

SENATE FINANCE COMMITTEE

April 10, 2013

9:12 a.m.

[9:12:47 AM](#)

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:12 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Peter Micciche; Konrad Jackson, Staff, Representative Kurt Olson; William C. Barron, Director, Division of Oil and Gas, Department of Natural Resources; Jill Lewis, Deputy Director, Division of Public Health, Department of Health and Social Services; Christine Marasigan, Staff, Senator Kevin Meyer; Representative Eric Feige; Dan DeBartolo, Director, Permanent Fund Dividend Division, Department of Revenue; Becky Hultberg, Commissioner, Department of Administration; Michael Barnhill, Deputy Commissioner, Department of Administration;

PRESENT VIA TELECONFERENCE

Stephanie Wrightsman-Birch, Division of Public Health, Department of Health and Social Services; Jamie Morgan, American Heart Association, Sacramento;

SUMMARY

SB 87 NEWBORN SCREENING FOR HEART DEFECTS

CSSB 87(HSS) was REPORTED out of committee with a "do pass" recommendation and with previously published zero fiscal note: FN1 (DHS).

SB 90 SCHOOL DISTRICT EMPLOYEE HEALTH INSURANCE

SB 90 was HEARD and HELD in committee for further consideration.

HB 52 am

PFD ALLOWABLE ABSENCE

SCSHB 52(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new zero fiscal note from the Department of Revenue.

HB 198 am

OIL AND GAS AND GAS ONLY LEASES

HB 198 am was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1 (H.RES).

#hb198

HOUSE BILL NO. 198 am

"An Act relating to the primary period of an oil and gas or gas only lease and the extension of a lease; relating to terms to be included in an oil and gas or gas only lease; relating to rental for an oil and gas or gas only lease; and providing for an effective date."

9:14:54 AM

Senator Micciche announced that he sponsored the companion bill, SB 96, which was identical to HB 198 and he fully supported the legislation.

Co-Chair Meyer noted that the committee heard SB 98 on May 8, 2013.

WILLIAM C. BARRON, DIRECTOR, DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES, began a presentation

titled "One-Time Lease Extension HB 198"(copy on file). He discussed Slide 1:

What is HB 198?

- Cannot allow lease extensions under current statutes
- HB 198 allows a maximum 10-year primary term, including extension
- Not automatic; may consider:
- Funds already spent on exploration and development
- Type of work already completed
- Other relevant information
- Granted extension may require
- Increased rental up to \$250/acre for last three years
- Performance bond
- Work commitments: specific \$ amount to be expended; type and amount of work to be performed
- Tool to help drive exploration and development

Mr. Barron explained that the legislation authorized the commissioner of the Department of Natural Resources (DNR) to grant a one-time lease extension of up to ten years to approved applicants on current five to seven year leases. The length of the extension would be determined by the project. If the extension was granted for the full ten year period the per acre rental fee would increase by \$250 for the last three years from \$3 per acre. The increased acreage fees could be waived by the commissioner based on the amount of work already completed on the lease. The terms of the lease would be renegotiated to include work commitments as a condition of the lease extension. The department believed the extension conditions were a tool to compel exploration and development.

Mr. Barron turned to slide 3:

Why do we need HB 198?

Background

Maximum lease term is 10 years; minimum is 5 years.

In 2007, 2008, and 2009, some leases had 5- and 7-year terms.

Difficult to perform exploration, delineation,
and production drilling in those time frames

Unintended consequences of short lease terms

Premature unit applications attempting to extend
leases.

Preference is unit decisions based on hydrocarbon
accumulations proven by drilling

Despite best efforts, diligent lessees may lose
leases after significant investment.

Mr. Barron spoke to Slide 4 titled: "Northern Alaska Lease Distribution." The slide depicted a chart showing the number of leases held by each lease holder and the year leases were set to expire. He detailed that the area encompassed the Beaufort Sea, North Slope, and Foothills. The leaseholders represented small, large, major, and independent companies. In two years 104 leases will expire and in two to five years 79 leases will expire. The department anticipated applications within the next two years from Repsol, Brooks Range Petroleum Company [AVCG, LLC], Conoco Phillips, and Donkel/Cade. He noted that Repsol obtained the leases from a negotiated business agreement with Armstrong [Armstrong Oil and Gas Inc.] and were actively drilling. The department would likely extend Repsol leases based on its work. Great Bear Petroleum, Donkel/Cade, and Repsol were the leaseholders expected to extend in the out years. He delineated that DNR did not intend to extend all of the leaseholder's acreage; only acreage that the companies actively worked and developed. He expressed that the department wanted to determine what work was actually completed on the lease and grant the extension to the same leaseholder in order for the work to continue as opposed to starting over with a new company.

[9:20:48 AM](#)

Mr. Barron addressed Slide 5 titled: "Cook Inlet Lease Distribution." The slide depicted a chart showing the number of leases held by each lease holder and when the leases were set to expire in Cook Inlet. He noted that Apache Alaska Corporation was the predominant lease holder in all expiration years. Buccaneer Alaska LLC, Hilcorp Alaska, LLC, and Nordaq Energy Inc. were also major

leaseholders. He added that Apache vigorously acquired leases and pursued a 3-D seismic program throughout its leases. He stressed that the extensions would be predicated on the work activity associated with each individual lease and not a grouping of leases. He reiterated that the department only wanted to extend leases involved in an active work commitment based on increased exploration drilling and production.

Mr. Barron spoke to Slide 6:

What are the benefits of HB 198?

Benefits to diligent lessees

- Accommodates short drilling windows
- Lessees who have significantly invested in shorter-term leases may have time to bring qualified leases into production

Benefits to the State

- Allows State to require work programs during primary term
- Encourages ongoing work to be completed
- Increases the probability of bringing leases to production

Mr. Barron elaborated that the five and seven year lease programs were designed to encourage drilling. An unintended consequence of the short term leases was that the work could not be completed within the confines of short seasons. The lessees were running out of time. He emphasized the importance of having the statutory authority that required specific work conditions on the lease. The legislation encouraged the completion of ongoing work and spurred development of the lease to production at a faster rate.

Senator Bishop asked whether currently the lessees were paying a rent of \$3 per acre. Mr. Barron replied that the leases applicable to HB 198 were from 2005, 2006 and 2007 and were leased at a rate of \$3 per acre. Currently the rate was \$25 per acre for the first seven years and increased to \$250 for the last three years. The bill replicated the current lease sale program. The lessees felt that seven years for primary term exploration was usually

adequate but wanted the opportunity to extend for three more years. The department developed the concept of extending leases at higher rates as a way to build a business relationship with leaseholders that truly wanted to develop the leases. The companies would be willing to pay the premium price.

Co-Chair Meyer shared that he had not heard of some of the leaseholders. He inquired whether they were private individuals who did not intend to develop the lease but rather offer it for re-sale. Mr. Barron responded that many lessees were small companies or individuals. The department was required to open up acreage to anyone over 18 years of age without consideration of the intent of the leaseholders. He offered that some leaseholders "market" the lease to another entity to develop the lease.

Vice-Chair Fairclough discussed the fiscal note. She noted that FN 1 (DNR) was a zero fiscal note.

[9:27:40 AM](#)

Co-Chair Meyer OPENED public testimony.
Co-Chair Meyer CLOSED public testimony.

Vice-Chair Fairclough MOVED to REPORT HB 198 am out of committee with individual recommendations and the accompanying fiscal note.

Co-Chair Meyer OBJECTED for the purpose of discussion.

[9:28:21 AM](#)

AT EASE

[9:28:51 AM](#)

RECONVENED

Co-Chair Meyer WITHDREW his OBJECTION.

There being NO further OBJECTION, HB 198 was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1 (DNR)

[9:29:10 AM](#)

AT EASE

9:31:37 AM

RECONVENED

#sb87

SENATE BILL NO. 87

"An Act requiring screening of newborns for congenital heart defects; and providing for an effective date."

Senator Micciche introduced the legislation. He related a story from personal experience. His niece was born in Japan where newborns were routinely tested for congenital heart disease. A significant defect was discovered that required surgery. He detailed that one in one hundred babies were born in Alaska each year with congenital heart disease; the number one killer of infants with birth defects. The United States was "moving toward" adopting Japan's testing measures. Twenty states were in the process of considering similar legislation and eight states adopted pilot programs. The testing was accessible in several major health facilities in the state. The screening was capable of finding 75 percent of all congenital heart defects, as well as other life threatening conditions. He commented that the test cost \$10 and was covered by most health insurance plans and Medicaid. The cost of early detection and treatment was much lower than the cost of late diagnosis and treatment. He furthered that the legislation required the low cost pulse oximetry testing beginning in January 2014. Birthing centers, smaller hospitals, and midwives with fewer than twenty births per year had until January 2016 to purchase the screening equipment. Parents could opt out of the screening. He spoke to the zero fiscal note (FN 1 (DHSS)). He explained that the Department of Health and Social Services (DHSS) was only required to manage basic data on the program. He shared that he wanted to keep impacts from the bill minimal. He offered that no health care organization or association opposed the legislation.

Co-Chair Meyer asked how many infants per year were born with heart disease. Senator Micciche restated that one in one hundred babies were born with heart defects each year.

Co-Chair Meyer inquired why the effective date was not until January 1, 2014. Senator Micciche replied that he wanted to avoid over burdening healthcare facilities required to purchase the equipment.

Vice-Chair Fairclough noted that many of the hospitals had the oximetry equipment on its premises. She inquired what the cost was to purchase the equipment. Senator Micciche responded that he did not know the exact cost.

Vice-Chair Fairclough asked how the screening worked. Senator Micciche answered that a device clipped onto the newborn's finger. The screening was not painful or invasive.

[9:39:52 AM](#)

JILL LEWIS, DEPUTY DIRECTOR, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, responded that she did not know the cost of the screening equipment.

Vice-Chair Fairclough supported the legislation but wanted to know the cost of the equipment to determine the burden placed on smaller health care facilities. She asked DHSS to confirm the cost of the test. Ms. Lewis understood that the cost of the test was the amount stated by the sponsor.

Senator Bishop concurred with Vice-Chair Fairclough and wanted to know the cost of the equipment. He wondered whether grant money was available to help purchase the equipment. Ms. Lewis responded that she was not aware of any specific grant program, but that the department would examine grant options and provide assistance if available.

Senator Olson remarked that oximetry was a huge advance in non-invasive testing. He queried what provisions were available for healthcare facilities in rural areas where a delay in care could cause harm.

STEPHANIE WRIGHTSMAN-BIRCH, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), reported that the cost of the equipment was approximately \$500 to \$1000. Some hospitals use more sophisticated and more expensive equipment. She clarified that the screening was administered through probes attached by a Band-Aid applied to the right hand and the left foot and read oxygen levels through the skin. She explained that the division set up an advisory committee comprised of pediatricians, pediatric cardiologists, a direct entry nurse-midwife, and hospital personnel. The division and advisory committee were already working with the hospitals to develop a testing algorithm that would become the

standard for all health care facilities across the state as recommended by the American Academy of Pediatrics and the American Academy of Pediatric Cardiologists. She expounded that Alaska had five pediatric cardiologists who travelled around the state to cover rural areas as part of their private practices. The algorithm included guidance to a rural healthcare provider whether transport was required. She responded that the screening was for early identification and intervention measures would be applied if appropriate.

Senator Olson noted that the test measured the difference between the oxygenated blood between the hand and the foot. Ms. Wrightsman-Birch confirmed. She indicated that the test was rigorously studied for "a number" of years. She stated that based on data, approximately 200 infants would screen positive. Approximately twenty to thirty of the positive infants would require additional intervention.

[9:48:01 AM](#)

Senator Olson asked whether the test detected both Atrial Septal defects (ASD) and Ventral [ventricular] Septal defects (VSD). Ms. Wrightsman-Birch answered in the affirmative. She reported that the state had a high number of VSD cases and noted that VSD often resolved without treatment. She stated that the chairman of the advisory committee, Dr. Christiansen, a pediatric cardiologist reported that the screening also identified Tetralogy of Fallot and malformation of the heart at much earlier stages and allowed for treatment before a disease advanced.

Senator Olson wondered what happened with a false negative screening result. Ms. Wrightsman-Birch answered that the screening algorithm addressed a positive result by re-screening up to three times. A pediatric cardiologist was contacted after a second positive screening result. Simpler additional testing typically take place before more costly sophisticated tests were warranted.

Senator Olson commented that he fully supported the legislation.

Co-Chair Meyer cited analysis from the fiscal note that required the department "to establish procedures for submitting reports" for screening. He queried whether DHSS could accomplish the data collection without additional

appropriations. Ms. Lewis replied that the department was able to accomplish the requirements with existing resources.

Senator Olson asked for clarification regarding Section 2 of the legislation. Ms. Lewis explained that Section 2 delayed implementation of the bill for smaller providers which allowed more time to prepare for the requirements of the bill.

Co-Chair Meyer OPENED public testimony.

JAMIE MORGAN, AMERICAN HEART ASSOCIATION, SACRAMENTO (via teleconference), expressed the American Heart Association's support of SB 87. She communicated that critical congenital heart defects left untreated can cause death. Research had proven that expanded use of oximetry screening could detect 90 percent of all defects. Early screening reduced congenital heart defect hospital costs that amounted to \$2.5 billion each year. She remarked that screening would save Alaskan babies lives born with congenital heart defects.

Co-Chair Meyer CLOSED public testimony.

Vice-Chair Fairclough MOVED to REPORT SB 87 out of committee with individual recommendations and the accompanying fiscal note.

CSSB 87(HSS) was REPORTED out of committee with a "do pass" recommendation and with previously published zero fiscal note: FN1 (DHS).

[9:54:26 AM](#)

AT EASE

[9:58:02 AM](#)

RECONVENED

#hb52

HOUSE BILL NO. 52 am

"An Act relating to allowable absences from the state for purposes of eligibility for permanent fund dividends; and providing for an effective date."

Vice-Chair Fairclough MOVED to ADOPT the propose committee substitute for HB 52, Work Draft 28-LS0170\U (Martin 4/9/13).

Co-Chair Meyer OBJECTED for purpose the discussion.

CHRISTINE MARASIGAN, STAFF, SENATOR KEVIN MEYER, reported the change from the previous version. She noted that on Page 2, line 28 the following was added, "or a United States national team for an Olympic sport." She explained that the language was necessary due to the narrow interpretation of the statutes regarding the Permanent Fund Dividend program's allowable absences. In 2008, Alaskans were denied the dividend based on the situation. The new language added the conforming language to the statute.

Co-Chair Meyer WITHDREW his OBJECTION.

Vice-Chair Fairclough remarked that the Department of Revenue (DOR) acted responsibly in implementing the law and reviewing the legislative history regarding the case that prompted the legislation. The division worked to protect Alaskans rights while upholding the conditions set by the legislature. She stated that current law clearly did not allow for the absence related to the case.

REPRESENTATIVE ERIC FEIGE, SPONSOR, stated that he was not opposed to the change in the proposed committee substitute.

Senator Dunleavy asked a question regarding an existing allowable absence. He wondered whether the bill covered a minor accompanied by a parent who was absent receiving secondary or post-secondary education. Representative Feige responded that the bill did not affect any existing allowable absences.

Vice-Chair Fairclough referenced discussions during a previous hearing about parents who did not file a Permanent Fund Dividend (PFD) application for their children. She noted that Senator Hoffman had requested the data from the division. She asked Senator Hoffman to share the results with the committee.

Senator Hoffman stated that within the last five years from 2008 to 2012 the number of children affected averaged over 1000 per year. The children received a dividend in a prior year. Approximately \$1 million was not distributed to the

children on an annual basis. He pointed out that the children were still eligible for the dividend but could not apply until the children were of legal age. He felt that the issue needed to be addressed, but that he did not want to delay the legislation. He judged that the issue was much larger in magnitude than what HB 52 addressed.

Representative Feige agreed with the comments of Senator Hoffman and related that the issue could be addressed next session in a separate bill. He believed the issue was important but the solution was difficult to address.

[10:07:43 AM](#)

DAN DEBARTOLO, DIRECTOR, PERMANENT FUND DIVIDEND DIVISION, DEPARTMENT OF REVENUE, responded to the earlier question by Senator Dunleavy. He communicated that the child's dividend was determined by the status of the parent or guardian. Allowable absences applied to accompanying children.

Vice-Chair Fairclough referenced the statistics regarding children whose parents failed to apply for the PFD. She asked whether the data represented children who received the dividend in a prior year and qualified subsequent to the skipped year. Mr. DeBartolo responded that the number represented minors who previously applied then skipped some years and reapplied another year. The division looked for "prior year non-filers." The division audited the applications to determine why the dividend was skipped.

Co-Chair Meyer asked whether the zero fiscal note still applied to the CS. Mr. DeBartolo replied in the affirmative.

Vice-Chair Fairclough MOVED to REPORT HB 52 am out of committee with individual recommendations and the accompanying fiscal note.

SCSHB 52(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new zero fiscal note from the Department of Revenue.

[10:11:29 AM](#)

AT EASE

[10:14:00 AM](#)

RECONVENED

#sb90

SENATE BILL NO. 90

"An Act relating to group insurance coverage and self-insurance coverage for school district employees; and providing for an effective date."

Senator Dunleavy introduced SB 90. He explained that there were 53 school districts in Alaska, all with different health insurance plans. The plans were negotiated at the district level at different rates. The cost of health insurance was escalating. School district's costs were rising due to inflationary costs. Health insurance was a large contributor to increased costs. Rates were raising seven to fifteen percent each year. The burden to pay for the increased costs was placed on the school district. The state funded some school districts, i.e., REAA's [Regional Education Attendance Area] at 100 percent of all its educational costs. State and local governments were all bearing the costs of increased health insurance. He reported that the legislation created an integrated state health insurance plan for all school districts. The larger pool placed the state in a position to negotiate lower rates. The financial burden would be eliminated from the school districts allowing districts to focus on educational policies. He announced that some school district representatives testified in favor of the bill and agreed that the legislation was beneficial to their districts and allowed more time to concentrate on students and control costs. He concluded that the legislation was a solution to a problem he was familiar with as a former school district superintendent.

Co-Chair Meyer inquired whether the legislation provided cost savings for the state. Senator Dunleavy requested that the Department of Administration (DOA) answer the question.

Co-Chair Meyer noted that the legislation proposed funding the health insurance plan from the public education fund. He wondered why the public education fund was chosen. Senator Dunleavy replied that the use of the public education fund was suggested by DOA.

Co-Chair Meyer reported that last year the state centralized pupil transportation as a cost savings measure. He inquired whether the intent of the legislation was costs savings. Senator Dunleavy answered in the affirmative. He

thought that the state paid for the rising cost of health care through increases to the BSA [Base Student Allocation]. The centralized insurance pool could yield lower rates which were a cost savings to the state.

Senator Hoffman commented that SB 90 capped the insurance funding at \$100 million and did not include adjustments for inflation. Senator Dunleavy responded in the affirmative. Senator Hoffman remarked that the centralized transportation funding included a one and a half percent increase for inflation with more proposed for the current year. He wondered whether the legislation could include cost adjustments for inflation. Senator Dunleavy replied that the purpose of the bill was to take control of costs at the local level and provide savings for the state. He was in favor of anything that could accomplish the purpose of the legislation.

Senator Hoffman commented that capping the funding for rising health care costs was problematic. He thought that not addressing inflation in the legislation only delayed the matter until a later date. Senator Dunleavy suggested that DOA could address the concern.

Co-Chair Meyer queried how a school district negotiated for health insurance. Senator Dunleavy replied that the school district negotiated contracts with the employee groups which included health care coverage and also negotiated directly with insurance providers. He added that a lot of time was taken up in the negotiation process at a cost to the school district.

[10:22:27 AM](#)

Co-Chair Meyer asked whether the state ultimately paid for the negotiated health insurance costs. Senator Dunleavy elaborated that the costs were paid for by the school district. Local taxes paid for a portion of the costs for a municipal school district along with state funding. If the district's costs were higher than the amount of state and local funding a school district reduced costs through cuts in education.

Vice-Chair Fairclough stated that there were many people in the state that were concerned about the bill. She believed in the concept of controlling costs and requested an explanation of the concerns being raised over the possible

reduction in benefits leading to a reduced level of health care due to the legislation. She pointed out that a large city such as Anchorage contributed a great deal of tax dollars into the school system as opposed to smaller school districts that were not able to due to a small tax base. She thought that the legislation would benefit small districts. She queried whether all of the districts needed to be included in the insurance pool to achieve cost savings. She wondered why the legislation mandated participation instead of incentivizing it. Senator Dunleavy thought that the pool of all 53 school districts would achieve the most savings for health care and administrative costs.

Vice-Chair Fairclough wondered whether there were benefits to pooling health insurance with only the districts that wanted to participate. Senator Dunleavy stated that any benefits depended on negotiations based on the number of participants.

Vice-Chair Fairclough referenced "multiple" letters in support of the legislation (copies on file) from district level financial managers across the state. She cited an opposition letter from the Local 71 Public Employees Trust Fund in Anchorage (copy on file). The trust discerned that pooling would result in additional costs of \$400 thousand passed on to the membership. She understood that in a pool some paid more than others. She asked for clarification on how pooling worked. Senator Dunleavy deferred to DOA for an answer.

[10:30:28 AM](#)

Vice-Chair Fairclough replied that she wanted to discuss whether there would be a benefit for school districts that opted to participate in a pool, and offer an incentive approach based on fees for various levels of care similar to the Public Employees' Retirement System (PERS) system.

BECKY HULTBERG, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, commented on the legislation and addressed questions that were raised earlier. She remarked that the department did not have an official position on the bill, but believed pooling school district's health insurance could offer cost savings for the districts and the state. The department had experience managing costs. She noted the "value" of insurance pooling while managing the state's plans. She

observed that health insurance carried the "largest and fastest growing" costs. She related that the bill was brought forward by several of the large school districts that were struggling with raising costs and limited resources. Health insurance was the districts fastest growing costs and was the most difficult to manage. She related that healthcare was one the state's and the nation's most persistent issues and was an enormous cost driver for the districts and the state. The school districts collective health insurance costs were over \$280 million.

Commissioner Hultberg provided a brief overview of the health insurance plans that DOA managed and highlighted the possibility for cost savings through pooling. She detailed that the state currently managed two plans: one for its active employees and the other for retirees. The combined plans provided coverage for approximately 86,000 members at a cost of \$600 million annually. Both of the plans were self-insured and administered by a third party. The third party received monthly payments calculated at a per member rate. The Alaska Care employee plan covered 16,400 members including dependents. The bill would add an extra 47,000 members into the active employee plan.

Commissioner Hultberg explained the factors that determined costs. She pointed out that the provider network and third party administrator fees were a "huge driver" of costs. According to a recent study, administrative fees amounted to \$1 in every \$10 spent on health care in Alaska. High-cost claimants, medical inflation, and utilization also were large costs drivers. The size of the insurance pool affected most of the costs. She elaborated that larger pools could result in negotiating better rates, lower third party administrative fees, and offer reduced risks with high cost claimants. She relayed that the larger volume could positively impact utilization. The more people in the pool allowed for more sophisticated cost containment programs. According to demographic data kept by DOA on the PERS and TRS (Teachers Retirement System) pools, actuaries estimated a 2 percent to 3 percent increase in costs because of the demographics of a school district pool. The larger size of the pool could offset the increased costs and provided savings. Without access to the data on insurance claims a more detailed analysis could not be provided. She furthered that the state was currently paying for a substantial amount of the increased costs through

funding for education. In addition, the state was funding future costs through the state's retirement plans. She related that the unfunded liability for retiree health care amounted to \$4 billion. She felt that the state had a vested interest in addressing the rising costs of health care. She concluded that the state was paying for the increasing cost of the school districts health care. She thought that SB 90 raised some important questions; whether the state should maintain the status quo of a "fragmented" approach for 53 separate school districts or institute an integrated cohesive approach to manage health care. The department believed that an integrated approach could provide better management and cost savings.

[10:40:22 AM](#)

Senator Hoffman inquired whether the Department of Administration had its own healthcare plan. Commissioner Hultberg replied in the affirmative. Senator Hoffman asked whether the department endorsed including its employee plan in the legislation. Commissioner Hultberg replied in the affirmative.

MICHAEL BARNHILL, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, discussed the three DOA fiscal notes. He elucidated that in order to prepare the fiscal notes, the actuary for the plan, Buck Consultants, completed a demographic analysis of the school districts employee population. He reminded the committee that the school district employees were active participants in the states PERS or TRS system, which made the demographic data accessible. He identified that there were approximately 18,300 school district employees. He cited another total number of 18,953 employees, distributed by Senator Dunleavy. The figure included some temporary employees that were not eligible for health insurance coverage. He referenced the "Health Insurance Survey - Total Cost for FY12" (copy on file) document that provided a summary of Health insurance costs for each district. The total costs for all districts combined were approximately \$282 million. The department used a rough estimate of the districts accumulated health care costs in FY 2015 which totaled \$300 million. The department included a four month reserve estimate of \$100 million based on the \$300 million to formulate the fiscal note.

10:44:05 AM

AT EASE

10:46:29 AM

RECONVENED

SB 90 was HEARD and HELD in committee for further consideration.

10:47:49 AM

#

ADJOURNMENT

The meeting was adjourned at 10:48 a.m.