

HOUSE FINANCE COMMITTEE
April 14, 2009
9:17 a.m.

9:17:02 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 9:17 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas, Jr., Vice-Chair
Representative Allan Austerman
Representative Harry Crawford
Representative Anna Fairclough
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Representative Nancy Dahlstrom, Sponsor; Sam Dix, Staff,
Representative Nancy Dahlstrom; Diane Barrans, Executive
Director, Postsecondary Education Commission, Department of
Education; Representative Lindsey Holmes, Sponsor; Linda
Hall, Director, Division of Insurance, Department of
Commerce, Community and Economic Development; Jeff Jessee,
Chief Executive Officer, Alaska Mental Health Trust
Authority

PRESENT VIA TELECONFERENCE

Dennis Valenzano, Director and Professor, WWAMI Program,
University of Alaska, Anchorage; Suzanne Tripp, Director,
Regional Programs, University of Washington School of
Medicine

SUMMARY

HB 204 "An Act increasing the number of students pursuing
a medical education who are provided postsecondary
educational services and programs; and providing
for an effective date."

HB 204 was heard and HELD in Committee for further consideration.

HB 222 "An Act prohibiting discrimination by health care insurers based on genetic information; requiring a health care insurer to offer coverage for the treatment of alcoholism or drug abuse; providing continuity of coverage for college students during medically necessary leaves of absence from college; requiring health care insurers in the group market to provide parity in the application of mental health and substance abuse benefits that comply with federal requirements; amending the definition of 'dentist' to include out-of-state dentists for purposes of certain dental insurance requirements; and providing for an effective date."

HB 222 was REPORTED out of Committee with a "do pass" recommendation and with two new zero fiscal notes by the Department of Health and Social Services and fiscal note #1 by the Department of Commerce, Community and Economic Development.

[9:17:56 AM](#)

#hb204

HOUSE BILL NO. 204

"An Act increasing the number of students pursuing a medical education who are provided postsecondary educational services and programs; and providing for an effective date."

REPRESENTATIVE NANCY DAHLSTROM, SPONSOR, related that the bill would add four students to the medical education program.

[9:19:22 AM](#)

SAM DIX, STAFF, REPRESENTATIVE NANCY DAHLSTROM, explained that the purpose of the bill is to add four more medical students and eventually establish a 30-student program. It is an attempt to maximize the facilities at the University of Alaska - Anchorage.

Vice-Chair Thomas asked if the bill pertains only to medical doctors. Mr. Dix said that was correct. Vice-Chair Thomas hoped to see the bill expanded to include dentists. He asked if the administration supports the bill.

Representative Dahlstrom reported that the administration does support the bill. She offered to work on expanding the bill to include other areas.

Vice-Chair Thomas expressed frustration and thought he might not support the bill.

[9:21:38 AM](#)

Representative Dahlstrom offered to work on that problem.

Representative Austerman inquired about the cost of the program. He wondered, since it is a loan program, why general fund dollars would be needed. Representative Dahlstrom stated that it was a loan forgiveness program.

[9:23:02 AM](#)

DIANE BARRANS, EXECUTIVE DIRECTOR, POSTSECONDARY EDUCATION COMMISSION, DEPARTMENT OF EDUCATION, agreed with Representative Austerman that the program is funded with state general funds. The existing program operates in excess of \$2 million a year. She reported that it is a work obligation program with a trigger if someone in the program fails to return to Alaska.

Representative Austerman asked how long the obligation was. Ms. Barrans replied that students have 15 years to pay if they fail to return to the state and provide three to five years of service.

Representative Austerman presented an example of a doctor who returns to the state, provides service, and has the loan forgiven. Ms. Barrans agreed with his analysis. She clarified that the service obligation is in lieu of repayment.

[9:24:38 AM](#)

Representative Fairclough reported that she followed the bill last year and the discussions in the HESS committee. She asked about the dismal return rates and wondered if a residency program would help solve the program.

Ms. Barrans explained that past return rates proceeded the loan obligation period of the program. The actual return rate of Alaskans varied between 45 and 55 percent and should now increase. Out of state WWAMI students also chose to participate in Alaska. She explained how the residency requirements work. It takes about seven years to complete the program. The cohort of students that would have completed a three-year residency in the fall of 2008 was the first group with the contractual service obligation.

[9:27:27 AM](#)

Co-Chair Hawker asked for more information about return rates.

DENNIS VALENZENO, DIRECTOR AND PROFESSOR, WWAMI PROGRAM, UNIVERSITY OF ALASKA, ANCHORAGE, via teleconference, related that the return rate of Alaskans is actually quite good compared to outside programs. About 50 percent come back to the state to practice. Students coming to the state from other states to do short clinical experiences impact the statistics. The overall return on the investment is about 88 percent since the beginning of the program in 1971. It takes about seven years to complete the program. Residency is the most important factor as to where doctors choose to practice. Where students go to school is the second most important factor. Through WWAMI Alaska is able to offer three of the four years of medical school.

[9:30:39 AM](#)

Representative Fairclough had heard a different scenario. She wished to research the statistics further.

Co-Chair Hawker asked if the state would benefit more by increased residency programs or by more students in the WWAMI program.

SUZANNE TRIPP, DIRECTOR, REGIONAL PROGRAMS, UNIVERSITY OF WASHINGTON SCHOOL OF MEDICINE, via teleconference, first addressed Vice-Chair Thomas's concerns about dentists. She related that through the University of Washington, there was an option for developing dental programs in Alaska based on the WWAMI model.

Ms. Tripp turned to the issue of residency training. She maintained that it was a huge factor in WWAMI. Residency programs are being developed currently. She spoke of overcoming obstacles related to developing residency programs in Alaska. There needs to be sufficient technical expertise, adequate finances - based on Medicare bed rates, and enough case volume in order to qualify to take on residents. Branch programs in pediatrics and in psychiatry are currently being developed. Internal medicine programs will be next.

[9:33:11 AM](#)

Representative Fairclough summarized that residency is the number one factor. She wished to check further.

Representative Gara agreed with the expansion of family practice residency. He voiced support for the bill. He mentioned a concern about an acute shortage of internists, family care physicians, and gerontologists. He suggested focusing scholarships in those areas.

Representative Dahlstrom offered to meet to discuss this issue and to include the Committee's concerns. She added that she has concerns with lack of medical care in parts of the state.

[9:36:22 AM](#)

Representative Gara said he was open to a conversation.

Co-Chair Hawker asked for an opinion of Representative Gara's comments.

Mr. Valenzano agreed that targeting an area of medical practice was a good idea. He thought it would be difficult to hold a student to that choice. Representative Gara hoped there was a way to make it work.

[9:38:10 AM](#)

Representative Austerman wondered whether returning doctors are required to serve high-need areas or rural areas.

Ms. Barrans reported that there is an incentive to accelerate the discharge of the financial obligation by choosing a rural area.

[9:39:12 AM](#)

Vice-Chair Thomas asked what the average obligation to the state was. Ms. Barrans said it was \$90,000, which would increase by about 4 to 6 percent per year. That amount is in addition to about \$100,000 of education debt the student has already incurred. Vice-Chair Thomas asked if \$190,000 was the amount forgiven. Ms. Barrans explained that the \$100,000 was owed to the federal government or other lenders.

Vice-Chair Thomas wondered why 15 years was allowed for paybacks. He suggested the payback be accelerated if the student does not return to the state. Ms. Barrans observed that collectability must be considered. It is difficulty to leverage an accelerated repayment on such a large amount without collateral.

[9:41:56 AM](#)

Representative Fairclough inquired about the delinquency rate of the loans. Ms. Barrans reported that currently there is zero delinquency.

Representative Austerman asked about the forgiveness period and amount collected. Ms. Barrans reported that \$170,000 is

the amount collected with interest by the state if they don't return and work in the state.

Representative Austerman asked if the \$90,000 original loan was forgiven if the student returns to the state to work for five years. Ms. Barrans said that was correct.

[9:43:37 AM](#)

Representative Salmon asked about incentives to bring physicians to come to Alaska to work. Ms. Barrans was not aware of such a program.

Co-Chair Hawker opened public testimony.

[9:44:27 AM](#)

Ms. Tripp clarified that the average amount of debt for an Alaska WWAMI graduate is about \$130,000 because they pay tuition in addition to state support. The amount of money the state sends to the University of Washington is equivalent in context, not amount, to the amount of general fund used by the University of Alaska. It makes the partnership of the University of Washington and the state's medical school, similar to any publically funded medical school. The money the state pays is not a scholarship or a grant; it is the state's support for medical education. In addition, students may receive scholarships or loans and pay tuition to the University of Washington and the University of Alaska. Students usually have more than \$200,000 worth of obligation upon completion of their education. In Alaska there is a need for primary care physicians. There is a correlation between debt and the type of medicine practiced.

[9:46:39 AM](#)

Co-Chair Hawker closed public testimony.

Co-Chair Hawker requested information about the fiscal note.

Mr. Dix explained that in 2012 the total operating budget would be \$210,300. For 2013 it would be \$425,200. For 2014 it would be \$550,300 and for 2015 it would be for \$557,400.

Co-Chair Hawker asked why it accelerates over the years.

Ms. Tripp related that it accelerates because there are more students in the program every year. Co-Chair Hawker concluded that it was a cumulative bill.

[9:48:37 AM](#)

Representative Gara asked if the WWAMI subsidy was for four years of medical school, but not for the residency because

the students would be getting paid. Ms. Tripp said that was correct.

Representative Austerman inquired if the amount was for four new students. He asked if there was already \$2 million in the program. Ms. Tripp said that was correct.

Vice-Chair Thomas asked if the fiscal note covers the student that has an assistant. Ms. Tripp stated that it does include all expenses. Vice-Chair Thomas asked how many more teachers would be added. Ms. Tripp explained the apprenticeship program and how sites are found. Additional persons are then brought on, however, she did not know how many.

[9:50:57 AM](#)

Vice-Chair Thomas thought extra individuals were hired to supervise the students. Ms. Tripp recalled that there was a coordinator who would help students navigate through medical school, as well as career counselors. In the third and fourth year additional supervisors are involved. Vice-Chair Thomas wanted to know the costs in addition to funding the students.

[9:52:04 AM](#)

Representative Joule wondered what the shortage of doctors would look like without this program. He asked where residencies take place. Ms. Tripp reported that residency training can happen in a number of sites, determined by the population of the town and type of residency. One of the requirements for pediatricians is that a doctor be available on site for training. In Bethel the residents go out to various rural sites for one month.

Ms. Tripp addressed the issue of physician training and the physician shortage in Alaska. There is a need for 30 more physicians a year in order to address the shortage of doctors in the state. There are currently 260 WWAMI doctors in the state. A primary care physician has about 3,000 patient visits a year.

Representative Joule thought that was a "pretty good picture" of the situation.

[9:54:58 AM](#)

HB 204 was heard and HELD in Committee for further consideration.

[9:55:47 AM](#)

#hb222

HOUSE BILL NO. 222

"An Act prohibiting discrimination by health care insurers based on genetic information; requiring a health care insurer to offer coverage for the treatment of alcoholism or drug abuse; providing continuity of coverage for college students during medically necessary leaves of absence from college; requiring health care insurers in the group market to provide parity in the application of mental health and substance abuse benefits that comply with federal requirements; amending the definition of 'dentist' to include out-of-state dentists for purposes of certain dental insurance requirements; and providing for an effective date."

REPRESENTATIVE LINDSEY HOLMES, SPONSOR, explained that the bill implements federal law. It gives the Division of Insurance the ability to implement new federal laws that will kick in this summer. She summarized the sections of the bill:

Section 1: This section incorporates requirements in 42 U.S.C. 300gg-53 into state law. 42 U.S.C. 300gg-54 prohibits health care insurers from discriminating against individuals on the basis of genetic information. It prohibits health care insurers from requiring individuals to undergo genetic testing as a condition of insurance.

Section 2: This section changes the requirements for insurance coverage for treatment of alcoholism or drug abuse. Currently, insurers are mandated to provide coverage for treatment of alcoholism and drug abuse to employer groups with 20 or more employees and mandates that insurers offer such coverage to employer groups with fewer than 20 employees. This section would replace that mandate and only require insurers to offer coverage for substance abuse to all employer groups. Under the mental health parity provisions in Section 6 of the bill insurers are prohibited from placing limits on substance abuse coverage that are not placed on the general medical coverage of the plan.

Section 3: This section amends the definition of dentist for insurance purposes to cover dentists who are not licensed in Alaska.

Section 4: This section incorporates requirements in 42 U.S.C. 300gg-54 and 42 U.S.C. 300gg-7 into state law. Those sections of federal statute require that health care insurers continue to cover college students under their parent's health insurance coverage when the students take leave from school for medical reasons.

Section 5: This section has two changes to enrollment requirements for employees who are eligible for their employer's health insurance plans but have previously chosen to not enroll in that plan. The first change allows a person who was covered by Medicaid or similar plan and loses eligibility for that plan, to enroll in their employer's health insurance plan. The second change allows a person to enroll in their employer's health insurance plan if they become eligible for assistance to help pay for their employer's health insurance plan from Medicaid or a similar plan.

Section 6: This section incorporates requirements in 42 U.S.C. 300gg-5 to apply to state law. The federal requirements are that a health care insurer may not place restrictions on mental health and substance use coverage in an insurance plan that are not placed on the general medical coverage of that plan.

Section 7: This section provides an effective date for section 1 of the bill.

Section 8: This section provides an effective date for sections 4 and 6 of the bill.

[9:59:48 AM](#)

Co-Chair Hawker inquired why Representative Holmes chose to sponsor this legislation. Representative Holmes reported that Linda Hall, the Director of the Division of Insurance in the Department of Commerce, Community and Economic Development, requested the bill.

Representative Kelly voiced concern about the lack of doctors who will see Medicare patients. He pointed out that the Division of Insurance will now be required to expand services. He was concerned about senior medical coverage under a "leveling" program.

[10:04:13 AM](#)

Co-Chair Hawker shared those concerns. He requested more information.

LINDA HALL, DIRECTOR, DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, observed that all items in the bill, with the exception of the dental definition, are federal mandates that will be adopted and enforced on a federal level. The request is to incorporate them into Alaska law for enforcement reasons and to prevent conflicts, particularly in the mental health area. The federal laws will preempt state laws and will present

conflicts. She emphasized that the federal mandates are geared to larger employees and, if coverage is offered, then it will be on parity with the other health plan.

[10:06:58 AM](#)

Representative Kelly did not want the seniors to buy their insurance in the same category with drug abusers and mental health patients. He maintained that the bill is not going to help seniors obtain health insurance. He called it discrimination.

Co-Chair Hawker concurred that it was an unfunded federal mandate. He asked if the Division of Insurance supports the bill.

Ms. Hall reported that the Division of Insurance supports the legislation. Co-Chair Hawker asked if the governor supports the bill. Ms. Hall replied that the governor authorized the bill.

Co-Chair Hawker spoke of the problematic issue of holding the legislature responsible for the outcome of the bill. Ms. Hall reported that she is looking at the ability to enforce health insurance provisions.

[10:10:00 AM](#)

Representative Kelly asked if Ms. Hall requested the bill. Ms. Hall said she did.

Representative Gara thought Ms. Hall was in a difficult position. Ms. Hall said she had listened to previous discussions and implied that she was aware of the situation.

Representative Gara understood Representative Kelly's concerns. He shared his understanding of the bill. He thought it was a constituent service bill. He described a scenario of what would happen if the bill does pass. Ms. Hall agreed. He thought the bill was needed.

[10:12:51 AM](#)

Co-Chair Hawker didn't see that the legislature had any choice but to adopt the legislation.

Representative Fairclough wanted to know the effective date of the change. Ms. Hall reported that there were different effective dates. The genetic information nondiscrimination section is effective May 21, 2009; the coverage of dependent students section is effective October 9, 2009; the special enrollment for Medicaid and Denali Kid Care-type programs are effective April 1, 2009; and the mental health parity section is effective January 1, 2010.

Representative Fairclough asked when the federal government passed the changes. Ms. Hall reported on enrollment dates, which were recent. Representative Fairclough reported on another bill which contained a good faith effort for extensions for implementation. She wondered if that was included in this bill. Ms. Hall thought it was not. Representative Fairclough commented that some state might not be meeting in time to address these changes, so she assumed there was an extension provision.

[10:15:47 AM](#)

Co-Chair Hawker reported that the same situation occurred with the Federal Stimulus Act.

Representative Holmes summarized that the federal rules would go into effect, but the Director of Insurance would have no ability to act in the event that a constituent had a problem.

Representative Fairclough related that the Committee has had many conversations about the federal government overstepping into state rights.

[10:17:03 AM](#)

Representative Kelly asked for information about the consequences if the legislation is not passed. Ms. Hall did not have that information, but thought that the provisions of the bill would be enforced through the Department of Labor.

Representative Kelly wished to know the exact consequences.

Representative Crawford commented that he does not feel pressured by the federal government at all. He thought all requests were the right thing to do.

Co-Chair Hawker opened public testimony.

[10:19:45 AM](#)

JEFF JESSEE, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, testified in favor of HB 222. He responded to Representative Kelly's concerns. One of the concerns in the health care system is that insurance companies can dictate the rules. They would rather have the private sector - government - have the primary responsibility for providing the services. When people can't get coverage through private insurance for mental health and substance abuse problems, the state government ends up paying. The idea behind health insurance is to spread the risk across a group of people for their medical needs. Currently,

insurance companies have decided not to meet certain groups' needs. He thought the bill was headed in the right direction.

[10:22:17 AM](#)

Representative Kelly asked if Mr. Jessee was happy with the Medicare situation in Alaska. Mr. Jessee related that he was not. He thought it was imperative to deal with health care costs. Representative Kelly talked about what has crippled the Medicare system. He commented on the problems with the social security system.

Mr. Jessee shared some of Representative Kelly's concern. He spoke of needing to keep the boat from sinking. Representative Kelly commented that the problem remains unsolved.

[10:25:37 AM](#)

Co-Chair Stoltze preferred to move the bill out of Committee unless there was more testimony.

Co-Chair Hawker closed public testimony.

[10:26:38 AM](#)

Co-Chair Hawker pointed out the zero fiscal notes.

Co-Chair Stoltze MOVED to report HB 222 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HB 222 was REPORTED out of Committee with a "do pass" recommendation and with two new zero fiscal notes by the Department of Health and Social Services, and fiscal note #1 by the Department of Commerce, Community and Economic Development.

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ADJOURNMENT

The meeting was adjourned at 10:27 AM.