ALASKA STATE LEGISLATURE
ADMINISTRATIVE REGULATION REVIEW COMMITTEE
August 27, 2013
10:03 a.m.

MEMBERS PRESENT

Representative Lora Reinbold, Chair
Senator Hollis French

MEMBERS ABSENT

Senator Cathy Giessel, Vice Chair
Representative Mike Hawker
Representative Geran Tarr
Senator Gary Stevens

OTHER LEGISLATORS PRESENT

Representative Tammy Wilson
Representative Steve Thompson
Representative Scott Kawasaki

COMMITTEE CALENDAR

AFFORDABLE CARE ACT

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ROBERT F. GRABOYES, Ph.D., Senior Fellow for Health and Economics
National Federation of Independent Business (NFIB)
Washington, D.C.
POSITION STATEMENT: Offered a PowerPoint presentation relating the concerns of small businesses regarding the ACA.

SALLIE STUBECK, Director
Human Resources
Risk Management Division
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Provided statistical information showing the affects to date of the ACA on the Fairbanks North Star Borough.

JOY HUNTINGTON, Consultant
Tanana Chiefs Conference
Fairbanks, Alaska
POSITION STATEMENT: Offered information regarding the Alaska Native Health Board.

BRANDON BIDDLE, Policy Analyst
Alaska Native Health Board (ANHB)
Anchorage, Alaska
POSITION STATEMENT: Had his testimony paraphrased by Joy Huntington.

REPRESENTATIVE PETE HIGGINS
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Talked about the ACA, in terms of its timing and effects on Alaska, as well as the need for more information.

MATTHEW TURKSTRA, Manager
Legislative Affairs
National Federation of Independent Business (NFIB)
Washington, D.C.
POSITION STATEMENT: Talked about effects of the ACA on small businesses.

BRYCE WARD, Mayor
City of North Pole
North Pole, Alaska
POSITION STATEMENT: Discussed effects of the ACA on the City of North Pole.

REPRESENTATIVE PAUL SEATON
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Showed studies that suggest a connection between preventative treatment and lowered cost of services during the discussion of the ACA.

FRED BROWN, Executive Director
Health Care Cost Management Corporation of Alaska (HCCMCA)
Anchorage, Alaska

POSITION STATEMENT: Responded to points made during previous testimony.

ACTION NARRATIVE

10:03:09 AM

CHAIR LORA REINBOLD called the Administrative Regulation Review Committee meeting to order at 10:03 a.m. Representative Reinbold was present at the call to order. Senator French arrived as the meeting was in progress. Other legislators present were Representatives Kawasaki, T. Wilson, and Thompson.

Affordable Care Act

10:05:16 AM

CHAIR REINBOLD announced that the only order of business was consideration of the Affordable Care Act.

CHAIR REINBOLD stated the purpose of the hearing was to give people the opportunity to discuss possible impacts of the Affordable Care Act (ACA). She offered her understanding that currently there are 20,000 pages of regulations related to the ACA, and that number is projected to increase to 50,000. She emphasized the importance of understanding the effects of the federal Act on Alaska.

10:06:51 AM

ROBERT F. GRABOYES, Ph.D., Senior Fellow for Health and Economics, National Federation of Independent Business (NFIB), offered a PowerPoint presentation [hard copy included in the committee packet] relating the concerns of small businesses regarding the ACA. He said one of the problems with the ACA is that the rules keep changing, and NFIB members are concerned about compliance, even with the best of intentions. Dr. Graboyes directed attention to page 2 of the PowerPoint, entitled, "So far," and noted that the 1099 provision was repealed; the "CLASS Act" was abandoned; and cooperatives ("co-ops") have been terminated. High-risk pools, which Dr. Graboyes said were an important way to bring people with preexisting medical conditions "into insurance," were undersubscribed, and the budget on them was broken, so people had to be turned away. He said the auto-enrollment provision, W-2 reporting, and nondiscrimination requirements were delayed.

DR. GRABOYES said the ability of employees to pick and choose among competing policies is desirable, but in 2014, the "shop exchanges" were delayed, which he said NFIB considers a major failure. The training for the navigators' program was slashed, which could possibly result in "people with no substantial background in insurance being thrown into the forefront of guiding people through the system." Dr. Graboyes said the annual and lifetime caps were delayed, which affect premiums next year. He said the employer mandate was delayed, and he is concerned whether the health data of 3 million Americans will be secure. He referred again to the navigators as people who are "just barely within the system" to whom millions will be giving private information, including social security numbers. He said the data, which "runs this whole thing," is shrouded in mystery. He said he has spoken with many of the top healthcare experts in the country, none of whom really know if the data system will be functional.

10:10:55 AM

DR. GRABOYES addressed information on page 3 of the PowerPoint, entitled, "Dominoes." He said the operation of the employer mandate is much simpler than other parts of the Act; therefore, he questioned what it means for "the rest of it" that the mandate cannot be up and running on schedule. He said subsidies that were to rely heavily on employer data, will no longer have that data in 2014, and people can claim subsidies on the honor system. He said that may mean an unusually high number of employees, who should have stayed on their employer plans, will be able to "jump off." Some employers may find that their minimum participation rates will drop below acceptable rates, and they may not be able to offer insurance to the rest of their employees. Dr. Graboyes questioned whether the subsidies will go forth, and if they cannot, then effectively the individual mandate will not be possible, because that would be asking people to purchase something that they can no longer afford. He said it is unknown how many Americans will pay the individual mandate tax in lieu of coverage or how the individual mandate will affect wages.

10:13:00 AM

DR. GRABOYES directed attention to page 4 of the PowerPoint, entitled, "Still unanswered." He said it is still unknown which services an insurance policy must cover, and who decides. He stated, "The essential health benefits package is sort of in a temporary holding pattern in the states, but eventually is

likely to revert to the federal government where the law had originally placed it." Dr. Graboyes said there are plans to limit the capacity of small businesses to self-insure, which creates uncertainty. He said there is question in determining whether businesses are small or large with respect to the employer mandate. Further, he said it is unknown what the employment effects of the employer mandate will be or how expensive and time-consuming the Act's required paperwork will be.

DR. GRABOYES turned to page 5 of the PowerPoint, entitled, "Still More Questions." He said insurers are still dropping out or limiting their options, and it is unknown which insurers will still be around once the exchanges are open and fully functional. Referring to page 6, entitled, "Entrepreneurs (and others)," he said NFIB has seen public sector and private sector, large and small, for profit and not for profit employers across the country coming up with strategies to avoid the employer mandate generalities, by cutting jobs, cutting hours, outsourcing, disaggregating, and "dropping" family members. For example, he said the University of Virginia just announced this week that the spouses of employees will not be allowed to go on the university's [insurance] plans if they can acquire insurance elsewhere.

DR. GRABOYES addressed page 7 of the PowerPoint, entitled, "Aggregation Problem." He said businesses have a sense that as long as they have less than 50 full-time employees, they are "safe." He said that is not necessarily true; there are aggregation rules embedded in the law, which state that if a business has parent/subsidiary relationships between smaller businesses, they still get rolled into the mandate. He mentioned a "brother-sister" controlled group, "depending on who owns what." He said the most problematic is called an affiliated services group, which is a group of small businesses, which someone in the federal government has deemed to be operating as one. Small businesses declared as such are vulnerable to the employer mandate in terms of thousands of dollars of obligations. He said, "There is nowhere people can turn for reliable answers on these."

10:15:56 AM

DR. GRABOYES skipped to page 9 of the PowerPoint, entitled, "Small business health insurance tax credit." He said the credit is purported to encourage coverage and hiring. He relayed that the federal government's web site claimed that up

to 4 million businesses may be eligible; however, NFIB, at last count, found that only 170,000 had been able to take advantage of the credit, with an average [credit] per business of $2,748, which he said is not enough to encourage anyone to hire or to offer insurance. He said the credits are "limited, punitive, and temporary" and represent "an absolute failure to understand how small businesses work." Dr. Graboyes noted that page 10 of the PowerPoint lists resources on the NFIB web site, which he welcomed committee members to visit.

10:18:41 AM

SALLIE STUBECK, Director, Human Resources, Risk Management Division, Fairbanks North Star Borough, stated that the division manages and coordinates benefits for the borough and school district health plans. She said both entities' plans are self-insured at a cost of $40 million for health and life benefits for employees and their dependents, which equates to a staff benefit rate applied to payroll of 28 percent for the school district and 31.1 percent for the borough. Ms. Stubeck said the borough has successfully maintained its plan's grandfathered status under the ACA, and is hoping to do so through 2015, which is the end date of its current collective bargaining agreement. The school district plan is not grandfathered; therefore, the required preventative services and appeals processes have been added. Ms. Stubeck named the third-party administrator, based in Seattle, Washington, and the benefits consultant, based in Anchorage, Alaska, for both the borough and school district.

MS. STUBECK reviewed a statistical handout [included in the committee packet]. She said through fiscal year 2013 (FY 13), the identifiable additional costs resulting from the ACA are approximately $3.7 million, which is about $800,000 to the borough's plan and $2.9 million to the school district's plan. She said there are other undetermined impacts at present, which include: the removal of pre-existing condition limitations for children; an updated appeals process; and limits to the healthcare spending account. She stated that in 2014, the borough will be paying the required tax of $63 per covered life, which will add another $250,000 to the bottom-line cost of the health plan. She said efforts to comply with the ACA by the borough's benefits consultant and third-party administrator have not increased at this time, because they are both currently under a contract; however, the borough expects that there will be an increase when the contract is renegotiated. Ms. Stubeck noted that the Risk Management Division has seen a reduction in staff time required, because of the age 26 dependent clause.

She explained that previous to the ACA, the borough's plan required proof of college enrollment for those between the ages of 18 and 24, which was a large administrative burden. She concluded by noting that it was Mayor Hopkins who had asked her to provide information to the Administrative Regulation Review Committee.

10:22:38 AM

MS. STUBEK, in response to Representative T. Wilson, said the borough believes it will still be able to self-insure under the ACA, because the borough's plans are large enough. In response to a follow-up question, she said the real concern is that 90 percent of the borough's costs are in claims, which will be the same whether or not the borough out-sources. She said the borough considers whether it should be self-insured or purchase "some type of a product," but so far it has proved more financially sound for the borough to self-insure.

10:23:50 AM

MS. STUBEK, in response to Representative Thompson, acknowledged that the handout she provided does not look beyond 2013, and she explained that is because the information given was based on "what we could actually identify." She said the borough knows there will be additional costs through 2018; the "Cadillac" tax is of concern for most public sector plans in the state. In response to a follow-up question, she stated that although she cannot give a definitive amount, she knows that the increase will be a serious impact.

10:24:49 AM

MS. STUBEK, in response to Representative Higgins, said both the borough and the school district are proactively searching for cost savings in response to the expected increases. She said the borough is part of a cooperative, which tries to consolidate buying power with its provider. The borough considers wellness - how to keep people from getting sick. She said the borough has concerns about how to pay for "this" and for its public employee retirement system (PERS) liability. She relayed that for every dollar spent in salaries, the borough is paying 66 percent in benefits, which is a huge financial burden.

REPRESENTATIVE PETE HIGGINS, Alaska State Legislature, opined that the borough has two choices: raise taxes or make budget cuts.

MS. STUBEK indicated that the borough has stymied growth in other areas in order to meet its obligations.

REPRESENTATIVE HIGGINS said the state is in unchartered waters, and he asked Ms. Stubeck if there is anything the legislature can do to help.

MS. STUBEK referred to a legislative proposal brought forth during the last legislative session to consolidate all the school districts into one statewide health plan. She said if that plan would save the municipalities' money, then it should be considered; however, at this point, the borough's data is showing that [the plan] would not benefit its district.

10:27:51 AM

REPRESENTATIVE THOMPSON proffered that SB 90 is the legislation to which Ms. Stubeck referred. He said it looks like it would save approximately $8 million for the Anchorage School District. He ventured that if the plan increased the pool size enough, it could also save money for the Fairbanks School District.

MS. STUBECK commented on the aggressive tactics taken already by the borough.

10:28:36 AM

REPRESENTATIVE T. WILSON offered her understanding that the aforementioned legislation may include an option to not participate.

MS. STUBEK said making it optional would be beneficial, because then each municipality could evaluate whether participation is in its best interest.

10:29:20 AM

REPRESENTATIVE HIGGINS recognized that a popular belief is that when the pool gets bigger, the cost will decrease; however, because the ACA will not allow anyone with preexisting conditions to be denied, then as the pool gets bigger, so will the number of people to be covered, which will raise the cost of each person's coverage.

MS. STUBEK added that the cost of going to the hospital in Bethel or in Fairbanks will be what it is regardless of whether the borough is self-insured or under state program.

10:31:54 AM

JOY HUNTINGTON, Consultant, stated that the Alaska Native Health Board, established in 1968, is a member organization of the 25 cosigners of the Alaska Native Health Compact, collectively making up the Alaska Tribal Health System.

10:33:47 AM

BRANDON BIDDLE, Policy Analyst, had his written testimony paraphrased by Joy Huntington. The text [included in the committee packet] read as follows [original punctuation provided]:

> This testimony is submitted on behalf of the Alaska Native Health Board (ANHB). Established in 1968, a member organization of the 25 Co-signers to the Alaska Tribal Health Compact collectively making up the Alaska Tribal Health System.
>
> As you are aware, the Patient Protection and Affordable Care Act (ACA) passed into law in March, 2010. Some of the best known reforms are: barring the denial of insurance coverage based on health status or pre-existing condition; requiring that insurers spend a minimum amount on health coverage for members; limiting waiting periods before coverage begins; requiring coverage of certain preventive benefits without cost-sharing; and barring annual and lifetime limits on coverage.
>
> Important to American Indian and Alaska Native people, the law includes the permanent reauthorization of the Indian Health Care Improvement Act. This is a critical piece of legislation for the health care system used by the vast majority of American Indians and Alaska Native people.
>
> Before going any further, it is worth taking a couple minutes to explain how the federal government carries out the Trust responsibility of providing health care to American Indian and Alaska Native people.

Established in the Constitution and given substance through 200 years of treaties, Supreme Court decisions, and actions by Presidential administrations and Congress, the United States has formed what we call the "Trust responsibility" to care for the health and wellbeing of American Indian and Alaska Native people.

Although this is carried out in various government agencies and departments, it is the Indian Health Service (IHS) that is primarily charged with administering health care programs and services.

Importantly, the IHS doesn't function in the same manner as the Veterans Administration or Medicare program, in which the annual appropriation to fund these activities is "mandatory." Instead, it appropriates an annual amount that is "discretionary" and not tied to any base level or formula. Based on per capita spending, the IHS is funded at roughly half of other federally-administered health programs.

Due to this disparity, Congress authorized IHS facilities to recover reimbursements from Medicaid, Medicare, Denali KidCare, and private insurers for services provided. State grants have been important, as well. Many of those State grant programs are ultimately supported State with block grant and other funding provided to the State by the Federal government.

The Centers for Medicare & Medicaid Services (CMS) provides a Federal Medical Assistance Percentage (FMAP) of 51% to the State of Alaska. However, the State of Alaska receives 100% FMAP for Alaska Native patients who receive their care in an IHS facility - a 49% savings to the State General Fund when patients use the ATHS.

While many IHS facilities and clinics in the Lower 48 employ federal medical professionals and bureaucrats, over 99% of the funding the IHS would use to administer services is "Compacted" and "Contracted" directly to Alaska Tribes and Tribal organizations, resulting in a level of care that is more efficient, effective, and culturally-appropriate.

Collectively, these Contracting and Compacting Tribes and Tribal organizations make up the Alaska Tribal Health System (ATHS) with over 180 village-based clinics, 25 sub-regional facilities, 6 Regional hospitals, and the Alaska Native Medical Center providing tertiary care – the State's only level II Trauma Center.

In addition to the voluntary collaboration between Tribes and Tribal organizations, the ATHS interacts in significant and collaborative ways with all other sectors of health care delivery. The scope of ATHS includes not only services to American Indian and Alaska Native people, but also services to non-Natives in remote locations and where the a tribal health provider has special expertise or capacity that other sectors cannot offer.

Above all else, the ACA offers American Indian and Alaska Native people more options for health insurance, primarily through the Health Insurance Marketplace and, should the state choose to adopt it, Medicaid Expansion. Through federal subsidies in the marketplace and expanded eligibility in Medicaid, more American Indian and Alaska Native people will have the option for private insurance.

Beyond the subsidies, ACA allows American Indian and Alaska Native people to be:

- Exempt from penalty for being uninsured
- Eligible for frequent enrollment periods in the Marketplace
- No cost-sharing for American Indian and Alaska Native people under 300% FPL

  No cost-sharing for services provided to an individual by ATHS or Contract Health Services

    - No cost-sharing if American Indian and Alaska Native individuals enrolls in a qualified health plan through an exchange
    - Those eligible to receive services through IHS can also enroll in the exchange

For Tribal Health Providers:

- Single enrollment form
    - Medicaid, Medicaid Expansion, [Comprehensive Health Investment Project] CHIP, Exchanges
- New sources of funding
    - Exchanges
        - Covers adults younger than 65 years
        - Premium assistance up to 400% [federal poverty level] FPL
        - ATHS can bill plans
        - Shift Contract Health Service costs to plans
- ATHS collects 100% of charges from plan
- No cost sharing in private sector for Alaska Native with referral from ATHS
- Contract Health Services does not pay any portion of care covered by plan
- ATHS Employees are exempt from fees imposed by federal agencies to the same extent that IHS employees and commissioned corps officers are exempt. (e.g. DEA registration fees.)
- Allows recovery of charges from every kind of insurer and provides tribal health programs with authority to recover from tort-feasors on the same basis as the IHS and other federal health care providers do.
- Exempts licensed and certified tribal health program employees from licensure in the state where they are practicing so long as they are licensed or certified in some state – this is critical for reducing workforce vacancies across ATHS.

Beyond these specific provisions, the Health insurance Marketplace will increase access to coverage. Expanded coverage will provide more revenue to ATHS providers for services performed. However, there's still no requirement that insurance carriers actually offer contracts to ATHS providers, Even if a patient just needs a referral to a specialist for something insurance covers but not the health service, they have to see a second primary care provider if their private carrier doesn't recognize their tribal provider.

Another important provision from the ACA is a partnership between ATHS and Veterans Affairs. Tribal programs are now starting to receive reimbursement payments the VA for direct care services provided to eligible veterans under the IHS VA reimbursement agreement.

Tribes or Tribal organizations may now purchase coverage for their employees from the Federal Employees Health Benefits Program. It also covers eligible family members of such employees. The Office of Personnel Management began accepting applications from tribes in the spring of 2012.

Thank you for your time today. I appreciate your interest in how the Affordable Care Act impacts Alaska Native people and the Tribal Health System.

10:41:06 AM

MS. HUNTINGTON, at the request of the chair, relayed that Brandon Biddle's e-mail is bbiddle@anhb.org, and his phone number is (907)743-2523. She expressed her hope that in future discussions of the issue, a member of the ANHB could be present to answer questions.

10:43:56 AM

REPRESENTATIVE HIGGINS opined, "We have a duty to the State of Alaska to try to keep services at a level that is acceptable." He said the State of Washington has spent about $200 million on exchange services and has "nobody in their exchange." He said Alaska has not started "that process" yet. He said he has looked at estimates ranging from $100-$200 million to "set this up." He said he has been cautious and telling people that "this is the law and we're going to have to deal with it one way or the other." He said the governor has not yet decided whether or not to offer expanded medical services for Medicaid, and he said he cautions the governor to "just see how this works." He relayed the federal government says it will pay 100 percent of services for the next four years, after which it will drop down to 90 percent. He remarked that the federal government's services have shrunk over the years, with federal dollars becoming smaller. He said "we" will have to pick up the cost of Medicaid and Medicare services "when the government shrinks that dollar again." He said he realizes that a plan must be implemented.

REPRESENTATIVE HIGGINS shared that he had lunch with the person implementing the plan in Washington, and she did not have all the answers to his questions about the ACA. He relayed that he is going to a conference related to the ACA in a month. He said phase one was supposed to be ready by October 1, and phase 2 by January, and President Obama delayed the October target date. He questioned how people can move forward with a plan when there are no answers. He opined that there are good people ready to put a plan to together, but patience will be needed. He acknowledged that many medical and insurance providers are worried, especially when "the pool starts to rise." For example, everyone with a preexisting condition will be insured.

10:49:00 AM

REPRESENTATIVE T. WILSON asked if veterans will be thrown out of the existing federal program in to "this one" or be exempt.

REPRESENTATIVE HIGGINS offered his understanding that they are exempt. He said it is "kind of an awkward thing where the President and Congress [and] a lot of labor" are exempt from the Act at this point, yet the middle class is not exempt and must find a way to "deal with those issues."

REPRESENTATIVE T. WILSON stated for the record that the State of Alaska will not be exempt.

REPRESENTATIVE HIGGINS confirmed that is correct.

10:50:36 AM

MATTHEW TURKSTRA, Manager, Legislative Affairs, National Federation of Independent Business (NFIB), stated that the effects of the ACA on small businesses would be pronounced, whereas large businesses are governed largely by the Employee Retirement and Income Security Act of 1974 (ERISA) and most are self-insured, and ERISA was largely left out of the ACA. Mr. Turkstra said NFIB feels that if a number of provisions of the Act were modified or negated altogether, then that would lessen the impact on small businesses. Mr. Turkstra said one of those provisions is the employer mandate, which requires employers with 50 or more employees to provide health insurance that meets the minimum essential benefits standard requirement of the ACA for their employees. He said the employer mandate is only 3.5 pages long, but the proposed regulations for it are over 144 pages in length and include 44 definitions, many of which are

unique to the Act. As a result, there are a number of complications in dealing with the mandate. For example, Mr. Turkstra said businesses will have to figure out whether they are large or small, which sounds simple, but there are a number of calculations involved, such as calculating the number of full-time equivalent employees. He said, "It's going to cost businesses over $130 billion over 10 years in penalties." He opined that that is money that could be used more productively in wages or investments. Mr. Turkstra said there is a bill in Congress, S. 399 and H.R. 309, the American Job Protection Act, which is legislation that would repeal the employer mandate.

10:54:34 AM

MR. TURKSTRA said the Jobs and Premium Protection Act would address the Health Insurance Tax (HIT), which applies primarily to small businesses and is a fee assessed only on the fully insured market place, which is where most small businesses buy their health insurance. He said the fee is going to grow over time and will be passed on directly to consumers in the form of higher premiums for private coverage. He said one study found that the impact would be nearly $5,000 per family over a decade. He said NFIB's calculations show that the HIT will impact 1.7 million small businesses with 11 million employees, the self-employed who purchase in the individual market, and 23 million employees who are covered by their employers. Further, NFIB estimates that by 2022, 146,000 - 262,000 private sector jobs will be lost as a result of the HIT, 59 percent of which will come from small businesses. He said NFIB strongly supports S. 603 and H.R. 763, which would "kill" that provision.

10:56:17 AM

MR. TURKSTRA said there is a provision in S. 1188 and H.R. 2575, which would increase the number of hours for the definition of full-time employee from 30 to 40 hours. He said NFIB feels that this is a small but important change that would have mitigating impact on small businesses as they try to calculate who is eligible for benefits, as well as calculate "who is a large business versus a small business."

MR. TURKSTRA said H.R. 2668, recently passed in the House of Representatives, would have delayed the individual mandate for one year. He indicated that NFIB's law suit against the federal government over the implementation of the ACA largely hinged upon this provision. He said NFIB does not believe the federal government has the authority to mandate the purchase of health

insurance for individuals. He said NFIB was not successful in the law suit, which was decided in the U.S. Supreme Court; however, he said NFIB would like to see that provision delayed so that it would "move hand in hand along with the employer mandate, which was delayed earlier this year."

10:57:56 AM

MR. TURKSTRA, in response to the chair, reiterated the aforementioned congressional bill names.

10:59:32 AM

MR. TURKSTRA, in response to the chair, said he does not know offhand the percentage of jobs within small businesses. He related that NFIB represents 350,000 small businesses, and 75 percent of those are "pass-through businesses." He said, "So, we very much are taxed on the individual side of the code, not the corporate side of the code." He indicated that all the businesses are independently owned and operated, which means that none of NFIB's members are publicly traded. He said small businesses currently make up half the private sector work force in America.

11:00:47 AM

REPRESENTATIVE THOMPSON expressed concern regarding the quality and number of insurers that may remain when the exchanges open. He said he recently read that in its home offices locale of Connecticut, Aetna Inc. "withdrew from the pool with that exchange because of a lot of the things that were put in by that state." He asked if individual states are "setting up those requests and what has to be in those" and what the impact is on other states, in terms of large insurers.

MR. TURKSTRA deferred to Dr. Graboyes.

11:01:38 AM

DR. GRABOYES responded that in general insurers are withdrawing from markets, narrowing markets, or narrowing offerings. For example, he said the California exchange will not allow policy holders to go to the best hospitals available in the state. He offered his understanding that it was either Blue Cross or Blue Shield, which are separate entities in California, in which only one-fourth of the doctors in their network will be accessible through the exchanges. He said a person could buy a plan

thinking his/her doctor accepts that insurance, only to find three-quarters of the doctors, while they may be in the network, are not in the particular policy. He said he thinks people will see how severe the problems are this fall, and he predicted they will be "pretty tough."

11:03:24 AM

MR. GRABOYES, in response to Representative T. Wilson, said in order to qualify to be a member of the NFIB, businesses cannot be bought or sold on a stock exchange. He explained that technically that could include a couple giant companies in the U.S. He said of the member businesses have 8 employees, but some have less, and a few have up to around 1,000 employees. He said within [the ACA] there are four or five definitions of small businesses beyond those that already exist.

11:05:24 AM

REPRESENTATIVE HIGGINS offered his understanding that under the ACA, "full-time" is defined as [a minimum of] 30 hours a week, and some of his colleagues have considered dropping their employees hours down to 25 hours a week, to make them part-time, thereby exempting them from the requirement. He questioned whether that may be a trend.

MR. TURKSTRA said it seems like there are anecdotes daily about another employer using that strategy. He said the exchanges are not yet up and running, the law has not been implemented fully, and the biggest question may be how large the insurance premiums will be on the exchanges; therefore, it is difficult to make any kind of assessment as to how [the ACA] will "affect the full- and part-time distinction." He pointed out that the Act bases calculations for full-time employee status on 130 hours or more per month, not 30 hours per week. He said, "That's for calculating ... whether or not you're a large or small business." He said there is a different definition for calculating a full-time equivalent employee, which is the number of hours per part-time employees totaled and divided by 120 hours. He said, "That's just two different definitions of a full-time employee within just the one provision right there." He said that makes it challenging for small business administrators. He mentioned a well-publicized letter from a number of unions and a resolution passed in Nevada suggesting that the union would be able to advocate for increasing the definition of full-time employee from 30 to 40 hours, because "they" are concerned "this" could have an effect on the 40-hour

work week, creating a situation in which people do not have enough hours of work. He said NFIB sees this as a potential consequence of the law and is working on a solution through SB 1188 and H.R. 2575, which "increase the definition to 40 hours per week for a full-time employee."

CHAIR REINBOLD asked Mr. Turkstra to submit to the committee a copy of his presentation.

MR. TURKSTRA replied that he would make certain the committee has the bills for which NFIB is advocating.

11:10:41 AM

BRYCE WARD, Mayor, City of North Pole, said the City of North Pole has been looking into the ACA to determine its ramifications. He relayed that the city is self-insured, with approximately 42 employees - below the 50 employee mark - which allows the city to maintain its grandfathered status; however, the Act has added to the city's costs, particularly the individual cost of $60-$70 per person. He indicated that the city's consultant has concerns as to whether the fee will diminish as "they" are saying it will. He echoed Representative Higgins' remark that there are two choices: to raise taxes or to make [budget] cuts. He said it has been difficult for those in Interior Alaska to maintain current services, without raising taxes, which is not popular, but this [Act] raises costs to small businesses. He opined that there are better ways to address the issue.

11:13:44 AM

REPRESENTATIVE PAUL SEATON, Alaska State Legislature, asked Mayor Ward if both the borough and city are self-insured.

MAYOR WARD said the city is, and offered his understanding that the borough is, as well.

REPRESENTATIVE T. WILSON offered her understanding that the City of Fairbanks is not self-insured.

11:15:08 AM

FRED BROWN, Executive Director, Health Care Cost Management Corporation of Alaska (HCCMCA), said HCCMCA covers 175,000 people in Alaska and the Pacific Northwest, within approximately 38 entities, including boroughs, municipalities, school

districts, self-funded employers, and ERISA or other employer-sponsored health benefit plans. He said the ERISA and Taft-Hartley funds, which are members, are not happy with certain features of the ACA; $63 per covered life is of concern, because it results in a reduction in the amount of benefits available to their members. He said union benefit trust funds are concerned about the 30-hour work week. He said James Hoffa, the president of the Teamsters, and others have pointed out that "this erodes the notion that we have [an] opportunity to provide full-time work, 40 hours of work, for our nation." Mr. Brown stated that a person of low income who participates in an exchange has access to a subsidy, while someone who receives health benefits through a Taft-Hartley trust fund does not have access to the subsidies. He said in many respects, the unions are placed at a disadvantage.

11:17:39 AM

MR. BROWN said despite the delay in implementation of the employer mandate, many members are concerned there will be pressure to cover their part-time or seasonal employees during the months they will be working on a full-time basis. He talked about the Cadillac tax, the 40 percent penalty that will occur beginning 2018 at a rate of $10,200 for individuals or $27,500 for family coverage. He warned that that could be catastrophic for Alaska, which is already at a higher level for medical coverage, because with inflation that cost could go exponentially higher. Regarding SB 90, he said HCCMCA already does pooling to gain access to better value and quality health care for its members; however, he opined that all pooling is beneficial. He ventured that the City of Anchorage may save money, but not necessarily the City of Fairbanks, given the quality of its performance as purchasers of health care coverage.

MR. BROWN, in response to the chair, explained that the Taft Hartley trust fund is established between a union and an employer through collective bargaining. In the course of the process, the employer would appoint three or four members to become trustees, and the union would appoint three or four members. Together, the trustees would receive the contributions made under the collective bargaining agreement to the trust fund from the employer over the life of the contract and establish the plan by which the benefits would be administered and provided to the employee.

11:21:27 AM

MR. BROWN, in response to Representative Thompson, said virtually all the trade unions in Alaska have Taft-Hartley trust funds. Some cities have their own trust fund. He offered examples. Technically, he noted, many of the state trust funds are not ERISA by definition, but are administered by using ERISA patterns.

MR. BROWN, in response to the chair, reiterated his comments regarding the Cadillac tax.

11:24:49 AM

The committee took an at-ease from 11:25 a.m. to 11:42 a.m.

11:42:32 AM

CHAIR REINBOLD brought the Joint Administrative Regulation Review Committee back to order.

11:42:59 AM

REPRESENTATIVE SEATON observed that during previous presentations, two options were discussed: to raise taxes or to cut programs. Representative Seaton suggested a third option would be to lower the cost of the services that are provided. For example, when self-insured municipalities and school districts are able to cut down the cost of their services, then that reduces the cost of the health care [coverage] they provide. Representative Seaton said he would discuss the four papers he provided to the committee.

REPRESENTATIVE SEATON directed attention to a handout regarding a Vitamin D project in New Zealand, which resulted in a savings of over a half million dollars, after the number of seniors using Vitamin D supplements was increased from 15 percent to 74 percent. That change further resulted in a 32 percent reduction of residential care residents going to the emergency room for falls and related fractures and a 41 percent reduction in the hospitalizations from those fractures.

REPRESENTATIVE SEATON pointed to another handout he provided, regarding low serum 25-hydroxy Vitamin D in risk of upper respiratory tract infections in children and adolescents. He said it is a Canadian study, which found that those children with less than 30 Nano gram per milliliter [of Vitamin D] in their blood had a 50 percent increase hazard ratio of

contracting an upper respiratory tract infection, and those below 20 Nano grams per milliliter were 70 percent more likely to contract an upper respiratory tract infection. He said the Nenana Learning Center conducted a Vitamin D intervention study, which resulted in a 27 percent reduction in absences due to illnesses. He remarked on the goal of having a healthy population.

REPRESENTATIVE SEATON mentioned another study he provided to the committee, regarding a 2012 study of patients with type II Diabetes among patients undergoing coronary angiography. The findings, published in 2013, showed a 40 percent decrease in fasting blood count numbers in those diabetics who had adequate Vitamin D. The data highlighted the need for well-conducted, randomized control studies to effectively assess whether adequate Vitamin D doses can prevent the onset of diabetes. If such studies prove the efficacy of Vitamin D in the prevention of diabetes, then the potential benefits from strategies to increase Vitamin D levels in the population would likely be large.

REPRESENTATIVE SEATON brought attention to some graphs. One, produced this month, shows the results of a large, randomized control study of Vitamin D supplementation. He said the graph on the left shows that 8.5 out of 1,000 people in the U.S. will contract diabetes. He indicated that the 2,200 participants had an average level of 48 Nano grams per milliliter and had a 90 percent decrease in the incidence of diabetes within one year. He emphasized the impact of diabetes within Native and non-Native populations of Alaska. Representative Seaton reiterated the idea that lowering the cost of services is another option for the state.

11:50:29 AM

REPRESENTATIVE SEATON, in response to the chair, restated that New Zealand conducted a Vitamin D study, and noted that Frasier Health, the largest residential senior provider in British Columbia, conducted a two-year study where people took 20,000 IU per week; however, he offered his understanding that there is no mandate by any country that the people of the country take [Vitamin D]. He said the goal is to the lower the cost of health care. He said the legislature passed House Joint Resolution 5 in 2011, which looked at the costs and benefits of "supplementing," and after that "they took away the necessity of a copay or deductible on Vitamin D tests for all state

employees, because they looked at the cost savings that could be incurred."

CHAIR REINBOLD asked Representative Seaton to confirm he is saying that any state employee or whoever is covered by the state can get a Vitamin D test.

REPRESENTATIVE SEATON answered that is correct. He added, "Not only can we get it, we can get it without ... co-pay ... or without deductible at the state health fairs or ... the annual physical if the doctor asks that it goes in that way." He said that was done in response to data from a Canadian study showing that Vitamin D supplementation resulted in a 25 percent reduction in the total cost of health care and the saving of 37,000 lives per year. He related that House Concurrent Resolution 5 asked the governor to "go to a prevention and disease model for health care."

11:55:07 AM

CHAIR REINBOLD emphasized the importance of prevention.

11:55:39 AM

CHAIR REINBOLD ascertained that there was no one else who wished to testify.

11:55:47 AM

CHAIR REINBOLD mentioned a letter forwarded by Senator French, which would become part of the public record.

11:56:11 AM

CHAIR REINBOLD announced that public testimony would be left open throughout the multiple hearings across the state.

11:56:34 AM

ADJOURNMENT

There being no further business before the committee, the Administrative Regulation Review Committee meeting was adjourned at 11:57 a.m.