

SENATE FINANCE COMMITTEE

April 8, 2009

4:35 p.m.

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CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 4:35 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Johnny Ellis
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Senator Gene Therriault; Representative Bill Thomas; Diane Barrans, Executive Director, Postsecondary Education Commission, Department of Education and Early Development; Jerry Burnett, Deputy Commissioner, Division of Treasury, Department of Revenue; Tom Obermeyer, Staff, Senator Bettye Davis; Senator Bettye Davis; Linda Hall, Director, Division of Insurance, Department of Commerce, Community and Economic Development; Miles Baker, Staff, Senate Finance Committee.

PRESENT VIA TELECONFERENCE

Lee Donner, Managing Director, First Southwest Company, Consultant, Student Loan Corporation, Department of Education and Early Development; Dr. Jeanie Anderson, Katmai Oncology; Shiela Tallman, Premera Blue Cross/Blue Shield of Alaska; Hanna Smith, Self, Fairbanks; Dr. Mary Stewart, Medical Oncologist, Denali Oncology Group, Anchorage; Emily Nenon, Alaska Government Director, American Cancer Society; Dr. Lathasubarian; Pat Luby,

Advocacy Director, Alaska Association of Retired Persons (AARP), Anchorage.

SUMMARY

SB 10 "An Act requiring health care insurers to provide insurance coverage for medical care received by a patient during certain approved clinical trials designed to test and improve prevention, diagnosis, treatment, or palliation of cancer; directing the Department of Health and Social Services to provide Medicaid services to persons who participate in those clinical trials; relating to experimental procedures under a state plan offered by the Comprehensive Health Insurance Association; and providing for an effective date."

SB10 was HEARD and HELD in Committee for further consideration.

SB 75 "An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date."

SB 75 was HEARD and HELD in Committee for further consideration.

CS HB 172(FIN)

"An Act relating to an investment in the education loan fund; relating to authority for the commissioner of revenue to enter into a bond purchase agreement and letter of credit with the Alaska Student Loan Corporation; and providing for an effective date."

CS HB 172(FIN) was HEARD and HELD in Committee for further consideration.

#hb172

HOUSE BILL NO. 172

"An Act relating to an investment in the education loan fund; relating to authority for the commissioner of revenue to enter into a bond purchase agreement and

letter of credit with the Alaska Student Loan Corporation; and providing for an effective date."

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DIANE BARRANS, EXECUTIVE DIRECTOR, POSTSECONDARY EDUCATION COMMISSION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, explained that the legislation allows the Alaska Student Loan Corporation (ASLC) to partner with the Department of Revenue to provide interim financing for the purpose of originating student loans. As a result of the continuing disruption of the capital markets, ASLC has been unable to issue student loan backed bonds to finance new student loans. Internal liquidity was used to finance \$95 million in new originated loans for 2008 - 2009, but these funds will be exhausted by the 2009-2010 loan year. House Bill 172 allows the commissioner of the Department of Revenue to invest directly in student loans with an investment cap of \$100 million. The ASLC would have to repay the obligation in no more than five years.

Ms. Barrans said that this legislation would also authorize the commissioner to provide a liquidity facility or letter of credit. Under current market conditions, the cost to acquire a letter of credit or liquidity facility in order to issue variable rate bonds is so high that ASLC would be unable to make student loans available on an economic basis under existing statute. The liquidity facility or letter of credit would act as a standby bond purchase agreement that would allow ASLC to issue bonds that would be attractive to investors.

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Ms. Barrans noted that the department has suspended applications for the 2009-2010 academic year. The suspension will continue until the loan financing situation is resolved.

JERRY BURNETT, DEPUTY COMMISSIONER, DIVISION OF TREASURY, DEPARTMENT OF REVENUE, explained that the Alaska Student Loan Corporation had come to the department over a year ago for assistance in securing funding and liquidity for the loan program. Mr. Burnett furthered that discussions ensued with the Office of Management and Budget and all options were carefully considered. A direct appropriation from the General Fund, specifically the GeFONSI pool (General Fund

and Other Non-segregated Investments) up to \$100 million was concluded to be the workable solution. He elaborated that the plan would use GeFONSI funds to directly invest in the Corporation's loan fund and create a liquidity facility to back the loans. The GeFONSI pool has a current balance of \$7.2 billion and in the last 14 years has never dropped below \$600 million. The department is confident the pool could support the \$206 million provided for in the legislation as illiquid investments. He stated that the department would charge the corporation interest at market rates on the loan, and still earn the 15 basis point fee on the credit facility, which would allow it to continue to invest in other securities.

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Co-Chair Stedman asked if Power Cost Equalization (PCE) funds were included in the GeFONSI fund. Mr. Burnett replied that the PCE endowment is not in the fund, however some PCE funds are in the baseline group.

Co-Chair Stedman asked for clarification regarding the baseline group. Mr. Burnett responded that the baseline group contains funds that retain a relatively stable balance over time, such as the Oil & Hazardous Substance Response Account. The GeFONSI fund also contains approximately 100 other funds, including the general fund, the statutory budget reserve and the capital income account.

Co-Chair Stedman requested additional backup and detailed information regarding the composition of the GeFONSI Fund. Mr. Burnett replied that he would obtain and distribute the information. He added that GeFONSI is currently comprised of \$2.4 billion unrestricted general funds and \$4.8 billion of other encumbered funds. He emphasized that GeFONSI is a pooled investment fund. Co-Chair Stedman inquired if the \$2.4 billion fund contained the Constitutional Budget Reserve (CBR) and the Statutory Budget Reserve (SBR). Mr. Burnett replied that only the SBR is included in the \$4.8 billion pool of other funds. Co-Chair Stedman remarked that the committee has concerns regarding liquidity of the funds.

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Co-Chair Hoffman asked what the returns on the funds amounted to over the last year. Mr. Burnett replied that he did not have that information with him but would make it available to the committee. Co-Chair Hoffman requested that Mr. Burnett estimate the amount. Mr. Burnett reported that the returns were positive; mostly short term, fixed income investments.

Co-Chair Stedman reiterated his questions regarding PCE funds. Mr. Burnett clarified that PCE was removed from GeFONSI and a separate PCE endowment was created in 2005.

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Co-Chair Hoffman asked for details concerning the guidelines and schedule ASLC has to repay the loan funds. Mr. Burnett replied that the details of repayment had not been negotiated. The funds will be backed by student loans and the intent is to have the corporation refinance the loans as soon as capital markets allow.

Co-Chair Hoffman noted the breakdown of student loans; 60 percent in state and 40 percent out of state. He asked if the same ratio is expected if the plan is approved. Ms. Barrans remarked that she did not expect the composition of borrowers or borrowing behavior to change due to the funding source. She suggested that there may be an increase in the percentage of loans for attendance in Alaska primarily due to the impact the current economic crisis has on families.

Co-Chair Hoffman asked if a preference were given to students who remain in Alaska. Ms. Barrans reported that there is no preference to students to access the loans but a preferred interest rate of one-half percent is granted to students who return to or attend in Alaska.

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Co-Chair Stedman wondered what the number of student loans is anticipated to be issued by next June. Ms. Barrans estimated 12,000 loans would be issued at a total loan volume of \$85 - \$95 million. Co-Chair Stedman asked if \$100 million will be sufficient. Ms. Barrans expounded that the corporation believes this approach is significant enough to avoid another appropriation request next year. She stated that if the market disruption continues and the corporation

could not successfully issue bonds in the interim that this proposal, allowing for the internal receipt of funds, potentially provides enough funds through the 2010-2011 cycle. She believes ASLC will be able to issue debt within the next six months via variable rate demand bonds.

Co-Chair Stedman cited the Department of Revenue's fiscal note (DOR 4) analysis and asked for an explanation of what fiduciary duties apply and how that will earn a return to the state. Mr. Burnett explained that the bill requires that the bridge loan to the corporation be backed by student loans. Therefore, the department will enter into a contractual agreement with ASLC that states the terms of repayment of the principle with interest. The loan to the corporation will be over collateralized with respect to the default rate on student loans and an origination fee will be charged.

Co-Chair Stedman asked how internal policies and procedures will be addressed. Mr. Burnett stated that new policies will be created to be consistent with the fiduciary requirements of the legislation. He explained that current policies would not allow for the investment concentration in one asset [student loans] that the bill establishes.

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Co-Chair Stedman requested the schedule of outstanding student loans. Ms. Barrans replied that as of December 31, 2007 the balance of outstanding alternative student loans was \$561 million with \$81 million of student loans in default. She explained that she could provide a report containing additional characteristic information and a summary of the status of the outstanding student loans.

Co-Chair Hoffman requested the information include a breakdown between in-state and out-of-state students. Co-Chair Hoffman asked what other states provide state loans that allow students to attend out-of-state institutions. Ms. Barrans replied that all other state's alternative loan programs allow portability. Co-Chair Hoffman wondered if they were similar to the ASLC program. Ms. Barrans stated that they are all similar in many respects. She exemplified New York State's loan program that contains a fund to guarantee those loans against default as an example that while some elements of other states programs might be different they all allow portability.

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Co-Chair Stedman cited the April 7th letter from ASLC (Copy on File) to the committee. He asked for clarification of the information submitted to the committee specifically to the requested sum of \$100 million for approximately 12,000 loans and what amount will be issued within the next year. Ms. Barrans replied that it would be over a period of one to two years depending on loan volume. She guessed that the volume will drop slightly due to the tightened credit standards being implemented. She expected the amount to total close to \$85 million next year. Co-Chair Steadman requested the discussion focus on the issues as they relate to a one year period.

Co-Chair Stedman asked Mr. Burnett to explain if the economic crisis credit seize up as it relates to the Alaska housing issue earlier this year causes exposure for the state and if it still has an effect on current credit conditions. Mr. Burnett responded that except for the period of last September through December there has not been a serious liquidity issue that cannot be met by existing credit providers such as Alaska Housing Finance Corporation. He stated that DOR is not considered a credit provider.

Co-Chair Stedman queried the corporation for other ideas, solutions, and options rather than soliciting for state funds.

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Ms. Barrans answered that the corporation along with their financial advisor had studied solutions other states employed to solve this problem. She said that each case required some financial support from their state. She reiterated that the dilemma is that the capital markets the student loan entities would be accessing, without dependence on their state are no longer available at an affordable cost. The other option discussed was for the state to finance the program with a direct appropriation from the general fund for a period of time. The option was rejected because the ASLC program was initially created to avoid dependence on the use of state general funds and the variability of those funds from one year to the next. Ms. Barrans stressed that this market disruption is

unprecedented. Co-Chair Stedman surmised that there are not a lot of alternative solutions available.

Senator Huggins asked for the interest rates on in-state and out-of-state loans. Ms. Barrans answered that the interest rates are 6.8 percent for in-state and 7.3 percent for out-of-state alternative loans. She added that the loans offered through the federally guaranteed Stafford loan program present the lowest risks to the corporation and can be offered at interest rates of 6 percent or below.

Senator Huggins asked what the interest rates will be in 2010-2011. Ms. Barrans expected rates to remain in the same range. She said there was a statutory cap of 8.25 percent.

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Co-Chair Hoffman requested the amount that the corporation was able to sell the bonds for and at what interest rates over the previous five years. Ms. Barrans replied she would provide the information.

Co-Chair Stedman asked if this bill was the only option available to fund higher education in Alaska.

LEE DONNER, MANAGING DIRECTOR, FIRST SOUTHWEST COMPANY, CONSULTANT, STUDENT LOAN CORPORATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (via teleconference), explained that the provisions of the legislation is to provide interim financing and a stand-by bond purchase agreement or letter of credit. He stated that if this strategy works the corporation should be able to access capital markets and raise capital in the open markets, within the next six months to finance the FFELP (Federal Family Education Loan Program) and fixed rate alternative loans. The combined financing of both types of loans would allow the corporation to repay the interim financing. He agreed with Ms. Barrans that other states options to the loan crisis all involved direct intervention, albeit different approaches. Other plans vary in costs to the state ranging from direct appropriation, to risk of general obligation coverage on the debt, to plans similar to Alaska's with the little associated risk. He exemplified the state of Texas direct involvement to grant the state's general obligation to the bondholders. The debt becomes a general obligation of the state of Texas. In contrast, Alaska's plan has no cost to the state, if the bond

purchase agreement or letter of credit is adequately rated as anticipated, and has the potential of generating revenue. He noted that in the event that the state has to purchase the bonds there is an applicable interest rate that the bonds bear to the state during the length of time the state owns the bonds.

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Co-Chair Stedman referred to the historic balance of the GeFONSI account indicated on the graph provided in the DOR handout (copy on file) and asked what the minimum balance was since 1996. Mr. Burnett replied that the minimum balance was \$600 million. Co-Chair Stedman asked when the \$100 million tied up as liquidity would be a risk to the state especially if there are repeated requests for additional appropriations. Mr. Burnett stated that he was comfortable with an amount well below \$600 million. Co-Chair Stedman recapped that the department is comfortable with the \$100 million request but repeated appropriations are not advisable. Mr. Burnett agreed that this amount would cause concern after two years.

Ms. Barrans reminded the committee that \$100 million is a maximum cap, not per annum request. She explained that the \$100 million could be expended over a period of more than one year. She added that the corporation does not expect to request additional funds.

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Co-Chair Hoffman asked if the economy continues to falter would the department return to the legislature and request additional loan guarantees. Mr. Burnett replied that if the markets continue to fail over a two year period the student loan corporation will need to consider more extreme measures such as termination of the program. He emphasized that the state could not continue to loan under those circumstances.

CSHB 172(FIN) was HEARD and HELD in Committee for further consideration.

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AT EASE

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RECONVENED

#sb10

SENATE BILL NO. 10

"An Act requiring health care insurers to provide insurance coverage for medical care received by a patient during certain approved clinical trials designed to test and improve prevention, diagnosis, treatment, or palliation of cancer; directing the Department of Health and Social Services to provide Medicaid services to persons who participate in those clinical trials; relating to experimental procedures under a state plan offered by the Comprehensive Health Insurance Association; and providing for an effective date."

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TOM OBERMEYER, STAFF, SENATOR BETTYE DAVIS, SPONSOR explained that the legislation requires health insurance providers in Alaska cover the costs of routine care, incurred to a patient participating in an approved clinical trial relating to cancer. He expounded that the insurer is required to provide coverage only if the patients physician determines there are no superior existing treatments available and the pre-clinical data shows a reasonable expectation that the clinical (investigative) treatment is as efficacious as conventional therapy. Mr. Obermeyer then read from the Sponsor Statement (Copy on File):

Clinical trials are research studies that test how well new medical approaches work in patients. Each study answers scientific questions and tries to find better ways to prevent, screen for, diagnose, or treat disease. Patients who take part in cancer clinical trials have an opportunity to contribute to the knowledge of, and progress against cancer. They also receive state-of-the art treatment from experts in the field. The National Cancer Institute, as part of the U.S. National Institutes of Health, reports 6,000 cancer trials in the United States any one time. They include trials in prevention, screening, diagnosis, treatment, quality-of-life, and genetic studies.

CSSB 10 removes important barriers to the participation of patients in cancer clinical trials in Alaska. It requires that applicable health care plans, including Medicaid, cover routine patient care costs for patients enrolled in all phases of clinical

trials, including prevention, detection, treatment, and palliation (supportive care) of cancer. Currently Alaska health plans may exclude coverage for routine patient-care costs while a patient with cancer is enrolled in a clinical trial. Providers of health care plans often conclude that money is saved by excluding care while patients participate in clinical trials. But these patients, if not enrolled in clinical trials, will continue to receive conventional therapy at roughly the same or slightly increased costs in the short-run.

Over 2600 Alaskans are diagnosed with cancer each year. In FY 2007 an estimated 4,600 patients received cancer treatments through Alaska's Medicaid program at a cost of \$21.5 million. The average payment per beneficiary was about \$4,675. The federal government reimburses the state at about 50% of the total costs. Without in-state facilities and support of clinical trials participants in Alaska currently have to travel out of state, increasing the cost of non-emergency transportation which is about 3% of total Medicaid costs.

Studies have shown that only 2% to 3% of adult cancer patients and less than 0.5% Medicare patients enroll in clinical trials of the approximately 20% who are eligible -largely due to fear of denial of insurance. A recent study found only slight increase in treatment costs for adult clinical trial patients compared to nonparticipants, \$35,418 versus \$33,248 or about 6.5% increase in costs for clinical trial participants compared to nonparticipants. Even if enrollment was increased to the full 20%, it is unlikely that these numbers will significantly impact overall costs to health plans. See National Conference of State Legislatures, "Clinical Trials: What are States Doing? February, 2009 Update:"
www.ncsl.org/programs/health/clinicaltrials.htm.

Twenty-three or more states have passed legislation or instituted special agreements requiring health plans to pay the cost of routine medical care patients receive while participating in clinical trials. Passage of CSSB 10 will result in more successful outcomes in cancer treatments in Alaska, increase retention of patients in Alaska for their cancer care,

and also, after full implementation, result in cost savings in the short and long term.

A description of "The Access to Cancer Clinical Trials Act of 2009" H.R. 716, 111th Congress 2009-2010, (Rep. Sue Myrick) per "The Hill's Congress Blog" January 30, 2009 sums up to a large extent what CSSB 10 is attempting to do:

Clinical trials are so critical for patients and or medical research, yet many patients find that their health insurance won't cover the rest of their routine cancer treatment if they decide to enroll in clinical trials. We're not asking insurance companies to pay for clinical trials. This bill simply states that insurers must continue to pay for routine treatments - that they would be paying for regardless - if patients enroll in a clinical trial.

No patient should ever have to fear exploring all treatment options at the cost of losing coverage. We should be encouraging participation in clinical trials, not discouraging it by removing coverage for routine care. Were it not for patients who have enrolled in past trials, the medial advancements we've experienced toward finding a cure for cancer would not be possible.

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Mr. Obermeyer noted that there are two zero fiscal notes; Department of Commerce, Community and Economic Development and Department of Health and Social Services.

Senator Olson wondered who besides a university is carrying out these clinical trials. Mr. Obermeyer stated he was not able to answer. He offered that the trials must be approved by agencies like the National Institute of Health or the Department of Defense and are held to defined standards.

Senator Olson asked why an insurer would refuse to cover costs if the clinical trials are funded by a university. Mr. Obermeyer clarified that the clinical trial costs are paid for by the research entity conducting the trial. He stated that this legislation would ensure that associated medical costs to the patient are covered. An example would be a follow up visit with the patient's own oncologist.

Senator Thomas asked if the bill provides coverage for all stages of the clinical trial. Mr. Obermeyer affirmed. Senator Thomas noted that the bill does not require the insurer to pay for charges that would not be covered if no insurance existed or otherwise reimbursable charges.

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Co-Chair Hoffman stated that he provides health care coverage for his employees in his personal business. He addressed concern about the rising costs of premiums. He cited a letter from Premera (copy on file) dated April 7th that states concerns that the legislation would force a premium increase for small group and individual policyholders. He asked about keeping the premium costs down for providers.

Mr. Obermeyer responded that overall cost may not be that great. He related that presently cancer patients needing treatment are getting their routine treatments covered by their insurance provider. Insurers might realize a cost savings by allowing patients participation in trials. Routine follow up care is required regardless of whether a patient participates in a trial or not. He summarized that SB 10 requires that routine follow up care charges will be covered if a patient chooses to participate in a clinical trial and the trial will not be considered experimental by the insurer. He felt passage of the legislation was in the best interest of the patient and advancement of medicine.

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SENATOR BETTYE DAVIS, responded to Co-Chair Hoffman's question. She affirmed that she had been contacted by Premera stating their concerns that not all phases of a clinical trial be covered [phases 1 and 4]. She emphasized that based on doctor's testimony in the Senate Health Social Services committee from around the state they determined that all phases are important and that their costs are being overstated by insurers. She qualified that Premera did not enter into a constructive dialogue with her office regarding the legislation except to recommend the exclusion of those two phases.

Co-Chair Stedman asked if the legislation has an impact on state employees. Senator Davis answered that it has no

impact on state employee plans. She explained that when state employee plans come up for review in July they may opt in to new programs.

Co-Chair Hoffman cited the Premera letter of April 7th, 2009. He reported that Premera's concerns are for treatment efficacy and patient safety.

Mr. Obermeyer spoke to the concerns raised in the Premera letter dated April 7th, for mandatory coverage for phases one and four. He pointed out that in phase one trials are offered to a very limited number of participants. The medications administered are done typically to determine safe dosage levels. Many of the drugs administered are approved by the FDA. He stated that phase four trials generally involve follow up paid for by the pharmaceutical firms to determine the efficacy of the treatment. He concluded that given the small number of participants any added expense to insurers would be minimal. He reminded the committee that oncologists advised extending insurance coverage to all phases of the trial. They agreed it would be in the best interest of the patient and based on their experience additional cost is minimal.

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Co-Chair Stedman referred to page 2, line 29 and asked for clarification. He wondered if this alluded to experimental treatments received in phase one trials. Mr. Obermeyer pointed out that the section, starting on line 27, describes exclusions to the bill. Co-Chair Stedman stated that he was under the impression that all phase one trials are experimental.

Mr. Obermeyer reiterated that many drugs used in phase one trials already have FDA approval. He exemplified that in one trial an approved drug for colon cancer was administered to a brain cancer patient with positive results.

Senator Olson asked if stem cell research is included in this bill.

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Mr. Obermeyer believed it was not.

Senator Huggins cited a letter from the NFIB dated January 20th, (copy on file) that the legislation excludes state employee plans. He opined that if it excludes government plans it does not provide a level playing field. Senator Davis asserted that the bill will require Medicaid to provide coverage but does not mandate the state to participate. She reasoned that the state might opt in because it is in the best interest of the employees.

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DR. JEANIE ANDERSON, KATMAI ONCOLOGY (via teleconference), testified in support of the legislation. She clarified an earlier discussion regarding clinical trial settings. She said that most of the clinical trials in Alaska are also open to participants throughout the country in university and community institutions. All of these institutions require that the routine medical costs are covered by the patient's insurer. This is care the patient would receive regardless of whether one is a participant in a study or not.

Dr. Anderson noted that Medicare has included coverage for clinical trial participation since 2000. She countered the concerns raised by Blue Cross/Blue Shield by asserting that patient safety and efficacy of treatment is maximized by patient participation in clinical trials without any significant cost increase. The medical community benefits by maximizing cancer treatment knowledge without increasing costs. She included details in previous written testimony. [Testimony on SB 280, from 4/3/08 was provided to the committee by Senator Davis (copy in file).]

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SHIELA TALLMAN, PREMIERA BLUE CROSS/BLUE SHIELD OF ALASKA (via teleconference), testified in opposition to the legislation. She referenced the letter of April 7, 2009 to the committee and reiterated Premera's concerns mandating phases one and four of clinical trials. She considered phase one trials experimental and questioned whether all policy holders should be funding basic development of these drugs, devices and procedures for the manufacturer. Patient safety must also be considered. In phase four trials, Premera would cover medically necessary treatment only if existing medical treatments are not determined more effective. She surmised that mandates can increase the cost

of health insurance. Specific costs will be difficult to project in this instance.

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HANNA SMITH, CANCER RESEARCH REGISTERED NURSE, FAIRBANKS (via teleconference) testified in support of the legislation. She recounted an experience with her hospital's participation in a clinical trial deemed beneficial for a patient. She asserted that the administrative costs incurred to appeal the patient's four previous denials by the insurer was the only related cost increase. It cost the insurer substantially less to cover the patient as part of the trial.

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DR. MARY STEWART, MEDICAL ONCOLOGIST, PRESIDENT, DENALI ONCOLOGY GROUP, ANCHORAGE (via teleconference), spoke in support of SB 10. She echoed the importance and benefits of phase one and four clinical trials, especially the knowledge gained by the medical oncology community for new and more effective beneficial cancer treatments. She emphasized that trials do not cost more.

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EMILY NENON, ALASKA GOVERNMENT RELATIONS DIRECTOR, AMERICAN CANCER SOCIETY CANCER ACTION NETWORK (via teleconference), stated support for the legislation. Ms Nenon cited a paper, submitted by The American Cancer Society (ACS) (copy on file). The paper compiled results that determine costs associated with routine cancer care provided in a clinical study are comparable to the costs of standard care. She emphasized the importance of covering all phases of the trial treatment. She believed the legislation would protect patients while maintaining access to insurance and quality care.

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DR. LATHASUBARIAN, MEDICAL ONCOLOGIST, ANCHORAGE, SELF (via teleconference), testified in support of SB 10. She emphasized that insurers have been a barrier to patient's participation in clinical trials. She asserted the necessity of clinical trials in cancer research as the only

way to develop new lifesaving or life extending therapies. She concluded that the medical and societal benefits of the research and care advancements discovered in clinical trials are immeasurable.

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PAT LUBY, ADVOCACY DIRECTOR, ALASKA ASSOCIATION OF RETIRED PERSONS (AARP), ANCHORAGE (via teleconference), testified in support of SB 10. Mr. Luby pointed out that if patients pay health insurance premiums they should have the right to the coverage paid for that includes routine cancer care.

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LINDA HALL, DIRECTOR, DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, spoke specifically to the issue of mandated programs and the costs associated with mandates. Ms. Hall stated she did not know what the cost of the program would be for health care insurers. She noted with regards to the zero fiscal note for the Division of Insurance (FN 2) that it is only a reflection of their administrative costs. She suggested the committee analyze the benefit of the mandate and segment of the population being served in relation to any increase in premium costs. Ms. Hall referred to a pie chart, "Health Coverage of Alaska's Population" (copy on file) and noted the 32% unregulated segment. She reiterated that this legislation would only impact the individual and small group rate payers reflected mostly in this group. The small group segment consists of small private sector employers who are likely to drop employee health coverage as premium costs rise. She concluded by suggesting the committee examine the broader picture of who the mandate benefits and what segment of the population bears the cost.

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Senator Ellis queried about the logic of a cancer victim requesting participation in a clinical trial but being denied payment for routine treatments by the insurance company even if it is cost effective to the insurer.

Ms. Hall conjectured that there may have been costs beyond the routine care being offered. She contended that she can not explain insurance company logic. Senator Ellis restated his earlier point and alleged that the insurer was acting

unethically. Ms. Hall stated that different insurance companies have different coverage forms particularly for individuals and small groups that potentially contain adverse selection. She pointed out that Alaska's statutes provide for oversight and review. If a procedure or trial is not covered, it has a specific exclusion and contractual provision known in advance.

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Senator Ellis argued that he would have been reluctant to support the legislation if it mandated coverage for experimental procedures with extravagant associated costs. He emphasized that the bill requires coverage for routine care that the patient is entitled to and has paid for in their premiums and that the insurer's payment denials are indefensible.

Senator Huggins referred to the January 20th letter stating that the legislation is a mandate to small business and not to programs provided by the state. He asked Ms. Hall if this was accurate. Ms. Hall affirmed. Senator Huggins wondered why the legislation is not a mandate to all state plans. Ms. Hall responded that the state plan is not considered insurance and is not regulated by the Division of Insurance. She explained that the mandate in the legislation is specific to Title 21 oversight, which has no regulatory authority over the various state plans. She pointed out that the legislature and or collective bargaining units could choose to include coverage of the mandate in the select benefits section of the state's plans.

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Senator Olson referred to cancer treatment and the three common treatments: chemotherapy, surgical, and radiation. He asked if the plan covers all three.

Senator Davis replied that she did not know the answer. She shared that the bill has circulated through the legislature for three years. She felt that participation in these programs is very important and lifesaving. She felt that the bill has been thoroughly vetted from the health and insurers' standpoint and determined cost is minimal to the insurer. She asked for the Committee's consideration of SB 10 in a timely manner.

SB 10 was HEARD and HELD in Committee for further consideration.

[6:19:37 PM](#)

AT EASE

[6:27:43 PM](#)

RECONVENED

#sb75

SENATE BILL NO. 75

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date."

[6:27:55 PM](#)

Senator Hoffman MOVED to ADOPT Work Draft 26-GS1003\C, Kane, 4/8/09. There being NO OBJECTION, it was so ordered.

MILES BAKER, STAFF, SENATE FINANCE COMMITTEE, explained that the appropriations in version C, CSSB 75(FIN) are depicted in the summary handouts "2009 Capital Budget Agency Summary, Senate Structure" and "Capital Budget Statewide Totals, Senate Structure" (copies on file). He explained that the various columns correspond to the sections noted in the CS.

[6:33:22 PM](#)

Mr. Baker called attention to the Funds Transfer section on page 62, Section 14, subsections (a) through (e). He called attention to subsection (a) the transfer of income from the Amerada Hess earnings to the capital income fund estimated at \$21 million. He also pointed out that Section 17, page 64, contains the legislative re-appropriations based on lapsing or unexpended unobligated prior year appropriations based on consultations with each individual member broken out by House district.

Mr. Baker cited Section 37, page 75 the re-appropriation of legislatures lapsing operating appropriations from Legislative Council, Legislative Budget and Audit Committee, and legislative operating appropriations. He summarized that most of the re-appropriated money will be spent on capital improvements in the Capitol Building and

noted that \$300,000 is re-appropriated to Legislative Council to develop a statewide energy plan.

[6:36:03 PM](#)

Mr. Baker noted that Section 39, page 76, delineates the appropriations of the federal Coastal Impact Assistant Program. He explained that these funds are to help mitigate the impact of oil and gas development. The larger boroughs in the state receive 35 percent of the funds directly via a federal designation, Coastal Political Subdivisions. This group is expected to receive approximately \$29 million. The amount that is passed through the state is estimated to be \$53.6 million. The distribution of these funds is detailed in Section 39.

[6:39:29 PM](#)

Co-Chair Stedman summarized that the capital bill totals approximately \$1.8 billion, which includes the DOT federal economic stimulus funds. He stated that out of the \$1.8 billion roughly, \$483 million are state funds and \$1.3 billion are federal funds. This bill produces less spending than the administration's original proposal of \$513.14 million.

Co-Chair Stedman voiced that this capital budget represents a balance between the need to stimulate the economy without consuming the state's savings accounts too precipitously.

CSSB 75 was HEARD and HELD in Committee for further consideration.

[6:42:57 PM](#)

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ADJOURNMENT

The meeting was adjourned at 6:42 PM.