

ALASKA STATE LEGISLATURE
SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

April 3, 2009

1:32 p.m.

MEMBERS PRESENT

Senator Bettye Davis, Chair
Senator Joe Paskvan, Vice Chair
Senator Fred Dyson
Senator Johnny Ellis

MEMBERS ABSENT

Senator Joe Thomas

COMMITTEE CALENDAR

SENATE BILL NO. 38

"An Act relating to insurance; removing references, definitions, and confidentiality of information provisions relating to managed care entities, substituting health care insurers in the former role of managed care entities, and amending the definitions of 'covered person,' 'managed care plan,' and 'utilization review,' as those terms relate to the administration of managed care insurance plans; authorizing persons to act as pharmacy benefits managers subject to oversight by the division of insurance; and amending the definition of 'health care insurer' as it relates to health care insurance."

MOVED SB 38 OUT OF COMMITTEE

SENATE BILL NO. 156

"An Act relating to the Interstate Compact for Juveniles; relating to the State Council for Interstate Adult and Juvenile Offender Supervision; amending Rules 4 and 24(b), Alaska Rules of Civil Procedure; and providing for an effective date."

MOVED SB 156 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 38

SHORT TITLE: PHARMACY BENEFITS MANAGERS; MANAGED CARE

SPONSOR(s): SENATOR(s) ELTON

01/21/09 (S) PREFILE RELEASED 1/9/09
01/21/09 (S) READ THE FIRST TIME - REFERRALS

01/21/09 (S) HSS, L&C, FIN
04/03/09 (S) HSS AT 1:30 PM BUTROVICH 205

BILL: SB 156

SHORT TITLE: COMPACT FOR JUVENILES; INTERSTATE COUNCIL
SPONSOR(s): SENATOR(s) MCGUIRE

03/18/09 (S) READ THE FIRST TIME - REFERRALS
03/18/09 (S) HSS, JUD
04/03/09 (S) HSS AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

KRISTEN BRESSETTE

Staff to Senate District B [former Senator Kim Elton's district]

POSITION STATEMENT: Presented the sponsor statement for SB 38.

LINDA HOFFMAN

Division of Insurance

Department of Commerce, Community & Economic Development

POSITION STATEMENT: Present on teleconference for SB 38.

PAT SHIRE, Director

Division of Retirement and Benefits

Department of Administration

POSITION STATEMENT: Answered questions on SB 38.

LINDA HALL, Director

Division of Insurance

Department of Commerce, Community & Economic Development (DCCED)

POSITION STATEMENT: Did not want to comment on SB 38 at this time.

DAVID BALTO, anti-trust attorney, and

Senior fellow at the Center for American Progress

POSITION STATEMENT: Supported SB 38.

GERALD BROWN, representing himself

POSITION STATEMENT: supported SB 38.

DIRK WHITE, Secretary

State Board of Pharmacy

POSITION STATEMENT: Supported SB 38.

BARRY CHRISTENSEN, Co-chair

Alaska Pharmacists Association

POSITION STATEMENT: Supported SB 38.

SENATOR HOLLIS FRENCH
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of SB 38 for former Senator Elton.

TREVOR FULTON
Staff to Senator McGuire
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Presented sponsor statement for SB 156.

TONY NEWMAN, Social Services Program Officer
Division of Juvenile Justice
Department of Health and Social Services (DHSS)

POSITION STATEMENT: Supported SB 156.

CAROL BRENCLE, Chair
Alaska Juvenile Justice Advisory Committee (AJAC)

POSITION STATEMENT: Supported SB 156.

ACTION NARRATIVE

[1:32:53 PM](#)

CHAIR BETTYE DAVIS called the Senate Health and Social Services Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Dyson, Paskvan and Davis.

SB 38-PHARMACY BENEFITS MANAGERS; MANAGED CARE

[1:33:22 PM](#)

CHAIR DAVIS announced consideration of SB 38.

KRISTEN BRESSETTE, staff to Senate District B [former Senator Kim Elton's district], read the sponsor statement. She said that SB 38 would regulate and bring transparency to the business practices of pharmacy benefit managers (PBM) in Alaska. They are the largely unregulated drug middle men that administer the prescription drug benefit portion of health insurance plans for governments, private companies and unions. The three major PBMs are Medco, CVS Care Mart, and Express Scripts. Premera Blue Cross Blue Shield, the State of Alaska's health insurance provider has a contract with Medco to administer prescription drug benefits for state employees. Sixteen states as well as the District of Columbia have enacted laws regulating the operation of PBMs.

PBMs determine what drugs are on the preferred drug list or formulary - meaning which brands or drugs are covered for specific health insurance plan elected by an employer. Pharmaceutical manufacturers discount the preferred drugs to employers in exchange for volume usage. PBMs typically lower costs by designing benefits that incentivize the use of generics and lower cost delivery options like mail service pharmacies. Since large drug companies often pay large rebates for having their drugs on the preferred drug list, the PBM is in charge of passing that rebate back to the client. Some PBMs realize profits by employing a practice known as differential pricing where they charge an employer more for prescriptions than they pay the pharmacy. Some PBMs have gone to court regarding whether they were acting in the best interests of their clients when choosing or recommending different drugs and whether they are passing those rebate savings on to their clients.

The federal government and 20 states sued Medco and settled for \$184.1 million in 2006. Similar settlements have happened between 29 states and the District of Columbia and Express Scripts for \$9.3 million and up to \$200,000 to affected patients in May 2008, and between 28 states and the District of Columbia and CVS for \$41 million in February 2008. Since litigation is so costly other states have led the way with legislation regarding the business practices of PBMs and it's time for Alaska to do the same.

[1:37:03 PM](#)

Sectional Analysis:

MS. BRESSETTE said the first 12 pages, Sections 1-16, are cleanup language for the Division of Insurance because multiple terms were used. It changes a "managed care entity" to "health care insurer". AS 21.07.100, Section 17 on pages 12-19, the heart of the bill, requires a PBM to operate under the terms of a written agreement and maps out the scope of what benefits a PBM can manage and what matters can't be included in an agreement. I requires PBMs to act as a fiduciary.

AS 21.07.105 prohibits certain activities by PBMs; one of the main issues is influencing the prescriber's choice of therapy. AS 21.07.110 states the terms under which an agreement between a PBM and a pharmacy may be terminated. AS 21.07.115 designates a method for determining reimbursement payments to pharmacies (based on national model legislation). AS 21.07.120 on page 16 establishes time limits for payments, prohibits and extrapolation audit as a condition of participating in the

contract. An extrapolation audit is an audit of a sample of prescription drug benefit claims submitted by a pharmacy to the entity conducting the audit. It is then used to estimate audit results for group claims not reviewed the auditor - a big concern.

AS 21.07.125 on page 17 requires the health care insurer to disclose to a covered person the relationships among the PBM, the health care insurer and the covered person. AS 21.07.130 requires a PBM to disclose information to the covered person related to the substitution; it requires a PBM to compensate a health care insurer for a benefit received by the PBM as a result of the substitution.

AS 21.07.135 on page 18 maps out the complaint process (already in Division of Insurance statutes). AS 21.07.140 prohibits compensation to a PBM based on claim experience; rather payments are based on total number of claims paid or processed. AS 21.07.145 requires a PBM to disclose to a health care insurer the financial arrangement between the PBM and a drug manufacturer; it requires the PBM to disclose whether there is a difference between the price paid to a retail pharmacy and the amount billed to the health care insurer.

AS 21.07.150 on page 19 requires a PBM to register as a TPA, which is what most PBMs are already doing. AS 21.07.155 on page 19 requires a PBM to pay to register as a third-party administrator. AS 21.07.160 - for the purpose of applicability the state and bargaining units are health care insurers; therefore they have to comply with all these provisions. Section 18 on page 19 requires the covered individual to comply with utilization review guidelines. Section 19 is another cleanup having to do with a "managed care entity" being changed to "health care insurer". Sections 20-23 on page 21 rewrite the definition of utilization review, another cleanup item using a more standard definition that is suggested by the National Association of Insurance Commissioners. Section 24 repeals references to managed care entity for consistency.

[1:43:18 PM](#)

SENATOR DYSON said he suspected the administration's reservations were primarily with Section 17, and that might not be an area this committee wanted to get into.

CHAIR DAVIS responded that the sponsor told her she would like a CS and would prefer that it be done in the Labor and Commerce Committee.

1:45:44 PM

SENATOR DYSON asked if this bill reflects what other states have done particularly with the agreements and arrangements in Section 17.

MS. BRESSETTE replied that this bill is based on model legislation that has been modified by the Division of Insurance to fit within its framework.

SENATOR DYSON asked how this piece of legislation eliminates the problems that everyone has heard about.

MS. BRESSETTE replied that ultimately it brings transparency, because pharmacy benefit managers are the middle man and there are lots of unanswered questions about what is going on including litigation.

SENATOR DYSON said in many areas a successful contractor who provides a service gets uneasy if all of their internal financial affairs become a part of the public record, and asked if this legislation would raise those concerns.

MS. BRESSETTE replied that their plan is to start the conversation and bring all of the stakeholders to the table during the Interim.

SENATOR DYSON said he thinks she just said yes, and that he would like to hear from the administration.

1:48:05 PM

LINDA HOFFMAN, Division of Insurance, Department of Commerce, Community & Economic Development, indicated she was present via teleconference.

1:48:38 PM

PAT SHIRE, Director, Division of Retirement and Benefits, Department of Administration, said he would answer questions on SB 38.

SENATOR DYSON said he understands that the administration may feel that section 17 is not in the best interests of the client base, and asked him to speak to that.

MR. SHIRE responded that portions of section 17 seem to undo some of the benefits of having a network and those could increase costs in the administration of the plan. Some other

language raises concerns about sharing proprietary business information that a contractor may have; and he has not had a chance to speak to the contractors associated with the state. It may create some disincentives for PBMs to continue to work in Alaska or make it impossible for the state to get the kind of discounts it has enjoyed over the past period.

SENATOR DYSON asked if this would mean some pharmacies or pharmacists in a given area would not be able to provide prescriptions to state employees, for instance.

MR. SHIRE answered no; under the current situation pharmacies can provide benefits to state employees or retirees that are covered by the plan. The point of sale process is more straight forward for those that are in network pharmacies. If an individual covered by these plans wanted to do business with someone outside the network they are able to go in and make their transaction over the counter, pay for the prescription and seek reimbursement. In that case, there are no price controls on the amount the pharmacist can charge or the amount that would be reimbursed or, at least, very few. The contract provides not only point of sale convenience for the customer, but it's the item that allows some network savings. He didn't see this measure as changing access.

SENATOR DYSON said it just changes one protection against the hassle of having to apply for the reimbursement as opposed to just paying the co-pay.

[1:52:36 PM](#)

MR. SHIRE said that is unclear; he wasn't sure how the PBM's would respond to this.

SENATOR DYSON asked if he has had any contact with other states that have enacted similar legislation.

MR. SHIRE said they try to remain aware of what other states are doing, but have no information on this point. He is aware that some suits have been brought in other jurisdictions with Medco and usual and customary disputes with some states using Engenics (database), but he has no details.

SENATOR DYSON said he specifically wants to know what the result of this model legislation has been in other states. He added parenthetically that a detailed audit of Alaska's PBMs is going on now.

[1:54:40 PM](#)

SENATOR PASKVAN remarked that he understands the PBM's are supposed to be acting for the benefit of the state of Alaska.

MR. SHIRE replied that the state's current contract has a single point of business relationship with its third-party administrator, Premera Blue Cross/Blue Shield. Medco is their subcontractor. In this case Premera is obligated to act in the state's best interests for its active and retiree health plans. They have network saving, sharing contractual language which has allowed the state to realize savings. The contract between Premera and Medco has rebate-sharing contractual agreements that are passed on to the state.

SENATOR PASKVAN said he wanted to make sure that if the state has entered in to a primary contract with Premera, that their subcontractors have the same requirement to act in the state's best interests.

MR. SHIRE said he would also assume that Premera would try to ensure that is the case, and even though the state may not have access to all of the details of the subcontract, they would try to make sure that the contract clearly states their obligation to pay claims at as low a cost as possible within a certain number of days and have a high accuracy rate, as well.

SENATOR PASKVAN asked if Premera and Medco's obligation is to secure the best price for the state of Alaska.

MR. SHIRE replied that he couldn't make a blanket statement without looking at the details first. Was he asking if Medco is contractually obligated to pass along any subsequent discounts it receives from drug providers to the state?

SENATOR PASKVAN responded that he was focusing on whether in a general contract sense, Premera and Medco are operating within the general covenant of good faith and fair dealing and secondarily, if there is a fiduciary relationship or if that would be an additional obligation.

MR. SHIRE said the third-party administrator absolutely has a fiduciary responsibility and the trust fund has third-party fiduciary responsibilities to the third-party administrator in the contract. But he couldn't tell him what he wanted to know about the fiduciary relationship between Medco and Premera without seeing further contractual language.

[1:59:14 PM](#)

SENATOR PASKVAN asked if Premera or Medco disclosed the differences in pricing it was able to receive to ensure that the savings could be passed through to the state.

MR. SHIRE replied they recently heard some complaints from local pharmacies and added some detailed audit investigation procedures specifically designed to reveal what type of relationship those two have contractually and in fact. They are awaiting the results of that audit within the next three or four months. As far as they know, they are acting in the state's best interest.

SENATOR PASKVAN asked if that information might be proprietary.

MR. SHIRE said he could not say based on his limited knowledge of contract law and the business relationship between the two.

[2:01:14 PM](#)

CHAIR DAVIS asked if he was not supportive of the legislation because he is waiting for the results of the audit.

MR. SHIRE replied that he would be cautious about supporting any bill that increases the cost of the health plan up to \$77 million, but he needed more information.

CHAIR DAVIS asked if he would know after the audit and if he needed anything else.

MR. SHIRE said they are interested in the results of the audit; but the bill as it is increases the cost to the health plan, and that is a concern.

CHAIR DAVIS said it might be worth it; it could turn out to be a net gain. She asked him to explain how it would work if it was working correctly.

[2:03:47 PM](#)

MR. SHIRE replied if it is working correctly the PBM is negotiating with pharmaceutical manufacturers and suppliers for volume discounts and creating a formulary that is a list of preferred medications used to treat certain maladies that doctors may prescribe. Some are brand name issues; some have minor differences in the actual make up of the drugs. By creating formularies and negotiating quantity discounts the PBM should pass along reduced costs. That may not show up in a co-pay, but it would show up in the amount of "pharmacy spend" in

the plan, itself, that affects plan assets, which for the active plan results in increased monthly contributions for the employer and employee in the future. In terms of the retiree plan, it would increase the amount of money that the health trust funds will need from year to year, which would affect both normal costs and the unfunded liability.

He said, "If it works well, discounts are flowing to the plan and the plan is benefiting and individuals are benefits in foregone costs." It's possible that there would be additional savings that did not flow to the plan, but some parts of this bill would remove the ability to enforce discounts that flow from the network. One is the provision that allows individuals to opt out of that pricing structure, which would cause prices to rise.

CHAIR DAVIS asked when Medco's contract with Premera expires.

MR. SHIRE replied about June 30 of this year. There has been an intent to present an award letter to Wells Fargo.

SENATOR PASKVAN remarked that one portion of this bill seeks to impose fiduciary relationships on a PBM, and asked if he opposed the express establishment of that.

MR. SHIRE replied that was a good point; but it is not one he has fully explored.

[2:07:29 PM](#)

SENATOR PASKVAN asked if he had requested that the attorney general consult with him about acquiring information on this issue.

MR. SHIRE answered not yet, but he would if facts led him to believe there is malfeasance.

SENATOR PASKVAN said if it wouldn't be prudent to request the assistance of the AG while information is being acquired to see if the good faith or duties clauses have been breached.

MR. SHIRE said the department provided information to the auditors and asked them to tell them before the end of the audit if they see anything funny. They didn't, so they've kept the attorneys out of it.

SENATOR PASKVAN asked what type of information they might not have access to and how deep they were looking.

MR. SHIRE answered that every quarter they get detailed utilization reports from Premera and Medco, all of which are proprietary; so he felt they have access to all the information they need. There have been only a couple of instances in which a subcontractor has balked at providing information, but the state has always prevailed.

SENATOR PASKVAN remarked, "So as far as the state is concerned, nothing is proprietary."

MR. SHIRE said he wouldn't go that far.

SENATOR PASKVAN pressed that he wants to be assured the state is conducting in-depth audits.

SENATOR DYSON said he thinks the difference is that Mr. Shire said "everything they wanted" they have gotten, but Senator Paskvan is saying nothing is proprietary.

[2:12:59 PM](#)

LINDA HALL, Director, Division of Insurance, Department of Commerce, Community & Economic Development (DCCED), said she did not intend to make a statement at this time.

[2:13:21 PM](#)

DAVID BALTO, said he is an anti-trust attorney and a senior fellow at the Center for American Progress where he works on health care reform issues. He supported SB 38. He appended testimony to his written statement that summarized the major cases brought by over 38 state attorneys general against the various PBMs. He said the PBM market has chronic problems because of the significant lack of choice and lack of transparency. They are able to engage in a variety of deceptive practices which have cost consumers a tremendous amount of money. That is why these enforcement actions have secured over \$400 million in fines and penalties. He said this legislation is a refined approach trying to address those problems in a comprehensive fashion.

MR. BALTO explained regarding the prompt payment provision for pharmacies that PBMs engage in a variety of practices that harm pharmacies such as delaying payment or engaging in egregious auditing practices, and the legislation addresses those appropriately. Also, PBMs in the past have engaged in a variety of forms of substitution of drugs, not where the drugs are

necessarily lower cost or better for consumers, but simply because PBMs want to get a higher rebate.

This legislation doesn't prohibit that kind of substitution, but makes sure it is authorized by the doctor and makes sure that the consumer is fully informed about it. In general, this provision provides greater disclosure and greater choice for consumers and protects the rights of pharmacies.

2:19:02 PM

GERALD BROWN supported SB 38. It allows for freedom of choice and more transparency in showing where cost savings are - and it allows for those savings to be shared with the state. As it is right now that information is not shared with all insureds.

He explained that PBMs send messages to doctors to not use certain medications because they can get the others for a better price. This doesn't necessarily translate into health care benefits for the patient, but health care savings for the PBM that doesn't necessarily share those savings with the state.

MR. BROWN was particularly interested in language on page 13, line 29, section (d) where the co-pay is the same no matter where health services are received making it a patient's choice as to what they get and where they get health care. It is of economic benefit to residents to keep it in the state. However, he didn't know if this legislation would work under the ERISA programs.

He also said this transparency would allow the state and others to be able to see where drug companies would start to "cost shift."

2:24:16 PM

In answer to Senator Dyson's question about cost increases and lost revenue, the lost revenue would now be because the PBMs would have to share the costs with the employer or sponsoring body. That means less profit to the PBM, but at least it's honest profit.

Neither the UAA nor the Fairbanks North Star Borough School system reimburse non-network pharmacies for prescription services even though a person has health care coverage and needed a prescription filled.

He reminded Senator Paskvan that the transparency will allow savings and overall reduction in the cost of the plan.

Basically, SB 38 is trying to uncover the cost savings so it can be shared.

2:27:00 PM

SENATOR ELLIS joined the meeting.

DIRK WHITE, Secretary, State Board of Pharmacy, said he owns two pharmacies that employ about 30 full-time people, and supported SB 38. The Board was concerned that PBMs have been acting as pharmacists without the training to do that. These jobs include drug utilization reviews, formulary development and management, drug-to-drug interactions and drug-to-food interactions, and therapeutic drug substitutions. So, this bill will set standards for the PBMs as well as limiting the use of abusive contractual provisions that are used not to negotiate the reimbursement rates that PBMs say they "negotiate" with the independent pharmacies that in reality are "take-it-or-leave-it" propositions.

SENATOR DYSON asked aside from being able to provide better care for his clients, how will pharmacists in general benefit from this legislation.

MR. WHITE answered that profit is certainly a factor; he provides health care benefits to his employees. Also, when he fills a prescription and goes through an insurance claim he could end up with a denied reimbursement or get a message at the point of sale through the computer system that the patient needs prior authorization for the medication. Well, that patient may need to start the medication immediately, and the physician has already determined that. Yet the PBM is saying that it needs to hear from the doctor first - because maybe it doesn't fit into their formulary or they want to make a substitution because they get a kick back.

SENATOR DYSON asked how that benefits him.

MR. WHITE replied that his activities are paid by the PBM, not by Aetna or Premera. So, his contract says, for instance, they will get paid average wholesale price minus 15 percent plus dispensing fees (\$1-\$5). He would like to be paid a more equitable share of the profits the PBMs make.

2:33:12 PM

BARRY CHRISTENSEN, Co-chair, Alaska Pharmacists Association, said he is also a practicing pharmacist in Ketchikan, Alaska. It introduces standards to an industry that is currently not being

regulated in Alaska and it desperately needs it. It is their number one priority. He wanted to say that he heard the word "assumption" used several times, and he hoped this bill would take some of the assumptions out of the conversation.

[2:35:28 PM](#)

SENATOR FRENCH, sponsoring SB 38 for former Senator Elton, noted that the individual whom they really wanted to hear from was unable to testify due to technical difficulties. He gave credit to Senator Elton, who crafted this bill before he left and said he and his aide, Andy Moderow, would continue moving it through the process.

SENATOR DYSON asked if he is correct in understanding that a working group was going to be working on this issue during the interim.

SENATOR FRENCH answered yes; it is a complex topic. They know abusive practices are taking place in other states. They don't know that is happening in Alaska, but testimony from the retail pharmacists indicates they are being oppressed.

SENATOR PASKVAN moved to report SB 38 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

2:39

At ease from 2:39 p.m. to 2:41 p.m.

SB 156-COMPACT FOR JUVENILES; INTERSTATE COUNCIL

[2:41:27 PM](#)

CHAIR DAVIS announced consideration of SB 156.

TREVOR FULTON, staff to Senator McGuire, sponsor of SB 156, presented the sponsor statement. He said this bill was introduced at the request of the Division of Juvenile Justice, Department of Health and Social Services (DHSS).

He explained that SB 156 puts Alaska on the same page as 36 other states by adopting a new interstate compact on transfer of juveniles under court supervision across state lines, and that legislation is pending in at least four other states. The new compact was developed by the Council of State Governments in collaboration with the U.S. Office Juvenile Justice and Delinquency. If it is not adopted, the state could soon face serious and costly challenges in its ability to monitor

juveniles who come here from other states, including some who may be dangerous and a liability concern for Alaskan agencies. In addition, other states will be under no compunction to accept Alaskan juveniles who seek to visit or reside within their borders. Not adopting the compact would also likely result in requiring Alaska to form individual agreements with each state, which could prove to be time-consuming, expensive and far less effective.

[2:44:34 PM](#)

TONY NEWMAN, Social Services Program Officer, Division of Juvenile Justice, Department of Health and Social Services (DHSS), supported SB 156. He said his division is responsible for overseeing the implementation of the interstate compact for juveniles in Alaska. Every year the division oversees the comings and goings of about 160 juveniles to and from Alaska under court supervision. The existing interstate compact on juveniles has for several decades helped them do this, but they agree that an update to the compact is sorely needed. He echoed what Mr. Fulton said about this being a public safety issue as well as something needed to protect the welfare of juveniles in the communities in which they reside.

SENATOR ELLIS asked if this would be considered model legislation.

MR. NEWMAN replied he thought it would be safe to say that.

SENATOR PASKVAN said on page 24, the commissioner's duty to notify says it will take effect only if at least 34 other states ratified this model law, but then the memorandum says that 36 states have already ratified it. So, is language on page 24 meaningless?

MR. NEWMAN answered yes; that threshold has been reached and the compact is considered in active status around the country.

[2:47:51 PM](#)

Section Analysis:

MR. NEWMAN explained that Section 1 adds "and juvenile" to the State Council for Interstate Offender Supervision. This bill creates an in-state council to oversee the compact. The Department of Corrections already has an adult offender compact and a similar requirement for a state council; so one council will oversee both operations. Section 2 changes the number of council members from seven to nine; the two extra positions are

the commissioner of DHSS or designee and the compact administrator of the juvenile compact.

Section 3 deletes "uniform" and inserts "for" instead of "on". Section 4 is the body of the new compact itself. Section 5 changes the designator of the compact administrator from the governor to the commissioner of DHSS Services (DHSS) to reflect what actually happens now. It also adds a new section, Section 6, which designates the state Council for Interstate Adult and Juvenile Offender supervision to serve as the same council. Section 7 adds new section, which allows the DHSS to adopt regulations to implement the provisions of the chapter. Section 8 is a cleanup for clarity by the drafter. Section 9 states that the short title of this title may be cited as the Interstate Compact for Juveniles. Section 10 repeals the existing section - AS 47.15.050 - because it is already covered in the section governing the management of juvenile delinquents.

Section 11 changes the uncodified law of the state by adding new sections changing the name of the compact to the new Interstate Compact for Juveniles and changes that name in the Rules of Civil Procedure. Section 12 changes the uncodified law and adds a new section that applies old compact rules to states that haven't opted to join the new compacts in the transition period.

Sections 13 adds a new section that the court rule changes take effect only if approved by two-thirds of the majority of each house. Section 14 states that the compact takes effect only if at least 34 other states ratify this compact. Section 15 sets the effective date as either the day after the date on which the commissioner of DHSS or designee notifies the revisor of statutes that at least 34 states have ratified the new compact or July 1, 2009, whichever is earlier.

[2:52:02 PM](#)

MR. NEWMAN pointed out that this new compact means that Alaska would be expected to support establishment of an independent national compacting commission to support the compact activities; that doesn't exist right now. Alaskan representative would be appointed by the governor and Alaska would agree to be subject to the rules and requirements of the new compact developed by the members of the interstate commission. It would agree to collect and provide data and other information as requested by the commission, and to pay dues to participate in the national compact operation. And it would have to create a State Council for Interstate Juvenile Supervision.

SENATOR PASKVAN advised that there is a zero fiscal note.

[2:54:02 PM](#)

CAROL BRENCLE, Chair, Alaska Juvenile Justice Advisory Committee (AJAC), said she is an attorney in Kenai, Alaska, said they are an advisory board of Alaskan citizens appointed by the governor to oversee implementation of the federal Juvenile Justice and Delinquency Prevention Act within Alaska. They assure compliance to receive as much federal money as is available and advise the governor, the legislature and citizens on juvenile justice matters.

AJAC is proactive; they have discussed the importance of the Interstate Compact for Juveniles as it affects Alaska and the kids in the juvenile delinquency system. She said AJAC supported SB 156 and thinks it is extremely important that it passes promptly, because uniform laws make it much easier for states to work together.

She was also concerned that not adopting the compact soon would cost the state money. A letter from Representative Ramras in their packets refers to the fact that states that haven't enacted the new compact by December 2009 will not be able to transfer juveniles to and from states operating under the new compact at that time. This means the state would need individual memorandums of understanding for its kids to be transferred out of state. It is also extremely important to deal with juveniles on an immediate basis and not delay proceedings so that a child can be with a parent who can give him supervision and protection. Also, as an attorney, she realizes that other states will be making laws that affect Alaska.

[2:59:46 PM](#)

CHAIR DAVIS closed public testimony.

MR. FULTON stated that the House version of this bill did get a \$45,000 fiscal note from the Department of Health and Social Services (DHSS), but Mr. Newman said he could describe it for her.

CHAIR DAVIS asked if the House made changes to the bill.

MR. NEWMAN replied no, but he didn't know why it wasn't transmitted to the committee.

[3:01:17 PM](#)

SENATOR PASKVAN moved to report SB 156 from committee with individual recommendations and attached zero fiscal note(s) with the understanding that an amended fiscal note would catch up to it in the Judiciary Committee. There being no objection, the motion carried.

[3:01:42 PM](#)

There being no further business to come before the committee, Chair Davis adjourned the meeting at 3:01 p.m.