

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 28, 2001**  
**9:09 AM**

**TAPES**

SFC-01 # 55, Side A

**CALL TO ORDER**

Co-Chair Pete Kelly convened the meeting at approximately 9:09 AM.

**PRESENT**

Senator Dave Donley, Co-Chair  
Senator Pete Kelly, Co-Chair  
Senator Loren Lemman  
Senator Lyda Green  
Senator Gary Wilken  
Senator Alan Austerman  
Senator Lyman Hoffman  
Senator Donald Olson

**Also Attending:** JANET PARKER, Deputy Director, Division of Retirement and Benefits, Department of Administration; MATT ANDERSON, Unit Manager, EMS, Department of Health and Social Services; BILL ROLFZEN, Division of Community and Business Development, Department of Community and Economic Development

**Attending via Teleconference:** From Anchorage: CLYDE SNIFFEN, Department of Law

**SUMMARY INFORMATION**

SB 37 - PHYSICIAN NEGOTIATIONS WITH HEALTH INSURE

The Committee heard from the Department of Law and the Department of Administration and the bill was HELD in Committee.

SB 143 - RIGHT-OF-WAY LEASING ACT: APPLICATION COST

After a brief discussion the bill was reported from Committee.

SB 104 - AID TO VOLUNTEER SERVICES

After a brief discussion the bill was HELD in Committee.

#sb37

CS FOR SENATE BILL NO. 37(L&C)

"An Act relating to collective negotiation by physicians with health benefit plans, to health benefit plan contracts with individual competing physicians, to the application of state antitrust laws to agreements involving providers and groups of providers affected by collective negotiations, and to the effect of the collective negotiation provisions on health care providers."

Co-Chair Kelly explained that essentially SB 37 would create, in law, a structure by which physicians could negotiate with insurance companies collectively without violating anti-trust laws if they had the oversight of a state agency. He noted that the state action doctrine would create the oversight of the negotiations by a state agency; in this case they chose the Department of Law. He referred to a supreme court case back in 1943, which accepted the fact that the anti-trust provisions would not work in every situation. He suggested that it would be a situation where it was not appropriate to apply strict anti-trust provisions and where there was a need for state oversight. He concluded that what they were creating was the ability for physicians to come together and negotiate with insurance companies on a voluntary basis.

KRIS KNAUSS, staff to Senator Pete Kelly, explained that within geographical service if there were more than 40 physicians in an area then only 30 percent of them could negotiate and if there was less than 40 then 100 percent could negotiate, which means that in the more urban areas, such as Anchorage, only 30 percent of the market would be negotiating with insurance companies. He pointed out that in the latest version of SB 37 they excluded the self insured from the bill and changed some of the language in the bill with regards to a physician negotiating only with an insurance agency and those negotiations becoming confidential rather than having a public process or hearing. He indicated that there was not a competitive group of large insurance companies in the state and what they were trying to do was open the door for the smaller insurance companies to negotiate with physicians.

Co-Chair Kelly explained that one of the problems was in the past few years the number of insurance companies went from 18 to six and as they continued to buy each other up they gained more and more market power. He noted that with the physicians they have had nothing of the like happen to them and they also have the anti-

trust laws working against them; therefore, if they were to get together with a colleague to discuss something with regards to negotiations with insurance companies the Federal Trade Commission (FTC) could shut them down and fine them. He stated that SB 37 would allow the physicians to come together on a voluntary basis and negotiate with the insurance companies and they would not be threatened with legal action because of it.

Senator Olson wondered why the self-insured were excluded if it meant solo-practitioners were being excluded.

Co-Chair Kelly replied that the solo-practitioner would not be able to take advantage of the bill; they would be excluded from the provisions of the bill.

Senator Olson wondered if the definition of self-insured meant covering malpractice.

Co-Chair Kelly clarified that it was not the self-insured physician, but rather, for example, the State of Alaska and the teamsters would be considered self-insured.

Senator Green further clarified that self-insured had to do with groups of people that had chosen to be self-insured, rather than have a third-party deal with the insurance companies.

CLYDE SNIFFEN, Department of Law, testified via teleconference from Anchorage, expressed that they continued to have concerns with the bill.

JANET PARKER, Deputy Director, Division of Retirement and Benefits, Department of Administration, indicated that she was there to answer any questions regarding the fiscal note.

Senator Wilken wondered if she was speaking to the fiscal note dated March 15.

Ms. Parker yes.

Senator Wilken pointed out that it would seem that SB 37, by increased competition, would drive costs down, but according to the fiscal note the cost is being driven up by almost \$9 million in the state plan. He said that he was in favor of the bill, because it appeared to drive down costs.

Ms. Parker explained that what they were doing was giving providers the opportunity to ban together and negotiate. She noted that they were not going to try and negotiate their reimbursement down, but

rather negotiate it up.

Co-Chair Kelly indicated that throughout the course of SB 37 they heard many people testify that it would drive costs up. He pointed out that the negotiations were completely voluntary and if the insurance companies do not want to negotiate than they do not have to. He also pointed out that the provisions of the bill stated that the physicians could not act in a retaliatory manner and they could not boycott. He stressed that all SB 37 was doing was allowing physicians to act in such a manner that they could at least come to a group to decide whether they wanted to negotiate in the first place and then the insurance companies have the option of saying "no." He does not see how there could be an increase of 5 to 13 percent in healthcare costs.

Ms. Parker replied that there really was no way of knowing, because it had not occurred yet. She explained that they have just done some studies based on federal legislation that were similar.

Co-Chair Kelly clarified, "There were some studies on that and there were also studies that said the methodology on the study that you're referring to was completely out of wack and it sounds to me - and Ms. Parker I certainly don't mean to criticize what you've said, because I know these aren't the numbers that you've come up with necessarily, I mean I'm not holding you accountable for these exact numbers in here, but they are the numbers that I've been hearing from a number of organizations and testifiers and I think it's a number that's just flat been pulled out of the air."

Ms. Parker said, "I plead the fifth."

Co-Chair Kelly commented that it brought up a good point, that being, how could something that is completely voluntary drive up costs. He did not think that it would drive up costs. He reiterated that all SB 37 did was provide some oversight to allow physicians to come together so that they would have some market power to deal with insurance companies that were getting larger and more powerful; therefore, there would be some kind of equality and equity in the bargaining position. He stressed that SB 37 was not a "sky is falling" bill as had been presented.

Co-Chair Kelly reported that the bill would be HELD in Committee.

AT EASE 9:27 AM/9:30 AM

#sb143

SFC-01

(4)

03/28/01

SENATE BILL NO. 143

"An Act authorizing the Department of Natural Resources to enter into agreements with a person or persons desiring to own an oil or natural gas pipeline proposed to be located on state land for the purposes of providing for payment of the reasonable costs incurred in preparing for activities before receipt of an application under the Alaska Right-of-Way Leasing Act and for activities relating to the processing of an application under that Act; and providing for an effective date."

Senator John Torgerson, sponsor of SB 143, indicated that SB 143 would allow them, specifically for gas lines, to collect the costs that were determined to be reimbursable on pre-applications or on the work that occurred before the application was submitted. He noted that the Senate Finance Committee struggled with the supplemental budget where there was a \$4 million request and \$10 million for application costs next year. He pointed out that SB 143 would allow the departments to start a memorandum process with applicants and start the reimbursement process immediately.

Co-Chair Kelly wondered if Senator Torgerson was sunsetting the bill.

Senator Torgerson replied that there was a sunset clause in the bill for 2003. He explained that the thought process behind that was that there would be an application by the end of this year or the beginning of next year and once the application was in they would go onto existing law. He said that they decided to sunset the bill so the administration would not be able to make deals all the time, but if there were not applications in and there was still work to be done they would extend the sunset date for a couple more years. He added that it would be an easy fix.

Co-Chair Kelly indicated that during the capital budget overview they did come across the request for \$10 million and wondered if that was adequately covered.

Senator Torgerson responded that he did look through the \$10 million request and indicated that there were some expenses that would be determined to not be reimbursable. He said that he did not agree with the fiscal note, because they were basically saying that only \$4 million of the \$10 million would be reimbursable and he felt that it would be higher.

Senator Green wondered if the department could arbitrarily charge someone who they thought was going to apply. She asked if there was any safeguard against an over-zealous implementation.

Co-Chair Kelly pointed out that there were other statutes that determine what would be considered a reasonable cost.

Senator Torgerson agreed that most of it would be covered under an agreement. He noted that they currently have regulations and statutes that cover reimbursable expenditures. He said that the \$3.9 million discussed in the fiscal note would be reimbursable upon receiving an application.

Senator Green requested clarification that the applicant would trigger the process.

Senator Torgerson replied yes.

Co-Chair Kelly requested clarification that the applicant would be paying fees before actually receiving the permit, whereas, in the past those fees would be paid after they received the permit.

Senator Torgerson replied, "That's correct." He explained that the ones that were reimbursable could be backed up in the beginning and they would be reimbursed sometime in the future. He clarified that SB 143 would implement it now instead of waiting for a reimbursement. He referred to Senator Green's question and indicated that SB 143 stated that there could not be any charges until an actual agreement was signed; therefore, they could not just send a bill.

Co-Chair Donley moved SB 143, 22-LS0667\J, from Committee with accompanying fiscal note and individual recommendations.

There was no objection and SB 143 was reported from Committee.

#sb104

SENATE BILL NO. 104

"An Act relating to state aid for volunteer services; and providing for an effective date."

Senator Torgerson, sponsor of SB 104, indicated that SB 104 simply would pay volunteer fire departments and EMS services \$10 per capita for the areas that they served. He noted that it was a big issue for areas such as Cooper Landing. He said that SB 104 was an attempt to try to get the fire department a little bit of money and help offset their operating expenses.

Co-Chair Kelly wondered if it was a redistribution of money.

Senator Torgerson believed it was new money.

Co-Chair Kelly requested clarification that the \$863,000 was all new money.

Co-Chair Donley clarified that they were general fund dollars.

Co-Chair Kelly agreed.

Senator Torgerson agreed.

Senator Wilken wondered if there were any volunteer fire departments or emergency medical services (EMS) that served areas with populations greater than 2,500.

Senator Olson answered yes.

Senator Green indicated that Chugiak and Eagle River both have volunteer fire departments.

Co-Chair Donley agreed.

Co-Chair Donley wondered what the thought was behind the 2,500 population limit.

Senator Torgerson replied that it was in current law.

Co-Chair Donley believed that the current law addressed whether they were unorganized or organized.

Senator Torgerson explained that the 2,500 opened it up for unorganized or organized.

MATT ANDERSON, Unit Manager, EMS, Department of Health and Social Services, indicated that over the past decade or so the amount of financial resources available to small rural services had declined dramatically. He pointed out that in 2001 they were seeing some dynamics, which included, an increase in the cost of operation, the run volume had increased and much of the capital equipment that the services have owned were nearing the end of their useful lives. He added that there were some changes in communication technology and the standards of care have increased the cost as well. He concluded that they were supportive of efforts to increase the amount of financial resources available to rural emergency medical services. He said that they believed that this kind of system would be an excellent adjunct to the well-developed EMS regional system that they have today. He added that there were a number of

services that they certify as EMS that operate in communities greater than 2,500. For example, he listed Anchorage, Kenai, Sitka, Ketchikan.

Senator Wilken wondered if he picked a community like Esther volunteer fire department if there would be a tab that showed to what extent the local borough or the local people supported each of the volunteer fire departments.

Mr. Anderson replied that they did not have that kind of information.

Senator Wilken wondered who would know.

Mr. Anderson answered that the Department of Community and Economic Development would possibly know.

BILL ROLFZEN, Division of Community and Business Development, Department of Community and Economic Development, regarded Senator Wilken's question and indicated that the information would be available through the borough's budget and year-end financial audit.

Senator Wilken wondered if they tracked the amount of local participation that was matched with the state funding in unorganized Alaska to support their fire department.

Mr. Rolfzen indicated that currently under the state revenue program the only accounting as far as volunteer fire departments in the unorganized boroughs were reported in the revenue sharing fund.

Senator Wilken wondered if Mr. Rolfzen was aware of some local participation in all volunteer fire departments.

Mr. Rolfzen responded all of them contributed local money, whether it was through bake sales or raffles.

Senator Wilken wondered if the existing program only served 21 fire departments in the state.

Mr. Rolfzen responded that was how many were funded in FY01.

Co-Chair Kelly reported that the bill would be HELD in Committee.  
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#### **ADJOURNMENT**

Co-Chair Pete Kelly adjourned the meeting at 09:48 AM