

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 9, 2009

3:17 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Mike Chenault
Representative John Coghill
Representative Bob Lynn
Representative Robert L. "Bob" Buch

MEMBERS ABSENT

Representative Lindsey Holmes

COMMITTEE CALENDAR

HOUSE BILL NO. 104

"An Act adjusting certain fees for treatment or services under the Alaska Workers' Compensation Act to reflect changes in the Consumer Price Index; and providing for an effective date."

- MOVED HB 104 OUT OF COMMITTEE

HOUSE BILL NO. 64

"An Act relating to gift certificates and gift cards, and to unclaimed property; and making a violation of certain gift card prohibitions an unlawful trade practice."

- MOVED HB 64 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 104

SHORT TITLE: WORKERS COMP. MEDICAL TREATMENT FEES

SPONSOR(S): LABOR & COMMERCE

01/30/09	(H)	READ THE FIRST TIME - REFERRALS
01/30/09	(H)	L&C
02/09/09	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 64

SHORT TITLE: GIFT CARDS

SPONSOR(S): REPRESENTATIVE(S) GATTO, GARDNER, GRUENBERG

01/20/09 (H) PREFILE RELEASED 1/16/09
01/20/09 (H) READ THE FIRST TIME - REFERRALS
01/20/09 (H) L&C, FIN
02/02/09 (H) L&C AT 3:15 PM BARNES 124
02/02/09 (H) Heard & Held
02/02/09 (H) MINUTE(L&C)
02/09/09 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

LINDA HALL, Director
Division of Insurance
Anchorage Office

Department of Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of
HB 104.

ROD BETIT, President

Alaska State Hospital & Nursing Home Association (ASHNHA)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 104.

REPRESENTATIVE CARL GATTO

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as joint prime sponsor of HB 64.

OTHER LEGISLATORS PRESENT

REPRESENTATIVE BERTA GARDNER

ACTION NARRATIVE

[3:17:50 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Neuman, Coghill, Chenault, Buch, Lynn, and Olson were present at the call to order. Representative Gardner was also in attendance.

HB 104-WORKERS COMP. MEDICAL TREATMENT FEES

[3:18:10 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 104, "An Act adjusting certain fees for treatment or services under the Alaska Workers' Compensation Act to reflect changes in the Consumer Price Index; and providing for an effective date."

3:19:04 PM

LINDA HALL, Director, Division of Insurance, Anchorage Office, Department of Community & Economic Development (DCCED), stated that HB 104 is "the medical fees bill." She explained that Alaska Statutes (AS) 23, Workers' Compensation provides that charges for medical treatment and services are regulated by the Workers' Compensation Board. She related that standards set by the board are listed in the physician fee schedule. She provided a history of the physician fee schedule. She offered that legislation passed in 2005 that repealed the methodology for setting maximum medical fees, and froze the 2004 physician fee schedule. Additionally, in 2007, legislation passed that extended the 2004 physician fee schedule until March 31, 2009, and applied a consumer price index (CPI) increase. She highlighted that in March 2009, the physician fee schedule will expire. The effect will be to remove the cap on medical fees. She further explained that the overall impact is detailed in an attachment in committee member's packets prepared by the National Council on Compensation Insurance, Inc. (NCCI), titled "Analysis of the sunset of the Alaska Physician Fee Schedule Effective March 31, 2009." She related the handout provides a fairly technical analysis of what the "fee cap" means.

MS. HALL explained that the NCCI makes "lost cost filings" with the Department of Commerce, Community, & Economic Development (DCCED) Division of Insurance (DOI). These filings ultimately generate workers' compensation premiums, she stated. She referred to the last page of the analysis provided in member's packets, page 16, which she said covers the period from April 1 through December 31, 2009. She explained that the lack of a cap on physician fees would have a 5.2 percent impact on the overall Workers' Compensation system costs in Alaska. She interpreted that to mean that Workers' Compensation premiums would be that much higher. She offered that this analysis provides one piece of the filing that the DOI approved for the January 1, 2009 rates. In the event this cap is reenacted, the potential exists that rates could be decreased, she opined. Ms. Hall stressed that she would like to see the physician fee cap extended. She further explained that the projected increase is 5.2 percent.

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MS. HALL provided some 2006 statistics regarding the Workers' Compensation premiums. She pointed out that an Oregon study indicates that Alaska's premiums were rated highest. She highlighted that Alaska still is ranked number one in the 2008 ranking, which means that Alaska's employers on average are paying higher workers' compensation premiums than any place else in nation. She pointed out costs of the Workers' Compensation benefit system. She offered that in 2007, medical fees in Alaska comprised 71 percent of the entire Workers' Compensation benefit cost. "I'm not talking about premiums, but the cost of the system, 71 percent goes to medical fees," she said. However, during that same time period in 2007, of the approximately 35 NCCI states, the percentage averages at 59 percent. Thus, Alaska's medical fees are 12 percent higher than other NCCI states. She expressed concern over high employer rates. She highlighted that if the physician fee schedule expires, those rates could potentially rise.

MS. HALL offered her belief that HB 104 applies a straight forward solution. She recalled that the change in the bill is identical to the 2007 legislation that passed, which kept the current physician fee schedule and applied a consumer price index (CPI) percentage increase applicable from 2004 to 2008. She directed members to an index in their packets, titled "Consumer Price Index, Medical Care Component - All Urban Consumers; U.S. City Average". She explained that each year contains a medical care component increase. She explained that the physician medical fee schedule would increase by that amount. She pointed out that the DOI is not requiring providers to forego an increase in fees. Ms. Hall highlighted that the issue this bill addresses is time sensitive since the current schedule expires on March 31, 2009. She stressed the importance of passing HB 104 prior to that date to ensure that the schedule does not expire.

MS. HALL opined that the solution is not perfect. She pointed out that it does not include common procedure terminology codes, which would entail listing several thousand codes for various medical procedures, such as the codes that most medical offices currently use. She explained those codes are typically considered billing codes, which is how the old fee schedule was organized, she stated. However, she explained that new billing codes are also generated each year. Thus, the physician fee schedule itself and the billing codes are not updated by HB 104, since the bill does not create a standard billing and coding

system. Therefore, this bill does not provide a permanent solution. However, she offered her belief that HB 104 does provide some control over medical costs and buys some time for stakeholders to work towards a permanent solution. She related that currently the DOI's biggest concern is the cost of workers' compensation coverage, which is driven by the cost of claims. She urged members to support HB 104.

[3:26:57 PM](#)

CHAIR OLSON informed members that a companion bill should be introduced in the Senate sometime this week.

[3:27:11 PM](#)

REPRESENTATIVE NEUMAN asked for the effect this bill would have on specific fees that doctors charge patients.

MS. HALL answered that under the CPI increase, doctors will be allowed to charge higher fees, but this bill places a cap on fees that doctors can charge. She explained the formula is similar to compound interest.

MS. HALL, in response to Representative Coghill, referred to page 2, line 6 of the bill, and explained that the December 31, 2010 date would act as a sunset date for the bill. She explained that at that time, the physician fee schedule and the CPI increases proposed by HB 104 would expire. She further offered that the DOI generally holds a public rate hearing in September of each year for rates to be effective on January 1 of the following year. Thus, the March expiration date listed in the 2007 legislation is awkward since it does not mesh with the rate-making cycle, she stated.

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ROD BETIT, President, Alaska State Hospital & Nursing Home Association, stated that the Alaska State Hospital and Nursing Home Association offers its support for HB 104. He stated that without passage of HB 104, prices would automatically increase since the State of Alaska (SOA) does not have the discretion to set a different reimbursement mechanism. Thus, the effect would be to cost insurers more, as well as increase employer's Workers' Compensation premiums. He opined that the bill offers a temporary solution by extending the date an additional year and a half. He recalled that former Senator Seekins created a task force charged with finding a permanent solution. However,

that task force dissolved when his term expired. He related that currently the responsibility for medical fees rests with the Department of Labor & Workforce Development (DLWD), along with a medical review committee. He said he hopes that the medical review committee will make recommendations for a permanent reimbursement for the legislature to consider.

[3:32:35 PM](#)

CHAIR OLSON offered that his office has not received any opposition to the bill. After first determining that no one else wished to testify, Chair Olson closed public testimony on HB 104.

REPRESENTATIVE COGHILL stated his interest in finding a more permanent solution. He suggested that the committee may wish to work with the DLWD to tackle the issue during the legislative interim.

[3:33:54 PM](#)

REPRESENTATIVE COGHILL moved to report HB 104, Version 26-LS0427\R out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 104 was reported from the House Labor and Commerce Standing Committee.

[3:34:08 PM](#)

The committee took an at-ease from 3:34 p.m. to 3:36 p.m.

HB 64-GIFT CARDS

[3:36:29 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 64, "An Act relating to gift certificates and gift cards, and to unclaimed property; and making a violation of certain gift card prohibitions an unlawful trade practice."

[3:36:37 PM](#)

REPRESENTATIVE GATTO, Alaska State Legislature, speaking as one of the joint prime sponsors of HB 64, stated that this bill has previously been before the House Labor and Commerce Standing Committee for a hearing. He recalled subsequent discussions

with the members who had questions about the bill. He offered to answer any additional questions members may have.

3:37:05 PM

CHAIR OLSON, after first determining that no one wished to testify, closed public testimony on HB 64.

3:37:26 PM

REPRESENTATIVE COGHILL recalled his earlier questions about the perpetuity provision in HB 64. He referred members to page 3, line 18, then stated that the bill sponsors have answered his questions. He related his understanding that when a person purchases a gift card, a certain amount of money is exchanged. Thus, the value of the gift card should remain the same over time. Therefore, he said he removes any objections he previously had with HB 64.

3:38:13 PM

REPRESENTATIVE NEUMAN moved to report HB 64, Version 26-LS0201\E, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 64 was reported from the House Labor and Commerce Standing Committee.

3:38:33 PM

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:38 p.m.