

**ALASKA STATE LEGISLATURE**  
**HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**

March 20, 2014

3:05 p.m.

**MEMBERS PRESENT**

Representative Wes Keller, Vice Chair  
Representative Benjamin Nageak  
Representative Lance Pruitt  
Representative Lora Reinbold  
Representative Paul Seaton  
Representative Geran Tarr

**MEMBERS ABSENT**

Representative Pete Higgins, Chair

**COMMITTEE CALENDAR**

HOUSE BILL NO. 324

"An Act relating to the controlled substance prescription database."

- MOVED CSHB 324(HSS) OUT OF COMMITTEE

HOUSE BILL NO. 319

"An Act relating to wholesale drug or device distributors; relating to prescription benefits under the state health insurance plan; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 356

"An Act establishing the Advisory Committee on Wellness; and relating to the administration of state group health insurance policies."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 324

SHORT TITLE: CONTROLLED SUBST. PRESCRIPTION DATABASE

SPONSOR(S): REPRESENTATIVE(S) KELLER

02/21/14 (H) READ THE FIRST TIME - REFERRALS  
02/21/14 (H) HSS, FIN  
03/04/14 (H) HSS AT 3:00 PM CAPITOL 106  
03/04/14 (H) Heard & Held  
03/04/14 (H) MINUTE(HSS)  
03/18/14 (H) HSS AT 3:00 PM CAPITOL 106  
03/18/14 (H) Heard & Held  
03/18/14 (H) MINUTE(HSS)  
03/20/14 (H) HSS AT 3:00 PM CAPITOL 106

BILL: HB 319

SHORT TITLE: DRUG/DEVICE DISTRIBUTORS; COMPOUNDED RX  
SPONSOR(s): REPRESENTATIVE(s) T.WILSON

02/21/14 (H) READ THE FIRST TIME - REFERRALS  
02/21/14 (H) HSS, L&C  
03/20/14 (H) HSS AT 3:00 PM CAPITOL 106

BILL: HB 356

SHORT TITLE: ADVISORY COMMITTEE ON WELLNESS  
SPONSOR(s): REPRESENTATIVE(s) SEATON

02/26/14 (H) READ THE FIRST TIME - REFERRALS  
02/26/14 (H) HSS, STA  
03/20/14 (H) HSS AT 3:00 PM CAPITOL 106

**WITNESS REGISTER**

JIM POUND, Staff  
Representative Wes Keller  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions during the discussion of the proposed Amendment 1 to CSHB 324 for the bill sponsor, Representative Wes Keller.

REPRESENTATIVE TAMMIE WILSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 319 as the sponsor of the bill.

MARCIA HOLT  
North Pole, Alaska

**POSITION STATEMENT:** Testified during discussion of HB 319.

MEMOREE CUSHING

Ketchikan, Alaska

**POSITION STATEMENT:** Testified during discussion of HB 319.

JAMES McCLAIN

Fairbanks, Alaska

**POSITION STATEMENT:** Testified during discussion of HB 319.

RICHARD HOLM, Pharmacist

Fairbanks, Alaska

**POSITION STATEMENT:** Testified during discussion of HB 319.

LIS HOUCHEM, Director

State Government Affairs

National Association of Chain Drug Stores

Olympia, Washington

**POSITION STATEMENT:** Testified during discussion of HB 319.

DIRK WHITE, Chairman

Board of Pharmacy

Sitka, Alaska

**POSITION STATEMENT:** Testified in support of HB 319.

SUSAN ALT

No address provided

**POSITION STATEMENT:** Testified during discussion of HB 319.

GERALD BROWN, Pharmacist

Circle, Alaska

**POSITION STATEMENT:** Testified during discussion of HB 319.

BARRY CHRISTENSEN, Pharmacist

Co-Chair

Legislative Committee

Alaska Pharmacists Association

Ketchikan, Alaska

**POSITION STATEMENT:** Testified during discussion of HB 319.

SCOTT WATTS, Pharmacist

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 319.

DON HABEGGER, Director

Division of Corporations, Business, and Professional Licensing

Department of Commerce, Community & Economic Development

Juneau, Alaska

**POSITION STATEMENT:** Testified during discussion of HB 319.

MIKE BARNHILL, Deputy Commissioner  
Office of the Commissioner  
Department of Administration (DOA)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during discussion of HB 319 and HB 356.

#### **ACTION NARRATIVE**

[3:05:02 PM](#)

**VICE CHAIR WES KELLER** called the House Health and Social Services Standing Committee meeting to order at 3:05 p.m. Representatives Keller, Nageak, Seaton, and Reinbold were present at the call to order. Representatives Tarr and Pruitt arrived as the meeting was in progress.

#### **HB 324-CONTROLLED SUBST. PRESCRIPTION DATABASE**

VICE CHAIR KELLER announced that the first order of business would be HOUSE BILL NO. 324, "An Act relating to the controlled substance prescription database." [In front of the committee, was the proposed committee substitute (CS) for HB 324, labeled 28-LS1427\N, Strasbaugh, 3/7/14, which had been adopted as the working draft on March 18, 2014]

VICE CHAIR KELLER, as sponsor of the proposed bill, reported that he had had discussions with the Chair of the House Finance Committee, the next committee of referral. He closed public testimony.

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REPRESENTATIVE SEATON moved to adopt proposed Amendment 1, labeled 28-LS1427\N.1, Strasbaugh, 3/20/14, which read:

Page 2, line 31, through page 3, line 1:  
Delete "other than the state"

VICE CHAIR KELLER objected for discussion.

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JIM POUND, Staff, Representative Wes Keller, Alaska State Legislature, explained that this amendment would open up other

sources of funding for the database, and would eliminate any confusion regarding state funding.

VICE CHAIR KELLER removed his objection. There being no further objection, Amendment 1 was adopted.

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REPRESENTATIVE NAGEAK moved to report CSHB 324, Version 28-LS1427\N, Strasbaugh, 3/7/14, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 324 (HSS) was moved from the House Health and Social Services Standing Committee.

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The committee took a brief at-ease.

**HB 319-DRUG/DEVICE DISTRIBUTORS; COMPOUNDED RX**

[3:09:30 PM](#)

VICE CHAIR KELLER announced that the next order of business would be HOUSE BILL NO. 319, "An Act relating to wholesale drug or device distributors; relating to prescription benefits under the state health insurance plan; and providing for an effective date."

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REPRESENTATIVE TAMMIE WILSON, Alaska State Legislature, stated that the proposed bill had started as a simple bill that "got a little bit more complicated along the way," and she read from the sponsor statement:

Currently wholesale companies of drugs and medical devices that are outside the state of Alaska are not required to be licensed with the State creating an unfair disadvantage to our local businesses. This bill will level the playing field by requiring these out of state wholesalers to be licensed as those are in the state. Additionally, with the potential for the counter fitting of products by rogue companies, this legislation will help insure Alaskans receive quality products.

It also adds verbiage which would include "pharmacy or pharmacist" as a "provider" under section 6 (d) which defines those occupations in which unfair discrimination is prohibited against a person who provides a service within the scope of the providers occupational license. This bill would also require the State of Alaska to pay for and/or reimburse compounded prescription within the same scope and manner as manufactured prescriptions. Pharmacy compounding is the creation of a particular pharmaceutical product to fit the unique need of a patient. To do this, compounding pharmacists combine or process appropriate ingredients using various tools. This is done for medically necessary reasons, such as to change the form of the medication from a solid pill to a liquid, to avoid a non-essential ingredient that the patient is allergic to, or to obtain the exact dose(s) needed or deemed best of particular active pharmaceutical ingredient(s).

Currently, a compound prescription that contains at least one legend (RX only) drug is generally covered by most insurance plans. However, the compounding pharmacy may only be reimbursed for the legend drug(s) in the compounded prescription, not the other ingredients used or for the time it took to make the compound. (This may mean that the pharmacy is unable to make up the medication per the designed formula and/or unable to dispense the intended product to the patient.) This will negatively impact our local businesses, in-fact it could put many out of business. Alaskans deserve to have coverage of compounded medications for potentially life-saving indications as well as for quality of life.

Many of these drugs were previously covered, now the customer must bear the cost anywhere from as little as \$80.00 to as much as \$800.00 depending on the compound.

REPRESENTATIVE T. WILSON said that she had spoken with the Department of Administration after the change of "insurance groups for retirees." She relayed that she had received e-mails from constituents questioning why prescriptions previously covered were no longer being covered. She shared her prior understanding that medication would be covered if it included a

legend drug. Subsequently, she was informed that only the legend drug part of the prescription would be covered. She asked that testimony from more knowledgeable sources be allowed.

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VICE CHAIR KELLER opened public testimony.

REPRESENTATIVE SEATON asked if there were other circumstances that required wholesalers selling in Alaska to have an Alaska business license.

REPRESENTATIVE T. WILSON deferred to Dick Holm, and other testifiers.

MARCIA HOLT explained that she was speaking for a friend who used compound medications, and they were both retirees. She said that her friend received treatment for spinal stenosis which included shots and other medications, although the most effective treatment was "a compounded cream that includes numerous medications." She was not able to identify each of the medications in the cream, but pointed out that this cream was no longer covered by her insurance.

MS. HOLT, in response to Vice Chair Keller, said that her friend was available to testify, but was content to have Ms. Holt testifying for her.

MEMOREE CUSHING stated that she was a retiree from the State of Alaska, and that she was no longer able to obtain the bio-identical hormones for her rheumatoid arthritis. She reported that she had previously used pharmaceutical hormones, which had been covered under her health benefits. [Due to technical difficulties, testimony was terminated]

JAMES McCLAIN shared that he was a retired state worker, and, as he had prostate cancer in 2004, he needed a compound mix of medications which were made locally. He requested that these compounds be allowed.

VICE CHAIR KELLER asked for clarification that the compound medication had previously been covered by his insurance.

MR. McCLAIN replied that this compound medication had been covered by his state retirement insurance since 2004, but that had changed since the state changed to AETNA at the beginning of the current year.

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RICHARD HOLM, Pharmacist, said that his North Pole pharmacy, one of three pharmacies that he owned, was a compounding specialty. He noted that he was a former chair on the Board of Pharmacy. He directed attention to the issue of wholesaler licensing, and explained that, although the Alaska State Legislature had revised these statutes in the mid-1990s, the licensing for out-of-state wholesalers of drugs and medical devices had not changed. In 2006, the Board of Pharmacy had decided to write regulations addressing this change, but the Attorney General informed the board that they did not have the statutory authority for this. These proposed regulations had recently become an issue, as a new U.S. Food and Drug Administration (FDA) category of pharmacy, compounding manufacturers, were dealing interstate with sterile products. He stated the necessity for better regulations to protect the state's rights, instead of allowing the federal government to "take it over." He explained that pharmacies should be listed along with the other medical providers in the insurance code, an oversight that needed correction. He said there was no cost associated, and he offered his belief that there was not any opposition.

MR. HOLM addressed the compounding issue in the proposed bill, noting that the changes in insurance had brought it to bear. Although it had been stated that there were not going to be any changes in coverage, a purported 55,000 calls complained of changes. He offered his belief that the majority of complaint calls regarded compound prescriptions. He opined that the State of Alaska could request this coverage, as [AETNA] was only the plan administrator. He reported that this sort of thing happened when the state changed [management], and that a change in the statute would ensure that employees and retirees would be able to get the necessary therapy and medications without any break in service.

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REPRESENTATIVE TARR referenced instances where the compounding of drugs had not been done in a safe manner, and asked if there were any other issues related to compounding prescriptions which should be addressed.

MR. HOLM stated that compounding was safe. However, as there was a financial interest, especially with hormone issues, companies would declare that some drugs were dangerous in order

to achieve financial gain. He stated that there would always be unforeseen issues with drugs, such as sensitivity, and an inherent danger for any drug therapy. He said that proper handling of patient issues could mitigate a great deal of this danger. He explained that compounding was based on the doctor, pharmacist, and patient relationship, which he called the triad.

LIS HOUCHEN, Director, State Government Affairs, National Association of Chain Drug Stores, said she was available to answer any questions.

DIRK WHITE, Chairman, Board of Pharmacy, reported that he owned a compounding pharmacy center in Sitka. He stated that the ability to license the out-of-state wholesalers was critical to the Board of Pharmacy. He offered his belief that Alaska was the only state not licensing the out-of-state wholesalers.

VICE CHAIR KELLER asked if there would be an increase in the costs to Alaskans.

MR. WHITE said that the wholesale licenses would generate more revenue for the general fund.

VICE CHAIR KELLER asked how many people buy from unlicensed wholesalers.

MR. WHITE listed the three largest unlicensed wholesalers, stating that every pharmacy in Alaska purchased from them. He noted that there was a plethora of smaller, generic unlicensed wholesalers and there would not be any increase of costs due to licensures to pharmacies or patients.

SUSAN ALT stated she had used compound products previously and had no problem with repayment, but that, with the change to AETNA, she now had to pay for each prescription. She declared it was necessary that the state dictate to the administrator what was covered. She questioned the concerns for the type of form or prescription application as long as it provided the treatment or necessary medication.

GERALD BROWN, Pharmacist, echoed the sentiments of the previous testifiers. He said some compound products worked when some commercial products did not work. He directed attention to page 5, line 25, [indisc.] cannot provide that service if the insurance does not pay for the benefit. He moved on to page 6, line 6, describing the lifetime benefit of \$1 million, and he offered his belief that the Affordable Care and Patient

Protection Act eliminated those caps. Pointing to page 6, line 18, and the maximum annual benefit of \$4,000 for mental health issues, he shared a personal anecdote for out-of-pocket costs that were twice that amount. He stated that these maximums were old, and needed to be updated to a more appropriate value. He declared his support of proposed HB 319.

VICE CHAIR KELLER suggested that he contact the sponsor.

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BARRY CHRISTENSEN, Pharmacist, Co-Chair, Legislative Committee, Alaska Pharmacists Association, stated his support of the proposed bill. He mentioned that the compounding issue had already cost a lot of time and energy, issues that the proposed bill now addressed.

MS. CUSHING surmised that presently there was only coverage between April and December, and that the problems arose during the changes in providers. She offered her belief that there was an attempt to chip away at the long promised health insurance coverage, and there was a national problem with health insurance companies doing away with benefits. She stated that AETNA had claimed that it was not evidence based practice to use bio-identical hormones. She listed a number of synthetic hormones which were harmful to women, and stated that bio-identical hormones, which exactly matched human hormones, had been used in Europe for fifty years. She stated that the real crux of the issue was money. She said that, as 2 million women were using these hormones today, it would be known if there was a problem. She said that compound hormones have been made for decades, and the business was growing. She offered her belief that insurance companies were dictating our medical care, instead of the doctor, the patient, and the pharmacist making those decisions.

SCOTT WATTS, Pharmacist, testified in support of the proposed bill. He said that allowing the board to license the wholesale distributors was a safety issue for Alaskans as it allowed for some oversight, and it leveled the playing field with those who were already licensed and regulated by the Board. He said the decisions since January 1, 2014 regarding compounds made in the pharmacy for an individual patient had made it difficult to get the medications to customers. He said these prescriptions were written by all types of prescribers, and that many people were either not able, or struggling, to get those medications. He supported any necessary change to statute.

REPRESENTATIVE REINBOLD expressed her concern that none of the medical device distributors had testified. She asked for the outcome of an operation that used a pacemaker that was not licensed or registered in Alaska.

MR. WATTS replied that it was only necessary for the provider, not the device, to be licensed. In response to Representative Reinbold, he expressed his inability to respond for the impact if the wholesale distributor of the pacemaker was not licensed.

VICE CHAIR KELLER suggested that the sponsor or the Department of Administration could respond. He expressed his concern for any unintended consequences.

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DON HABEGER, Director, Division of Corporations, Business, and Professional Licensing, Department of Commerce, Community & Economic Development, clarified that a fiscal note had been forwarded with the proposed bill requesting \$36,000 for a half time position to process new licenses and the required annual reports. He said that it was "hard to divine the number of licensees that might take advantage of a new license category." He offered an estimate of 400 potential licensees.

REPRESENTATIVE TARR asked for the fiscal note.

VICE CHAIR KELLER said that the fiscal note would be distributed.

[3:54:42 PM](#)

MIKE BARNHILL, Deputy Commissioner, Office of the Commissioner, Department of Administration (DOA), said that the DOA administered one of the state employee health care plans and the health care plan for the public employee, teacher, judicial, and elected public official retirement systems. These plans covered 84,000 people, with 67,000 in the retirement system. He said that, as the plan was subject to the Alaska Procurement Code, an RFP [Request for Proposal] had been issued for claims administrators about every five years, since 1998 when the state self-insured for its health plans. He listed the various claims administrators which had included Premera, Wells Fargo, Health Smart, and AETNA. There were about 30,000 medical and pharmacy claims each week. During the claims administrator transition process, there were hundreds of details to be transitioned appropriately, and in this last process, a professional project

manager had been hired to help with the transition. He acknowledged that the compounds medications issued had been missed in the transition. He offered his belief that the prior list of compounds that were being processed had been passed to AETNA, the current claims administrator, but that there had not been any discussion regarding it. He acknowledged that those compound medications had been denied since January 2, and that there had been 50,000 calls in January, with half that number in February, which, although in decline, was still too high. Directing attention to compound medications specifically, he opined that one percent of pharmacy script was compound medication. He relayed that DOA became concerned and had internal discussions, as well as discussions with AETNA. These discussions revealed a variety of issues pertaining to compound medications that were worthy of additional discussion and scrutiny. He stated that those discussions should have been had last fall in the run-up to the transition. DOA instructed AETNA to cover the compound medications, and AETNA agreed to recode its pharmacy claims system to include the process of compound medications at the point of service beginning on April 1, 2014. He suggested that pharmacists should currently enter an override, which AETNA would accept. He said that DOA had only agreed to make the change through December, and it was necessary for some serious scrutiny to determine the next stage. He shared some of the issues arising from the internal inquiry. He reported that, as the FDA did not regulate compounding by local pharmacies, it was administered by state pharmacy organizations, although he was not clear to what extent the Board of Pharmacy provided regulation and oversight of the fabrication of compound medications within a pharmacy. He opined that the proposed bill was going in the opposite direction of many state legislatures, which were discussing the addition of more oversight and scrutiny for local compounding practices by state regulators, rather than less. He said there was no evidence indicating safety oversight in the compounding pharmacies in Alaska, and that this was worthy of investigation. He raised a question for some of the substances used in compounding, and he pointed to earlier testimony for bio-identical replacement therapy. He shared that there was some controversy, with concern from the Mayo Clinic, the FDA, the Endocrine Society, and the American College of Obstetricians and Gynecologists, for marketing bio-identical replacement therapy as safe. He pointed out that the FDA required a cautionary insert with these, and that all the aforementioned groups had agreed that pharmacies should not declare things are safe, when there was evidence that suggested there were risks and should only be consumed after informed consent. He declared that there were instances when compounding

was necessary, as some people were allergic to legend substances and dyes, and there may not be a commercially available medication. He stated that, as these patients needed access to an active ingredient that was only available in a compounded form, this piece of compounding needed to be preserved, no matter the outcome for compounding as a whole. This would ensure access to compound medications with no available alternative for an FDA legend drug. He stated that these concerns would be reviewed during the upcoming year, and that any limit to compound drugs would be preceded by education and communication for the alternatives.

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MR. BARNHILL directed attention to the proposed bill, and stated that, as drafted, it did not apply to the Alaska Care health insurance program. He reported that Section 7 only applied to the Alaska Comprehensive Health Insurance Association (ACHIA) high risk insurance program. He offered his belief that the intent of the proposed bill was to target Alaska Care, and that Version 0, not yet proposed to the committee, better attempted to target AS 39.30.090 and required the coverage of compound medications, although it "doesn't quite get us there because we're no longer fully insured, we do not buy group insurance." He said that this version would also need additional work to have it applicable to the Alaska Care plan. He directed attention to a list of Frequently Asked Questions (FAQ) on compound medications. He said that the aforementioned changes for compound medications would go into effect on April 1.

VICE CHAIR KELLER said that the proposed bill would be held over. He asked if the compounding of medications was increasing, and he asked if insuring this coverage would increase future expenses.

MR. BARNHILL replied that, currently, one percent of the script volume was for compound medications. He stated that his research indicated that some pharmacies had marketed themselves as compounding pharmacies and used compounding to expand profit margins, and he acknowledged that some individuals needed access to some active ingredients that were not available through commercially available medications.

REPRESENTATIVE TARR asked for more information about his earlier reference to the group plan in Version 0 [not yet proposed to the committee].

MR. BARNHILL replied that the state stopped buying commercially available insurance in 1998, when the state became self-insured, under the authority of AS 39.30.091.

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VICE CHAIR KELLER held over HB 319.

REPRESENTATIVE T. WILSON, as the bill sponsor, said that she intended to introduce a committee substitute which would remove the issue of compounding. She requested a continuance of coverage for compound medications until April, 2015, which would allow legislation to be introduced in the following legislative session. Addressing the proposed bill, she declared that Section 1 was necessary "to make sure that we level the playing field so that we're not charging our people who have businesses in Alaska differently than those who are out-of-state." She declared a need to continue promised coverage to retirees. Addressing an earlier question by Representative Reinbold, she noted that "device" was already defined in statute.

REPRESENTATIVE REINBOLD expressed her concern that there was not any testimony from those distributors impacted by the proposed bill.

REPRESENTATIVE T. WILSON, in response, stated that the proposed bill did not request to license any devices, but only those selling the devices. She declared that the state was already liable as it was "letting anything come into the state with no regulation whatsoever, while we regulate only the in-state."

VICE CHAIR KELLER asked that the committee submit its questions to the sponsor. He held over HB 319.

#### **HB 356-ADVISORY COMMITTEE ON WELLNESS**

[4:12:33 PM](#)

VICE CHAIR KELLER announced that the final order of business would be HOUSE BILL NO. 356, "An Act establishing the Advisory Committee on Wellness; and relating to the administration of state group health insurance policies."

[4:13:09 PM](#)

REPRESENTATIVE SEATON, as sponsor of proposed HB 356, paraphrased from the sponsor statement:

HB 356 requires the Commissioner of the Department of Administration to implement procedures for decreasing the incidence of disease in Alaska in order to hold the inflation of healthcare costs of active and retired Alaska state employees to 2% per year.

According to the Institute of Social and Economic Research, total health care spending in Alaska topped \$7.5 billion in Alaska in 2010, with state government employers paying over \$400 million. A major component of our \$12 billion unfunded pension liability is retiree healthcare costs. HB 356 requires the Commissioner of Administration to put in place programs that will decrease the incidence of disease in State of Alaska employees, both current and retired, in order to hold the inflation of costs to 2% per year.

This bill focuses on preventing the incidence of disease as opposed to treatment of disease. Prevention of disease is the policy approach unanimously requested of the Governor by the legislature through HCR 5 in 2011. This is an area of healthcare where the most economic impact can be achieved. For instance, recent studies show that an action as simple as taking a daily supplement of 5,000 IU of vitamin D can dramatically reduce the risk of heart disease, diabetes, cancer, autism, gingivitis, and many other conditions.

HB 356 creates an Advisory Committee on Wellness which is charged with making recommendations to the Commissioner of Administration on ways to decrease the incidence of disease in Alaska. HB 356 will enforce a paradigm shift for the Department of Administration and the Department of Health and Social Services. It will require the agencies to implement policies to keep Alaska state employees healthy by preventing disease, rather than the common, reactive policy of waiting until people get sick and then treating them.

REPRESENTATIVE SEATON directed attention to a PowerPoint presentation entitled, "HB 356 Prevention of Disease Decreasing the Alaska Healthcare Liability," and the unfunded liability in

the PERS and TRS accounts. He addressed slide 1, "\$3.8 Billion," which he declared to be the current amount of unfunded liability for health care costs, with an annual increase of more than 2 percent. Directing attention to slide 2, "Why are we here?" he noted that the state was spending more than \$100 million annually for active employees, and almost \$500 million for retirees. He pointed out that the state also paid health care costs for inmates, state employees under union health trust, Medicaid, and workers compensation, slide 3. He explained that the current discussion would be about DOA policies for workers and retirees for Alaska, and noted that almost 60 percent of the \$7.5 billion of the state cost for health care was spent on hospital care, doctors, and clinical services.

REPRESENTATIVE SEATON moved on to slide 5, "This is the way we currently contain costs:" and pointed out that the state insurance focused on limitations of coverage for certain conditions or limitations on compensation for procedures. He stated that the Department of Labor & Workforce Development tried to prevent accidents by limiting time on the job and requiring safe job conditions. He said that Department of Health and Social Services had some prevention programs, including voluntary childhood vaccinations, prescription drug safety, and voluntary lifestyle changes, which he deemed to be tough accomplishments. He pointed out that Department of Environmental Conservation and Department of Natural Resources worked on food safety requirements, including shellfish testing, pasteurized milk requirements, and restaurant and food processor inspections. He stated that the Department of Public Safety enforced the laws. He pointed out that the aforementioned \$3.8 billion expense was created by the institution of these current programs.

REPRESENTATIVE SEATON asked "How can we avoid diseases and prevent illness instead of just reacting to and paying for Sickcare," slide 6. Moving on to slide 7, "Active Plan," he noted that these were the aggregate risk profiles and risk drivers of the plan, with a contribution percentage for the direct relation of each to Vitamin D levels. He stated that the total of diseases directly related to Vitamin D levels was 66 percent. Moving to slide 8, "Retiree Plan," the risk factors related to low vitamin D levels was 61 percent. He spoke about slide 9, "Meta-analysis of breast cancer risk," a group of studies that combined data and then segregated these into five groups by blood serum Vitamin D. The national average was 21

ng/ml, yet the rate for blood cancer was decreased by half when Vitamin D rates moved up to 52 ng/ml.

REPRESENTATIVE SEATON reported on slide 10, stating that, with Vitamin D use, there was a 50 percent reduction to the costs resulting from breast cancer.

REPRESENTATIVE SEATON projected slide 11, "Meta-analysis," and noted the 50 percent reduction in incidence of colon cancer with Vitamin D use, an almost \$2 million savings for the state, slide 12. He discussed slide 13, "Diabetes Incidence:" which reflected a clinical trial for Type 2 Diabetes and the 90 percent reduction of incidences with the increase of Vitamin D to 48 ng/ml, slide 14, "Type 2 Diabetes." Slide 15, reflected a \$4 million per year savings with this Vitamin D use. He stressed the importance of raising Vitamin D levels to the 40-60 ng/ml.

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REPRESENTATIVE SEATON pointed to slide 16, "march of dimes," which reflected the reduction of preterm births in Alaska with an increase of Vitamin D. The savings to the state was \$1.3 million, slide 17. He spoke about slide 18, "Upper Respiratory Tract Infections," and compared levels of Vitamin D above 30 ng/ml with the relative risk of upper respiratory tract infections. He reviewed slide 19, "Inflammatory gum disease," and spoke about tooth loss and infection, and that relationship to other illnesses in the body. He pointed to the 80 percent reduction in inflammation in 90 days with an increase in Vitamin D levels to 50 ng/ml.

REPRESENTATIVE SEATON stated that individual Alaskans and the State shared a burden for the increasing health care costs. He declared that the state had not adequately focused on a policy of avoiding disease and maintaining health, slide 20. He read from the proposed bill, slide 21, "to the greatest extent legally and reasonably practicable, the Department of Administration shall work to hold down the escalation of health care costs to less than 2 percent annually by administering policies of the group health insurance obtained under this subsection in a manner that is likely to reduce the incidence of disease in the state's population and facilitates implementation of the recommendations of the Advisory Committee on Wellness established under this bill." He emphasized that this represented a "total change in the direction in which we view health care." He stressed that it was necessary for a new tack

if we were going to address the unfunded liability and the impending big budget deficits. He said that the aforementioned Advisory Committee on Wellness was modeled on the Citizens Review Panel for the Office of Children's Services [Department of Health and Social Services]. It would comprise of a minimum of seven appointed members, with at least one health care provider. Similar to the Citizens Review Panel, the administration would be required to address the issues brought forward by the panel. He declared that this could change the course of escalating health care costs and the large unfunded liability.

REPRESENTATIVE TARR asked whether there were expansions for preventative care and additional covered services under the Affordable Care and Patient Protection Act, and were these a complement for long term cost savings to the proposed bill.

REPRESENTATIVE SEATON replied that this proposal was a paradigm shift, whereas the Affordable Care and Patient Protection Act was directed more toward affordable insurance and paying for sick care. He relayed that its only prevention means were early detection screenings.

REPRESENTATIVE SEATON read a list of the study titles which included Senior Health Issues, Vitamin D Supplementation programs, and Low Serum Vitamin D concentration in Alzheimer's disease.

REPRESENTATIVE SEATON, in response to Vice Chair Keller, explained that the proposed bill requested that Department of Administration (DOA) focus on disease prevention in its health coverage policy. He suggested an incentive of a lower co-pay if people agree to increase their Vitamin D level to between 40-60 ng/ml. He suggested that DOA construct an incentive system during negotiation with the union health care contracts. He pointed to the potential health care tradeoffs with health care accounts. He noted that this could spread to include not only the health insurance programs in the state, but also include Medicaid. He declared that many chronic diseases could be avoided at a fraction of cost, noting the huge cost/benefit ratio. He reminded the committee that, in 2011, House Concurrent Resolution 5 was passed, which called on the governor to declare prevention of disease as the primary model for health care, and that this resolution had not been implemented. The current proposed bill, HB 356, would be another reminder for the administration to implement the policy, and, as it would be in statute, it was a priority. He declared that the crux of the

proposed bill was to prioritize this paradigm shift to lower health care cost by avoiding disease. He allowed that there had been a voluntary wellness committee in Department of Health and Social Services, although it had never been set in statute or required the DOA to respond. He offered his belief that the focus had always been to pay for the sick care, and not to focus on keeping people well. Lifestyle changes were hard and had to be voluntary. He declared that the intention of the proposed bill was for the Alaska State Legislature to set a policy for a healthy Alaskan workforce and retiree base, and lower the health care cost. He opined that this would help alleviate the upcoming fiscal constraints.

VICE CHAIR KELLER summarized that the proposed bill was a change in the DOA mission statement, and that performance would be measured on the successful implementation of the recommendations.

REPRESENTATIVE SEATON replied that the language of the proposed bill allowed a lot of latitude. He said that the millions saved would make a huge difference.

REPRESENTATIVE TARR said that she supported the idea and any efforts at prevention. She suggested a need for clarifications of the criteria for the seven volunteer committee memberships.

REPRESENTATIVE SEATON explained that the proposed bill suggested at least seven committee members, though there could be more to even better create a geographical representation. He emphasized the necessity for a clear intent from the legislature.

[4:47:37 PM](#)

MIKE BARNHILL, Deputy Commissioner, Office of the Commissioner, Department of Administration (DOA), expressed his appreciation to the sponsor, and stated that DOA shared the enthusiasm for wellness initiatives and the idea to trend medical costs down to 2 percent. He questioned whether this was achievable, however. He offered to share past DOA programs, which included a wellness committee for the 2012 state employee health plan. There were over 90 applications for the 12 positions on the wellness committee. He explained the "first dollar preventive care" in the state employee health plan, which meant that certain preventive care services were not subject to the deductible. He opined that it was too early to measure the efficacy of any of these measures; although some of these initiatives were popular with certain constituencies, there was also an equally prominent

constituency that was skeptical of government telling them what to do and how to live their lives. He offered his belief that this was the larger segment, and he questioned how to engage with this population for an effective wellness campaign.

MR. BARNHILL said that a variety of issues drive health care costs. He stated that end-of-life care was very expensive, and there were many expensive behavioral issues, as well. He stated that many people will not change the way they live their lives. He opined that, although the benefits of Vitamin D was an interesting proposal, there were health costs driven by issues not addressed by Vitamin D, noting especially the high cost of orthopedic fractures. He reported that AETNA was developing "a more robust network particularly for specialists," as controlling these costs was very important.

[4:54:37 PM](#)

REPRESENTATIVE TARR asked about the suggested wellness committee approach in the proposed bill.

MR. BARNHILL replied that there were discounts for State of Alaska employees at gyms, recreation clubs, etc. and that there were intermittent programs, competitions, and initiatives. He expressed his understanding that this would only appeal to a certain percentage of the workforce.

MR. BARNHILL, in response to Representative Tarr, said that there was a strategic health initiatives coordinator who coordinated these program discounts.

VICE CHAIR KELLER asked for details about the current wellness committee.

MR. BARNHILL replied that the 12 members met monthly.

VICE CHAIR KELLER asked if the committee had considered the use of Vitamin D.

MR. BARNHILL replied that he did not know.

REPRESENTATIVE SEATON said that the wellness committee had not met "since AETNA came on-line." He referred to the New Zealand report which advocated for Vitamin D, noting that usage had jumped from 15 percent to 74 percent, with a 32 percent reduction in aged residential care in the emergency department from falls and fractures. He expressed the need to reach out to

residential senior facilities across Alaska, and his desire to give the administration a tool for use in contract negotiation for prevention programs. He suggested that the legislature adopt a policy for healthy Alaskans.

[5:00:10 PM](#)

VICE CHAIR KELLER asked that the DOA discuss its support and report back to the committee. [HB 356 was held over.]

[5:00:43 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 5:00 p.m.