

SENATE FINANCE COMMITTEE
March 28, 2011
9:02 a.m.

[9:02:21 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Senator Hollis French; Andy Moderow, Staff, Senator Hollis French; John Sherwood, Department of Health and Social Services; Denise Daniello, Alaska Commission on Aging; Bob Doll, Retired Public Employees of Alaska, Director;

PRESENT VIA TELECONFERENCE

Pat Luby, AARP; Mark Regan, Disability Law Center of Alaska, Anchorage;

SUMMARY

SB 70 Alaska Health Benefit Exchange

SB 70 was HEARD and HELD in committee for further consideration.

SB 87 Grants for Seniors' Medical Care

SB 87 was HEARD and HELD in committee for further consideration.

SB 102 AK Affordable Heating Payment Program

SB 102 was REPORTED out of committee with a "do pass" recommendation and with the accompanying zero fiscal note.

[9:02:44 AM](#)

#sb102

SENATE BILL NO. 102

"An Act relating to certain payments made under the Alaska affordable heating program."

[9:03:27 AM](#)

Co-Chair Hoffman stated that the legislation amends a bill passed in the previous session, which combines the low income heating and energy assistance programs to form the Affordable Heating Assistance Program. The legislation would allow the department to pro-rate the appropriation in times of low payments.

Co-Chair Stedman stated that public testimony was taken at a prior hearing, and asked if there were any concerns from committee members. There were no concerns by members.

[9:04:03 AM](#)

Co-Chair Hoffman MOVED to report SB 102 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 102 was REPORTED out of committee with a "do pass" recommendation and with the accompanying zero fiscal note.

#sb70

SENATE BILL NO. 70

"An Act establishing the Alaska Health Benefit Exchange; and providing for an effective date."

[9:05:06 AM](#)

SENATOR HOLLIS FRENCH, SPONSOR, explained that SB 70 was designed to set up a health benefit exchange in Alaska. The legislation would create a website that would allow the 115,000 Alaskans who do not have health insurance to make informed decisions on health insurance when the Affordable Care Act comes into effect in 2014.

Senator French stated that the Affordable Care Act was designed to bring an affordable health insurance policy to the 40 million Americans who are without health insurance. He stressed that the intent of the program was to foster competition, and to subsidize the choice of a private insurance policy. He stressed that competition among insurance companies, might foster lower prices in traditional capitalism. He stated that the model of the program would be constructed in Alaska, by Alaskans, for Alaskans. He explained that the program would allow Alaskans to go to a website, and analyze a policy that best meets their needs. Eligible individuals could also apply for Denali Kid Care and Medicaid through the site. He acknowledged that the bill was complicated and long, but stressed that it is essentially a website run by a board. The board would have approximately 30 powers and duties to implement.

[9:07:39 AM](#)

Senator Ellis noted his dismay when the administration chose to miss the deadline for application to the federal government for the million dollars being offered to states. He observed that some governors, who opposed health care reform, took the money to set up their own health exchanges. He maintained that "the last thing Alaskans want is for the federal government to impose a health exchange on us when we can design our own". He wondered if there would be other ramifications from the missed deadline in terms of future monies. Senator French thought that the state would miss out on subsequent grants relating to the health care exchange as a result of having missed out on the initial round of grants. He emphasized that other states that opposed the Affordable Care Act took advantage of the initial grant.

Senator Ellis reiterated his concern with the loss of federal funds and the need to address the possibility of further loss of funding.

9:10:58 AM

ANDY MODEROW, STAFF, SENATOR HOLLIS FRENCH, provided a sectional analysis of the legislation:

- Section 1 provides intent language for the legislation. It highlights the importance of connecting individuals and small businesses with quality health insurance policies, to reduce the number of uninsured Alaskans
- Section 2 of the legislation, establishes the Alaska Health Benefit Exchange:
 - Section 21.54.200 sets up the health benefit exchange as a public corporation of the state, much like the permanent fund corporation.
 - Section 21.51.210 establishes the board, which will manage the Alaska Health Benefit Exchange. The board consists of 8 members, with 7 voting members. The Commissioner of Health and Social Services, or their designee, will serve on the committee ex officio, and the Director of the Division of Insurance will hold a non-voting seat.

Mr. Moderow clarified that the remaining language in Section 2 sets out disclosure requirements, procedures in case of a vacancy, and other technical aspects of the board. In addition, it authorizes the board to hire an Executive Director, who can hire staff to fulfill obligations under the legislation.

Mr. Moderow outlined the provisions of Section 21.54.220, contained in Section 2, which outlines the powers and duties of the Alaska Health Benefit exchange:

- Subsection (a) (1) outlines the primary duty of the exchange, which is to facilitate the purchase and sale of qualified health plans.
- Subsection (a) (2) and (a) (12) establish the Small Business Health Options Program (SHOP), which is the small business equivalent to individuals connected through the exchange. Small businesses pool together to reduce variation in premiums from year to year and

to connect small businesses with generous tax benefits should they decide to provide health insurance.

- Subsection (a) (3) provides for a telephone call center to assist individuals in case they are not able to access the internet portal.
- Subsection (a) (4) establishes enrollment periods that are held annually to facilitate changing health insurance policies. Enrollment periods reduce adverse selection, which occur when people with high risk seek generous benefits at times when they need them and chose low risk benefits when the risks are reduced. This would allow individuals to move from one plan to another while reducing the potential for adverse selection.
- Subsection (a) (5) provides for the creation of an internet marketplace to connect individuals with health insurance coverage.
- Subsection (a) (6) provides for certification and decertification of health plans sold through the exchange.
- Subsection (a) (7) and (a) (8) requires the exchange to compare health plans on metrics of quality and price. He observed that the Senate and Labor Commerce reviewed metrics used by other states such as consumer satisfaction, types of benefits, covered procedures, deductible amounts, and etc.. All easy ways for consumers to make their decisions.

Mr. Moderow did not discuss Subsection (a) (9). He went on to explain that:

- Subsection (a) (10) requires the exchange to determine eligibility for state or local medical assistance programs, such as Medicaid and Denali KidCare. If qualified, the exchange will assist with the enrollment process.
- Subsection (a) (11) establishes a tax credit calculator to help individuals know the cost of health coverage, after federal assistance is applied. This

allows individuals to understand their eligible benefits.

- Subsection (a) (13) requires that the exchange exempts Alaskans from the requirement to retain health insurance if certain criteria is met. Individuals can apply for exemptions if an insurance policy is not affordable. He observed that IHS recipients can apply for an exemption, or they can chose to participate at a generous no cost sharing provisions if they are under a certain income level.
- Subsection (a) (14) shares information about individuals exempted from the health insurance requirement. Subsection (a) (14) (B) shares information about employees who aren't offered affordable health coverage through employment. Subsection (a) (14) (C) shares information about employees who cease to have employer coverage due to a change in employment.
- Subsection (a) (15) notifies an employer when an employee receives premium assistance from the government, either because the employer doesn't offer a plan, or offers a plan which doesn't meet minimum standards.
- Subsection (a) (16) explicitly states that the exchange will assist consumers by determining eligibility for premium tax credits, reduced-cost sharing, or exemptions from the insurance mandate.
- Subsection (a) (17) establishes a framework for Navigator Grants. These grants can be pursued by most organizations or trade groups for the purposes of helping the exchange fulfill its goals. Navigator duties include enrollment assistance, information sharing, and assistance with dispute resolution. He observed that commercial fishing trade groups are eligible to be navigators to help individuals find health coverage that meets their needs.

[9:17:07 AM](#)

Mr. Moderow continued with his presentation of the sectional analysis:

- Subsection (a) (18) requires the Division of Insurance to consider the rate of premium growth within and outside the exchange, in an effort to evaluate the effect and benefit of incorporating larger employers within the SHOP exchange. Currently, employers with 50 or less employees are eligible, but the program could be expanded in the future.
- Subsection (a) (19) asks the Division of Insurance to develop policy and procedures that minimize adverse selection, both inside the exchange and between plans sold within and outside the exchange. Nothing changes the current insurance market place as it exists today. Plans can still be purchased and sold in small group markets or individual markets under reform, which makes certain the exchange functions well within the existing market place.
- Subsection (a) (20) requires the exchange to provide credit for any 'free choice voucher' that an employer provides an employee for the purpose of covering premium costs. These set up a framework where an employer can offer to pay \$100 for an employee's health coverage and the employee can find a plan that meets their needs through the exchange.

Mr. Moderow did not discuss Subsection (a) (21) or (a) (22).

- Subsection (a) (23) outlines accounting requirements.
- Subsection (a) (24) requires an annual accounting report to be submitted to federal and state stakeholders.
- Subsection (a) (25) allows for cooperation with any investigation or audit by the Division of Insurance or Secretary of Health and Human Services.
- Subsection (a) (26) allows a health insurer to offer a limited dental plan as part of a qualified health plan, so long as pediatric dental benefits are included.

- Subsection (a) (27) requires the exchange to apply for planning and establishment grants for the Exchange, which addresses the question asked by Senator Ellis.

Mr. Moderow noted that grants of \$1 million had been awarded to 49 other states dollars for planning purposes. The language in Subsection (a) (27) was retained in the legislation in case future openings exist.

- Subsection (a) (28) requests that the Division of Insurance offer recommendations about potential interstate compacts that would permit the sale and purchase of health insurance across state lines.

Mr. Moderow acknowledged the small pool of individuals to insure in Alaska. Buying and selling health insurance over state lines has been under discussion for a long time as a way for the free market to deal with rising premiums and a means to find low cost options. Legislation would probably be required to enact any recommended compact.

- Subsection (a) (29) requires that the Exchange board establish a plan of operation, and submit it to the director of the Division of Insurance for approval.
- Subsection (b) (1), page 9 line 30, allows the exchange to contract out some of the responsibilities outlined in the legislation.
- Subsection (b) (2) allows the exchange to share information with federal and state agencies, provided that confidentiality protections consistent with state and federal laws are protected.
- Subsection (b) (3) allows the exchange to receive grants to finance operations, and requires prompt disclosure of any financial contributions, whether they are applied for or received to ensure transparency.
- Subsection (c) prohibits certain expenses to keep costs down for consumers.
- Subsection (d) ensures individuals won't be penalized if they change coverage because they are newly

eligible for that coverage, or if employer sponsored coverage becomes affordable.

[9:21:23 AM](#)

Mr. Moderow continued to present the sectional analysis. He discussed Section 21.54.230 of the legislation, found in Section 2 beginning on page 10, line 22, which relates to health plan certification.

- Subsection (a) outlines requirements of a qualified health plan, and the insurers offering such plans.
- Subsection (a) (1) allows flexibility for an insurer to include or not include adult dental benefits, so long as one supplemental dental plan is included within the exchange.
- Subsection (a) (2) requires that premium rates and plan language are approved. This minimizes change to our current market place. The director of the Division of Insurance will still review policies to make sure they line up with existing state law.
- Subsection (a) (3) requires plans to meet certain quality guidelines in terms of the actuarial value to a consumer, except in instances where catastrophic plans are sufficient to protect an individual from financial hardship.
- Subsection (a) (4) meets cost sharing and deductible assistance requirements that protect consumers.
- Subsection (a) (5) and (a) (6) require that an insurer in the exchange offer plans that meet certain quality metrics, and that they charge the same rates for similar policies sold inside and outside in the traditional insurance market place.
- Subsection (a) (7) requires the exchange to determine that making the plan available through the exchange is in the interest of employers and individuals.
- Subsection (b) specifies that an exchange cannot exclude a plan because it is fee-for-service, through

price controls, or because a plan pays for lifesaving treatments.

- Subsection (c) (1) requires an insurer to justify any premium increase prior to implementing the premium increase. This justification must be shared with the public, and the exchange will consider these premium increases when determining whether to certify plans.
- Subsection (c) (2) and (c) (3) requires insurers to provide the public with fiscal, claim, rating, and enrollment data, in instances when disclosure is consistent with privacy laws. It requires insurers to release cost data, including cost sharing paid by the consumer, for a specific item or service under a health insurance policy. This enables individuals to question how a plan would help them historically, or in the future.
- Subsection (d) makes it clear that state insurance laws regarding solvency and licensing are still applicable to plans within the exchange, and that insurers are treated equally.
- Subsection (e) relates to dental benefits under the law, and the flexibility of plans under reform in this area.

Mr. Moderow discussed Section 21.54.240, found in Section 2 on page 14, which relates to exchange funding. It requires the exchange to finance itself after being established. The grants available to the state were only for the establishment portion; afterwards an exchange has to be self-financing. It requires this funding to come from insurers who offer health benefit plans through the exchange. In addition, the cost of this financing must be disclosed to the public on the exchange website.

Mr. Moderow observed that Section 21.54.250, Section 2, page 14, allows the exchange board and Division of Insurance to adopt regulations to fulfill the purposes of the legislation.

Mr. Moderow noted that Section 21.54.260, Section 2, page 14, requires insurers to honor state health insurance laws as established; and Section 21.54.270, Section 2, page 15, provides definitions of some terms used in this act.

Mr. Moderow continued to outline the final sections of SB 70:

- Section 3 adds employees of the exchange to the list of partially exempt service.
- Section 4 defines the Executive Director of the exchange as a public official.
- Section 5 adds the Alaska Health Benefit Exchange Board to the list of state commissions or boards.
- Section 6 of the legislation, outlines transitional provisions relating to board terms.
- Section 7 gives the ability to draft regulations and clarifies that regulations will not take effect until the effective date of statutory changes.
- Sections 8 provides for a July 1, 2011 effective date for the exchange board, the duties of the board, and the board's ability to make regulations.
- Section 9 makes certain transitional provisions effective immediately.
- Section 10 makes the remainder of the act effective on July 1, 2012. This is when health plan certification would begin under the legislation.

[9:26:17 AM](#)

Co-Chair Stedman asked for further background on the legislation's history. Senator French explained that a federal model was created in Washington, D.C. to help states with implementation. The idea is to create a website where consumers could make a complex financial choice as simply as possible. The legislation would create a framework shaped to Alaska.

[9:27:27 AM](#)

Co-Chair Hoffman wondered how natives who are eligible for Alaska Native Health Care would be affected. He questioned if they would be able to participate in the program to

obtain additional coverage. Senator French affirmed and explained that Indian Health Service (IHS) beneficiaries would be given the option of seeking additional coverage or maintaining their existing coverage.

[9:28:25 AM](#)

Co-Chair Stedman wondered what was necessary under the federal requirements and what was optional. Senator French emphasized that it was important to remember that there are a set of federal guidelines that must be maintained. He noted that there would be two exchanges if the state exchange falls too far outside of federal guidelines. Consumers must have a place where they can make an intelligent choice at a minimum, rating of policies where consumers can look at how many claims are denied, costs and benefits.

Mr. Moderow agreed to provide more detailed information regarding federal regulations. He stressed that the tax benefits would only be available through the federally sanctioned exchange that meets federal guidelines.

[9:30:29 AM](#)

Senator Olson wondered if IHS beneficiaries could chose a different primary insurance coverage and retain their IHS policy as their secondary. Mr. Moderow replied that there was an elimination of cost sharing, and agreed to provide more detailed information.

[9:31:35 AM](#)

Senator Olson wondered if there was support from health care providers. Mr. Moderow explained that IHS beneficiaries can take advantage of eliminated cost sharing. He thought that IHS was the payer of last resort.

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Senator Olson wondered if there was support from healthcare providers. Mr. Moderow noted a letterd of support from the Small Business Majority and the Anchorage Disability Law Center.

Senator Olson referred to the fiscal note and ongoing costs. Mr. Moderow noted the department could discuss the fiscal note.

[9:32:55 AM](#)

Senator McGuire stressed the high costs associated with dental disease and questioned if dental care was included in the program. Mr. Moderow replied that pediatric dental programs were included in the options. He agreed to provide a more detailed response.

[9:34:29 AM](#)

Senator McGuire asked if there is an opt-out provision for Alaskans that don't want to participate based on a philosophical right of freedom to choose. She noted that mandatory health insurance essentially exists in Alaska since emergency medical care is not refused. "We will treat you at a hospital; we are not going to let you die on the road; and we will pay for it as Alaskans." She noted that one admission to an emergency room can cost \$10 thousand.

Senator French explained that the bill does not exempt anyone based on their right to choose to participate. He acknowledged that there is a free rider problem in the state and nation, where people can seek free medical care in emergency rooms that the bill seeks to end. The bill seeks to get "every single person paying something into the system in exchange for the benefits they receive through emergency rooms, or other places they get, in essence, free medical care." He stressed that it is more efficient to have a health insurance policy that allows individuals to see a primary care physician instead of waiting until a crisis occurs that requires an emergency room visit. He maintained that as long as there is a system that "will not let you die in the road; will not let you sort of expire in the gutter; that is going to take you to the emergency room," everyone should pay. He maintained the legislation errs on the side of health and wellbeing.

[9:38:04 AM](#)

Co-Chair Stedman asked Senator French to give more detail on why the exchange was structured as a public corporation with an independent legal existence. Senator French

explained that the exchange was set up with independent bodies to operate as free as it can from political influence, yet be bound by the guidelines in the bill. The exchange could be housed in the department as a division.

[9:39:08 AM](#)

Co-Chair Hoffman referred to discussions between the Senate Finance co-chairs and the Division of Insurance. The division expressed concern that Alaska does not have a large enough pool to economically administer an exchange and alluded to the fact Alaska would be better served by joining another state such as Washington State. He asked if the sponsor considered the possibility of a multi-state exchange. Senator French responded that a multi-state exchange was not considered in drafting the legislation. However, pooling in respect to buying across state lines was addressed in subsection 28, page 9. Insurance policies are largely a creation of state law and regulated by state regulators. A multi-state pool would have to be created to buy across state lines.

[9:41:22 AM](#)

Co-Chair Hoffman stressed that perhaps a large pool would lower administrative costs. Co-Chair Stedman observed that pooling with smaller populated states such as Montana and Idaho were discussed.

[9:41:50 AM](#)

Senator Thomas referred to education and prevention.

Senator French pointed to the intent language on page 1:

(3) to provide consumer education and assist individuals with access to programs, credits, and cost-sharing reductions; and subsection (4) to reduce the number of uninsured Alaskans by creating an organized, transparent, and easy-to-navigate health insurance marketplace that offers a choice of high value health plans with low administrative costs for individuals and employers;

Senator French acknowledged that there are no health initiatives or education programs. The ability to obtain a check-up is implicit. He maintained that it is easy to

forget how daunting it is to those without insurance to have to pay out of pocket for every cost. He stressed that "lower income folks just don't go see a doctor to their great detriment".

[9:44:07 AM](#)

Senator Thomas wondered if the board could devise plans that would require annual physicals, which could result in a savings in terms of heart disease and cancer prevention. Senator French observed that the federal debate centered on the role of government in people's lives. He shared the concerns about preventative care. However, the laissez faire approach won.

[9:46:14 AM](#)

JOHN SHERWOOD, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, noted that the administration believes they have the authority to begin the planning and implementation process without state legislation and do not support SB 70. The Department of Health and Social Services and Department of Commerce, Community and Economic Development are working to analyze the federal legislation and requirements to begin the implementation process.

Co-Chair Stedman observed that the commissioner was in Washington, D.C. He asked Mr. Sherwood to elaborate and questioned how the administration would resolve the issue that SB 70 attempts to address.

Mr. Sherwood was unable to elaborate and emphasized that the department was still in the planning process. He clarified that the administration was looking at a multi-state exchange. The federal government released seven grants to early adopters (states taking different approaches to developing exchanges). One of the grants went to a consortium of New England states for a New England regional exchange.

[9:50:34 AM](#)

Co-Chair Stedman asked for guidance on the legislative timeframe and a response to Senator Ellis' question. Mr. Sherwood clarified that the federal legislation requires that the exchanges be operational by January 1, 2014. The federal government will move in to implement an exchange if

it determines by January 1, 2013 that a state will not have a functioning exchange by that date. The state will need to move forward by 2012.

[9:51:29 AM](#)

Co-Chair Stedman queried the denial of the million dollar grant. Mr. Sherwood acknowledged that the administration did not apply for the grant, because the administration did not want to have federal entanglement and obligation. He acknowledged that most of the development money is contingent on having received the planning money. He noted that federal policies can change. The state is eligible for some funding for related activities such as developing the new required Medicare coverage. The exchange would become self-funding once it is developed.

[9:53:12 AM](#)

Co-Chair Hoffman maintained that it is a major public policy issue that is worthy of a legislative discussion. He noted the lack of legislative involvement and asked if the intent was to avoid a legislative decision. Mr. Sherwood replied that the administration was interested in a dialogue about whether the legislation was needed in the current year. Mr. Sherwood replied that there was a willingness to have a dialogue.

[9:55:00 AM](#)

Senator McGuire understood the administration's broader goal for rejecting the grant money attached to the creation of universal health care, but questioned the rejection of the \$1 million that could have been used for planning and state control of the exchange. She queried the rationale. Mr. Sherwood replied that the money was rejected to minimize federal entanglement and avoid obligation as part of an overall strategy.

[9:56:50 AM](#)

Senator McGuire stated that she wished that the decision had not been made and stressed that "you don't have to throw the baby out with the bathwater". She felt that the decision should be made collectively with the legislature. She referred to page 2, which puts the commission selection in the hands of the governor. She pointed out that the

commission would be made up of Alaskan small business employers and health care insurance companies and emphasized the uniqueness of Alaska. She cautioned that Alaska doesn't get absorbed into bigger pools that may not pay attention to Alaska's needs. She asked if there is a representative pointing out the unique aspects of diabetes or obesity in Alaska and wondered how Alaskan health care needs are being communicated in the exchange network. Mr. Sherwood clarified that Alaska was not planning to join the New England exchange. He explained that there are different models. States must share their experience with other states as part of the criteria for federal funds. Alaska is looking at different models including a multi-state exchange pool. He acknowledged the task of keeping Alaska's unique characteristics in mind when looking at the different models.

[10:00:35 AM](#)

Senator McGuire referred to her experience when Alaska joined Washington State's organ and tissue donation model. Not only did Alaska lose money, but lives were lost as well when Washingtonians became a priority. Washington medical departments and insurers were in the driver's seat. She expressed concern that Alaskans could suffer in a multi-state exchange. Alaskans should come out healthier from an exchange.

[10:02:31 AM](#)

Senator Thomas wondered if there were statistics on the cost to those that can pay from uncollectible or unpaid medical bills from those that cannot pay. Mr. Sherwood replied that he did not know, but stated that there was some data on uncompensated care for hospitals.

Co-Chair Stedman requested more data on uncollectible hospital debt being absorbed into the system. Mr. Sherwood indicated he would provide that information.

[10:03:46 AM](#)

Co-Chair Stedman addressed the four proposed fiscal notes: \$3 million GF from the Department of Administration for bandwidth, hardware and software and maintenance of the system; \$1,662,100 GF from the Department of Commerce, Community and Economic Development for 12 new positions to

manage the program, as well as board costs and supplies; \$230.2 thousand GF and \$230.2 thousand matching federal funds from the Department of Health and Social Services for five new analyst positions; and a zero fiscal note from the Division of insurance.

10:04:35 AM

PAT LUBY, AARP (via teleconference), testified in support of SB 70. He emphasized that the federal government will impose an exchange if the state does not create one. He maintained that an exchange is the easiest way for an individual or small business to find adequate affordable health coverage. Two-thirds of America's small businesses offered some form of health insurance, but had to rely on brokers for advice on the best coverage at the least cost. Web based exchanges make it easier for the individual or small business to compare coverage and cost as well as to find out what subsidies might be available. He noted that Medicare Part D allows clients to choose their prescription drug coverage by going on line, typing in their medications and finding out what the best policy and cost is for each.

Mr. Luby referred to recent conversations with the Alaska Association of Insurance Underwriters (AAIU) and noted that AAIU cautioned against looking to multi-state pooling due to the high health care costs in Alaska.

Mr. Luby noted that AARP supports SB 70 and believes it will help all Alaskans to find the best coverage at the lowest cost; and will be Alaskan designed and not imposed by the federal government.

10:06:45 AM

MARK REGAN, LEGAL DIRECTOR, DISABILITY LAW CENTER OF ALASKA, ANCHORAGE (via teleconference), testified in support of SB 70. He emphasized that the exchange system puts people with disabilities into the pool with everyone else and includes federal safeguards to insure that people with disabilities are not charged excessive premiums. Overall costs could be reduced since everyone would participate. He noted that most people that want to opt out would do so not to evoke their rights to freedom, but because they think participation will cost them money. He emphasized that social security and Medicare Part A are mandatory programs and that exchanges would help people

establish their exemptions due to the lack of affordable coverage or other reasons, without penalty.

Mr. Regan did not believe the state could establish an exchange without detailed legislation. The proposed legislation is an adaptation of the model legislation proposed by the National Association of Insurance Commissioners. States have the ability to setup how the exchange is managed and operated. He stressed that while the exchange's function is laid out in federal legislation, there will need to be additional state legislation that lays out what the exchange does and there is room for the legislature and administration to dialog.

[10:12:20 AM](#)

Senator Olson wondered why the private sector had not stepped up to develop the exchange. Senator French observed that insurance companies are not interested in being compared to other companies; a consumer group is needed to put companies' side-by-side for comparison.

SB 70 was HEARD and HELD in committee for further consideration.

#SB87

SENATE BILL NO. 87

"An Act establishing a program in the Department of Commerce, Community, and Economic Development for payment of grants to health care providers for care of patients who are 65 years of age or older."

[10:14:03 AM](#)

Senator French, Sponsor, explained the bill. He maintained that Alaska's Medicare system is not working well.

Too many seniors cannot find a primary care doctor. Physicians who do accept Medicare patients are losing money with each visit, as the cost of providing care exceeds the federal reimbursement rate.

We can't wait for the federal government to fix Medicare; instead, we need to act today. This legislation will immediately improve seniors' access to primary care services in Alaska.

The bill establishes a grant fund for health care providers serving Alaskans who are sixty-five years of age or over. The grants will be paid to medical providers that increase primary care access to Alaska's seniors. All health care providers - including physicians, nurse practitioners, and physician assistants - would be eligible for grants.

Access to primary care, as you know Mr. Chariman, improves health outcomes and reduces medical costs. Instead of waiting for small ailments to become major, primary care prevents expensive medical treatments. Instead of requiring an emergency room visit, primary care keeps our seniors healthy.

Senator French observed that a new Medicare clinic opened in Alaska. The clinic hopes to serve five to six thousand citizens, which is only half of the 13,000 seniors on Medicare in Anchorage that do not have a primary care provider. While the Medicare clinic is a good step forward, Senator French did not feel that one solution could be relied on to solve the entire problem. He observed that the Institute of Social and Economic Research (ISER) estimates that Alaska will have 86,000 non-native Alaskans eligible for Medicare by 2020.

Senator French estimated that the supplemental cost of one primary care visit for those that don't have a primary care doctor would cost the state \$1.2 million. He stressed that costs would be reduced by the coverage of nurses and physician assistants.

[10:17:51 AM](#)

In response to a question by Senator Olson, Senator French clarified that the Medicare clinic was put together by Providence Hospital.

Senator Olson wondered if there were provisions to cover dental costs. Mr. Moderow agreed to provide that information.

[10:18:24 AM](#)

Senator Olson stressed concern with high pharmaceutical costs. Senator French observed that Medicare Part D and the

Affordable Care Act shrunk the "donut whole" that affected so many seniors that had to pick up costs of pharmaceuticals. The legislation primarily addresses primary care; pharmacy costs are not addressed.

[10:19:23 AM](#)

Co-Chair Stedman wondered if there were some areas of the state that are underserved. Senator French stated that the south central region held the biggest issue.

[10:20:43 AM](#)

JOHN SHERWOOD, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, stated that the responsibility of the program would fall under the Department of Commerce, Community and Economic Development. Federal legislation allowing state grants without Medicare payment issues precludes the state's Medicare agency from operating the grant program. The Department of Health and Social Services is the state agency.

Co-Chair Stedman queried the position of the administration. Mr. Sherwood replied that the administration had not taken a position.

[10:22:04 AM](#)

Co-Chair Stedman highlighted the fiscal note: \$234,100 GF from the Department of Commerce, Community and Economic Development for two new positions and supplies. The fiscal note does not make assumptions on the possible number of grants or provide grant funding.

[10:22:38 AM](#)

PAT LUBY, AARP (via teleconference), testified in support of SB 87. The legislation would enable a grant program to help providers that see a significant number of Medicare patients. He pointed to access problems faced by many Medicare patients, primarily in urban areas. He stressed that older Alaskans will leave the state if they cannot find a health provider.

[10:23:37 AM](#)

DENISE DANIELLO, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON AGING, spoke in support of SB 87. Alaska continues to lead all states with the growth of its senior population. Currently, there are 53,200 Alaskans age 65 or older. Older Alaskans, growing in number and living longer, are experiencing chronic medical health conditions and physical disabilities. Alaska is, at the same time, experiencing a shortage of primary care providers. In recent years, seniors have been unable to access primary health care as doctors refuse them due to low Medicare reimbursement rates. A statewide survey by the Commission found that 16 percent of respondents had difficulty finding a doctor. In 2005, a similar survey found that 24 percent of seniors experienced a health care problem. Today 31 percent of seniors experience a health care problem.

[10:26:23 AM](#)

BOB DOLL, PRESIDENT, RETIRED PUBLIC EMPLOYEES OF ALASKA, testified in support of SB 87. Medicare appears as the state sanctioned method for providing post-retirement age medical coverage that was part of employment for retirees. He observed that the retirees look to the plan creators (legislature) for remedy to problems. He maintained that that SB 87 provides a remedy and acknowledged the work of the Alaskan congressional delegation in making supplementary payments to Medicare providers legal. He maintained that thousands of Alaskan seniors pass through the Medicare window every year and some will find that their health care is jeopardized.

[10:27:55 AM](#)

Co-Chair Hoffman wondered why there was a proposal to set up the program without recommendations for individual grants. Senator French replied that there was a recommendation of \$1.2 million, which would satisfy the problem for a year.

[10:28:46 AM](#)

SB 87 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

10:29:18 AM

The meeting was adjourned at 10:29 AM.