

HOUSE FINANCE COMMITTEE
April 7, 2006
9:15 a.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [9:15:19 AM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Jim Holm

ALSO PRESENT

Representative Peggy Wilson; Mike Pawlowski, Staff,
Representative Kevin Meyer; Linda Hall, Division of
Insurance, Department of Commerce, Community and Economic
Development; Paul Lisankie, Director, Division of Workers'
Compensation, Department of Labor and Workforce Development;
John Grummet, Alaska Independent Agents and Brokers of
Alaska; Rod Betit, President, Alaska State Hospital and
Nursing Home Association (ASHNHA)

PRESENT VIA TELECONFERENCE

Robert Vogel, Pro Group Management; Ray Hickel, President,
Anchorage Homebuilders Association; Richard Cattanach,
Association of General Contractors; Kenton Brice, Property
Casualty Insurance Association of America; Rebecca Logan,
Association of Builders and Contractors of Alaska; Kathleen
Gettys, President, Resident Hospital Nurses Bargaining Unit,
Anchorage; Mike Alexander, Nurse, Anchorage; Dianne
O'Connell, Alaska Nurses Association; Ron Attler, API,
Anchorage

SUMMARY

HB 51 "An Act relating to permitting employers in the
same trade to form joint insurance arrangements
for self-insured workers' compensation coverage."

CS SSHB 51 (FIN) was heard and HELD in Committee for further consideration.

HB 271 "An Act relating to limitations on overtime for registered nurses in health care facilities; and providing for an effective date."

CSSH 271 (HES) was heard and HELD in Committee for further consideration.

HB 362 "An Act increasing the base student allocation used in the formula for state financing of public education; and providing for an effective date."

HB 362 was POSTPONED until 1:30 pm.

[9:15:38 AM](#)

HOUSE BILL NO. 51

"An Act relating to permitting employers in the same trade to form joint insurance arrangements for self-insured workers' compensation coverage."

Co-Chair Chenault MOVED to ADOPT the work draft to HB 51, labeled 24-LS0233\C, Bailey, 4/4/06. There being NO OBJECTION, it was so ordered.

MIKE PAWLOWSKI, STAFF, REPRESENTATIVE KEVIN MEYER, related that in the state of Alaska, a single employer can self-insure their workers, compensation obligations if they have at least 100 employees and a net worth of \$5 million. Twenty-six percent of Alaska's employees work for an employer that self-insures their workers' compensation obligations. CSSSHB 51 will allow a group of businesses, that bind themselves together through joint and several liability and in the aggregate meet the requirements a single employer must, to self-insure their workers' compensation obligations.

Mr. Pawlowski reported that 37 states allow small groups to form to self-insure and each state takes a different approach.

Mr. Pawlowski referred to a handout (copy on file) that compares the requirements of a single self-insured employer to a group self-insured. In Alaska a single self-insured employer is regulated by the Department of Labor. Under HB 51, it would be a blend of regulations from the Department of Labor and the Division of Insurance. Both would have to meet the minimum of 100 employees before they can be granted a certificate. The net-worth requirements are the same, although there is a pending amendment that would raise the

limits for single self-insured. He noted the intent of the sponsor for a level playing field.

Mr. Pawlowski addressed requirements of single self-insured employers and group self-insured: number of employees, net worth, minimum assessment, liability, excess or reinsurance, surety bond, guarantee fund, and premium taxes.

[9:22:17 AM](#)

Mr. Pawlowski noted that in members' packets are more than a dozen letters of support from small businesses and trade groups expressing their support for HB 51. A self-insured group is not an answer for everyone, but it should be an option. Alaska has the second highest workers' compensation rates in the country and this body has done a lot to try to address the issue. HB 51 does nothing to deal with the system - what it does is give businesses another way to pay for the cost.

Co-Chair Meyer commented that the bill was initiated at the request of a number of small businesses. Mr. Pawlowski listed the agencies in support of the bill: Anchorage Home Builders Association, the Alaska State Home Builders Association, the Associated Builders and Contractors, the Associated General Contractors of Alaska, the Alaska Trucking Association, Remax of Eagle River, the Anchorage Board of Realtors, Northern Trust Real Estate Incorporated, the National Electrical Contractors Association, Anchorage Char, the State Chamber of Commerce, the Anchorage Chamber of Commerce, and Spenali Homes.

Co-Chair Meyer requested that Mr. Pawlowski relate the evolution of the bill. Mr. Pawlowski explained that the bill began as a vehicle for self-insurance. It developed into a larger bill because of financial oversights of these groups.

[9:25:35 AM](#)

Mr. Pawlowski referred to a chart, "How Workers' Compensation Claims Are Paid" (copy on file). He went through the steps depicted in the handout. The CS provides financial oversight structures to give the director of the Division of Insurance the ability to oversee these small groups.

[9:27:43 AM](#)

Representative Weyhrauch noted that all of the letters of support say the same thing. Mr. Pawlowski thought it was the Anchorage Home Builders that organized the letters.

Representative Weyhrauch asked about Section 1 where the Director of Insurance can issue a self-insurance certificate to associations only if they file applications that demonstrate that the employers have a tangible net worth of at least \$5 million in the aggregate. He wondered about the definition of net worth. Mr. Pawlowski deferred to the Division of Insurance.

Representative Kelly noted the amendments and asked if they are included in the new CS. Co-Chair Meyer said they are not included. Representative Kelly asked that the sponsors state an opinion on the amendments. Mr. Pawlowski responded that the amendments were not put into the CS in order that they could be discussed.

[9:30:54 AM](#)

LINDA HALL, DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, commented that it is a public policy decision. She testified in opposition to the bill. She stated appreciation of the work done on the bill.

Ms. Hall spoke to financial oversight. The basic principle of insurance regulation is financial oversight to ensure that claims get paid. The CS does include far more detailed requirements than prior versions, but she voiced concerns about the adequacy of the requirements in the bill. She addressed tangible net worth, which has no definition, and does not require any liquidity. Insurance regulation requires certain types of assets. The quality of the assets is the primary regulatory oversight.

Ms. Hall maintained that the \$5 million aggregate is too low. She reported that standardized financial statements need to be filed and reviewed by the Division of Insurance. Insurance financial oversight is based on Statutory Accounting not GAAP. Investments are highly regulated - NAIC even has an entire office dedicated to the valuation of securities.

[9:34:22 AM](#)

Ms. Hall spoke of the section regarding insufficient assets and the circumstances in which an association is considered insolvent. She said there is no follow up and no provision for receivership or wrap-up of the affairs.

Ms. Hall referred to a section that deals with the retention of security deposits in the event of termination. She maintained that 36 months is not enough time. Workers' compensation claims can take 20 years or more to close. She suggested it would be more appropriate to conditionally release a deposit upon termination of liabilities as determined by actuarial analysis.

Ms. Hall noted that the regulatory authority to penalize for violations has been added to the bill. It is limited to \$100,000. She gave an examples both nationally and locally of major settlements to resolve allegations of deceptive accounting practices. She maintained that there are substantial deficiencies and there has to be an ability of a regulator to have penalties to enforce statutory provisions.

Ms. Hall addressed another area of concern in HB 51, regulatory oversight. Chapter 36 of the Insurance Title provides the statutes controlling trade practices and frauds. It includes such things as oversight of marketing, misrepresentation and false advertising, unfair discrimination, and unfair claims settlement practices. None of these provisions would be allowed in the oversight of the self-insured group associations. The bill specifically provides that no other insurance law can apply.

[9:37:24 AM](#)

Ms. Hall noted that the CS also provides for a third-party administrator to administer claims. Today, the Division of Insurance licenses adjusters who handle workers' compensation claims. Title 23 provides that an individual self-insured employer may have either their own staff approved by the Department of Labor or independent licensed third parties to adjust claims. She explained that third party administrators are not allowed to adjust workers' compensation claims or property casualty claims. The bill does not require licensing of third-party administrators and therefore would not provide any oversight of the claims handling practices.

Ms. Hall reported that today the Division of Insurance (DOI) is performing a market conduct review of a claims adjusting company after receiving complaints from injured workers about the handling of their claims. This bill would not allow for that type of authority if claims adjustors are not licensed. There is no complaint process and no accountability for the handling of claims.

[9:38:46 AM](#)

Ms. Hall spoke to the issue of fiscal impact. She addressed fees for those regulated. The DOI operates as a receipts-based entity as fees are charged to those regulated to cover the costs of that regulation. In general, a fee is required upon application for authority to operate, and then renewal fees are collected. These are in addition to the examination costs. There is no provision for renewal fees to provide revenue for oversight.

Ms. Hall explained the premium tax issue. Once there is no longer premium collected on insurance policies, there will be a loss of revenue to the general fund. In 2004 the premium tax was the second largest source of revenue to the general fund. The 2004 premium tax for workers' compensation alone was approximately \$8.1 million. If these groups were to expand, it is not unrealistic to estimate that 25 percent of the current premium would no longer provide taxes to the general fund for a revenue loss of over \$2 million. The bill does make provision for payment to the Division of Workers' Compensation on the same basis as individual self-insureds, but represents a loss to the general fund.

Ms. Hall related that there are provisions in other states that allow self-insured associations. Both Nevada and Oregon have significant provisions that are missing in this bill. There are provisions to access other self-insured associations in cases of insolvency, provisions for excess insurance, for working capital requirements, for improving accident prevention, and for disclosure for employers joining self-insured groups.

[9:41:31 AM](#)

Ms. Hall addressed Alaska statute AS 21.75, which provides for the formation of reciprocal insurers. It allows the formation of a regulated entity to provide various lines of insurance for the members of the reciprocals. It requires \$1.5 million in capital and surplus for an entity to provide coverage for workers' compensation claims. She opined that that amount is not at all far-reaching. Reciprocal insurers are regulated in much the same way as a traditional insurer, which is intended to protect the public. The Timber Exchange and Alaska Rural Energy Authority (ARECA) are examples of trade groups that are operating successfully. She maintained that a different vehicle is not needed because the reciprocal, as provided in Alaska statute, is a viable entity for trade associations to form their own programs.

Ms. Hall concluded that she is pleased to see the efforts to include more accountability in the CS. She continued to have serious reservations about the viability of these small plans when the down side potential of there not being sufficient monies to pay the claims of injured workers exists. She expressed sympathy about the high costs of workers' compensation insurance today. Many are looking for less expensive ways to provide the mandatory coverage. As long as the benefit system continues to be expensive, the cost of providing benefits will not change regardless of the source of payments. She referred to a California study, which showed reforms that reduced insurance rates by 46 percent from July 1, 2003, to January 2, 2006. Alaska's

system costs continue to escalate. Just changing the entity paying for the system will not change the cost.

Ms. Hall urged members to carefully consider the possible effects of this legislation. An Alaskan trade group crafted this bill with great care, time, and expense in an attempt to find a viable alternative and remain responsible. The bill, however, would apply to any group that decides to participate and might not have the same principals of accountability, but would merely be looking for a way to skimp on workers' compensation costs. As we research self-insured groups in other states, it appears that what began as trade association groups with common interests have morphed into some very broad groupings of substantially unrelated types of risks. In New York, while certainly having a far greater population base, there are 63 such self-insured trusts. There is a potential for a large number of groups in Alaska so adequate protections need to be in place from possible impacts down the road on the overall insurance market place. Spreading the risk to a smaller group would impact groups that are left. She voiced concern that the bill does not contain protections for the work force.

[9:46:41 AM](#)

Co-Chair Meyer noted that the bottom line is that DOC has the final say in self-insurance certificates. He mentioned that there is no fiscal note. Ms. Hall stated that she has submitted an indeterminate fiscal note.

Representative Weyhrauch asked if the required "reserves" could be cash. Ms. Hall replied that the insurance company would be required to have cash and approved investment vehicles for reserves. Representative Weyhrauch asked about the reference on page 4 to "tangible net worth of at least \$5 million". He asked if Ms. Hall said that \$5 million is not adequate. Ms. Hall replied that it is not adequate because there is no liquidity requirement. Representative Weyhrauch asked if any entity has a bond greater than, or equal to, \$5 million on deposit. Ms. Hall replied that there are no bonds at all today. There are deposits, but they are not in that amount. Individual financial statements are analyzed for adequacy; there is no deposit of that amount. She addressed solvency bonds and bond underwriters. She did not know if the bond requirement was feasible.

[9:51:23 AM](#)

PAUL LISANKIE, DIRECTOR, DIVISION OF WORKERS' COMPENSATION, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, spoke of the regulation requirement, not statute, regarding self-insurers and security bonds. Recently, the Division required an

entity to post security because, in the single self-insurer program, the financial ability to pay is scrutinized. He spoke to net worth provisions in the current self-insurer program. He discovered that the regulations were 23 years old. If \$5 million applied in 1984, it would need to be inflated today. He suggested a \$10 million minimum. The statute does not require a bond for security, but the regulations do address that issue. When a securing is required of a single entity self-insurer, the minimum in regulations is \$300,000 and it should be raised to \$600,000 in the near future.

[9:55:32 AM](#)

Mr. Lisankie addressed excess insurance requirements, which regulations mandate. He said there are 31 single entities that are currently authorized to self-insure their workers' compensation liability. Their average net worth in 2006 was \$4.9 billion. The seven smallest have an average net worth of \$55.6 million. Net value is not an indicator of financial responsibility. The smallest entity is a regulated public utility, which is publicly traded, with transparency requirements, and with capitalization of \$250 million. Although it is true that self-insurers operate under a statute that mentions \$5 million as net worth, there are not many in Alaska.

[9:58:00 AM](#)

Representative Weyhrauch inquired if excess insurance is required by regulation and not by statute. Mr. Lisanke said that is correct. Representative Weyhrauch asked if the regulations are authorized by the legislature to require excess insurance. Mr. Lisanke responded that the touchstone is that the statutory mandate is to ensure financial ability to pay, which is broad enough.

[9:58:36 AM](#)

Representative Weyhrauch asked about limits on cease and desist fines and whether they are imposed on other entities. Mr. Lisankie asked if Representative Weyhrauch is referring to Title 21. Representative Weyhrauch clarified it is under the compensation provision on page 13.

Ms. Hall responded that there are different levels of fines under Title 21 for different entities. There are "per instance and aggregates". The example previously referred to was the first time a fine of that size was imposed. It does not happen on a regular basis. Representative Weyhrauch summarized that the concern is that there is not enough transparency to ensure that claims on workers' compensation can be paid because of undefined parameters. He asked Ms. Hall if she would be comfortable if the

entities would allow transparency of financial statements. Ms. Hall responded that the bill does provide for the Division to receive financial statements from individual members. There is a provision for those to be kept confidential. The concern is not transparency, but the ability to require liquidity. The Division has no authority to require liquidity to ensure adequate money to pay the claims.

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Representative Kelly asked about protection in the re-insurance area. Ms. Hall said the requirements for excess layers are adequate. The concern is what underlies that. There are some very large retentions in those excess layers. A multitude of claims would stress the financial resources for those underlying pieces that the group is responsible for.

[10:03:36 AM](#)

JOHN GRUMMET, ALASKA INDEPENDENT AGENTS AND BROKERS OF ALASKA, testified against HB 51. He maintained that there are no safe harbors for the employees. He referred to a position paper, "Alaska Independent Insurance Agents and Brokers" (copy on file.) He voiced concern about no guarantee fund and an unfair claims settlement practice. He spoke highly of the current director of the Division of Insurance. He agreed with Ms. Hall's testimony. He concluded that previous bills have not been successful because the homebuilders did not have the liquidity or did not want to secure the liquidity.

[10:06:50 AM](#)

Representative Weyhrauch asked for a definition of personal indemnity. Mr. Grummet said the association is supposed to provide for the liquidity to its membership. There is no evidence that the members are tied into that.

Representative Kelly spoke to the liquidity problem and higher workers' compensation rates. Mr. Grummet maintained that by going this route, it would cost them more in the end.

Representative Kelly asked how "Ms. Hall does with cost control and looking out for the employer". Mr. Grummet said that she does a good job.

[10:09:05 AM](#)

RAY HICKEL, PRESIDENT, ANCHORAGE HOMEBUILDERS ASSOCIATION, related that his organization took the lead role to support HB 51. The bill is modeled after 30 other states. He

maintained that the current system is in trouble. He stated a need to change the way insurance does business, and he suggested that the committee give the bill a fair hearing.

Mr. Hickel added that self-insurance is a good model to use.

[10:11:46 AM](#)

ROBERT VOGEL, PRO GROUP MANAGEMENT, CARSON CITY, NEVADA, said his company is a plan administrator for self-insured groups. He related that self-insured groups are not new. He cautioned not to confuse trade association with self-insured entities. Trade associations can be sponsors, but are not responsible for payments. There is no distinguishing feature between members and the association. The goal is to grow the liquidity requirements.

Mr. Vogel addressed the solvency bond issue. Other forms of securing net liquidity are allowed to be posted, such as certificates for deposit, cash, or letter of credit.

Mr. Vogel clarified the issue of tangible net worth. The new entity is required to have audited financial statements under generally accepted accounting principals. The underlying companies that join these groups may or may not have audited financials. Trade receivables are generally included in tangible net worth calculations and unsecured receivables are generally excluded. He defined tangible net worth.

[10:16:48 AM](#)

Mr. Vogel said the entities are putting their companies on the line to make sure their claims are paid. If a group were to have problems, the bill provides ways to solve them. Section 21.77.230, on page 12, allows for transfer of surplus funds from previous years to the current year. It provides for setting aside 65 percent to pay for claims. The bill provides for the claims administrator to be licensed and accountable. Mr. Vogel concluded that this is about businesses taking responsibility and it is different than insurance. It is about a long-term change. Financing losses over time will see a savings.

[10:21:45 AM](#)

RICHARD CATTANACH, ASSOCIATION OF GENERAL CONTRACTORS (AGC), spoke to the bill from his organization's perspective of safety and controlling claims costs. He urged passage of the bill.

[10:23:49 AM](#)

Representative Kelly thought that employers would be interested in getting involved with the safety aspect. Mr. Cattanach addressed problems involving lack of a safety program. He pointed out a concern about financial liability. He opined that if AGC is a self-insured group, if one member fails, the others can rely on the rest.

KENTON BRICE, PROPERTY CASUALTY INSURANCE ASSOCIATION OF AMERICA, spoke to Ms. Hall's comments and echoed her concerns. He suggested taking a closer look at oversight requirements in other states. He said an amendment would be forthcoming from PCIA. He gave an example of the amount set aside for claims and said \$5 million is inadequate. He maintained that \$10 million would also be inadequate. He voiced concern that entities that form would be operating under similar rules and regulations that insurance companies must operate under, in terms of fees, taxes, and regulations. He agreed with Ms. Hall's idea that legislation must be drafted toward the lowest standard, both for solvency and for claims payment.

Mr. Brice expressed concern that there is a difficult insurance market in Alaska. He observed that an outside company had come to the state, as a result of recently passed legislation and the hope that the market place will improve. He concluded that competition improves the market. System costs cannot be ignored. He expressed concern that if individuals are drawn out of the pool into self-insured, then the market will not be improved.

[10:33:23 AM](#)

REBECCA LOGAN, ASSOCIATION OF BUILDERS AND CONTRACTORS OF ALASKA, testified in support of HB 51. She maintained that similar programs have done well. They see it as a viable option for trade associations regarding workers' compensation. She clarified that accounts receivable are not included in tangible net worth. It is common to have a 72-month retention rate.

HB 51 was heard and HELD in Committee for further consideration.

[10:36:47 AM](#)

HOUSE BILL NO. 271

"An Act relating to limitations on overtime for registered nurses in health care facilities; and providing for an effective date."

REPRESENTATIVE PEGGY WILSON, sponsor, introduced HB 271. She reported that this is not an overtime issue. It's a safety issue for both patients and nurses. Truck drivers

have a limit to the number of hours they can work consecutively for safety reasons. Pilots can only fly 8 hours within a 24-hour period. Air traffic controllers work a limited number of hours per shift. Railroad engineers are also limited in the number of hours they can work. The common denominator is that lives are at stake if a mistake is made. Nurses who monitor our health should be in the same category.

Representative Wilson related that mandatory overtime causes significant problems for both patients and healthcare workers. Forcing nurses to work beyond their regularly scheduled shift has been linked to increased error rates in providing patient care, and increased injury rates for both patients and health care workers. For nurses, these errors or mistakes may cause life-threatening situations for both the patient and the nurse, from back injuries to medication errors to client deaths. With these mistakes and errors, there is also the chance of lawsuits with loss of licenses and increases in malpractice insurance rates.

Representative Wilson reported that surveys have shown that the exodus of registered nurses, therapists, technologists, technicians and service and maintenance workers is directly attributable to difficult working conditions, including inadequate staffing, mandatory overtime and insufficient compensation. Mandatory overtime is one of the main reasons nurses leave nursing. Recent studies indicate that one in five nurses are considering leaving nursing. When polled on their reasons for leaving, mandatory overtime is always listed in the top ten reasons. In the face of a severe nursing shortage, nurses need to be kept at the bedside.

Representative Wilson observed that as baby boomers retire, more nurses will retire, which will cause further problems with shortages. She stated that eleven states have enacted legislation to prohibit mandatory overtime. Similar legislation has been proposed in 19 other states.

Representative Wilson related that HB 271 has two major components. The first is that the growing shortage of nurses in the workforce is escalating, which empowers nurses to evaluate their own limitations. She cited two studies that show that mandatory overtime is detrimental to worker performance and contributes to medical errors. HB 271 requires a semi-annual report that will provide insight into how both private and public institutions are responding to the shortages. This report will document the total number of overtime hours worked broken down by voluntary and mandatory, the number of on-call hours worked broken down by voluntary and mandatory, and also the number of hours used by contract nurses.

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Representative Wilson informed the committee that the evidence is very strong that prolonged work hours and fatigue affect worker performance. A study by the Institute of Medicine provides compelling evidence that nurses working long hours has an adverse effect on patient's safety. The Institute of Medicine estimates between 44,000 and 98,000 hospital deaths can be attributed to medical errors each year. Mandatory overtime is a serious contributing factor to medical errors. The final recommendation of the Institute Of Medicine is that all overtime - voluntary and mandatory - should be curtailed.

Another study titled "The Working Hours of Hospital Staff Nurses and Patient Safety" published in the July/August issue of Health Affairs found that the risk of making an error was three times higher when nurses had to work shifts that were longer than 12 hours, when they worked significant overtime, or when they worked more than 40 hours in a week.

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Representative Stoltze expressed support for nurses. He questioned the affects of employment displacement. Representative Wilson observed that some institutions that are having trouble attracting nurses, have forced nurses into overtime.

Representative Stoltze suggested that displacements would put pressure on overtime requirements for nurses in Anchorage. Representative Wilson responded that she was assured that would not happen.

Representative Weyhrauch questioned if suggestion boxes would be mandated so that patients could voice complaints. Representative Wilson was unsure.

[10:48:15 AM](#)

Representative Weyhrauch questioned if lunchtime is counted in the 12 hours. Representative Wilson noted that the clock stops when a nurse leaves the floor and it begins again when they return.

Representative Weyhrauch questioned if coercion is a state of mind and how it could be quantified. Representative Wilson responded that it would be coercion if they feared job loss and added that they should be able to say no.

[10:49:51 AM](#)

Representative Weyhrauch questioned how a facility could respond to allegations of coercion. Representative Wilson responded that the intent is to allow the nurse to decline

extra hours. In response to a question by Co-Chair Meyer, she observed that hours vary. Some have 12-hour shifts, with rotating schedules.

[10:52:17 AM](#)

Representative Kerttula noted that problems with overtime are at state facilities, not at private hospitals.

[10:52:54 AM](#)

ROD BETIT, PRESIDENT, ALASKA STATE HOSPITAL AND NURSING HOME ASSOCIATION (ASHNHA), testified in opposition to the legislation. He maintained that the need for the bill has not been documented and that mandatory overtime reporting is not required. He provided members with a chart detailing the results of a survey by ASHNHA. The survey looked at critical access, nurses union, shortage, length of shift, nurse vacancy, mandatory overtime, on-call policy, the use of temporary nursing services used to fill the gaps, and the number of grievances filed by nurses. ASHNHA also looked at the starting nursing salary. He concluded that higher salaries at private intuitions were a factor in API's inability to hire staff. He added that API receives the hardest cases and that they have no choice in the cases they take. He did not think that overtime is being used to fill the nursing gap. Their members want to be able to come up with local solutions to their problems.

[11:02:03 AM](#)

KATHLEEN GETTYS, PRESIDENT, RESIDENT HOSPITAL NURSES BARGAINING UNIT, ANCHORAGE, testified in support of the legislation. She provided members with written testimony. She observed that healthcare is exempt from overtime limitation. She questioned why you would want a nurse to work for you when it has been clearly demonstrated that overtime contributes to medical errors and compared nursing to piloting. Mandatory overtime contributes to greater costs in hiring and training. She observed that the cost of serious care adds approximately \$22,000 to \$28,000 per patient from mandatory overtime.

She noted that they anticipated a loss to the Mat-Su Valley with the option of transportation.

[11:07:02 AM](#)

Ms. Gettys addressed coercion and grievances filed at Providence Hospital. There is no clear delineation about whether overtime is voluntary or forced. Full-time at Providence equals 36 hours per week, in any combination. There have been no grievances filed at Providence, but there

is a report that is filed called "Assignment Despite Objections".

[11:08:20 AM](#)

Representative Kerttula asked what the report shows and if it could be made public. Ms. Gettys responded that it could be made public without using names. Most of the reports involved assignment to a unit without adequate preparation, or wrong patient placement. The purpose of the report is to increase the quality of care. Working conditions are excellent. Representative Kerttula asked if the report shows incidences of overtime. Ms. Gettys replied that it does. Representative Kerttula requested a copy of the report.

[11:10:56 AM](#)

MIKE ALEXANDER, NURSE, ANCHORAGE, testified about mandatory overtime at API, which is clearly stated up front. It is difficult to work a 16-hour shift and it puts the patient at risk. Having a choice to work overtime is important.

[11:13:34 AM](#)

DIANNE O'CONNELL, ALASKA NURSES ASSOCIATION, testified in favor of the bill, as revised, for the sake of patient and community safety, for protection of the nursing staff, and for the purpose of gathering data about the use of mandatory and voluntary overtime.

[11:15:51 AM](#)

RON ATTLE, API, ANCHORAGE, testified about compensation and incentives. He maintained that the state's compensation plan needs a serious overhaul in order to retain and recruit nurses. He applauded Representative Wilson's hard work. He testified in opposition to HB 271.

Co-Chair Chenault stated that amendments would be forthcoming.

HB 271 was heard and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 11:20 AM.