

ALASKA STATE LEGISLATURE
SENATE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE

February 22, 2006

1:28 p.m.

MEMBERS PRESENT

Senator Fred Dyson, Chair
Senator Gary Wilken, Vice Chair
Senator Kim Elton
Senator Donny Olson

MEMBERS ABSENT

Senator Lyda Green

COMMITTEE CALENDAR

Overview: Medicare Prescription Drugs - Department of Health and Social Services

SENATE BILL NO. 250

"An Act extending the termination date of the Council on Domestic Violence and Sexual Assault; and eliminating statutory references to the network on domestic violence and sexual assault."

HEARD AND HELD

SENATE BILL NO. 299

"An Act relating to preventing unfair discrimination against a health care provider who is willing to meet a health insurer's terms and conditions for participation in the insurer's plan, policy, or contract for health care services; amending the definition of 'provider' as it relates to authorized collective negotiations by physicians affecting the rights of providers under health benefit plans; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 250

SHORT TITLE: DOMESTIC VIOLENCE/SEXUAL ASSAULT COUNCIL

SPONSOR(s): RULES BY REQUEST OF LEG BUDGET & AUDIT

01/26/06	(S)	READ THE FIRST TIME - REFERRALS
01/26/06	(S)	HES, FIN

02/17/06 (S) HES AT 1:30 PM BUTROVICH 205
02/17/06 (S) Heard & Held
02/17/06 (S) MINUTE(HES)
02/22/06 (S) HES AT 1:30 PM BUTROVICH 205

BILL: SB 299

SHORT TITLE: NONDISCRIMINATION HEALTH CARE PROVIDERS
SPONSOR(S): SENATOR(S) SEEKINS

02/14/06 (S) READ THE FIRST TIME - REFERRALS
02/14/06 (S) HES, L&C
02/22/06 (S) HES AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

Rod Moline, Director
Division of Senior and Disabilities Services
Department of Health and Social Services (DHSS)
PO Box 110680
Juneau, AK 99811-0680

POSITION STATEMENT: Commented on overview of Medicare Prescription Drugs.

Essien Ukoidemabia
SeniorCare Information Office
Division of Senior and Disabilities Services
Department of Health and Social Services
3601 C Street
Anchorage, AK 99503-5684

POSITION STATEMENT: Presented overview on Medicare Prescription Drugs.

Bill Tandeske, Commissioner
Department of Public Safety
PO Box 111200
Juneau, AK 99811-1200

POSITION STATEMENT: Testified on SB 250.

Bill Hogan, Deputy Commissioner
Department of Health and Social Services
PO Box 110601
Juneau, AK 99801-0601

POSITION STATEMENT: Testified on SB 250.

Susan A. Parkes, Deputy Attorney General
Criminal Division
Department of Law

PO Box 110300
Juneau, AK 99811-0300
POSITION STATEMENT: Testified on SB 250.

Pat Davidson, Legislative Auditor
Division of Legislative Audit (DLA)
Alaska State Legislature
PO Box 113300
Juneau, Alaska 99811-3300
POSITION STATEMENT: Commented on SB 250.

Tom Maher, Staff
to the Legislative Budget and Audit Committee
Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Testified on SB 250.

Peggy Brown, Executive Director
Alaska Network on Domestic Violence and Sexual Assault
130 Seward Street
Juneau, AK 99801
POSITION STATEMENT: Commented on SB 250.

Barbara Mason, Executive Director
Council on Domestic Violence and Sexual Assault
Department of Public Safety
PO Box 111200
Juneau, AK 99811-1200
POSITION STATEMENT: Testified on SB 150.

Senator Ralph Seekins
Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of SB 299.

George Rhyneer, MD
Alaska Physicians and Surgeons
Anchorage, AK
POSITION STATEMENT: Supported SB 299.

Mike Hogan, Executive Director
Alaska Physicians and Surgeons
Anchorage, AK
POSITION STATEMENT: Supported SB 299.

Greg Loudon, Health Care Consultant
Willis of Alaska
Anchorage, AK
POSITION STATEMENT: Opposed SB 299.

Colleen Savoie
Willis of Alaska
Anchorage, AK
POSITION STATEMENT: Opposed SB 299.

Jack McRae, Senior Vice President
Blue Cross Blue Shield of Alaska
POSITION STATEMENT: Testified on SB 299.

William Pfeifer, DC
Alaska Chiropractic Society
Anchorage, AK
POSITION STATEMENT: Supported the concept of SB 299.

Rose Kalamarides, Administrator
Alaska Teamster-Employer Trust
Anchorage, AK
POSITION STATEMENT: Opposed SB 299.

ACTION NARRATIVE

CHAIR FRED DYSON called the Senate Health, Education and Social Services Standing Committee meeting to order at [1:28:28 PM](#). Present were Senator Gary Wilken and Chair Fred Dyson. Senators Kim Elton and Donny Olson joined the meeting in progress.

Overview: Medicare Prescription Drugs - Department of Health and Social Services

CHAIR DYSON announced that the committee would hear an overview on Medicare prescription drugs.

[1:33:32 PM](#)

ROD MOLINE, Director, Division of Senior and Disabilities Services, Department of Health and Social Services (DHSS), explained that his division has oversight responsibility for the Medicare Part D prescription drug program. He introduced Essien Ukoidemabia, the program coordinator and primary presenter.

ESSIEN UKOIDEMABIA, SeniorCare Information Office ("SeniorCare"), Division of Senior and Disabilities Services,

Department of Health and Social Services, informed members that SeniorCare houses the Medicare office and ensures there are competent Medicare counselors; these are volunteers, 53 throughout the state. They received three days of training in Anchorage, and after certification returned to their communities to do face-to-face work. SeniorCare then set up enrollment-assistance networks, sites at which enrollment for Medicare Part D occurs.

She offered a statewide listing of enrollment sites, year-round volunteers and related information. She said SeniorCare counsels Medicare recipients on anything involved with Medicare. Recipients include those who are dual-eligible for Medicare and Medicaid; Medicare recipients who have other health care insurance and thus need to compare coverage; and those who have Medicare only. The latter may need extra help from Social Security to pay their premiums, deductibles and co-insurance if their income is limited. If their income isn't limited enough for Social Security to help, however, SeniorCare is brought to their attention, since it may pay deductibles and premiums for Medicare Part D for those over 65 years of age.

[1:37:45 PM](#)

MS. UKOIDEMABIA said her organization realizes not everyone has a computer and thus offers personal contact to such people.

CHAIR DYSON called an at-ease from [1:39:25 PM](#) to [1:39:50 PM](#).

MS. UKOIDEMABIA, in response to Chair Dyson, explained that Medicare was implemented in 1965 as a health care program for individuals 65 and over. It didn't include prescription drugs. Dual-eligible participants got their prescription drugs under the Medicaid program run by the state. Now, however, they must get them from Medicare. Only a couple of drugs are excluded by Medicare that Medicaid still takes care of.

She noted this will be administered by private companies - 11 prescription drug plans that are contracted to sell their drugs to Medicare recipients. Those 11 plans have 28 options. Dual-eligible participants cannot choose among all options, however, because the premiums for some are higher than the \$34.66 cap that has been set. Instead, the Centers for Medicare and Medicaid Services (CMS), U.S. Department of Health and Human Services enrolled dual-eligible individuals, as of December 31, into a plan that took effect January 1, 2006.

[1:42:29 PM](#)

MS. UKOIDEMABIA reported that her job is to get hold of anyone missed by the computer to ensure people are on track and don't do without their prescriptions drugs for even a day. Enrollment began November 15, 2005, and goes until May 15, 2006. Normal enrollment, however, will be November 15 through December 31 of each year after this - 45 days. No prescription drug plan existed before January 31, 2006. A transition program, the "discount card," began June 1, 2004; it still exists, and if a person didn't use all of his or her benefit in 2005, then whatever was left on that discount card was rolled over into this year, but cannot be used after May 15, 2006.

CHAIR DYSON asked what seniors can do to get help.

MS. UKOIDEMABIA described the medicare.gov website, where a person can be guided through the plans. Someone who wants to talk to a living person can phone the senior center or meal site, and will be told who in their community serves as a volunteer. The state hotline is also available.

[1:46:43 PM](#)

MS. UKOIDEMABIA provided details about seniors near the federal poverty level. In response to Chair Dyson, she said senior citizens should know the following: the number of her office, 1-800-478-6065; the dosage of their prescriptions; and the information on their red, white and blue Medicare card.

[1:51:25 PM](#)

CHAIR DYSON remarked that he didn't see any counselors at the Chugiak senior center.

MS. UKOIDEMABIA affirmed that, saying her job is to try to recruit and establish offices in that area.

[1:53:57 PM](#)

MS. UKOIDEMABIA offered some details relating to a hypothetical scenario posed by Senator Wilken.

CHAIR DYSON thanked the presenters.

SB 250-DOMESTIC VIOLENCE/SEXUAL ASSAULT COUNCIL

CHAIR DYSON announced SB 250 to be up for discussion. He opened public testimony.

[1:56:11 PM](#)

CHAIR DYSON interpreted Commissioner Tandeske's written comments to be saying he agrees with the auditor's conclusions about the composition of the board, but not with the proposed Amendments 1 and 2, offered and discussed at the 2/17/06 hearing. Chair Dyson asked whether that is a fair summary.

BILL TANDESKE, Commissioner, Department of Public Safety (DPS), replied, "Almost." He clarified that he doesn't take issue with the finding of an appearance of a possible conflict in requiring that the governor consult the Network for Domestic Violence and Sexual Assault (Network). However, as a practical matter, he'd be inclined to consult it anyway. He also doesn't oppose the designation of a rural position, which he has advocated for. However, excluding some small communities such as Pelican or Angoon - connected only by the Alaska Marine Highway - perhaps was overly restrictive. He emphasized having true public members that bring a wide variety of life experiences to the Council on Domestic Violence and Sexual Assault (Council) - or to any board or commissioner, for that matter.

[1:58:48 PM](#)

BILL HOGAN, Deputy Commissioner, Department of Health and Social Services (DHSS), referenced his letter regarding Senator Therriault's position on the auditor's comments and the proposed amendments. Noting his own comments would be similar to Commissioner Tandeske's, Mr. Hogan said DHSS doesn't believe the Network should have exclusive consultative authority - the system has many other stakeholders including police, hospitals and other providers from whom input is important. He concurred with having a designated rural member, but suggested the language in the proposed amendment is restrictive. He also suggested, in general, that the pool of potentially qualified or competent candidates for the Council shouldn't be limited; he noted that his written comments reflect that.

CHAIR DYSON asked whether Mr. Hogan agreed with the recommendations of the auditor, put forth in SB 250, and disagreed with the proposed amendments.

MR. HOGAN affirmed that.

CHAIR DYSON called a brief at-ease.

2:01:25 PM

SUSAN A. PARKES, Deputy Attorney General, Criminal Division, Department of Law (DOL), noting that she is the DOL representative on the Council, expressed support for extending the Council and offered to answer questions.

CHAIR DYSON referenced an e-mail from Ms. Parkes that stated, among other things, opposition to the amendment to SB 250 that would exclude state employees from serving as public members.

2:03:42 PM

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit (DLA), informed the committee that after the last hearing and review of amendments, she'd gone back to look at the sunset reviews conducted by DLA in the past. She'd been looking for any findings and recommendations in those reports that had, at their core, a concern about the composition of the Council. She reported that none of them identified the actual composition of the Council as a core problem.

SENATOR ELTON arrived at 2:04:22 PM.

MS. DAVIDSON, in response to Chair Dyson, explained that the amendments discussed at the previous [2/17/06] hearing seemed to address who was on the Council. Therefore, she'd wanted to determine if there had been problems with the Council's composition or the qualifications of appointees in the past, given the old rules. She'd found no problems relating to the composition of the Council as it currently exists.

2:05:49 PM

TOM MAHER, Staff to the Legislative Budget and Audit Committee (LB&A), reported that he'd checked with Senator Therriault on the amendment and that Senator Therriault had also reviewed the departmental responses. Mr. Maher noted that LB&A had eliminated the reference to the Network. Although Senator Therriault was quite supportive of putting back a Network member on the Council as an ex-officio, nonvoting member, after reviewing the departmental responses he feels much less strongly about it because the departments were opposed to that and indicated it would be a conflict. He added that, in general,

Senator Therriault doesn't support a complete rewriting of the Council's composition.

PEGGY BROWN, Executive Director, Alaska Network on Domestic Violence and Sexual Assault, supported the extension of the Council. She said the suggested language that was submitted by the Network regarding its elimination from statute was merely a response to a request, and the Network would be happy to place the matter entirely in the hands of the Council.

She referred to a letter to Ms. Davidson from the chair of the Council. Ms. Brown reported that it basically says the following: the Council recognizes and understands the merit of this issue; it's important to note that the governor is not bound by any recommendation by the Network; and because of this safeguard, the Council believes obtaining input from the Network, which has significant knowledge and expertise, outweighs any limitations or theoretical conflicts.

[2:08:25 PM](#)

MS. BROWN reminded members that in late 1978 the Network formed, and in late 1981 the Council was formed at its behest, because of a perceived need for a state agency with pass-through capabilities for funding. She said the Network put forth the items in the amendments to formalize existing beneficial interactions between the Network and the Council. For instance, the Council currently invites the director of the Network to participate in its meetings.

She explained that the idea behind establishment of an ex-officio position for a Network member is to provide institutional knowledge. This applies not only to programs statewide, but also to work with the governor's Council on Disability and Special Education, Office of Children's Services (OCS), and the Division of Public Assistance. "We're very tied in to other state systems," Ms. Brown pointed out. She disagreed that being an ex-officio member would be a conflict, and offered that it would be an asset instead, providing stability and knowledge of domestic violence and sexual assault issues across the state. It just formalizes what already happens and ensures continuity, she concluded.

[2:10:26 PM](#)

MS. BROWN emphasized the Network's expertise, citing her own background in both law enforcement and medicine as an example

and mentioning the varying backgrounds of other staff; she highlighted their desire to be at the governor's service and to provide a screening process for potential candidates for membership.

[2:12:39 PM](#)

MS. BROWN remarked that the criteria for public members in the amendments were put forth to ensure a broad perspective within the Council. Expressing reservations about the exclusion of state workers from serving as public members on the Council, she offered to work with anyone on that part of the amendment.

SENATOR OLSON arrived at [2:14:53 PM](#).

SENATOR OLSON asked Ms. Brown to relate her position on the proposed amendments.

MS. BROWN replied that the Network should remain at the service of the governor in making recommendations of potential appointees, and that the director of the Network should be an ex-officio member of the Council. She supported the designation of a rural public-member seat on the Council, as well as a seat for a survivor of domestic violence or sexual assault, or the advocate of such a survivor.

SENATOR OLSON asked her position on the amendment that has two public members, one a survivor and one an expert in the field.

MS. BROWN replied that she supports the amendment.

[2:18:26 PM](#)

BARBARA MASON, Executive Director, Council on Domestic Violence and Sexual Assault, Department of Public Safety, reported that she'd contacted all Council members and that much of her testimony would be a synopsis of their comments. The first question almost every member had asked was the purpose of the amendment and the situation it was trying to fix. Most were also concerned about whether the bill would create problems. For example, it would remove from consideration over 14,000 public employees that are Alaskan residents with expertise in the field of sexual assault and domestic violence. There are some inconsistencies with the public-employment pieces in differentiating between government employees among the municipalities, boroughs, cities, tribal entities and so forth,

Ms. Mason said, which asks the question of defining "state employee."

She said the Council supports extending the sunset audit to 2014 and doesn't oppose having one public member from rural Alaska. However, the Council is concerned about the exclusion of members from communities on the Alaska Marine Highway and asks to keep that option open. The Council opposes restricting the election of the other two public members for several reasons, such as how to define an expert in this field - there are no university or college degrees in domestic violence or sexual assault, and no standard qualifications to identify such a person. Many of the current committee members have achieved expertise through informal means, Ms. Mason noted.

She reported that the Council is concerned about subsection (c) of the amendment due to its limitation; the Council would prefer to keep the pool as large as it can. The Council does not support having the executive director of the Network as an ex-officio member - the Network is composed of the programs that are funded, and it receives grants issued by the Council, so a conflict-of-interest issue is the cause for concern. The Council is pleased with its current relationship with the Network, Ms. Mason said, and works to include their opinions.

[2:23:55 PM](#)

MS. MASON emphasized that all the meetings are public and everyone is more than welcome to participate. The Council opposes excluding state employees as public members, since they often have a great deal of experience and expertise in the field. Domestic violence victims receive services from law enforcement officers, emergency medical people, OCS, prosecutors, legal advocates, courts, tribal courts, judges, housing authorities, batterers' programs, treatment programs, and so forth. A number of people working for these agencies are government employees.

[2:25:55 PM](#)

SENATOR ELTON asked why the Council prefers to have a majority of state employees, rather than looking for additional outside perspective from the municipalities, nonprofits organizations and so forth.

MS. MASON claimed state workers have a unique expertise, given their positions within the state, and said the Council hesitates

to limit the positions to advocates for the victims. She asked where the expertise would come from when dealing with offenders.

[2:28:14 PM](#)

SENATOR ELTON explained that his proposed amendment doesn't limit the public seats to nonprofit employees or the medical profession. Instead, it merely prevents the possibility of overrepresentation by one common category of people.

MS. MASON remarked that in some ways the Council's purpose is to address some state government entities that deal with domestic violence issues. He suggested state workers have valuable insight into the operation of the aforementioned entities.

SENATOR ELTON responded that it seems stacked in favor of the state, however.

CHAIR DYSON advised Senator Elton that if he wished to modify any of his amendments, the committee would hear them at the next bill hearing. [SB 250 was held over.]

SB 299-NONDISCRIMINATION HEALTH CARE PROVIDERS

[2:32:37 PM](#)

CHAIR FRED DYSON announced SB 299 to be up for consideration.

SENATOR RALPH SEEKINS, Alaska State Legislature, sponsor, began by paraphrasing the full title, which read:

An Act relating to preventing unfair discrimination against a health care provider who is willing to meet a health insurer's terms and conditions for participation in the insurer's plan, policy, or contract for health care services; amending the definition of 'provider' as it relates to authorized collective negotiations by physicians affecting the rights of providers under health benefit plans; and providing for an effective date.

He said AS 21.36.090(d) pertains to unfair discrimination against a person who provides services covered under a group health insurance plan. It comes into play as a function of the relationship between health care providers and group health care systems. Recently, the U.S. Supreme Court upheld Kentucky's "any willing provider" (AWP) law, which offers a more robust

alternative to Alaska's current law. Thus SB 299 would replace AS 21.36.090(d) with case-tested AWP language, Senator Seekins told members.

He noted that the move towards AWP language also required a change to the definition of "health care provider." Consequently, the original definition as used in Title 23 had to be restored. This is found in Section 2 of the bill. Senator Seekins said the AWP concept promotes the individual's ability to choose a health care provider. The AWP law says a health insurer cannot discriminate against any provider that is willing to meet the terms and conditions for participation established by the health insurer, assuming the provider is located within the geographic coverage area of the health benefit plan.

He explained that this is especially pertinent when, for example, a woman in the second trimester of pregnancy changes jobs and may be forced to change health care providers if her current provider isn't recognized by her new health insurance plan. If the patient's non-network physician is willing to accept the network fee schedule - and meets the insurance company's licensing and credentialing standards - the patient should be able to continue to see the known and trusted doctor.

He concluded by saying SB 299 adopts into Alaska law the "any willing provider" concept, thereby promoting and preserving Alaskans' ability to choose their own health care providers. Senator Seekins informed the committee that a number of experts were present to testify and offer examples.

[2:36:13 PM](#)

SENATOR SEEKINS, in response to Senator Wilken, said there was no fiscal note that he knew of.

SENATOR OLSON asked how the "638" contractors in rural Alaska would be affected. He explained that this relates to Public Law 638, which applies to health corporations in Bush Alaska that receive federal funds.

SENATOR SEEKINS deferred to one of the experts.

[2:38:09 PM](#)

GEORGE RHYNEER, MD, Alaska Physicians and Surgeons, informed members that he is a cardiologist from Eagle River, in practice in Alaska for 35 years. He noted that Alaska Physicians and

Surgeons is a Southcentral physician group that, in this case, is representing its patients.

He suggested all patients would support this because it provides freedom of choice. He gave examples. For instance, he prefers to refer patients to a certain endocrinologist, but finds some cannot see that doctor because they'd be severely penalized economically by the insurance company. Furthermore, people with life-threatening illnesses aren't benefited by switching physicians. Not having the ability to choose one's own physician is counter-therapeutic. For best outcomes in illness, Dr. Rhyneer said, it's imperative that the patient trust the physician and have choice.

He also talked about the economic effect on physicians when an insurance company can select or deselect doctors to be on the panel. He said it makes it especially difficult to recruit physicians to come to Alaska if, after they set up business and establish patients, an insurance company can threaten deselection unless the doctor kowtows to an onerous economic relationship. Dr. Rhyneer concluded by saying there are innumerable good reasons for having this legislation.

[2:42:51 PM](#)

CHAIR DYSON asked about the relationship between Alaska Physicians and Surgeons Group and the Alaska Medical Association.

DR. RHYNEER explained that the latter is a professional organization, partnered with the American Medical Association. The first organization was started six or seven years ago as more of a business and legislative group. They are separate organizations, although many members of one belong to the other.

CHAIR DYSON referred to unspecified documentation he'd been given that says passage of this law will drive up costs. He offered his understanding that the bill says whoever the provider is must agree to the fee schedule offered by the third-party payer. He asked whether that is Dr. Rhyneer's understanding of what is being done.

DR. RHYNEER affirmed that.

CHAIR DYSON asked Dr. Rhyneer to clarify his statement that doctors would have to agree to an onerous remuneration schedule.

DR. RHYNEER explained that when an insurance company has a large share of the business in a community and can direct its patients from one group of physicians to another - by having or not having them on its panel - then it's hard for a physician to refuse the offered pay scale, even if it's less than overhead costs, because all those patients could be sent elsewhere.

CHAIR DYSON related his understanding that in this bill a doctor would give a group discount for having all those referrals. If one patient decided to stick to another doctor, however, then the other doctor would have to agree to this discount schedule in order to be paid by the third-party payer.

DR. RHYNEER affirmed that. He suggested in larger communities such as New York City or Chicago, with thousands of physician groups and perhaps hundreds of hospitals, it's easier to defend that kind of predatory activity by insurance companies.

[2:46:40 PM](#)

SENATOR ELTON said it seems if an employer cannot negotiate a price break on health care, then either the employer's health care costs could rise or changes could be made to employees' benefits.

DR. RHYNEER responded that in other jurisdictions there has been no apparent change in the cost to companies or providers of insurance, through their premiums, when AWP laws have been established; it appears, from "observations and measurements," that AWP has no deleterious effect on that relationship.

SENATOR ELTON expressed interest in the observations cited by Dr. Rhyneer. He noted that others have cited observations pointing to the opposite conclusion.

DR. RHYNEER said in Alaska almost all money spent on health care remains in Alaska. It goes towards improving care, machinery, modernization and the availability of nurses; very little goes elsewhere to shareholders and so forth. He pointed out that so-called managed care has had a serious effect on the availability, and probably the quality, of health care delivered outside of Alaska.

SENATOR ELTON reiterated that data would be helpful.

SENATOR OLSON remarked that he thought money from Providence Alaska Medical Center went back to the main offices outside the

state, which helped to ensure that other health care ventures were put in place.

DR. RHYNEER replied that he has heard that rumor, both in the past and recently. However, he is on the board for that institution, and every month they get a rundown of the finances. He said he has never seen evidence that money is transferred to the Seattle office, which is an owner. He added that the corporation does require remuneration for the services it provides to the local hospitals - the outsourcing, the billing, and so forth, which are done in Seattle. However, the majority of the "margin" money is used for capital improvements.

SENATOR OLSON expressed concern for owners of small businesses, who often have trouble affording health insurance for employees.

DR. RHYNEER said he believes there is a far more elaborate answer than he could provide. "I think this, from observations, plays a very small part in that issue," he added.

SENATOR OLSON asked whether the concept in this bill works against that, however.

DR. RHYNEER replied that there is no evidence it does.

SENATOR SEEKINS returned to earlier discussion, saying, "I think the answer to your question about whether or not your physician has to accept that fee is correct, but you get to go and say, 'Will you do this for me?' It's not that you have to accept the entire panel of people that you send to that physician."

[2:53:12 PM](#)

SENATOR WILKEN asked whether this legislation will help attract physicians to Alaska or will deter them.

SENATOR SEEKINS opined that it will help, expanding the universe of available physicians.

[2:54:15 PM](#)

MIKE HOGAN, Executive Director, Alaska Physicians and Surgeons, noted that his organization is a 170-member physician group in Anchorage. He spoke in strong support of SB 299. In answer to Senator Wilken's question, he said his group has been working with other entities to create the most favorable health care environment in Alaska to attract new physicians - this is one of

their chief goals, and this bill is one piece among several pieces of legislation over the years. He said the likely relationship with insurance carriers is one criterion that new doctors will look at. Now that the Supreme Court has cleared the AWP idea, he surmised there will be an increase in legislation in other states. He offered his belief that this will attract new physicians and be good for patients.

SENATOR ELTON pointed out an element not being discussed: the ability of employers of large numbers of people to negotiate health care costs, which also would benefit patients. He said it seems the AWP system will give less incentive for any health care provider to negotiate a fairly significant break for the employer - and thus for the employee.

MR. HOGAN referred to the group-discount model, called "steerage," saying it works much better in states with an overabundance of physicians. The state medical association has calculated Alaska to be 400 physicians short, out of a private physician population of about 1,200. Some plans other than Blue Cross have had trouble establishing significant panels in this state. He asked Senator Elton to elaborate on his concern.

SENATOR ELTON explained that he understands the benefit of patients' ability to choose their doctors. However, this also reduces employers' ability to negotiate lower rates, and that ability would benefit patients through either lower costs or a broader menu of health care options.

MR. HOGAN reported that Kentucky has looked at this issue and costs for the last ten years; he indicated he could provide that information, and said the state contends that it hasn't significantly affected costs. Acknowledging that legislators will have to weigh the argument posed by Senator Elton when deliberating, he nonetheless emphasized focusing on patients' ability to choose their health care providers.

SENATOR ELTON requested that Mr. Hogan provide the information from Kentucky.

CHAIR DYSON pointed out that when there is are negotiated lower prices for one group of employees, it works against people who don't have insurance and thus pay their own way.

[3:00:12 PM](#)

SENATOR OLSON asked how this bill would affect the "638" contractors.

MR. HOGAN said he didn't know, but could provide an answer.

CHAIR DYSON asked to hear from any testifiers who had time constraints or wouldn't be available the following Wednesday.

[3:01:12 PM](#)

GREG LOUDON, Health Care Consultant, Willis of Alaska, spoke in opposition to SB 299. He began by discussing cost containment, a broad term for a toolbox of methods to reduce costs for health plans. He said contracting with a select group of providers is one of the best methods his organization has for limiting costs. They can't expect discounts from providers without offering them directed health care dollars in exchange. He related examples.

He explained that contracting is key to offering and using cost-containment methods; he mentioned the quality of the provider and ongoing care. Mr. Loudon said it isn't just a matter of price. When choosing health care providers, they check the background and experience as well as any complaints. Health plan members know there has been a basic level of quality assurance, and can choose providers outside of the contract - but at a lower reimbursement level.

He said health savings accounts and health reimbursement accounts are dependent on getting good data, including price and quality data. The contracts provide good data. These management programs are another way to contain costs, he suggested, and should work with the contractor providers to try to improve the quality of care and decrease the time people spend in hospitals or other high-cost treatment options.

[3:04:13 PM](#)

SENATOR OLSON asked how to ensure health maintenance organizations (HMO) don't become a predominant provider of health care in Alaska.

MR. LOUDON replied that he doesn't see how this bill would prevent that. He offered his understanding that the reason Alaska doesn't have HMOs is that any provider which wants to take risks is required to file as an insurance company. He said there are lots of hoops to jump through besides the contracting issue this bill addresses.

[3:05:10 PM](#)

COLLEEN SAVOIE, Willis of Alaska, noted that her organization represents a number of insured plans and large (indisc.) entities. She spoke in opposition to SB 299 because it would result in increased medical costs. She pointed out that employers are struggling with the increased cost of health care. They are reducing benefits, increasing the employee contribution rate or eliminating it altogether. Using a preferred provider network has been very successful so far in helping to control health care costs, Ms. Savoie said. She gave an example, noting that SB 299 would include hospitals as well as other providers.

She asserted that AWP-type legislation will affect costs. She cited a 2001 study published in the Journal of Health Economics as saying health expenditures are higher when AWP laws are enacted. Ms. Savoie also noted that the National Association of Health Underwriters in 2003 identified AWP legislation as a threat to market stability.

She told members the Federal Trade Commission (FTC) opposes AWP legislation. Directing attention to a report by the FTC and the Department of Justice, published in July 2004, Ms. Savoie encouraged members to review this report. She noted that it says AWP laws have anti-competitive effects; make provider discounts less likely; and restrict the ability of health insurers and plans to structure offerings with varying levels of choice. Thus they actually reduce the options.

[3:09:58 PM](#)

SENATOR ELTON requested copies for the committee of the 2001, 2003 and 2004 reports Ms. Savoie had referenced.

JACK McRAE, Senior Vice President, Blue Cross Blue Shield of Alaska (Blue Cross), informed the committee that his company has about 50 percent of Alaska's physicians on contract now, and believes this saves the membership hundreds of thousands of dollars. With the contracts, the company is able to negotiate with the physicians.

He emphasized that his company does pay when people go to non-contracted physicians, though it may pay less. Furthermore, regarding continuity of care, Mr. McRae said Alaska's legislature addressed the issue in 2000 by passing a so-called patients' bill of rights, which Blue Cross supported. Under

that, a patient continues to be seen by the physician until treatment is completed, and Mr. McRae said Blue Cross continues to pay the bills as before; he gave an example. Mr. McRae mentioned the FTC study and concluded by highlighting another study by Arthur Andersen (ph), completed for 1998-2002 that showed AWP legislation would increase costs by 12 percent.

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WILLIAM PFEIFER, D.C., Alaska Chiropractic Society, thanked Senator Seekins and the committee for bringing up this bill, which he believes is needed in Alaska. However, he pointed out language concerns that he hadn't yet had time to address with the sponsor.

He referred to page 1, line 12, through page 2, line 1, which read, "This subsection does not affect different reimbursements to different types of health care providers, nor does it affect coverage for the service of a particular type of health care provider." Saying it seems to reverse the intent of the legislation, Dr. Pfeifer proposed exploring that further with the sponsor in order to clarify it or have it deleted.

He referred to page 2, line 9, "(B) does not include insurance under the Alaska Workers' Compensation Act, AS 23.30. He said there may be some good rationale for that. However, having sat on the medical services review committee for workers' compensation this last year, he'd filed a minority report because the recommendation was to allow the insurance company or employer to choose the treating physician of an injured worker. Dr. Pfeifer expressed concern that the aforementioned language might have some other meanings, and requested clarification.

He also voiced concern about the redefinition of "health care provider", which includes facilities. Dr. Pfeifer said it's not that he thinks hospitals and such should be protected under AWP. However, classifying them as providers removes the existing language that says (indisc.). Dr. Pfeifer pointed out that facilities don't have an occupation or a license, and said there is no reference back to that. He cited the example of an insurance company that contracts with a hospital for x-rays; he expressed concern about excluding small facilities (indisc.) and mentioned financial agreements and absorption by broader bases. Dr. Pfeifer expressed hope that he'd have an opportunity to work with the sponsor before the bill moved forward.

CHAIR DYSON requested that Dr. Pfeifer work with the sponsor before next week, when the bill would likely move from committee.

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ROSE KALAMARIDES, Administrator, Alaska Teamster-Employer Trust, spoke briefly in opposition, saying Mr. Loudon and Ms. Savoie of Willis of Alaska had summed up her organization's position.

CHAIR DYSON thanked participants. He held SB 299 in committee.

There being no further business to come before the committee, Chair Dyson adjourned the Senate Health, Education and Social Services Standing Committee meeting at [3:17:50 PM](#).