ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE
Anchorage, Alaska
October 8, 2014
1:15 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Charisse Millett
Representative Dan Saddler
Representative Andy Josephson
Representative Craig Johnson (alternate)(via teleconference)

MEMBERS ABSENT

Representative Lora Reinbold, Vice Chair
Representative Mike Chenault
Representative Bob Herron

COMMITTEE CALENDAR

PRESENTATION: PATIENT PROTECTION AND AFFORDABLE CARE ACT

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

BARBARA HUFF TUCKNESS
Director of Legislative and Governmental Affairs
Teamsters Local 959
Anchorage, Alaska
POSITION STATEMENT: Testified regarding insurance rate increases.

JON ZASADA
Development and Marketing Director
Anchorage Neighborhood Health Center
Anchorage, Alaska
POSITION STATEMENT: Provided insurance information relevant to the patients of the Anchorage Neighborhood Health Center.

MARY VAVRIK

Anchorage, Alaska
POSITION STATEMENT: Provided information on her health insurance coverage.

MICHAEL MCCALL
Anchorage, Alaska
POSITION STATEMENT: Provided information on his health insurance coverage.

RUSS MORRISON
Soldotna, Alaska
POSITION STATEMENT: Provided information on his family's health insurance coverage.

SUSAN WARNICK
Anchorage, Alaska
POSITION STATEMENT: Provided information on her health insurance coverage.

GEORGANNA BAKER
Anchorage, Alaska
POSITION STATEMENT: Provided information on her health insurance coverage.

CARLTON HEINE, MD
Juneau, Alaska
POSITION STATEMENT: Speaking on his own behalf, provided a physician's perspective on the Patient Protection and Affordable Care Act.

ACTION NARRATIVE

1:15:50 PM

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 1:15 p.m. Representatives Josephson, Saddler, Millett, and Olson were present at the call to order. Representative Johnson (alternate) (via teleconference) arrived as the meeting was in progress.

PRESENTATION: Patient Protection and Affordable Care Act

1:16:29 PM

CHAIR OLSON announced that the only order of business would be public testimony on the recent increases to the policy renewals of the Patient Protection and Affordable Care Act (ACA).

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BARBARA HUFF TUCKNESS, Director of Legislative and Governmental Affairs, Teamsters Local 959, noted that rate increases affect a small population of the state, and she would represent "the other side of that." She informed the committee the Alaska Teamster-Employee Welfare Trust represents health insurance coverage for approximately 5,000 Alaskans working in locations from the North Slope down to the "Alaskan Chain." Teamsters Local 959 has also looked at rate increases.

CHAIR OLSON interjected that Teamsters Local 959 will be looking at increases, tax issues, and changes in its benefits.

MS. HUFF TUCKNESS acknowledged her organization has seen significant changes; however, unlike individuals and companies with insurance plans, Local 959 has the ability to change its health benefit coverage on behalf of its bargaining unit members and to negotiate costs with employers. She related that recently Local 959 was negotiating with an employer who was facing increases of $13.50 per hour, per employee, to participate in a health benefit plan. One year ago, Local 959 implemented a "medical tourism" policy as it is cheaper for the health benefit plan to send members to the Lower 48 to a facility of their choice in chronic-type situations that are very costly. This is not mandated, but is an employee choice. She suggested that rate increases for a small population within the state may be due to chronic diseases which require very expensive drugs and/or frequent doctor and hospital visits. In May 2014, Local 959 implemented a chronic management program - which was not very popular with board members - but which encourages employees to "use the plan in ... hopefully, a better way." Ms. Huff Tuckness opined the healthier Local 959 members are may reduce costs. She said she did not have specific suggestions to alleviate rate increases for individuals who are participating under the federal health insurance exchange. The possibility of a state health exchange may still exist and she noted that Local 959 is a member of a coalition providing insurance to 50,000 covered lives throughout the state, and that coalition may somehow help smaller groups also. Unfortunately, Alaska is a state with a small population and health care is very costly.

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CHAIR OLSON asked whether new and extremely expensive drugs used to treat chronic and long-term conditions have an impact on insurance rates.

MS. HUFF TUCKNESS stated there are pharmacy benefit managers who have been establishing restrictions and monitoring systems. She offered to provide the committee statistics in this regard.

REPRESENTATIVE SADDLER asked for more information on the coalition to which the Local 959 health care trust belongs.

MS. HUFF TUCKNESS said the executive director of the health care coalition is Fred Brown. Recently, the coalition was expanded to include the State of Alaska and well as Washington State and perhaps Oregon. The Teamsters, Laborers, public sector unions, and some employers are part of the coalition as well. She offered to provide a list of participants.

REPRESENTATIVE SADDLER asked whether members of the coalition cooperate in the same health insurance coverage.

MS. HUFF TUCKNESS said that the coalition consists of member organizations with individual plans; however, through the coalition, members have been able to negotiate reductions in rates at certain facilities in Alaska and the Lower 48, due to the large number of participants. Although operating separately, members work together and she said she would provide the name of the coalition.

REPRESENTATIVE SADDLER then asked how frequently medical tourism is utilized.

MS. HUFF TUCKNESS offered to provide specific information at a later date, and added that Local 959 has a list - without names - that identifies particular cases, the treatment facility in the Lower 48, and a comparison of the cost savings between treatment in Alaska and in the Lower 48. She estimated there were 10 cases last year.

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CHAIR OLSON recalled medical tourism was utilized during the construction of the Trans-Alaska Pipeline System (TAPS).

MS. HUFF TUCKNESS closed, saying although Local 959 is not directly affected by the increases in rates at this time, there will be an impact later. She expressed her hope that by working

together parties will create a better health care opportunity for all residents of the state, remembering that those with health care coverage pay for those who do not.

CHAIR OLSON asked what impact the imminent and significant tax will have on Local 959's plan.

MS. HUFF TUCKNESS said Local 959's plan is currently compliant. It is anticipated there will be a possible rate increase in 2015; this matter will be addressed by the board of trustees.

CHAIR OLSON opined plans may tailor their coverage to keep compliant rather than paying the excise tax.

MS. HUFF TUCKNESS agreed there needs to be a "fix" before 2016, recognizing that the excise tax is anticipated to cover costs, but that there may be a better way.

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JON ZASADA, Development and Marketing Director, Anchorage Neighborhood Health Center, informed the committee he was responsible for the Affordable Care Act (ACA) outreach and enrollment for the Anchorage Neighborhood Health Center (ANHC). The health center is also a member of the ACA Education Group that includes AARP, the Alaska Primary Care Association, Alaska Native Tribal Health, United Way, and other organizations working to extend access to care to the uninsured and the underserved. The ANHC is Anchorage's "safety net" medical and dental care provider and is working to ensure that as many of its patients and members of the community as possible secure insurance coverage through the new opportunities. Over 40 percent of ANHC's patients have no coverage and rely upon its sliding fee scale to afford care; however, the sliding scale discount does not equal the peace of mind provided by a health insurance plan. Last year, 600,000 community members were advised regarding possible coverage options, 500 residents were enrolled, and AHNC is caring for 300 patients with new insurance. Currently, over 15 percent of ANHC's patients have insurance, which allows the health center to cover those without insurance. The majority of patients with new coverage are single, working adults with incomes between 100-250 percent of the federal poverty line, and who rely on subsidies provided by ACA to afford their premiums. Mr. Zasada said ANHC is alarmed by the upcoming insurance rate increases and the loss of coverage; in fact, the health center has been informed by its patients that one of the most popular plans is being rolled into

a different plan by its provider. He cautioned that many patients have never had coverage before, and this is a problem for those who have recently been trying to take care of long-neglected medical needs. In response, ANHC is determining how the rate increases affect subsidies so as to educate patients on their options. According to ACA, insurance premiums are unaffordable when they are more than 8 percent of an applicant's income. The issue is very complex and ANHC understands the following: there are a lot of people with serious health issues, both of primary care elective and necessary medical procedures; Alaska is a small market and has a small pool of applicants; the rate-review process is established by law and not necessarily transparent; and many do not have access to care because they would have been qualified for expanded Medicaid. He concluded that ANHC believes the state should undertake best practices reforms under ACA in order to make the rate review process and management of pools more transparent and avoid large rate increases in the future. In response to Representative Saddler, he clarified that 40 percent of clients do not have coverage, about 25 percent have Medicaid, about 17 percent have Medicare, and the rest have commercial coverage. For ANHC to remain viable and provide care, it seeks an insured rate of 20 percent and thus invested effort last year into educating and enrolling those who were eligible and in teaching the concepts of preventive care.

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REPRESENTATIVE JOSEPHSON observed that after the rate hike was announced the insurance director noted that groups did not grow as expected. He asked whether Mr. Zasada has evidence that the state missed opportunities or that - as according to previous testimony - Alaska's pool is really too small to support the enrollees' many demands on the system.

MR. ZASADA acknowledged he did not understand the pool; however, speaking from his experience at ANHC with patients who have high health demands, he was not surprised by $1 million claims. He pointed out that assistance offered to other states that Alaska refused may have "shed more light on this process as it happened ... and that might have been a part of the solution ...."

REPRESENTATIVE MILLETT asked whether coverage for patients has been sought from the Veteran Health Administration, U.S. Department of Veterans Affairs, and the Indian Health Service, U.S. Department of Health and Human Services.

MR. ZASADA answered that 2 percent of ANHC are Alaska Native, and most veterans have TRICARE or use the services available on base, although some veterans are referred to ANHC. All patients are asked if they would like to apply for the sliding fee scale, and he estimated that about 70 percent of uninsured patients qualify for some discount for care. In further response to Representative Millett, he explained that 70 percent of the ANHC patients are at 100 percent poverty or below; 15-20 percent are under 200 percent of poverty; and about 10 percent are over 200 percent of poverty.

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CHAIR OLSON observed that patients in ANHC's client base have not had access to health care for a long time, and make up a smaller pool. Bigger pools include those who have had coverage for a number of years and have received treatment for chronic conditions at their onset and at a lower cost. This is the difference that is driving the market conditions, and 7,000 residents who have not had care "have a lot of catching up to do." He asked whether Mr. Zasada has seen a reduction in the use of emergency rooms for primary care.

MR. ZASADA said the role of the community health system in diverting care away from emergency rooms is unclear. He expressed interest in analyzing this question.

CHAIR OLSON noted the community of Soldotna is blessed by local medical, dental, and psychiatric services, and a Native health wellness center. These services have reduced emergency room visits.

MR. ZASADA appreciated the attention of the legislature to the stories of small business owners, newer immigrants to the community, and service workers who can now afford insurance. These are the residents ANHC represents.

1:45:07 PM

The committee took an at-ease from 1:45 p.m. to 2:17 p.m.

2:17:35 PM

MARY VAVRIK informed the committee she has been a self-employed independent contractor for 32 years working as a court reporter. She has kept insurance for all of that time, but because the deductible on the policy was $6,000 she typically did not go to

the doctor. Ms. Vavrik applied to the health care exchange in February and now is paying a $725 premium for a policy with a $250 deductible and $500 out-of-pocket. She said, "I have never had insurance this good in my entire life." She does not take the subsidy benefit for tax reasons. This is the same premium she paid for a policy with a deductible of $6,000. She advised that it is hard for an independent contractor to get individual insurance; she had Blue Cross insurance about 15 years ago but could not afford the premiums. She is using her insurance this year - after meeting her deductible she is finally going to the doctor for surgery on her hand. Ms. Vavrik said she was really grateful for ACA. She expects the rates to increase and she will return to coverage with high premiums and deductibles, so she is taking advantage of coverage now. She also related the experiences of two friends. She expressed her hope that she could continue her present coverage.

CHAIR OLSON was glad to hear some positive testimony. He noted Ms. Vavrik's previous insurance coverage was catastrophic coverage.

MS. VAVRIK restated that with catastrophic coverage she will not go to the doctor. She opined that insurance before Obamacare has promoted a "sick society" because people cannot afford insurance; however, wellness care will lower health care costs nationally. In the past she has had one free doctor visit and a free mammogram.

CHAIR OLSON, in response to Ms. Vavrik, said written testimony on this topic will be accepted for two weeks.

REPRESENTATIVE MILLETT asked whether Ms. Vavrik's ACA policy covered preventive care.

MS. VAVRIK said her coverage covered a prevention visit, colonoscopy, mammogram, and prescriptions.

REPRESENTATIVE SADDLER asked for clarification on whether Ms. Vavrik will return to catastrophic coverage in the future.

MS. VAVRIK said yes, if the rates go up 37 percent to $1,200 per month she is unwilling to pay that amount. She will keep insurance with a higher deductible and an affordable premium.

CHAIR OLSON recommended Ms. Vavrik begin an early search for quotes on renewal policies.

2:25:27 PM

MICHAEL MCCALL informed the committee he has cancer and just now obtained insurance; however, he was notified that the premium is going up from $500 to $825 and will not be affordable after the first of the year. He asked whether Alaska is losing [Moda Health Plan Inc.] and if his only choice will be [Premera Blue Cross Blue Shield of Alaska].

CHAIR OLSON advised that there will still be two choices. He restated his recommendation to search early for renewal quotes on various plans to keep premiums down by changes to deductibles and co-pay levels.

MR. MCCALL observed that high deductibles are not helpful. Even with good coverage, it is hard to pay his bills.

CHAIR OLSON encouraged Mr. McCall to begin his search into the insurance marketplace.

MR. MCCALL stated he needs to keep insurance for his cancer treatment. In response to Representative Saddler, he said his premiums were due monthly.

2:29:27 PM

RUSS MORRISON informed the committee he has been on Social Security Administration Supplemental Security Disability Insurance for almost 30 years and his wife signed up for catastrophic medical coverage with premiums of $323 per month with a $6,000 deductible. The renewal premium has increased to $627 per month. The total for premiums and deductible is $12,000 per year for "health insurance that is nonexistent." He said this is all they can afford and they will now cancel the policy due to their fixed income.

CHAIR OLSON suggested that Mr. Morrison search for other levels of coverage from both of the companies offering coverage.

MR. MORRISON said their policy is through USAA; in fact, they were advised that Moda and Premera coverage would be more expensive.

CHAIR OLSON related that his wife and daughter searched through "a painful process" to find coverage.

MR. MORRISON added that in Soldotna, there are only three or four doctors in the required network, which is another problem. He was cautioned to verify whether a doctor is in the network immediately prior to a medical procedure.

CHAIR OLSON concurred.

2:34:09 PM

MR. MORRISON, in response to Representative Josephson, said their increased premium of $627 is for the same policy. He explained that the policy is still through the U.S. Automobile Association (USAA), but it now must meet ACA guidelines. He said, "These are things that, because of Obamacare [ACA], they have to be in your policy, to even get a policy."

REPRESENTATIVE JOSEPHSON asked whether the speaker has had out-of-pocket expenses for essentials such as physicals and flu exams.

MR. MORRISON said yes, and added that his wife does not go to the doctor because of billing problems. A colonoscopy was scheduled but the doctor was no longer in the required network thus the cost was $5,600.

2:36:36 PM

SUSAN WARNICK informed the committee that Obamacare [ACA] is not perfect, but as small businessperson, for the first time in 30 years, she is able to afford health insurance for herself and her family. Her coverage has a $1,500 deductible and she appreciates knowing she has coverage. Her husband does not get insurance through his work.

2:38:29 PM

GEORGANNA BAKER informed the committee she is self-employed. She said ACA has made it possible for her to continue her health insurance. She had a policy through the Alaska Comprehensive Health Insurance Association (ACHIA) last year but the premium increased to $1,600 per month with a $500 deductible, and no vision or dental coverage. Through ACA she pays $685 per month, with a $5,000 deductible, and no vision or dental coverage, which is still expensive, but affordable. She does not qualify for the federal subsidy, and dental and vison care costs thousands of dollars, and increasing the premiums is "unfair."

2:40:29 PM

The committee took an at-ease from 2:40 p.m. to 3:01 p.m.

3:01:15 PM

CARLTON HEINE, MD, informed the committee he is an emergency medicine physician at Bartlett Memorial Hospital and is a member of the board of directors of the Front Street Clinic in Juneau. He said he was speaking at the request of Representative Josephson in order to provide perspective on what physicians are seeing in terms of ACA.

CHAIR OLSON asked if there has been a shift from emergency room treatment for primary care since the implementation of ACA.

DR. HEINE said his impression as a practitioner in Juneau is that prior to ACA, he saw more working poor without insurance than in the last few months; however, he has no statistics. Alaska had an uninsured rate in the range of about 20 percent, so that was a challenge for the emergency room. Regarding emergency room treatment for primary care after ACA, he said it is hard to know without data; in fact, "the same kinds of patients" are seen in the emergency department. He has heard from colleagues in other states that initially, newly-insured use of the emergency department increases on a temporary basis until patients can establish care with a primary care doctor. This was true in Massachusetts after the implementation of its insurance reform which is similar to ACA, because of the time lag between access to insurance and access to a primary care physician.

REPRESENTATIVE SADDLER asked whether ACA overtly and specifically encourages patients to establish a relationship with a primary care physician.

DR. HEINE advised he has read the ACA but was unsure if there is specific language to that effect. At the Front Street Clinic - which is a federally funded health clinic in Juneau originally established to provide care to the homeless and that now takes low-income patients - 30 percent of patients have some insurance, mostly by Medicaid and Medicare, and one patient has private insurance. He continued, saying that about 70 percent have no insurance, and about 60 percent of the patients are homeless.

REPRESENTATIVE JOSEPHSON, after noting that Dr. Heine has studied the economics of medicine and its affordability, said he heard that rates are not going up as much in other states. He recalled hearing testimony at the House Labor and Commerce Standing Committee meeting of October 7, 2014, that Alaska's pool is not large enough even with an increase in enrollment, and medicine in Alaska is too expensive, thus Moda and Premera were forced to respond to those realities and increase rates 22-40 percent. He asked what can be done to make ACA work better in Alaska.

3:10:49 PM

DR. HEINE acknowledged that Alaska is challenged because many of the mechanisms of ACA attempt to use market forces to drive some changes, which is a difficulty with a small population. The mechanism of insurance is to spread risk out among a large pool in order to reduce risk and spread costs among a large group to keep costs down. With a smaller population and only two insurance carriers in the ACA exchange in Alaska, market economics are harder. He opined there is a need to look at how insurance rates have been changing for the last few years and not just this year. For example, billings were higher than the allowed amount of 80 percent and insurance companies spend up to 80 percent of their billings on providing care, thus in the previous year there was a refund. Part of the problem with a small population is that a few events or fluctuations can make a big change in the cost to insurance companies which is reflected in their rates. A refund of the excess billing last year probably contributed to the increase in rates this year.

DR. HEINE concluded that prior to ACA the direction of health care in the nation was not sustainable and doing nothing was not a viable option. There were many uninsured Americans and the cost of health care was too high. As a matter of fact, the percentage of the gross national product devoted to health care was higher than in any other country. He stressed ACA is not a perfect piece of legislation but is the first attempt to alter the health care industry and recognize its unstainable path.

CHAIR OLSON asked whether newer, "super" drugs are having an impact due to their high cost.

DR. HEINE observed that not many drugs in the emergency room are highly expensive, except for drugs used for stroke patients and to reverse bleeding problems in those who are on anticoagulation

therapy. He was unaware of the impact of the aforementioned drugs, but was hopeful for a drug to combat liver failure.

3:17:55 PM

The committee took an at-ease from 3:17 p.m. to 3:31 p.m.

3:31:37 PM

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:31 p.m.