

**ALASKA STATE LEGISLATURE**  
**HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE**

March 1, 2007

3:05 p.m.

**MEMBERS PRESENT**

Representative Peggy Wilson, Chair  
Representative Bob Roses, Vice Chair  
Representative Anna Fairclough  
Representative Paul Seaton  
Representative Sharon Cissna  
Representative Berta Gardner

**MEMBERS ABSENT**

Representative Mark Neuman

**COMMITTEE CALENDAR**

HOUSE JOINT RESOLUTION NO. 10

Relating to reauthorization of federal funding for children's health insurance; and encouraging the Governor to support additional funding for and access to children's health insurance.

- ADOPTED FISCAL NOTE;  
    MOVED CSHJR 10(HES) OUT OF COMMITTEE 02/27/07

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 100

"An Act relating to exempting certain air ambulance services from insurance regulation and requiring certain air ambulance services to provide services."

- HEARD AND HELD

PRESENTATION: STRENGTHENING FAMILIES

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HJR 10

SHORT TITLE: MEDICAL ASSISTANCE FOR CHILDREN

SPONSOR(S): HEALTH, EDUCATION & SOCIAL SERVICES

02/15/07           (H)           READ THE FIRST TIME - REFERRALS

02/15/07 (H) HES, FIN  
02/27/07 (H) HES AT 3:00 PM CAPITOL 106  
02/27/07 (H) Moved CSHJR 10(HES) Out of Committee  
02/27/07 (H) MINUTE(HES)  
03/01/07 (H) HES AT 3:00 PM CAPITOL 106

BILL: HB 100

SHORT TITLE: AIR AMBULANCE SERVICES  
SPONSOR(s): REPRESENTATIVE(s) COGHILL

01/16/07 (H) READ THE FIRST TIME - REFERRALS  
01/16/07 (H) HES, L&C  
02/15/07 (H) SPONSOR SUBSTITUTE INTRODUCED  
02/15/07 (H) READ THE FIRST TIME - REFERRALS  
02/15/07 (H) HES, L&C  
02/22/07 (H) HES AT 3:00 PM CAPITOL 106  
02/22/07 (H) <Bill Hearing Canceled>  
03/01/07 (H) HES AT 3:00 PM CAPITOL 106

**WITNESS REGISTER**

REPRESENTATIVE JOHN COGHILL

Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Testified as prime sponsor of SSHB 100.

KATHLEEN MCLERON, Health Program Manager  
Division of Public Health (DPH)  
Department of Health and Social Services (DHSS)  
Juneau, Alaska

POSITION STATEMENT: Testified on SSHB 100, and responded to questions.

SHELLY DEERING, Alaska Director  
Clinical Operations  
Airlift Northwest  
Juneau, Alaska

POSITION STATEMENT: Testified on SSHB 100, and responded to questions.

PAUL HARRIS, General Manager  
Guardian Flight, Inc.  
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SSHB 100, and responded to questions.

TOM BAILEY, Manager  
Providence, Air Medical Services

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SSHB 100, and responded to questions.

LINDA HALL, Director

Division of Insurance

Department of Commerce, Community, & Economic Development  
(DCCED)

Anchorage, Alaska

POSITION STATEMENT: Testified in support of SSHB 100, and responded to questions.

SHARLI HAYTER

Critical Care Incorporated (CCI)

Ketchikan, Alaska

POSITION STATEMENT: Testified in support of SSHB 100, and responded to questions.

LEIF WILSON, President

Director of Operations

40-Mile Air, Medivac Service

Tok, Alaska

POSITION STATEMENT: Testified in opposition to SSHB 100

CLAUDIA SHANLEY, Systems Reform Administrator

Office of Children's Services (OCS)

Department of Health and Social Services (DHSS)

Anchorage, Alaska

POSITION STATEMENT: Co-presented the Strengthening Families Through Early Care and Education program, and responded to questions.

SHIRLEY PITTZ, Coordinator

Early Childhood Comprehensive Systems Plan (ECCS)

Office of Children's Services (OCS)

Department of Health and Social Services (DHSS)

Anchorage, Alaska

POSITION STATEMENT: Co-presented the Strengthening Families Through Early Care and Education program, and responded to questions.

LUPITA ALVAREZ, Director

Juneau Montessori School

Juneau, Alaska

POSITION STATEMENT: Participated in the Strengthening Families Through Early Care and Education Program, and responded to questions.

## **ACTION NARRATIVE**

**CHAIR PEGGY WILSON** called the House Health, Education and Social Services Standing Committee meeting to order at [3:05:34 PM](#). Representatives Seaton, Roses, Gardner, and Cissna were present at the call to order. Representative Fairclough arrived as the meeting was in progress.

### HJR 10-MEDICAL ASSISTANCE FOR CHILDREN

[3:05:34 PM](#)

CHAIR WILSON announced that the first order of business would be to consider HOUSE JOINT RESOLUTION NO. 10, Relating to reauthorization of federal funding for children's health insurance; and encouraging the Governor to support additional funding for and access to children's health insurance.

[Note: HJR 10 was moved from committee at the February 27, 2007, regular meeting, and held pending the adoption of the fiscal note.]

[3:06:28 PM](#)

REPRESENTATIVE SEATON moved to adopt the zero fiscal note for HJR 10. There being no objection, it was so ordered.

### HB 100-AIR AMBULANCE SERVICES

[3:07:10 PM](#)

CHAIR WILSON announced that the next order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 100, "An Act relating to exempting certain air ambulance services from insurance regulation and requiring certain air ambulance services to provide services."

[3:07:24 PM](#)

REPRESENTATIVE JOHN COGHILL, Alaska State Legislature, presented SSHB 100, as prime sponsor. He explained that this bill arose because an air ambulance service wishes to provide a subscription Medivac service that under current law may only be offered by a non-profit entity. He went on to say that a subscription service differs from insurance. Furthermore, he said that SSHB 100 stipulates that subscription air ambulance

services may not deny emergency service to any person. He explained that the bill allows market dynamic forces to work, as the service provider is able to offer a desired service to customers. He referred to previous testimony before this committee from one provider who objects to certain provisions in the bill, and noted that today's testimony will cover other aspects of the business. He suggested that the state move slowly in this new area, however, he opined that persons should have the benefit of entering a service agreement at whatever level they may choose. He said a level playing field will allow providers to enter at the service level they desire.

[3:12:37 PM](#)

CHAIR WILSON stipulated that testimony will be taken today, but the intent is to hold the bill in committee.

REPRESENTATIVE COGHILL expressed his openness for amendment suggestions.

[3:13:07 PM](#)

REPRESENTATIVE GARDNER referred to the sponsor's allusion to there being six air ambulance providers, in Alaska, and said that she has documentation indicating that there may be as many as 18.

REPRESENTATIVE COGHILL replied that the numbers may vary depending on the type of aircraft and certification that the provider holds, and he speculated that forthcoming testimony would clarify the numbers.

The committee took a brief at ease from 3:14 to 3:16.

[3:16:14 PM](#)

KATHLEEN MCLERON, Health Program Manager, Division of Public Health (DPH), Department of Health and Social Services (DHSS), explained that her division "credentials" air medical services for the health department. She said that there are 19 air certificates issued in the state to 14 different agencies. She explained that five are Native health organizations, two are hospital-based services, two are borough or government agencies, four are privately owned services, and one is a military organization.

[3:17:26 PM](#)

REPRESENTATIVE COGHILL established that the bill concerns carriers who operate for profit, therefore a description of the differentiation between profit and non-profit services would be in order.

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MS. MCLERON explained that DPH does not review certification based on an organization's profit or non-profit status. She explained that there are three levels of service certification: Medivac, critical care or ambulance, and specialty aero-medical transport teams. The certification requirements differ for each level, and require different staff, equipment, and aircraft. Other organizations, such as the Federal Aviation Administration (FAA), also require that carriers meet certain aircraft requirements. The DPH limits itself to ensuring that agencies comply with state statutes and regulations.

[3:19:59 PM](#)

REPRESENTATIVE SEATON asked how many carriers are within the three service classifications.

MS. MCLERON responded that currently certified services include: ten critical care or ambulance, eight Medivac, and one specialty transport team. Several organizations hold more than one certificate, therefore there are 19 certificates for 14 agencies, she said. She explained in response to a question, that AS 18.08.082 authorizes the DPH to write regulations, and that the three levels of service are contained in these regulations. In further response, she noted that there is a small variation in the number of providers and type of certifications issues. One service is currently considering a consolidation from two levels of certification to one, and that one out-of-state provider chose not to renew certification. She went on to say that overall the numbers are reasonably stable.

[3:22:23 PM](#)

REPRESENTATIVE GARDNER asked whether Alaskans are well served by air ambulance providers, and whether this bill would improve the services offered.

MS. MCLERON stated her understanding that DHSS is not taking a position on this bill. She said that currently air ambulance services are available in rural areas to transport patients to

urban, and out of state, medical centers. Recalling her past personal experience, as a certified flight paramedic in Point Barrow, she offered that clinic workers are well aware of the services available for patients.

REPRESENTATIVE GARDNER questioned if the effect of SSHB 100 would be to improve access to necessary medical services, or serve to address a business model.

MS. MCLERON reiterated that DHSS is not taking a position on the bill because it is viewed as addressing a business model. The governing statute, and regulations, stipulates that a service employ the appropriate medical personnel, administration, equipment, and aircraft. An applicant meeting these requirements will be credentialed, she said.

[3:24:59 PM](#)

SHELLY DEERING, Alaska Director, Clinical Operations, Airlift Northwest, paraphrased from a statement, which read as follows [original punctuation provided]:

I'm a critical care flight nurse and manage our medically related operations in Alaska.

Airlift Northwest was created in 1982 after a house fire in Sitka claimed the lives of five children for whom no air medical transport service could be obtained to fly them to a burn center. After 25 years and 55,000 patients, we remain southeast Alaska's premiere nonprofit air medical service. We're the only service with dedicated medical Learjet's in both Ketchikan and Juneau. We have 14 nurses and pilots who live and work in each community. It has been our honor and privilege to serve Alaska patients and their families.

I'm here today to express concerns about SSHB 100. This legislation seeks to provide Alaskans with the ability to participate in subscription or membership programs for air medical transportation. This type of program offers a discounted medical service for a fee. Rarely will insurance cover all the costs of air medical transportation. Under a subscription program, the patient's co-pay, or the amount not covered by insurance or Medicare, will be covered through the membership fee.

We are concerned, however, that SSHB 100 could have some serious, unintended consequences. In fact, it could jeopardize some of the state's air medical programs. Currently Alaska has 16 state certified air medical service providers - some cover rural areas and others cover the state as a whole. Membership programs can result in a competitive environment in which smaller providers would be at a distinct disadvantage. They may not have the resources necessary to set up a viable program. Conceivably, some could be driven out of business leaving areas of the state without adequate service.

It's important to remember, too, that subscription programs are like every other health care program. When one person pays less than the actual cost of service, which occurs when they purchase a subscription, another person pays more. Unfortunately, this differential pricing is the reality of our health care system.

I'd also like to call your attention to Section One of this bill which requires that organizations offering subscription programs "may not deny emergency medical services to any person." On the surface, this would seem like an admirable policy. But if it is interpreted broadly, patients will suffer. The problem lies in the definition of emergency.

For example, if a person falls in Juneau and breaks a hip, that is an emergency - one that can be treated effectively at Bartlett Regional Hospital. However, under Section One, the person could call their air ambulance membership provider and request to be taken to Anchorage. Not only will this drive up the cost of treatment, it could take an aircraft out of service when it is needed for a much more serious emergency.

We also are concerned that this legislation would exempt subscription programs from any type of insurance regulation. We believe that subscription programs are a form of insurance. To get clarification on this, we presented the question to Alaska Insurance Commissioner Linda Hall in a meeting on February 9. We are still waiting to get guidance from the Commissioner or her staff. We've checked

several times with her office since that meeting and haven't been able to get a response.

If subscription programs are made available, they should be regulated to assure that Alaskans receive adequate protection when they purchase a membership.

Let me give two examples of what can happen without regulation.

First, some companies require that patients fly only with them in order to receive their membership benefits. This could result in harm to a patient. For example, a person who has suffered a heart attack may receive treatment at a local hospital to help dissolve a clot. Sometimes this procedure doesn't work and the only alternative is advanced cardiac intervention at another hospital accessible only by air. If an aircraft is not immediately available from the company that sold the patient a membership, that person may have to wait for hours for their "subscription program" to transport them. The longer the delay, the more heart muscle that can be destroyed -- having long-term effects on a patient's health.

Second, some companies try to sell subscriptions to Medicaid recipients or people who receive benefits from the Indian Health Service. These patients don't need a subscription program because co-payments are not required from them. If they are persuaded to buy a membership, they are purchasing coverage they don't need. Companies who sell to Medicaid or IHS [Indian Health Services] beneficiaries are, in essence, praying on people who can least afford the cost. Regulation is needed to prevent this.

Washington State recently passed legislation to exempt membership programs from insurance regulation, with minimal consumer protection. Already revisions are being considered. Airlift Northwest provides memberships in Washington and we voluntarily formed a reciprocity agreement with another flight program that provides the same level of quality service. It is also the only other flight program in Washington. We did this to assure that our membership holders are not delayed in getting the care they need.

So if you do decide to move ahead with this legislation, we urge you to consider safeguards to protect Alaskans. In addition to regulations to prevent the situations I just described, companies selling memberships should be required to obtain a surety bond from a company licensed to do business in Alaska in an amount equal to the funds to be subscribed and also to maintain adequate reserves based on the subscription fees. Without this regulation, a company can come into a state, sell memberships, and then leave without ever providing service to patients. This protection is needed especially when a company offers lifetime memberships. Companies should also be required to comply with all state and federal regulations regarding billing and reimbursement for participants.

People require air medical transportation when they are critically ill or injured. This is a time for them and their families that is filled with stress and anxiety. Those of us who practice in this field want the best possible care for our patients. We hope you will carefully consider this legislation and not pass something that could ultimately be to the detriment of patients - not to their benefit.

[3:31:40 PM](#)

REPRESENTATIVE SEATON asked if a patient, who has purchased a subscription for service, would have to use the class of carrier covered by the subscription service, regardless of the medical condition necessitating the air ambulance service.

MS. DEERING responded that the patient would have to decide whether to pay the extra cost, if the patient chose to fly with a carrier with whom they do not have a subscription.

[3:33:08 PM](#)

REPRESENTATIVE ROSES asked about the turnover rates for air ambulance service providers.

MS. DEERING said that during her time in Washington State, she experienced the loss of one service provider. She stated that she is not aware of a service provider leaving the Southeast Alaska area.

REPRESENTATIVE ROSES expressed concern regarding the consequences of a subscription service provider going out of business or leaving the state. He opined that there may need to be some type of guarantee that a service will be available when needed.

REPRESENTATIVE WILSON noted that doctors certainly provide guidance to patients in emergency medical situations requiring air-lift services.

[3:35:33 PM](#)

PAUL HARRIS, General Manager, Guardian Flight, Inc., testified in support of SSHB 100. He explained that Guardian Flight's air medical ambulance service is based out of Fairbanks. It is Alaska's largest air medical carrier; providing service throughout the state. It is his understanding that subscription services are a common business practice in other states. The provider's reputations, and the need for services, are the deciding factors of whether to enter into a subscription contract. The number of air medical service providers has been fairly stable for the last ten years. He opined that SSHB 100 allows any air ambulance provider the option to sell memberships or subscriptions for air ambulance services. In response to concerns regarding continuity of services should a provider cease operations, he noted that a lifetime membership subscriber would be aware that any business could be terminated. He said that the customer/business relationship is important. Guardian Flight provides a service to the people of Alaska at the lowest possible cost, and he relayed that the idea of offering a subscription service was developed as a means to improve the system. A subscription service allows people to plan for the future possibility that they, or a family member, may need emergency air medical services. He drew a comparison between a subscription service and a pre-burial service: both are a means for planning ahead to minimize stress at a difficult time. Mr. Harris said he thought it was fair to allow all air medical service providers the chance to sell subscriptions. He suggested that the courts would not look favorably upon a provider selling subscriptions in areas they did not serve.

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REPRESENTATIVE ROSES observed that air ambulance services are vital in Alaska. He said that he is not concerned with the integrity of the providers, but he noted that it may only take

one aircraft crash to force a company out of business. He asked what Guardian Flight would plan to charge for a flat fee subscription, and how many subscribers are anticipated.

MR. HARRIS replied that an annual fee of \$50.00 per individual, and \$75.00 for a family, would be charged, and estimated sales of 100,000 subscriptions.

REPRESENTATIVE ROSES calculated \$2.5 million in subscription fees, and asked what a person with insurance, but no subscription, would pay out of pocket for a medical service flight.

MR. HARRIS noted that insurance policies provide variable payment amounts. However, in 2006, Guardian Flight provided about 1,100 Medivac flights at a cost range of \$6,000 to \$55,000 each. He said that most insurers pay 80 percent of that cost and explained that a flight to Portland, Oregon, or Seattle, Washington, could cost \$48,000 to \$50,000.

REPRESENTATIVE ROSES estimated that a patient with a co-pay of 20 percent, charged \$6,000 for a Medivac, is responsible for \$1,200. A provider receiving \$2.5 million in subscription payments could, he theorized, transport 2,500 people for the amount of money collected through subscriptions. He related to this to the co-pay aspect of insurance coverage.

MR. HARRIS revealed that Guardian Flight had uncollectible, or underfunded, service fees, in 2006, totally \$2.3 million.

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MR. HARRIS responding to a member's question, stated that Guardian Flight responds to every service request, including calls from clinics, hospitals, or rural emergency medical service systems.

REPRESENTATIVE GARDNER inquired about contracts from particular hospitals, or agencies, to provide flight service on a routine bases.

MR. HARRIS replied that there are preferred provider contracts.

[3:46:53 PM](#)

REPRESENTATIVE SEATON asked how a subscription service would work if a patient needed transport from a different area of the

state, and whether the subscription agreement specifies which areas are serviced.

MR. HARRIS explained that Guardian Flight has the ability to service the entire state, and will respond regardless of the subscriber's location. He noted that regulatory limitations, such as certain FAA requirements, may affect the arrival time. Guardian Flight informs the patient/doctor of the arrival time, to allow them the option of alternative arrangements.

REPRESENTATIVE SEATON asked whether the patient is responsible for the full cost of the service, in the absence of insurance coverage.

MR. HARRIS replied yes.

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CHAIR WILSON said that she has had occasion to request Medivac services, and has never been asked whether the patient has insurance.

MR. HARRIS said that the non-profit agency, Critical Care, Inc. (CCI), [Ketchikan, Alaska], offers memberships for Medivac services.

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REPRESENTATIVE CISSNA opined that the high cost of a Medivac in some rural areas is very expensive and constitutes a financial burden to the communities. Some organizations are working to provide medical services to areas that are lacking.

MR. HARRIS said that in the Tanana Chiefs area, the Council of Athabascan Tribal Governments (CATG), has contracted with Guardian Flight to provide medical services to seven communities, and with another air carrier to service other areas. He explained that two Guardian Flight doctors travel to the seven communities to hold clinics three times a week. The doctors are on contract with CATG, and Guardian Flight provides the air support. However, if the patient is a Tanana Chiefs client, they would use a Tanana Chief's service provider. Guardian Flight has facilitated membership payments for CCI, forwarding the necessary paperwork.

[3:55:16 PM](#)

REPRESENTATIVE FAIRCLOUGH asked if a definition of air ambulance service is in state statute.

MR. HARRIS said statute requirements exist for each level of certification of air medical services.

REPRESENTATIVE FAIRCLOUGH asked whether statute allows Guardian Flight to solicit memberships.

MR. HARRIS replied that membership solicitation is restricted to non-profit agencies; however, he understands that SSHB 100 will allow for-profit businesses to seek memberships/subscriptions.

[3:56:57 PM](#)

REPRESENTATIVE FAIRCLOUGH asked if there are defined EMS (emergency medicals service) boundaries in Alaska.

CHAIR WILSON offered that the services know their boundaries, and the circumstances may dictate whether a patient is transferred, at a given point, or carried non-stop to the regional hospital.

REPRESENTATIVE CISSNA interjected that the state manages the EMS.

[3:58:00 PM](#)

MS. MCLERON said there are no limits as to where an air medical service is allowed to operate. She explained that some choose to service only a defined area, or patient population, while others provide state wide services. She reiterated that the governing statutes, and regulations, set forth certification requirements. In response to Representative Fairclough's query, she noted that "air ambulance" is not defined in statute. The governing regulations, AS 7 AAC 26.999, define Medivac services, critical care air ambulance, and specialty aero medical transport teams.

REPRESENTATIVE FAIRCLOUGH stated that the specific criteria exists for the licensing requirement of the air ambulance services, and asked about the defined areas that are established in municipalities as EMS response areas.

MS. MCLERON confirmed, that specific, municipality EMS areas are adhered to, and described the boundaries in Anchorage. Regarding the air medical arena, she clarified, it is "market

driven;" there is not a certificate of need (CON) restricting service areas. To a follow-up question, she said that Medicaid regulations are not her purview. Receiving credentials from the department means that the provider is meeting state standards, and she explained the standards for a Medivac service.

4:01:09 PM

REPRESENTATIVE FAIRCLOUGH referred to page 1, line 8, Sec. 2. AS 21.03.021, and asked if this statement allows air ambulance services to be exempt from insurance regulation.

MS. MCLERON declared that DHSS is not taking a stance on SSHB 100, and said that Sec. 2 appears to cover insurance.

4:01:51 PM

REPRESENTATIVE SEATON stated his understanding that SSHB 100 would allow private air ambulance services to use the same subscription model, which is now limited for use by non-profit agencies. He asked whether allowing wide spread use of this model would diminish the existing community air medical services.

MR. HARRIS responded that it comes down to what the market will bear. Speaking specifically to the bill, he said that Guardian Flight has found the non-profit model to be beneficial, creating a symbiotic relationship for marketing purposes, as well as meeting the needs of the communities. The non-profit organization supports free hospital and EMS training, which is a critical component to the air medical services system.

4:05:23 PM

TOM BAILEY, Manager, Providence, Air Medical Services, stated opposition to SSHB 100, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

I'm the manager of Providence Alaska Medical Centers Air Ambulance Service, LifeGuard Alaska. LifeGuard Alaska is a rotor and fixed wing air ambulance service providing emergence medical transports, and specialty transports throughout Alaska and have done so as a dedicated service since 1986, touching the lives of over 25, 000 Alaskans and non-Alaskans from premature infants to adults. I would like to go on the record first to thank representative Coghill for his efforts

in trying to decrease the cost risks for those Alaskans with grave illnesses or injuries but would also like to share with you my concerns with the bill as written. Most people who have been seriously ill understand that the costs can be astronomical and in some cases people have put their own outcomes in jeopardy as a result of trying to cut corners, or base decisions on economics verses the path with the greatest likelihood for a positive outcome. A potential example of this is the patient who is in an isolated village or community and having a heart attack and belongs to a subscription for an air ambulance that is not available for maybe hours and chooses to wait verses allowing the use of another provider and either succumbs to the heart attack or loses so much heart muscle that he becomes a cardiac cripple , and then is dependent on the government for care throughout the rest of his life. In the case of a trauma patient who chooses to wait for the next available subscription flight he or she would reduce the likelihood of a positive outcome. In this case the golden hour of trauma kicks in which indicates that if his or her chance of survival due to injuries is 50% after one hour it decreases to 25% or two hours 12.5% etc. Again the desire to save expenses could potentially result in death or long term disability. There is also a potential for abuse of the service which could leave those most in need of the service waiting for the next available aircraft.

In addition to potential harm to the patient I believe the question exists regarding the legality of a membership program for the coverage of patients who are Medicare, IHS [Indian Health Services], or Medicaid eligible. Coverage for these patients already exists. In the case of the Medicaid patient there is no co-pay and by subscribing to a membership they in essence are being charged a co-pay that they one, are not legally required to pay and two, the provider is not legally allowed to charge for. As you are probably aware a large majority of rural Alaskan natives are Medicaid eligible and there would be little if any benefit to them, and if subscribed to a membership program would be paying much needed money for a service they are already covered for. In the case of the Medicare and IHS patient I believe there

is question enough to research issues with anti-kick back legislation.

Another issue in regard to the consumer is lack of protection to the consumer in the event the provider of service goes out of business or leaves the state. The consumer has then paid for a service that they will not receive without the protection of a refund.

I would also like to point out that I am not personally aware of any service in the state of Alaska in an emergency situation that asks for proof of insurance or benefit coverage before transporting a seriously ill patient. In fact it is the last thing on our minds. As a provider for the citizens of Alaska Providence writes off millions of dollars in charitable care every year [sic], and LifeGuard Alaska in particular operates at a loss to provide this much needed service. I do not believe this bill will benefit the providers or the majority of those provided for.

[4:10:40 PM](#)

REPRESENTATIVE CISSNA inquired what regular services are provided by Guardian Flight, to the Yukon Flats area.

MR. HARRIS responded that Guardian Flight primarily transports doctors to the area, but also provides Medivac services.

[4:14:17 PM](#)

REPRESENTATIVE SEATON asked whether the practice of selling subscriptions to persons eligible for Medicaid or Indian Health Services (IHS), should be considered illegal.

MR. BAILEY opined that charging a Medicaid patient a service subscription fee, is essentially the same as a co-pay, and the legality of this is questionable.

[4:15:33 PM](#)

LINDA HALL, Director, Division of Insurance, Department of Commerce, Community, & Economic Development (DCCED), stated support for SSHB 100. She explained that the intent of this bill does not address the provision of ambulance services, or health insurance, but deals with subscriptions for air ambulance

services. She opined that perhaps a misunderstanding of Chapter 87, Title 21, has occurred. Only two entities in Alaska are governed by Chapter 87, titled Hospital and Medical Service Corporations: Premera Blue Cross and Vision Service Plans. The division does not regulate an agency based on its status as a profit, or not-for-profit, organization. The exclusions in Chapter 87 are specific to that chapter, and do not exclude an agency from being governed by Title 21. The bill does not interfere with the provision of air ambulance services. She observed that SSHB 100 is modeled after legislation passed in Washington State. Following a 27 state survey, the Office of the Insurance Commissioner found that air ambulance memberships, not service, were considered insurance under Washington State statute. She further described the result of that finding, and the limiting effect it has had on air ambulance services in the San Juan Islands. The air ambulance providers were informed that their service was considered a product, and required them to become insurers in order to continue operating. She said, "To become an insurer is a very onerous process." Many of the services were discontinued, based on that ruling. "Our definition of insurance is broad," she said, and read the definition [source not cited]:

Insurance means a contract where by ... one undertakes to indemnify another or pay or provide a specified or determinable amount or benefit upon determinable contingencies." ... That could cover a myriad of activities, all of which [the division has] the ability to say are insurance. ... For [the division] to regulate somebody selling an insurance product, they have to become an insurer. ... To be an insurer in Alaska, you have to have a specified by statute amount of statutory capital and surplus. Minimum ... to start an insurance company is \$2 million dollars: \$1 million in capital, \$1 million in surplus. ... You get a certificate of authority, which says now you're an insurer, ... you also get to have an annual audit by your CPA ... \$10,000 roughly. ... You also get to have [the division] come in and do a financial exam every three years, ... conservative[ly] \$30,000. ... If we say this air ambulance membership is an insurance product, which we probably can under our statute, then we have to make that air ambulance company selling the membership an insurance company. ... The bills intent is merely to say that these subscriptions are not insurance; it's not to impact whether you have ambulance service.

MS. HALL noted that none of the states surveyed, in the Washington study, have reported any consumer complaints, and she stated that should a complaint arise, it would be directed to the Division of Fraud, Department of Law.

[4:23:31 PM](#)

REPRESENTATIVE GARDNER clarified that SSHB 100 establishes statute to stipulate that the sale of air ambulance subscriptions does not constitute the sale of insurance. She asked whether that will preclude the state from imposing regulation, or providing statutory insurance laws to protect the consumer, and what happens if someone purchases a lifetime contract from a service provider whose business does not prove viable.

MS. HALL offered that a restriction could be imposed on lifetime memberships, and she pointed out that the consumer protection office is available to enforce consumer protection laws.

[4:25:24 PM](#)

SHARLI HAYTER, Critical Care Incorporated (CCI), stated support for SSHB 100, and described CCI as a non-profit organization dedicated to providing support for education, training, and research for Alaska's medical personnel. The organization is a member supported service, and all members receive "the critical care advantage": a no balance bill for Medivac services received, if the services are provided by Guardian Flight. She reported that 100 percent of donations received by CCI are allocated for funding medical education and research.

REPRESENTATIVE SEATON requested clarity regarding the subscriptions sold by CCI, and how the subscriptions relate to the air ambulance services fees, which are collected directly from patients.

MS. HAYTER stated that CCI does not sell subscriptions. She said, "People donate to us and we call them members." Additionally, CCI also solicits direct donations.

[4:29:19 PM](#)

REPRESENTATIVE GARDNER asked whether subscribers would receive priority service should two medical emergencies occur and only one Guardian Flight airplane is available.

MS. HAYTER answered that Guardian Flight will respond wherever they are needed, without question. If a flight is not available, the patient is immediately informed of the situation.

[4:30:09 PM](#)

LEIF WILSON, President, Director of Operations, 40-Mile Air, Medivac Service, stated opposition to SSHB 100, and cautioned that a membership service "effectively strips the local provider from their ability to choose the Medivac service that is most suited to the needs of the patient, for the particular problem that exists, at that time." He described a recent situation, in which a patient held a membership for a Medivac service based out of Fairbanks. The patient insisted on waiting the 3-4 hours that it would take for the service provider to arrive in Tok, rather than use the local Medivac service. The response time for 40-Mile Air is 30 minutes, and the ability to deliver a patient to a regional hospital in less time than it would take for one of the regional services to be dispatched to the Upper Tanana area. Additionally, the subscription carrier service may be weathered out, due to the lack of a precision landing facility in Tok. Weather that does not allow for an aircraft to land does not prohibit take-off, thus 40-Mile Air has the advantage. He stressed the need for the local medical services to have the option of utilizing a special service flight.

[4:35:15 PM](#)

CHAIR WILSON closed public testimony, and stated that the bill would be held for further discussion.

PRESENTATION: STRENGTHENING FAMILIES

[4:35:50 PM](#)

CHAIR WILSON announced that the final order of business would be a presentation on Strengthening Families.

[4:36:39 PM](#)

CLAUDIA SHANLEY, Systems Reform Administrator, Office of Children's Services (OCS), Department of Health and Social Services (DHSS), stated that this presentation is being brought on request of the committee chair, and is based on a jointly attended National Conference on State Legislators meeting, held recently in Chicago, Illinois. She described the Strengthening

Families Through Early Care and Education (SFTECE) program as a national movement.

4:38:01 PM

SHIRLEY PITTZ, Coordinator, Early Childhood Comprehensive Systems Plan (ECCS), Office of Children's Services (OCS), Department of Health and Social Services (DHSS), introduced herself.

MS. SHANLEY explained that this is a child abuse and prevention program facilitated through early care and learning programs. She presented slides, and paraphrased from an accompanying prepared statement, which read as follows [original punctuation provided]:

The ongoing interaction between early experience and genetics affects the architecture of the maturing brain and the function of the immune system.

As it emerges, the quality of that architecture establishes either a sturdy or a fragile foundation for all the learning behavior, and health that follow.

Nurturing and responsive interactions build healthy brain architecture that provides a strong foundation for learning behavior, and health.

When protective relationships are not provided persistent stress results in the activation of physiological systems that can disrupt brain architecture by impairing cell growth and interfering with the formation of health neural circuits.

Research on the biology of stress helps explain some of the underlying casual mechanisms for differences in learning, behavior, and physical and mental health that are associated with poverty, maltreatment, and discrimination.

Positive Stress is moderate, and short lived.

Tolerable Stress could disrupt brain architecture but is buffered by supportive relationships that help the child to facilitate adaptive coping skills.

Toxic Stress is a strong and prolonged activation of the body's hormonal stress management systems in the children without the buffering protection of adult support.

MS. SHANLEY presented statistics, slide 8 [page 2], titled "Reports of Harm by Age Group Federal Fiscal Year 2006," which indicated that the birth to five year old category is the most vulnerable age, comprising 35 percent of the total survey. She described the two pronged approach to the issue, as she continued paraphrasing from the prepared statement, which read as follows [original punctuation provided]:

[The approach is to provide] universal and coordinated access to prenatal care, primary health services, and early care and education options to support families, facilitate child well-being, and detect problems in health or learning that can benefit from early intervention.

[Additionally,] targeted and early provision of service for children experiencing toxic stress to reduce disruptions of the developing nervous and immune systems that can lead to later impairments in learning behavior and both physical and mental health.

To alter children's outcomes, it is necessary to increase protective factors, and decrease risk factors.

[4:43:22 PM](#)

MS. PITZ, relayed that the inception of the SFTECE project was at the Center for the Study of Social Policy (CSSP). This agency, located in Washington, D.C., is focused on addressing child abuse prevention, as well as early childhood education. In 2001, the CSSP was seeking a strategic approach to child abuse prevention that was: systematic, national in scope, reached large numbers of very young children, and would have an impact long before the abuse or neglect occurred. To facilitate a paradigm shift, the center explored how child abuse efforts have been addressed, and how they could be addressed, as set out in slide 12, [page 2]. The old ideas included "at risk labeling" of families and "highlighting bad parents." The new idea calls for exploration of the protective factors approach to build buffers, which include: going where the kids already are, utilizing programs already in place; universal, implementation

of a none stigmatizing, educational approach; and acting before anything bad happens. The hypothesis that the center arrived at was that early care and education programs could be central because they offer: daily contact with parents and children; uniquely intimate relationships with families; a universal approach of positive encouragement, and education for families; and can serve as an early warning, and response system, at the first sign of trouble. She presented slide 14 [page 3] titled "New Child Abuse Prevention Framework" and stressed that the intention is to implement a strength based approach, utilizing hard evidence and research, and that everyone involved be engaged in evidence based practices. She relayed that the center looked for exemplary early care and education programs to discover what protective factors are currently being practiced. The protective factors compiled, indicated strategies which: facilitate friendships, and mutual support, among the parents through social events, support groups, and volunteer opportunities; strengthen parenting through direct contact with the parents, and by conducting home visits; respond to family crisis; link families to services and opportunities, as well as job training programs and educational opportunities; and value and support parents involvement in the program.

[4:50:12 PM](#)

REPRESENTATIVE GARDNER stated that all of the qualities listed fit the description of programs such as Head Start. It would seem, she opined that this approach already exists, and asked if there was a need to "reinvent something that has been around for several decades."

MS. SHANLEY, responded that Head Start does fit this description, however, establishing the evidence base is important.

[4:51:30 PM](#)

REPRESENTATIVE CISSNA interjected her understanding that Head Start financial support is waning, despite its effectiveness.

MS. SHANLEY declined to comment on the current status of the Head Start programs.

[4:52:10 PM](#)

MS. SHANLEY stated that the model programs, observe and respond to the early warning signs of child abuse and neglect. Quality

early child care and education programs allow time for staff to observe situations, make determinations, and request assistance if necessary. As a result, an early warning system is imbedded in the program.

MS. SHANLEY, presented slide 18 [page 3], titled "Early care and education programs can serve several critical roles for young parents," which establishes the model program as: a primary source of information, and support, for young families; a gateway to outside services, or supports, such as health or mental health services, transportation, education, housing, and jobs; the key early warning system when families or children are in trouble.

[4:54:47 PM](#)

MS. PITTZ provided the names, credentials, and affiliations of the 11 member leadership teams representing the SFTECE program in Alaska [slide 20, page 4]. She paraphrased the goals for Alaska, slides 21 and 22 [page 4], which read as follows [original punctuation provided]:

To highlight and expand the valuable role that early care and education programs play in their efforts to prevent child abuse and neglect.

To actively engage the early care and education community in becoming key stakeholders in carrying out child abuse and neglect prevention strategies.

To enhance collaboration between the Office of Children's Services, Child Protection Program staff and the early care and education community statewide.

To link early care and education and child protection programs systems change efforts into a cohesive plan for statewide implementation.

[4:57:01 PM](#)

MS. PITTZ named the five SFTECE pilot programs located in Anchorage, Fairbanks, Juneau, and Dillingham, respectively representing Boys and Girls Clubs, Rural CAP Child Development Center, Open Arms, Juneau Montessori School, and the Bristol Bay Head Start Program. Further, she described each programs operation, including ages and numbers of children served. In the first year, the pilot programs each: completed pre and post

self-assessments, developed implementation plans, attended orientation and training, participated in monthly "Learning Network" teleconferences, and received mini-grants of \$10,000. She explained the self assessment, and how it was graded to identify improvement areas in the programs.

5:00:57 PM

LUPITA ALVAREZ, Director, Juneau Montessori School, described the steps and experience of the school joining the SFTECE program. Although many of the goals were already being accomplished by Juneau Montessori, room for improvement was discovered in the process. The improvement opportunities were capitalized on by the teachers including: offering parenting classes; providing family support and social gatherings; and facilitating intimate relationships between teachers and parents. She reported that as these tools were implemented, the program began to evolve. The sense of community, that had been established, was strengthened, and families began to participate more fully in activities. With the children arrive at 7 a.m. and attending until 5:30, the bulk of their day is at the school, thus involving the extended family in the classroom is important. The other area of focus was the utilization of mental health services. Children with special needs were identified, and the families directed to the appropriate professional care. She stated that this proved to be very valuable to the families. The process also discovered children and families who require special assistance, but do not qualify for services; causing children to fall through the cracks. At least the parents were informed, she said, and better able to address the situation. Overall, she reported that it has been a learning experience and the community response has been good.

5:08:07 PM

CHAIR WILSON asked how long it took for the parents to become engaged, and participatory, beyond dropping off and picking up their child.

MS. ALVAREZ stated that each family presents a unique situation, however, the parent teacher conferences proved to be very engaging.

5:09:33 PM

CHAIR WILSON addressed the presenters who had been Head Start teachers, prior to their involvement in SFTECE, and asked how

this would effect their approach if they were still with Head Start.

5:10:10 PM

MS. SHANLEY cited the recent advances for understanding the early development of the child's brain, and said SFTECE offers opportunities for prevention work that did not exist ten years ago. Additionally, support of the family has been brought to the forefront.

5:10:40 PM

CHAIR WILSON speculated that this program is an effective vehicle to help parents know how to respond to their children, in an age appropriate manner.

MS. PITTZ stressed that the success of the program revolves around the relationship that is established between the parents and the care givers.

5:12:10 PM

**ADJOURNMENT**

There being no further business before the committee, the House Health, Education and Social Services meeting was adjourned at 5:12 p.m.