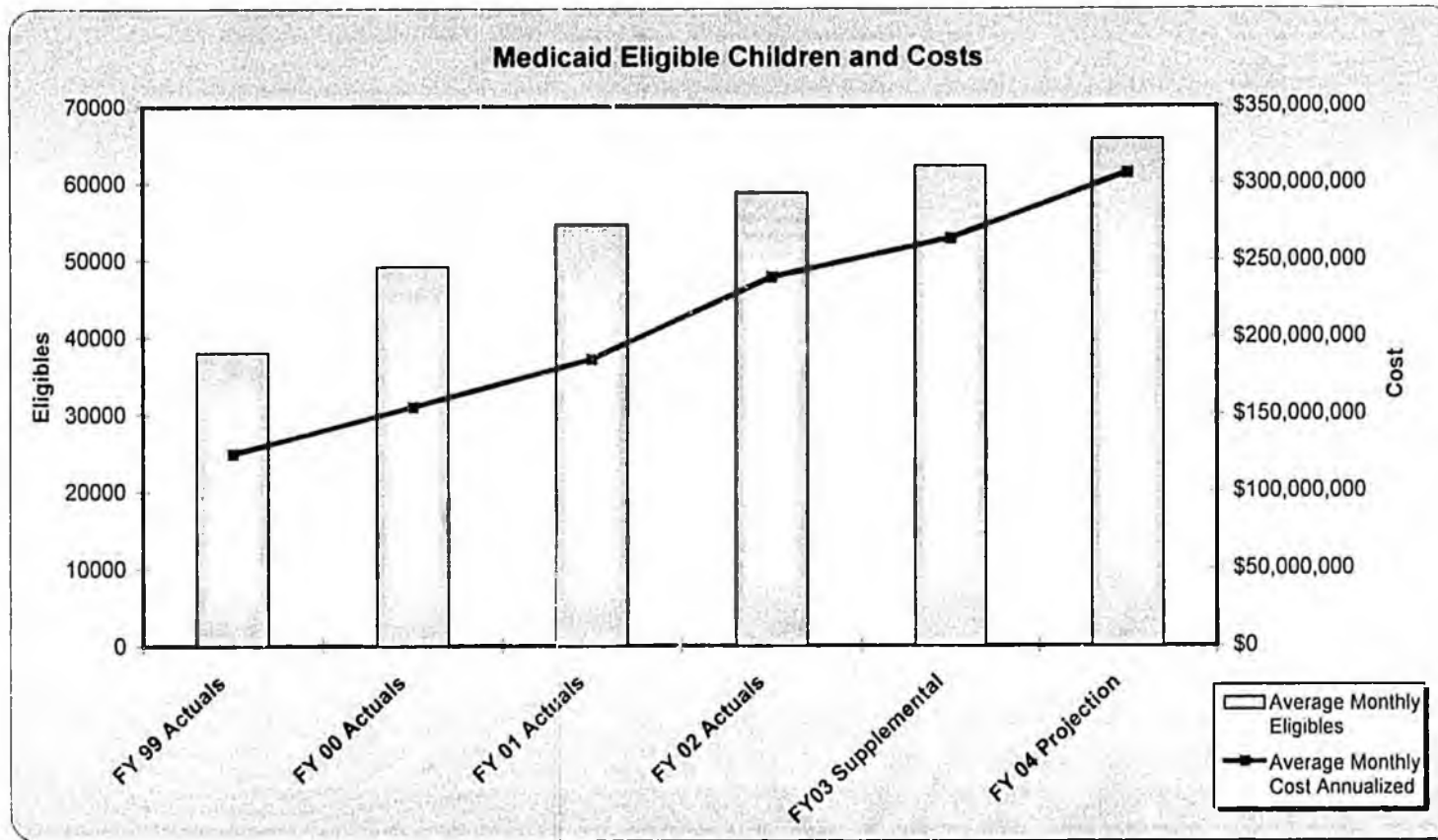
COMMITTEE COPY

Supplied by DHSS  
4/2/03



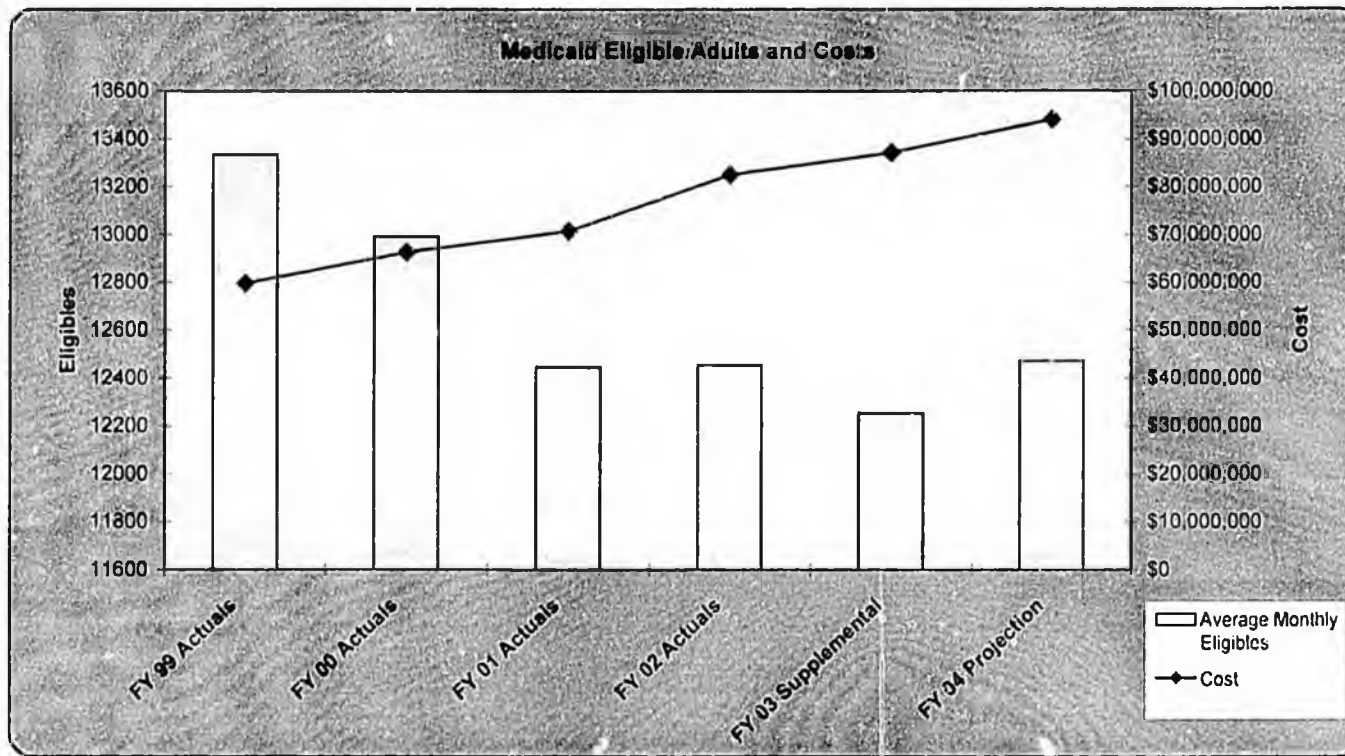
**Total Services**

	Average Monthly Eligibles	Eligible Rate of Growth	Average Monthly Cost Annualized	Expenditure Rate of Growth	Average CPMPM	CPMPM Rate of Growth	CPMP - Cost Per Member Per Month
FY 99 Actuals	65,151	4.42%	386,905,778	20.52%	\$494.88		Rate of Growth from Actuals
FY 00 Actuals	76,664	17.67%	455,591,782	17.75%	\$495.23	0.07%	Rate of Growth from Actuals
FY 01 Actuals	82,274	7.32%	525,843,557	15.42%	\$532.62	7.55%	Rate of Growth from Actuals
FY 02 Actuals	87,364	6.19%	648,959,983	23.41%	\$619.02	16.22%	Rate of Growth from Actuals
FY 03 Supplemental	91,521	4.76%	732,264,731	12.84%	\$666.75	7.71%	Rate of Growth from Actuals
FY 04 Projection	95,842	6.13%	808,894,135	12.98%	\$703.32	5.49%	Rate of Growth from Updated Projection



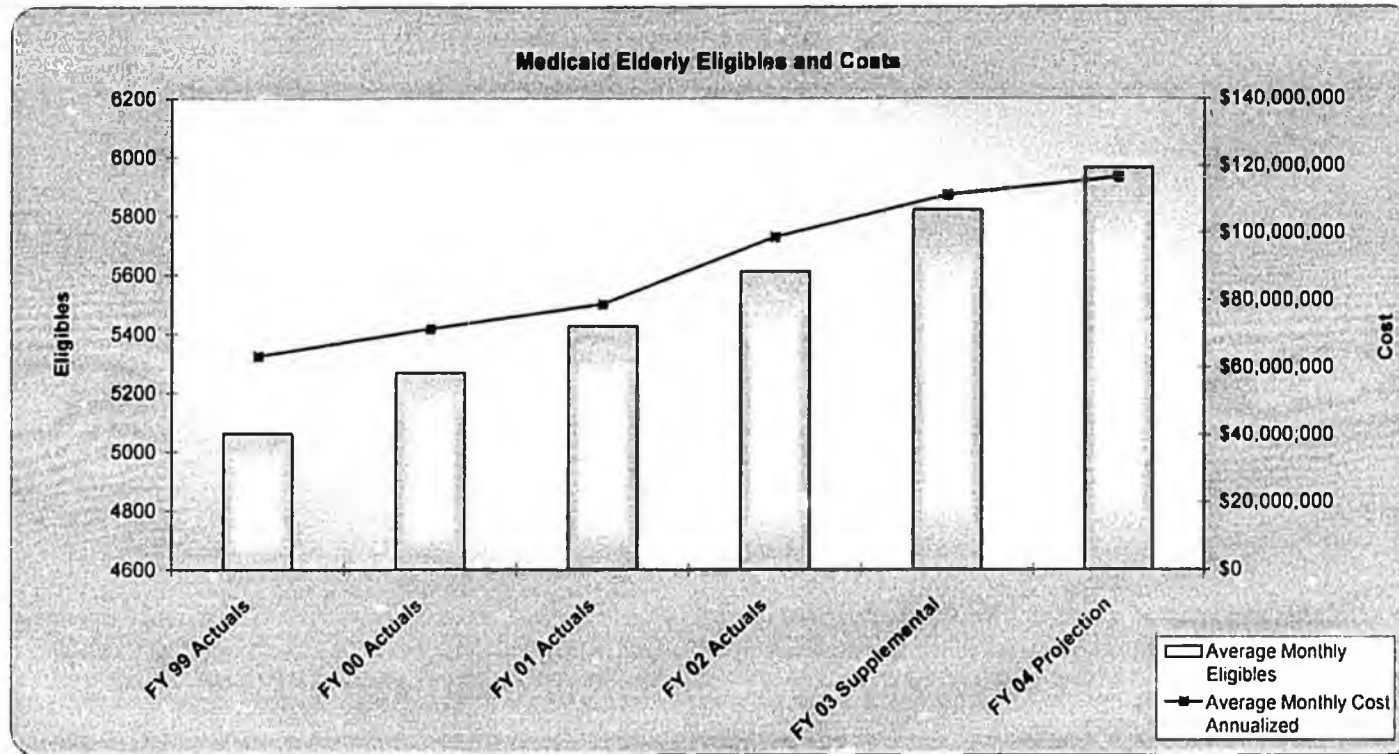
**Total Children**

	Average Monthly Eligibles	Eligible Rate of Growth	Average Monthly Cost Annualized	Expenditure Rate of Growth	Average CPMPM	CPMPM Rate of Growth	CPMP - Cost Per Member Per Month
FY 99 Actuals	38,001	5.23%	\$124,329,223	22.33%	\$272.65		Rate of Growth from Actuals
FY 00 Actuals	49,155	29.35%	\$154,625,058	24.37%	\$262.14	-3.65%	Rate of Growth from Actuals
FY 01 Actuals	54,602	11.08%	\$185,453,865	19.94%	\$283.05	7.98%	Rate of Growth from Actuals
FY 02 Actuals	56,749	7.59%	\$238,317,428	28.77%	\$331.47	17.10%	Rate of Growth from Actuals
FY03 Supplemental	62,268	5.99%	\$264,071,492	10.57%	\$353.41	6.62%	Rate of Growth from Actuals
FY 04 Projection	65,735	6.72%	\$306,716,404	19.95%	\$388.83	10.02%	Rate of Growth from Updated Projection



Adult Totals

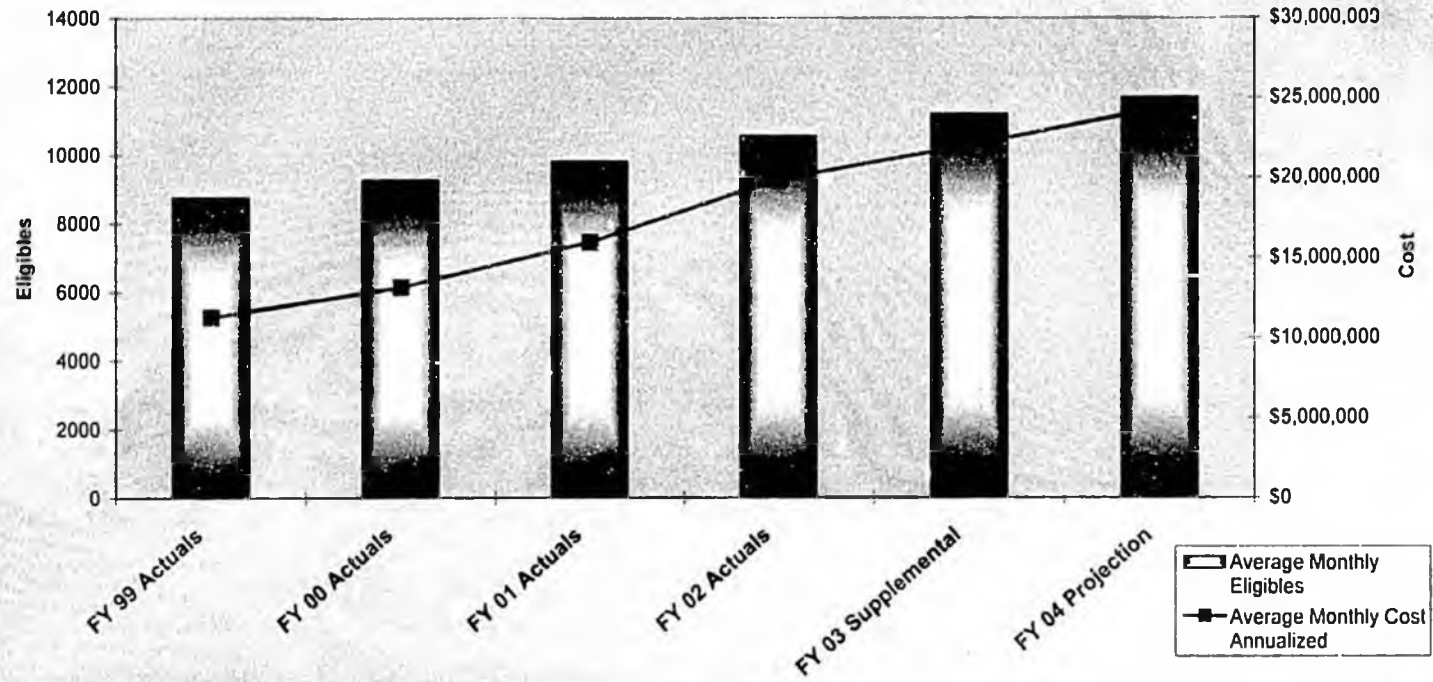
	Average Monthly Eligibles	Eligible Rate of Growth	Average Monthly Cost Annualized	Expenditure Rate of Growth	Average CPNIPM	CPMPM Rate of Growth	CPMP - Cost Per Member Per Month
FY 99 Actuals	13,333	1.04%	\$372,870	1.25%	\$372.87		Rate of Growth from Actuals
FY 00 Actuals	12,990	-2.57%	\$424,810	1.00%	\$424.81	13.93%	Rate of Growth from Actuals
FY 01 Actuals	12,445	-4.20%	\$473,330	6.34%	\$473.33	11.42%	Rate of Growth from Actuals
FY 02 Actuals	12,454	0.07%	\$552,120	16.73%	\$552.12	16.65%	Rate of Growth from Actuals
FY 03 Supplemental	12,252	-1.62%	\$592,460	5.57%	\$592.46	7.31%	Rate of Growth from Actuals
FY 04 Projection	12,471	3.95%	\$628,210	4.45%	\$628.21	6.03%	Rate of Growth from Updated Projections



**Total Elderly**

	Average Monthly Eligibles	Eligible Rate of Growth	Average Monthly Cost Annualized	Expenditure Rate of Growth	Average CPMPM	CPMPM Rate of Growth	CPMP - Cost Per Member Per Month
FY 99 Actuals	5,062	2.83%	\$63,259,319	13.00%	\$1,041.52		Rate of Growth from Actuals
FY 00 Actuals	5,268	4.00%	\$71,391,112	12.84%	\$1,129.36	8.43%	Rate of Growth from Actuals
FY 01 Actuals	5,426	3.00%	\$76,749,739	10.29%	\$1,209.33	7.08%	Rate of Growth from Actuals
FY 02 Actuals	5,612	3.42%	\$98,074,218	25.32%	\$1,462.78	20.96%	Rate of Growth from Actuals
FY 03 Supplemental	5,821	3.73%	\$111,181,414	6.86%	\$1,591.79	8.82%	Rate of Growth from Actuals
FY 04 Projection	5,964	3.82%	\$116,414,726	10.40%	\$1,626.54	2.11%	Rate of Growth from Updated Projection

Medicaid Disabled Eligibles and Costs



Total Disabled

	Average Monthly Eligibles	Eligible Rate of Growth	Average Monthly Cost Annualized	Expenditure Rate of Growth	Average CPMPM	CPMPM Rate of Growth	CPMP - Cost Per Member Per Month
FY 99 Actuals	8,755	7.30%	\$135,081,248	25.59%	\$1,265.83		Rate of Growth from Actuals
FY 00 Actuals	9,251	5.67%	\$157,357,426	16.48%	\$1,417.49	10.24%	Rate of Growth from Actuals
FY 01 Actuals	9,801	5.95%	\$190,954,747	21.35%	\$1,623.54	14.54%	Rate of Growth from Actuals
FY 02 Actuals	10,550	7.64%	\$238,329,216	24.81%	\$1,982.56	15.95%	Rate of Growth from Actuals
FY 03 Supplemental	11,180	5.97%	\$269,904,865	10.41%	\$2,011.82	6.87%	Rate of Growth from Actuals
FY 04 Projection	11,672	6.40%	\$291,754,050	11.11%	\$2,082.94	3.54%	Rate of Growth from Updated Projection

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



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

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WWW.GOV.STATE.AK.US

March 5, 2003

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill to provide greater flexibility to the Department of Health and Social Services to set Medicaid payment rates for Alaska's hospitals, nursing home and other health care facilities.

The proposed bill would eliminate the Medicaid Rate Advisory Commission and place the responsibility for calculating and setting Medicaid payment rates for health care facilities under the general authority of the Department of Health and Social Services.

Historically, the Medicaid facility rate setting process has been extremely cumbersome and costly for both the state and health care facilities. The current rate-setting process is both a barrier to effective cost containment as well as problematic for assuring adequate reimbursement for Alaska's diverse mix of health care facilities.

Passage of this legislation will allow the department to develop in regulation a more flexible, cost-effective rate setting process that will, for the first time, allow the department to explicitly take into account the appropriations made by the legislature for the Medicaid program when setting rates.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/6/03

FURTHER: Finance

Date of 5-Day Notice: 3-20-03  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 3.26.03

Health, Education and Social Services Committee considered

SENATE BILL NO. 108

### SB 108 HEALTH FACILITY MEDICAID RATES/ADV. COM'N

"An Act relating to payment rates under the Medicaid program for health facilities and to budgeting, accounting, and reporting requirements for those facilities; abolishing the Medicaid Rate Advisory Commission; and providing for an effective date."

and recommends:

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

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
HSS	3/03	✓		1

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	DO NOT PASS	NO REC	AMEND
<i>David Green</i> Green	✓			
<i>Michael Guess</i> Guess			✓	
<i>Paul Dyr</i> * Dyr	✓			
<i>Sam Wilton</i> Wilton	✓		error 4/11/03	
<i>Betty Davis</i> Davis			✓	
CHAIR:				

**SITE: ANCHORAGE LIO**

**COMMITTEE: SFIN**

**DATE: 4-2-03**

**SUBJECT OF MEETING:**

**SB 108**

**UPDATE #:**

**P R I N T YOUR NAME**

**ADDRESS (MAILING & ZIP)**

**REPRESENTING**

**DO YOU WANT  
TO TESTIFY?  
Y OR N**

<b>Jack Nielsen</b>		DHSS	<b>Ans ?s</b>
Email address:			<b>SB 108</b>
<b>Julia Tucker</b>		A. G. office	<b>Ans ?s</b>
Email address:			<b>SB 108</b>
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			

**SB**

**109**

**HFIN**

**FILE**



# FISCAL NOTE

**STATE OF ALASKA  
2003 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 109  
 ( S ) Publish Date: 3/6/03  
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction):  
 Title MEDICAID PRIORITIES WHEN FUNDS  
INSUFFICIENT

BRU Medical Assistance  
 Component Medicaid Services

Sponsor RULES  
 Requester GOVERNOR

Component No. 2077

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

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES (0)</b>						

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2003) cost: \_\_\_\_\_  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*  
 Under current law, if insufficient funds are allocated to fully-fund the Medicaid program, the department is directed to eliminate optional Medicaid services based on a priority list that is woefully out-of-date. The existing list is not an effective management tool and, if used, would needlessly result in the denial of necessary and cost-effective services to Alaskans in need of health care.  
  
 The proposed bill would replace this obsolescent language with broad general authority for the department to undertake cost containment based on three key principles.

Prepared by: Virginia Stonkus Phone 465-1166  
 Division Medical Assistance Date/Time 03/03/2003  
 Approved by: Joel S. Gilbertson, Commissioner Date 03/04/2003  
 Agency Department of Health and Social Services

COMMITTEE COPY

FISCAL NOTE  
FN # 1

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

BILL NO. SB 109

ANALYSIS CONTINUATION

First, the department must pursue all other reasonable cost containment measures before eliminating any eligibility groups or services.

Second, the department should aggressively pursue strategies to maximize federal financial participation in the Medicaid program.

Third, cost containment decisions should be made in a manner that best reflect the needs and interests of eligible Medicaid recipients.

The imperative of slowing the growth of state funding for Medicaid while at the same time maintaining health care coverage for needy Alaskans is an issue that can no longer be avoided. Passage of this legislation will give the department some of the tools that it needs to meet this challenge.

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



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March 5, 2003

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill to provide greater flexibility to the Department of Health and Social Services to implement cost containment strategies for the Medicaid program.

Under current law, if funds appropriated to the Medicaid program are insufficient for a given fiscal year, the department is directed to eliminate optional Medicaid services based on a priority list that is woefully out-of-date. The existing list is not an effective management tool and if used, would needlessly result in the denial of necessary and cost-effective services to Alaskans in need of health care.

The proposed bill would replace this obsolescent language with authority for the department to undertake cost containment based on three key principles.

First, the department must pursue all other reasonable cost containment measures before eliminating any eligibility groups or services.

Second, the department should aggressively pursue strategies to maximize federal financial participation in the Medicaid program.

Third, cost containment decisions should be made in a manner that best reflect the needs and interests of eligible Medicaid recipients.

The Honorable Gene Merriault

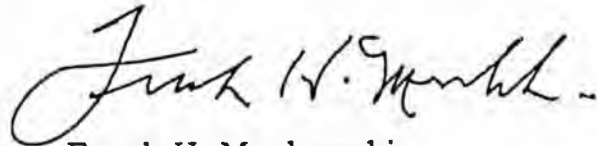
March 5, 2003

Page 2

The imperative of slowing the growth of state funding for Medicaid while at the same time maintaining health care coverage for needy Alaskans is an issue that can no longer be avoided. Passage of this legislation will give the department additional tools to meet this challenge.

I urge your prompt and favorable action on this measure.

Sincerely,

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

Frank H. Murkowski  
Governor

*revised / adopted 5/13*

**HOUSE CS FOR SENATE BILL NO. 109(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL  
FOR AN ACT ENTITLED**

1 "An Act repealing the statute that sets priorities for the Department of Health and  
2 Social Services to apply to administration of the medical assistance program when there  
3 are insufficient funds allocated in the state budget for that program; authorizing the  
4 department to make cost containment decisions that may include decisions about  
5 eligibility of persons and availability of services under the medical assistance program;  
6 and providing for an effective date."

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

8 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
9 to read:

10 LEGISLATIVE INTENT. (a) It is the intent of the legislature that the Department of  
11 Health and Social Services should have the authority to make cost containment decisions  
12 related to the Medicaid program under AS 47.07 during any fiscal year when the department  
13 finds that the cost of medical assistance for all persons eligible under the program will exceed

1 the amount allocated in the state budget for that fiscal year. Further, it is the intent of the  
2 legislature that the department continue to provide coverage for all Medicaid approved  
3 medications. If the department develops a preferred drug list to improve the Medicaid  
4 program's efficiency, it is the legislature's intent that the department should work with  
5 providers to develop the preferred drug list and that the department should establish an  
6 authorization system that is minimally intrusive to the providers while protecting access to  
7 medically necessary medications.

8 (b) The legislature intends, with the enactment of sec. 3 of this Act, that the cost  
9 containment decisions made by the Department of Health and Social Services should be those  
10 that best reflect the needs and interests of the eligible recipients and the coverage options  
11 available under AS 47.07 and that the department should take all reasonable measures to  
12 effect cost containment in ways that least affect the recipients who are eligible for services  
13 and the types of services that are available.

14 \* **Sec. 2.** AS 47.07.030(c) is amended to read:

15 (c) Notwithstanding (b) of this section, the department may offer a service for  
16 which the department has received a waiver from the federal government if the  
17 department was authorized, directed, or requested to apply for the waiver by law or by  
18 a concurrent or joint resolution of the legislature. [THE DEPARTMENT SHALL  
19 ANNUALLY MAKE AVAILABLE TO THE LEGISLATURE ITS  
20 RECOMMENDATIONS ABOUT WHERE A SERVICE OFFERED UNDER THIS  
21 SUBSECTION SHOULD BE PLACED ON THE PRIORITY LIST IN AS 47.07.035.  
22 THE DEPARTMENT SHALL NOTIFY THE LEGISLATURE THAT THE  
23 RECOMMENDATIONS ARE AVAILABLE.]

24 \* **Sec. 3.** AS 47.07 is amended by adding a new section to read:

25 **Sec. 47.07.036. Cost containment measures authorized.** (a) If the  
26 department finds that the costs of medical assistance for all persons eligible under this  
27 chapter will exceed the amount allocated in the state budget for a fiscal year, the  
28 department may implement cost containment measures to reduce anticipated program  
29 costs for that fiscal year as authorized under this section.

30 (b) The department, in implementing this section, shall take all reasonable  
31 steps to implement cost containment measures that do not eliminate program

1 eligibility or the scope of services required or authorized under AS 47.07.020 and  
2 47.07.030 before implementing cost containment measures under (c) of this section  
3 that directly affect program eligibility or coverage of services. The cost containment  
4 measures taken under this subsection may include new utilization review procedures,  
5 changes in provider payment rates, pre-certification requirements for coverage of  
6 services, and agreements with federal officials under which the federal government  
7 will assume responsibility for coverage of some individuals or some services for some  
8 individuals through such federal programs as the Indian Health Service or Medicare.

9 (c) If cost containment measures authorized under (b) of this section are  
10 insufficient to reduce the anticipated program costs for a fiscal year to the amount  
11 allocated in the state budget for the program for that fiscal year, the department may,  
12 to the extent authorized under federal law and the state's constitution, deny any or all  
13 optional services listed in AS 47.07.030(b) - (d) to a person eligible for services under  
14 AS 47.07.020 or deny program eligibility to a person who is eligible for the medical  
15 assistance program under the optional coverage provisions of AS 47.07.020(b) - (i).  
16 However, the department may not eliminate program participation of a person who is  
17 eligible for coverage under AS 47.07.020(a), nor may the department deny coverage  
18 of a service described in AS 47.07.030(a) for a person who is eligible for the medical  
19 assistance program under AS 47.07.020.

20 \* Sec. 4. AS 47.07.035 is repealed.

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

23 APPLICABILITY. AS 47.07.036, enacted by sec. 3 of this Act, applies only to  
24 eligibility determinations made and medical services performed on or after July 1, 2003.

25 \* Sec. 6. This Act takes effect July 1, 2003.

SB109 *Added*  
*included*  
*CS* Amendment 3

Section 1.

Williams

**LEGISLATIVE INTENT.** (a) It is the intent of the legislature that the Department of Health and Social Services should have the authority to make cost containment decisions related to the Medicaid program under AS 47.07 during any fiscal year when the department finds that the cost of medical assistance for all persons eligible under the program will exceed the amount allocated in the state budget for that fiscal year.

**Further, it is the intent of the legislature that the Department continue to provide coverage for all Medicaid approved medications. The Department may develop cost containment programs, including a preferred drug list, to improve the Medicaid program's efficiency. The Department shall work with providers to develop any preferred drug list, and establish an authorization system that is minimally intrusive to the providers while protecting access to medically necessary medications.**

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

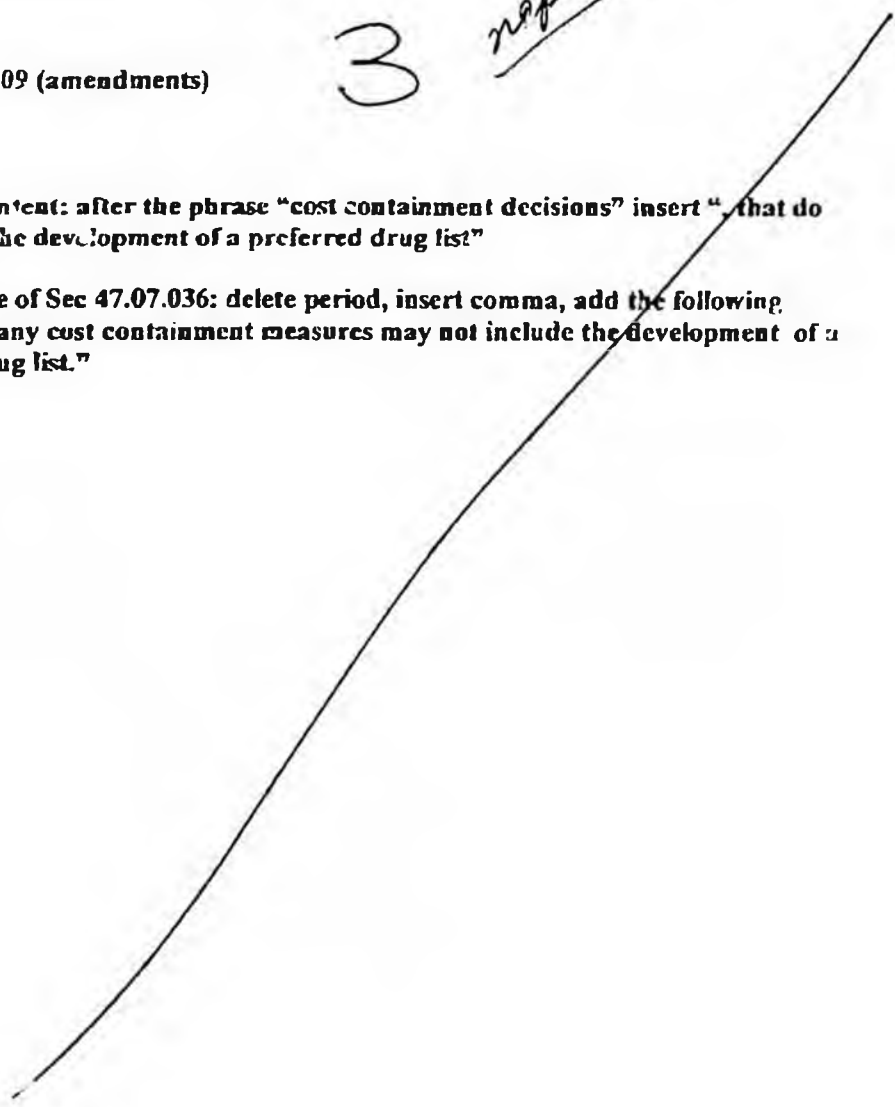
Senate Bill 109 (amendments)

3

replaced

Legislative Intent: after the phrase "cost containment decisions" insert "that do not include the development of a preferred drug list"

Last sentence of Sec 47.07.036: delete period, insert comma, add the following phrase "but any cost containment measures may not include the development of a preferred drug list."



*Amended*

AMENDMENT 2

OFFERED IN THE HOUSE

BY REPRESENTATIVE CROFT

TO: SB 109

1 Page 3, following line 13:

2 Insert a new subsection to read:

3 "(d) Under (c) of this section, the department may not implement a decision to  
4 deny coverage for an optional service unless the department sends to each person who  
5 is a recipient of assistance under this chapter and to each affected service provider at  
6 least 60 days' written notice of the date after which the coverage for that service will  
7 be denied. In addition, the department may not implement a decision to deny  
8 coverage for an optional group of eligible persons under (c) of this section unless the  
9 department sends to each member of the group who is receiving medical assistance  
10 and to each service provider at least 60 days' written notice of the date after which  
11 coverage of the persons will be denied. Before or during those 60 days, the  
12 department shall review whether a person who is receiving assistance as a member of  
13 the optional group whose coverage will be denied is eligible for continued assistance  
14 under another provision of this chapter."

*Filed*

23-GS1124\A.2  
Lauterbach  
4/23/03

AMENDMENT |

OFFERED IN THE HOUSE

BY REPRESENTATIVE CROFT

TO: SB 109

1 Page 1, line 1:

2 Delete "repealing"

3 Insert "amending"

4

5 Page 1, line 3:

6 Delete "authorizing the"

7

8 Page 1, lines 4 - 5:

9 Delete all material.

10

11 Page 1, line 8, through page 2, line 7:

12 Delete all material.

13

14 Page 2, line 8:

15 Delete "Sec. 2"

16 Insert "Section 1"

17

18 Page 2, line 18, through page 3, line 18:

19 Delete all material and insert:

20 "\* Sec. 2. AS 47.07.035 is repealed and reenacted to read:

21 Sec. 47.07.035. Priority of medical assistance. By December 1 of each

22 year, the department shall submit to the governor the department's determination of

23 the order of priority in which the department intends to eliminate coverage for optional

1       medical services and optionally eligible groups of individuals if the department finds,  
2       during the next fiscal year, that the cost of medical assistance for all persons eligible  
3       under this chapter will exceed the amount allocated in the state budget for medical  
4       assistance under this chapter for the same fiscal year. When developing the list of  
5       priorities, the department may not provide that the eligibility of an optionally eligible  
6       group will be eliminated before the department eliminates all optionally eligible  
7       services. The priority list must reflect the department's determination of the services  
8       and eligibility parameters that best reflect the needs and interests of persons in the  
9       state who are or may be eligible for medical assistance under this chapter. The  
10       department shall, by March 1 following the submission of the priority list to the  
11       governor, adopt regulations to implement the priority list; however, the effective date  
12       of the regulations may not be earlier than July 1 of the fiscal year in which the priority  
13       list will apply."

14

15    Renumber the following bill section accordingly.

House Finance Committee Vote Sheet

DATE: 5/13/03  
 SUBJECT: CS SR 109 (FIN)

MEMBER

YES

NO

FOSTER	✓	
HAWKER	✓	
<del>JOULE</del> Kuttuba		✓
MEYER	✓	
MOSES		✓
STOLTZE	✓	
WHITAKER	—	
CHENAULT	—	
GROFT Berkowitz		✓
HARRIS	✓	
WILLIAMS	✓	
TOTAL:		

PASSED: 3-4

FAILED: \_\_\_\_\_

WTD

**Letter of Intent**  
Senate Bill 109  
Medicaid Cost Containment

It is the intent of the Legislature that the Department of Health & Social Services will work with various provider groups, including physicians and pharmacists, to design a preferred drug list for Alaska's Medical Assistance program that includes the most safe, effective, and cost efficient pharmaceuticals available for Medicaid beneficiaries. For pharmaceuticals not included on the Preferred Drug List, the Department will develop procedures for authorization that are minimally intrusive to prescribing practitioners.

W/D

23-GS1124D  
Lauterbach  
5/1/03

**HOUSE CS FOR SENATE BILL NO. 109(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act repealing the statute that sets priorities for the Department of Health and  
2 Social Services to apply to administration of the medical assistance program when there  
3 are insufficient funds allocated in the state budget for that program; authorizing the  
4 department to make cost containment decisions that may include decisions about  
5 eligibility of persons and availability of services under the medical assistance program;  
6 and providing for an effective date."

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

8 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
9 to read:

10 **LEGISLATIVE INTENT.** (a) It is the intent of the legislature that the Department of  
11 Health and Social Services should have the authority to make cost containment decisions  
12 related to the Medicaid program under AS 47.07 other than the development of a preferred  
13 drug list, during any fiscal year when the department finds that the cost of medical assistance

1 for all persons eligible under the program will exceed the amount allocated in the state budget  
2 for that fiscal year.

3 (b) The legislature intends, with the enactment of sec. 3 of this Act, that the cost  
4 containment decisions made by the Department of Health and Social Services should be those  
5 that best reflect the needs and interests of the eligible recipients and the coverage options  
6 available under AS 47.07 and that the department should take all reasonable measures to  
7 effect cost containment in ways that least affect the recipients who are eligible for services  
8 and the types of services that are available.

9 \* Sec. 2. AS 47.07.030(c) is amended to read:

10 (c) Notwithstanding (b) of this section, the department may offer a service for  
11 which the department has received a waiver from the federal government if the  
12 department was authorized, directed, or requested to apply for the waiver by law or by  
13 a concurrent or joint resolution of the legislature. [THE DEPARTMENT SHALL  
14 ANNUALLY MAKE AVAILABLE TO THE LEGISLATURE ITS  
15 RECOMMENDATIONS ABOUT WHERE A SERVICE OFFERED UNDER THIS  
16 SUBSECTION SHOULD BE PLACED ON THE PRIORITY LIST IN AS 47.07.035.  
17 THE DEPARTMENT SHALL NOTIFY THE LEGISLATURE THAT THE  
18 RECOMMENDATIONS ARE AVAILABLE.]

19 \* Sec. 3. AS 47.07 is amended by adding a new section to read:

20 **Sec. 47.07.036. Cost containment measures authorized.** (a) If the  
21 department finds that the costs of medical assistance for all persons eligible under this  
22 chapter will exceed the amount allocated in the state budget for a fiscal year, the  
23 department may implement cost containment measures to reduce anticipated program  
24 costs for that fiscal year as authorized under this section.

25 (b) The department, in implementing this section, shall take all reasonable  
26 steps to implement cost containment measures that do not eliminate program  
27 eligibility or the scope of services required or authorized under AS 47.07.020 and  
28 47.07.030 before implementing cost containment measures under (c) of this section  
29 that directly affect program eligibility or coverage of services. The cost containment  
30 measures taken under this subsection may include new utilization review procedures,  
31 changes in provider payment rates, pre-certification requirements for coverage of