

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 24, 2006

4:12 p.m.

MEMBERS PRESENT

Representative Tom Anderson, Chair
Representative Pete Kott
Representative Gabrielle LeDoux
Representative Bob Lynn
Representative Norman Rokeberg
Representative Harry Crawford
Representative David Guttenberg

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 289(FIN)

"An Act relating to the payment of insurer examination expenses, to the regulation of managed care insurance plans, to actuarial opinions and supporting documentation for an insurer, to insurance firms, managing general agents, and third-party administrators, to eligibility of surplus lines insurers, to prompt payment of health care insurance claims, to required notice by an insurer, to individual deferred annuities, to mental health benefits under a health care insurance plan, to the definitions of 'title insurance limited producer' and of other terms used in the title regulating the practice of the business of insurance, and to small employer health insurance; repealing the Small Employer Health Reinsurance Association; making conforming amendments; and providing for an effective date."

- MOVED CSSB 289(FIN) OUT OF COMMITTEE

SENATE BILL NO. 310

"An Act relating to the employment of prisoners; and providing for an effective date."

- MOVED HCS SB 310(STA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 289

SHORT TITLE: INSURANCE

SPONSOR(s): LABOR & COMMERCE BY REQUEST

02/13/06 (S) READ THE FIRST TIME - REFERRALS
02/13/06 (S) L&C, FIN
02/16/06 (S) L&C AT 1:30 PM BELTZ 211
02/16/06 (S) Heard & Held
02/16/06 (S) MINUTE(L&C)
02/23/06 (S) L&C AT 1:30 PM BELTZ 211
02/23/06 (S) Moved CSSB 289(L&C) Out of Committee
02/23/06 (S) MINUTE(L&C)
02/27/06 (S) L&C RPT CS 3DP SAME TITLE
02/27/06 (S) DP: BUNDE, STEVENS B, SEEKINS
03/20/06 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/20/06 (S) Heard & Held
03/20/06 (S) MINUTE(FIN)
03/27/06 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/27/06 (S) <Above Bill Hearing Canceled>
03/29/06 (S) FIN RPT CS 5DP 2NR
NEW TITLE
03/29/06 (S) DP: WILKEN, GREEN, BUNDE, DYSON,
STEDMAN
03/29/06 (S) NR: HOFFMAN, OLSON
03/29/06 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/29/06 (S) Moved CSSB 289(FIN) Out of Committee
03/29/06 (S) MINUTE(FIN)
04/13/06 (S) TRANSMITTED TO (H)
04/13/06 (S) VERSION: CSSB 289(FIN)
04/18/06 (H) READ THE FIRST TIME - REFERRALS
04/18/06 (H) L&C, FIN
04/24/06 (H) L&C AT 3:15 PM CAPITOL 17

BILL: SB 310

SHORT TITLE: EMPLOYMENT OF PRISONERS

SPONSOR(s): FINANCE

03/20/06 (S) READ THE FIRST TIME - REFERRALS
03/20/06 (S) FIN
03/27/06 (S) FIN RPT 4DP 1NR
03/27/06 (S) DP: WILKEN, GREEN, DYSON, STEDMAN
03/27/06 (S) NR: HOFFMAN
03/27/06 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/27/06 (S) Moved SB 310 Out of Committee
03/27/06 (S) MINUTE(FIN)
03/31/06 (S) TRANSMITTED TO (H)
03/31/06 (S) VERSION: SB 310

04/03/06 (H) READ THE FIRST TIME - REFERRALS
 04/03/06 (H) STA, L&C, FIN
 04/11/06 (H) STA AT 8:00 AM CAPITOL 106
 04/11/06 (H) Scheduled But Not Heard
 04/13/06 (H) STA AT 8:00 AM CAPITOL 106
 04/13/06 (H) Heard & Held
 04/13/06 (H) MINUTE(STA)
 04/18/06 (H) STA AT 4:00 PM CAPITOL 106
 04/18/06 (H) Moved HCS SB 310(STA) Out of Committee
 04/18/06 (H) MINUTE(STA)
 04/19/06 (H) STA RPT HCS(STA) 6DP
 04/19/06 (H) DP: GARDNER, LYNN, GATTO, GRUENBERG,
 RAMRAS, SEATON
 04/24/06 (H) L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

JANE ALBERTS, Staff
 to Senator Con Bunde
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Noted that the Senate Labor and Commerce
 Standing Committee sponsored SB 289 by request of the Division
 of Insurance.

LINDA HALL, Director
 Division of Insurance
 Department of Commerce, Community, & Economic Development
 Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 289 on behalf of
 the Division of Insurance, which requested the introduction of
 SB 289.

KATIE CAMPBELL, Actuary Life/Health
 Juneau Office
 Division of Insurance
 Department of Commerce, Community, & Economic Development
 Juneau, Alaska

POSITION STATEMENT: During hearing of SB 289, answered
 questions.

DR. RAMSEY NASSAR, Psychiatrist
 (No address provided)

POSITION STATEMENT: During hearing of SB 289, testified in
 support of moving toward parity.

DARWIN PETERSON, Staff

to Senator Lyda Green
Senate Finance Committee
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 310 on behalf of the Senate Finance Committee, sponsor.

SHARLEEN (SHAR) GRIFFIN, Director
Central Office
Division of Administrative Services
Department of Corrections (DOC)
Juneau, Alaska

POSITION STATEMENT: Answered questions during hearing on SB 310.

ACTION NARRATIVE

CHAIR TOM ANDERSON called the House Labor and Commerce Standing Committee meeting to order at [4:12:12 PM](#). Representatives Lynn, Kott, Guttenberg, Rokeberg, and Anderson were present at the call to order. Representatives LeDoux and Crawford arrived as the meeting was in progress.

[4:12:43 PM](#)

SB 289-INSURANCE

CHAIR ANDERSON announced that the first order of business would be CS FOR SENATE BILL NO. 289(FIN), "An Act relating to the payment of insurer examination expenses, to the regulation of managed care insurance plans, to actuarial opinions and supporting documentation for an insurer, to insurance firms, managing general agents, and third-party administrators, to eligibility of surplus lines insurers, to prompt payment of health care insurance claims, to required notice by an insurer, to individual deferred annuities, to mental health benefits under a health care insurance plan, to the definitions of 'title insurance limited producer' and of other terms used in the title regulating the practice of the business of insurance, and to small employer health insurance; repealing the Small Employer Health Reinsurance Association; making conforming amendments; and providing for an effective date."

JANE ALBERTS, Staff to Senator Con Bunde, Alaska State Legislature, began by explaining that the Senate Labor and Commerce Standing Committee sponsored SB 289 by request of the Division of Insurance.

4:13:29 PM

CHAIR ANDERSON announced that he would like to move this legislation out of committee today unless members have consuming questions.

4:13:42 PM

LINDA HALL, Director, Division of Insurance, Department of Commerce, Community, & Economic Development (DCCED), began by noting the division's support for SB 289. Ms. Hall specified that the majority of the legislation addresses issues relating to life, annuities, and health insurance. She then turned attention to Sections 3-24 and explained that generally [Alaska] has laws that only apply to group health insurance plans. This legislation changes those protections to consumers to also apply to individual health insurance plans. The aforementioned protections include internal and external appeals processes for claims denial and prompt payment statutes. The other nonsubstantive changes include replacing the term "health care" with "medical care", which is defined in statute. The aforementioned change would make it consistent with federal and state laws. Section 32 contains provisions regarding the prompt payment of health claims, which under this legislation will apply to individuals. The legislation also contains changes in the nonforfeiture language for annuities by adopting some model laws that the state had yet to adopt. The legislation contains changes to protect against excessive surrender charges on annuity products so that consumers aren't gouged. She informed the committee that the Small Employer Health Re-insurance Association isn't being utilized and costs the association \$10,000-\$12,000 a year to administer. Furthermore, only two lives are reinsured in that group and they are supportive of winding up the affairs of the association.

4:16:26 PM

MS. HALL went on to inform the committee that the legislation includes some corrections to statutory references regarding qualified domestic relation orders. Furthermore, the Health Insurance Portability and Accountability Act (HIPAA) mental parity provisions, which are identical to provisions adopted in 1987, are included in this legislation. The aforementioned attempts to ensure that Alaska's statutes are in compliance with federal law.

MS. HALL specified that the remainder of the legislation addresses areas outside of life and health insurance. On pages 15 and 16 there is an actuarial guideline, which is an additional tool that the division would use to quickly identify an insurer who is in a troubled financial position. The domestic insurer would be required to file its actuarial opinion summary, which would include its estimate of the range of reasonable reserves, and explain any adverse development. Ms. Hall said, "This is the National Association of Insurance Commissioners' model, that we would like adopted for use in regulating our domestic insurers." She then highlighted that the legislation includes changes in requirements for a managing general agent to place Alaska more clearly in line with how managing general agents are regulated around the country. The legislation also includes provisions to streamline various licensing procedures in order to allow the division to publish a list of eligible surplus lines insurers on the division's web site and to expand electronic communications.

[4:18:10 PM](#)

REPRESENTATIVE ROKEBERG, recalling that Alaska had adopted the mental health provisions under HIPAA in the past, asked if those are optional.

MS. HALL clarified that they merely sunsetted.

REPRESENTATIVE ROKEBERG inquired as to what the mental health provisions stated prior to sunsetting.

MS. HALL answered that the mental health provisions in SB 289 are the same as what they were prior to sunsetting.

[4:18:46 PM](#)

MS. HALL, in further response to Representative Rokeberg, specified that the mental health provisions are embodied in Section 39.

[4:19:22 PM](#)

KATIE CAMPBELL, Actuary Life/Health, Juneau Office, Division of Insurance, Department of Commerce, Community, & Economic Development, said that the section being referenced is located on page 32, line 19, and the language is identical to the federal law implementing the mental health parity. She explained that the language specifies that if [the provisions]

would increase the cost of health care by more than 1 percent, the provisions wouldn't apply. The language is basically a copy of the law adopted in 1987.

4:20:01 PM

REPRESENTATIVE GUTTENBERG inquired as to what happens after the repeal of the Small Employer Health Insurance Association.

MS. HALL explained that upon repeal there won't be any re-insurance for the two lives in the Small Employer Health Insurance Association. The insurance company will accept the risk, without re-insuring. In further response to Representative Guttenberg, Ms. Hall related her understanding that the change won't impact the two lives remaining in the aforementioned association.

4:20:41 PM

REPRESENTATIVE CRAWFORD highlighted the language to page 32, lines 12-13, which read: "Except as provided otherwise in this title, a health care insurance plan is not required to provide mental health benefits." He asked if that's been the situation all along.

MS. HALL replied yes, and added that, save those items specifically mandated in state law, the division doesn't require any particular types of coverage to be in a health insurance plan. Therefore, individuals would have a choice as would an employer creating a health plan. The state, she related, has never chosen to mandate the requirement of mental health benefits.

4:21:38 PM

REPRESENTATIVE CRAWFORD said that the sections leading up to the aforementioned language seem to provide for mental health parity, although the [insurer] can opt out of such coverage if the insurer so desires.

MS. HALL clarified that if mental health services are offered, then it must be done with parity. However, it's not required to be offered.

4:22:08 PM

DR. RAMSEY NASSAR, Psychiatrist, began by informing the committee that although he is only testifying as a citizen, he is a member of the Alaska State Psychiatric Association and Alaska State Medical Association. Dr. Nassar opined that the line between mental health and physical health is becoming more blurred as more is learned about various conditions. In general, Dr. Nassar said that he is for parity in as much as it can be provided.

[4:23:59 PM](#)

REPRESENTATIVE GUTTENBERG inquired as to Dr. Nassar's specific concerns about SB 289.

DR. NASSAR replied that he wanted to support moving toward parity, and noted that he doesn't have any specific concerns regarding the legislation.

[4:24:50 PM](#)

REPRESENTATIVE ROKEBERG moved to report CSSB 289(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSB 289(FIN) was reported from the House Labor and Commerce Standing Committee.

[4:25:04 PM](#)

SB 310-EMPLOYMENT OF PRISONERS

CHAIR ANDERSON announced that the final order of business would be SENATE BILL NO. 310, "An Act relating to the employment of prisoners; and providing for an effective date."

[4:25:35 PM](#)

DARWIN PETERSON, Staff to Senator Lyda Green, Senate Finance Committee, Alaska State Legislature, sponsor, noted that SB 310 was introduced at the request of the Department of Corrections (DOC). He explained that the intent of the bill is to reinstate the Alaska Correctional Industries program, which was sunsetted along with the Correctional Industries Commission, in July of 2005. This legislation, he said, would reestablish and improve the aforementioned program. He went on to say that the department would have the authority to participate in federal Prison Industry Enhancement (PIE) programs in addition to actively participating and partnering with private enterprises. In regard to the cost of the program, he said that the program

will be funded through program receipts. Furthermore, SB 310 promotes prisoner responsibility and accountability by enabling the department to deduct confinement costs from inmates' wages. These deductions, he said, may be used for child support payments, victim restitution, criminal fines, civil judgments, fees for utilities while incarcerated in addition to other obligations. He said "this is a vital piece of legislation ... if the state of Alaska wants to continue using prison employment as a tool for rehabilitation."

[4:27:12 PM](#)

CHAIR ANDERSON noted that he was previously on the DOC subcommittee. Initially, he said, there was concern regarding compensation for inmates; however, he spoke with the commissioner who explained the importance of the program. He opined that this program is "critical" to keep the [prison] environment civil.

MR. PETERSON stated his agreement and highlighted furniture building programs and laundry programs, which are important for rehabilitation.

[4:28:47 PM](#)

REPRESENTATIVE LYNN asked if there is any possibility of jobs being taken from "law-abiding citizens."

MR. PETERSON replied no, adding that the Senate Finance Committee and the labor unions worked to find a compromise, and an amendment was adopted in the House State Affairs Standing Committee to add language to ensure that this would not occur. He explained that before authorizing a contract to conduct work with a private organization the commissioner must consult with the labor unions.

CHAIR ANDERSON acknowledged members of the labor unions in attendance, and noted their support of SB 310.

[4:30:00 PM](#)

REPRESENTATIVE CRAWFORD expressed concern regarding contracted work, and asked how the department would compensate for changes in the workforce. In addition, he inquired as to the length of the contracts between the department and the labor unions.

MR. PETERSON replied that without seeing contract language, he would be unable to answer the question regarding contract dates; however, he surmised that the labor unions would not want the contract to continue over an extensive period of time.

[4:32:02 PM](#)

CHAIR ANDERSON commented that [the length of contracts] is a regulatory interpretation, not a statutory interpretation. He said that in order to have the labor unions' support of the bill, the aforementioned issue needed to be addressed. He surmised that the contracts would most likely be for a short time, with the option of voiding the contract, if necessary.

REPRESENTATIVE CRAWFORD said that he would like to see guidelines for the contracts.

MR. PETERSON replied that the department may have an interpretation of the current regulations which may address this issue.

[4:33:12 PM](#)

REPRESENTATIVE ROKEBERG, referring to page 3, Section 2, asked why the language regarding the impact on private industry was removed. He opined that "private organization" does not indicate this level of consultation. In response to a comment, he clarified that previously, the bill applied to both private and public sector contracts; however, it appears to now focus on union contracts.

MR. PETERSON explained that the aforementioned amendment was intended to "raise the bar" for both the public and private sector. The commissioner would consult with local organizations to ensure that the contract does not result in the displacement of employed workers. He stated that this would apply to both private sector and labor union employees. He added that if this language is not specific enough, the sponsor would support more specificity; however, it is the sponsor's belief that the current language is appropriate.

[4:35:31 PM](#)

REPRESENTATIVE ROKEBERG questioned the involvement of a "private organization."

REPRESENTATIVE GUTTENBERG, referring to page 6, Section 9, asked for an explanation of the intent of this section.

MR. PETERSON replied that [AS 37.05.146(c)] applies to program receipts. He explained that Section 9 includes language to ensure that revenue from the program may be used as its funding source.

SHARLEEN (SHAR) GRIFFIN, Director, Central Office, Division of Administrative Services, Department of Corrections (DOC), clarified that Section 9 is intended to support the Prison Industries Enhancement program (PIE), which is through the Bureau of Justice Assistance (BJA), and is monitored by the Correctional Industries Association. She said that this program has many regulations that must be followed. She explained that this program requires the inmates be paid the prevailing wage, which must be obtained through the Department of Labor, along with working with union organizations to ensure that there is no unfair competition. Paying prevailing wage, she said, allows one deduction for the offender to pay part of the cost of incarceration. She said that the money would go to support the program in which the inmate is working.

[4:38:02 PM](#)

MS. GRIFFIN, in response to a question, said that prevailing wage is being used instead of minimum wage so as to not create unfair competition with private industries.

REPRESENTATIVE GUTTENBERG asked what types of jobs would be available [with the PIE program].

MS. GRIFFIN replied that this would depend on the private vendor. The PIE is required if the contract is with a vendor that transports and sells goods across state lines. Currently, she said, 34 states are involved in this program.

[4:39:55 PM](#)

MS. GRIFFIN, in response to a question, said that currently, there are no contracts that transport and sell goods across state lines.

CHAIR ANDERSON asked if any prisoner can work, regardless of the violation.

MS. GRIFFIN replied no. She said that the inmate's classification must fit the job for which the inmate applied. These classifications are: minimum security, medium security, maximum security, and close security.

REPRESENTATIVE LEDOUX, referring to page 3, Section 2, in regard to the commissioner consulting with local union organizations, inquired as to what would happen if a job in question is not a union position.

MS. GRIFFIN replied that the types of jobs the department would participate in would be the types of activities that can be done within the confines of an institution, which "drastically limits" what can be done. She stated that inmates would not be sent outside of the facility to work. For example, she said, a vendor may wish to set up an auto-body shop and teach inmates to do auto-body work.

[4:42:56 PM](#)

REPRESENTATIVE LEDOUX asked if auto-body work is a union trade.

MS. GRIFFIN replied that she does not believe so, but would defer to the union representatives to answer this question.

REPRESENTATIVE CRAWFORD said that some auto-body shops are union; however, most are not.

REPRESENTATIVE ROKEBERG, referring to page 5, Section 7, subparagraph (b), asked if the prevailing wage is the current standard.

MS. GRIFFIN replied that the prevailing wage only applies to the PIE, and can be found on page 4, Section 6 of the bill.

[4:45:55 PM](#)

MS. GRIFFIN, in response to a question, clarified that if the department signed a contract with a vendor who wanted to build office furniture and sell it across state lines, this would need to be a PIE program in order for the state to participate.

MS. GRIFFIN, in response to questions, stated that SB 310 contains retroactive clauses. If the legislation does not pass, she said, the department will not be able to continue the PIE program, in addition to having working inmates.

REPRESENTATIVE KOTT inquired as to the current statewide average cost of confinement.

MS. GRIFFIN replied that the average is \$107.42 per day, which includes all costs. In response to an additional question, she clarified that if the compensation is 50 percent or more of the minimum wage established, the commissioner may make deductions "up to the cost of care."

[4:48:43 PM](#)

REPRESENTATIVE ROKEBERG expressed concern regarding the types of private contractors that would be considered.

CHAIR ANDERSON suggested that this question be answered before the next committee of referral.

[4:49:31 PM](#)

REPRESENTATIVE KOTT moved to report HCS SB 310(STA) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS SB 310(STA) was reported from the House Labor and Commerce Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at [4:49:34 PM](#).