

**ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE**

April 8, 2009

8:05 a.m.

MEMBERS PRESENT

Senator Bettye Davis, Vice Chair
Senator Charlie Huggins
Senator Donald Olson
Senator Gary Stevens

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 174

"An Act relating to professional student exchange program availability and conditions for loan forgiveness."

MOVED CSSB 174(EDC) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 174

SHORT TITLE: PROF STUDENT EXCHANGE LOAN FORGIVENESS

SPONSOR(s): SENATOR(s) MENARD

04/01/09	(S)	READ THE FIRST TIME - REFERRALS
04/01/09	(S)	EDC, FIN
04/01/09	(S)	REFERRED TO EDUCATION
04/08/09	(S)	EDC AT 8:00 AM BELTZ 211

WITNESS REGISTER

SENATOR MENARD

Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of SB 174.

DIANE BARRANS, Executive Director

Alaska Commission on Postsecondary Education (ACPE)

POSITION STATEMENT: Answered questions on SB 174.

PAT CARR, Section Chief

Health Planning and Systems Development

Department of Health and Social Services (DHSS)
POSITION STATEMENT: Answered questions on SB 174.

DR. DAVE LOGAN, DDS
Alaska Dental Society
POSITION STATEMENT: Supported SB 174.

DR. MARK PRAETER, President
Alaska Dental Society
POSITION STATEMENT: Supported SB 174.

JIM POWELL, Executive Director
American Dental Society
POSITION STATEMENT: Supported SB 174.

ACTION NARRATIVE

[8:05:36 AM](#)

VICE CHAIR BETTYE DAVIS called the Senate Education Standing Committee meeting to order at 8:05 a.m. Present at the call to order were Senators Olson, Huggins, Stevens and Davis.

SB 174-PROF STUDENT EXCHANGE LOAN FORGIVENESS

[8:05:52 AM](#)

CHAIR DAVIS announced SB 174 to be up for consideration.

[8:05:58 AM](#)

SENATOR MENARD, sponsor of SB 174, said this measure will boost the number of Alaska's health care providers by making it more financially feasible and attractive for a recent graduate to come back to the state. The Washington, Wyoming, Alaska, Montana and Idaho Program (WWAMI) currently provides for educational opportunities for medical students, but not for dentists, pharmacists, and optometrists. This is where SB 174 comes into play.

She said there is no doubt about Alaska's shortage of dentists especially in rural Alaska. She said a well-crafted loan forgiveness program will entice Alaskans graduating in dentistry, pharmacy and optometry to come home to their careers. SB 174 accomplishes this by setting requirements for loan forgiveness. Working with the Western Interstate Commissions for Higher Education (WICHE), residents will be able to attend professional health care programs not offered in Alaska's university system. WICHE is a regional organization adopted in the 1950s; its purpose is to create resource sharing among

higher education systems in the American West. This bill establishes a minimum number of supported Alaskans participants in dentistry, pharmacy and optometry. It also sets the loan interest rate for the postsecondary education loan at 5 percent and provides a 0 percent interest while participating in the school period. SB 174 will establish a forgiveness program entitlement up to 25 percent for participants who meet these criteria: they must accept Medicaid for not less than 5 percent of their total average gross billings of the year; they can get an additional 25 percent forgiveness if they maintain a practice that serves an underserved population in Alaska.

SENATOR MENARD summarized that it is not secret how very expensive dental schools are and Nevada is even considering closing its dental school. She said that dental equipment for schools is much more expensive than for medical schools; so she didn't see that Alaska would ever be able to provide a dental school.

[8:11:10 AM](#)

SENATOR HUGGINS moved to adopt the proposed committee substitute (CS) to SB 174, labeled 26-LS0764\ S, as the working document.

CHAIR DAVIS objected for discussion purposes.

[8:12:04 AM](#)

SENATOR HUGGINS asked if the 5 percent interest rate is standard or if it varies.

DIANE BARRANS, Executive Director, Alaska Commission on Postsecondary Education (ACPE) answered that this language would set a fixed interest rate in statute that would apply to the entire repayment period of the loan program.

SENATOR HUGGINS asked if this applies to other loan programs she administers.

MS. BARRANS replied the interest rate for loans financed through the Alaska Student Loan Corporation is reset annually; the current rate on the Alaska Supplemental Education Loan is 7.3 percent. This is fixed for the life of the loan; the new loans would be reset in the next year. This would have no impact on the corporation's ability to set the interest rate on any other program except the Professional Education Exchange Program.

One concern may be that this program is being overlaid on an existing professional student exchange loan program that applied

to fields other than dentistry, pharmacy and optometry. It would impose that interest rate as well as the zero interest period on the other fields that are being supported by the Student Loan Corporation. When they finance loans through the Student Loan Corporation, they need interest to accrue during the entire period of the borrowing. The corporation needs the ability to set that rate in such a fashion that those loans can be financed through the capital markets.

SENATOR HUGGINS said it makes more sense to not set the rate in statute, but to have an adjustment factor.

8:15:49 AM

MS. BARRANS remarked that fixing interest rates below market rates is a policy call for the legislature; this would be funded by the general fund.

8:16:25 AM

SENATOR STEVENS said he feels this is a slippery slope. What they are really doing is saying these particular occupations are especially needed, but he has heard that about teachers, doctors, dentists, and engineers. How do they logically decide who needs it the most?

MS. BARRANS replied that the proposal before them is somewhat different in that it doesn't forgive other education loans. The only debt this benefit applies to is the extra debt these students are incurring by paying support fees. She explained that the Professional Student Exchange Program works is that it is managed by the WICHE organization, but it's one of three student exchange programs. It is the only one that has a per-student support fee paid by the sending state to the receiving institution. That is above what the student is already incurring as a tuition cost. In the case of dentists, that is a little over \$18,000/yr. What they get in exchange for that support fee is preferential consideration for admission into that graduate program. This might actually be considered leveling the playing field between the professions that are offered through the University of Alaska or other institutions in Alaska and ones that are not available in Alaska.

SENATOR STEVENS asked if there are other occupations they should consider for this type of help.

MS. BARRANS answered yes; this bill originally addressed all of the fields that currently provide support fees through a loan mechanism. So they would just shift from a student loan

corporation funding model to a general fund (GF) funding model. That has now been narrowed to three occupations. One reason is that the UA is working on developing a partnership to deliver physician assistant training. She wasn't sure what the rationales were for eliminating occupational therapy and podiatry; physical therapy wasn't included.

MS. BARRANS explained that the fiscal note hadn't changed for the CS.

[8:19:42 AM](#)

SENATOR OLSON said obviously they are all concerned about the unsustainability of the budget, but they need to be more concerned about the health care industries that affect the health and welfare of the state's aging population which is increasing than other professions that don't involve life and death situations. He asked what happens to the interest rate when the students are in residency.

MS. BARRANS replied that the interest accrues during residency, but these three occupations don't require residency.

SENATOR OLSON asked if a student is eligible who wants to go on to oral surgery, for instance, that has residency.

[8:23:23 AM](#)

MS. BARRANS replied yes; as the bill is written.

SENATOR OLSON said the fiscal note goes from zero during 2010 to double that in 2011, and asked if she really anticipated that great a participation.

[8:24:00 AM](#)

MS. BARRANS replied it is quite possible because so many advantageous terms are made available. She prepared the fiscal note with the full complement of students for each of the occupations. The bill provides for a minimum number of seats to be supported each year; and to the extent that the legislature were to appropriate more money, more students could be funded.

SENATOR OLSON asked what the return rate is now for students participating in the program and what the expected return rate is once this program is implemented.

[8:25:03 AM](#)

MS. BARRANS replied that she did not have return rate statistics, but she would get the figures from the WICHE office.

Right now participants who are borrowing the support fee don't have an obligation to return to Alaska.

[8:25:25 AM](#)

VICE CHAIR DAVIS said the fiscal note was based on a 7.5 percent interest rate and it is now 5 percent. Wouldn't that change the fiscal note?

MS. BARRANS replied that the interest rate is not reflected at all in the fiscal note. It is just the amount of the support fee for the five seats per field of study listed in the original bill. What would impact the fiscal note (considerably, she thought) would be the elimination of the other fields that were required to be supported.

[8:26:06 AM](#)

SENATOR STEVENS asked if keeping track of the forgiveness for treating Medicaid patients and underserved Alaskans was a function of her office.

MS. BARRANS replied that her division has no capacity or expertise to do that work. They would rely on the Department of Health and Social Services (DHSS) for the information in section AS 14.44.042 (2)(a). With respect to attestation to comply in (2)(b) they would likely require independent third-party documentation that the provider had done that at their expense.

MS. BARRANS also stated that the Department of Law indicates that the bill's current provision about the providers maintaining their license to practice in the state could be problematic for providers who are working for a federal agency in the state. The license requirement poses a potential conflict with the supremacy clause of the U.S. Constitution; the federal government sets standards for its own employees, which may not include state licenses. In that case, those individuals would not be eligible for the forgiveness provisions.

[8:28:23 AM](#)

SENATOR OLSON explained that this issue has to do with licensure of federal facilities. Many of those people are commissioned corps and are already under a program that looks out for them financially.

[8:28:53 AM](#)

PAT CARR, Section Chief, Health Planning and Systems Development, Department of Health and Social Services (DHSS), said the department, her section in particular, is currently

preparing applications for underserved areas; they do that in the course of their work. They are usually determined to be a "medically underserved area," a federal designation. Those designations are used for establishment of community health centers in the state that can apply for federal funds. The designation of "underserved area" calculates in a provider/population ratio as well as several other factors.

They also use medical assistance information by provider. So in their bill analysis, the department, through the commissioner, can identify these underserved areas or the percentage of participation of a provider in medical assistance as criteria for working with providers and can work with the Division of Postsecondary Education in determining it. They also identified that there is no fiscal note, because this kind of work is already ongoing with a number of providers, especially now with the reduced number of providers in this group.

[8:30:49 AM](#)

VICE CHAIR DAVIS asked if the Department of Health and Social Services provided information indicating a shortage in these occupational fields.

MS. CARR replied that they have identified shortages of dentists and pharmacists. She would have to find information on optometry. Part of the question is whether the state has an adequate number of providers; and the other part is the distribution of providers. But they have identified almost all of their areas as having shortages right now.

[8:31:27 AM](#)

SENATOR OLSON asked where physicians stack up in the priority list of professional shortages in Alaska.

MS. CARR said she didn't have that answer, but she could get it from the vacancy study they did several years ago.

SENATOR OLSON said it was his understanding that physicians, pharmacists and dentists were the top 3 or 4.

MS. CARR agreed that those are very high need categories.

SENATOR OLSON asked if the DHSS maintains oversight of the (2)(b) provisions in AS 14.44.042 so they can see if the provider is measuring up to the underserved standard.

MS. CARR replied that currently they don't look at it in that regard, but they have the capability of doing that to support this particular bill.

SENATOR STEVENS said he appreciates the attempt to address the Medicaid problem the state is facing, but 5 percent seems a little small. Does it actually do us any good?

MS. CARR replied that most providers already see Medicaid participants.

SENATOR STEVENS asked if she had the percentage of Alaskans who are on Medicaid.

MS. CARR replied yes, but she would have to get that for him.

[8:34:30 AM](#)

SENATOR STEVENS said he'd appreciate that.

SENATOR HUGGINS amended that it would be nice to see what the gross billing actually equates to in terms of number of patients so the state will know what it is getting for its money.

MS. CARR said she would have to do some research to answer that question.

[8:36:36 AM](#)

VICE CHAIR DAVIS thanked the members for bringing up these questions. She agreed that the state needs more of these providers, but the big problem is that many of them, especially dentists, won't take Medicaid or Medicare participants because that system doesn't pay enough, and this bill doesn't address that problem.

[8:38:25 AM](#)

DR. DAVE LOGAN, DDS, Alaska Dental Society, supported SB 174. He said that he attended dental school through the WICHE program, and can speak to the success of the program in bringing students back to the state. Most dentists under 50 years of age were born here, went out to go to school, and have come back. This is his 20th year of practicing here. He explained that Medicaid pays about 50 percent of what others pay; and 5 percent Medicaid really represents 10 percent of practice volume, which is a palatable number.

[8:40:29 AM](#)

SENATOR OLSON said he's unfamiliar with residency requirement for oral surgeons.

[8:40:53 AM](#)

DR. LOGAN replied that it would depend on the specialty. There is a general practice residency for dentists that lasts one year, but it's not mandatory for licensure. General practice residency (GPR) lasts one year and provides some specialized training; oral surgery is the most at four years of additional training and the rest are anywhere from two to three years.

SENATOR OLSON asked if there is a shortage of oral surgeons in Alaska and should something be done to bring them back.

[8:42:07 AM](#)

DR. LOGAN answered that Alaska has a shortage of every specialty. We probably don't have a major need for an oral pathologist, but otherwise we are short of everything else.

[8:42:41 AM](#)

SENATOR HUGGINS asked what happens to the Medicaid patients after the five years.

DR. LOGAN replied that his hope is that if new practitioners start out treating Medicaid patients, those patients will become part of their practice. The financial incentive that the bill contains will help defray some of the costs that will make it more feasible for a new practitioner with a heavy debt load.

[8:44:14 AM](#)

SENATOR HUGGINS asked how many Medicaid patients that would be per practitioner.

DR. LOGAN replied that would be about 3 Medicaid patients per day for an average dental practice of 30/day - 12 patients per week.

[8:45:10 AM](#)

SENATOR HUGGINS asked what Medicaid would pay for a root canal, for instance, and what would the actual charge be.

DR. LOGAN replied that Medicaid pays about \$400 for a molar root canal and he normally charges \$1150.

[8:45:48 AM](#)

SENATOR STEVENS asked if Medicaid has been reimbursing doctors that amount consistently for a long time. Would that amount be addressed at the federal level at some point?

[8:46:29 AM](#)

DR. LOGAN replied that last year is the first year in eight that there was an increase in Medicaid fees for dentists. There is no statutory requirement that those be reviewed regularly so he doesn't know.

SENATOR STEVENS wondered if the 5 percent clause would be problematic if the fee changes.

DR. LOGAN replied if the fee doesn't increase for a long time, the 5 percent would become more and more difficult in real numbers. If the adult supplemental system in HB 26 passes, that takes away a large pool of money that is available for dentists for treating Medicaid patients.

[8:48:07 AM](#)

SENATOR HUGGINS asked him to explain the effects of HB 26.

DR. LOGAN replied that HB 26 removes the sunset date from the end of this fiscal year on the adult supplemental Medicaid system.

[8:48:46 AM](#)

DR. MARK PRAETER, President, Alaska Dental Society, supported SB 174. He was born and raised in Alaska and had to leave to attend dental school. He has practiced here for 32 years. This bill offers students a good incentive to come back to Alaska and to serve the state's underserved populations. He remarked that some of the other practitioners they have mentioned are covered through other programs, which is one of the reasons they were removed from this bill. Podiatry, for instance, is covered through WWAMI.

[8:51:10 AM](#)

SENATOR OLSON asked if he knew the number of applicants who applied to dental school that didn't get into any programs, and had to find a different way to make a living.

DR. PRAETER replied he didn't have that information, and he wasn't sure how to get it. But anecdotally, one of his associates has a son who has applied and is on the waiting list for three dental schools right now. He's willing and able and

excited to do this and would be happy to enter this kind of program.

SENATOR OLSON asked how many dentists actually work 24 hours a day when they are on call.

DR. PRAETER replied that those are the dentists who practice in a hospital setting. His office is on call 24 hours a day, but the hospital in the Mat-Su Valley where he practices has a couple of oral surgeons who take calls. He is not required to do that.

[8:53:33 AM](#)

SENATOR HUGGINS asked if he knew of any other incentive programs in other states that they might want to look at.

DR. PRAETER said some other states have incentive programs, but he doesn't have a lot of detail about them.

[8:55:31 AM](#)

JIM POWELL, Executive Director, American Dental Society, said he has nothing to add, but that he will research the questions that have been raised.

He didn't know how many changed from having a dental career due to financial issues, and he wasn't sure that information was available. He does not have specifics about other state programs in front of him, but 44 other states have some kind of incentive program designed to entice these practitioners to their state because all states have shortages.

[8:58:01 AM](#)

VICE CHAIR DAVIS closed public testimony. She said there are some loose ends in the bill and asked Senator Menard to come back up to address them.

[8:59:24 AM](#)

SENATOR MENARD said she would take the bill back to her office and try to get some of these questions answered. She reminded the committee that there is no residency for these three fields; practitioners can go right to work after school. She feels strongly and is aware of how hard it is to get into dental school; there are six dentists in her family. She feels that the medical profession is already covered nicely under WWAMI.

[9:01:06 AM](#)

SENATOR OLSON asked if these three fields require an admissions test, like the LSAT.

SENATOR MENARD answered yes for all three fields. Pharmacy is a little different, but there is a test.

[9:03:02 AM](#)

SENATOR HUGGINS moved to report CSSB 174(EDC) from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

[9:03:35 AM](#)

There being no further business to come before the committee, Vice Chair Davis adjourned the meeting at 9:03.