

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 8, 2015

4:16 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Shelley Hughes, Vice Chair
Representative Jim Colver
Representative Gabrielle LeDoux
Representative Cathy Tilton
Representative Andy Josephson
Representative Sam Kito

MEMBERS ABSENT

Representative Mike Chenault (alternate)

COMMITTEE CALENDAR

CONFIRMATION HEARING(S):

Board of Massage Therapists

David Edwards-Smith - Soldotna
Ron Gibbs - Akhiok
Traci Gilmour - Juneau
Shirley Nelson - Anchorage
Amanda Unser- Anchorage

- CONFIRMATION(S) ADVANCED

Board of Examiners in Optometry

Dr. Stephen Stralka - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Certified Real Estate Appraisers

Renee Piszczek - Fairbanks

- CONFIRMATION(S) ADVANCED

Alaska Workers' Compensation Board

Lake Williams - Fairbanks

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 178

"An Act relating to workers' compensation fees for medical treatment and services; providing for an effective date by amending the effective date of sec. 5, ch. 63, SLA 2014; and providing for an effective date."

- MOVED HB 178 OUT OF COMMITTEE

HOUSE BILL NO. 66

"An Act relating to providing medical insurance coverage under the Teachers' Retirement System of Alaska and the Public Employees' Retirement System of Alaska; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 178

SHORT TITLE: WORKERS' COMP MEDICAL FEES; DELAY

SPONSOR(s): LABOR & COMMERCE

04/01/15	(H)	READ THE FIRST TIME - REFERRALS
04/01/15	(H)	L&C
04/08/15	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 66

SHORT TITLE: INS. FOR DEPENDENTS OF DECEASED TEACHERS

SPONSOR(s): MILLETT

01/21/15	(H)	READ THE FIRST TIME - REFERRALS
01/21/15	(H)	L&C, FIN
04/08/15	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

KONRAD JACKSON, Staff
Representative Kurt Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the House Labor and Commerce Standing Committee, Kurt Olson, Chair, on the

appointees to the various boards and commissions as well as HB 178.

MICHAEL MONAGLE, Director
Central Office
Division of Workers' Compensation
Department of Labor & Workforce Development (DLWD)
Juneau, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 178.

REPRESENTATIVE CHARISSE MILLETT
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as prime sponsor of HB 66.

GRACE ABBOTT, Staff
Representative Charisse Millett
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the prime sponsor, Representative Charisse Millett, testified and answered questions on HB 66.

JAKE METCALFE, Executive Director
Public Safety Employees Association, Inc. (PSEA)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 66.

JEFF BRINK, Officer
Juneau Police Department (JPD)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 66.

ACTION NARRATIVE

[4:16:46 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 4:16 p.m. Representatives Hughes, Colver, Kito, Olson were present at the call to order. Representatives LeDoux and Tilton arrived as the meeting was in progress.

CONFIRMATION HEARING(S) **Board of Massage Therapists**

Board of Examiners in Optometry
Board of Certified Real Estate Appraisers
Alaska Workers' Compensation Board

[4:17:13 PM](#)

CHAIR OLSON announced that the first order of business would be the confirmation hearings of various boards and commissions.

[4:17:36 PM](#)

KONRAD JACKSON, Staff, Representative Kurt Olson, Alaska State Legislature, on behalf of the House Labor & Commerce Committee, stated that some of the appointees for four boards were not taken up during the April 1, 2015 hearing. He indicated that committee members have had an opportunity to review the qualifications and resumes for the appointees, but [no committee members] expressed concern with the appointees' qualifications or requested anyone appear at today's hearing.

MR. JACKSON read into the record the names of the appointees [as listed in the Committee Calendar] to the Board of Massage Therapists, Board of Examiners in Optometry, Board of Certified Real Estate Appraisers, and Alaska Workers' Compensation Board.

[4:19:21 PM](#)

REPRESENTATIVE HUGHES moved to advance the confirmations of the appointees for the four aforementioned boards and commissions referred to the House Labor and Commerce Standing Committee to a joint session of the House and Senate for consideration. There being no objection, the confirmations were advanced.

REPRESENTATIVE HUGHES reminded members that signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection.

[4:19:41 PM](#)

The committee took an at-ease from 4:19 p.m. to 4:21 p.m.

HB 178-WORKERS' COMP MEDICAL FEES; DELAY

[4:21:22 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 178, "An Act relating to workers' compensation fees for medical treatment and services; providing for an effective date by amending the effective date of sec. 5, ch. 63, SLA 2014; and providing for an effective date."

CHAIR OLSON reported that the initial bill last legislature, House Bill 316, passed the Twenty-Eighth Alaska State Legislature unanimously, except for those absent.

[4:21:52 PM](#)

KONRAD JACKSON, Staff, Representative Kurt Olson, Alaska State Legislature, stated that HB 178 would offer a five-month extension to the time constraints set by House Bill 316 [Twenty-eighth legislature] for the creation of a new Workers' Compensation Medical Services Review Committee (MSRC) tasked with establishing a conversion factor and geographic differential to be used in conjunction with a basic fee schedule and a relative value unit methodology and implemented by regulation. He said this bill could be likened to a simple board extension with a zero fiscal note. Last year the legislature passed House Bill 316, which asked the Medical Services Review Committee (MSRC) to create a fee schedule based on Medicaid rates with a multiplier for various services. Once a conversion factor was set, the bill required the commissioner of Department of Labor & Workforce Development approve the multiplier and draft regulations, which the workers' compensation board would implement. The bill envisioned this work would be completed by July 1, 2015. The Medical Services Review Committee (MSRC) has met numerous times and is very close to completing its work, but does not anticipate completing its work by July 1, 2015.

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CHAIR OLSON asked for the current Medical Services Review Committee (MSRC) membership.

MR. JACKSON replied that the Medical Services Review Committee (MSRC) consists of nine members, as follows: (1) one member who is a member of the Alaska State Medical Association; (2) one member who is a member of the Alaska Chiropractic Society; (3) one member who is a member of the Alaska State Hospital and Nursing Home Association; (4) one member who is a health care provider, as defined in AS 09.55.560; (5) four public members who are not within the definition of "health care provider" in

AS 09.55.560; and (6) one member who is the designee of the commissioner and who shall serve as chair. He stated that all of the stakeholders have a seat at the table in the discussion to set the conversion factors. He reported that the department requested the extension since the Medical Services Review Committee (MSRC) was very close to completing its work, but the July 1, 2015 completion date would not likely allow enough time to complete the regulatory process. The bill has a zero fiscal note since the costs were previously addressed in House Bill 316, which passed the legislature last year.

CHAIR OLSON said that he has not attended any of the MSRC meetings, choosing to leave it to the Department of Labor & Workforce Development.

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MICHAEL MONAGLE, Director, Central Office, Division of Workers' Compensation, Department of Labor & Workforce Development (DLWD), provided some background information on the Medical Services Review Committee (MSRC), which began meeting in July 2014. The committee was established by statute in 2005 and met for several years, making some recommendations in 2009. The MSRC somewhat faded from activity so when House Bill 316 passed last year, the committee was resurrected, including finding new committee members to develop a request for proposal (RFP) for subject matter expert contractor, obtain data from several data sources, including the National Council on Compensation Insurance and Fair Health, as well as to get approval for contracts and develop non-disclosure agreements. It took until November 2014 before the committee started its work. He described the committee's work thus far, including that the MSRC has held good discussions, but are still one conversion factor away from completing its work, with the next meeting scheduled for April 20, 2015. He anticipated that the last decision will be made soon. As previously mentioned, the MSRC must provide the commissioner with a written report, followed by public comment, and recommendations would then be forwarded to the workers' compensation board, who would notice a public meeting for 30 days. The Workers' Compensation Board would likely meet in June, propose regulations and allow 30 days for the public comment period. The board would adopt the regulations project, send it to the Department of Law for review and on to the Lieutenant Governor's office. He anticipated that the regulations will be in place by the end of summer, which will allow billers and payers three months to program their systems with the new conversion factors ready for the new CMS [Centers

for Medicare & Medicaid Services] rates that will be published on January 1, 2016. He expressed concern that the fee schedule will not be ready by July 1, 2015, which he described as a disastrous outcome.

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CHAIR OLSON said one member of the Medical Services Review Committee (MSRC) remarked that he had initially been skeptical about the committee, but after first meetings he began to enjoy the process. He told members that he previously had contemplated that the Medical Services Review Committee (MSRC) could be on a tight schedule.

CHAIR OLSON, after first determining no one wished to testify, closed public testimony on HB 178.

[4:29:32 PM](#)

REPRESENTATIVE HUGHES moved to report HB 178 out of committee with individual recommendations and the accompanying fiscal note. There being no objection, HB 178 was reported from the House Labor and Commerce Standing Committee.

[4:30:00 PM](#)

The committee took an at-ease from 4:30 p.m. to 4:32 p.m.

HB 66-INS. FOR DEPENDENTS OF DECEASED TEACHERS

[4:31:58 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 66, "An Act relating to providing medical insurance coverage under the Teachers' Retirement System of Alaska and the Public Employees' Retirement System of Alaska; and providing for an effective date."

CHAIR OLSON stated that this was the first hearing on this bill. He said the state would conduct an actuarial study to help develop the fiscal note.

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REPRESENTATIVE CHARISSE MILLETT, Alaska State Legislature, stated that this bill raised an uncomfortable topic, but one the legislature needed to address. She said that HB 66 seeks to

address a side effect of a state employee dying in the line of duty. Currently, the state does not provide any health care for dependents whose parents die in the line of duty. These families are subsequently faced not only with the loss of a loved one, but also the termination of their medical coverage. The state asks its employees in public safety, across all fields, to provide for health and safety for our communities, she said, so it is only fair when these employees give the ultimate sacrifice that the state honors them by supporting family members who have been left behind. She said that HB 66 would provide spouses and children of state employees who have been killed in the line of duty with secure, stable health care coverage in the PERS [Public Employees Retirement System] and TRS [Teachers' Retirement System] health plans insurance. She explained that this bill was not a defined benefit bill, but addresses line of duty death benefits.

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REPRESENTATIVE MILLETT paraphrased from the following sponsor statement, [original punctuation provided]:

The PERS/TRS retiree health plans ensure coverage that is common to all departments and positions and allows families to benefit from low deductibles and pharmacy costs.

Families would be subject to all policies associated with the plan, and would be able to elect additional coverage available to plan members.

This approach not only provides a level of comfort for families, but also provides clarity in the state's budget. Currently, the Department of Public Safety, through executive direction, covers the cost of health care premiums for the families of fallen employees.

REPRESENTATIVE MILLETT added that the department has a line item in the operating budget that covers the medical coverage for those families. For families coping with the loss of a loved one, their last concern should be losing their state medical coverage. This bill, HB 66, will provide security for families and clarity for the state when approaching a line of duty death of a state employee, she said.

REPRESENTATIVE MILLETT explained that this bill was a collaboration between the Department of Administration (DOA),

the Department of Law (DOL), and the Department of Public Safety (DPS), and representative are ready to answer committee questions. She explained that this bill has taken considerable time to develop. Since the state has been doing this by proclamation and by executive order, it seemed appropriate to codify it and add to the state health coverage plan so members serving in the line of duty will know their families will have health coverage. She stated that the state has experienced line of duty deaths in all aspects of the state, including those killed in a helicopter crash, in fish and game airplane crashes, as well as public safety officers killed in the line of duty, which is defined in statute.

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GRACE ABBOTT, Staff, Representative Charisse Millett, Alaska State Legislature, on behalf of the prime sponsor, Representative Charisse Millett, introduced herself.

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REPRESENTATIVE HUGHES moved to adopt the proposed committee substitute (CS) for HB 66, labeled 29-LS0357\N, Wayne, 3/25/15 as the working document. There being no objection, Version N was before the committee.

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MS. ABBOTT explained that this bill has sections for the Teachers' Retirement System (TRS) health care benefits and the Public Employees' Retirement health care benefits so sections may appear identical, but apply to the specific health care system.

MS. ABBOTT referred to page 2, lines 1-3, and line 13 of Version N, which would clarify when major medical benefits are available to dependent children of deceased teachers under AS 14.25.168 (a). These changes eliminate a requirement for the children to be dependent on the surviving spouse in order to qualify. This also protects in the instance of no surviving spouse with only a surviving dependent.

MS. ABBOTT directed attention to page 2, lines 14-19, to provisions that clarify under AS 14.25.168(a)(3), that major medical benefits are available to spouses, independent children of deceased teachers who are eligible for any type of pension under AS 14.25.157, not just the monthly survivor pension. She

related her understanding that this change was intended to prevent the benefit plan administrator from interpreting certain provisions of AS 14.25.157 to require a cessation of major medical benefits provided under AS 14.25.168 (a) on the date when, if the deceased teacher had survived, the deceased teacher would have qualified for normal retirement, accounting for different age categories between the spouse and the member who was killed in the line of duty. The monthly survivor's pension would therefore terminate, and, without the changed language, the survivor's eligibility for major medical insurance would cease.

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MS. ABBOTT directed attention to page 2, line 30 through page 3, line 7[to proposed Sec. 3 AS 14.25.470(a)], would add a new section eliminating the requirement that an active member of the defined contribution plan in the TRS has to retire directly from that plan in order to qualify for medical benefits. This new bill section further clarifies that a member of a defined contribution plan is eligible to retire from the plan if the member has 30 years of service or reaches normal retirement age and has a minimum of 10 years of service.

MS. ABBOTT referred to page 3, lines 14-17, to changes that clarify that a deceased member's surviving spouse and dependent children are eligible to elect medical benefits under AS 14.25.480 if they have received any type of benefit under AS 14.25.487 instead of when they would have been determined to be eligible for a monthly survivor's pension under AS 14.25.48 - instead of when they have been determined to be eligible for a monthly survivor's pension under AS 14.25.487. She related her understanding that this change is intended to prevent the benefits administrator from interpreting certain provisions of AS 14.25.487 on the date when, if the deceased teacher had survived, the deceased teacher would have qualified for retirement, and, without the changed language, the survivor's eligibility for major medical insurance would cease.

MS. ABBOTT referred to page 3, lines 23-24, which requires that an election by a member of the defined contribution plan in the teachers' retirement system not to participate in the retiree medical major medical insurance plan may become irrevocable upon application for retirement and benefits, instead of upon application for employment, thus accounting for surviving spouses and dependents.

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MS. ABBOTT directed attention to page 3, lines 26-28, which would add a new subsection (h) to AS 14.25.470, clarifying that even if monthly survivor pension benefits under AS 14.25.487(b) cease, medical insurance under the defined contribution plan of the teachers' retirement system, for a deceased teacher's surviving spouse and dependent children will continue to be paid. She referred to page 3 lines 30 through page 4, line 6, which would provide cleanup language for AS 14.25.480 (b) to clarify meaning.

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MS. ABBOTT directed attention to page 4, line 24 would eliminate the language, "A third person who receives major medical coverage under AS 14.25.470(c) (3) or (4) is not required to make premium payments for that coverage." This sentence was made redundant by the bill's addition of a new subsection, AS 14.25.470 (h).

MS. ABBOTT explained that at this point the bill provides duplicate language for changes that reflect changes to the teachers' retirement system as well as the Public Employees' Retirement System (PERS). Thus the next changes will be mirrored in 1-8 until page 8, lines 25-28, which changes the bill's new definition of "retiree" in the defined contribution plan of the Public Employees' Retirement System from "an eligible person who has elected to receive medical benefits under AS 39.35.880," to "an eligible member under AS 39.35.870 (a) who has retired from the plan," to improve clarity of meaning.

MS. ABBOTT stated that the last change made was to change the retroactive effective date of the bill from January 1, 2014, to January 1, 2013 to encompass more families who had suffered these terrible losses.

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CHAIR OLSON advised members that the fiscal note was being worked on along with an actuarial study.

[4:44:05 PM](#)

REPRESENTATIVE COLVER thanked the sponsor for working on bill. He expressed his view that the state has not been living up to

its obligations to Alaskans who were killed in the line of duty, in particular, since these families have not only suffered loss of loved ones, but are placed into financial hardship due to the death of a major breadwinner - a father or a mother. He offered his belief that it was morally and ethically wrong for this to happen. He related his understanding that it costs money to care for survivors, and it can be difficult to get the legislature to act appropriately to take care of the surviving spouses and family members. He acknowledged that this bill was a complicated bill and that he found it difficult to catch all of the language during the sectional analysis of the bill. He asked for further clarification on the current statutory language for survivor and death benefits and whether the bill primarily provides health benefits or also survivor benefits to help the survivors with the loss of their loved ones.

REPRESENTATIVE MILLETT explained that the current health care coverage for survivors would be the same as other employees who were separated from their job, which would be 30 days of health coverage insurance. She clarified that this bill was limited to health care coverage for the surviving spouse and dependents. It would place survivors in the retiree health care pool, and not in the active health care plan. Currently, all of the public employees and teachers are covered under unions so survivors receive death benefits, including an optional death benefit for a lump sum payment. However, in terms of line of death duty benefits, survivors are subject to the standard separation of duty benefits for 30 days and after that they could pay the COBRA [Consolidated Omnibus Budget Reconciliation Act], which can be very expensive. She referenced a letter from former Governor Parnell dated May 22, 2014, who learned of the gap in survivor's medical health insurance and requested that the Department of Public Safety (DPS) cover survivor's medical health insurance in the operating budget for those law enforcement officers who died in the line of duty. She characterized this budget consideration as being a year-to-year appropriation. In response to Representative Colver, she agreed that this bill was limited to health insurance for the surviving spouse and dependents for public safety officers who have died in the line of duty.

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REPRESENTATIVE COLVER expressed an interest in taking care of the families. He asked whether the state has any safety net for monetary compensation when a parent or parents die leaving behind young children. He said that their financial future

would forever be impacted by that event. He further asked whether the state has a big insurance pool that anticipates these kinds of traumas. He acknowledged that he was speaking a bit off topic since he understands the bill is limited to medical health insurance; however, he maintained his concern for the overall wellbeing of the survivors. He said that without the state being there to provide support, it may further the continuance of the event that has already had a devastating effect on the families. He maintained his belief that the state needs to be there to support the families.

REPRESENTATIVE MILLETT stated that a member from the Public Safety Employees' Association (PSEA) could speak about death benefits, which are benefits negotiated by union contracts. In addition, state employees have an option to increase death benefit coverage for a monthly cost, as well as workers' compensation coverage. She deferred to the Department of Administration to answer specific questions.

[4:50:39 PM](#)

JAKE METCALFE, Executive Director, Public Safety Employees Association, Inc. (PSEA), thanked Representative Millett and her staff for all of the work that has been done on this bill, as well as the Parnell and Walker administrations. He described the bill as being a team effort. He stated that the PSEA represents about 700-800 public safety employees throughout the state, including the Alaska State Troopers. In May 2014, two Alaska State Troopers, Sergeant Scott Johnson and Gabriel "Gabe" Rich were tragically murdered in Tanana while responding to a call. These law enforcement officers had spouses and surviving children. Within days of the senseless tragedy, the PSEA learned that the survivor's medical insurance would lapse unless they opted for COBRA. He reported that PSEA has a health trust and provide two types of insurance for its members, including a catastrophic plan and a family medical plan. He stated that the aforementioned members were covered under the family plan, which costs \$1,800 per month for the premium, but under the COBRA plan would require that much in premium payments per month. Although he was not an expert on COBRA, he related his understanding that COBRA would be limited to between 18-36 months, after which the survivors must come up with their own health insurance plan. He characterized this as being a rather serious issue for the survivors and dependents. The former Parnell administration became involved, which has led to this bill, he said.

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MR. METCALFE offered his belief that HB 66 was important to the survivors of members killed in the line of duty. The PSEA supports this bill since it will provide spouses and survivors of public employees killed in the line of duty continued medical insurance coverage until the spouse or the survivors "age out." This bill would carry out the state's duty to comfort and assist families in their time of need and help to lessen the tragic loss and burden of families who are thrown into an unexpected situation when a family member is killed in the line of duty. He respectfully requested that the committee pass the bill.

[4:55:02 PM](#)

REPRESENTATIVE JOSEPHSON said he has a death benefit bill before the legislature. He related his understanding that if public safety law enforcement officers were vested, that their families would receive a pension; however, this bill only addressed medical health care.

MR. METCALFE agreed that HB 66 related to health care coverage. He explained that the PSEA has a contractually agreed upon death benefit for \$100,000. The PSEA was in the process of negotiating its contract to increase the death benefit to \$200,000; however, even though the contract was agreed to at the time the two troopers were killed, the effective date of the contractual change was July 1, 2014. Thus their families received the \$100,000 death benefit, he said, which he described as being "an awful situation."

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JEFF BRINK, Officer, Juneau Police Department, stated that he works for the Juneau Police Department (JPD) and would like to speak not only as a representative of his brothers and sisters at JPD, but also for statewide law enforcement. He encouraged members to consider passing HB 66. He said he feels for the families of Sergeant Scott Johnson and Gabriel "Gabe" Rich and would hate to see that happen again. He offered his belief that the state can do better. He asked members to pass the bill on to its next step.

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CHAIR OLSON offered his belief that committee members share his sentiments, as well as those of the sponsor and Mr. Metcalfe. He explained that the committee must wait for the actuarial

study and fiscal note prior to moving the bill. He stated that public testimony would be held open.

[HB 66 was held over.]

[4:59:06 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:59 p.m.