

ALASKA STATE LEGISLATURE
HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

February 28, 2012

3:06 p.m.

MEMBERS PRESENT

Representative Wes Keller, Chair
Representative Alan Dick, Vice Chair
Representative Bob Herron
Representative Paul Seaton
Representative Beth Kerttula
Representative Bob Miller

MEMBERS ABSENT

Representative Charisse Millett

COMMITTEE CALENDAR

CONFIRMATION HEARING(S):

State Medical Board

Camille Carlson - Fairbanks
Dr. Elizabeth Kohlen - Fairbanks
Dr. David Miller - Juneau
Dr. David Powers - Dillingham

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 310

"An Act temporarily reinstating the child and adult immunization program in the Department of Health and Social Services; and providing for an effective date."

- MOVED CSHB 310(HSS) OUT OF COMMITTEE

HOUSE BILL NO. 218

"An Act prohibiting an insurer from using a drug formulary system of specialty tiers under certain circumstances."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 310

SHORT TITLE: STATE IMMUNIZATION PROGRAM
SPONSOR(s): REPRESENTATIVE(s) HERRON

02/01/12	(H)	READ THE FIRST TIME - REFERRALS
02/01/12	(H)	HSS, FIN
02/14/12	(H)	HSS AT 3:00 PM CAPITOL 106
02/14/12	(H)	Heard & Held
02/14/12	(H)	MINUTE(HSS)
02/28/12	(H)	HSS AT 3:00 PM CAPITOL 106

BILL: HB 218

SHORT TITLE: PRESCRIPTION DRUG SPECIALTY TIERS
SPONSOR(s): HEALTH & SOCIAL SERVICES

03/31/11	(H)	READ THE FIRST TIME - REFERRALS
03/31/11	(H)	HSS, L&C
02/28/12	(H)	HSS AT 3:00 PM CAPITOL 106

WITNESS REGISTER

CAMILLE CARLSON, Appointee
State Medical Board
Fairbanks, Alaska

POSITION STATEMENT: As appointee to the State Medical Board, answered questions during the confirmation hearings.

ELIZABETH KOHNEN, MD, Appointee
State Medical Board
Fairbanks, Alaska

POSITION STATEMENT: As appointee to the State Medical Board, answered questions during the confirmation hearings.

DAVID MILLER, MD, Appointee
State Medical Board
Juneau, Alaska

POSITION STATEMENT: As appointee to the State Medical Board, answered questions during the confirmation hearings.

DAVID POWERS, MD, Appointee
State Medical Board
Dillingham, Alaska

POSITION STATEMENT: As appointee to the State Medical Board, answered questions during the confirmation hearings.

JILL LEWIS, Deputy Director-Juneau
Central Office
Division of Public Health

Department of Health and Social Services
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of
HB 310.

WARD HURLBURT, MD, Chief Medical Officer/Director
Division of Public Health
Central Office
Department of Health and Social Services
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of
HB 310.

MARIE DARLIN, Coordinator
AARP Capital City Task Force
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 310.

DENISE DANIELLO, Executive Director
Alaska Commission on Aging
Division of Senior and Disabilities Services
Department of Health and Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 310.

JANET OGAN, Staff
Representative Wes Keller
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As committee aide, presented HB 218 on
behalf of the House Health and Social Services Standing
Committee.

LEONARD SORRIN, Attorney
Director of Congressional and Legislative Affairs
Premera Blue Cross Blue Shield of Alaska
Seattle, Washington

POSITION STATEMENT: Testified in opposition to HB 218.

BRENDA ROBERTSON
Eagle River, Alaska

POSITION STATEMENT: Testified during discussion of HB 218.

ROBERT LADA, MD
Providence Alaska Medical Center
Anchorage, Alaska

POSITION STATEMENT: Testified during discussion of HB 218.

ANTONIA FIFLIS-FOWLER, Executive Director
Alaska Multiple Sclerosis Foundation
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 218.

ACTION NARRATIVE

[3:06:26 PM](#)

CHAIR WES KELLER called the House Health and Social Services Standing Committee meeting to order at 3:06 p.m. Representatives Keller, Miller, Kerttula, Herron, and Seaton were present at the call to order. Representative Dick arrived as the meeting was in progress.

CONFIRMATION HEARING(S): State Medical Board

[3:06:54 PM](#)

CHAIR KELLER announced that the first order of business would be the confirmation hearings for the State Medical Board.

[3:09:05 PM](#)

CAMILLE CARLSON, Appointee, State Medical Board, established that she had lived in Fairbanks for 45 years, and that she had served on the Board of Psychologist and Psychological [Associate] Examiners. She expressed her desire to continue service on a state board. She stated that she was conscientious and did not rubber stamp decisions.

[3:10:08 PM](#)

CHAIR KELLER asked why she was interested in serving on the board.

MS. CARLSON replied that she liked to be a good citizen, and that, as she was retired, she had the time.

[3:10:33 PM](#)

REPRESENTATIVE HERRON asked about the most difficult aspect of being a board member, and what had surprised her the most.

MS. CARLSON responded that she had been expected to grade examinations, and, as this was not her profession, it was more difficult.

MS. CARLSON, in response to Representative Herron, said that nothing had surprised her. She declared that, although it was a small 5 member board, it was what she had expected.

[3:12:04 PM](#)

REPRESENTATIVE KERTTULA asked what she had been grading.

MS. CARLSON said that it was a subjective examination, with a key. She affirmed that she had stated that she should not be grading an exam as a public member, but that the key had made it possible. She shared that all the board members graded the exams.

MS. CARLSON said that she was willing and interested to serve on the State Medical Board or the Alaska Judicial Council.

[3:13:31 PM](#)

CHAIR KELLER asked what she believed would be the main issues.

MS. CARLSON replied that she did not have any pre conceptions for the problems.

[3:13:54 PM](#)

REPRESENTATIVE SEATON asked if she had direct participation with anything that could be perceived to have any conflict of interest.

MS. CARLSON offered her belief that any direct financial benefit should result in that member recusing themselves.

REPRESENTATIVE SEATON, referencing earlier debates for medical procedures, asked if she had affiliation with any occupational practice.

MS. CARLSON stated that she had no affiliation with any medical practices in Alaska, but that her daughter was a physical therapist in the State of Washington.

REPRESENTATIVE SEATON asked if she viewed the medical board as a regulator to the practice of medicine, or as a constraint for other health care practitioners.

MS. CARLSON listed the professions that were covered by the State Medical Board.

REPRESENTATIVE SEATON asked if alternative practitioners should be included under the purview of the State Medical Board.

MS. CARLSON responded that this was a decision to be made by the legislature.

[3:19:02 PM](#)

REPRESENTATIVE KERTTULA posed that if the law required a physician to offer certain treatment, would she follow the law even if it differed from her personal feelings.

MS. CARLSON replied that she would follow the law.

[3:20:35 PM](#)

ELIZABETH KOHNEN, MD, Appointee, State Medical Board, stated that she first came to Bethel, Alaska in 1990, as a public health service employee. She moved to Fairbanks in 1992, and began a private practice. She declared that she had since earned her Master's Degree in Public Health. She likened this degree to working on the State Medical Board, as they both allowed a greater overview of medicine.

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REPRESENTATIVE MILLER disclosed that Dr. Kohnen was his family physician.

[3:22:55 PM](#)

REPRESENTATIVE SEATON asked if she had direct participation with anything that could be perceived to have any conflict of interest.

DR. KOHNEN replied that she had been reading previous board meeting minutes for the issues. She offered her belief that when you know more about an area, you can often vote more intelligently. She opined that she could vote against her own financial interest, but she would recuse herself if it would

result in her personal financial gain. She gave an example of payment to medical practitioners, noting that she felt doctors were overpaid, and that she would vote against her own financial interest in this instance.

[3:25:12 PM](#)

REPRESENTATIVE SEATON asked if alternative practitioners should be included under the purview of the State Medical Board.

DR. KOHNEN, in response, expressed her need for more education, as she did not know the regulations on alternative medicine. She declared that no group should run amok without being held to the same higher ethical standards as other medical professions. She stated that she would follow the law.

[3:26:27 PM](#)

CHAIR KELLER reiterated that the committee would forward all the appointee names on to the next committee. He commented that the committee did not have an expectation of non-bias, pointing out that legislators declared any potential conflict when a vote was called. He offered his belief that rarely were legislators not allowed to vote because of a declared conflict of interest. He said, "Alaska is a small town and we expect you to represent who you're there to represent."

REPRESENTATIVE SEATON clarified that "a board in a regulatory capacity is different than our public vote in forming policy statewide. I would not want to give the people the impression that the executive ethics act lets them vote in financial conflict of interest, 'cause it specifically excludes that." He pointed out that his questions were "related to times in which the [State] Medical Board has not followed the ethics act, and allowed people to vote with the direct conflict of interest." He declared that regulatory boards did not follow the same [voting] requirements as the legislature.

[3:28:28 PM](#)

DAVID MILLER, MD, Appointee, State Medical Board, established that he had served on the State Medical Board for the last four years. He pointed out that, upon his appointment, there were no other surgeons on the board. He shared that he had lived in Juneau for 10 years, and had arrived in Alaska with the military in 1995.

[3:30:10 PM](#)

REPRESENTATIVE HERRON asked what had surprised him and disappointed him during his tenure as a board member.

DR. MILLER, in response, said that he was "always surprised when members of our profession fall short with various issues such as drug and alcohol dependence, patient improprieties, and worse ..." He declared that, although these were emotional issues for every physician, responsibility for serving on the board included regulation within the profession. He stated that he was surprised how enjoyable board service was, especially when he observed physicians on probation "turn their lives around, and get the help that they need, and come back before us, and once again can join the physician's community in Alaska and serve what is certainly an underserved state." He declared that it was a privilege to serve on the board.

[3:31:23 PM](#)

REPRESENTATIVE SEATON asked if alternative practitioners should be included under the purview of the State Medical Board.

DR. MILLER replied that the statute was very clear, and it was necessary to follow this. He emphasized that it was a privilege to practice medicine, not a right. He enumerated the years of education, peer review, and nationally standardized examinations necessary to receive that privilege. He declared the [State] Medical Board to be a "proper avenue within its legislative scope" for restoration of the privilege to practice medicine. He endorsed that it was the legislature which would determine whether alternative medicine was placed under the regulation of the [State] Medical Board. He confirmed that he was not well-versed to the education, training criteria, and supplements provided by alternative medicine, and opined that it would not be within the scope of the board for regulation of a group which they did not understand.

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REPRESENTATIVE KERTTULA asked if Dr. Miller could put aside his personal beliefs and enforce the law.

DR. MILLER replied, "Absolutely. Those are the easy decisions. If the law requires a particular action that is a pretty easy action to take."

[3:35:10 PM](#)

DAVID POWERS, MD, Appointee, State Medical Board, established that this would be his second term on the State Medical Board. He ascertained that he brought a rural perspective and its unique issues to the board. He listed some of these issues to include transporting patients over wide distances and working with mid-level health aides. He endorsed his board experience, and his ability to contribute. He shared that he came to Alaska in 1984, and his employment in public health at the Alaska Native Medical Center resulted in work in many of the rural communities.

[3:37:03 PM](#)

CHAIR KELLER stated appreciation for his service in rural communities.

[3:37:19 PM](#)

REPRESENTATIVE HERRON asked what had surprised him and disappointed him during his tenure as a board member.

DR. POWERS replied that he was most surprised by the numerous, often dumb things that providers did to get into trouble. He affirmed that a large part of the board function was to maintain high standards for the benefit and safety of the public. He relayed his disappointment for the myriad of trivial or meritless complaints.

[3:39:10 PM](#)

REPRESENTATIVE KERTTULA, reflecting on her board service, asked about drug and alcohol abuse in the medical profession.

DR. POWERS, in response, said that the abuse was not increasing, and expressed his support for the thoroughness of the evaluations, tasks, and safeguards necessary to restore professional licenses. He agreed that, although the severity of some sanctions could seem harsh, it was a privilege to practice medicine. He affirmed that the State Medical Board had done well at policing its own.

REPRESENTATIVE KERTTULA asked if he could put aside his personal beliefs and enforce the law.

DR. POWERS replied, "Absolutely." He agreed that these decisions were in black and white, and that it was necessary to follow the law.

[3:41:41 PM](#)

REPRESENTATIVE DICK moved to advance the confirmations for the State Medical Board to the joint session of the House and Senate for consideration. There being no objection, it was so ordered.

HB 310-STATE IMMUNIZATION PROGRAM

[3:42:28 PM](#)

CHAIR KELLER announced that the next order of business would be HOUSE BILL NO. 310, "An Act temporarily reinstating the child and adult immunization program in the Department of Health and Social Services; and providing for an effective date."

REPRESENTATIVE HERRON moved to adopt Amendment A.1, labeled 27-LS1273\A.1, Luckhaupt/Mischel, 2/28/12, which read:

Page 1, line 12:
Delete "recommended"

Page 1, line 13:
Delete "recommended"

Page 3, line 1:
Delete "recommended"

Page 3, lines 3 - 8:
Delete all material and insert:
"(f) The vaccines included in the program
(1) for a child under 19 years of age are
all vaccines required for school attendance under
AS 14.30.125 and influenza and pneumococcal vaccines;"

Page 3, line 13, following "standards":
Insert ", the recommendations of the federal
advisory committee on immunization practices,"

CHAIR KELLER objected for discussion.

REPRESENTATIVE HERRON explained that proposed Amendment A.1 would delete "recommended" as it was a hard word to define. Referring to page 3, lines 3-8, he explained that all the

vaccines approved by the commissioner [Department of Health and Social Services] for school attendance would now be included. He listed the required immunizations for school attendance to be diphtheria, tetanus, polio, pertussis, measles, mumps, Hepatitis A and B, rubella, and varicella.

[3:44:48 PM](#)

CHAIR KELLER asked if the Department of Health and Social Services (DHSS) had reviewed the proposed amendment and if it had any impact to the fiscal note. He clarified that public testimony was still open from the previous meeting [February 14, 2012].

[3:45:18 PM](#)

JILL LEWIS, Deputy Director-Juneau, Central Office, Division of Public Health, Department of Health and Social Services, acknowledged that DHSS had reviewed the proposed amendment, and had not found there to be any impact on the fiscal note.

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WARD HURLBURT, MD, Chief Medical Officer/Director, Division of Public Health, Central Office, Department of Health and Social Services, expressed his agreement with Ms. Lewis, and stated that the proposed amendment clarified the use of the most cost effective vaccines, and offered flexibility to DHSS.

[3:46:56 PM](#)

MARIE DARLIN, Coordinator, AARP Capital City Task Force, stated that AARP supported proposed HB 310. Speaking from the standpoint of the older citizens, she said that AARP recognized that providing free vaccines for adults was "a good effective public health measure" and a good preventative issue. She declared support for the immunization of children, as well. She pointed to the large number of AARP members, who, as grandparents, were raising grandchildren.

[3:48:18 PM](#)

DENISE DANIELLO, Executive Director, Alaska Commission on Aging, Division of Senior and Disabilities Services, Department of Health and Social Services (DHSS), testified in support of proposed HB 310. She stated that prevention and vaccinations were good health measures for every one of every age, and were

especially important for older people as immune systems weakened with age. These programs enhanced a person's health and independence. She reminded the committee that Alaska was the leader in the rate of senior population growth, and declared the importance for immunizations, vaccines, and healthy behaviors to maintain good health. She pointed out that many seniors, including those who had lived a subsistence life style, were uninsured or ineligible for Medicare, and would benefit from proposed HB 310. She asked that the committee consider the addition of an immunization for shingles. She described shingles as a painful rash that, if in contact with the eyes, could lead to blindness. She pointed out that the risk of shingles increased with age. She declared support for proposed HB 310.

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REPRESENTATIVE KERTTULA asked if shingles fit into a nationally recognized public health standard, so that DHSS could add this to the list of vaccinations.

[3:52:29 PM](#)

DR. HURLBURT said that proposed HB 310 would allow the flexibility to add a vaccination for shingles. He pointed out that it was an expensive vaccine, but that an efficient use of funding would allow the addition of vaccinations for rotavirus and shingles as the next cost effective vaccines.

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CHAIR KELLER closed public testimony and asked the committee if there were any more questions on the proposed amendment.

[3:53:55 PM](#)

CHAIR KELLER removed his objection to Amendment A.1. There being no further objection, Amendment A.1 was passed.

[3:54:12 PM](#)

REPRESENTATIVE MILLER asked if it was necessary to add shingles to the language in proposed HB 310.

CHAIR KELLER replied that he was satisfied that DHSS would support the inclusion of the shingles vaccination, and that it did not need to be mandated in the proposed bill.

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REPRESENTATIVE DICK moved to report HB 310, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 310(HSS) was reported from the House Health and Social Services Standing Committee.

The committee took a brief at-ease.

HB 218-PRESCRIPTION DRUG SPECIALTY TIERS

[3:57:39 PM](#)

CHAIR KELLER announced that the final order of business would be HOUSE BILL NO. 218, "An Act prohibiting an insurer from using a drug formulary system of specialty tiers under certain circumstances."

[3:58:08 PM](#)

JANET OGAN, Staff, Representative Wes Keller, Alaska State Legislature, as aide to the House Health and Social Services Standing Committee, introduced proposed HB 218 on behalf of the committee. She read the sponsor statement:

Specialty medications used to treat complex chronic diseases continue to be the fastest growing segments of overall drug spend. While traditional drug spend slowed to an increase of only 1.5 percent in 2008, specialty drug spend continued its steady climb, increasing 15.4 percent.

House Bill 218 protects patients with critical illnesses from sudden changes in their drug treatment and therapy protocols which may un-expectantly deprive the patient from critical therapies due to the inability to pay for the drug or sufficient time to plan alternative financial or therapeutic strategies.

Currently, insurance companies can change their reimbursement policies with only a 30 day notice, often forcing the patient to absorb thousands of dollars of unexpected costs for expensive specialty drug therapy. By extending the notification period the savings for the patient will be absorbed by rest

of the policy holders on the plan. This may give the patient additional time to explore other options which may allow for a transition to a more affordable plan with similar therapeutic results.

Without these specialty drugs quality of life deteriorates and long term health care costs may increase. Additionally, cost savings may be achieved by exploring options like management through specialty pharmacies that use drug-utilization monitoring specifically designed for hard to manage conditions.

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CHAIR KELLER clarified that proposed HB 218 was a House Health and Social Services Standing Committee bill, and that it would behoove the committee to understand the bill. He declared that, as pharmaceuticals were getting more expensive, Medicare was using a tier system to adjust the co-pays in an attempt to manage the rising costs. He reported that the average tier IV specialty drugs now cost \$2500 each month, and that these price increases had been accompanied with only a 30 day notice. He pointed out that the proposed bill had a zero fiscal note, with the additional cost passed to the insurers.

[4:03:12 PM](#)

REPRESENTATIVE HERRON asked why there was a request for 90 days, if 30 days was the status quo.

MS. OGAN replied that 90 days was felt to be a fair and adequate amount of time.

[4:03:54 PM](#)

REPRESENTATIVE HERRON, referring to a letter from Jack McRae, Senior Vice President of Premera [Included in members' packets], read: "This change will inflate costs for specialty drugs and will increase overall healthcare premiums for Alaskans." He asked for this to be "expanded in explanation," in writing, for the committee.

[4:05:02 PM](#)

CHAIR KELLER declared that he had no intent to move the bill today, as he only wanted to hear a discussion.

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REPRESENTATIVE KERTTULA asked if it were different drugs that caused the prices to rise so quickly.

MS. OGAN replied that these were specialty drugs for auto immune diseases and chronic conditions. She relayed that some people were paying a co-insurance of 30 percent of the retail cost. She explained the difference between co-pay, which was a flat payment, and co-insurance, which was a percentage of cost.

[4:07:05 PM](#)

REPRESENTATIVE KERTTULA stated that although she liked the idea of giving notice, she had concerns for the availability of the older drug.

[4:07:52 PM](#)

REPRESENTATIVE SEATON, referring to the aforementioned letter from Mr. McRae, directed attention to page 2, "Less than 3 percent of private health plan members use specialty pharmaceuticals; however, these members account for 25 - 30 percent of total private payer medical costs." He acknowledged that the medical costs to the State of Alaska retirement system for Alaskan retirees prior to 65 years of age, accounted for 75 percent of the unfunded liability. He asked if proposed HB 218 would increase the unfunded liability to the state retirement plan, and if so, to what extent.

MS. OGAN replied that she would research that information.

REPRESENTATIVE SEATON pointed out that any proposed legislation which affected benefits to the retirement system was required in statute to have a fiscal note. He asked if this tier system was just for new drugs, and, opining that this was on a drug by drug basis, asked for clarification as to who this would impact.

MS. OGAN relayed that discussion with drug manufacturers would determine if these drugs should be tiered. She clarified that some of these were not new drugs, but that the expense was now being passed on to the consumers.

[4:11:38 PM](#)

CHAIR KELLER affirmed that he had also presumed that this cost increase was for new drugs. He expressed the need for caution in identifying any of the groups as "good guys" or "bad guys."

[4:13:04 PM](#)

CHAIR KELLER passed the gavel to Vice Chair Dick.

[4:13:21 PM](#)

REPRESENTATIVE MILLER asked for the definition of "a drug formulary system."

MS. OGAN replied that she would research that definition.

[4:13:56 PM](#)

REPRESENTATIVE SEATON offered his belief that drugs needed to go through a public vetting process prior to designation. He questioned the length of time necessary for a drug to be listed on a formulary.

[4:15:42 PM](#)

REPRESENTATIVE MILLER asked if the proposed bill could include a required notification to patients that a change was pending.

MS. OGAN replied that the suggestion should be explored.

[4:17:08 PM](#)

LEONARD SORRIN, Attorney, Director Of Congressional and Legislative Affairs, Premera Blue Cross Blue Shield of Alaska, stated that Premera Blue Cross was in opposition to HB 218. He stated that Premera understood the financial burden of specialty drugs on health care consumers and on the health care system. He noted that this increase in drug cost was a key driver to the increase in health care costs over the next few years. He opined that the health care system would be "struggling for a number of years to figure out how best to finance these sorts of drugs, how best to provide them." He stated that this discussion would need to include the pharmaceutical industry. He directed attention to the aforementioned letter from Mr. McRae, which outlined the Premera concerns with proposed HB 218. He pointed out that Premera currently supplied a written notification regarding any policy change 30 days in advance of the change in terms. He said that he was not aware of any

complaints or concerns from members. He cited that the market standard for notification was 30 days, and that the shift to 90 days for notification would inflate the costs for specialty drugs and would increase the overall health care premiums for all Alaskans. He detailed that the longer a health plan needed to wait until a change was instituted, the higher the cost to the system, which would increase premiums for the entire system.

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VICE CHAIR DICK asked for any suggestions to proposed HB 218 that would be workable for Premera.

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MR. SORRIN replied that this was a complicated set of issues. He offered his belief that this "requires a broader based effort to consider how the system at large ought to respond to these types of costs and ought to finance these types of costs."

[4:21:02 PM](#)

VICE CHAIR DICK asked that any suggestions for solutions be sent to the committee.

MR. SORRIN agreed to respond.

[4:22:15 PM](#)

REPRESENTATIVE KERTTULA asked Mr. Sorrin if he worked with Premera and the State of Alaska health plan.

MR. SORRIN replied that he was with Premera Blue Cross Blue Shield of Alaska, which, until a few years ago, had administered the Alaska employee benefit plan. He shared that his company was still very involved with health plans in the Alaska market.

[4:23:11 PM](#)

REPRESENTATIVE KERTTULA said that, for the record, she had complained about this problem. She asked for the kinds of drugs being referenced.

MR. SORRIN said that he could not provide names of drugs, but that the legislative intent of proposed HB 218 was for biological drugs which provided treatment for acute and chronic illnesses. He pointed out that these drugs were extremely

expensive, and were, generally, new drugs. He stated that there was a crisis for how to finance and spread the cost for these expensive drugs.

[4:25:23 PM](#)

REPRESENTATIVE KERTTULA asked for a breakdown to the cost of the drugs, to include the cost of research, the profit, and the cost to the customer.

[4:25:49 PM](#)

REPRESENTATIVE SEATON opined that Premera had managed the State of Alaska health care during the establishment of the tiered formulary. He asked if these current tiers were the same tiers which the State of Alaska had used, or an in-house tier of drugs which Premera had designated for its insured patients.

MR. SORRIN replied that these tiers were developed by Premera for its insured and self-insured accounts. He declared that the vast majority of the self-insured accounts used the Premera formulary. He reported that Premera was presently transitioning to a value based formulary, which assessed value to the overall holistic value of a drug compared with another drug. He explained that this value would include the medical costs foregone by the use of one drug over another. He noted that the prescription drug formulary process was in a continual evolution for adaptation to the pharmaceutical marketplace.

[4:27:34 PM](#)

REPRESENTATIVE SEATON asked if drugs designed for specific body chemistry or genetics were categorically specified for a tier, and was it necessary for the drugs to be released before entering the tier process.

MR. SORRIN, in response, explained that a drug, subsequent to its approval by the U.S. Food and Drug Administration (FDA), was reviewed by a health plan to determine its placement on the formulary. He stated that disease specific drugs were generally the biological drugs included in the specialty listing.

[4:29:11 PM](#)

REPRESENTATIVE SEATON asked about the time necessary for placement of a drug in the formulary.

MR. SORRIN replied that he did not know how long after FDA approval that the process began, but deciding where to place it on the formulary was a relatively quick process. He reported that Premera had a pharmacy and therapeutic committee, comprised of outside pharmaceutical medical experts and ethical experts, which met regularly for assessment and placement of drugs.

[4:30:31 PM](#)

BRENDA ROBERTSON shared a personal experience for the dramatic increase in the cost of a drug. She stated that her husband, Steven, had been taking copaxone to treat multiple sclerosis (MS) for 10 years. She reported that, in addition to their monthly insurance premium, they would now have to pay an additional \$1000 each month for the copaxone. She remarked:

we thought that we had done all the right things because we were paying our insurance premiums faithfully every month, so we wouldn't have to deal with a surprising financial burden. And yet, here we were facing this unbelievable expense.

MS. ROBERTSON conveyed that they had learned to live with the challenges of MS, never asking for special treatment or assistance, but had not expected to be penalized for being sick. She commented: "this practice of specialty tiering discriminates against the sickest among us and puts their lives in danger." She pointed out that there was not a generic alternative drug, all MS drugs were included in a specialty tier. She stressed "that is unfair and it is unconscionable" to raise the cost by several thousand percent, with no notice, for a lifesaving medication with no generic options. She expressed her understanding for the need of insurance companies to save money, but, she stated:

this is not the way. Realizing their savings on the backs of the most vulnerable Alaskans, the sickest, the weakest, and yet, generally the ones that are still getting up every day, pushing through their hardships, going to work, and contributing to the state economy, there cannot be anything moral or ethical about it.

MS. ROBERTSON observed that many states had banned the practice of specialty tiers, with an additional 16 states enacting legislation to either ban the specialty tiers, or limit the annual cost increase to patients. She opined that a result of

drug tiers could be the chronically ill becoming the responsibility of the state. She stated her support for HB 218, but she emphasized that the increased costs to patients for specialty drugs was a bigger problem. She urged the passage of legislation to ban the specialty tiers, or, at the least, cap the annual patient payments. She affirmed that many of these specialty tier drugs were not new drugs.

[4:36:48 PM](#)

MS. ROBERTSON, in response to Representative Miller, replied that the drug was copaxone, and that it was manufactured by TEVA pharmaceutical.

[4:37:38 PM](#)

REPRESENTATIVE KERTTULA expressed that she was outraged, especially as this was not a new drug.

MS. ROBERTSON, in response to Representative Kerttula, said that they had been informed of the cost increase by the pharmacy. She offered her belief that having insurance was supposed to protect people from this type of financial crisis, and that people would stop taking the medication if prices increased so dramatically, because they had no choices.

[4:40:11 PM](#)

ROBERT LADA, MD, Providence Alaska Medical Center, stated that he was a neurologist and a specialist in sleep medicine. He expressed concern with proposed HB 218. He declared that most of the MS medications had been released in the early 1990s, and allowed the patient to have a normal life span and the ability to work. He pointed out that during the 1990s, the insurance companies had labeled the MS medications as experimental, and therefore, most patients could not afford the treatment. In later years, as insurance coverage was expanded by the insurance companies, the prices to patients were more affordable. He established that this tier system would increase the cost to patients so dramatically that they could only afford the less effective drugs previously used for treatment in the 1980s, which would not allow them "to go through life in the best way possible, with the less amount of the disability and be able to work." He established that options were limited no matter the lead time for notification, but that a 90 day notification at least allowed the opportunity to explore other options.

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REPRESENTATIVE KERTTULA asked if the drug prices were also increasing for existing drugs, and not just new drugs.

DR. LADA replied that all drug prices were increasing, although there were options for some of the drugs.

[4:45:37 PM](#)

VICE CHAIR DICK asked why the cost would increase for a drug that had no additional research to increase its expense.

DR. LADA explained that it was the insurance coverage that was being removed and that cost was being transferred to the patient responsibility.

[4:46:50 PM](#)

ANTONIA FIFLIS-FOWLER, Executive Director, Alaska Multiple Sclerosis Foundation, stated that the foundation supported HB 218. She shared that there had not many treatments when she was diagnosed with MS 30 years prior. She touted the results from the new MS drugs, and expressed her agreement with Dr. Lada that removal of the affordable access for these drugs would be regressive. She noted that although HB 218 only proposed a simple notification change, it brought an awareness of the unfair burden for drug costs to the chronically ill. She acknowledged that the stress of not knowing whether an increase in financial obligations was looming would exacerbate the MS symptoms. She expressed agreement for a ban to the specialty drug tiers as these tiers were discriminatory toward people with chronic conditions. She encouraged support for HB 218. In response to an earlier question from Representative Kerttula, she listed the other drugs for treatment of MS. In response to an earlier question from Representative Seaton, she defined specialty tier IV drugs as "drugs made of proteins from living cells that are needed to be infused or injected."

[4:51:44 PM](#)

VICE CHAIR DICK announced that public testimony would remain open.

REPRESENTATIVE SEATON suggested assembling information from other states addressing this issue, in order to better understand the effects of various actions.

[4:52:27 PM](#)

REPRESENTATIVE MILLER emphasized the need for a conversation about:

the sudden increase in cost or how its formulated because its somewhere between the manufacturers of a drug claiming that they have high R&D [research and development] costs bringing that product to market and ... the costs that insurance companies decide need to be brought forward. ... It seems that this entire industry is always profitable, several points ahead of inflation, year after year after year after year. For 20 or 30 years this has been going on. I have never been satisfied with knowing what is the true causer of all this cost increase. I find it constant that the insurance coverages are less and less, co-pays are higher or impossible, and I think it's time we start investigating this all the way down to the very bottom level. Where is the research starting? Who's paying for it? What is it really cost? What are the mark-ups? Where are these people making all the profits? This has got to be discovered. ... I certainly want to know these things.

VICE CHAIR DICK expressed appreciation for the work of the pharmaceutical companies, but affirmed that "there certainly are some mysteries going on."

[4:54:15 PM](#)

REPRESENTATIVE SEATON directed attention to a recent report about health care costs. He asked for more information about the costs for infusion drugs in Alaska, relative to the costs in other western states.

[HB 218 was held over.]

[4:55:05 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 4:55 p.m.