

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 8, 2005

3:17 p.m.

MEMBERS PRESENT

Representative Pete Kott
Representative Bob Lynn
Representative Norman Rokeberg
Representative Harry Crawford
Representative David Guttenberg

MEMBERS ABSENT

Representative Tom Anderson, Chair
Representative Gabrielle LeDoux

COMMITTEE CALENDAR

CONFIRMATION HEARING(S)

Board of Veterinary Examiners

Alfred Agree - Trapper Creek
Timothy L. Bowser, D.V.M. - Soldotna
Cynthia Ann Trout, D.V.M. - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Public Accountancy

Max E. Mertz - Juneau
Catherine L. Wilson - Tok
Carla J. Bassler - Anchorage
Kenneth L. Mayer - Kenai
Christy Morse - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Marital and Family Therapy

Kerry L. Rasmussen - Ward Cove
Martha Swink - Anchorage

- CONFIRMATION(S) ADVANCED

State Board of Registration for Architects, Engineers, and Land Surveyors

Richard C. Heieren - Fairbanks
Harley H. Hightower - Anchorage
Mark G. Morris - Juneau

- CONFIRMATION(S) ADVANCED

Board of Barbers and Hairdressers

Alice B. Massie - Wasilla

- CONFIRMATION(S) ADVANCED

Alaska Labor Relations Agency

Gary A. Atwood - Fairbanks
Aaron T. Isaacs, Jr. - Klawock
Colleen E. Scanlon - Ketchikan

- CONFIRMATION(S) ADVANCED

Board of Nursing

Terri S. Olson - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Psychologist and Psychological Associate Examiners

Camille O. Carlson - Fairbanks
Destiny Sergeant - Juneau

- CONFIRMATION(S) ADVANCED

Regulatory Commission of Alaska

Anthony A. Price - Anchorage

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 29

"An Act relating to health care insurance and to the Comprehensive Health Insurance Association; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 29

SHORT TITLE: HEALTH CARE INSUR./ COMP HEALTH INS. ASSN

SPONSOR(S): REPRESENTATIVE(S) ROKEBERG

01/10/05	(H)	PREFILE RELEASED 12/30/04
01/10/05	(H)	READ THE FIRST TIME - REFERRALS
01/10/05	(H)	L&C, HES
04/08/05	(H)	L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

ANTHONY A. PRICE, Appointee
to the Regulatory Commission of Alaska (RCA)
Anchorage, Alaska
POSITION STATEMENT: Spoke as an appointee to the RCA.

CECIL BYKERK, Executive Director
Alaska Comprehensive Health Insurance Association
(No address provided)
POSITION STATEMENT: Encouraged the committee to consider HB 29.

SALLIE STUVEK, Human Resources Director
Fairbanks North Star Borough
Fairbanks, Alaska
POSITION STATEMENT: Expressed concerns with HB 29.

CHRISTINE SASSE, Finance Director
City of Valdez
Valdez, Alaska
POSITION STATEMENT: Characterized HB 29 as an unfunded mandate,
and suggested that those who don't provide health insurance
should be required to pay the assessment rather than those who
do provide it.

MELODY DOUGLAS, Chief Financial Officer
Kenai Peninsula Borough School District
Kenai, Alaska
POSITION STATEMENT: Testified in opposition to HB 29.

RICHARD CAMPBELL, General Services Director
Kenai Peninsula Borough
Kenai, Alaska
POSITION STATEMENT: Testified in opposition to HB 29.

COLLEEN SAVOIE

Marsh Inc. USA

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 29.

MATT LARKIN

Willis of Alaska Inc.

Anchorage, Alaska

POSITION STATEMENT: Expressed concerns with HB 29.

MIKE GALLAGHER, Business Manager & Secretary/Treasurer

Laborers International Union of North America Local 341

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 29.

ROSEMARIE KALAMARIDES, Administrator

Alaska Teamster-Employer Welfare Trust

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 29.

JOHN GEORGE, Lobbyist

American Family Life Assurance Company (AFLAC)

Juneau, Alaska

POSITION STATEMENT: Characterized HB 29 as an advance over the current situation.

KATIE CAMPBELL, Life/Health Actuary, Division of Insurance,

Department of Commerce, Community, & Economic Development

Juneau, Alaska

POSITION STATEMENT: During discussion of HB 29, answered questions.

LINDA HALL, Director

Division of Insurance

Department of Commerce, Community, & Economic Development

Juneau, Alaska

POSITION STATEMENT: During discussion of HB 29, she noted her support of Representative Rokeberg's plan because the ACHIA plan is critically important to consumers who need health coverage.

ACTION NARRATIVE

REPRESENTATIVE KOTT, acting chair, called the House Labor and Commerce Standing Committee meeting to order at [3:24:38 PM](#).

Representatives Kott, Rokeberg, Lynn, Crawford, and Guttenberg were present at the call to order.

CONFIRMATION HEARING(S)

[3:25:25 PM](#)

REPRESENTATIVE KOTT announced that the first order of business would be the confirmation hearings of the governor's appointments. He noted that everyone has been provided a copy of the resumes of the various individuals being considered for the various boards and commissions. He explained that each member of the committee will have the opportunity to sign a report recommending that the individuals' names be forwarded to the full body of the House. However, the signature doesn't reflect a member's intent to either vote for or against that appointee when he or she comes up for confirmation.

BOARD OF VETERINARY EXAMINERS

REPRESENTATIVE KOTT announced that the committee would first take up the for which the following three appointees are being considered: Alfred Agree, Timothy L. Bowser, and Cynthia Ann Trout. Upon determining there was no discussion or objection to the aforementioned names, he announced that they would be forwarded to the full body for consideration.

BOARD OF PUBLIC ACCOUNTANCY

REPRESENTATIVE KOTT then turned the committee's attention to the Board of Public Accountancy for which the following appointees are being considered: Max E. Mertz, Catherine L. Wilson, Carla J. Bassler, Kenneth L. Mayer, and Christy Morse. Upon determining there was no discussion or objection to the aforementioned names, he announced that they would be forwarded to the full body for consideration.

BOARD OF MARITAL AND FAMILY THERAPY

[3:27:13 PM](#)

REPRESENTATIVE KOTT moved on to the Board of Marital and Family Therapy for which the following appointees are being considered: Kerry L. Rasmussen and Martha Swink. Upon determining there was no discussion or objection to the aforementioned names, he announced that they would be forwarded to the full body for consideration.

STATE BOARD OF REGISTRATION FOR ARCHITECTS, ENGINEERS, AND LAND SURVEYORS

[3:27:29 PM](#)

REPRESENTATIVE KOTT continued with the State Board of Registration for Architects, Engineers, and Land Surveyors for which the following appointees are being considered: Richard C. Heieren, Harley H. Hightower, and Mark G. Morris.

REPRESENTATIVE ROKEBERG commented that Mr. Hightower, a constituent, is a highly qualified individual.

REPRESENTATIVE KOTT, upon determining there was no objection to the aforementioned names, announced that they would be forwarded to the full body for consideration.

BOARD OF BARBERS AND HAIRDRESSERS

REPRESENTATIVE KOTT announced that the committee would next take up the Board of Barbers and Hairdressers for which the following appointee is being considered: Alice B. Massie. Upon determining there was no discussion or objection to the aforementioned name, he announced that Ms. Massie's name would be forwarded to the full body for consideration.

ALASKA LABOR RELATIONS AGENCY

[3:28:30 PM](#)

REPRESENTATIVE KOTT then turned to the Alaska Labor Relations Agency for which the following appointees are being considered: Gary A. Atwood, Aaron T. Isaacs, Jr., and Colleen E. Scanlon. Upon determining there was no discussion or objection to the aforementioned names, he announced that they would be forwarded to the full body for consideration.

BOARD OF NURSING

REPRESENTATIVE KOTT moved on to the Board of Nursing for which the following appointee is being considered: Terri S. Olson. Upon determining there was no discussion or objection to the aforementioned name, he announced that Ms. Olson's name would be forwarded to the full body for consideration.

BOARD OF PSYCHOLOGIST AND PSYCHOLOGICAL ASSOCIATE EXAMINERS

[3:28:54 PM](#)

REPRESENTATIVE KOTT continued with the Board of Psychologist and Psychological Associate Examiners for which the following appointees are being considered: Camille O. Carlson and Destiny Sargeant. Upon determining there was no discussion or objection to the aforementioned names, he announced that they would be forwarded to the full body for consideration.

REPRESENTATIVE KOTT informed the committee that all of the appointees have been checked to verify that they qualify in accordance with the statutes.

REGULATORY COMMISSION OF ALASKA

[3:29:27 PM](#)

REPRESENTATIVE KOTT drew the committee's attention to the appointment of Anthony A. Price to the Regulatory Commission of Alaska (RCA).

ANTHONY A. PRICE, Appointee to the Regulatory Commission of Alaska (RCA), related that his professional experience in accounting, business management, governmental management, investment management, and bonding and debt management provides a unique perspective. He noted that he has experienced managing to realize a profit and has an understanding with regard to what investors and bond rating agencies focus on when assessing risk and assigning ratings. Mr. Price said, "I understand that management of governmental is different from private industry and how it's different, and I understand the language of business, ... accounting. In the end I believe this provides a balance, which is valuable in carrying out the duties of a commissioner."

REPRESENTATIVE ROKEBERG recalled that under the RCA statute there are some positions with certain qualifying requirements. He asked if the position to which Mr. Price has been appointed has qualifying requirements.

MR. PRICE related his belief that was changed when the RCA was established in 1999, and therefore there are no qualifying positions.

[3:33:18 PM](#)

REPRESENTATIVE ROKEBERG asked if Mr. Price has any background working with utilities.

MR. PRICE replied, yes. He specified that early in his career he served on an audit of what was then Washington Natural Gas, as part of Puget Power, in the Seattle area. He further specified that he was a controller for an entity that had garbage companies.

[3:33:49 PM](#)

MR. PRICE, in further response to Representative Rokeberg, related that he has worked with Municipal Light & Power and Anchorage Water and Wastewater Utilities. He specified that he worked with the aforementioned entities at a level of bonding and investment. Mr. Price clarified that he didn't touch on regulatory matters in those situations. With regard to the possibility of a conflict of interest, Mr. Price opined that he didn't have any conflict of interest.

[Although no formal motion was made, the committee treated Mr. Price's name as forwarded to the full body for consideration.]

HB 29-HEALTH CARE INSUR./ COMP HEALTH INS. ASSN

[3:35:14 PM](#)

REPRESENTATIVE KOTT announced that the final order of business would be HOUSE BILL NO. 29, "An Act relating to health care insurance and to the Comprehensive Health Insurance Association; and providing for an effective date."

[3:35:37 PM](#)

REPRESENTATIVE ROKEBERG explained that the Alaska Comprehensive Health Insurance Association (ACHIA), established in 1993, is Alaska's high risk pool that's required under the Health Insurance Portability and Accountability Act (HIPAA). This high risk pool provides health insurance for those who can't otherwise obtain insurance, and it restricts their premiums to 150 percent of the average health insurance premium in the state. Although ACHIA is a much-needed program, under its current structure it only affects those health insurance covered lives that are underwritten for individual or small group policies. All the larger insured covered lives in the state are exempt from payment of the assessments, which are carried out by the pool periodically. For example, the estimated assessment

for fiscal year (FY) 2004 was \$5 million. Therefore, not all the people who could avail themselves of ACHIA are paying into the pool.

[3:38:38 PM](#)

REPRESENTATIVE ROKEBERG informed the committee that when former Governor Knowles allowed the bargaining units of the state to leave the common pool of state employees, many of those folks and the state were exempt from paying into the high risk pool. At that time, the high risk pool lost \$400,000 annually in assessment money. The aforementioned loss had to be spread amongst the insurers and smaller employers. Therefore, HB 29 intends to obtain greater equity in spreading the cost [of ACHIA]. Representative Rokeberg noted that there is a committee substitute (CS) and two amendments for the committee's consideration. He pointed out that the CS is drafted such that it covers retirees, even those in the state programs. He announced that he will offer a conceptual amendment to remove all retirees from this coverage. He explained that the purpose of HB 29 is to spread the cost to those who can benefit from the program and the retirees don't need this coverage due to the insurance they have. He then referenced a document entitled, "Analysis of Change in the Assessment Formula", which was provided by the Division of Insurance. The revised page 5 illustrates a difference, of which he wanted members to be aware. For example, it shows that under HB 29 the State of Alaska will be assessed at \$1.47 million, but it would decrease to \$277,000 with the adoption of the amendment [eliminating retirees from this].

[3:40:47 PM](#)

REPRESENTATIVE ROKEBERG moved to adopt CSHB 29, Version 24-LS0191\I, Bullock, 3/17/05, as the working document.

REPRESENTATIVE GUTTENBERG objected in order to hear the differences encompassed in Version I. Upon realizing that this was the first hearing of HB 29, Representative Guttenberg withdrew his objection. Therefore, Version I was before the committee.

The committee took an at-ease from 3:42 p.m. to 3:43 p.m.

[3:43:20 PM](#)

REPRESENTATIVE ROKEBERG moved that the committee adopt Conceptual Amendment 1, which would remove state retirees from the provisions of HB 29. There being no objection, Conceptual Amendment 1 was adopted.

CECIL BYKERK, Executive Director, Alaska Comprehensive Health Insurance Association, informed the committee that he has been involved with ACHIA since its inception in 1992. Originally, the program started out to specifically take care of uninsurable individuals. However, in 1996/1997 the federal government passed HIPAA, through which the state is now required to provide a mechanism that provides for continuity and portability of coverage for those coming out of the employer marketplace. Individuals whose coverage is terminated are eligible to enroll in ACHIA without serving any preexisting condition requirements.

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MR. BYKERK pointed out that about two years ago the federal government established the Trade Adjustment Act (TAA), which provides similar ability for displaced workers or workers for companies whose pension plan is being taken care of by the Pension Benefit Guarantee Corporation (PBGC). Therefore, the ACHIA eligibility group has grown over the years such that it totals about 500 people who work the program. However, ACHIA's assessment base, as was mentioned by the sponsor, is one of the things that hasn't grown. The premiums, which are a bit higher than standard premiums, are capped at 150 [percent] of the standard premium in the marketplace. From an actuarial perspective the cost of the individuals in the pool is much greater than the premium allowed. The losses, as a result of charging lower premiums, are covered by the assessments, which HB 29 addresses. Currently, the assessments are spread across those individuals who purchase insured products, primarily individuals and small group carriers. Therefore, it's a limited spread with regard to who ends up paying for these assessments. Mr. Bykerk noted that large companies avoid the assessments or contribute a fraction relative to the premiums an individual or small group pays.

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MR. BYKERK added that HIPAA has added a feature such that those people who are coming out of plans that aren't contributing to ACHIA are eligible in the program. Mr. Bykerk, in conclusion, encouraged the committee to consider HB 29.

[3:50:16 PM](#)

REPRESENTATIVE ROKEBERG requested that Mr. Bykerk explain the premium costs to the TAA people and how it works with the U.S. Department of Labor. He indicated that the U.S. Department of Labor subsidizes a part of that.

MR. BYKERK answered that although the regular HIPAA and TAA people are eligible immediately without having to be certified, the TAA people have to be certified by the [U.S.] Department of Labor. Upon certification, the TAA people are eligible for a subsidy of the premium, which is a subsidy portion of the premium that ACHIA charges. He related his belief that the aforementioned subsidy is for a limited duration. Mr. Bykerk recalled that the subsidy is somewhere around two-thirds and the individual pays around one-third, and that runs for a few years after which the individual is required to pay the balance. The federal government, he stated, isn't contributing to ACHIA, save indirectly by subsidizing the eligible individuals.

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MR. BYKERK, in response to Representative Rokeberg, clarified his earlier statement that the federal government isn't contributing to the fund to help ACHIA with its losses, although it is helping the individuals to pay part of their premium. He explained that the individual pays his or her portion to an agency, which then pays the full premium back to ACHIA. Mr. Bykerk said that the federal government's unfunded mandate isn't contributing to help cover the losses the program is incurring.

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REPRESENTATIVE ROKEBERG related his understanding, "Under the TAA, ... an individual ... can go to basically any insurance carrier that they would, and then there is the subsidy under the federal labor law; is that correct? But ... they only enter the pool if they ... are high risk individuals?"

MR. BYKERK related his belief that individuals are eligible to enter ACHIA the same way HIPAA eligibles are, without regard to whether the individual is eligible for other coverage. However, he emphasized that individuals would be encouraged to go to other coverage because a healthy individual may be able to purchase coverage cheaper. There is no requirement for individuals to go into the market and get declined.

REPRESENTATIVE ROKEBERG commented that [ACHIA] is a U.S. Department of Labor program intended to assist those who were displaced by imports. "This is very important to the working people of Alaska," he opined.

[3:55:17 PM](#)

SALLIE STUVEK, Human Resources Director, Fairbanks North Star Borough, said that she has concerns with this legislation. She related her belief that for self-insured plans HB 29 will increase the cost to the plan. Ms. Stuvek said that she didn't see any benefit to self-insured programs.

REPRESENTATIVE ROKEBERG asked if those who leave the employ of the Fairbanks North Star Borough can maintain their insurance.

MS. STUVEK replied no, adding that Comprehensive Omnibus Budget Reform Act (COBRA) coverage is offered. She mentioned that many of the employees leaving borough employment go directly into retirement and thus receive coverage through the Public Employees' Retirement System (PERS).

[3:56:56 PM](#)

CHRISTINE SASSE, Finance Director, City of Valdez, characterized HB 29 as an unfunded mandated because of the requirement to provide information that will generate administrative costs. The aforementioned will increase costs as will the assessment. The only way [the City of Valdez] can pay for those increases is through taxes. Currently, [the City of Valdez] is limited in its ability to increase taxes. Furthermore, the PERS situation adds to the financial attack [the City of Valdez is experiencing]. Moreover, the costs [of the ACHIA program] can't be controlled as is evidenced by the increases [in those utilizing] the program. Ms. Sasse opined that [the City of Valdez] doesn't believe it's contributing to the problem because it provides health insurance for both part-time and full-time employees. Also, after an employee leaves the employ of the city he or she can choose COBRA and upon retirement, the employee goes into the PERS program. Therefore, those who don't provide insurance should be assessed, she opined.

[3:59:41 PM](#)

REPRESENTATIVE ROKEBERG inquired as to how the City of Valdez provides its insurance.

MS. SASSE answered that the City of Valdez is self-insured with stop-loss insurance.

REPRESENTATIVE ROKEBERG acknowledged that HB 29 does apply to stop-loss carriers, and therefore there would be an increase in the stop-loss costs.

[4:00:18 PM](#)

MELODY DOUGLAS, Chief Financial Officer, Kenai Peninsula Borough School District, informed the committee that the Kenai Peninsula Borough School District has a self-insured program. Ms. Douglas testified in opposition to HB 29. She opined that requiring contributions will discourage entities from establishing self-insured programs. Furthermore, an unintended consequence of HB 29 may be to encourage entities to not provide health care benefits at all.

RICHARD CAMPBELL, General Services Director, Kenai Peninsula Borough, testified in opposition to HB 29 on the grounds of cost and fairness. Mr. Campbell informed the committee that everyone who works for the Kenai Peninsula Borough is provided full insurance, no matter how uninsurable in the private market. Furthermore, when folks leave the employ of the borough, COBRA is offered at rates comparable to what's paid for regular employees. "We not only don't benefit from the existence of this plan, I think we actually help keep people off this type of plan," he opined.

[4:02:45 PM](#)

COLLEEN SAVOIE, Marsh Inc. USA, informed the committee that Marsh USA provides consulting services for a number of self-funded health plans, which would be hurt by HB 29. Although Ms. Savoie didn't dispute the need for ACHIA itself, she specified two significant problems with the legislation. First, the proposed funding is an unfair assessment because it essentially taxes employers and other entities that already provide health benefits to its employees or members. Echoing earlier testimony, Ms. Savoie suggested that the aforementioned will actually discourage employers from providing coverage rather than encourage them to do so. Even if the ACHIA tax is paid through a stop-loss carrier, it will still be passed on to the underlying plan. The aforementioned ultimately hurts health plan participants because as the amount of the assessment increases, the health plans that are already struggling with the cost of providing benefits are going to find it more difficult

to continue to provide those benefits to their members. In fact, some of those employers will drop coverage while others may reduce benefits or increase employee costs. The legislation actually recognizes the aforementioned in that it stipulates that the additional cost can't be passed on to the employee for participants of a State of Alaska sponsored plan.

MR. SAVOIE said that the second significant problem she has with HB 29 is that it appears to impose a significant administrative burden for those entities that must comply. For example, members of self-funded governmental plans that have purchased stop-loss coverage would be captured twice, and it appears they would still have to comply with the reporting requirement. Although it seems that each individual will be counted once for assessment purposes, it's unclear as to how each person will be counted. Ms. Savoie concluded by specifying that she is opposed to HB 29 because it's already difficult and expensive for employers to provide health coverage to their employees. Furthermore, HB 29 has the potential to increase both the administrative and financial burden.

[4:05:19 PM](#)

MS. SAVOIE, in response to Representative Rokeberg, specified that she is concerned about the self-funded governmental plans that are considered members. However, for assessment purposes, it appears that each covered participant should only be assessed once. If the self-funded government purchases stop-loss insurance, would the tax be paid by the stop-loss carrier or by the self-funded governmental plan, she asked. She further asked who would determine the aforementioned. Even after that's determined, she said it appears that the self-funded governmental plan will still have to comply with the reporting requirements.

REPRESENTATIVE ROKEBERG related his understanding that Ms. Savoie's concern regarding double assessment was corrected in Version I. Representative Rokeberg recalled that Ms. Savoie indicated that it's unfair to do what's proposed in HB 29. However, he pointed out that the covered lives under individual and small group plans are paying 100 percent of the assessment, and thus the intention of HB 29 is to spread those assessment costs throughout all people in the state with insurance.

MR. SAVOIE agreed that it's also unfair for those who are covered under fully insured plans to have to pay this burden. The fundamental problem, she opined, is that it would require

employers, whether fully insured or self-funded providing benefits through stop-loss insurance, to pay for benefits of individuals other than their covered participants.

REPRESENTATIVE ROKEBERG interjected, "But that's what the people that are paying the assessment now are in that position. Therefore, we're just trying to spread the risk and the cost out over a larger number of people." He estimated that there are some 400,000 people now paying the assessment.

MR. SAVOIE opined that it would seem fairer to assess the burden by spreading it over all businesses in Alaska or those businesses that don't currently provide benefits to their employees.

REPRESENTATIVE ROKEBERG commented that HB 29 attempts to implement a small fix in order to help everyone in the state.

MS. SAVOIE reiterated that her concern is that each employer who is attempting to do the right thing by offering health care coverage is [being assessed].

REPRESENTATIVE ROKEBERG reiterated that some 400,000 people are paying into [ACHIA], but he believes some 600,000 should be paying to help out this [high-risk] pool.

[4:09:26 PM](#)

REPRESENTATIVE CRAWFORD inquired as to how the assessment is figured, and asked whether the assessment is made per person or per a dollar amount.

REPRESENTATIVE ROKEBERG related his understanding that the assessment is based upon the number of covered lives.

REPRESENTATIVE CRAWFORD pointed out that many of the different union health plans aren't confined to the state alone. For example, the ironworkers' union covers the Pacific Northwest and thus many ironworkers come up to Alaska from Portland and Seattle to work and vice versa. In such cases, who would be considered an Alaskan, he asked.

[4:11:28 PM](#)

REPRESENTATIVE ROKEBERG deferred the aforementioned question to Ms. Campbell.

REPRESENTATIVE KOTT returned to the public testimony portion of the meeting.

MATT LARKIN, Willis of Alaska Inc., informed the committee that Willis of Alaska Inc. represents over 20 self-funded health plans that would be impacted by HB 29. Mr. Larkin noted his agreement with the testimony from Fairbanks, Valdez, the Kenai Borough and its school district, as well as from Marsh USA Inc. Mr. Larkin highlighted that in Alaska there are very few options with health insurance, which has led to the evolution of self-funding in Alaska. With regard to an earlier comment that large businesses and companies are avoiding the assessment by using self-funded plans, he didn't believe any of Willis of Alaska's clients would be considered large businesses or companies rather they are smaller, mid-size employers. The [proposal embodied in HB 29] would result in making the self-funding option less attractive, more expensive, and more burdensome. Mr. Larkin agreed with the notion that HB 29 is basically a tax on people who are already paying for their fair share for the uninsured problem. Therefore, imposing a tax on these self-funded employer plans makes the situation unfair. Although there has been testimony that another piece of legislation would be necessary to assess the funding from employers that don't sponsor the plan, Mr. Larkin opined that it would be fair.

REPRESENTATIVE ROKEBERG commented that it has been the goal of the legislature and the House Labor and Commerce Standing Committee to lower barriers for entry of new health underwriters or all insurance carriers in the state. He then turned to the issue of the limited number of companies writing insurance, particularly health insurance, in Alaska. Representative Rokeberg asked whether Mr. Larkin, as an independent insurance broker, would mention the existence of the ACHIA pool to a health insurance underwriter who is considering entering the Alaska market to write individual and small group coverage "as a burden or cost that they would have to bear up here."

[4:16:54 PM](#)

MR. LARKIN answered, "I would say they would have to bear it, but it's the same cost they would have to bear in 49 other states" He related his understanding that assessing high risk pools on self-funded employers hasn't been done elsewhere, although the State of New York has something similar. With regard to why there aren't more health care providers in Alaska, he opined that it has more to do with the location and the

population as well as the fact that the provider community in Alaska hasn't accepted managed care.

REPRESENTATIVE ROKEBERG said that with HB 29 he intends to create fairness by spreading out [the cost of the high risk pool] further rather than concentrating on those in one category.

MR. LARKIN remarked that Representative Rokeberg's logic is drawn from the notion that HB 29 would level the playing field. Currently, the playing field isn't level because the carriers receive much larger discounts at facilities than do self-funded employer plans. He opined that self-funded employer plans still exist because they are able to run their plans more efficiently. This assessment levied on the carriers can be viewed as a cost of doing business. Mr. Larkin highlighted that the carriers are making a profit off delivering benefits while self-funded plans aren't in the business of making a profit. Although one might argue that it's simply being passed on to the smaller employers, to the extent that's the case the [carrier] still has to remain competitive because of the self-funded market in the state.

[4:18:50 PM](#)

MR. LARKIN said, "To the extent that we diminish the self-funded ... employer plan as an option, we simply strengthen the hand of the cartel ... of the health insurance carriers."

REPRESENTATIVE ROKEBERG noted his disagreement. He asked if Mr. Larkin would advise any of his clients with an individual who had separated from service, exhausted COBRA benefits, and had a preexisting condition to turn to ACHIA.

MR. LARKIN replied yes, if there was no other option after exhausting COBRA benefits and the individual couldn't obtain coverage on an individual basis. He charged that at that point, the fully insured carriers would also advise such clients to turn to ACHIA because an individual can't utilize ACHIA until being declined from two fully insured carriers.

[4:19:59 PM](#)

MIKE GALLAGHER, Business Manager & Secretary/Treasurer, Laborers International Union of North America Local 341, informed the committee that Local 341 represents about 2,200 members. He noted that he is also a trustee on the Alaska Laborers Health & Welfare plan. Mr. Gallagher said that he opposes HB 29, which

he characterized as an unfair tax. He pointed out that all health plans in the state are struggling because of increased costs. This proposal will be unfair to employers because that's to whom this will be passed. Mr. Gallagher related his understanding that [HB 29 would] tax employers who provide insurance today. However, that isn't fair because many employers don't provide any insurance to their employees and don't pay anything. Although he said that he supported ACHIA, everyone should pay for it rather than just those who provide insurance. He suggested that those not providing insurance should pay this tax and perhaps an even larger tax than that proposed in HB 29.

REPRESENTATIVE ROKEBERG clarified that he is attempting to have everyone pay for ACHIA. With regard to the fact that some states have chosen to fund programs such as this with general fund revenues. If there was a statewide type tax, he would advise the GF to pick up the difference and thus everyone would pay for it. Representative Rokeberg informed the committee that at least three states do the aforementioned. In fact, HB 29 is patterned after the State of Oregon's similar mechanism.

[4:22:47 PM](#)

ROSEMARIE KALAMARIDES, Administrator, Alaska Teamster-Employer Welfare Trust, informed the committee that there are about 8,000 covered lives in the aforementioned plan. Ms. Kalamarides related Alaska Teamster-Employer Welfare Trust's opposition to HB 29 because it will increase stop-loss costs. She echoed earlier testimony that those employers and unions already providing insurance are already paying too much. For example, the union funds are asking employers to pay between \$5.00-\$6.00 an hour per employee, which is a high cost that will only increase. Ms. Kalamarides suggested considering what other states, such as California and Hawaii, are doing. She explained Hawaii's "play or pay plan" in which [large] employers who don't provide health coverage pay into a [high risk] pool, which she opined would be much fairer than HB 29. Ms. Kalamarides pointed out that union contractors in the state are facing increased costs. In fact, in some cases the teamsters are deciding to forego wage increases in order to fund health benefit increases. Therefore, they are being asked to pay more. She emphasized that those employers providing health care coverage end up paying for the coverage of those employers who don't. She suggested that if those employers who don't provide benefits did, then they would be funding this pool. In fact, she further suggested that the aforementioned would provide a larger pool

than under the current proposal. She asked if any review of such had taken place.

4:25:35 PM

REPRESENTATIVE ROKEBERG, turning to Ms. Kalamarides' question regarding the mechanisms of other states, said that such hasn't been reviewed and is worthy of review.

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JOHN GEORGE, Lobbyist, American Family Life Assurance Company (AFLAC), commended Representative Rokeberg for trying to [develop] a solution. He said that although HB 29 may not be the only solution or the perfect solution, it would certainly be an advance over the current situation. Mr. George informed the committee that AFLAC only writes a few policies in Alaska that qualify as health insurance, but the company is required to pay an assessment based on the entire premium it writes in the state. Therefore, AFLAC's health policy premium is about \$7,500 and its assessment amounts to about \$88,000. The aforementioned, per AFLAC's opinion, doesn't seem to be appropriate. Mr. George related that the basic concept of the sponsor is to spread the costs [of the high risk pool] among a larger group. He mentioned that [ACHIA] isn't a welfare program but rather a social program and thus it's appropriate to spread the cost through a larger group. As has been related, these people are paying 150 percent of the premium of a regular health insurance policy. Although [ACHIA provides] a subsidy, it certainly isn't welfare because the individual is doing his or her part as well.

4:30:07 PM

MR. GEORGE opined that health insurance is expensive and no one wants to pay more. However, everyone who has a health insurance policy is already paying more, and had no choice in the matter. He further opined that those folks are being assessed more than their fair share. With regard to the notion that HB 29 proposes an unfunded mandate, he agreed because no one wants to fund it. In fact, he didn't believe, when placed on the ballot, that voters would support paying for it. Mr. George then pointed out that people who buy health insurance policies from an insurance carrier already pay a premium tax, which is passed on to the policyholder. However, self-insured unions and municipalities don't pay a premium tax. With regard to the savings that self-insured entities show, he attributed those, in

part, to the fact that they aren't subject to the regulations or the 2.7 percent premium tax to which insurers are subject.

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REPRESENTATIVE GUTTENBERG related his belief that most of the people [in the high risk pool] will come from [entities] that don't offer health insurance. The [ACHIA plan] subsidizes those who don't want to offer health insurance to their employees. He pointed out that those with health insurance are paying not once but twice for these uninsured individuals. Representative Guttenberg said that he didn't know why the legislature isn't addressing those companies that don't offer health insurance.

MR. GEORGE acknowledged that the aforementioned is a possible solution, and if such legislation were introduced it would provide something else to talk about.

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REPRESENTATIVE ROKEBERG refuted Representative Guttenberg's statement that the problem is with those [employees of employers] who aren't paying for health insurance who enter ACHIA. Representative Rokeberg pointed out that ACHIA is only provided for those who will pay for the high premium, and furthermore these individuals have to have been refused coverage from two carriers. He emphasized that [ACHIA] covers people who want to pay, but can't obtain coverage. Representative Rokeberg clarified that HB 29 is not intended to reform the health care insurance system in the state or country.

REPRESENTATIVE GUTTENBERG informed the committee that in his union and other trade unions there is no exemption for high risk, rather the employee joins [the union] and receives coverage. However, other employers [won't] employ a high-risk individual.

REPRESENTATIVE ROKEBERG interjected that the high-risk individual then can seek coverage from ACHIA.

REPRESENTATIVE CRAWFORD posed a situation in which an individual had a condition that kept him or her from getting private insurance. However, it would seem that individual, if working for McDonald's, would be insurable. He asked if that would be correct.

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REPRESENTATIVE ROKEBERG reminded the committee that in order to participate in ACHIA one must be able to pay the higher premium. Therefore, ACHIA isn't necessarily for individuals with lower income or employees of small businesses without insurance coverage, except that those people could afford to purchase an individual policy. He pointed out that the pool actually pays for the difference between the premium the individual pays and the actual cost, which is substantial.

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MR. LARKIN interjected that frequently individuals with high medical claims don't have to pay the cost for ACHIA because the treating physician understands that the individual doesn't have insurance, and therefore will pay the premium for the individual. In other words, the individual's medical bills are so high that the cost for the [ACHIA] premium is miniscule compared to the individual's need for treatment, and thus the provider will cover that. The provider does the aforementioned for COBRA premiums as well.

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MR. GEORGE pointed out that there are a lot of small businesses that can't afford to pay for health insurance for the employees for which they can barely pay. He suggested that any further burden on these small businesses could put them out of business and result in more unemployment. Furthermore, he wasn't sure that there are enough large employers to assess.

REPRESENTATIVE ROKEBERG related his understanding that a small business that can afford to have health insurance is paying the ACHIA assessment through its underwriters, while the large self-insureds, such as BP, ConocoPhillips Alaska, Inc., and the Teamsters Union, aren't [paying the ACHIA assessment through their underwriters].

MR. GEORGE agreed, adding that individuals who need the coverage but whose employer can't afford it, leave the individual to pay for it out of his or her own pocket.

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KATIE CAMPBELL, Life/Health Actuary, Division of Insurance, Department of Commerce, Community, & Economic Development (DCCED), turned to Representative Crawford's earlier question

regarding how this proposal would work if there were employers in another state that employed Alaskan workers. She likened it to the situation that the insurance company has when insuring an out-of-state employer with a number of Alaska employees. In such a case, the [employer] is only assessed for the Alaska employees not for all the employees in the plan. In further response to Representative Crawford, she said that she didn't know of an exact formula to determine which employee is an Alaskan, but she said that where the employee considers his or her primary residence would be reviewed. Ms. Campbell clarified that this legislation doesn't apply to self-funded or self-insured plans [nor] the large nongovernmental union plans. She further clarified that Version I merely assesses stop-loss insurers and insurance companies. If the stop-loss insurers pass that on to the employers, then that's how [the employer] would end up paying a share.

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REPRESENTATIVE CRAWFORD specified that the concern was that if [a company] had stop-loss insurance, then it would be required to pay [the assessment]. When one refers to "very large", he said he wasn't sure what that meant. He informed the committee that altogether, the Pacific Union Ironworkers number about 3,000 of which less than 300 reside in Alaska. The two options [the Pacific Union Ironworkers] have discussed have been to either eliminate the stop-loss insurance or drop Alaska ironworkers from the Pacific Northwest. Representative Crawford then recalled Mr. George's testimony which related that AFLAC was assessed \$88,000 with premiums of \$7,500. However, he opined that the premiums were actually \$7.5 million.

MS. CAMPBELL then explained that AFLAC writes a substantial amount of other types of business besides medical. For example, AFLAC writes disease-specific policies and those are being assessed as if they were a medical policy. With regard to Representative Crawford's correction, Ms. Campbell related her understanding that Mr. George was saying that AFLAC has \$7,500, for example, of major medical premium and that qualifies them as a member. However, under the current assessment formula and no matter what kind of health insurance type business they write, AFLAC is assessed on everything - not just the \$7,500.

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REPRESENTATIVE CRAWFORD expressed curiosity with regard to how this would work if the ironworkers were going to be assessed \$88,000 and the cost spread among 150 ironworkers.

REPRESENTATIVE ROKEBERG deferred to Ms. Campbell and asked that she address the range of cost per covered life and what would constitute an ERISA-exempt organization.

MS. CAMPBELL related her understanding that no state can regulate self-funded employer plans and union plans under the Taft Hartley Act. The state can regulate it's own governmental plans. She specified that the state can't regulate union and self-funded single large employer type plans, such as that of BP.

REPRESENTATIVE ROKEBERG commented that some of the entities "we" are trying to get to, we can't get to; and the labor unions are probably exempt under ERISA.

MS. CAMPBELL agreed that [the state] cannot regulate or assess the union plans, only the stop-loss carriers can be assessed. Therefore, to the extent that the union plans purchase stop-loss insurance, the state can regulate stop-loss insurance and assess stop-loss carriers. In further response to Representative Rokeberg, Ms. Campbell confirmed that the aforementioned is true even for nongovernmental union organizations.

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MS. CAMPBELL, in regard to the range of incidence, pointed out that she has an analysis illustrating the impact on the stop-loss carriers. The assessment of the stop-loss carriers, under Version I with the amendment not including State of Alaska retirees, as a percentage of premium being paid for stop-loss coverage would be about 4.5.

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MS. CAMPBELL, in further response to Representative Rokeberg, informed the committee that all of the stop-loss insurers that have reported on the [division's] survey would be assessed a total of about \$1.9 million for all of the stop-loss insurers. The aforementioned represents about 4.5 percent of stop-loss premiums. Ms. Campbell related that the stop-loss insurers are paying in assessment is about 1.2 percent of their premium. Therefore, HB 29 would result in an increase to approximately 4.5 percent of premium.

REPRESENTATIVE ROKEBERG asked if the division tried to relate this to an individual covered life cost in any of the categories. He recalled that about three years ago there was a similar bill for which he recalled [the individual covered life cost] was about \$0.96.

REPRESENTATIVE CRAWFORD surmised then that [an entity] can look at its current stop-loss cost and take 3.5 percent, which would be the additional [cost] under HB 29.

MS. CAMPBELL clarified that the stop-loss premiums would increase by about 3.5 percent of an entity's current total cost. In regard to Representative Rokeberg's question [regarding the individual covered life cost], Ms. Campbell said that a rough calculation specifies that it would be about \$1.60 a month per covered person for those plans with stop-loss coverage.

REPRESENTATIVE ROKEBERG expressed interest in honing in on that information because it may put things into perspective for some people.

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REPRESENTATIVE ROKEBERG referred to page 5 of the document entitled, "HB 29 Analysis of Change in Assessment Formula". The document relates that Premera Blue Cross has 83,000 covered lives with a current share of 62.01 percent and a current amount assessed at \$3,100,000. If HB 29 were to pass, the assessment for Premera Blue Cross would drop to 32.8 [percent] or about \$1.5 million. Therefore, there is a potentiality of lowering the cost to those in that category by spreading the cost. He then asked if the aforementioned would be a correct assessment.

[MS. CAMPBELL] indicated that it would be correct.

REPRESENTATIVE ROKEBERG asked if, before the union trusts and the state employees stepped out, the state was paying in excess of \$400,000 into ACHIA.

MS. CAMPBELL recalled that in 1997 [ACHIA] had about a \$30 million premium base. Although she couldn't remember the exact portion of the assessment, she said she believes Representative Rokeberg is correct.

REPRESENTATIVE ROKEBERG clarified that the whole state [became self-insured] and even the noncovereders became self-insured and

moved out from under the ACHIA assessment. He related his understanding that under HB 29 the fiscal note to the state will be in the amount of \$277,000.

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MS. CAMPBELL agreed that would be the approximate cost.

REPRESENTATIVE ROKEBERG said that although one can characterize HB 29 as a tax, it's a tax on a greater number of people. "But we do have a provision in here that any makeup you can't charge it back to the [state] employee, is that correct," he asked.

[4:55:23 PM](#)

MS. CAMPBELL agreed, specifying that it was the AS 39 provisions in HB 29.

REPRESENTATIVE ROKEBERG stated that HB 29 is important legislation, although it may not be the entire answer. He expressed interest in hearing from small governments and organized labor with regard to suggestions to solve this growing dilemma. He noted his agreement with the notion that there is a major problem in this country with increasing health care costs and the cost of insurance. Representative Rokeberg requested that Ms. Campbell explain the terms of the HIPAA requirements and the state's alternative.

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MS. CAMPBELL informed the committee that in 1996 the president signed the law requiring portability of health coverage among employers and established guarantee issue requirements. The law requirement means that coverage had to be guaranteed to employees who left employment [no matter] the reason. The qualified high risk pool was one of the mechanism that the federal government allowed states to use. She highlighted that anyone who comes into the state's pool is guaranteed to be accepted and doesn't have to sit out any type of preexisting condition waiting period. If the state hadn't adopted an alternative mechanism, the insurance carriers would've had to offer different individual plans that would have to guarantee issue.

REPRESENTATIVE ROKEBERG opined that with the guaranteed benefit option people wouldn't have to have insurance until they were sick, and then they could run out and purchase insurance.

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MS. CAMPBELL said that there have been attempts to place constraints around that. The insurance companies were having problems writing in this [high risk] market because if people with health conditions could always be guaranteed coverage, then they could wait until a condition arose and then purchase insurance.

REPRESENTATIVE ROKEBERG interjected that then insurance wouldn't work because there wouldn't be any monies to pay for it until there was an incident for which coverage was necessary. Therefore, by default the state has a high risk pool to offer when there is no other viable tool.

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LINDA HALL, Director, Division of Insurance, Department of Commerce, Community, & Economic Development (DCCED), commented that she supports Representative Rokeberg's plan because the ACHIA plan is critically important to consumers who need health coverage. She then commended Ms. Campbell for her diligent work with applications for federal grants. In fact, last year [the division] was awarded in excess of \$500,000 in a federal grant that was applied toward funding the ACHIA plan. Therefore, the division is also looking for other ways to bring in funds for ACHIA.

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REPRESENTATIVE KOTT announced that HB 29 would be held over.

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned
[5:01:11 PM](#).