

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

April 6, 2013

4:19 p.m.

**MEMBERS PRESENT**

Senator Fred Dyson, Chair  
Senator Cathy Giessel, Vice Chair  
Senator John Coghill  
Senator Bill Wielechowski

**MEMBERS ABSENT**

Senator Bert Stedman

**COMMITTEE CALENDAR**

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."

- MOVED SB 90 OUT OF COMMITTEE

HOUSE BILL NO. 186

"An Act relating to police standards and amending the definition of 'police officer.'"

- MOVED HB 186 OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 59(STA) AM

"An Act relating to missing vulnerable adult prompt response and notification plans."

- MOVED SCS CSHB 59(STA) OUT OF COMMITTEE

HOUSE BILL NO. 113

"An Act relating to the membership of the Alaska Fire Standards Council."

- MOVED HB 113 OUT OF COMMITTEE

CS FOR HOUSE CONCURRENT RESOLUTION NO. 6(EDT)

Recognizing the Alaska Center for Unmanned Aircraft Systems Integration at the University of Alaska Fairbanks as a national

leader in unmanned aircraft research and development; and relating to a Task Force on Unmanned Aircraft Systems.

- MOVED CSHCR 6(EDT) OUT OF COMMITTEE

SENATE BILL NO. 48

"An Act requiring each municipality with a population that decreased by more than 25 percent between 2000 and 2010 that participates in the defined benefit plan of the Public Employees' Retirement System of Alaska to contribute to the system an amount calculated by applying a rate of 22 percent of the total of all base salaries paid by the municipality to employees of the municipality who are active members of the system during a payroll period; reducing the rate of interest payable by a municipality with a population that decreased by more than 25 percent between 2000 and 2010 that is delinquent in transmitting employee and employer contributions to the defined benefit plan of the Public Employees' Retirement System of Alaska; giving retrospective effect to the substantive provisions of the Act; and providing for an effective date."

- MOVED CSSB 48(STA) OUT OF COMMITTEE

#### **PREVIOUS COMMITTEE ACTION**

BILL: SB 90

SHORT TITLE: SCHOOL DISTRICT EMPLOYEE HEALTH INSURANCE

SPONSOR(s): SENATOR(s) DUNLEAVY

03/27/13 (S) READ THE FIRST TIME - REFERRALS  
03/27/13 (S) STA, EDC, FIN  
04/06/13 (S) STA AT 9:00 AM BUTROVICH 205

BILL: HB 186

SHORT TITLE: DEFINITION OF POLICE OFFICER

SPONSOR(s): REPRESENTATIVE(s) MILLETT

03/25/13 (H) READ THE FIRST TIME - REFERRALS  
03/25/13 (H) STA  
04/02/13 (H) STA RPT 6DP 1NR  
04/02/13 (H) DP: KREISS-TOMKINS, GATTIS, ISAACSON,  
MILLETT, HUGHES, LYNN  
04/02/13 (H) NR: KELLER  
04/02/13 (H) STA AT 8:00 AM CAPITOL 106  
04/02/13 (H) Moved Out of Committee  
04/02/13 (H) MINUTE(STA)  
04/04/13 (H) TRANSMITTED TO (S)

04/04/13 (H) VERSION: HB 186  
04/05/13 (S) READ THE FIRST TIME - REFERRALS  
04/05/13 (S) STA  
04/06/13 (S) STA AT 9:00 AM BUTROVICH 205

BILL: HB 59

SHORT TITLE: MISSING VULNERABLE ADULT RESPONSE PLAN  
SPONSOR(s): REPRESENTATIVE(s) GRUENBERG

01/16/13 (H) PREFILE RELEASED 1/11/13  
01/16/13 (H) READ THE FIRST TIME - REFERRALS  
01/16/13 (H) MLV, STA  
02/28/13 (H) MLV AT 1:00 PM CAPITOL 120  
02/28/13 (H) Heard & Held  
02/28/13 (H) MINUTE(MLV)  
03/12/13 (H) MLV AT 1:00 PM CAPITOL 120  
03/12/13 (H) Moved CSHB 59(MLV) Out of Committee  
03/12/13 (H) MINUTE(MLV)  
03/13/13 (H) MLV RPT CS(MLV) 4DP 3NR  
03/13/13 (H) DP: GRUENBERG, SADDLER, FOSTER, LEDOUX  
03/13/13 (H) NR: HIGGINS, HUGHES, REINBOLD  
03/21/13 (H) STA AT 8:00 AM CAPITOL 106  
03/21/13 (H) Heard & Held  
03/21/13 (H) MINUTE(STA)  
03/28/13 (H) STA AT 8:00 AM CAPITOL 106  
03/28/13 (H) Moved CSHB 59(STA) Out of Committee  
03/28/13 (H) MINUTE(STA)  
03/29/13 (H) STA RPT CS(STA) 6DP 1NR  
03/29/13 (H) DP: KREISS-TOMKINS, GATTIS, ISAACSON,  
MILLETT, HUGHES, LYNN  
03/29/13 (H) NR: KELLER  
04/03/13 (H) TRANSMITTED TO (S)  
04/03/13 (H) VERSION: CSHB 59(STA) AM  
04/04/13 (S) READ THE FIRST TIME - REFERRALS  
04/04/13 (S) STA  
04/06/13 (S) STA AT 9:00 AM BUTROVICH 205

BILL: HB 113

SHORT TITLE: ALASKA FIRE STANDARDS COUNCIL  
SPONSOR(s): REPRESENTATIVE(s) FEIGE

02/13/13 (H) READ THE FIRST TIME - REFERRALS  
02/13/13 (H) STA, FIN  
03/05/13 (H) STA RPT 3DP 2NR  
03/05/13 (H) DP: ISAACSON, KREISS-TOMKINS, LYNN  
03/05/13 (H) NR: GATTIS, KELLER  
03/05/13 (H) STA AT 8:00 AM CAPITOL 106

03/05/13 (H) Moved Out of Committee  
 03/05/13 (H) MINUTE(STA)  
 03/22/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 03/22/13 (H) Moved Out of Committee  
 03/22/13 (H) MINUTE(FIN)  
 03/25/13 (H) FIN RPT 7DP  
 03/25/13 (H) DP: GUTTENBERG, HOLMES, MUNOZ, EDGMON,  
 GARA, COSTELLO, AUSTERMAN  
 03/28/13 (H) TRANSMITTED TO (S)  
 03/28/13 (H) VERSION: HB 113  
 03/29/13 (S) READ THE FIRST TIME - REFERRALS  
 03/29/13 (S) STA  
 04/04/13 (S) STA AT 9:00 AM BUTROVICH 205  
 04/04/13 (S) Heard & Held  
 04/04/13 (S) MINUTE(STA)  
 04/06/13 (S) STA AT 9:00 AM BUTROVICH 205

BILL: HCR 6

SHORT TITLE: EST. LEG. TASK FORCE ON UNMANNED AIRCRAFT  
 SPONSOR(S): REPRESENTATIVE(S) HUGHES

03/15/13 (H) READ THE FIRST TIME - REFERRALS  
 03/15/13 (H) EDT  
 03/26/13 (H) EDT AT 11:15 AM BARNES 124  
 03/26/13 (H) Moved CSHCR 6(EDT) Out of Committee  
 03/26/13 (H) MINUTE(EDT)  
 03/27/13 (H) EDT RPT CS(EDT) 5DP 2NR  
 03/27/13 (H) DP: PRUITT, JOHNSON, GATTIS, DRUMMOND,  
 HUGHES  
 03/27/13 (H) NR: HIGGINS, HERRON  
 03/29/13 (H) TRANSMITTED TO (S)  
 03/29/13 (H) VERSION: CSHCR 6(EDT)  
 04/01/13 (S) READ THE FIRST TIME - REFERRALS  
 04/01/13 (S) STA  
 04/04/13 (S) STA AT 9:00 AM BUTROVICH 205  
 04/04/13 (S) Heard & Held  
 04/04/13 (S) MINUTE(STA)  
 04/06/13 (S) STA AT 9:00 AM BUTROVICH 205

BILL: SB 48

SHORT TITLE: PERS CONTRIBUTIONS BY MUNICIPALITIES  
 SPONSOR(S): SENATOR(S) OLSON

02/11/13 (S) READ THE FIRST TIME - REFERRALS  
 02/11/13 (S) STA, FIN  
 03/12/13 (S) STA AT 9:00 AM BUTROVICH 205  
 03/12/13 (S) Heard & Held

03/12/13 (S) MINUTE(STA)  
04/02/13 (S) STA AT 9:00 AM BUTROVICH 205  
04/02/13 (S) Heard & Held  
04/02/13 (S) MINUTE(STA)  
04/02/13 (S) FIN AT 1:30 PM SENATE FINANCE 532  
04/02/13 (S) Scheduled but Not Heard  
04/06/13 (S) STA AT 9:00 AM BUTROVICH 205

**WITNESS REGISTER**

SENATOR MIKE DUNLEAVY  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Sponsor of SB 90.

BECKY HULTBERG, Commissioner  
Office of the Commissioner  
Department of Administration  
Juneau, Alaska  
**POSITION STATEMENT:** Provided information on SB 90.

MIKE BARNHILL, Deputy Commissioner  
Office of the Commissioner  
Department of Administration  
Juneau, Alaska  
**POSITION STATEMENT:** Answered questions relating to SB 90 and SB 48.

CARL ROSE, Executive Director  
Association of State School Boards (ASSB)  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of SB 90.

BRUCE JOHNSON, Executive Director  
Alaska Council of School Administrators  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in support of SB 90.

TOM BRICE, Business Representative  
Alaska District Council of Laborers  
Juneau, Alaska  
**POSITION STATEMENT:** Testified on SB 90.

DENNIS MOEN, Business Manager  
Public Employees Local 71  
Anchorage, Alaska  
**POSITION STATEMENT:** Spoke in opposition to SB 90.

DEBBIE HANSON, Trust Administrator  
Public Employees Local 71  
Anchorage, Alaska

**POSITION STATEMENT:** Spoke in opposition to SB 90.

STEVEN ATWATER, Superintendent  
Kenai Peninsula School District  
Kenai, Alaska

**POSITION STATEMENT:** Spoke in support of SB 90.

JACK WALSH, Superintendent  
Bristol Bay School District  
Bristol Bay, Alaska

**POSITION STATEMENT:** Spoke in support of SB 90.

ROB THOMASON, Superintendent  
Petersburg School District  
Petersburg, Alaska

**POSITION STATEMENT:** Spoke in support of SB 90.

DEENA PERAMO, Superintendent  
Mat-Su School District  
Palmer, Alaska,

**POSITION STATEMENT:** Spoke in support of SB 90.

WILLIE ANDERSON, Uniserve Director  
NEA Alaska  
Juneau, Alaska

**POSITION STATEMENT:** Testified on SB 90.

REPRESENTATIVE CHARISSE MILLET  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of HB 113.

MARK MEW, Chief of Police  
Anchorage Police Department  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 186.

SHELDON SCHMITT, Chair  
Alaska Police Standards Council  
Sitka, Alaska

**POSITION STATEMENT:** Spoke in support of HB 186.

AL BARRETTE, representing himself

Fairbanks, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 186.

REPRESENTATIVE MAX GRUENBERG

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Prime sponsor of HB 59.

MIKE PASCHALL, Staff

Representative Eric Feige

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 113 on behalf of the sponsor.

REPRESENTATIVE SHELLEY HUGHES

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Sponsor of HCR 6

DAVID SCOTT, Staff

Senator Donny Olson

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Provided information on SB 48 on behalf of the sponsor.

GREG MOYER, City Manager

Galena, Alaska

**POSITION STATEMENT:** Testified in support of SB 48.

#### **ACTION NARRATIVE**

[4:19:17 PM](#)

**CHAIR FRED DYSON** called the Senate State Affairs Standing Committee meeting to order at 4:19 p.m. Present at the call to order were Senators Giessel, Stedman, Chair Dyson.

#### **SB 90-SCHOOL DISTRICT EMPLOYEE HEALTH INSURANCE**

[4:20:25 PM](#)

CHAIR DYSON announced that the first order of business would be SB 90.

SENATOR MIKE DUNLEAVY, sponsor of SB 90, read from the following sponsor statement:

The cost of health care insurance for all employees has escalated far greater than the rate of inflation and Alaska's 53 school districts have felt the financial pinch. Under Senate Bill 90, all Alaska public school districts employees will be covered by a state-managed group health insurance program. Approximately 19,000 school district employees and their families, an estimated total of 47,000 individuals, would be added to the State of Alaska's Employee Health Plan.

This larger insurance pool places the State of Alaska in a position to negotiate a more favorable employee health care insurance plan. By moving school districts into an integrated state plan, the state and school districts benefit from the economies of scale. Currently each school district must obtain its own insurance coverage; consequently, the level of coverage and the cost of premiums vary widely throughout the state.

In addition to the potential savings with lower insurance premiums, two other advantages are afforded school districts and the state through this legislation. Senate Bill 90 will provide standardized health care coverage statewide for all school district employees. A person who may elect to move between school districts will know the basic insurance coverage offered before the transfer.

Secondly, the need for administrative time and effort by each school district to secure and negotiate a health insurance plan for its employees is eliminated. This responsibility shifts to the Department of Administration, a department that routinely manages insurance policies for all state employees, and allows school districts to focus on educational policy issues.

Starting July 1, 2014, school districts will transition to the new state health care insurance plan as each school district's existing employee contracts expire. All school districts are expected to changeover to the State of Alaska plan within three to five years.

[4:22:43 PM](#)

SENATOR DUNLEAVY concluded that 53 school districts must negotiate their own insurance plans. Some of those districts are as small as 10 students. Alaska has a single retirement system for its teachers and the cost of insurance is rising. This is an opportunity to pool employees of school districts to negotiate a more favorable rate and allow school districts to focus on policy and educating children.

[4:24:03 PM](#)

SENATOR COGHILL joined committee.

CHAIR DYSON asked who opposes this legislation.

SENATOR DUNLEAVY said there may be some school districts that do not understand how they would benefit by this legislation and are opposed to it. NEA might be opposed to it.

CHAIR DYSON asked if SB 90 is optional.

SENATOR DUNLEAVY explained it would be similar to the retirement system where all school districts would become part of this pool. The goal is to have a standardized insurance plan in order to control costs.

CHAIR DYSON asked if he said it's mandatory.

SENATOR DUNLEAVY said yes.

CHAIR DYSON asked over what period of time.

SENATOR DUNLEAVY explained that districts will transition into the plan starting July 1, 2014 as their existing plans expire.

[4:25:36 PM](#)

BECKY HULTBERG, Commissioner, Department of Administration, provided information on SB 90. She reported that health care costs are high and one of the most significant issues for the United States and for Alaska. The rate at which costs keep growing is a significant concern. Managing expenses becomes even more important with dwindling resources. The bill offers the opportunity to talk about the management of school district insurance costs.

SENATOR WIELECHOWSKI joined the committee.

COMMISSIONER HULTBERG related that the state currently manages health insurance plans for 6,400 active, and 60,000 retired,

employees, the balance of which are covered by four union health trusts. The combined annual cost of the plans is about \$600 million. Both plans are self-insured and claims are administered by a third-party administrator who processes the claims, negotiates discounts, and receives a payment each month.

[4:28:30 PM](#)

COMMISSIONER HULTBERG listed some of the cost drivers in a health plan: network discounts and how broad the network is, administrative costs, how many high cost claimants there are in one year, medical inflation, and utilization impacted by how the plan is designed.

She related that, currently, the AlaskaCare employee plan has 16,400 members (employees and dependents). This bill would add an estimated 47,000 members to that plan. Theoretically, more members covered by a plan can be advantageous in several ways. Larger numbers can be used to achieve deeper discounts. They can impact administrative costs for the better. They can reduce risk and have a positive impact on per unit cost for services.

She stressed the importance of considering that the state is inheriting these employees into the retiree plan. The state has a vested interest in lowering costs in two ways. Because the state provides funding for education, it has a direct interest in lowering costs now, as well as long term when the members become retirees and enter the retiree plan.

[4:32:06 PM](#)

COMMISSIONER HULTBERG addressed a key philosophical question - what is the best approach to managing these costs. Right now there is a fragmented approach to health care management within school districts. She noted that the Juneau School District has four different health plans. She suggested a more coordinated, integrated approach is needed.

SENATOR WIELECHOWSKI asked how much more or less a teacher would have to pay if the bill passes.

COMMISSIONER HULTBERG said it was a difficult question to answer because it depends on the district and the plan. She cautioned that looking at out-of-pocket costs is not the best way to evaluate a plan. Sometimes coverage is different between plans. It is important to look at the actuarial value of a plan.

SENATOR WIELECHOWSKI stated that he has a letter from Local 71 that ran the numbers and estimates that the Anchorage School

District will pay an additional \$400,000 and each employee that needed the full family plan would pay an additional \$1,000 a year. He asked if that meshed with Commissioner Hultberg's understanding.

COMMISSIONER HULTBERG replied that she saw the letter, but without comparing actuarial evaluations, it's difficult to make an assessment about the better value. She gave an example of plan differences.

SENATOR WIELECHOWSKI said, as someone who represents Anchorage, he would have a difficult time explaining how he voted for a bill that will cost the school district and families more when he has not heard complaints from anyone about the current trust.

COMMISSIONER HULTBERG pointed out that in order to evaluate the impact on Anchorage, it would be important to look at other plans in the whole district. In some cases a district may pay more, but some may pay less. She suggested looking at the total impact of the bill.

CHAIR DYSON asked if other jurisdictions had done similar things.

[4:38:15 PM](#)

MIKE BARNHILL, Deputy Commissioner, Office of the Commissioner, Department of Administration, answered questions relating to SB 90. He related that Indiana did implement such a plan, but he did not have any information about it yet.

SENATOR WIELECHOWSKI asked if vendors would have to compete through the state procurement process.

COMMISSIONER HULTBERG said yes, but it is a difficult process to manage. The current RFP for a third party administrator has been very difficult to manage under the state procurement code.

SENATOR COGHILL inquired if the third party administrator agreement would fit into this bill's plan.

COMMISSIONER HULTBERG said the RFP process has yet to be completed. If SB 90 passes, the administration would likely go back into the process with additional information about the new pool. The idea has been discussed, but no decision has been made.

CHAIR DYSON asked if SB 90 originated from the administration or with Senator Dunleavy.

4:40:07 PM

COMMISSIONER HULTBERG replied that the concept was brought to the administration. The administration is not taking an official position on the bill, but supports the concept of insurance pooling.

CHAIR DYSON asked if there is a time factor. He wondered if this is the right trail to go down and if there is an advantage to doing it now.

MR. BARNHILL said the bill contemplates a phasing-in procedure. The first school districts would join July 1, 2014, and the rest would enter over a two-year period. It gives the administration a year to get ready.

CHAIR DYSON asked if "sooner was better than later." He summarized that the intent of the bill would be for better protection at the most effective cost.

MR. BARNHILL stated that the timeframe set forth in the bill is workable. The administration could not do it any sooner.

4:41:49 PM

SENATOR WIELECHOWSKI said he was baffled by the idea that they are supporting a massive state takeover of the insurance industry when the private sector is doing it now.

COMMISSIONER HULTBERG didn't agree with the characterization.

SENATOR COGHILL pointed out that the state picks up the cost anyway. It sounds like this approach has an economy of scale and pooling as an advantage to those in state employment.

COMMISSIONER HULTBERG agreed. The state is paying the majority of the costs. She stressed the importance of providing health insurance in a coordinated and integrated manner. She opined that the economy of scale and the negotiating power of adding more members could help lower costs.

SENATOR COGHILL inquired if the state is taking the economies of scale away from local areas such as Anchorage, Juneau, the Kenai, and Mat-Su.

COMMISSIONER HULTBERG suggested that the districts should answer that question. She emphasized that there is such fragmentation among the plans right now that it could be true in some districts.

CHAIR DYSON requested clarification about how the state is currently responsible and how much the state is subsidizing, if any.

COMMISSIONER HULTBERG explained that the state is a significant contributor of education funding, so it has an interest in how those costs are managed. Also, the state will inherit retirees when they are most expensive, but will have no impact on their insurance plan. The state wants some input into their health status while they are active employees. Before the bill was proposed, the department was involved in discussions as to how to better coordinate with districts and municipalities.

[4:46:45 PM](#)

SENATOR WIELECHOWSKI noted that he is hearing a lot of statements that this bill will save money, but he has not seen any analysis supporting that idea. He said he does have an analysis from Local 71 regarding his school district. He emphasized that he has not seen any support for SB 90.

COMMISSIONER HULTBERG noted that the health care that is currently being provided by the school districts is part of state government. It's an issue of which government entity is responsible for providing the care, rather than a shift of the provision of care from the private sector to the government. The definitive way to determine if the state would save money is if each of the entities provided claims data. She pointed out that that won't happen. The department has looked at the pool of employees and the demographics of that pool and the actuaries have done the best job that they can with the information they have. She thought some districts would save money under SB 90. She concluded that the issue of managing costs must be looked at as a group.

[4:50:08 PM](#)

MR. BARNHILL discussed the fiscal notes. He began with the fiscal note by the Health Plans Administration in the Department of Administration that has \$100 million in the FY 2014 column. He reviewed the mechanics of the bill as a starting place to understanding the fiscal notes. He related that the bill contemplates about 47,000 covered lives coming into the existing active plan, quadrupling the pool. When pooling health

insurance, it is good to have a claim reserve of three or four months' worth of claims costs.

He referred to a document that shows FY 2012 aggregate costs of school district health insurance at about \$282 million. Since this bill takes effect in FY 2015, the amount is rounded up to \$300 million, with the likelihood that it will be more. The \$100 million is what would be needed to establish a three or four month claims reserve for the inbound employees.

SENATOR DYSON asked if that amount is needed every year.

MR. BARNHILL said no; the bill allows the department to draw up to \$100,000 over ten years from the Public Education Fund. The draw is shown on the fiscal note as taking place in one year, but it is more likely to be drawn over two or three years. After 10 years, the department must pay \$100 million back into the fund. The department will send a bill to each school district for their first four months of claims.

MR. BARNHILL explained that the second fiscal note is from the Health Plans Administration in the Department of Administration for \$237,700 in FY 2014. It pays for upfront staffing costs, communications, and reprogramming of computers. He related that the services expenditures from FY 2015 to FY 2019 are fees paid to contractors, such as third party administrator and pharmacy benefit manager. The upward trend reflects the actuarial expectation of increased population of school district employees. The payment of fees will come out of Group Health and Life Benefits Fund established in AS 36.30.095.

[4:55:14 PM](#)

MR. BARNHILL explained the miscellaneous operating expenditure of \$315 million, which is composed of two parts. The largest part is the \$305 million portion that consists of the benefit credit that the state will bill to each school district for each employee. He noted that \$1,389 per month per employee is the present estimate of what the benefit credit will be in the AlaskaCare active plan in FY 2015. That amount is for the economy plan, including the preventative dental plan. Currently, in FY 2013, that cost is currently \$1,330. He explained that \$305 million is attained by multiplying \$1,389 per month per employees, times 12 months, times 18,300 employees. The department hopes that, through the increased benefit of scale, it will be able to better manage health insurance costs for the short term.

[4:57:00 PM](#)

SENATOR WIELECHOWSKI asked Mr. Barnhill if he had any proof that the state does a better job of maintaining costs and securing preferred contracts than most school districts/trust funds already do.

MR. BARNHILL replied that union and school district plans probably all do equally well at managing costs. The fundamental issue is that school districts are approaching \$300 million a year on health care and the state is approaching \$300 million a year on health care for its active population and the retiree plan is in excess of that amount. He stressed that the state must get these costs under control and scale is one way that can be done.

SENATOR WIELECHOWSKI asked if a health care exchange would help get costs under control.

MR. BARNHILL said he did not know.

SENATOR WIELECHOWSKI suggested that a health care exchange would do exactly what SB 90 is proposing.

MR. BARNHILL said that the issue of health care exchanges has been extensively investigated and there is debate as to whether it decreases costs.

SENATOR WIELECHOWSKI reiterated his last question.

MR. BARNHILL replied that there is an element of pooling in health care exchanges. He noted that the difference in SB 90 is that there would only be one plan, as opposed to bringing together a variety of different insurers.

SENATOR WIELECHOWSKI inquired if the administration would support a health care exchange.

COMMISSIONER HULTBERG said she would be happy to take that suggestion and explore it further.

SENATOR WIELECHOWSKI said he would like that.

MR. BARNHILL discussed the final fiscal note prepared by the Division of Retirement and Benefits. It would add 12 additional positions in order to accommodate the administrative burden imposed by an additional 47,000 members, for the amount of \$964,000.

5:00:43 PM

CARL ROSE, Executive Director, Association of State School Boards (ASSB), testified in support of SB 90. He related that ASSB has recently passed a resolution relating to health care costs and medical insurance. He pointed out that the effects of the recently-passed Affordable Health Care Act haven't been realized yet. He said that ASSB is asking the Governor, the legislature, and Congress to carefully review the legislation and identify areas of unintended consequences and how the state might be able to control some of the costs.

MR. ROSE noted that there is current data about health care costs. There are projections about future costs escalating. He opined that SB 90 is an opportunity to address those costs. He pointed out that ASSB has had experience with pooling; in 1986 ASSB started a pool for liability insurance for rural schools. He said the rate at that time was \$1.25 per \$100 in value. After all these years of pooling, the rate has dropped to \$.17 per \$100. He concluded that taking a bigger pool to market allows an organization to negotiate better terms and now is the time to do it because the fragmented approach might lead to losing local control.

5:07:43 PM

BRUCE JOHNSON, Executive Director, Alaska Council of School Administrators, testified in support of SB 90. He said that a group of superintendents proposed this idea because escalating health costs prevent them from putting money in the classroom. He voiced concern about the health needs of employees. The addition of 47,000 members to the insurance pool is significant and will have the effect of reducing costs. He stressed the difficulty small districts are having with very high insurance costs.

SENATOR WIELECHOWSKI asked if something legally prevents schools from pooling now.

MR. JOHNSON said no. There are many partnerships, but negotiated agreements make pooling difficult. Most districts have investigated all options.

SENATOR DYSON asked if it is a problem for a school district to have a variety of insurance plans.

MR. JOHNSON said he didn't know; however, most districts are small and have only one choice for insurance. He said some

superintendents talk about the value of having a quality insurance plan in order to attract teachers to districts that have a hard time finding employees. He opined that those districts could still accomplish that by providing a premium plan.

5:11:30 PM

TOM BRICE, Business Representative, Alaska District Council of Laborers, testified on SB 90. He deferred to Local 71 representatives from Anchorage to speak.

DENNIS MOEN, Business Manager, Public Employees Local 71, spoke in opposition to SB 90. He related that Local 71 has its own medical trust fund, which covers about 350 Anchorage School District employees at a savings, compared to the state plan. He said he was not opposed to the idea of pooling. Local 71 belongs to the Health Care Management Corporation made up of about 50,000 members in Alaska and 33,000 outside the state. He described the high level of care their health care plan provides. He said he was opposed to pulling Anchorage school employees out of Local 71's plan and putting them in a larger pool.

CHAIR DYSON asked if it is fair to assume that Mr. Moen is opposed to SB 90.

MR. MOEN said yes.

5:18:09 PM

DEBBIE HANSON, Trust Administrator, Public Employees Local 71, spoke in opposition to SB 90. She said she understands the benefits of pooling for small schools, but she suggested there were other resources available to those areas, such as the Health Care Cost Coalition. She voiced concern about Local 71 members losing the personal level of service they currently experience.

STEVEN ATWATER, Superintendent, Kenai Peninsula School District, spoke in support of SB 90. He reported that his district has not been able to slow rising health care costs for employees. He said there are 3,400 total members in their health care plan and in 2008, the members generated close to \$12 million in claims. Last year, the total was more than \$21 million, a 62 percent increase in four years. He opined that a statewide health care plan would lead to savings in health care costs to the district. Any savings could be used to support instruction for students.

[5:21:28 PM](#)

JACK WALSH, Bristol Bay School District, spoke in support of SB 90. He said he has a small school district which currently pays \$1,700 per employee per month and that cost has increased about 10 percent per year over the last six years. He recognized the benefits from being in a bigger pool and keeping costs down.

[5:25:05 PM](#)

ROB THOMASON, Superintendent, Petersburg School District, spoke in support of SB 90. He related that health care is essential, but it should not drain the district's resources from its critical function of educating kids. He spoke of high costs under Aetna and changing to NEA Health Trust where they saw a savings of \$200,000. He said that Petersburg has a high employee contribution rate of 20 percent so rate increases negatively affect the district and the employee. The cost per employee is about \$1,650 with the district paying 80 percent. There are 68 covered employees and their families. He said it is difficult to fund insurance increases without considering cutting staff.

[5:28:39 PM](#)

DEENA PERAMO, Superintendent, Mat-Su School District, spoke in support of SB 90. She related that the Mat-Su District spends \$30 million each year on health care out of its general operating fund. The average cost is increasing by 12 annually. This year health care cost \$1,702 per employee. She concluded that the district must lower the growth rate of health care expense because the current path is unsustainable. She discussed the advantages of having a large statewide pool.

[5:32:31 PM](#)

WILLIE ANDERSON, Uniserve Director, NEA Alaska, testified on SB 90. He requested that the committee hold SB 90 until Monday so the Trust can testify. The Trust represents 12 school districts around the state.

SENATOR DYSON stated that he would move SB 90 on to Senate Finance where it would get another public hearing.

MR. ANDERSON referred to written testimony NEA has provided.

CHAIR DYSON set SB 90 aside until later in the meeting.

**HB 186-DEFINITION OF POLICE OFFICER**

[5:34:29 PM](#)

CHAIR DYSON announced that the next order of business would be HB 186.

REPRESENTATIVE CHARISSE MILLET, sponsor of HB 186, introduced the bill. She said the bill defines a police officer so all police officers are covered under the Alaska Police Standards Council (APSC) and would receive minimal training approved by the APSC. There are a lot of seasonal and part-time employees who don't have to be trained under APSC and are coming into the police force. This provides difficulties for communities that hire the wrong person. The bill requires all officers receive a minimum level of training.

[5:36:15 PM](#)

SENATOR WIELECHOWSKI asked if there has been any opposition to the bill.

REPRESENTATIVE MILLETT said there is no opposition; all police departments and APSC are very supportive. The Sitka Police Department reported that it has had this problem and suggested the change. The Anchorage Police Department fully supports it.

SENATOR WIELECHOWSKI asked if the bill has a zero fiscal note even though more training is required.

REPRESENTATIVE MILLETT said yes; the Alaska Police Standards Council covers those costs.

SENATOR DYSON asked Senator Wielechowski if he could support the bill.

SENATOR WIELECHOWSKI said yes, barring negative public testimony.

[5:38:13 PM](#)

MARK MEW, Chief of Police, Anchorage Police Department, testified in support of HB 186.

SHELDON SCHMITT, Chair, Alaska Police Standards Council, spoke in support of HB 186.

AL BARRETTE, representing himself, testified during the discussion of HB 186. He suggested a friendly amendment to include the Department of Fish and Game officers in the bill and change "a police officer in the state" to "a police officer of the state."

REPRESENTATIVE MILLETT explained that Fish and Game officers are covered in the bill.

MR. BARRETTE wished to prevent federal agencies from usurping their authority over state officers.

REPRESENTATIVE MILLETT thought Mr. Barrette was trying to give authority to Fish and Game officers. She opined that this bill was not the place for that issue.

SENATOR DYSON explained that Fish and Game officers are a part of the state troopers and would be covered under HB 186. He noted that the sponsor will look at the federal issue.

[5:43:06 PM](#)

SENATOR COGHILL moved to report HB 186 from committee with individual recommendations and attached zero fiscal note. There being no objection, it was so ordered.

[5:43:19 PM](#)

At ease

**HB 59-MISSING VULNERABLE ADULT RESPONSE PLAN**

[5:43:56 PM](#)

CHAIR DYSON announced that the next order of business would be HB 59. [CSHB 59(STA)am was before the committee].

[5:44:21 PM](#)

REPRESENTATIVE MAX GRUENBERG, sponsor of HB 59, noted that he had an amendment to offer. He said the bill is very similar to its companion bill, SB 36, except that it adds tort immunity for law enforcement agencies on page 2, lines 22 through 29.

SENATOR COGHILL moved to adopt Amendment 1.

Amendment 1

Page 2, line 22: after "agency,"  
Insert "a person, or a group"

There being no objection, Amendment 1 was adopted.

SENATOR COGHILL moved to report CSHB 59(STA)am, as amended, from committee with individual recommendations and the attached zero fiscal notes. There being no objection, SCS CSHB 59(STA) moved from committee.

[5:47:31 PM](#)

At ease from 5:47 p.m. to 5:49 p.m.

**HB 113-ALASKA FIRE STANDARDS COUNCIL**

[5:49:19 PM](#)

CHAIR DYSON announced that the next order of business would be HB 113.

MIKE PASCHALL, Staff, Representative Eric Feige, sponsor of HB 113, introduced the bill. He explained that this bill adds one member to the Alaska Fire Standards Council by having one member from each of the statewide fire organizations, bringing the number of members up to 12. The bill was drafted at the request of council and is supported by all three organizations.

He noted there was a question about the fiscal note at the last hearing, which has been answered. He said he has spoken with the administrator from the Department of Public Safety and with the Fire Standards Council, whose programs receive \$250,000 in general funds appropriations and an additional \$250,000 in fund receipts for providing the programs. It is the department's opinion that there are sufficient funds to absorb the costs of one more member on the council. That concurs with the House Finance Committee's zeroing of the fiscal note.

[5:50:55 PM](#)

SENATOR COGHILL moved to report HB 113 from committee to the next committee of referral with individual recommendations and the attached zero fiscal note. There being no objection, it was so ordered.

**HCR 6-EST. LEG. TASK FORCE ON UNMANNED AIRCRAFT**

[5:52:32 PM](#)

CHAIR DYSON announced that the next order of business would be HCR 6, which was previously heard by the committee. [CSHCR 6(EDT) was before the committee].

REPRESENTATIVE SHELLEY HUGHES, sponsor of HCR 6, noted that the updated fiscal note is now indeterminate in order to cover the expense for one meeting a year for two years. That expense would be absorbed by the various departments of the commissioners that serve on the task force. The private industry members have indicated that they would absorb costs, as well. The task force meeting will be held in Anchorage.

CHAIR DYSON asked if the bill has a referral to Senate Finance.

REPRESENTATIVE HUGHES said it didn't need one when the fiscal note was zero, but it may need a finance referral now.

SENATOR COGHILL opined that it should go to Senate Finance.

SENATOR COGHILL moved to report CSHCR [6](EDT) from committee to the next committee of referral with individual recommendations and attached indeterminate fiscal note. There being no objection, CSHCR 6(EDT) was reported from the Senate State Affairs Standing Committee.

[5:54:11 PM](#)

At ease

**SB 48-PERS CONTRIBUTIONS BY MUNICIPALITIES**

[5:54:46 PM](#)

CHAIR DYSON announced that the next order of business would be SB 48. He reported that he has had extensive conversations with Mr. Barnhill and agrees with his analysis of the bill. He stated that the proposed committee substitute (CS) mirrors the language of the House bill.

SENATOR COGHILL moved to adopt the work draft CS for SB 48, version 28-LS0444\U, as the working document. There being no objection, version U was before the committee.

[5:56:11 PM](#)

DAVID SCOTT, Staff, Senator Donny Olson, sponsor, provided information on SB 48. He explained that the 2008 PERS contribution floor does not apply to those communities who have lost 25 percent of their population.

SENATOR DYSON asked if that mirrors the language in the companion House bill.

MR. SCOTT said that is his understanding.

SENATOR WIELECHOWSKI asked how many municipalities this applies to.

MR. SCOTT said it applies to three. There are more than three communities that have lost 25 percent of their population, but they do not have any PERS employees.

SENATOR WIELECHOWSKI asked if SB 48 has the impact of waiving fees and expenses.

MR. SCOTT said no. He said it was his understanding that the municipalities still must pay their bill to the PERS system.

[5:57:44 PM](#)

MIKE BARNHILL, Deputy Commissioner, Department of Administration, answered questions related to SB 48. He explained that there is a retroactive date in the bill and a reduction in the rate of interest to the federal reserve rate, plus 3 percent.

SENATOR WIELECHOWSKI inquired which three communities are affected by the bill.

MR. BARNHILL said Galena, Pelican, and Atka.

SENATOR WIELECHOWSKI asked how much they owe.

MR. SCOTT answered that Galena owes about \$500,000, and he didn't know about the other two.

SENATOR WIELECHOWSKI asked how much debt was rolled back.

MR. BARNHILL said he hadn't run the numbers, but it might get rid of it entirely.

SENATOR COGHILL said it sounds like these communities are under duress.

[5:59:27 PM](#)

GREG MOYER, Galena City Manager, testified in support of SB 48.

SENATOR DYSON inquired how much it would save Galena.

MR. MOYER answered said if it is retroactive it may take it out completely.

SENATOR DYSON asked for a report, after the first of the year, on how it worked out.

[6:01:05 PM](#)

SENATOR COGHILL moved to report SB 48, version U, from committee with individual recommendations and attached fiscal note. There

being no objection, CSSB 48(STA) was reported from the Senate State Affairs Standing Committee.

[6:01:45 PM](#)

At ease

**SB 90-SCHOOL DISTRICT EMPLOYEE HEALTH INSURANCE**

[6:15:22 PM](#)

SENATOR DYSON brought SB 90 back before the committee and summarized earlier testimony.

[6:19:24 PM](#)

SENATOR MIKE DUNLEAVY, sponsor, SB 90 summarized that health care is not something school officials look forward to dealing with at the local level. He related that the 53 school districts are an extension of the State of Alaska and depend on state money. He concluded that if SB 90 passes, it will be less expensive for the state and better for school districts.

SENATOR COGHILL commented that the input from local districts on their unique challenges and service capacity are very different across the state. He expressed hope that Senator Dunleavy would look for ways to mechanize that.

CHAIR DYSON requested that Senator Wielechowski summarize his ideas about SB 90.

SENATOR WIELECHOWSKI moved to adopt Conceptual Amendment 1.

SENATOR COGHILL objected for discussion purposes.

SENATOR WIELECHOWSKI explained that the conceptual amendment, which may require some technical drafting changes, creates a health care exchange for the state of Alaska. It will go a long way toward doing what SB 90 proposes. It will give consumers, as well as small businesses and trust funds, the ability to pool resources and lower the price of insurance.

[6:23:53 PM](#)

SENATOR COGHILL countered that the health care exchange has been debated. He opined that the purpose of the amendment is to fragment the population and then re-congregate them under a new system. He said that SB 90 says the state already has a fragmented system and the competition is the ability to compete in larger areas. He said he understands the benefit of a health

care exchange, but maintained that it does not fit well in Alaska, generally, and does not fit well in SB 90.

SENATOR GIESSEL said she is also against the amendment. She stated that the Alaska Health Care Commission and the commissioner of health evaluated the health care exchange and found it to be cost prohibitive and not beneficial for Alaska.

SENATOR COGHILL credited Senator Wielechowski for bringing the idea to the debate. He maintained his objection.

A roll call vote was taken. Senator Wielechowski voted in favor of Conceptual Amendment 1 and Senators Giessel, Coghill, and Chair Dyson voted against it. Therefore, the Conceptual Amendment 1 failed by a 1:3 vote.

SENATOR DYSON related that the administration said that if SB 90 does not pass, the department would start to staff up, and will have only spent a couple hundred thousand dollars by next session.

SENATOR WIELECHOWSKI said he would object to moving SB 90.

SENATOR COGHILL moved to report SB 90 from committee with individual recommendations and attached fiscal notes.

SENATOR WIELECHOWSKI objected.

He stated that he was sympathetic to the issue of high insurance costs in Alaska. He said he was also sympathetic to the idea that there is a legislative process that looks deeply into these issues. He maintained that SB 90 is one of the largest bills he has had an opportunity to vote on. He noted there has only been less than one hour of testimony and the fiscal note is for \$1.5 billion. He said it is an enormous change in public policy for Alaska; it will affect the lives of 40,000 Alaskans. It takes away local control and forces one insurance company on every community in the state.

He related that he asked the Department of Administration if there was any evidence that the state can do this better than the current system and he was not provided with a positive answer. He said there is no evidence that the state can do this cheaper. The only evidence that was presented was by Local 71 who said that SB 90 would increase the cost for the Anchorage School District by over \$400,000 a year.

He maintained that the bill creates a dozen new state positions and affect tens of thousands of Alaskans. He emphasized that government is not supposed to work this way and he said he can't support SB 90, a radical policy shift and a massive state government takeover of private insurance programs.

CHAIR DYSON said he was sympathetic to several issues Senator Wielechowski raised.

SENATOR DUNLEAVY responded that insurance is a burden for the local school districts to administer. The school district's primary purpose is to educate kids, not administer insurance plans.

[6:31:31 PM](#)

SENATOR WIELECHOWSKI stated that empirical evidence shows that the cheapest way to do insurance is single payer. If the Department of Administration would conduct an analysis of the single payer system that was run by the state and it showed that it was substantially cheaper, he asked Senator Dunleavy if he would support legislation to that effect.

SENATOR DUNLEAVY said that was a hypothetical situation and he could not answer. He said as an administrator, school board president, and a senator, he still believes it is wrong to deal with insurance at the local level; instead, the focus should be on kids.

A roll call vote was taken. Senators Coghill, Giessel, and Chair Dyson voted in favor of reporting SB 90 from committee and Senator Wielechowski voted against it. Therefore, SB 90 was reported from the Senate State Affairs Standing Committee with a 3:1 vote.

[6:33:22 PM](#)

There being no further business to come before the committee, Chair Dyson adjourned the State Affairs Standing Committee at 6:33 p.m.