SENATE FINANCE COMMITTEE
February 11, 2014
9:08 a.m.

9:08:03 AM

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:08 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Pete Kelly, Co-Chair

ALSO PRESENT

David Scott, Staff, Senator, Donald Olson; Kris Curtis, Auditor, Legislative Auditor, Division of Legislative Audit; Mark Landahl, In-Charge Auditor, Division of Legislative Audit; Dr. Ward Hurlburt, Chair, Alaska Health Care Commission; Deborah Erickson, Executive Director, Alaska Health Care Commission; Dirk Craft, Staff, Representative Lance Pruitt;

PRESENT VIA TELECONFERENCE

Daniel Moor, Municipality of Anchorage, Anchorage; Johanna Bales, Deputy Director, Tax Division, Department of Revenue, Anchorage.

SUMMARY

SB 135 EXTEND ALASKA HEALTH CARE COMMISSION

SB 135 was HEARD and HELD in committee for further consideration.

CSHB 193(FIN)

MUNICIPAL TAXATION OF TOBACCO PRODUCTS

CSHB 193(FIN) was HEARD and HELD in committee for further consideration.

#sb135

SENATE BILL NO. 135

"An Act extending the termination date of the Alaska Health Care Commission; and providing for an effective date."

DAVID SCOTT, STAFF, SENATOR, DONALD OLSON, presented SB 135 and related that it extended the termination date of the Alaska Health Care Commission. He stated that the commission was established in 2010 and had a sunset date of June 30, 2014; if the bill passed, it would be the commission's first extension. He stated that the Division of Legislative Audit had audited the commission and felt that it was serving the public interest; however, the division did have some recommendations. He concluded that the legislation extended the commission a further 3 years until June 30, 2017.

9:10:35 AM

KRIS CURTIS, LEGISLATIVE AUDITOR, DIVISION OF LEGISLATIVE AUDIT, stated that the division had conducted a sunset audit of the Alaska Health Care Commission and that the report was dated May 6, 2013 (copy on file). She understood that a copy of the audit was in members' packets. She reported that the purpose of the audit was to determine if the commission was operating in the public's interest and whether its termination date should be extended. She stated that because the commission was new, the division had provided some background information beginning on page 5 of the audit. She stated that the commission was created by administrative order in 2008 as a way to help reform healthcare in Alaska; it was then reestablished in statute in 2010. She noted that the legislature had intended the commission to achieve reform through the development of a statewide health plan. She stated that the original commission that was established in 2008 had not considered itself responsible for developing a statewide health plan, but had instead had focused its efforts on specific policy

recommendations. She reported that when the commission was reestablished in statute in 2010, its members agreed to continue the prior commission's work and use the same general approach.

Ms. Curtis continued to address the sunset audit and reported that the legislature had intended the Alaska Health Care Commission to work together with the Department of Health and Social Services (DHSS) to create a comprehensive health plan; although various policy recommendations have been developed, the commission had not collaborated with the department to achieve its intended outcome. She stated that there was currently no state health plan and reported that the audit only recommended a 3-year extension, which the division considered to be adequate time to develop a plan. She added that the audit had concluded that the commission was active; furthermore, several studies had been conducted and a foundation for a plan had been developed. She expressed the division's concern that the framework lacked the actionable components necessary for effective implementation; it did not identify specific actions to be taken, the timeline for completion, the organization responsible for taking action, the definition of a successful outcome, and did not specify how progress would be monitored and measured. She explained that without a statewide health plan, the actions of the commission may not effectively impact health care in Alaska. The audit recommended that the commission coordinate with the commissioner of DHSS to identify each agency's roles and responsibilities regarding developing a plan. The audit also included 2 administrative type recommendations; one recommendation was to improve the public noticing of meetings and the other was to ensure that the annual reports included statutorily required components.

9:14:10 AM

Senator Hoffman inquired if the Alaska Health Care Commission had addressed the Affordable Care Act (ACA) or whether it would be part of its efforts to address health care. Ms. Curtis replied that the audit had not gone into that type of detail regarding the ACA and did not contain any conclusions on that issue; however, the chair of the commission was present and could speak to question.

Senator Hoffman noted that the ACA did not seem to be a detail, but was an overriding policy that needed to be addressed by the State of Alaska. He observed that the Alaska Health Care Commission was to address affordable access to health care and to identify strategies for implementing health care to all Alaskans; he offered that this was basically the intent of the ACA. He stated that he would inquire about the issue to the chairman of the commission.

Senator Olson noted that one of the audit's identified shortcomings of the commission was that there had not been specific course actions identified. He inquired how a commission of this size would come up with specific actions when there was such a diverse area to provide health care. He requested an example of a specific action that the commission could use across the board. Ms. Curtis stated that when the Division of Legislative Audit conducted a sunset audit, it looked at of the criteria, which generally determined whether the commission was meeting the public's interest. She stated in looking at the purpose of the commission in developing a statewide plan, the division had asked itself what it would expect to see; it had looked at other states and other types of commissions around the country, and looked at best practices for a plan. She explained that the audit's recommendations were more focused on the shortcomings of what the commission had and how it could be more productive at meeting the public's interest. She referenced appendix A of the audit and stated that the commission had a framework, many aspects of which were a good foundation for a plan; however, the division had looked at what the commission was accomplishing and what was keeping it from taking action and moving forward. She reported that what the audit had found was some shortcomings in the framework that kept it from being implemented. She stated that she could not provide the detail of what specific actions the commissions could make across the board, but that the recommendations in audit, as far as best practices were concerned, identified the shortcomings of what the commission did have.

9:18:28 AM

Senator Olson inquired how the commission would be able to find actions that needed to be taken if the audit was unable to do so. Ms. Curtis replied that the division had looked at best practices around the country, but that the

State of Alaska would be different than any other state. She explained that Alaska would not have the same issues that other states had.

Senator Olson stated that it was pointed out in the audit that the Alaska Health Care Commission had not recommended specific actions for coming up with a health care plan. He inquired what specific actions that Division of Legislative Audit wanted to see, given the diversity of Rural Alaska, Native and non-Native beneficiaries, the Indian Health Service's System, and the ACA.

MARK LUNDAHL, IN-CHARGE AUDTIOR, DIVISION OF LEGISLATIVE AUDIT, responded that the auditors were not medical professionals and did not evaluate the recommendations for the substance and whether they were good ideas for healthcare in the state. He noted that the Alaska Health Care Commission had a long list of recommendations and had conducted a lot of work; however, what was missing was an actual timeline for its recommendations being implemented. In other words, action that was the next step after developing the recommendation was what the division thought was missing from the commission.

Senator Olson observed that out of the 14 members of the Alaska Health Care Commission, only 3 of them were MDs and thought that none of them besides the chairman had practiced medicine in the "bush." He wondered how it would be expected that the commission would have actions that would fit the high need for health care in Rural Alaska. Ms. Kurtis responded that the division did not question how the commission was created or whether it would be competent enough to fulfill its mission; what it had examined was whether the commission was meeting its mission and objective.

Co-Chair Meyer inquired why the sunset was being extended 3 years and not some other length of time. Ms. Kurtis replied that the division had worked at length with the commission and its members as it developed the recommendation. She reported that the division felt that 4 years was too long, but still wanted to provide the commission with adequate time to formulate a solid plan.

9:22:13 AM

Senator Dunleavy read from the audit report and inquired if the division would recommend that the commission not be extended again if it had still not improved the plan after the 3-year extension. Ms. Curtis replied that she could not speak to what the division would conclude until it conducted the audit.

Senator Dunleavy referenced the conclusion on page 9 of the audit:

> Overall, the commission is operating in the public's interest, but improvements in the development of a statewide health plan are needed to justify its continued existence.

Senator Dunleavy inquired what the audit was trying to convey in the above paragraph. Ms. Curtis replied that the audit was trying to convey that unless the actions of the Alaska Health Care Commission could translate into actions of the state or actual policy, there was no reason or justification to continue its existence. She believed that the information that the commission was creating was helpful and was being used extensively by others; however, that was not the mission of the commission. Unless the recommendations translated into some type of actual plan that could be implemented, the division did not believe that the commission should be continued.

Vice-Chair Fairclough directed the committee's attention to Commissioner Streur's and the Alaska Health Care Commission's responses to the audit. She pointed out that the commissioner believed that the commission had taken steps to work with DHSS to start the implementation of a statewide health plan. She pointed out that the auditor had done what the legislature had asked them to do, which was to use the guidelines that were set out to measure how commissions and boards were acting and whether they should be continued.

Co-Chair Meyer agreed and added that the audit was well done.

9:25:40 AM

DR. WARD HURLBURT, CHAIR, ALASKA HEALTH CARE COMMISSION, stated that the charge to the commission was to look at issues of affordability, access, and quality of healthcare

for Alaskans; for a number of reasons, the commission was focusing mainly on the cost of healthcare. He spoke about the financial challenges of the Anchorage School District that had resulted in a need to reduce teaching staff; he recalled hearing that both Juneau and Fairbanks were having a similar issue. He suspected that perhaps every school district in the state had financial issues. He cited data from the Anchorage School District and reported that over the last 30 years, the salaries of teachers had increased 1 percent more than the cost of living increase; however, the costs of healthcare had risen about 15 percent more each year than the cost of living. Over that 30 year period, the Anchorage School District's cost for benefits had increased from about 20 percent of compensation cost to about 45 percent. He stated that the prior year, active state employees' and dependents' health care costs had increased about 18 percent per person; additionally, the Anchorage School District had seen a similar increase in this area. He observed that the United States had 50 percent to 100 percent higher healthcare costs than other industrialized countries and pointed out that the next highest was Switzerland; however, in Switzerland there was a higher life expectancy and infant survival rate.

Dr. Hurlburt continued to speak to healthcare issues and related that if the United States had spent the same amount on health care over the last 20 years as Switzerland, it would have saved $15 trillion. He pointed out that $15 trillion was almost the entire national debt of the United States and that the statistic was significant. He reported that the State of Alaska spent about $2.6 billion per year for health care services. He stated that Medicaid was the biggest segment of the state's health care costs and that it was followed next by employees, retirees, and dependents, worker's compensation, the Department of Corrections, and the Division of Juvenile Justice. He stated that the issue was large and that the state was faced with an imbalance between the revenue coming in and what it would like to do as a state regarding healthcare; overall, Alaska spent more than $8 billion on healthcare. He stated that the Alaska Health Care Commission had looked at costs in the context of containing them while still improving quality. He related an example from British Columbia, which had a population of 4.6 million, better life expectancy and infant mortality rates than the United States. He offered that British Columbia spent $25 billion less per year on health care than the United States, which

it could use for roads, education, and other things. He stated that health care costs were a "tax" and that it was an issue that the legislature was dealing with. He stated that the commission had done studies that compared the price of physician, hospital, and pharmacy services between Alaska, Washington, Oregon, Idaho, North Dakota, Wyoming, and Hawaii; Alaska's costs were quite a bit higher than those other states.

Dr. Hurlburt reported that the Alaska Health Care Commission was looking at pricing and had made recommendations to the legislature and the governor in 2013 for more transparency related to pricing and quality and making a hospital discharge database mandatory instead of voluntary; the commission also recommended a payer database where the payers of health care reported what they paid. He stated that Alaska needed a market-based solution where the payers and the providers where evenly balanced across the negotiating table. He stated that the commission was not looking at a system of price controls and pointed out that when a system like that had been tried nationally, it created greater problems than the assistance it offered. He stated that transparency in terms of quality and cost was important. He noted that everyone wanted the highest quality of health care and that the commission wanted to make information available to people to be able to make the best choice.

9:32:56 AM

Dr. Hurlburt commented that the Alaska Health Care Commission had spent quite a bit of time working with the Division of Legislative Audit and that the audit process had been a very constructive, helpful, and collaborative one. He stated that the commission had not envisioned itself developing a health plan and did not want a health plan to become a document that sat on a shelf and did not change anything. He offered that in response the audit, the commission's 2013 recommendations were more specific. He stated that the commission had shied away from being an authoritative advisory group, but that it had been more specific with its 2013 recommendations; furthermore, the commission had been working closely with Commissioner Streur with the idea that the plan would be a document from DHSS and that the commission would be a resource that would work collaboratively with the department.

Dr. Hurlburt reported that the Alaska Health Care Commission had kept itself knowledgeable regarding the ACA and that it had a report on it every meeting; however, the commission had not got into the specifics and some of the controversies that were related to the act and did not see that as its role. He cited an article in The Economist Magazine that discussed the need around the world for getting transparency and quality information about health care to people. He stated that the commission had not tried to demonize providers and that it had tried to shed light that costs were very high in Alaska compared to other states; however, it believed that providers were 99 percent dedicated, idealistic people who wanted to do a good job. He concluded that everyone wanted a good health care system in Alaska and that the commission believed that having a more even negotiating situation would result in better pricing. He noted that it had been shown that profit levels were high in the Anchorage hospitals and stated that the commission believed that the providers needed to be the ones to lead a change because they understood the ethical and moral dimensions of the business.

Senator Hoffman appreciated the work of the Alaska Health Care Commission, but noted that it still had not addressed a health care plan. He recalled that Dr. Hurlburt had stated that the ACA was controversial, but thought that as a state, Alaska needed to put that bias aside because until it was changed, it was the law of the land. He thought that there were different opinions at the table regarding the ACA, but that until it was changed, it was the law; he noted that the insurance requirements were being extended, but that there were no other changes to the law currently. He hoped that during the course of implementing its health care plan, the commission would address the ACA because he thought it fit in with commission's vision statement. He noted that the commission wanted Alaskans to be the healthiest people in the nation by 2025 and have access the most affordable and highest quality healthcare.

Senator Hoffman wondered how the highest possible quality of health care could be achieved in Kipnuk or any Rural Alaskan community. He offered that the 2 main factors affecting getting the best health care in Rural Alaska were high quality/clean housing and running water and sewer; he thought that those 2 factors would have the highest impact on health care in those areas and wondered if Dr. Hurlburt agreed. He pointed out that although the housing, running

water, and sewer might not be issues in the urban areas, they represented issues that Rural Alaskans lived with every day; Furthermore, nothing was mentioned regarding those 2 issues in the audit. He noted that on page 23 of the audit, it stated that the commission wanted to achieve the lowest per capita health care spending levels; he thought that there needed to be higher levels of health care spending to achieve improved health care, particularly among the communities that were spread throughout Alaska. He thought that telemedicine could help rural areas of the state and that it should be higher on the list of priorities.

9:39:50 AM

Senator Hoffman directed the committee's attention to page 24 of the audit and noted that it depicted 4 of the commission's highest priorities. He noted that the 4 priorities were general in nature, but thought that there should be something higher on the list that addressed the diversity health care in Rural Alaska. He thought that even though a majority of the health care in Rural Alaska was provided by the federal government, the people in Rural Alaska were still citizens of the state. He thought that an Alaska Health Care Commission should not ignore the Rural Alaskan issues and that there needed to be an interface between it and the Alaska Native Tribal Health Consortium. He requested Dr. Hurlburt to comment on the issues he had just raised.

Dr. Hurlburt addressed the question about the ACA. He observed that as a state employee during the challenge in the United States Supreme Court, his interpretation was that the governor's stance was that the law was unconstitutional; as such, the commission had not pursued funding that was available under the act because it felt that it would have been disingenuous. He offered that after the court had upheld the law, the governor had basically taken the same stance that Senator Hoffman had taken, which was that it may not be a good law, but it was the law. He thought that there was no question regarding if the ACA was the law of the land and that there was clarity regarding that issue.

Dr. Hurlburt reported that when he had come to Alaska in 1961, the infant mortality rates were about ten times what they were currently; a lot of that was due to very high

birth rates among Alaska Natives. He reported that in 1961, the average life expectancy in Alaska was probably in the late 40s. He understood that the current life expectancy for Alaska Native males was about 70 years and about was about 74 for Alaska Native females; while this expectancy was not quite as high as the U.S. all-races average, there had been a huge impact. He discussed the frequency of children deaths during outbreaks in the 1960s. He reported that in 1960s, the average census of deaths in the Kanakanak hospital was about 25, while currently it was about 5 even with a higher area population. He agreed that the improvements in healthcare in Rural Alaska were due to improvements in water, sanitation, and housing, but that immunizations had helped as well.

Dr. Hurlburt reported that Alaska had the largest percentage of any Native American people of any state and thought that the Alaska Tribal Health System was the strongest and best among the tribal health systems in the county. He pointed out that Alaska also had a lot of veterans and military personnel and that compared to his experience in other areas, Alaska worked in a fairly collaborative way regarding health care. He pointed out that he knew virtually everyone that had been in his job since statehood and that the vast majority of those people had worked in the tribal health system. He thought that there was always room for improvement, but that generally the collaboration was exemplary in Alaska.

9:45:49 AM

Senator Hoffman recalled being the director of Yukon-Kuskokwim Health Corporation in the 1970s and remembered that the organization had achieved a lot of the accomplishments that Dr. Hurlburt had alluded to; he discussed other accomplishments in Rural Alaskan health care. He thought that instead of dwelling on past accomplishments, the committee needed to look at the Alaska Health Care Commission's mission statement, which stated that Alaska needed to make health care more affordable. He acknowledged that the Alaska Tribal Health System was one of the best in the nation, but thought that there was still a lot of improvement that needed to be made to health care in rural areas of the state. He thought that at least one member of the commission should be from Rural Alaska and offered that this would give some voice and perspective to the conditions and needed improvements in rural areas. Dr.

Hurlburt thought that the suggestion was reasonable and something to take into consideration. He discussed the current members of the commission and reiterated that Senator Hoffman's suggestion was not an unreasonable one.

Senator Olson noted that the Alaska Health Care Commission's mission statement said that it wanted to improve health and healthcare for all Alaskans. He recalled earlier comments that the commission had not thought that it was charged with developing a health care plan, but wondered how health care for all Alaskans could be improved without a plan. Dr. Hurlburt responded that the commission had not seeing its role as making specific assignments as an advisory group and had not worked a plan out; however, before the audit report had been submitted to the legislature, the commission had taken the advice and had been working with Commissioner Streur to support the development of a health plan that would benefit all Alaskans.

9:50:14 AM

Senator Olson inquired if 3 years was a long enough time period for Dr. Hurlburt to finish what he had envision when he had started as the chair of the Alaska Health Care Commission in 2010. Dr. Hurlburt thought that the challenge and the opportunity would go on way longer than 3 years. He thought that the legislative audit process had been beneficial and that it would be imprudent not to add a 3-year period, which he thought was a reasonable time period in which to hold the commission accountable. He would suggest a 3-year period for reassessment of whether the state was getting its money's worth out of the commission regardless of whether the audit suggested a longer time period.

Senator Bishop thought that the biggest take away from Dr. Hurlburt's comments was that wages were going up 1 percent per year, but the cost of healthcare was going up at 15 percent per year; he thought that the increases in the wages and healthcare should be graphed. He wondered when the state would go over the edge and realize that it could not continue to keep paying for the increases. Dr. Hurlburt responded that he did have a graph depicting that in a prior presentation and offered to provide it for the committee.

Co-Chair Meyer noted that he had served on the education committee for 4 years and that there had been some great ideas about how to solve education issues and concerns statewide; however, the ideas were deemed unaffordable once they got to the finance committee. He wondered whether the Alaska Health Care Commission considered the costs when it made its recommendations. He inquired if costs were a consideration when making recommendations or if the commission's intent was to come up with ideas. He expressed concern that if the ideas were too costly, they would never be realized. Dr. Hurlburt replied that there would be a fiscal note related to both having a mandatory hospital discharge database and all-payer claims database. He recalled that during one of the early meetings of the commission, it was estimated that about 30 percent of health care was not really supported by high grade evidence; this type of healthcare either did no good or caused harm. He noted that the national cost of healthcare was about $3 trillion per year and that one-third of that was $1 trillion per year that could be saved by not doing things that did no good or caused harm.

Dr. Hurlburt recalled that when he was a young doctor practicing in Dillingham, he had the advice of the best ear, nose, and throat doctors. He stated that at the time, there had been a large problem of Alaska Native children having ears running with pus because of poor housing and a lack of water and sanitation. He explained that how the children were treated was to aspirate the pus out with suction and pack the external auditory canal with chloramphenicol powder; the solution did no more good than witchcraft, but it was what was advised at the time. He recalled that at the time, he thought that he had been doing the right thing. He discussed changes in how ulcers were dealt with and noted that some stuff was fashion and not really science driven. He thought that there was a huge opportunity world-wide to practice more evidence-based medicine and that medical students and residents needed to be trained more about the issue. He added that politicians needed to understand the concept of grades of evidence. He observed that there would be many things that did not have good supporting evidence and that a patient relied on the judgment of the physician. He reiterated that there was an opportunity with focusing on evidence-based medicine to reduce costs and improve the quality of health care.

9:57:04 AM

Co-Chair Meyer noted that healthcare costs were a concern of the committee, particularly regarding the various school districts. He recalled doing a tour of Heart and Vascular Center at Providence Hospital and noted that he was impressed with the cardiologists there. He thought that the doctors at the hospital were not only attracted to the beauty of Alaska, but were probably making pretty good money. He wondered if the Alaska Health Care Commission looked at the costs versus the benefit and whether Alaska was getting the offsetting benefit of the cost of retaining top-notch surgeons and doctors. Dr. Hurlburt replied that was pretty good data regarding the cost of primary health care and that in terms of the comparative costs of the 5 comparison states, Alaska was about 40 percent to 50 percent high in cost; however, Alaska tended to be about 80 percent higher in costs for interventional specialists, such as interventional cardiologists, cardiac surgeons, orthopedists, etc. He pointed out that the commission knew that compensation was a lot higher in Alaska; it did not have evidence that the quality of care was inferior, but also did not have the kind of quality information that could be helpful.

Dr. Hurlburt continued address the comments and reported that there were about a dozen states that had adopted an all-payer-claims database and noted that the intent of that type of database was to get more quality information. He added that like other states, Alaska did not have better quality information for things like the re-hospitalization rates, the long-term survival rates, the complications rates, etc. He discussed advancements in cardiology and stated that cardiologists could do miraculous things now.

10:00:49 AM

Co-Chair Meyer expressed concern that sometimes when positions were squeezed on costs, people tended to go where they would make the most money; in this case, Medicare patients fell off. He reported that Anchorage had opened up a Medicare clinic, which the state subsidized. He expressed concerned that squeezing positions too much would result in doctors not taking Medicare patients, which in turn could result in the Medicare clinic being unable to keep up with demand; he inquired if this was a concern to the commission. Dr. Hurlburt replied that it was something that the state needed to be cognizant of and that Alaska was

unique in that it paid more for Medicaid than Medicare reimbursed. He reported that Medicaid reimbursement in Alaska was about 30 percent to 40 percent higher than it was in other states and that with one exception, other states had significantly lower reimbursement for Medicaid than Medicare; however, in Alaska, Medicaid reimbursement was about 38 percent higher than the reimbursement for Medicare. He noted that the Medicare and Medicaid reimbursements were not as high as commercial insurance, which was why the cost of healthcare was dependent; the reimbursement levels from Tricare, Veterans Affairs, worker's compensation, Medicaid, Medicare, and self-pay insurance were vastly different. He agreed that physicians worked hard and that they deserved to be well compensated overall; however, he felt that physicians were well compensated and that the concern was not a big risk that Alaska had.

Co-Chair Meyer commented that the fiscal note attached to the bill was for $500,000 and thought that it was mostly for staffing needs. He requested comments on the fiscal note's appropriation. Dr. Hurlburt responded that $500,000 was the same level amount that had been there. He noted that the amount did pay for the 2 staff positions, but thought that it did not take up a majority of the money. The funding in the fiscal note also went towards travel of non-state employees for meetings and to pay for studies that have been conducted. He discussed several studies that the commission had contracted.

10:04:55 AM

Co-Chair Meyer inquired if there was adequate representation on the Alaska Health Care Commission from physicians and doctors. Dr. Hurlburt replied that the commission had originally been smaller when it had been established by Governor Palin under administrative order, but it was expanded when it had been established by the legislature to include a Veterans Affairs representative, a behavioral health representative, and another physician representative. He would not make the commission larger and thought that if the group was too large, the meetings became "more show and tell." He thought that the expansion of the commission had been a challenge and that his personal bias had been not to expand it at the time. He thought that there was fairly wide representation on the commission currently and that in terms of disciplines,

there had not been a nurse on the board. He commented that nurses brought a little bit different perspective than physicians did, but thought that it would be a mistake to try having every discipline represented on the commission. He suggested not expanding the size of the commission.

Vice-Chair Fairclough noticed that the fiscal note included $165,000 in federal money and inquired what state match, if any, was required from the General Fund to secure the federal funding. Dr. Hurlburt deferred the question to Ms. Erickson, but noted that the federal money did come from the Medicaid dollars that Alaska was eligible for.

10:08:03 AM

DEBORAH ERICKSON, EXECUTIVE DIRECTOR, ALASKA HEALTH CARE COMMISSION, replied that the federal funding did require a match that was based on the Department of Health and Social Services formula for indirect that drew from the Medicaid pot. She added that the way the federal funding was currently distributed, it required an amount of general fund match.

Vice-Chair Fairclough inquired if an indirect cost recovery system was being used that required a 2-1 match. Ms. Erickson replied that she unsure exactly what the process was for drawing down on the indirect and that she would have to get more information from the department.

Vice-Chair Fairclough believed that the Alaska Health Care Commission was doing valuable work and that as noted in AS 18.09.010 was:

> "…to provide recommendations for and foster the development of a statewide plan to address the quality, accessibility, and availability of health care for all citizens of the state…"

Vice-Chair Fairclough wondered if from a financial standpoint, an executive director on each of the state's boards and commissions was the right approach for management. She noted that each of the boards and commissions required different General Fund dollars. She recalled being an executive director in the past and that there was never enough time in the day; however, she wondered how many boards and commissions were out there and how many executive directors were being paid for with

General Funds and not licensure receipts. She wondered if the legislature should take a look to see the impact of approving individual boards and noted that it never saw the full impact because it was usually dealing with one board at a time that was addressing a great need. She thought it would be helpful to look at the cumulative cost of all of the boards' and commissions' staffing because it would give the state a chance to evaluate its investment and make decisions of whether it wanted to invest it differently. She supported the Alaska Health Care Commission and had no problem with its extension; however, she did have an issue with how the fiscal notes were viewed.

Vice-Chair Fairclough noted that when it came to health, she wondered when the state would take on primary prevention. She thought that the state could ask people to be responsible for healthcare, but that if it did not start educating earlier in the K-12 system on the ramifications of choices in early life, it might "continue running the marathon without actually ever reaching the finish line." She thought that the commission was tasked with developing a statewide plan for the quality, accessibility, and availability of healthcare. She offered that at some point, Alaska would have to partner with the youth of the state. She pointed out that the education system was currently struggling for funding and thought that some of that struggle was related to the health care issues that students were facing in their lives. She concluded that health care issues were manifesting themselves in classrooms and wondered when the state would intertwine the money and resources together to help children lead the best possible lives based on their family circumstances.

Dr. Hurlburt agreed with Vice-Chair Fairclough on the primary prevention issue. He stated that the Alaska Health Care Commission had essentially endorsed and advocated for the priorities of the Division of Public Health. He reported that one of the priorities of the division was reducing obesity and overweight, which he offered would probably be the dominate public health issue in the current century. He stated that another priority was tobacco and pointed out that significant progress was being made in this area; additionally, there had been some progress made on the problem of obesity and overweight. He stated that immunizations, unintentional injury, fluoridation of public water supplies were other priorities that the division and the commission wanted to address. He added that

unintentional injury was still the biggest killer of people age 1 through 44. He pointed out that the commission had formally articulated all of the above priorities and that they were identical with the priorities of the Division of Public Health; furthermore, there was a lot of opportunity in this area. He recalled that in his first 2 years of practicing in Dillingham in the 1960s, there had only been one person with diabetes and that no one had a heart attack there during that time period; at the time, people had not been smoking that long. He reported that as lifestyles as changed, activity had been reduced, and diets changes, a lot of instances of diabetes were affecting Alaska Natives; additionally, as a result of changes, there were more instances of obesity and overweight people in society. He stated that the Center for Disease Control projected that female babies born in the United States had a 38 percent risk of developing diabetes as adult because overweight, obesity, and inactivity. He concluded that he agreed with Vice-Chair Fairclough.

10:14:34 AM

Vice-Chair Fairclough would not want to harm the delivery of anything to Rural Alaska, but noted that she had visited a hub community and had seen bypass mail at work. She recalled seeing hundreds of cases pop being transported by bypass mail. She thought that pop did not seem to be helping with the issue of diabetes. She was not making a judgment call on anyone who drank pop or on the cost of the subsidy to deliver the pop; however, she was concerned about the amount of sugar showing up in individual communities. She thought that Dr. Hurlburt was speaking to the right issue regarding obesity and diabetes in Alaska.

10:15:44 AM

Co-Chair Meyer expressed frustration at how many sodas were in schools and noted that it was hard to find a diet soda.

10:16:17 AM
AT EASE

10:18:34 AM
RECONVENED

10:18:44 AM

SB 135 was HEARD and HELD in committee for further consideration.

10:18:58 AM

Co-Chair Meyer thought that the Alaska Health Care Commission and the Division of Legislative Audit had doing a great job. He thought the bigger issue was that the state had a lot of commissions that it created and wondered if it might be beneficial to look at whether some of them could be merged to keep costs down.

Senator Olson thought that particularly with an aging population, there was nothing more important than having the Alaska Health Care Commission.

#hb193
CS FOR HOUSE BILL NO. 193(FIN)

> "An Act relating to the joint administration of tobacco taxes by the state and a municipality."

10:20:22 AM

Vice-Chair Fairclough MOVED to ADOPT the proposed committee substitute for HB 193, Work Draft 28-LS0714/P (Bullock, 02/10/14) as a working document. There being NO OBJECTION, it was so ordered.

DIRK CRAFT, STAFF, REPRESENTATIVE LANCE PRUITT, spoke to the changes in the new committee substitute. He explained that the bill title was expanded to include:

> "; and authorizing the Department of Revenue to furnish to a municipality returns or reports related to the vehicle rental tax."

Mr. Craft continued to address the changes in the new committee substitute and related that Section 1 of the prior version was removed and replaced with Section 2, subsection (e). He reported that Section 2 of the previous version of the bill was now Section 1. He stated that in Section 1, subsection (c), the wording "or other tobacco products" was added. He stated that there were no changes to subsection (d) of the bill and that subsection (e) was added in to reflect the Department of Revenue's (DOR) statutes that governed its inspection and copying of public

records, as well its disclosure of tax returns and reports. He stated that originally Section 2, subsection (d) had been in Section 1 of the previous version of the bill, but that it had been very broad scoped in dealing with tobacco taxes and the vehicle rental tax; when the section was narrowed down, the 2 taxes were split, which resulted in the title change and vehicle rental tax being moved to Section 2 of the current version.

DANIEL MOOR, MUNICIPALITY OF ANCHORAGE, ANCHORAGE (via teleconference), stated that the original version of the bill had referenced a broader section of statute; however, a lobbyist from one of the oil companies thought that the statute might be too broad and could delve into other tax return areas beyond the local taxes that were being discussed. He reported that the intent had always been to only focus on local taxes that were collected by local governments and the state; the 2 examples of that type of tax were the vehicle rental tax and the tobacco tax. He reported that when the new committee substitute had been formulated, the sponsors had worked with Johanna Bales to make it very specific that the vehicle rental tax and tobacco tax were the only 2 areas that were being discussed in the bill regarding information sharing.

JOHANNA BALES, DEPUTY DIRECTOR, TAX DIVISON, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), stated that Mr. Moor had given a good overview of what the new committee substitute did. She reported that the original bill would have allowed DOR to share all tax information with any municipality, which represented a concern to some tax payers; as a result, the bill had been narrowed to the two tax types where local jurisdictions actually levied a similar tax to the state.

10:25:07 AM

SB 193 was HEARD and HELD in committee for further consideration.

10:25:44 AM

Co-Chair Meyer discussed the following meeting's agenda.

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ADJOURNMENT
10:26:39 AM

The meeting was adjourned at 10:26 a.m.