

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

April 14, 2005

3:39 p.m.

MEMBERS PRESENT

Senator Gene Therriault, Chair
Senator Charlie Huggins
Senator Bettye Davis
Senator Kim Elton

MEMBERS ABSENT

Senator Thomas Wagoner, Vice Chair

COMMITTEE CALENDAR

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 24

"An Act relating to reemployment of and benefits for retired teachers and public employees and to teachers or employees who participated in retirement incentive programs and are subsequently reemployed as a commissioner; repealing secs. 5, 7, and 9, ch. 58, SLA 2001; providing for an effective date by amending the delayed effective date for secs. 3, 5, 9, and 12, ch. 57, SLA 2001, and repealing sec. 13, ch. 58, SLA 2001, which is the delayed effective date for secs. 5, 7, and 9, ch. 58, SLA 2001; and providing for an effective date."

MOVED CSSSSB 24(STA) OUT OF COMMITTEE

SENATE BILL NO. 94

"An Act relating to state employee health plans that give employees the option to select a high deductible health plan so as to qualify to establish a health savings account."

HEARD AND HELD

SENATE BILL NO. 12

"An Act relating to the prohibition or elimination of financial relationships with persons that conduct business in countries that support or ignore slavery and trafficking in persons."

MOVED CSSB 12(STA) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 95(RLS) am

"An Act relating to the duties of the Department of Health and Social Services as those duties pertain to public health and public health emergencies and disasters; relating to medical treatment, information, isolation and quarantine for the prevention and management of conditions of public health importance; relating to duties of the public defender and office of public advocacy regarding public health emergencies and disasters; relating to liability for actions arising from public health procedures; making conforming amendments; relating to the treatment and transportation of dead bodies; amending Rules 4, 7, 8, 38, 40, 65, 72, and 77, Alaska Rules of Civil Procedure; and providing for an effective date."

MOVED SCS CSHB 95(STA) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 116(JUD)

"An Act relating to the liability of certain persons for certain violations of alcoholic beverages laws."

MOVED CSHB 116(JUD) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 24

SHORT TITLE: REEMPLOYMENT OF RETIREES

SPONSOR(S): SENATOR(S) STEVENS G

01/11/05	(S)	PREFILE RELEASED 12/30/04
01/11/05	(S)	READ THE FIRST TIME - REFERRALS
01/11/05	(S)	HES, STA
01/26/05	(S)	SPONSOR SUBSTITUTE INTRODUCED-REFERRALS
01/26/05	(S)	HES, STA
03/07/05	(S)	HES AT 1:30 PM BUTROVICH 205
03/07/05	(S)	Heard & Held
03/07/05	(S)	MINUTE(HES)
03/08/05	(S)	FIN REFERRAL ADDED AFTER STA
03/14/05	(S)	HES AT 1:30 PM BUTROVICH 205
03/14/05	(S)	Heard & Held
03/14/05	(S)	MINUTE(HES)
03/16/05	(S)	HES AT 1:30 PM BUTROVICH 205
03/16/05	(S)	Moved CSSSSB 24(HES) Out of Committee
03/16/05	(S)	MINUTE(HES)
03/18/05	(S)	HES RPT CS 1DP 3NR 1AM NEW TITLE
03/18/05	(S)	NR: DYSON, WILKEN, OLSON
03/18/05	(S)	DP: ELTON
03/18/05	(S)	AM: GREEN

03/22/05 (S) STA AT 3:30 PM BELTZ 211
03/22/05 (S) Heard & Held
03/22/05 (S) MINUTE(STA)

BILL: SB 94

SHORT TITLE: STATE EMPLOYEE HEALTH INSURANCE

SPONSOR(S): SENATOR(S) DYSON

02/04/05 (S) READ THE FIRST TIME - REFERRALS
02/04/05 (S) STA, FIN
04/14/05 (S) STA AT 3:30 PM BELTZ 211

BILL: SB 12

SHORT TITLE: LIMIT RELATIONS WITH CERTAIN NATIONS

SPONSOR(S): SENATOR(S) DYSON

01/11/05 (S) PREFILE RELEASED 12/30/04
01/11/05 (S) READ THE FIRST TIME - REFERRALS
01/11/05 (S) STA, JUD
02/08/05 (S) STA AT 3:30 PM BELTZ 211
02/08/05 (S) Heard & Held
02/08/05 (S) MINUTE(STA)
04/14/05 (S) STA AT 3:30 PM BELTZ 211

BILL: HB 95

SHORT TITLE: PUBLIC HEALTH DISASTERS/EMERGENCIES

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/21/05 (H) READ THE FIRST TIME - REFERRALS
01/21/05 (H) HES, JUD
02/10/05 (H) HES AT 3:00 PM CAPITOL 106
02/10/05 (H) Moved CSHB 95(HES) Out of Committee
02/10/05 (H) MINUTE(HES)
02/11/05 (H) HES RPT CS(HES) NT 2DP 2NR 1AM
02/11/05 (H) DP: CISSNA, WILSON;
02/11/05 (H) NR: GARDNER, ANDERSON;
02/11/05 (H) AM: KOHRING
03/04/05 (H) JUD AT 1:00 PM CAPITOL 120
03/04/05 (H) Heard & Held
03/04/05 (H) MINUTE(JUD)
03/07/05 (H) JUD AT 1:00 PM CAPITOL 120
03/07/05 (H) Moved CSHB 95(JUD) Out of Committee
03/07/05 (H) MINUTE(JUD)
03/09/05 (H) JUD RPT CS(JUD) NT 1DP 6NR
03/09/05 (H) DP: ANDERSON;
03/09/05 (H) NR: GRUENBERG, KOTT, DAHLSTROM,
COGHILL, GARA, MCGUIRE

03/31/05 (H) RLS AT 9:00 AM FAHRENKAMP 203
03/31/05 (H) Moved CSHB 95(RLS) Out of Committee
03/31/05 (H) MINUTE(RLS)
04/01/05 (H) RLS RPT CS(RLS) NT 3DP 2NR 1AM
04/01/05 (H) DP: HARRIS, MCGUIRE, ROKEBERG;
04/01/05 (H) NR: COGHILL, KOHRING;
04/01/05 (H) AM: BERKOWITZ
04/01/05 (H) RETURNED TO RLS COMMITTEE
04/05/05 (H) TRANSMITTED TO (S)
04/05/05 (H) VERSION: CSHB 95(RLS) AM
04/06/05 (S) READ THE FIRST TIME - REFERRALS
04/06/05 (S) HES, JUD
04/08/05 (S) STA REPLACES HES REFERRAL
04/12/05 (S) STA AT 3:30 PM BELTZ 211
04/12/05 (S) Heard & Held
04/12/05 (S) MINUTE(STA)
04/14/05 (S) STA AT 3:30 PM BELTZ 211

BILL: HB 116

SHORT TITLE: LIABILITY FOR ALCOHOL LAW VIOLATIONS

SPONSOR(S): REPRESENTATIVE(S) MEYER

01/28/05 (H) READ THE FIRST TIME - REFERRALS
01/28/05 (H) STA, JUD
03/01/05 (H) STA AT 8:00 AM CAPITOL 106
03/01/05 (H) Moved CSHB 116(STA) Out of Committee
03/01/05 (H) MINUTE(STA)
03/02/05 (H) STA RPT CS(STA) NT 3DP 2DNP 1AM
03/02/05 (H) DP: GARDNER, GATTO, SEATON;
03/02/05 (H) DNP: RAMRAS, ELKINS;
03/02/05 (H) AM: GRUENBERG
03/21/05 (H) JUD AT 1:00 PM CAPITOL 120
03/21/05 (H) Moved CSHB 116(JUD) Out of Committee
03/21/05 (H) MINUTE(JUD)
03/22/05 (H) JUD RPT CS(JUD) NT 7DP
03/22/05 (H) DP: GRUENBERG, ANDERSON, KOTT,
DAHLSTROM, COGHILL, GARA, MCGUIRE
04/01/05 (H) TRANSMITTED TO (S)
04/01/05 (H) VERSION: CSHB 116(JUD)
04/04/05 (S) READ THE FIRST TIME - REFERRALS
04/04/05 (S) STA, JUD
04/14/05 (S) STA AT 3:30 PM BELTZ 211

WITNESS REGISTER

HEATHER BRAKES,
Staff to Senator Therriault

Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Introduced CS for SSSB 24 and explained proposed changes to CSHB 95

MIKE TIBBLES,
Deputy Commissioner
Department of Administration
PO Box 110200
Juneau, AK 99811-0200

POSITION STATEMENT: Commented on CS for SSSB 24

FRED DYSON
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of SB 94

JIM FROGUE,
Project Director
Center for Health Transformation
Washington, D.C.

POSITION STATEMENT: Presented personal views on SB 94

SPENCER BEAGLE
Insurance Broker
No address provided

POSITION STATEMENT: Testified on SB 94

PETER ROVERUD
Deloit Consulting
Minneapolis, MN

POSITION STATEMENT: Testified on SB 94

LINDA HALL, Director
Division of Insurance
Department of Commerce, Community & Economic Development
PO Box 110800
Juneau, AK 99811-0800

POSITION STATEMENT: Testified on SB 94

MELANIE MILHORN, Director
Division of Retirement And Benefits
Department of Administration
PO Box 110200
Juneau, AK 99811-0200

POSITION STATEMENT: Testified on SB 94

JASON HOOLEY,
Staff to Senator Dyson
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced SB 12

VERN JONES,
Chief Procurement Officer
Department of Administration
PO Box 110200
Juneau, AK 99811-0200
POSITION STATEMENT: Answered questions on SB 12

WES KELLER,
Staff to Senator Dyson
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Answered questions on SB 94

RICHARD MANDSGER, MD, Director
Division of Public Health
Department of Health &
Social Services
PO Box 110601
Juneau, AK 99801-0601
POSITION STATEMENT: Answered questions on CSHB 95

MICHAEL PAWLOWSKI,
Staff to Representative Kevin Meyer
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced HB 116

ACTION NARRATIVE

CHAIR GENE THERRIAULT called the Senate State Affairs Standing Committee meeting to order at [3:39:05 PM](#). Present were Senators Davis, Huggins, Elton and Chair Therriault.

SSSB 24-REEMPLOYMENT OF RETIREES

CHAIR GENE THERRIAULT announced the first order of business to be SB 24.

[3:39:28 PM](#)

CHAIR THERRIAULT requested a motion to adopt the proposed committee substitute (CS).

SENATOR CHARLIE HUGGINS motioned to adopt \I version CS for SSSB 24 as the working document.

HEATHER BRAKES, Staff to Senator Therriault, outlined the proposed changes:

- Section 1 calls for an annual report to the legislature to explain what employers are doing to plan for shortages in certain employment areas.
- Section 2 applies to the TRS system and mirrors Section 3
 - Subsection 2(a) grandfathers any employees hired as of 7/1/05. Those employees may continue under the waiver for one year. On 7/1/06 that benefit would no longer be available. An employee could continue employment, but he/she would no longer receive a retirement benefit while employed.
 - Subsection (b) states that an employer must offer health insurance to the rehired retiree just as they do for all other employees. Furthermore, that medical coverage would be the primary and only coverage. An employee would no longer be able to use the retirement medical benefit as secondary coverage.
 - Subsection (c) requires that the employer make contributions to the unfunded liability at the same rate that is made for all other employees.
- Section 3 applies to the PERS system and mirrors Section 2
 - Subsections 3(a)(b)(c) mirror subsections 2(a)(b)(c).
- Section 4 is a conditional retroactive date.

[3:42:49 PM](#)

CHAIR THERRIAULT recapped Ms. Brakes' explanation.

SENATOR KIM ELTON said the way he reads Section 1 is that it would only require the TRS and PERS administrators to report on the effect of the act on the retirement systems.

CHAIR THERRIAULT said that's correct.

SENATOR ELTON asked for clarification that it's a one year extension for those already in the system and not a one year extension so that employers can continue to hire new people into the system.

CHAIR THERRIAULT said that's correct. He added there was discussion in his office about trying to understand the reasons why it's so difficult to fill certain positions, but that wasn't part of the CS.

SENATOR ELTON remarked it's a good idea to know why things happen.

CHAIR THERRIAULT responded that should already be part of the human resource job description and duty list.

SENATOR CHARLIE HUGGINS asked whether there would be a mechanism to rehire a retiree if this bill were to pass.

MIKE TIBBLES, Deputy Commissioner, Department of Administration (DOA), explained that the state could still bring a retiree back, but he/she would accrue additional retirement benefits and the employer would be required to contribute into the system for those benefits. The pension benefit would be suspended for the reemployment period.

CHAIR THERRIAULT recapped the explanation.

SENATOR HUGGINS questioned whether it would be attractive for retired teachers to come back.

MR. TIBBLES acknowledged it is a concern and the legislature should continue to hold such discussions.

SENATOR HUGGINS added he is also concerned about the alleged abuses to the current system.

CHAIR THERRIAULT remarked Mr. Tibbles certainly intends to push the Administration's position that it could add sideboards to make it acceptable for the system to go forward.

He asked Mr. Tibbles whether the changes in the CS would require refiguring the fiscal note.

MR. TIBBLES said he would have to double check with the division, but he believes the analysis is still correct.

CHAIR THERRIault noted the CS asks employees to go on the regular health system and asks departments to make contributions to hold the retirement system harmless. He questioned whether that wouldn't result in some sort of fiscal impact.

MR. TIBBLES replied the State of Alaska is providing health coverage for those who return but the concern centers on what's happening at the municipal level. Municipalities would be required to provide primary health coverage and not be allowed to cost shift health coverage to the retirement account.

CHAIR THERRIault elaborated, municipalities chose not to continue the regular health insurance and forced rehired people into the retirement health insurance.

MR. TIBBLES agreed that happened in several instances.

SENATOR ELTON observed that if you were to replace the current retire/rehires in one year, the employee cost to the state would go up.

[3:51:41 PM](#)

CHAIR THERRIault noted there were no further questions and asked the will of the committee.

SENATOR HUGGINS motioned to report SB 24, as amended, and attached fiscal note from committee with individual recommendations.

CHAIR THERRIault asked Mr. Tibbles to review the fiscal note.

He announced that there being no objection, CSSSSB 24(STA) moved from committee.

SB 94-STATE EMPLOYEE HEALTH INSURANCE

CHAIR THERRIault announced SB 94 to be up for consideration.

[3:52:34 PM](#)

SENATOR FRED DYSON, Sponsor, thanked Senator Davis as co-sponsor. He described the legislation as significant to Alaskans and said it might have a most salutary affect on the accelerating cost of medical care and the state budget.

He suggested that tens of millions of dollars could be saved by moving to health savings accounts. Recent federal legislation makes it possible for individuals to put pre-tax dollars into a high deductible health plan as a part of a health savings account.

He reported that in certain instances the savings have been as high as 40 percent. Health savings accounts are attractive because: money that isn't used for health care may be rolled forward; the money may be invested in any type investment scheme and may be used for retirement; individuals are given responsibility and incentive to make good decisions about their own health care.

He said he would like the committee to hear from experts in the field.

[3:55:34 PM](#)

JIM FROGUE, Project Director, Center for Health Transformation, advised that the views he would express were his alone and didn't necessarily reflect center policy.

Because the American work force is mobile and specialized and huge corporations no longer employ workers for life, it's time to move to defined contributions and away from defined benefits. Health savings accounts as the wave of the future, he asserted.

Health savings accounts offer the following benefits to individuals:

- Maximize the choice of health care providers and all providers take cash.
- Portable between jobs and changes in employment status.
- Less expensive to buy insurance with a high deductible health plan.
- Provide individuals incentive to use health care services appropriately.
- Create push toward transparency in quality and pricing.
- Provide potential for young workers to accumulate a nest egg.

The Rand Corporation Health Insurance experiment followed the medical habits of 7,000 people in 6 cities from 1974-1982. Participants were placed in 4 different insurance arrangements. At one extreme a group had every dollar of health care covered by the plan. At the other extreme the group had a 95% co-insurance payment of up to \$1,000. The researchers found the following:

- Families with free medical coverage spent 50% more than families on the least generous plan.
- Hospital admission rates were 30% to 50% higher for those in the free plan than for those in the other groups.

The researchers reached the following conclusions:

- The use of medical services responds to the amount paid out-of-pocket.
- "The average persons health changed very little despite rather large changes in use caused by the insurance plan."

In designing health savings account options for state employees he encouraged the following to maximize enrollment:

- Discriminate in favor of low-income and unhealthy workers.
- Provide wide dissemination of information so there is transparency of pricing and quality.
- Legislators should enroll to show faith in the new system.

In conclusion he described a 20-year old worker with a \$2,000 deductible health savings account. If the worker contributed \$2,000 and spent \$1,000 every year for 40 years, the account would grow to \$127,000 if a 5 percent yield were assumed. That's the kind of retirement security most people want, he said. "This is the answer to the health care crisis in the United States."

[4:12:55 PM](#)

CHAIR THERRIault asked him to go over the difference in matching.

MR. FROGUE emphasized that so far this is his own idea. Basically the idea is to allow a higher match to lower income and or ill workers. He offered the following example:

A single person making \$22,000 per year would only have to pay \$53 per month pre-tax to fund a health savings account up to a maximum allowable amount of \$2,650 in 2005. That's assuming that with some of the savings the state got for moving to a much higher deductible policy it would put \$750 for free into that worker's account. Subtract that from \$2,650 - that equals \$1,900. If you offer a 2 to 1 match the monthly contribution would be about \$53 pre tax. After federal tax was taken out that would probably be about \$40 to \$45.

CHAIR THERRIAULT noted there were no questions from the committee.

[4:17:13 PM](#)

SENATOR DYSON asked if health insurance premiums could be paid out of a health saving account.

MR. FROGUE replied no.

SENATOR DYSON questioned whether he was aware of any unions or union workers who had embraced the concept of health savings accounts.

MR. FROGUE answered no then gave an example why he believes that health savings accounts would be most beneficial to union workers.

SENATOR DYSON asked if it's correct that if an employer spends \$600 to \$800 a month to ensure an employee and family and that employee chooses a health savings account with a monthly premium of \$200 or \$300, the employer could offer the employee the option of taking the savings the employer has in wages or a contribution to the employee's health savings account.

MR. FROGUE said that's true.

[4:22:52 PM](#)

CHAIR THERRIAULT said he understands that you might want to offer a higher match for lower salaried employees but he wasn't sure how it would work for less healthy employees. He questioned whether a determination on match would be made based on evidence of a pre-existing condition.

MR. FROGUE said he was thinking about someone who had higher costs such as a diabetic. As far as pre-existing conditions, this isn't about medically underwritten policies. This is about group policies with a higher deductible plan, he said.

CHAIR THERRIAULT asked why every employee wouldn't ask for the higher match.

MR. FROGUE responded the matching idea is his own and it's simply a matter of offering an incentive to people that have higher costs to encourage them to take advantage of the match.

There were no further questions for Mr. Frogue.

CHAIR THERRIAULT asked Mr. Beagle to testify.

[4:26:20 PM](#)

SPENCER BEAGLE, independent insurance agent in Alaska and member of Alaska Health Underwriters Association, reported that he markets health savings accounts to individuals and small groups. He asked whether the state contributes toward the employees' portion or cost of the health insurance.

SENATOR DYSON replied the employer could do either or both.

MR. BEAGLE asked if state employees pay any portion of their own health insurance.

SENATOR DYSON said yes.

MR. BEAGLE asked if it's a percentage or a flat dollar amount.

SENATOR DYSON said he wasn't sure but he thought it is a flat dollar amount. He asked him to talk about the type of products industry is marketing that would be available in Alaska.

MR. BEAGLE responded he deals with small groups and isn't aware of any large group markets for health savings accounts. Large groups are those with more than 50 employees. For small groups he has three different insurance carriers whose programs he markets to employers.

He's found that in switching from a traditional true indemnity plan to a health savings account program the employer typically saves close to 50% of the original premium. He gave an example and said that employer used some of the savings and funded part

of the employees' depository account, which more than offset the employees' higher deductible. It was a win-win situation for the employee and employer.

Health savings accounts on the individual market are a good way for individuals to become self-insured. It allows individuals to put away pretax dollars and fund their own health insurance without the use-it-or-lose-it provision. It's sort of a medical IRA and it simply makes sense to have a high dollar deductible plan where you protect your major assets in the event of a catastrophic condition.

MR. BEAGLE questioned whether the state is looking at becoming self-insured or is it looking at an indemnity carrier.

[4:31:30 PM](#)

SENATOR DYSON responded it's been disappointing that the Murkowski Administration hasn't jumped on the idea of health savings accounts. Present legislation requires the state to come up with an option for state employees, which would provide your industry with the potential for 40,000 customers additional, he said.

MR. BEAGLE questioned whether there would be just one group plan.

SENATOR DYSON said it's not a given.

MR. BEAGLE said there are many individual plans available and if the state continues to contribute at the same level whether the employee participates in the health savings account or not a portion could be placed in the employee depository account.

SENATOR DYSON suggested that he and others in the industry offer the state a good package for the group of 40,000 employees.

MR. BEAGLE clarified that he's an insurance broker/agent and not a company, but he didn't see any problem with that. He said he'd be happy to contact carriers and ask them to put together proposals for state employees.

[4:34:42 PM](#)

CHAIR THERRIAULT observed that the state has policy calls to make before it goes in that direction

PETER ROVERUD, Deloit Consulting, informed the committee that Deloit Consulting has been the benefits consultant for the Alaska Retirement and Benefits Office for a number of years. He offered the opinion that health savings accounts are a good idea.

Currently state employees have a choice of three different plans that are self-funded through the Retirement and Benefits Office. Because the premiums and benefits for FY 06 have been set, he warned that the legislation could have an adverse impact on those rates if health savings accounts were implemented for 2006.

There is concern associated with the potential for offering health savings accounts in 2006 as a forth option. The reason is that high deductible plans are frequently more attractive to young or healthy people so some of those people that have no claims would choose to move into that plan. This anti-selection could impact all the premiums in 2006.

Another comment is that health savings accounts are a relatively new concept so there is an informational challenge associated with educating people. That's been demonstrated in the questions and answers put forth in the hearing today, he said.

Finally, the tools aren't in place yet for knowing how much different providers charge for particular procedures.

Although health savings accounts will become more popular in years to come, less than 5% of the population participates in this kind of plan today.

[4:38:07 PM](#)

SENATOR KIM ELTON asked if the possible impact on premiums wouldn't go beyond 2006 if high deductible health savings accounts were implemented. He assumed that if you take young and healthy people out of the other three plans the costs for those plans would be higher in out years as well.

MR. ROVERUD said his comment stemmed from the fact that the premiums had already been set so a shift to the new plan might result in incremental costs to the system. He acknowledged that the costs could be higher in the out years as well.

SENATOR ELTON pointed out that the bill says the state shall provide a high deductible plan and the employee may establish a

health savings account. How many employees might choose a high deductible plan and not establish a health savings account, he asked. They could pay tax on the money and then use it for something other than a health savings account.

MR. ROVERUD replied the details haven't been defined, but he didn't believe the proposed legislation says the state would continue to contribute the same amount that it's contributing today. The Office of Retirement and Benefits would have to decide what the plan would look like, he said. As far as selecting the high deductible plan and not setting up a health savings account, his experience is that most do set up an account. He suggested the Retirement and Benefits Office could help employees take the option to set up the health savings account. Not taking that option could have a heavy financial impact in the event of a serious accident or illness.

SENATOR ELTON asked if it would be wise for the state to require employees to establish a health savings account if they select a high deductible plan.

MR. ROVERUD said that would probably be a good idea.

[4:42:40 PM](#)

SENATOR CHARLIE HUGGINS asked for information on the "Section 125 plan."

MR. ROVERUD explained a Section 125 FSA (Flexible Spending Account) is considered a qualified account. Currently the state offers flexible accounts. Employees couldn't have a FSA alongside a HSA unless the FSA was limited purpose meaning it could only be used for ancillary payments for such things as vision, dental or preventative care benefits.

CHAIR THERRIAULT asked Ms. Hall to come forward.

[4:44:20 PM](#)

LINDA HALL, Director, Division of Insurance, said SB 94 doesn't affect the agency, which regulates insurers offering private insurance plans. She said she is seeing more health savings account products in the marketplace in Alaska and other states.

Health savings accounts are becoming more popular with not just the traditional insured populations. There is evidence that currently uninsured small employers have determined that through

the cost of these products they can afford to offer health insurance for employees.

Not only is the cost savings of the health insurance piece attractive, but there's also an emphasis on cost containment. As people become more involved in decisions about their own health care they are much more likely to pay attention to cost of service. That's one of the benefits of this type of arrangement, she said.

[4:46:49 PM](#)

SENATOR DYSON offered the opinion that health savings accounts are a huge option for non-profits and are likely to profoundly reduce the number of uninsured people in the state. He's looking at ways for Alaskans to contribute their permanent fund dividend to their health savings account.

CHAIR THERRIAULT asked Ms. Millhorn to come forward.

MELANIE MILLHORN, Director, Division of Retirement and Benefits, said the division supports vehicles such as health savings accounts as well as the opportunity for cost containment and cost savings for the active plan. The division believes health savings accounts go hand in hand with consumer driven health care. Research indicates that this is a powerful vehicle for employers to contain healthcare costs.

The compounded increases in the retiree health plan average about 10%. For FY 06 the increase for the active plan is 10.05%. For the three separate plans the member contribution amount is \$820. If a member selects the economy plan and preventative dental, no out of pocket deduction occurs. If the standard or premium plan is selected, the member pays the buy-up portion. For the standard plan the cost is \$898 per member/month and for the premium plan its \$980 per member/month.

Because premiums will increase year-to-year, this is the kind of vehicle to look at and pursue. The agency would like to work with Deloit Consulting to develop a design for a high deductible plan.

"For 2004 the claims experience for our select benefits is \$50 million and we need to be able to use any mechanism and those instruments available to us to be able to reduce those costs," she said.

SENATOR DYSON acknowledged there is justification for the administration having moved slowly, but it's also unfortunate that 12 new bargaining agreements have been entered into recently, which means that offering a new plan will be limited to when those contracts come up again. He asked how many employees aren't under a bargaining unit.

MS.MILLHORN said about 5,300 are under select benefits, but she isn't sure how many are under non-covered.

SENATOR DYSON said with this legislation the department would be encouraged to work on offering products to the people who are under a bargaining unit as well as those who are not.

He reiterated this is a win-win situation. Employees get the advantage of portability and the opportunity to make decisions for themselves; providers get paid right away; and the client-patient is given incentive to carefully review their bills.

He urged the committee to let his staff know what other information it would like.

CHAIR THERRIAULT asked if the rates for employees not covered by a collective bargaining agreement are negotiated out for a year in advance.

MS. MILLHORN answered no, but the division would need the time to work with Deloit Consulting to create a new high deductible plan and reconfigure the existing plans.

CHAIR THERRIAULT questioned whether there might not be contract problems with the insurance provider. The provider has figured the premium that's required for each employee knowing the size of the pool and if a portion of that pool were placed in a different plan that would probably have an impact.

MS. MILLHORN said AETNA, the third party administrator, processes claims based on a per-member-per-month administrative fee and that wouldn't change.

SENATOR ELTON reiterated his concern that some people might select the high deductible option and not open a health savings account. That would have a ripple affect throughout the Alaska healthcare system. He asked her to discuss that with Deloit and decide whether the options shouldn't be coupled.

It's also important to know and understand the effect on employees who don't opt for the high deductible plan. He anticipates that creating a pool of younger and/or healthier people would have a cost to the people in the other pools. We need to understand that to make an intelligent decision on whether or not this is a good idea at this time, he said.

MS. MILLHORN responded the division expects a linkage to occur between a high deductible plan and a health savings account. The bill links the two and the division would do whatever is necessary to ensure that the plan's interests and the members' interests are protected. That must include a linkage.

CHAIR THERRIAULT warned that the language doesn't say that. It says, "A health plan with a high deductible that qualifies..." It doesn't say requires.

SENATOR ELTON read, "The state shall allow the option of a high deductible and employee may use the tax advantages of a health savings account."

MS. MILLHORN acknowledged she misread that portion, but her expectation is that they would be linked.

CHAIR THERRIAULT noted that the "shall" and "may" language is in the findings and intent section and it doesn't mean anything. He was looking at page 2, line 20 that contained the word "qualifies" and that means "may."

SENATOR ELTON agreed.

MS. MILLHORN said her response to the second question related to impact is that that's a plan-design plan-configuration analysis that the benefit actuary would engage in.

MR. ROVERUD said he and Ms. Millhorn have had discussions about pricing so that other plan offerings wouldn't be adversely impacted. They would work with Ms. Millhorn to evaluate the options.

SENATOR ELTON said depending on how long the study takes, it might be appropriate to establish an effective date if the bill moves forward.

CHAIR THERRIAULT agreed.

He informed Mr. Keller that findings and intent don't show up in statute and the purpose and intent section in the bill reads like a sponsor statement. He asked if any part needed to be retained.

WES KELLER, Staff to Senator Dyson, stated there is nothing in the statement of purpose and intent included in the bill that needs to be retained.

CHAIR THERRIAULT asked if he would agree that on page 2, line 20 the word "qualifies" should be changed to "required" so that a person who selects the high deductible plan would be required to establish a health savings account.

MR. KELLER agreed then noted the drafting error on page 2, line 1. After the word "cover" insert ", at a minimum,".

CHAIR THERRIAULT asked about an effective date.

MR. KELLER responded the sponsor has no preconceived idea about that.

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CHAIR THERRIAULT set SB 94 aside for further action.

SB 12-LIMIT RELATIONS WITH CERTAIN NATIONS

[5:07:30 PM](#)

CHAIR THERRIAULT announced SB 12 to be up for consideration. He asked for a motion to adopt the \I version as the working document.

SENATOR CHARLIE HUGGINS so moved.

JASON HOOLEY, Staff to Senator Dyson, explained the bill was introduced to support the federal effort to combat human trafficking for sexual and labor purposes.

The U.S. State Department compiles an annual report giving a tier ranking to foreign countries based on its tolerance for human trafficking. Tier 3 includes the most egregious countries that have the most permissive climate for trafficking. SB 12 relies on those rankings and allows state procurement agencies to restrict business with those countries.

The \I version makes the following changes:

Sections 2, 3, and 4 have identical language and relate to the procurement agencies for the legislative branch, the court system, and the executive branch respectively. It mandates that state procurement agencies conduct no business with companies headquartered in Tier 3 countries. They are given flexibility to restrict business as they see fit with companies that conduct business but aren't headquartered in Tier 3 countries.

Section 5 deals with the fiduciaries of state funds. The Alaska Permanent Fund Corporation (APFC) found previous versions problematic, but has indicated that the proposed language in the \I version would not pose a problem to its investment scheme. The proposed language says that a fiduciary of a state fund shall restrict direct financial investments with countries in Tier 3. That's the section in statute that deals with the Prudent Investor Rule.

CHAIR THERRIAULT asked for elaboration on direct financial investment.

MR. HOOLEY replied the word "countries" is used rather than "organizations" so that the state isn't making direct investment in the countries or governments themselves as compared to businesses located there.

CHAIR THERRIAULT asked whether business through a corporation, investment in a corporation, or joint ownership of property with the corporation would be allowed.

MR. HOOLEY responded that's our intent.

CHAIR THERRIAULT asked if anything in the findings section needed to be kept.

MR. HOOLEY said it isn't essential.

SENATOR ELTON asked if there's a definition for "headquarters".

MR. HOOLEY responded he didn't have a definition but he would look into that with legal services.

SENATOR ELTON questioned whether the problems originally voiced by the APFC wouldn't apply to the PERS/TRS fund managers as well.

MR. HOOLEY acknowledged that the PERS/TRS boards hadn't been contacted yet, but he'd be happy to do so.

CHAIR THERRIAULT asked for verification that the APFC had reviewed Section 5 and had expressed no concern.

MR. HOOLEY replied he received a letter from the corporation expressing the view that the \I version would not affect the APFC's investments or fiduciary contracts.

CHAIR THERRIAULT asked for a copy of the letter for the bill file.

CHAIR THERRIAULT moved to strike Section 1. There being no objection, Section 1 was deleted.

He noted two zero fiscal notes.

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SENATOR ELTON asked if Mr. Jones had a definition for "headquarters" and whether it would include subsidiaries or wholly owned subsidiaries of larger corporations.

MR. JONES, Chief Procurement Officer, Department of Administration, said he was wrestling with how to make that determination. However, he understands the intent and would give it his best shot.

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CHAIR THERRIAULT noted the bill has a Judiciary Committee referral.

SENATOR HUGGINS motioned to report CSSB 12, as amended, and attached fiscal notes from committee with individual recommendations.

CHAIR THERRIAULT announced that without objection, CSSB 12(STA) moved from committee.

CSSB 95(RLS)-PUBLIC HEALTH DISASTERS/EMERGENCIES

[5:21:31 PM](#)

CHAIR THERRIAULT announced HB 95 to be up for consideration. He noted the proposed committee substitute (CS) removed most of the intent language.

HEATHER BRAKES, Staff to Senator Therriault and the Senate State Affairs Committee verified that point. In addition she said the drafters expressed the opinion that an amendment made on the House floor was located in the wrong place.

Page 2, line 26 is a new paragraph (4). The drafters suggest that be moved up to line 22 following "state employee;" and amended slightly to read, "state employee and except that,".

SENATOR KIM ELTON moved the \I version as the working document.

Without objection the motion carried.

CHAIR THERRIAULT restated the amendment that legislative legal suggested and asked for a motion.

SENATOR BETTYE DAVIS so moved.

CHAIR THERRIAULT announced that without objection the amendment was adopted.

He noted the only other change related to language consistency. There was question about the difference between "significant risk to public health" versus "substantial risk to public health." It appears that "significant" is a lower standard than "substantial." The Department of Law has said that "significant" is used to cast the net broadly to decide who will be put into quarantine. To get out of quarantine the hurdle is higher and so that's when "substantial" is used.

RICHARD MANDSGER, MD, Director, Division of Public Health, Department of Health & Social Services, agreed.

DR. MANDSGER pointed to the inconsistency on page 13, line 22 dealing with an affidavit from a judge. For consistency the word "significant" should be used rather than the word "substantial."

CHAIR THERRIAULT said you want the lower threshold for taking someone in.

DR. MANDSGER agreed.

CHAIR THERRIAULT said the policy question is whether the committee is comfortable with a lower threshold for taking people into quarantine and a higher threshold for the person to prove they should be released.

SENATOR CHARLIE HUGGINS moved to strike the word "substantial" from page 13, line 22 and insert "significant".

CHAIR THERRIAULT announced that without objection, the motion carried.

DR. MANDSGER expressed satisfaction with the policy call because it makes for consistency in application.

CHAIR THERRIAULT referenced page 15, line 14 and questioned whether "substantial" is the appropriate word.

DR. MANDSGER replied the same explanation applies. The substantial test is the risk of transmission - the contagiousness of the disease.

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There were no further questions.

CHAIR THERRIAULT noted the zero fiscal note and asked for the will of the committee.

SENATOR BETTYE DAVIS motioned to report SCS CSHB 95(STA), \I version as amended, and attached fiscal notes from committee with individual recommendations.

CHAIR THERRIAULT announced that without objection, it was so ordered.

CSHB(JUD) 116-LIABILITY FOR ALCOHOL LAW VIOLATIONS

CHAIR THERRIAULT announced HB 116 to be up for consideration.

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MICHAEL PAWLOWSKI, Aide to Representative Kevin Meyer, informed members that under current statute a licensee may sue a person aiding in compliance checks for any of four reasons.

- If a minor knowingly enters or remains on a licensed premise.
- If a minor solicits another to purchase alcohol for them.
- If a person purchases alcohol for a minor.
- If a minor presents false identification to a licensee.

The difficulty relates to the fact that youths working with law enforcement were not exempted when the civil liability provisions were added to statute. HB 116 seeks to remove from civil liability the youths working with law enforcement officers investigating and enforcing compliance with the state alcoholic beverage laws.

He noted the written testimony from Jessica Paris with the National Council on Alcoholism and Drug Dependence.

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CHAIR THERRIAULT remarked the legislature dealt with similar legislation related to tobacco products. He asked about changes that were made to the original bill and whether it conformed to that legislation.

MR. PAWLOWSKI replied HB 116 doesn't conform to the tobacco legislation. Representative Meyer's original intent was to create an exception in AS 04.16.049, which relates to a minor remaining on a licensed premise. Because there are different types of compliance checks, Section 2, amending AS 04.16.060 was added to address the other issues brought up in a compliance check.

The House Judiciary Committee changed lines 7 and 13 on page 1. The word "supervises" was added to ensure that the police maintain close supervision of the activity.

There were no further questions.

CHAIR THERRIAULT noted the zero fiscal note and asked for the will of the committee.

SENATOR CHARLIE HUGGINS motioned to report CSHB 116(JUD) and attached fiscal note from committee with individual recommendations.

CHAIR THERRIAULT announced that without objection, it was so ordered.

There being no further business to come before the committee,
Chair Therriault adjourned the meeting at [5:37:33 PM](#).