



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Commerce, Community,
and Economic Development

BOARD OF PHYSICAL THERAPY AND
OCCUPATIONAL THERAPY

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April 18, 2025

The Honorable Jesse Bjorkman
Chair, Senate Labor and Commerce Committee
Alaska State Capitol, Room 427
Juneau, Alaska 99801

Dear Senator Bjorkman,

The Alaska Physical Therapy and Occupational Therapy Board would like to vocalize support for SB121. This bill addresses standards for settlement of health insurance claims and allowable charges for health care services. The Board feels that this bill will result in a positive impact to Alaskans by increasing access to health care services, including physical therapy and occupational therapy services. This bill addresses challenges related to geographic isolation and provider shortages, which directly impacts Alaskans' health.

The geographic spread between communities in Alaska presents a unique challenge compared to other states, and this bill improves the patient's ability to access medical and rehabilitative services. Compared to Alaska, a patient can travel between health care providers with less challenges in the lower 48 states. For instance, if a patient in other states does not have an in-network provider in their hometown, then they are able to drive to another town to access an in-network provider. In many Alaskan communities, this is not possible due to the geographical distance between communities. Because the 80th Percentile Rule was revoked, our communities are at increased risk of healthcare disparity and medical desert.

A patient may have access to only a single health care provider in their community. If insurance limitations prevent a patient from treatment with that sole healthcare provider, then the patient may need to fly to another region to obtain care. Those travel requirements are often not covered by insurance providers, which results in a financial burden. Additionally, the time spent travelling for health care services leads to time away from responsibilities at home, such as work, caregiving to family members, etc.

SB121 addresses these challenges in Sec. 21.36.497 (a): "In the absence of a contract between a health care insurer and health care provider that sets allowable charges for health care services and supplies furnished to a covered person, the director shall set by regulation the standards that a health care insurer must use to set allowable charges for health care services or supplies furnished to a covered person by a health care provider in the state." This language addresses

concerns related to care provided by out of network health facilities, which increases a patient's ability to see the local health care providers in their community.

Insurance reimbursement is a strong factor in the growth of the healthcare market, including the volume of service providers. By increasing the volume of healthcare providers in Alaska, Alaskans have increased access to healthcare services. Alaskans cannot access healthcare services if providers are not able to financially establish their practices. SB121 addresses this need by establishing statutory regulation for reimbursement of healthcare services through language related to allowable charges in Sec. 21.36.497 (a):

“Allowable charges must be based on the most current data available that shows amounts charged by health care providers in the state for the service or supply over a 12-month period and must be the same across the state. An allowable charge may not be less than the 75th percentile of charges in the state for a health care service or supply as defined by the Current Procedural Terminology adopted by the American Medical Association or other industry standard method of coding, but the director may set an allowable charge at a higher percentile. Allowable charges for primary care providers must be the greater of the allowable charge or 450 percent of the federal Centers for Medicare and Medicaid Services fee schedule for the state in effect at the time of delivery of the health care service or supply.”

In May 2018, the University of Alaska Anchorage prepared the following document for the Alaska Office of Management and Budget: “How Has the 80th Percentile Rule Affected Alaska's Health-Care Expenditures?” This document was written by Mouhcine Guettabi with the Institute of Social and Economic Research and Department of Economics and Public Policy.

This document describes that after the implementation of the 80th percentile rule, health care expenditures for physician and clinician services experienced significant growth. “For this category [physician and clinical services], we find that the 80th percentile explains between 15% and 39% of the growth rates. This means the yearly growth would have been between 1.06% and 2.74% lower in the absence of the 80th percentile rule.” This document demonstrates “that Alaska has considerably more physicians, and more doctor offices than it did in the early 2000's. The number of Physician offices, for example, increased from 368 in 1998 to 569 in 2015. Those of physical therapists increased from 37 in 1998 to 134 in 2015. This increase in availability and variety of healthcare facilities has made it easier for Alaskans to obtain medical services.”

This document establishes a correlation between the prior 80th Percentile Rule and the growth in volume of medical and therapy offices in Alaska. By increasing the volume of healthcare providers in Alaska, Alaskans have increased access to healthcare services. It is important to highlight the role of reimbursement guidelines in allowing therapist and other medical providers to establish financially viable facilities, which in turn allows for Alaskans to have access to health care services. This challenge seems to be especially impactful in smaller communities who are at risk of facing a healthcare desert.

In short, the Alaska Physical Therapy and Occupational Therapy Board is supportive of SB121.

Signed by:
Sincerely,
Valerie Phelps

Valerie A. Phelps, PT, ScD

Chair, Board of Physical Therapy and Occupational Therapy