

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

February 8, 2011

2:03 p.m.

**MEMBERS PRESENT**

Senator Dennis Egan, Chair  
Senator Joe Paskvan, Vice Chair  
Senator Linda Menard  
Senator Bettye Davis  
Senator Cathy Giessel

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 34

"An Act establishing the Alaska small business revolving loan fund; relating to the fund and loans from the fund; and providing for an effective date."

- MOVED CSSB 34(L&C) OUT OF COMMITTEE

SENATE BILL NO. 70

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

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 34

SHORT TITLE: SMALL BUSINESS REVOLVING FUND

SPONSOR(S): SENATOR(S) WIELECHOWSKI, ELLIS, PASKVAN, MCGUIRE, MENARD, THOMAS

01/19/11	(S)	PREFILE RELEASED 1/14/11
01/19/11	(S)	READ THE FIRST TIME - REFERRALS
01/19/11	(S)	L&C, FIN
02/03/11	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/03/11	(S)	Heard & Held
02/03/11	(S)	MINUTE(L&C)
02/08/11	(S)	L&C AT 2:00 PM BELTZ 105 (TSBldg)

BILL: SB 70

SHORT TITLE: ALASKA HEALTH BENEFIT EXCHANGE

SPONSOR(S): SENATOR(S) FRENCH

01/26/11 (S) READ THE FIRST TIME - REFERRALS  
01/26/11 (S) L&C, FIN  
02/08/11 (S) L&C AT 2:00 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

DANA OWEN, Staff to Senator Egan  
Alaska State Legislature  
Juneau, AK

**POSITION STATEMENT:** Explained changes in CSSB 34 from original bill.

SENATOR BILL WIELECHOWSKI, sponsor of SB 34  
Alaska State Legislature  
Juneau, AK

**POSITION STATEMENT:** Approved changes in CSSB 34.

SENATOR HOLLIS FRENCH, sponsor of SB 70  
Alaska State Legislature  
Juneau, AK

**POSITION STATEMENT:** Read sponsor statement.

ANDY MADEROW, Staff to Senator French  
Alaska State Legislature  
Juneau, AK

**POSITION STATEMENT:** Presented sectional analysis of SB 70.

MARK REGAN, Legal Director  
Disability Law Center of Alaska  
Anchorage, AK

**POSITION STATEMENT:** Testified in support of SB 70.

WANETTA AYERS, Director  
Division of Economic Development  
Department of Commerce, Community, and Economic Development  
Anchorage, AK

**POSITION STATEMENT:** Answered questions regarding SB 34.

RON KREIER, Acting Director  
Division of Public Assistance  
Department of Health and Social Services  
Juneau, AK

**POSITION STATEMENT:** Testified in support of SB 70.

LINDA HALL, Director  
Division of Insurance  
Department of Commerce, Community and Economic Development  
(DCCED)

Anchorage, AK

**POSITION STATEMENT:** Answered questions regarding SB 70.

PAT LOVEY, Advocacy Director  
American Association of Retired Persons  
Anchorage, AK

**POSITION STATEMENT:** Testified in support of SB 70.

JOHN GEORGE  
Aflac Insurance  
Juneau, AK

**POSITION STATEMENT:** Requested technical change to SB 34.

CRAIG DAHL, President and CEO  
Alaska Pacific Bank  
Juneau, AK

**POSITION STATEMENT:** Testified in support of SB 34.

DORIS ROBBINS, representing herself  
Fairbanks, AK

**POSITION STATEMENT:** Testified in support of SB 70.

#### **ACTION NARRATIVE**

[2:03:26 PM](#)

**CHAIR DENNIS EGAN** called the Senate Labor and Commerce Standing Committee meeting to order at 2:03 p.m. Present at the call to order were Senators Giessel, Davis, Paskvan, Menard, and Chair Egan.

#### **SB 34-SMALL BUSINESS REVOLVING FUND**

CHAIR EGAN announced the first order of business would be SB 34, relating to the small business revolving loan fund.

[2:05:15 PM](#)

SENATOR PASKVAN moved to adopt the proposed committee substitute to SB 34, labeled 27-LS0286\B, as the working document of the committee. Without objection, the motion carried.

[2:06:02 PM](#)

DANA OWEN, staff to Senator Egan, explained the changes to CSSB 34 from the original bill. On page 2, line 13, the word "grant" was missing, which was a drafting oversight. On page 3, lines 16 - 21 now include a turn-down provision. This gives banks a chance to make or deny loans before the business comes to the state. He explained this turn-down provision would apply to any loan in excess of \$35,000, and noted that the bankers are happy with it. On line 30, new language clarifies that you must be turned down from an Alaska institution. Mr. Owen noted a memo attached to the draft CS by Legislative Legal Services Attorney Terry Bannister, which points out potential conflicts with federal law. This is not unusual. He further noted there are two revised fiscal notes.

[2:08:35 PM](#)

SENATOR WIELECHOWSKI, sponsor of SB 34, said he supports the changes in the CS, and noted it is a very fair compromise.

[2:09:42 PM](#)

WANETTA AYERS, Director, Division of Commerce, Community and Economic Development, said she was available to answer any questions about the fiscal notes.

[2:10:26 PM](#)

CRAIG DAHL, President and CEO, Alaska Pacific Bank, Juneau, representing that bank as well as the Alaska Bankers Association, testified that both support SB 70. He said that Alaskan banks have consistently served the small business community. In addition to direct lending, all the banks have participated in federal government programs. For example, Alaska Pacific Bank has received the Small Business Association (SBA) Community Lender of the Year award for four consecutive years. Wells Fargo has received the SBA lender of the year for two consecutive years.

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SENATOR PASKVAN commented it was his understanding that SB 34 focuses on new business customers, as opposed to existing customers receiving new loans.

MR. DAHL replied they do not have a breakdown of those numbers, but in general there were not a lot of brand new businesses starting up in the past year.

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SENATOR PASKVAN moved to report CS for SB 34 from committee with individual recommendations and accompanying fiscal notes. Without objection, CSSB 34(L&C) moved from committee.

[2:16:53 PM](#) - 2:18 p.m.

At-ease.

**SB 70-ALASKA HEALTH BENEFIT EXCHANGE**

[2:18:57 PM](#)

CHAIR EGAN announced SB 70 to be up for consideration.

SENATOR HOLLIS FRENCH, sponsor of SB 70, introduced the bill and read the sponsor statement, as follows:

Competition improves quality, lowers cost and gives consumers a meaningful choice. The Alaska Health Benefit Exchange will make private health insurance companies more responsive to health care consumers in Alaska.

Buying health insurance can be difficult and complicated. This legislation helps consumers identify and enroll in a health insurance policy that will serve them well, regardless of what their future holds.

The Exchange will promote competition among plans by providing information to consumers on a leveled playing field. Today, individuals shopping for airline tickets can log onto the internet and in minutes view competing itineraries, sorted by route, schedule, carrier and price. In this same way, the web based portal created by this bill will allow health insurance consumers to compare carriers, cost-sharing, benefit design, and premium costs of different plans, all in a manner of minutes.

The legislation helps make health coverage affordable for Alaskans. The exchange will determine eligibility for health insurance tax credits, cost-sharing assistance, medical assistance programs like Medicaid. Through the Small Business Health Options Program (SHOP), the exchange will connect small businesses with tax incentives and an insurance pooling mechanism, which can stabilize premiums and

make coverage more affordable. Finally, the exchange establishes the mechanism to exempt people from the requirement to have health coverage, if affordable insurance products aren't available.

An exchange can open the door to innovative ways that keep health care costs down. For years, the idea of buying and selling health insurance across state lines has been cited as a competitive response to small insurance pools. This legislation will ask the Exchange board to consider interstate compacts, and if one makes sense for Alaskans, legislation can be proposed to make it happen.

Forty-nine other states are working towards the establishment of an exchange, and while other elements of health reform are controversial, the exchange idea is championed by Governors of both parties - even by those who are suing the federal government to stop reform.

'State exchanges are good from a conservative standpoint because they involve consumer choice and markets, said former US Senate Majority Leader Bill Frist, a Tennessee Republican, in an Associated Press article (1/22/11). 'Each state can develop the exchange that best meets the needs of their people.'

Finally, this legislation is our last chance to create a health insurance exchange on our own terms. By 2014, the state is required to have a consumer-centered exchange that makes buying health insurance easier for individuals and small businesses in Alaska. If we don't act now, the federal government will.

Please join me in supporting an Alaskan-based solution which puts Alaskans first.

[2:24:30 PM](#)

ANDY MADEROW, staff to Senator French, presented a sectional analysis of SB 70, as follows:

Section 1, through page 2, line 5, provides the intent language for SB 70; fundamental to the aim of SB 70 is connecting individuals and small business with quality health policies to reduce the number of uninsured Alaskans.

Section 2, starting on page 2, line 6, establishes the health benefit exchange as a public corporation of the state.

Section 21.51.210 establishes a board of directors to oversee exchange; the board has 13 members.

Section 21.54.220 outlines powers and duties of the health benefit exchange. The primary duty of the exchange is to facilitate purchase and sale of qualified health plans.

Sections (a) 3 and (a) 13 both establish the Small Business Health Options Program (SHOP).

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Section (a)4 provides for a telephone call center.

Section (a)5 requires that enrollment periods be held annually to facilitate the changing of plans.

Section (a)6 provides for the creation of an internet marketplace to connect individuals with health insurance coverage.

Section (a)7 provides for certification and decertification of health plans sold through the exchange.

Sections (a)8 and (a)9 require the exchange to compare health plans on metrics of quality and price.

Section (a)10 requires the exchange to use a standardized format for presenting health benefit options in the exchange

Section (a)11 requires the exchange to determine potential eligibility for state or local medical assistance programs, such as Medicaid and Denali KidCare. If qualified, the exchange will assist with the enrollment process.

Section (a)12 establishes a tax credit calculator.

Section (a)14 requires that the exchanges exempt Alaskans from requirement to retain health insurance if certain criteria is met.

Section (a)15 relates to sharing information about individuals exempted from the health insurance requirement.

Section (a)16 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 or is unaffordable.

Section (a)17 explicitly states that the exchange will assist consumers by determining eligibility for premium tax credits, reduced-cost sharing, or exemptions from the insurance mandate.

Section (a)18 sets up the 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.

Section (a)19 requires the board 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 SHOP exchange

Section (a)20 asks the board to consider policy and procedures that minimize adverse selection, both inside the exchange and between plans sold within and outside the exchange.

Section (a)21 requires the exchange to provide credit for any "free choice voucher" that an employer provides an employee for the purpose of covering premium costs.

Sections (a)23 and 24 outline accounting procedures and submission of receipts for review, to both federal and state stakeholders.

Section (a)25 allows for cooperation with any investigation or audit by the Secretary of Health and Human Services.

Section (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.

Section (a)27 requires the exchange to apply for planning and establishment grants for the exchange. Grants of up to \$1 million have been awarded to each of 49 states to date for planning.

Section (a)28 requires the exchange board to offer recommendations about potential interstate compacts that would

permit the sale and purchase of health insurance across state lines.

Section (b)1, found on page 8 lines 21-27, allows the exchange to contract out some of the responsibilities outlined in this legislation.

Section (b)2 allows the exchange to share information with federal and state agencies, provided that confidentiality protections are upheld.

Section (b)3 allows the exchange to receive grants to finance operations.

Section (c) prohibits certain expenses to keep costs down for consumers.

Section (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.

[2:36:15 PM](#)

Proposed Section 21.54.230 of the new title, found on page 9, line 14, through page 13, line 7, relates to health plan certification.

[2:38:13 PM](#)

SENATOR GIESSEL asked why the exchange is established as a public corporation.

SENATOR FRENCH explained that this was a policy decision made to emphasize that the exchange is more market-based than government-based.

[2:39:35 PM](#)

RON KREIER, Acting Director, Division of Public Assistance, Department of Health and Social Services (DHSS), stated the division had prepared a fiscal note under the assumption that it would receive information directly from the exchange and would issue benefits.

[2:40:55 PM](#)

CHAIR EGAN responded the committee does not have that fiscal note and would not move SB 70 today.

MR. KRIER replied the fiscal note would be delivered to the committee as soon as possible.

SENATOR DAVIS asked why the fiscal note came from his division.

Mr. KRIER said his assumption was that the health care exchange would not make actual determinations of benefits; rather, the division would do that through public assistance.

SENATOR DAVIS asked if the department had consulted with the Division of Insurance.

[2:43:45 PM](#)

MR. KRIER replied that he had not discussed this issue with the Division of Insurance.

CHAIR DAVIS noted that other consumers would also use the exchange, and she thought the division of insurance would have an interest.

LINDA HALL, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), noted there has been a substantial amount of work on fiscal notes. The division is in the process of reviewing numbers, trying to make the fiscal note as accurate as possible.

SENATOR DAVIS noted that Alaska is the only state that has not accepted federal money to set up a health care exchange.

MS. HALL confirmed that was true.

SENATOR DAVIS asked if the money was still available.

MS. HALL replied the money was still available, but there was a short timeline.

SENATOR MENARD asked if Utah has set up an exchange program.

MS. HALL said yes, also Massachusetts.

SENATOR MENARD asked if the Division of Insurance is in contact with those states.

MS. HALL said they are in contact with a number of states, and research is being done, especially with regard to what might benefit Alaskans.

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SENATOR PASKVAN asked Ms. Hall if she believed SB 70 would reduce the number of uninsured.

MS. HALL answered she did not know, but Alaska does have extremely high health care costs, which is the primary cost driver for health insurance premiums. Competition could impact that.

SENATOR PASKVAN noted this is a capitalistic approach to hopefully lower costs and numbers of uninsured.

MS. HALL concurred.

[2:50:04 PM](#)

SENATOR FRENCH said the short answer is yes. SB 70 is designed to insure more people by offering private insurance to consumers through an exchange; the bill preserves the insurance system as it is now.

[2:51:08 PM](#)

SENATOR DAVIS asked if Senator French would be opposed to extending this bill to insurance carriers in neighboring states.

SENATOR FRENCH replied that is one of the aspects of the exchange. One reality of living in Alaska is that it has a small pool of people. He also noted that regulation of insurance is largely a state matter, not a national effort, and the exchange specifically makes provision for exploring the process of pooling with other states.

SENATOR GIESSEL asked why the director of the Division of Insurance would not be a member of the board.

SENATOR FRENCH replied he doubted that Ms. Hall would accept such a position, but should the committee ask to add her, he would welcome the addition.

MS. HALL deferred response.

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PAT LOVEY, Advocacy Director, AARP Alaska, testified in support of SB 70. She stressed that if the state does not establish its own exchange, the federal government will impose one on it.

[2:56:32 PM](#)

DORIS ROBBINS, representing herself, said she supports SB 70, because you never know when an insurer will end coverage or an unexpected medical bill will put you in financial jeopardy. The exchange will act as a one-stop-shop for choice making with no

hidden fees, and all rules on display. She noted the federal cash for set-up costs was not earmark money, and with the cooperation of the governor, exchange start-up costs can be paid.

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MARK REGAN, Legal Director, Disability Law Center of Alaska, testified in support of SB 70. He said the exchange would serve people with disabilities as well as other consumers, and might make it possible for health care costs to come down. Reluctance to the idea of the exchange may be based on misunderstanding, he commented. In reality, the exchange will not penalize people for not having private health insurance.

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JOHN GEORGE, representing Aflac Insurance, said they don't have a duck in the fight, but he would like to recommend a technical change to SB 70. On page 13, the bill states that the exchange is to be funded by fees or assessments on health care insurers. Under definitions, Aflac would like to add "insurers offering health benefit plans" on page 13, line 9. This wording would exclude other types of insurance such as automobile insurance medical payments, and would ensure that only people participating in the exchange are funding the administrative costs.

SENATOR PASKVAN asked if only insurers offering health benefit plans would pay the fees.

MR. GEORGE responded that automobile medical coverage, for example, should not be included.

[3:07:18 PM](#)

CHAIR EGAN closed public testimony and held SB 70 in committee.

SENATOR MENARD asked if they had weighed in with the Alaska Medical Society or the Alaska Dental Society.

SENATOR FRENCH said many people are still looking at the bill.

SENATOR GIESSEL noted the committee should hear from some of the large insurers in Alaska.

SENATOR MENARD noted the state has chosen Wells Fargo.

SENATOR EGAN stated he would have his staff contact several insurers before the next meeting, if the bill sponsor did not object.

SENATOR FRENCH said he had no objection.

[SB 70 was held in committee.]

[3:09:26 PM](#)

There being no further business to come before the committee, Chair Egan adjourned the meeting at 3:09 p.m.