

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

March 28, 2012

3:26 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative Craig Johnson, Vice Chair  
Representative Dan Saddler  
Representative Steve Thompson  
Representative Lindsey Holmes  
Representative Bob Miller

**MEMBERS ABSENT**

Representative Mike Chenault

**COMMITTEE CALENDAR**

HOUSE BILL NO. 275

"An Act requiring that a policy of group health insurance offered by the state and certain local governments include coverage for colorectal screening, allow retirees to choose between brand-name and generic drug products, and limit certain prescription drug benefit payments to an amount based on the cost of the generic drug product."

- HEARD & HELD

SENATE BILL NO. 125

"An Act relating to certain vehicles, including trailers; and relating to motor vehicle dealer advertising, motor vehicle dealer sales of used motor vehicles, motor vehicle sales contracts, motor vehicle service contracts, and motor vehicle sales financing."

- MOVED SB 125 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 275

SHORT TITLE: RETIREE BENEFITS:COLORECTAL/DRUG BENEFITS

SPONSOR(S): REPRESENTATIVE(S) LYNN

01/17/12	(H)	PREFILE RELEASED 1/13/12
01/17/12	(H)	READ THE FIRST TIME - REFERRALS

01/17/12 (H) L&C, FIN  
 03/12/12 (H) L&C AT 3:15 PM BARNES 124  
 03/12/12 (H) Heard & Held  
 03/12/12 (H) MINUTE(L&C)  
 03/28/12 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 125

SHORT TITLE: MOTOR VEHICLE TRANSACTIONS

SPONSOR(s): SENATOR(s) MEYER

04/12/11 (S) READ THE FIRST TIME - REFERRALS  
 04/12/11 (S) TRA, L&C  
 02/02/12 (S) TRA AT 1:00 PM BUTROVICH 205  
 02/02/12 (S) Moved SB 125 Out of Committee  
 02/02/12 (S) MINUTE(TRA)  
 02/03/12 (S) TRA RPT 5DP  
 02/03/12 (S) DP: KOOKESH, HUGGINS, MENARD, THOMAS,  
 EGAN  
 02/09/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 02/09/12 (S) Heard & Held  
 02/09/12 (S) MINUTE(L&C)  
 02/16/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 02/16/12 (S) Moved SB 125 Out of Committee  
 02/16/12 (S) MINUTE(L&C)  
 02/17/12 (S) L&C RPT 4DP  
 02/17/12 (S) DP: EGAN, GIESSEL, PASKVAN, DAVIS  
 02/22/12 (S) TRANSMITTED TO (H)  
 02/22/12 (S) VERSION: SB 125  
 02/24/12 (H) READ THE FIRST TIME - REFERRALS  
 02/24/12 (H) L&C  
 03/19/12 (H) L&C AT 3:15 PM BARNES 124  
 03/19/12 (H) Heard & Held  
 03/19/12 (H) MINUTE(L&C)  
 03/28/12 (H) L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE BOB LYNN  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions as sponsor of HB 275.

MIKE SICA, Staff  
 Representative Bob Lynn  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of Representative Bob Lynn, sponsor of HB 275.

BECKY HULTBERG, Commissioner  
Department of Administration (DOA)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 275.

PAT LUBY, Advocacy Director  
AARP

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 275.

BOB PAWLOWSKI, Staff  
Senator Kevin Meyer  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of the sponsor, Senator Kevin Meyer on SB 125.

CLYDE (ED) SNIFFEN, JR., Senior Assistant Attorney General  
Commercial/Fair Business Section  
Civil Division (Anchorage)  
Department of Law (DOL)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided comments and answered questions on SB 125.

#### **ACTION NARRATIVE**

[3:26:21 PM](#)

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 3:26 p.m. Representatives Saddler, Thompson, Holmes, Miller, Johnson, and Olson were present at the call to order.

#### **HB 275-RETIREE BENEFITS:COLORECTAL/DRUG BENEFITS**

[3:26:35 PM](#)

CHAIR OLSON announced HOUSE BILL NO. 275, "An Act requiring that a policy of group health insurance offered by the state and certain local governments include coverage for colorectal screening, allow retirees to choose between brand-name and generic drug products, and limit certain prescription drug

benefit payments to an amount based on the cost of the generic drug product."

[3:27:17 PM](#)

REPRESENTATIVE BOB LYNN, Alaska State Legislature, sponsor of HB 275, stated a U.S. Supreme Court decision by a vote of 5-4 vote which basically ruled that generic drug companies do not have the same level of legal responsibilities as the manufacturers of brand name drugs. He related federal law mandates that generic drugs be chemically equivalent to brand name drugs. It also would require that generic manufacturers use the same labels as brand name products, such as drug use, dosages, and risk. Since generic drug manufacturers don't have control over their labels, the U.S. Supreme Court ruled they cannot be sued for failing to alert patients of the risk beyond the federally-required labeling on brand name drugs. However, brand name companies can be sued for inadequate warnings, which means generic drugs may be chemically the same as brand name drugs, but the legal remedy is not the same. He expressed concern over the decision. He understood the importance of the substantial savings, but he is concerned about the lack of legal remedy. On the other hand early detection of colorectal cancer will save lives, needless suffering, and money. He concluded that he wanted to bring this to the committee's attention.

[3:29:57 PM](#)

REPRESENTATIVE SADDLER asked which case he referred to.

[3:30:46 PM](#)

MIKE SICA, Staff, Representative Bob Lynn, Alaska State Legislature, answered that there were several cases: one related to brand names and the second to generic drugs. He pointed out the court determined different outcomes in several cases. He highlighted that many states have mandatory generic drug programs and millions of generic drugs are dispensed daily with few problems. He understood the court decision is related to this bill, but he did not think it specifically changes the question.

[3:31:42 PM](#)

CHAIR OLSON asked him to provide the court citations for the cases to the committee.

MR. SICA offered to do so.

[3:31:52 PM](#)

REPRESENTATIVE LYNN thought Alaska's Congressional Delegation may wish to find a resolution for this.

[3:32:31 PM](#)

MR. SICA recapped HB 275, which would extend coverage for colorectal screening, a preventive procedure, to public retirees, including the Public Employees Retirement System (PERS), the Teachers Retirement System (TRS) and other public employees. The second part of the bill would increase the use of generic drugs by public employees by allowing them to choose generic drugs, but only generics would be fully covered. He related that a doctor or pharmacist would need to state in writing that the prescription authorizes it or if there is not any generic equivalent.

REPRESENTATIVE LYNN stated he also has some dramatic examples of cost differences between brand name drugs and generic drugs. He recalled some costs for brand name drugs were \$3,000 while the generic drug equivalent cost \$10-20.

CHAIR OLSON recalled that the committee received a schedule.

[3:33:51 PM](#)

BECKY HULTBERG, Commissioner, Department of Administration (DOA), thanked the sponsor for raising this important issue. She suggested that the DOA may have different approach on how to reach the end goal, but noted the end goal is the same. She explained that health care and health care costs are probably one of the most important issues to address during her tenure. She reported that the DOA spends over one-half billion dollars per year for the combined active and retiree health care plans. She pointed out these costs are built into the personnel costs in all departments, which becomes part of the unfunded liability that the administration has been working to pay off over time. These are real costs that are not directly seen in the budget process but are costs which are absorbed. The retiree health care plan represents the vast majority of the expenditures of the two plans. She offered to provide the figures to the committee. She said that the growth rates for the plans has been about eight percent per year although the state had such a good plan year in 2011 that it was able to reduce the growth

rate for the last decade from over nine percent to eight percent. She clarified that health care costs are growing at double the rate of inflation. She predicted that health care costs will consume more and more of the general fund budget unless the state gets those costs under control. She explained that working to reduce health care costs is one of her primary objectives.

[3:36:21 PM](#)

COMMISSIONER HULTBERG predicted that good management of our two plans and working together with Alaska's provider community can have a positive impact on the growth rates. She provided some background information on the retiree health care plan, including that the retiree health care plan was established in the 1970s. The retirees' health care plan is covered by the diminishment clause in Alaska's Constitution, which essentially says that retirement benefits cannot be diminished. That clause has been interpreted to mean change a plan which reduces a benefit would be considered a diminishment, which is expressly not allowed. Thus the plan has been changed very infrequently, and often any changes have been litigated. She described the process as difficult. She acknowledged that Alaska does not have a best in class modern health insurance plan. She indicated that typically insurance plans are meant to evolve as coverage changes, health care changes, and the economic environment changes, but this plan does not have the ability to adapt. She said this plan is considered a rich plan, with \$150 deductible and an \$850 out-of-pocket maximum, but preventive care is not covered. She emphasized that the health care environment in the 70s is very different from today. Further, it's not just colorectal screening that is not covered, but other preventive measures, such as a physician's preventive care visit. She noted the retirees' health care plan does not contain many provisions that are considered standard in a regular health care plan. She noted that dependents up to the age of 26 are not covered as they are in the active health care plan. She pointed out that many retirees would like dependents covered up to age of 26; however, that would just result in another cost which would become an unfunded liability.

[3:38:45 PM](#)

COMMISSIONER HULTBERG stated that the state cannot enforce steerage. She pointed out that retirees cannot be forced to use the network, which is problematic since health plan contracting is based on steerage to a facility. Thus if the state cannot

demonstrate it can move a volume to a specific facility it is difficult to obtain discounts. She indicated that members also have a \$2 million per member limit to coverage. She reported that some members in the retiree plan have exceeded this limit so they no longer have health insurance. She suggested this is also an area the state needs to consider because as health care costs grow, more people will exceed the static limit. Additionally, the plan does not offer any proactive wellness services. She characterized the plan as a high-cost plan, which is one that does not provide good value per dollar spent. She reiterated the sponsor's point that there is not any requirement or additional copay for using brand name drugs. Thus retirees do not have any incentive to choose generic drugs.

[3:40:20 PM](#)

COMMISSIONER HULTBERG provided a view of the retiree plan and noted there are differences between the state's plan and others that members might be exposed to, as well as identifying what should be changed. She highlighted that the plan needs to be modernized; however, it needs to be done in such a way as to improve members' health while controlling costs. She cautioned against adding costs to a plan that is already very expensive. She indicated that modernizing the plan will require careful actuarial and legal analysis. She again thanked the sponsor for raising this important issue. She related that the DOA has been considering colorectal screening and realizes the need for changes to the health care plans. She said that the sponsor is absolutely correct that preventive services need to be added to the retirees' plan. Additionally, the sponsor is also correct that enhancements to the plan need to be balanced with cost savings measures so members and the state receive better value for the plan. She emphasized that the administration needs to do more than what is mentioned in the bill in order to modernize the plan. She offered her belief that the plan changes can be made administratively and will not require legislative action.

[3:41:32 PM](#)

COMMISSIONER HULTBERG asked members to give the DOA an opportunity to make the changes the bill suggests, which will include evaluating the concern over generic drugs and to seek appropriate legal remedy. She reiterated that the DOA would like to address these changes administratively as part of a broader package to modernize this health plan.

[3:42:02 PM](#)

CHAIR OLSON related his understanding that the DOA is interested in addressing both parts of the bill, which includes colorectal screening and a generic drug component.

COMMISSIONER HULTBERG answered that the department has not fully evaluated the generic drug mandate. The department would want to perform additional analyses on the generic drug mandate. She suggested that another route may be to increase the copay for brand name drugs. She was unsure that the department would select that as an outcome to pursue; however, she could commit to adding preventive care to the plan. She reiterated the department will be adding preventive care into the retirees' health care plan. She expressed that the department will review the plan comprehensively to seek balance within the context of the legal constraints.

3:43:04 PM

COMMISSIONER HULTBERG also indicated that the state is making changes to the state's active health insurance plan. She outlined some of the changes, including that the department will in FY 13 cover preventive care at 100 percent. This will include all tests without requiring a deductible or copay, which will help demonstrate the department's belief in the importance of preventive care. Further the active plan will cover tobacco cessation at 100 percent, including any pharmaceuticals a doctor recommends. The state will be changing wellness vendors and will add a more robust wellness feature to the plan that will include more benefits for plan members. She cautioned that the state must proceed more carefully on the retirees' health care plan due to the legal constraints she previously mentioned; however, she reiterated the DOA's commitment to doing so and characterized it as one of the department's first priorities after session.

3:44:17 PM

REPRESENTATIVE HOLMES remarked that she liked what the commissioner was saying and is very sympathetic as she also understands the legal constraints. She further understood that colorectal screening has been on the DOA's radar screen for several years. She asked for further clarification on whether the colorectal screening would be included in the general plan coverage for everyone or if it would require additional premiums be paid by retirees.

COMMISSIONER HULTBERG answered that the problem can be approached in several ways, and while the department has not yet reached a decision on its recommended approach she offered her belief that the best and optimal way will be to change the basic plan to make the services available to everyone. However, another option would be to create a stand-alone plan that is a choice for members. Thus if a member wanted to choose preventive care a member could choose one plan, but perhaps members would also pay a little more if the member selects an out of network provider. She stressed that the department has not made any decision yet, but she used it as an example. She related her understanding that there are several ways to address the issue. One would be to offer a wellness service members could purchase for an additional premium, but she did not advocate that approach since the goal is to get people to use these services. She pointed out that creating additional costs to members for wellness and preventive care creates a barrier. She outlined the department's goal is to remove any barriers, which is what the DOA is currently doing in the active health insurance plan. She indicated the department is working to remove barriers to incentivize preventive care. She suggested that currently the department's preference would be to look at complete plan changes, but if it proves too difficult, the department would consider side-by-side approach as the next best option and lastly would be to have members purchase additional services for a premium, which would be the department's third choice.

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REPRESENTATIVE HOLMES asked whether the department has considered if this would be subject to same limitations and if there would be a dollar cap or additional deductibles or copay necessary. She acknowledged that the commissioner has already addressed this a little bit.

COMMISSIONER HULTBERG answered that the department's initial approach - which is made without any necessary detailed analysis - would be to provide the coverage within the context of members' regular coverage and not assess any additional copay. She reiterated that good plan management includes ways to incentivize people to obtain primary care and preventive care. Further she suggested a good plan would not necessarily remove barriers, but would consider disincentives if members use care inappropriately. She pointed out that some plans require members must pay additional copay fees, such as fees of \$100, when their members use the emergency room for non-emergency

care. She clarified that this is not currently in the state's health care plans and she is not suggesting adding it in; however, she noted that a good plan contains incentives for appropriation care pathways and barriers for inappropriate use of care.

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REPRESENTATIVE HOLMES said she mirrors Commissioner Hultberg's comments. She said she comes from the Chicago school which embraces writing policies and laws that encourage behavior you want to see and discouraging behaviors you don't want to see. She asked whether Commissioner Hultberg is considering other screening that is recommended in national guidelines.

COMMISSIONER HULTBERG responded yes, that she is aware the U.S. Preventive Care Task Force has recommended a list of preventive tests. She said that the department will consider whether to adopt the recommendations for coverage for services, but is not quite ready to do so for the active state health insurance plan, although the department will try to apply those concepts to the retirees' health care plan. She indicated the department will take a more active role with respect to the health plans and how to help people obtain a better health status. She emphasized that the plan is not to just provide coverage for illness, but it is also to improve their overall health.

[3:49:51 PM](#)

REPRESENTATIVE HOLMES pointed out that many of the legislative committees have identified rising health care costs as a main issue and problematic. She agreed that trying to make people healthier and more productive results in less lost work and helps people, and controls costs. She offered her belief that it is also a problem for the private sector. She inquired as to whether the department has a specific timeline in mind, noting that the bill would place a certain timeline on the department. She stated that the department is asking for time to implement the proposal to add colorectal screening in the retirees' health care plan.

COMMISSIONER HULTBERG answered she did not have a specific timeline, although she identified adding colorectal screening to the retirees' health care plan is one of the department's highest priorities. She reported the department has held numerous conceptual discussions. She informed members that the DOA has let an request for proposal (RFP) for health management

consultants and one reason for the RFP is to assist the department in identifying and making plan changes for the active and retiree health care plans. She indicated that the retirees' health care plan is the department's first priority. She suggested that the department would likely have a draft plan within several months and certainly before the next legislative session. She was unsure about any legal analysis or actuarial analysis that needs to be done, in particular, since these processes can be time-consuming. She said she wants to get this done as quickly as possible and the department has made a commitment to do so since it is important, but she is not able to give a specific date for implementation.

3:52:00 PM

CHAIR OLSON stated that he has chaired the House Labor and Commerce Standing Committee for six years and this is the second time a department has come forth with such an offer. He inquired as to whether the department would have a proposal by late fall to allow the committee to meet during the interim to address any legislative components by the next legislative session.

COMMISSIONER HULTBERG welcomed the committee's engagement. She offered her belief that by this fall the DOA could either share a draft plan or an update on the process. She related her understanding that the health care plan changes can be made administratively, but due to the significance of the retiree plan and the legal constraints the department must proceed cautiously. She committed to producing a work product or to assess the progress the department has been made.

3:53:58 PM

CHAIR OLSON offered his belief that part of the problem with the current colorectal screening is coverage depends on how the doctor submits the bill so if the doctor presents it in one manner receives coverage and another patient is denied.

COMMISSIONER HULTBERG responded that Chair Olson is absolutely correct. She agreed that when the doctor submits the claim as purely preventive care - noting colonoscopies are recommended for those reaching the age of 50 - healthy patients undergoing colonoscopies will not be covered under the plan, however, if the procedure is coded as diagnostic due to a concern it will be covered as a medical procedure and not a preventive procedure. She emphasized that this creates an untenable position for

retirees and for the medical community. She reiterated her commitment that the department is going to fix this issue. She characterized this as a complicated issue, but the department will move on this quickly to make the necessary changes to improve the plan. She highlighted that the changes need to be made for general preventive care and to address the \$2 million limit.

[3:55:34 PM](#)

CHAIR OLSON inquired as to whether the colorectal coverage is the higher priority versus implementing generic drugs.

COMMISSIONER HULTBERG answered absolutely. She emphasized that the department's goal is not just to add colorectal screening, but to address the multitude of preventive care issues that are not currently covered. She pointed out that this is not an optimal position since the department wants conditions such as high blood pressure and high cholesterol diagnosed. She said that the preventive aspect of this plan is the highest priority, but due to diminishment clause the department also wants to have the ability to make changes that will improve quality of care and still lower costs at same time.

[3:56:49 PM](#)

REPRESENTATIVE SADDLER related his understanding that the department's approach was to rework the main health care plan, or consider a side by side option. He inquired as to the third option under consideration.

COMMISSIONER HULTBERG answered that one option would be to provide a package of preventive care options a retiree could purchase for a premium, but she expressed concern about this approach since the department wants to remove barriers to preventive care and cost can be a barrier. In further response to Representative Saddler, she pointed out that the downside is that it is important to review all elements and taking a piecemeal approach won't result in the best overall impact. She explained that adding in preventive care is an enhancement to the plan. She suggested that the department must add enhancements to offset any diminishments. Thus adding enhancements through legislation would reduce the department's ability to make other adjustments without compromising the health care that retirees receive.

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REPRESENTATIVE SADDLER asked for the reason this issue has not been addressed to date.

COMMISSIONER HULTBERG answered that she does not know. She pointed out that the DOA has worked closely with Commissioner Streur on health care costs.

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CHAIR OLSON interjected that a portion of this has been before the committee twice, but has had a significant fiscal note. He offered his belief that since the sponsor came in with balanced approach helped make the process more feasible. He pointed out that the commissioner's approach is to address it on a more holistic basis, which makes sense. He suggested that one reason the prior bills did not pass is that it did not address the entire problem.

[4:00:42 PM](#)

REPRESENTATIVE SADDLER asked for speculation on how closely together the active state employees' health care and retiree plans may end up.

COMMISSIONER HULTBERG answered that in the ideal world the state would have the best of class plan, which is evidence-based and represents best practices. She pointed out that the Alaska Constitution may be a barrier. She did not want to suggest that the plans would be completely aligned. She indicated that per member costs are significantly less for retiree health care plan. She was unsure that they would be totally aligned, but she thought more alignment would happen on best practices in plan management and overall health management. She emphasized the need for alignment on preventive care. She further emphasized the need for more alignment on networks and encouraging people to use networks to more effectively manage a health plan. She reiterated that the department will work towards better alignment on certain elements.

[4:02:53 PM](#)

PAT LUBY, Advocacy Director, AARP, expressed the AARP's concern that retirees under the age of 65 are not entitled to receive preventive care for colorectal cancer screening. He pointed out that Medicare embraces colorectal screening as one of 19 preventive aspects in Medicare program since it makes sense and

saves money. He offered his belief that the commissioner has a come up with a good plan and the AARP will support it.

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 275.

CHAIR OLSON remarked that one other time a department suggested an administrative fix, related to firefighters, and the solution was accomplished much more timely and broadly than if it had been accomplished through legislation.

[4:05:08 PM](#)

REPRESENTATIVE LYNN related that he is pleased with the overall direction the process has taken. He stated that the best part has been that it has brought the concern to everyone's attention. He said there is a tremendous disparity between generic drug and brand name drugs. His goal as sponsor is not to pass the bill, but to solve the problem. He emphasized that the problem needs to be solved, whether it is accomplished through administrative action or legislation. He concluded that Commissioner Hultberg has given a pretty firm commitment to move forward with this and the administration has heard testimony on colonoscopy screening and generic versus brand name drugs. He thanked the committee and the administration since he believes this issue has moved forward considerably. He said he was happy with the result.

CHAIR OLSON anticipated an update by the department this fall.

[HB 275 was held over.]

#### **SB 125-MOTOR VEHICLE TRANSACTIONS**

[4:07:24 PM](#)

CHAIR OLSON announced that the final order of business would be SENATE BILL NO. 125, "An Act relating to certain vehicles, including trailers; and relating to motor vehicle dealer advertising, motor vehicle dealer sales of used motor vehicles, motor vehicle sales contracts, motor vehicle service contracts, and motor vehicle sales financing."

[4:0802 PM](#)

BOB PAWLOWSKI, Staff, Senator Kevin Meyer, Alaska State Legislature, stated that SB 125 is a consumer protection bill to protect and assist consumers in finding and purchasing

competitively priced motor vehicles which are offered in prices that are clearly stated by the dealers. He related that SB 125 would update the statutes referred to as the Alaska Auto Dealers Practices Act, clarifying several provisions concerning the advertising of new and used automobiles, The revisions assist consumers in understanding auto comparison pricing and eliminates ambiguities contained in the current statutes. The bill would assist dealers in following state law, a very key element in the bill. This bill was drafted in conjunction with the DOL to provide consumer protection in purchasing motor vehicles and to dealers in pricing and advertising the vehicles. He commended the auto dealers and Mr. Ed Sniffen, DOL, for the work on the bill.

CHAIR OLSON mentioned the committee heard the companion bill several weeks ago.

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CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 125.

[4:10:22 PM](#)

REPRESENTATIVE JOHNSON inquired as to whether the bill versions are the same.

MR. PAWLOWSKI agreed.

[4:10:47 PM](#)

REPRESENTATIVE MILLER expressed concern, noting he held conversations with the Auto Dealers Association. He related a scenario in which in a consumer walks on car lot and the dealer has posted an advertised price on the vehicle's window. If he consumer wants to pay the price he or she is finished.

CLYDE (ED) SNIFFEN, JR., Senior Assistant Attorney General, Commercial/Fair Business Section, Civil Division (Anchorage), Department of Law (DOL), answered that Representative Miller is correct. Consumers would be able to purchase vehicles on the lot with an advertised price posted, noting the advertised price must include everything except for fees paid to a governmental entity, such as title, registration, and taxes. He reiterated these fees would be in addition to the price.

[4:12:20 PM](#)

REPRESENTATIVE MILLER asked whether this criterion is the same if the car is new or used or if there is a distinction between the two categories.

MR. SNIFFEN answered that the bill would apply to auto dealers' advertised prices for new and used vehicles and would include all costs except for fees to a governmental entity or third party. In further response to Representative Miller, Mr. Sniffen agreed that the fees would typically relate to governmental entities, such as the Division of Motor Vehicles or an entity for title, licensing or registration.

[4:13:20 PM](#)

REPRESENTATIVE MILLER related a scenario in which a consumer opted for items such as winterizing, a battery blanket, undercoating, or a specific credit union. He related his understanding these options would be up to the consumer.

MR. SNIFFEN answered yes, the advertised price would be for the vehicle and if the buyer wanted things such as extended service contracts.

[4:14:01 PM](#)

REPRESENTATIVE MILLER asked for a definition of DOC fees.

MR. SNIFFEN answered that a DOC fee is a short hand acronym for document preparation fees. He explained that DOC fees represent the fees motor vehicle dealers add to the price of vehicle to compensate them for preparing paperwork for obtaining the title and licensing the vehicle. He pointed out that the DOC fee is not a government fee, but represents the overhead that the dealer absorbs in order to get the car ready to drive off the car lot. The dealers charge a DOC fee, which typically in Anchorage can range from \$100-\$200, but rarely would be as high as \$300.

[4:15:07 PM](#)

REPRESENTATIVE MILLER asked when the consumer would discover the DOC fee and if it would be on the sticker.

MR. SNIFFEN answered that current statutes require that the DOC fee be included in any advertised price for the vehicle. He explained that the advertised price must include the fee. He

suggested that adding on the fee later would be in violation of the statute; however, if a consumer negotiated a different price with the dealer, such as negotiating the price from the \$29,000 listed to \$25,000, the current statute does not restrict adding the DOC fee back into the price. He mentioned one caveat would be if the person negotiated a \$100 discount and the dealer attempted to add on a \$200 in the DOC fee so that the total price exceeded the advertised price, the Department of Law would have an issue with that practice.

REPRESENTATIVE MILLER concluded that Mr. Sniffen's testimony reflects the information he was given by car dealers.

[4:16:42 PM](#)

REPRESENTATIVE SADDLER asked whether any provision in law is required by used car sales to furnish the Kelley Blue Book price to allow the consumer to check the trade-in value of a vehicle.

MR. SNIFFEN answered no. He suggested that many consumers research the Kelley Blue Book price ahead of time. He said this bill would require the book if a dealer was using the Kelley Blue Book price for comparison.

REPRESENTATIVE SADDLER inquired as to whether this provision would apply to new or used vehicles.

MR. SNIFFEN answered the current statutes relate to used cars. He pointed out dealers use comparisons to the manufacturer's suggested retail price (MSRP) for new vehicles, which is posted on the vehicle in sticker form. Thus the Kelley Blue Book is not normally needed for new vehicles. He reiterated that most of the pricing information is already available on the window sticker price.

REPRESENTATIVE SADDLER commented that typically the library has copies of the Kelley Blue Books. He said he was just thinking out loud.

[4:19:34 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 125.

[4:19:59 PM](#)

REPRESENTATIVE JOHNSON moved to report SB 125 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, SB 125 was reported from the House Labor and Commerce Standing Committee.

[4:20:44 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:20 p.m.