

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

January 30, 2008

1:33 p.m.

MEMBERS PRESENT

Senator Bettye Davis, Chair
Senator Joe Thomas, Vice Chair
Senator Kim Elton
Senator Fred Dyson

MEMBERS ABSENT

Senator John Cowdery

COMMITTEE CALENDAR

SENATE BILL NO. 160

"An Act establishing an Alaska health care program to ensure insurance coverage for essential health services for all residents of the state; establishing the Alaska Health Care Board to define essential health care services, to certify health care plans that provide essential health care services, and to administer the Alaska health care program and the Alaska health care fund; establishing the Alaska health care clearinghouse to administer the Alaska health care program under the direction of the Alaska Health Care Board; establishing eligibility standards and premium assistance for persons with low income; establishing standards for accountable health care plans; creating the Alaska health care fund; providing for review of actions and reporting requirements related to the health care program; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 160

SHORT TITLE: MANDATORY UNIVERSAL HEALTH CARE

SPONSOR(S): SENATOR(S) FRENCH

04/23/07	(S)	READ THE FIRST TIME - REFERRALS
04/23/07	(S)	HES, L&C, FIN
09/10/07	(S)	HES AT 1:30 PM Anch LIO Conf Rm
09/10/07	(S)	Heard & Held
09/10/07	(S)	MINUTE(HES)

WITNESS REGISTER

SENATOR HOLLIS FRENCH
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of SB 160.

BEVERLY SMITH
Christian Science Committee on Publications
Juneau, AK

POSITION STATEMENT: Proposed to add spiritual healing to allowable health care in relation to SB 160.

JAMES SHILL, CEO
North Star Behavioral Health System
Anchorage, AK

POSITION STATEMENT: Spoke in favor of SB 160.

BONNIE NELSON, representing herself
Chugiak, AK

POSITION STATEMENT: Spoke in favor of SB 160 if improvements are made.

DARYL WAYNE NELSON, representing herself
Chugiak, AK

POSITION STATEMENT: Spoke in favor of SB 160 if improvements are made.

ACTION NARRATIVE

CHAIR BETTYE DAVIS called the Senate Health, Education and Social Services Standing Committee meeting to order at [1:33:06 PM](#). Senators Davis, Dyson, Elton, and Thomas were present at the call to order. Senator Cowdery was excused.

SB 160-MANDATORY UNIVERSAL HEALTH CARE

CHAIR DAVIS announced SB 160 to be up for consideration.

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SENATOR HOLLIS FRENCH, sponsor of SB 160, said this bill represents the culmination of a dream of finding a way to provide affordable health insurance to all citizens. He went on to say that a majority of the 100,000 Alaskans without insurance are working but either do not get benefits through their employer, or cannot afford the benefits provided; this bill was designed to correct that. SB 160 represents a compromise between

two warring factions in the health insurance debates. The left gave up on the idea of "single payer," and the right gave up on keeping folks uninsured. This breakthrough occurred when people realized the American values of competition and a free market could be preserved without sacrificing health coverage for every citizen.

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SENATOR FRENCH said the overall plan is to set up a health care board to certify private healthcare plans and place them in a healthcare clearinghouse, then let citizens purchase coverage from the clearinghouse using a voucher, the amount of which would be determined on a sliding scale based on income. Competition between private plans would maintain a free market, with the government involved only as a facilitator.

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He noted that there was a blank CS before the committee.

CHAIR DAVIS said it had not been adopted, but the committee could address that at a later time. She recognized that Senators Wielechowski and Ellis were co-sponsors of the bill, and then returned the floor to Senator French.

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SENATOR FRENCH confirmed that he was working from version V, and provided an overview of the bill by section.

Section 1 sets out the initial findings: primarily that the healthcare system needs work, that the goal of the bill is to improve and protect the health of all Alaskans, that all Alaskans should have access to essential healthcare, and that has an economic interest in insuring equitable financing of essential healthcare for Alaskans who do not have access to basic healthcare.

Section 2 lays out what the legislation would accomplish and the mechanics of implementation.

SB 160 would: ensure that all state residents can afford quality health care coverage appropriate to their needs, require that healthcare coverage be "meaningful" as discussed later in the bill, reduce unsustainable healthcare cost increases through encouraging primary care and prevention, center on consumer choice by providing a framework for competition where insurance plans must compete to acquire and retain customers.

SENATOR FRENCH continued to Section 21.54.210, which deals with the creation of the Health Care Board. The board would be set up under the Department of Health and Social Services (DHSS) and comprise 13 members: 2 representatives from the insurance industry, 1 representing large business, 1 representing small business, 2 from Alaska's hospitals, 1 from a labor organization, 2 licensed Alaska physicians, 2 consumer advocates, a registered nurse, and the Commissioner of Health and Human Services. Each member would be appointed by the governor for a three year term. Members would be entitled to standard per diem and transportation charges and costs under AS 39.21.80. The board would select a chair and vice chair; a majority would be considered a quorum for transacting business. The board would have six members whose focus would be on the business side of health and six who would focus on the patient side of health, with a commissioner serving as tie-breaker.

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Section 21.54.220 presents two main elements of the bill: the healthcare clearing house and the healthcare fund. Senator French said the function of the fund would be described later in the bill. The board would ensure a variety of plans would be made available through the clearinghouse, help educate the public about different plan options and ensure enrollment. He added parenthetically that he saw an opportunity here for some synergy with the governor's plan for a web-based information system. The board would also establish enrollment criteria and provide for an annual "open season" when customers could change their plan selections. He felt the open season was important to prevent what he called "moral hazard", or waiting to enroll in a plan until it was needed.

The board would hear complaints or objections to decisions made by the plan. Customers who objected to a board decision would be entitled to a hearing. The board would also be responsible to implement the voucher system.

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He explained that the idea as set out in Section 21.54.230 is not to create a new bureaucracy; it [the clearinghouse] would more likely be a web site where customers with healthcare vouchers would make their plan selections and be connected with quality insurance products.

Section 21.54.240 establishes the voucher system and includes an individual responsibility clause requiring all Alaskans to have health coverage that would provide essential healthcare

services. The state would be responsible to ensure that affordable healthcare was made available, but it would be the responsibility of the individual to go to the clearinghouse and get that coverage.

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SENATOR FRENCH emphasized that there were 70,000 visits last year to the Providence Hospital emergency room and many of the those treated were not insured. The individual responsibility clause is a necessary first step to getting everyone in the pool and keeping the costs down.

Sections 1 through 7 [AS 21.54.240] outline who would not be subject to the individual responsibility requirement. People enrolled in Medicare or Medicaid, people with existing insurance coverage including those covered by the Indian Health Service, and those who have been in the state less than a year would be exempt from participation in the program.

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Vouchers would be issued to households and individuals based on the federal government's federal poverty level (FPL) criteria. In Alaska, the FPL for 2008 was set at \$13,000 annual gross income for an individual or \$26,500 for a family of four. Subsection (c) provides that anyone falling below the FPL would get free health coverage. Those people would probably qualify for Medicaid, but if they fell through a loophole in that program, coverage would be paid for by the state. Subsection (d) provides that vouchers would be issued to persons earning between 100 and 300 percent of the FPL. Subsection (e) would require individuals or families earning over 300 percent of the FPL to acquire their own coverage. They would not receive needs-based vouchers, but would be eligible to receive one of the specified beneficiary vouchers described in 21.54.280.

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Subsection (b) provides for larger vouchers to individuals qualifying for coverage under the Alaska Comprehensive Health Insurance Association (ACHIA) plan. Because ACHIA's high-risk coverage can be extremely expensive, the sliding income scale was adjusted to allow an income of up to 450 percent of the FPL. Subsection (f) specifies that only legal Alaskan residents would be eligible to receive vouchers.

All plans sold through the clearinghouse would have to provide, certain minimum benefits as defined in Section 21.54.250 to include: coverage for preventative and primary care, emergency

services, in-patient hospital charges, prescription drug coverage, mental health services. Section 21.54.260 relates to employer-provided health coverage requirements. Subsections (a) and (b) in that section make clear that nothing in the legislation would change employer-paid insurance if provided. Subsections (c) and (d) ensure that all employers contribute something to the public health by imposing a tax levy based on size, on businesses without health insurance plans.

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SENATOR FRENCH added that if an employer offered to pay 33 percent of its employees' premium costs, successfully enrolled at least 25 percent of its employees in an employer sponsored plan, or established a Section 125 cafeteria plan, the employer would be exempt from the levy.

Insurance plans offered through the Alaska Healthcare Clearinghouse would have to meet Section 21.54.270 requirements, including a mandate in subsection (b) that an insurance plan offered through the clearinghouse may not deny enrollment to an eligible individual.

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SENATOR FRENCH emphasized that such a mandate is only possible because of the individual responsibility clause that requires everyone to have coverage. Subsection (c) allows companies to offer varied levels of deductibles, co pays, coinsurance and out-of-pocket maximums, include high-deductible healthcare plans, and offer different benefit levels for in-network and out-of-network providers. The subsection also encourages specialized plans for young adults 18 to 30 that have different terms than normal plans. The idea was to let the marketplace respond to the needs of the customers.

Subsection (d) would increase the length of time that a child must be covered under a clearinghouse plan to 25 years of age or until two years after the dependent no longer resides with the family.

The Alaska Health Fund and Specified Beneficiary Vouchers are explained in Section 21.54.280. The health fund would be established as a separate trust fund of the state and would include appropriations from the state and federal governments, the employer levy, healthcare premiums, and other sources. Specified Beneficiary Vouchers [Subsection (b)] would give employers the ability to contribute to employee health premiums through a voucher. If a person's income exceeded 300 percent of

FPL, an employer that could not afford to provide health insurance would still be able to help by providing some of the cost in the form of a voucher in the employee's name. That would work especially well for individuals with more than one employer.

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SENATOR FRENCH stated that a weakness of earlier reform efforts was that they forced employers to offer employee insurance, which was too great a financial burden and the business community pushed back against that. In the modern economy people change jobs frequently or work multiple jobs that come together to provide a living, but often don't offer insurance. This plan would provide portable insurance policies that people could take with them as they change jobs.

Section 21.54.290 grants individuals the right to a hearing if denied health coverage by a certified plan, if a plan fails to deliver essential healthcare services, or if they were aggrieved by a decision of the board.

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Section 21.54.300 requires a comprehensive annual performance report by the board. The board would also give an evaluation and recommendation on a number of health reform topics such as the use of electronic health records, State Children's Health Insurance Program (SCHIP), the effect of mandated benefits, prescription drug bargaining and more.

SENATOR FRENCH said section 21.54.210 requires the board to establish regulations under the Administrative Procedures Act. The remaining parts of the bill include definitions and transitional provisions.

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He offered to take questions.

SENATOR DYSON said he was impressed with the scope and depth of the bill. He asked what would happen if a person chose not to enroll.

SENATOR FRENCH reiterated that the individual responsibility clause requires it. In Massachusetts a person would lose the ability to take a standard deduction on his or her state income tax return. Alaska would not have that mechanism available, so one of the policy decisions that needs to be addressed is some form of soft enforcement of the individual mandate. It will

never be a crime not to have health insurance and he would prefer not to tie it to the permanent fund, he would rather tie it to an individual's ability to qualify for other financial benefits such as in-state tuition at University of Alaska.

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SENATOR DYSON said that government has created a suboptimal situation that forces hospitals to take anyone who walks into an emergency room without any assurance of cost recovery, which results in spreading the costs to everyone. This proposal appears to correct that. However, he wants to discuss the civil liberties aspect of coercing citizens to participate in something for their own good, but tramples on the right of free citizens in order to accomplish the greater good.

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SENATOR FRENCH said the immediate comparison is probably most apt to education. Every citizen deserves some basic level of education in order to fulfill his or her potential for a meaningful life. He opined that the same applies to health care. Human bodies break down and at some point in life every person will need medical care. For that care to be meaningful, one needs an insurance policy. Some people exempt themselves from public education by taking steps to prove that they are homeschooling or providing that education in some other way. There are also mechanisms for exempting oneself from this requirement, like posting a bond for example. He maintained that it is not fair for a person to expect everyone else to pick up the bill when something happens.

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SENATOR THOMAS appreciated that the bill would create competition in the insurance industry, but wondered how the payment schedule would be structured. He asked if the [Health and Human Services] commission would be charged with the responsibility to review what was paid and determine what reasonable and customary charges were. He feared that providers might increase rates knowing that everyone had coverage.

SENATOR FRENCH answered that the same market forces that keep payment schedules from getting out of line now would continue under this program. He pointed out that doctors don't triple the price of a procedure when they treat a patient who has an insurance policy. He would actually expect costs to come down, because 15 percent of health insurance premiums now cover the uninsured.

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SENATOR THOMAS asked if there would be any limitation on what facilities might be used.

SENATOR FRENCH said the plan would allow for a difference in payment for in and out-of-network providers, but would not restrict where an individual could go for medical care.

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SENATOR THOMAS asked about the 450 percent of FPL for Specified Beneficiary Vouchers.

SENATOR FRENCH clarified that the upper limit for a standard voucher for a family of four would be 300 percent. The 450 percent voucher would apply only those individuals who would now be enrolled in the ACHIA high risk pool. The idea is that we'd have to offer a better voucher to avoid pricing those people out of the system.

SENATOR THOMAS asked if drug and alcohol treatment would be considered mental health disorders.

SENATOR FRENCH agreed that they would.

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SENATOR ELTON asked how the definition of an employer applied to franchises. For example, he wondered whether Macdonald Corporation would be considered the employer, or the franchise holder for a particular restaurant.

SENATOR FRENCH answered that it would be the entity that signs the paycheck.

SENATOR ELTON noted that the fiscal note said 20 percent of uninsured have Indian Health care and wondered why they are included.

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SENATOR FRENCH answered that the fiscal note referred to an earlier version of the bill and those people would be exempt under the current version.

SENATOR DYSON asked how this bill would encourage healthcare savings accounts.

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SENATOR FRENCH said the current draft of the bill had no provision for them and encouraged Senator Dyson to bring a provision that would incorporate healthcare savings accounts. He suggested those accounts could, if meaningful and set up correctly, serve as healthcare policies.

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SENATOR DYSON took exception to Senator French's statement that a person who does not have insurance really doesn't have access to care. He asserted that people who can afford it have taken responsibility for their health and paid their own bills for 300 or 400 years quite successfully. He didn't see anything to prevent people from doing so now and further stated that those who can pay their own bills are charged more.

SENATOR FRENCH said it seemed fairly clear that, while there may be a very small number of people in the United States who have enough money to pay the going rate for healthcare, that is not the case for the majority of Americans. He felt that he could show clearly that those who do not have insurance do not get the same quality of medical care as those who do. They don't get all of the medical tests or follow-up care and they don't enjoy the lifespan of people who do have insurance.

SENATOR DYSON said that if they have the money and don't get the care, it is their choice and not government's job to fix.

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CHAIR DAVIS said that healthcare savings accounts were discussed by the Healthcare Strategies Planning Council, which was looking for ways to encourage their use, and she felt they might be part of the answer for people who can afford them. She went on to say that they could not expect everyone to be covered under this plan, although that is the goal, and thought it would be helpful if Senator French would bring back some numbers from the Massachusetts plan on how many are covered, how many are not, and what Massachusetts is doing to ensure that they do get insurance.

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CHAIR DAVIS said there are other states, including California and Vermont, which have similar plans she would like to hear about. She stated that they would do the fiscal notes separately.

SENATOR FRENCH said he had completed the overview and that he would provide the committee with a recent report on the Massachusetts program key indicators.

CHAIR DAVIS said she would also like to see additional information on how this would integrate existing plans such as Medicaid, Medicare and Denali Kid Care.

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CHAIR DAVIS said it would not be possible to hear from all of the witnesses who had signed up to testify on the bill, but she would continue public testimony the next time the bill was scheduled.

BEVERLY SMITH, Christian Science Committee on Publication, Anchorage AK, said her role was to ensure that proposed legislation preserves the choice for Alaskans to pursue spiritual means for the prevention and cure of disease, including Christian Science treatment and care. She also wanted to ensure that the committee had accurate information concerning spiritual healing as practiced in Christian Science, so that... "this cost-effective, reliable and effective form of care"... would not be overlooked or restricted in the state's healthcare reform efforts. She said that to meet the healthcare needs of all Alaskan residents, this legislation should include coverage for spiritual care similar to the coverage offered by the federal government and some other state plans. She described Christian Science as a religious, non-medical form of treatment available to anyone, not just members of the Christian Science church and explained that it involves reliance on spiritual means through prayer to heal illness, injuries and other conditions.

She stated that she would not take a position on whether healthcare should be mandated, but pointed out that Massachusetts and some other states were considering allowing people to opt out on the basis of religious belief. She emphasized however, that any reform discussion should include an acknowledgement of spiritual care and that costs associated with it should be included in healthcare reform. She requested that a specific reference be included in SB 160 under section 21.54.250 to spiritual care services as a category of essential healthcare services.

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MS. SMITH referred to the "Request for Amendment" she had provided to the committee members and said she would be happy to

work with them on language to ensure that insurance coverage would be provided for those Alaskans choosing spiritual care.

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CHAIR DAVIS commented that anyone can use spiritual care whether or not it is included in this bill, and cautioned that it would not be possible to include a reference to every religious organization that offered healing services. She assured Ms. Smith however, that she wanted to ensure that her needs were met and would discuss it with her further when the committee took up amendments.

SENATOR DYSON said he also comes from a tradition that includes spiritual healing, but respectfully questioned what charges would be involved in the services Ms. Smith was referring to.

MS. SMITH answered that Christian Science practitioners devote their full time to healing prayer and charge a small amount to support themselves and their families. Christian Science nurses also charge to provide physical care for those undergoing spiritual treatment.

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JAMES SHILL, CEO, North Star Behavioral Health, Anchorage AK, said he supported SB 160. North Star employs 500 people who provide hospitalization and residential care for children and adolescents, with over 1100 admissions to their hospitals and treatment centers annually. They are the primary psychiatric provider for youth experiencing serious mental health issues that make them a danger to themselves or others. A hospital cannot turn people away for treatment, nor do they want to, but physicians have high liability insurance payments, student loans and other expenses that make it difficult for them to provide pro bono care or negotiate for payment from people without health insurance. That makes it difficult for a hospital to recruit physicians, who know they could work for an out-patient facility that has no requirement to take patients who cannot pay. He said he supports the bill because it takes affordability of insurance into account.

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SENATOR ELTON asked how many people have insurance plans that cover mental health services.

MR. SHILL responded that Denali Kid Care helped a great deal to cover most of the low-income children. The bigger problem was families that make too much for Medicaid but cannot afford

insurance, or who have insurance that doesn't provide for mental health services. He said the largest payor in their hospitals is traditionally Medicaid, although Tri-Care was increasing due to the war and currently accounted for 20 to 30 percent of the patients.

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BONNIE NELSON, representing herself from Chugiak, AK, thanked Chair Davis for bringing up what is being done about healthcare in other states. She felt the information should be debated before the legislature and aired on gavel to gavel like AGIA was, instead of being dealt with by a council or committee.

She was not convinced that the Mitt Romney approach was the answer, because Massachusetts has many supplemental programs that Alaska does not, that allow the program to work there. For example, Alaska does not have a way for the disabled or elderly to stay on Medicaid and still save some money when they can work, as they are able to do in Massachusetts. She thought the bill should deal with Medicare and Medicaid problems and suggested that the legislature look at California and Colorado's "One Care for All" programs.

Ms. Nelson added that Massachusetts does not have a high risk pool like ACHIA. She suggested that insurance companies use "community rating" to spread the cost and that people pay premiums based on their income rather than their disability. She also supported a supplemental program to assist people who are turned away from Medicare or Medicaid.

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DARYL WAYNE NELSON, Chugiak AK, thanked the committee and said this is an important topic to him. He has cerebral palsy but had not been on Medicaid for over a year because he spent eight years working to save money and putting the money in other people's names to hide it so he could get his long-term care services. He asserted that he would not break the law or encourage others do so but felt that people, no matter how disabled, should be allowed to be productive citizens and have the right to save some money. He said it is "immoral and wrong" that the Medicaid IM program allows participants to get up to \$5000 per month but requires them to spend down to the federal poverty level (FPL) of \$2000 to maintain eligibility. Seniors who develop disabilities late in life have to give up everything they worked for or sign it over to their children when they have to go into a nursing facility or home care. He also felt strongly that Medicaid and Medicare should allow greater freedom

in the choice of providers and types of medical services covered.

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MR. NELSON said he was born in Alaska but might have to leave the state in order to get the care he needs. He was pleased that the legislature has finally started talking about the issue in a meaningful way and hopes it will result in a healthcare system that includes everyone.

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CHAIR DAVIS said she appreciated Mr. Nelson's comments, although he strayed quite a bit from discussion of the bill, and that it would go on record that he was pleased there is a bill under discussion to deal with some of Alaska's healthcare issues. She assured him that it would come before the public again and she would welcome suggestions on how to make it a better bill.

SENATOR THOMAS moved to adopt the proposed committee substitute to SB 160, labeled 25-LS0728, Version V, as the working draft for the committee with attached fiscal notes. There being no objection, the motion carried.

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SENATOR FRENCH closed by saying that his staff had put together a detailed bill packet that should answer a lot of the questions that came up during the meeting. He offered to work with the committee to put the bill into a form that would please them and stressed that, while this isn't the final answer, it is a way to begin the conversation and move toward their goal to lower the number of uninsured and provide better healthcare and access to everyone in the state.

CHAIR DAVIS said she also appreciated Senator French's staff for the hard work they put into the bill packet. She said the administration still had to "weigh in" on the bill and, if they didn't come on their own she would invite them to the next meeting.

SENATOR DYSON asked for a rough idea of when Chair Davis expected to finish work on SB 160.

CHAIR DAVIS responded that she couldn't say when they would finish, but she planned to bring it back up in two weeks. She admonished the committee to get their ideas to her office so they could work on them before the next meeting. She held SB 160 in committee.

There being no further business to come before the committee,
CHAIR DAVIS adjourned the meeting at [2:47:34 PM](#).