

**ALASKA STATE LEGISLATURE**  
**HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 15, 2015

4:47 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**

HOUSE BILL NO. 12

"An Act relating to mortgage lending, mortgage loan originators, depository institutions, nonprofit organizations, and nonprofit organization employees; and providing for an effective date."

- MOVED CSHB 12(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 159

"An Act exempting certain health care agreements from regulation as insurance."

- HEARD & HELD

HOUSE BILL NO. 185

"An Act relating to alcoholic beverages; relating to the regulation of manufacturers, wholesalers, and retailers of alcoholic beverages; relating to licenses, endorsements, and permits involving alcoholic beverages; relating to the Alcoholic Beverage Control Board; relating to offenses involving alcoholic beverages; relating to the offense of minor consuming; relating to revocation of a driver's license for a minor consuming offense; relating to the effect of the revocation of a driver's license for a minor consuming offense on a motor vehicle liability insurance policy; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 71

"An Act relating to the practice of pharmacy; and relating to the administration of vaccines and related emergency medications."

- MOVED SB 71 OUT OF COMMITTEE

SENATE BILL NO. 47

"An Act relating to exemptions for cash surrender values, accrued dividends, and loan values of life insurance and annuity contracts."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 12

SHORT TITLE: MORTGAGE LENDING AND LOAN ORIGINATORS

SPONSOR(S): REPRESENTATIVE(S) HUGHES

01/21/15	(H)	PREFILE RELEASED 1/9/15
01/21/15	(H)	READ THE FIRST TIME - REFERRALS
01/21/15	(H)	L&C
04/13/15	(H)	L&C AT 3:15 PM BARNES 124
04/13/15	(H)	Heard & Held
04/13/15	(H)	MINUTE(L&C)
04/15/15	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 159

SHORT TITLE: HEALTH CARE RETAINER; INSURANCE EXEMPT

SPONSOR(S): REPRESENTATIVE(S) KELLER

03/23/15	(H)	READ THE FIRST TIME - REFERRALS
03/23/15	(H)	L&C
04/15/15	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 185

SHORT TITLE: ALCOHOLIC BEVERAGE CONTROL

SPONSOR(S): REPRESENTATIVE(S) HERRON

04/09/15	(H)	READ THE FIRST TIME - REFERRALS
04/09/15	(H)	L&C, JUD
04/15/15	(H)	L&C AT 3:15 PM BARNES 124

BILL: SB 71

SHORT TITLE: VACCINE CERTIFICATION FOR PHARMACISTS

SPONSOR(s): SENATOR(s) GIESSEL BY REQUEST

03/11/15 (S) READ THE FIRST TIME - REFERRALS  
03/11/15 (S) L&C  
03/17/15 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
03/17/15 (S) Heard & Held  
03/17/15 (S) MINUTE(L&C)  
03/19/15 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
03/19/15 (S) Moved SB 71 Out of Committee  
03/19/15 (S) MINUTE(L&C)  
03/20/15 (S) L&C RPT 5DP  
03/20/15 (S) DP: COSTELLO, GIESSEL, MEYER, STEVENS,  
ELLIS  
03/20/15 (S) FIN REFERRAL ADDED AFTER L&C  
04/02/15 (S) FIN AT 1:30 PM SENATE FINANCE 532  
04/02/15 (S) Heard & Held  
04/02/15 (S) MINUTE(FIN)  
04/10/15 (S) FIN RPT 4DP 1NR  
04/10/15 (S) DP: MACKINNON, MICCICHE, BISHOP,  
HOFFMAN  
04/10/15 (S) NR: DUNLEAVY  
04/10/15 (S) FIN AT 9:00 AM SENATE FINANCE 532  
04/10/15 (S) Moved SB 71 Out of Committee  
04/10/15 (S) MINUTE(FIN)  
04/13/15 (S) TRANSMITTED TO (H)  
04/13/15 (S) VERSION: SB 71  
04/13/15 (H) READ THE FIRST TIME - REFERRALS  
04/13/15 (H) L&C, FIN  
04/15/15 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 47

SHORT TITLE: LIFE INSURANCE/ANNUITY EXEMPTIONS

SPONSOR(s): SENATOR(s) COGHILL

02/11/15 (S) READ THE FIRST TIME - REFERRALS  
02/11/15 (S) L&C, JUD  
02/26/15 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
02/26/15 (S) Heard & Held  
02/26/15 (S) MINUTE(L&C)  
03/03/15 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
03/03/15 (S) Moved SB 47 Out of Committee  
03/03/15 (S) MINUTE(L&C)  
03/04/15 (S) L&C RPT 3DP  
03/04/15 (S) DP: GIESSEL, MEYER, STEVENS  
03/16/15 (S) JUD AT 1:30 PM BELTZ 105 (TSBldg)  
03/16/15 (S) Heard & Held

03/16/15 (S) MINUTE(JUD)  
03/25/15 (S) JUD AT 1:30 PM BUTROVICH 205  
03/25/15 (S) Bills Previously Heard/Scheduled:  
03/30/15 (S) JUD AT 1:30 PM BELTZ 105 (TSBldg)  
03/30/15 (S) -- Rescheduled from 3/25/15 --  
03/31/15 (S) JUD RPT 3DP 1NR  
03/31/15 (S) DP: MCGUIRE, COSTELLO, COGHILL  
03/31/15 (S) NR: WIELECHOWSKI  
04/09/15 (S) TRANSMITTED TO (H)  
04/09/15 (S) VERSION: SB 47  
04/10/15 (H) READ THE FIRST TIME - REFERRALS  
04/10/15 (H) L&C  
04/15/15 (H) L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

GINGER BLAISDELL, Staff  
Representative Shelley Hughes  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Speaking on behalf of the prime sponsor, Representative Shelley Hughes, provided an overview of HB 12.

KEN TRUITT, Staff  
Representative Wes Keller  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of the sponsor, Representative Wes Keller, during the discussion of HB 159.

REPRESENTATIVE WES KELLER  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified as prime sponsor of HB 159.

REPRESENTATIVE BOB HERRON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions as prime sponsor of HB 185.

JANE CONWAY, Staff  
Senator Cathy Giessel  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions on behalf of the sponsor on SB 71, Senator Cathy Giessel.

SENATOR CATHY GIESSEL  
Alaska State Legislature  
Anchorage, Alaska

**POSITION STATEMENT:** Testified and answered questions as prime sponsor of SB 71.

BARRY CHRISTENSEN, Co-Chair  
Alaska Pharmacists Association  
Ketchikan, Alaska

**POSITION STATEMENT:** Testified in support of SB 71.

LIS HOUCHEN, Counsel; NW Regional Director  
National Association of Chain Drugstores (NACD)  
Arlington, Virginia

**POSITION STATEMENT:** Testified in support of SB 71.

RYAN RUGGLES, Pharmacist  
Carrs-Safeway  
Sitka, Alaska

**POSITION STATEMENT:** Testified in support of SB 71.

GERMAN BAQUERO, Intern  
Senator John Coghill  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of the prime sponsor of SB 47.

RYNNIEVA MOSS, Staff  
Senator John Coghill  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the discussion of SB 47.

LORI WING-HEIER, Director  
Division of Insurance  
Department of Commerce, Community, & Economic Development (DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of SB 47.

MATTHEW BLATTMACHR, Vice-President & Trust Officer  
Alaska Trust Company  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of SB 47.

LINDA HULBERT

Fairbanks, Alaska

**POSITION STATEMENT:** Testified during the discussion of SB 47.

**ACTION NARRATIVE**

[4:47:10 PM](#)

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 4:47 p.m. Representatives Tilton, LeDoux, Kito, Hughes, and Olson were present at the call to order. Representatives Josephson and Colver arrived as the meeting was in progress.

**HB 12-MORTGAGE LENDING AND LOAN ORIGINATORS**

[4:47:40 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 12 "An Act relating to mortgage lending, mortgage loan originators, depository institutions, nonprofit organizations, and nonprofit organization employees; and providing for an effective date."

[4:48:44 PM](#)

GINGER BLAISDELL, Staff, Representative Shelley Hughes, Alaska State Legislature, speaking on behalf of the sponsor of HB 12, Representative Hughes, offered to give the 50,000 foot version of this bill. By changing some of the state's statutes regarding mortgage licensing, this bill will create an equal-playing field for mortgage brokers, mortgage loan originators, and a similar oversight to banks or registered depository institutions.

[4:49:21 PM](#)

CHAIR OLSON said that this bill was originally opposed by the Alaska Bankers Association, but the changes in the committee substitute seemed to neutralize the opposition to the bill.

CHAIR OLSON, after first determining no one wished to testify, closed public testimony on HB 12.

[4:49:45 PM](#)

REPRESENTATIVE TILTON moved the proposed committee substitute (CS) for HB 12, labeled 29-LS0089\H, Bannister, 4/10/15 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 12(L&C) was reported from the House Labor and Commerce Standing Committee.

[4:50:11 PM](#)

The committee took an at-ease from 4:50 p.m. to 4:52 p.m.

**HB 159-HEALTH CARE RETAINER; INSURANCE EXEMPT**

[4:52:28 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 159, "An Act exempting certain health care agreements from regulation as insurance."

[4:53:38 PM](#)

REPRESENTATIVE WES KELLER, Alaska State Legislature, stated he served on the Alaska Health Commission in 2007. He has become convinced that health care reform means that the market must be working. This bill would exempt direct primary care associations from the Alaska insurance code definitions of insurance. The bill would not propose any new regulations or incur additional expenses. This would allow primary care physicians to have contractual agreement with patients for primary care services. It would remove the third party payer since patients would subscribe to the primary care service. He characterized it as the doctor being one call away. The contracts would be handled by existing law. He offered that the positive effects of this bill include improved quality and access of care that patients would have with their provider, which could reduce overall health care cost since administrative costs are drastically reduced. Further, the number of patients per doctor is also higher than the current system. He highlighted that doctors often have 15 minutes per patient and if one takes longer it can create stress for everyone.

[4:57:04 PM](#)

REPRESENTATIVE HUGHES thanked for bringing this concept forward. She asked how reimbursement would work for the patient since it will prohibit the provider from billing insurance.

KEN TRUITT, Staff, Representative Wes Keller, Alaska State Legislature, on behalf of the prime sponsor, Representative Wes Keller, said the concept behind the bill is that it wouldn't change any existing relationship. Patients can still seek reimbursement for their primary care costs, including membership into the primary care network.

[4:58:03 PM](#)

REPRESENTATIVE HUGHES asked whether insurers will pay a monthly service fee and if patient and doctor contracts happen in other states.

MR. TRUITT said he was not certain. The language for HB 159 was modeled on legislation that passed in Michigan. He has also reviewed other states that have primary care legislation, including Utah.

CHAIR OLSON answered that several bills before the legislature this session are related to medical costs.

[4:58:51 PM](#)

REPRESENTATIVE LEDOUX asked for further clarification on whether this bill would prohibit the doctors from billing insurance companies.

MR. TRUITT answered yes; that the concept was to relieve physicians from dealing with third-party payers. For example, he said that billing manuals for Blue Cross was over 200 pages and showed several. The benefit from the provider would be payment via contract with the patient and no longer need to deal with the third party payers.

[5:00:00 PM](#)

CHAIR OLSON asked for a copy of the manuals.

REPRESENTATIVE KELLER offered to provide it.

[5:00:09 PM](#)

REPRESENTATIVE LEDOUX said that currently some doctors hold down fees by not billing insurance. She asked the reason to have statutory provisions that prohibit doctors from billing an insurance company since doctors can currently opt not to bill

insurance. She said it seemed to interfere, which didn't seem like limited government to her.

REPRESENTATIVE KELLER offered to provide the logic from other states.

[5:01:06 PM](#)

REPRESENTATIVE KITO asked which provider networks would use this program. He asked whether any doctor's office or company was seeking an alternate option or if it was a concept that the sponsor wanted to make available.

REPRESENTATIVE KELLER replied he did not specifically know of anyone although he has doctor friends who have expressed interest or positively inclined. He said he became acquainted with health care agreements via the Alaska Health Commission, however, this type of contract is not currently available.

[5:02:08 PM](#)

REPRESENTATIVE KITO asked whether these health care agreement contracts will result in monthly fees for patients or a fee for services. He was unsure how the patient would find the billing code and the amount of the procedure.

REPRESENTATIVE KELLER answered that this bill does not speak to fees, but he noted it would need to be addressed. He said this bill allows contracts between doctor and their patients. He surmised that some of these contracts or subscriptions might even include clauses for visitor care. For example, a patient might pay a certain amount for a subscription for primary care, which allows visiting family or friends to use the service when in town. He said that in other states the rates have ranged from \$80-\$200 per month for these subscriptions.

[5:04:07 PM](#)

REPRESENTATIVE JOSEPHSON asked for the client and patient care protections that might be given up in terms of regulatory protections in order to accrue the benefits.

REPRESENTATIVE KELLER answered that he wasn't aware of any increased risk to patients.

[5:04:55 PM](#)

CHAIR OLSON offered that the sponsor may continue work during the legislative interim.

REPRESENTATIVE KELLER said that the Division of Insurance has indicated a willingness to work on this bill during the interim.

[5:05:33 PM](#)

REPRESENTATIVE LEDOUX noted that this bill doesn't prohibit doctors from billing insurance, but the process would be addressed as part of the contract. She recalled reading about these services, also known as concierge services, in which people pay \$200-300 per month to have the benefit of private physicians. She recalled that concierge plans have become popular in California in order for people to avoid dealing with Medicaid, Medicare, and the various private insurers. Again, she said, it might be difficult if the doctor doesn't provide billing information, but some people might be interested in this to get a doctor's appointment.

[5:06:56 PM](#)

REPRESENTATIVE KELLER said many stories are available online that illustrate the benefits of this type of health care.

[HB 159 was held over.]

[5:07:36 PM](#)

The committee took an at-ease from 5:07 p.m. to 5:08 p.m.

[5:08:23 PM](#)

### **HB 185-ALCOHOLIC BEVERAGE CONTROL**

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 185, "An Act relating to alcoholic beverages; relating to the regulation of manufacturers, wholesalers, and retailers of alcoholic beverages; relating to licenses, endorsements, and permits involving alcoholic beverages; relating to the Alcoholic Beverage Control Board; relating to offenses involving alcoholic beverages; relating to the offense of minor consuming; relating to revocation of a driver's license for a minor consuming offense; relating to the effect of the revocation of a driver's license for a minor consuming offense on a motor vehicle liability insurance policy; and providing for an effective date."

5:09:00 PM

REPRESENTATIVE BOB HERRON, Alaska State Legislature, stated that HB 185 was the Title 4, [AS 04] rewrite, noting a companion bill was in the other body. He said that Title 04 regulates alcoholic beverages and the ABC Board [Alcoholic Beverage Control Board (ABC Board)], its staff, and law enforcement carry out these laws. These statutes haven't been reviewed since 1980, although numerous updates have occurred. He suggested it was time for a review. During the spring 2012, sixty stakeholders and staff dedicated time to make recommendations to improve the structure, organization, the policies, and the implementation of AS 04. He listed stakeholders, including the alcohol industry, public health, local government, law enforcement, public safety, education, the court system, and community outreach sectors.

REPRESENTATIVE HERRON highlighted two review goals, including promoting a fair business climate and protecting health and public safety. Further, the stakeholder wanted to make Title 04 a clear and consistent legal framework that can be used by licensees, the ABC Board, and law enforcement. He offered that the bill consists of a comprehensive packet of interrelated proposals for revision.

5:10:08 PM

REPRESENTATIVE HERRON agreed the report would make a stout doorstep, but this was the first time all the stakeholders have looked at how Title 4 can be improved. He envisioned that the stakeholders will look forward to interim work and he hoped the legislature will pass this bill or the companion bill next year.

5:10:59 PM

REPRESENTATIVE JOSEPHSON said he would be looking for the consensus and real "buy in" for the bill.

REPRESENTATIVE HERRON stated his belief that the "buy in" has already happened. He said he will continue to work with all the stakeholders, noting the legislative process brings unusual and unforeseen circumstances and influences. He offered that the stakeholders will have the tedious job of keeping the package together while still allowing for suggestions.

5:12:23 PM

REPRESENTATIVE JOSEPHSON said that seemed to suggest if the bill passed as written everyone will be equally content.

REPRESENTATIVE HERRON thought "equally content" was a little generous. However, at this point the bill essentially been the stakeholders' product, but now it will go through the public process.

CHAIR OLSON offered his belief that the sponsor is a consensus builder.

[5:13:20 PM](#)

REPRESENTATIVE LEDOUX asked whether the committee will be hearing testimony from stakeholders that it shouldn't amend this or that since it will destroy the consensus.

REPRESENTATIVE HERRON answered that everyone recognizes the process. He suggested it will take "all hands on deck" to get the bill through the process and the stakeholders know what to expect. He said that Title 4 [AS 04] as currently written has become very clumsy. Although stakeholders are committed, they recognize that the legislative process will bring out undue and unforeseen influences.

[5:14:27 PM](#)

REPRESENTATIVE HUGHES said she has been involved in the process and predicted that it will be a delicate balance to pass the bill. She offered her belief that the stakeholders agree this process needs to happen. She said she was glad Representative Herron is at the helm with this bill since everyone will need to work together given the significant compromise that has happened during the process of creating the draft bill. Everyone did not get what they wanted, but worked to achieve balance, she said. She said she appreciated the chair bringing this bill forward to allow work to occur during the interim.

[HB 185 was held over.]

**SB 71-VACCINE CERTIFICATION FOR PHARMACISTS**

[5:15:52 PM](#)

CHAIR OLSON announced that the final order of business would be SENATE BILL NO. 71, "An Act relating to the practice of

pharmacy; and relating to the administration of vaccines and related emergency medications."

5:16:16 PM

JANE CONWAY, Staff, Senator Cathy Giessel, Alaska State Legislature, on behalf of the prime sponsor, Senator Cathy Giessel, stated that SB 71 would allow Alaska pharmacists to administer all vaccines without a collaborative practice agreement. Since 2001, Alaska pharmacists have required oversight by medical doctor or a nurse practitioner to administer vaccines. These oversight practice agreements cost \$50-500 annually for pharmacists depending on the agreement with the oversight physician or nurse practitioner. The oversight amounts to the physician or nurse practitioner overseeing the immunization records.

5:17:28 PM

MS. CONWAY offered that some pharmacies have difficulty finding a collaborative medical doctor or nurse practitioner and this hurdle reduces access to needed vaccines to the public. This bill, SB 71 will give already educated and certified pharmacists the authority to immunize Alaskan adults and children without having to contract with often hard to find an overseeing physician or nurse practitioner.

MS. CONWAY explained that the appropriate clinical procedure for vaccine administration is part of the course work for a pharmacy doctorate degree, which has been the case since 2005. The level of entry into the pharmacist position is a doctorate or PhD of pharmacology. Under the bill, pharmacists educated prior to 2005 are required to immunization education program outlined by the Board of Pharmacy.

5:19:23 PM

SENATOR CATHY GIESSEL, Alaska State Legislature, stated that the Board of Pharmacy would provide a vaccine administration program. The pharmacists already understand the vaccines, including the pharmacology and side effects, but they would be polishing their skills on the administration. Their education already includes the drug therapy, dosing, and adverse events. How to respond to adverse events was a question raised in the other committees. When she prescribes she often asks pharmacists for information since they know the drugs and are definitely qualified [to administer vaccines]. In addition,

this bill would help rural communities since people often have more interaction with their pharmacists than they do their health care providers. Many states already authorize this and have experienced higher immunization rates, which Alaska could benefit from.

[5:20:54 PM](#)

SENATOR GIESSEL explained that the statewide database "vacstracks" was used to track vaccines. Pharmacists would be required to enter the vaccine data, which is accessible to all health care providers in the state. In 2013, pharmacists administered over 13,000 flu vaccines. This bill could definitely make more vaccines available through these pharmacists and pharmacies.

[5:21:26 PM](#)

REPRESENTATIVE LEDOUX asked whether pharmacists currently required to enter data into the statewide database.

SENATOR GIESSEL answered yes.

[5:21:45 PM](#)

REPRESENTATIVE HUGHES related her understanding that they are trained on dosages. She asked whether pharmacists are also trained in administering them.

SENATOR GIESSEL answered that pharmacists from 2005 forward have been educated in the administration of vaccines. Those pharmacists educated prior to 2005 will be required to take the vaccine administration course that the Board of Pharmacy approves.

[5:22:16 PM](#)

REPRESENTATIVE HUGHES asked whether taking patient's medical history was part of process since she did not think of pharmacists as taking medical history.

SENATOR GIESSEL answered that currently for flu vaccines citizen fills out a form citing medications they currently take, any allergies to medications, and any chronic conditions they may have. The same requirements would happen with other vaccines administered.

5:23:02 PM

REPRESENTATIVE HUGHES wondered if this might lower the cost of administration of vaccines.

SENATOR GIESSEL was unsure. Certainly, that would be the goal and it will reduce the cost for the individual professionals who administer the vaccines. Currently, it can take 6-12 months for collaborative agreements to be solidified.

5:23:57 PM

REPRESENTATIVE LEDOUX asked for further clarification that administering means actually giving the shots.

SENATOR GIESSEL answered yes.

5:24:10 PM

REPRESENTATIVE LEDOUX said she really likes this bill. She wondered whether it might be possible in the future to allow pharmacists some limited powers to prescribe drugs. She has experienced picking up prescription drugs such as antibiotics in other countries.

SENATOR GIESSEL replied that it would require changes in the pharmacists' educational program to perform diagnosis. She said that the state insurance program has nurse advice lines for patients to receive advice.

5:25:40 PM

REPRESENTATIVE JOSEPHSON asked whether the footprint of pharmacies would need to change.

SENATOR GIESSEL answered that pharmacists currently administer vaccines so they already have the facilities.

5:26:27 PM

REPRESENTATIVE KITO related his understanding rural Alaska experiences problems obtaining oversight agreements. He asked whether other circumstances exist in which doctors or pharmacists are having difficulties in putting together agreements.

SENATOR GIESSEL answered that she was not certain and deferred to the pharmacists to respond.

[5:27:04 PM](#)

BARRY CHRISTENSEN, Co-Chair, Alaska Pharmacists Association, stated the Alaska Pharmacists Association membership consists of pharmacists, pharmacies, and pharmacy technicians. The association fully supports this bill, which he characterized as a "win-win-win" such that it will ensure that pharmacists who are currently immunizing can continue to do so. It would also open up open up immunizations to pharmacists who have had difficulty obtaining a partner for a collaborative practice agreement. Further, it would open up access to patients for immunizations. Finally, it's a "win" for employers since this will keep people healthier. The Center for Disease Control has reported that every dollar spent on immunization will save \$10 in overall health care costs. This bill has support from "mom pop" pharmacies to chain pharmacies.

[5:28:58 PM](#)

LIS HOUCHEEN, Counsel, NW Regional Director, National Association of Chain Drugstores (NACD) stated that she represents chain drug stores in the Northwest region, including Costco, Genoa Health Care, Good neighbor Health Mart, Carrs-Safeway, Target, Walgreen, and Walmart. She thanked members for hearing this important bill to allow pharmacists to independently prescribe and administer immunizations in Alaska. She said that Senator Giessel mentioned that the state was not doing as good a job as it could. In 2012, only 1.2 percent of Alaskans were immunized for influenza flu, which ranked as 49th in the nation.

MS. HOUCHEEN said that the organization was encouraged by SB 71 since many additional needed vaccines will be administered in local villages by pharmacists to patients and families that may otherwise go without being immunized.

[5:30:33 PM](#)

CHAIR OLSON commented that he gets his flu shots at the pharmacy.

[5:31:36 PM](#)

RYAN RUGGLES, Pharmacist, Carrs-Safeway, stated that he works as a pharmacist and he currently administers vaccines. He offered

strong support for SB 71, which all comes down to patient access. Although Carrs-Safeway stores has a collaborative practice provider that they regularly use, but if the provider is traveling or unavailable, it can take time to find a substitute. Sometimes the pharmacists simply waits for the collaborative practice provider to return.

[5:32:56 PM](#)

CHAIR OLSON, after first determining no one wished to testify, closed public testimony on SB 71.

[5:33:09 PM](#)

REPRESENTATIVE COLVER remarked that this was an excellent bill. He stated that this can help combat health care costs. He offered his belief that it was common in other countries to have a streamlined process to administer vaccines. Further, a number of people already obtain their immunizations from their neighborhood pharmacies.

[5:33:37 PM](#)

REPRESENTATIVE HUGHES acknowledged that pharmacists eager to get in place. She asked whether nurse practitioners and physicians support this concept.

SENATOR GIESSEL answered that there has not been any opposition to the bill.

[5:34:11 PM](#)

REPRESENTATIVE HUGHES moved to report SB 71 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, SB 71 was reported from the House Labor and Commerce Standing Committee.

The committee took a brief at ease.

#### **SB 47-LIFE INSURANCE/ANNUITY EXEMPTIONS**

[5:34:42 PM](#)

CHAIR OLSON announced that the final order of business would be SENATE BILL NO. 47, "An Act relating to exemptions for cash surrender values, accrued dividends, and loan values of life insurance and annuity contracts."

[5:36:32 PM](#)

GERMAN BAQUERO, Intern, Senator John Coghill, Alaska State Legislature, stated that Section 1 of SB 47 would repeal and reenact one AS 09.38.025 (a), which will essentially repeal the \$500,000 cap on the exemption of un-matured life insurance policies, and reenacts it as a full exemption regardless of the value limit. Section 2 of the bill clarifies the applicability date.

[5:37:27 PM](#)

MR. BAQUERO said this bill came about when some members of insurance industry and trust industry found more private employees are turning to life insurance and life insurance policies as new estate and retirement tools. He said that granting a full exemption was a means to treat all retirement funds as secured, just as public employee retirement accounts or union accounts, which are completely shielded by the federal government and not subject to garnishment. He stated that a zero fiscal note was attached to HB 47. He said that this bill does not shield life insurance policies from any type of criminal action, but refers to civil litigation. He directed attention to members' bill packets to [AS 09.38.065] claims enforceable against exempt property that provides the list of exceptions to the exemptions ranging from being able to levy against property to enforcing child support claims.

[5:39:36 PM](#)

MR. BAQUERO He read a portion of paragraph (3), which read, "(3) a creditor may make a levy against exempt property of any kind to enforce the claim of a victim, including a judgment of restitution on behalf of a victim of a crime or a delinquent act, ...." He interpreted this to mean that this bill would not stop someone from trying to seek just restitution in a criminal situation. He said that the bill has opposition from the Alaska Bankers Association, who expressed concern that this could create a means to shield assets that could be garnished by a bank, but the sponsor found that interpretation a little wanting. For one thing, the exemptions under AS 09.38.030 [(c)], related earnings and liquid assets clearly states a creditor can levy upon the earning of an individual if the creditor's claim is enforceable under an order of a court of bankruptcy under the Bankruptcy Reform Act of 1978. Therefore the concerns of the banking industry are not quite accurate in

terms of a debtor trying to hide or commit fraud. Finally, this bill does not interfere assigning a policy as collateral to a bank for a loan. He directed attention to AS 34.40.010, related to invalidity generally, basically says that anyone who assigns any of their property as collateral means that the person is assigning the property to them, subject to garnishment on any default. He said there really is not any fraudulent intent that could come along, but can help make life insurance policies more secure tools for estate planning while the policies remain un-matured.

[5:42:57 PM](#)

REPRESENTATIVE LEDOUX related a scenario involving criminal action, but noted the standards of proof in a criminal action and a civil action are different. She asked for further clarification that regardless of the amount of damages, they can keep the insurance policy that may be valuable.

MR. BAQUERO answered that the intent of the bill is not to harbor savings, earnings, or investment of an insurance policy; instead, the intent is to secure the investments a person makes in an insurance policy while the policy is un-matured. Once the policies have matured and the assets have transferred over to the beneficiary, the assets become the property of the beneficiary and are attachable. This bill was trying to put AS 09.38.025 in line with exemptions for retirement plans under AS 09.38.017.

[5:45:53 PM](#)

REPRESENTATIVE LEDOUX asked whether retirement plans were exempt.

MR. BAQUERO answered there was no numerical value limit since they are fully exempted.

REPRESENTATIVE LEDOUX remarked she had some problems with that, too.

[5:46:19 PM](#)

REPRESENTATIVE HUGHES suppose someone owes \$500,000 to the creditor. She asked whether the creditor can come after the debtor.

MR. BAQUERO stated that currently under AS 09.38.025, when the policy has matured the assets are attachable. This legislature pertains to un-matured life insurance and once the insurance was matured, the assets are accessible to garnishment. In further response to Representative Hughes, he said that once the value of the policy exceeds \$500,000, it is subject to garnishment.

[5:48:11 PM](#)

REPRESENTATIVE HUGHES related her understanding that was current law, but if this bill passes it could not be garnished.

MR. BAQUERO answered that if the bill passed it would exempt all un-matured life insurance and annuity contracts regardless of the value limit.

[5:48:37 PM](#)

REPRESENTATIVE KITO asked for the reason to make these changes.

MR. BAQUERO answered that the trust and life insurance industry has found that once clients were buying policies up to \$500,000, they found that clients wanted more protection similar to the protections that public employees have with respect to social security or the state's supplemental annuity plan. In fact the top ten highest gross retirement plans in the state's supplemental annuity were over \$1 million and were shielded from garnishment. This bill was a means to level the playing field from private employees trying to find a new estate planning tool.

[5:50:27 PM](#)

REPRESENTATIVE KITO asked for further clarification that in creating additional security with the policy does it decrease the cost to consumer for that policy.

MR. BAQUERO deferred to the trust industry to respond.

[5:50:55 PM](#)

RYNNIEVA MOSS, Staff, Senator John Coghill, Alaska State Legislature, echoed that the sponsor found that many people who wanted to invest money in a retirement system were limited to \$500,000 to obtain the same benefits the union and public employees have. In addition, the sponsor was interested in building a trust industry in Alaska that helps to diversify the

economy and potentially result in \$58 million in taxes to the state in 2016. One disadvantage in getting people to invest more than \$500,000 into a life insurance or annuity program is that money is not secure and is un-matured. Currently, the Alaska Trust Industry in Alaska has \$50 million deposited in Northrim Bank since it is the limit for funds secured by FDIC [Federal Deposit Insurance Corporation]. The rest of their funds are invested in money markets and other investments. In conclusion, she recapped that the sponsor would like to create an industry and incentive people to invest in larger life insurance policies since the state assesses premium taxes on the life insurance policies.

[5:52:44 PM](#)

REPRESENTATIVE KITO offered his belief that individuals investing more than \$500,000 would be a small pool in Alaska.

MS. MOSS answered that people from the Lower 48 invest in these life insurance policies.

[5:53:12 PM](#)

REPRESENTATIVE LEDOUX offered her belief that the funds would be secure so long as people did not get into accidents and paid their bills.

MS. MOSS suggested that people can go to other states to get the policies. She said that one objection the banks had was that they couldn't get to a life insurance policy prior to the insurance policy being issued. She said that banks are responsible for obtaining collateral at the time money is loaned. She suggested it was a little disingenuous to reach out after the fact and grab onto a life insurance policy that was purchased after loans were approved with other collateral. She suggested that if they issued a loan without an appropriate amount of collateral would be the bank's decision. She said a person shouldn't be punished for it.

[5:54:36 PM](#)

REPRESENTATIVE LEDOUX asked whether John Q. Public who wants to collect his debts.

MS. MOSS answered that state has exceptions to the exemptions, which was a fairly lengthy list, but it does not give carte blanche protection or immunity from paying debts.

5:55:05 PM

REPRESENTATIVE JOSEPHSON stated that in his experience with debtors/creditors [in his law practice], that much of what we own is vulnerable. He suggested that most people are not worried about it and take one step at a time.

MS. MOSS directed attention to the issue of equal treatment for retirement and the opportunity to build a nest egg for retirement. She stated that public employees and union employees are protected under federal law with a \$500,000 limit for individuals. She acknowledged that this bill was a policy call. She said that her issue is that anyone who wants retirement system should be treated equally.

5:57:24 PM

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community, & Economic Development (DCCED), said she testified on this bill in the Senate. She offered that the industry being discussed was new to Alaska. The life insurance industry in Alaska has come up with an idea that attempts to stimulate the insurance industry and provide something new to the state. She said people could question the other jurisdictions, such as Switzerland, have so much business in the financial industry. She answered that it was because they have created a favorable tax structure.

5:58:51 PM

MS. WING-HEIER said that Vermont has been renowned for its captive insurance policies since Vermont built a good tax structure, as have other jurisdictions, such as the Bahamas, Bermuda, and the Virgin Islands. She offered her belief that Alaska's life insurance industry has expressed interest in several changes, including the \$500,000 issue, which is not limited to Alaskans but some of the biggest policies in Alaska are sold to nonresidents. She characterized Alaska's tax structure as good, noting that after \$100,000 the tax rate drops from .1 to .08 percent premium tax. If Alaska can become more competitive, the industry believes it can sell more and removing the \$500,000 limit may help to do so. Secondly, life insurance is a very safe retirement vehicle for small employers, who may not feel comfortable with stocks and bonds. Once the insurance reaches \$500,000, it becomes accessible to creditors. She acknowledged everyone should pay their debts; however, the issue

of fair play should be considered, such that the public or unions paying into their retirement systems are protected, but the private sector employees are not. Thus creditors can access their \$500,000 or un-matured cash value, but they cannot access the public employee's \$500,000.

[6:00:46 PM](#)

MS. WING-HEIER explained that this bill does not affect her division since the Division of Insurance's statutes fall under Title 21 [AS 21]; however, she has done some research. She said that [garnishments] can happen on life insurance and annuities with criminal actions, but not under civil actions. She recalled the Division of Insurance did receive a letter from the Department of Law to clarify that point.

[6:01:38 PM](#)

REPRESENTATIVE LEDOUX expressed concern that the state might not want to allow bank accounts, like Switzerland does, in which people can avoid lawsuits and other things.

MS. WING-HEIER answered she used Switzerland as an example, but noted that other jurisdictions that have taken actions on the insurance or financial industries have had good success.

[6:02:45 PM](#)

REPRESENTATIVE JOSEPHSON surmised the administration supports this bill.

MS. WING-HEIER answered that there has not been any opposition to the bill. In further response, she clarified that the division's statutes are under Title 21, not in Title 9 and the bill affects AS 09 and the administration has not given her any direction on this bill.

[6:03:17 PM](#)

REPRESENTATIVE JOSEPHSON said he was in the process of vetting SB 47, but he has found that normally when the department is neutral on a bill, the administration doesn't necessarily support the bill. He assumed that was the case with SB 47.

MS. WING-HEIER reiterated that this bill would affect AS 09 and not the insurance code that falls under AS 21.

[6:04:25 PM](#)

REPRESENTATIVE KITO suggested that it might be necessary to protect consumers and residents of Alaska, for example, if the state was creating a new product, it will be important that the product not harm anyone in Alaska. He said he would like to learn more about potential impacts on Alaskans.

[6:05:10 PM](#)

REPRESENTATIVE HUGHES said [the changes proposed in SB 47] sounds like a new economic opportunity. She asked whether this could bring in hundreds of millions to the state.

MS. WING-HEIER answered the insurance industry is the second largest contributor to the general fund in premium taxes. If the insurance industry was right in its predictions, it could be significant to Alaska. Certainly, the state charges 2.7 percent as a rule on all premiums that come into the state. Life insurance taxes on premiums drop to 1 percent after \$100,000 in premium. She estimated that the premium taxes would be approximately \$55 or \$56 million and if the market changed and the industry can entice people from the Lower 48 to invest in trusts, annuities, and life insurance, it could be significant to the state.

[6:06:36 PM](#)

CHAIR OLSON asked for further clarification on the tax cap of .08 percent.

MS. WING-HEIER answered that another bill [SB 15] would reduce the premium tax from 1 percent to .08.

CHAIR OLSON asked for the projections on a bill that passed 3-4 years ago in which the state gave up premium taxes.

MS. WING-HEIER offered to research and provide the information.

[6:07:50 PM](#)

MATTHEW BLATTMACHR, Vice-President & Trust Officer, Alaska Trust Company, stated that Alaska Trust Company doesn't offer insurance services nor was one that the company was pushing forward, but the Alaska Trust Company supports it. He explained that a substantial portion of its business comes from estate planning with life insurance and annuity contracts.

[6:08:44 PM](#)

MR. BLATTMACHR asked how much was lost in revenue for the previous premium taxes. He said the statute currently reads that the state charges 2.7 percent on any premium under 100,000 and it drops ten basis points after \$100,000. At the time that bill passed, the Alaska Trust Company asked the Division of Insurance for largest policy premium, with no policy in excess of \$50,000. This didn't give up any premium tax revenue, but gave an incentive to receive additional large policies.

[6:09:50 PM](#)

CHAIR OLSON asked whether the prior bill affected any premium tax impact.

MR. BLATTMACHR testified it was his understanding it did not.

[6:10:06 PM](#)

CHAIR OLSON asked for further clarification on why the bill was passed. He recalled it was going to bring in large premium policies.

MR. BLATTMACHR answered that did impact a number of policies that came to the state, but it did not cost to implement the changes.

[6:10:47 PM](#)

MR. BLATTMACHR said that the life insurance industry is growing in Alaska and contributes to the state's economic industry. He said that the trust industry in Alaska deals with life insurance almost on a daily base so it is in support of the bill as a means of keeping Alaska as attractive environment.

[6:11:25 PM](#)

REPRESENTATIVE HUGHES related her understanding that the last change to 1 percent in taxes didn't affect revenue. She asked what Alaska gained.

MR. BLATTMACHR answered that the discussion today was regarding SB 47, but the tax change was contained in SB 15. However, he did state that Alaska has received additional policies it likely would not have received due to the favorable tax structure. He

suggested that the exact number would be difficult to determine, but he offered that currently, the state has a substantial number of large policies.

[6:12:36 PM](#)

LINDA HULBERT stated that she was involved in the insurance industry as an agent for 25 years and prior to that she spent 20 years in the educational community in Alaska. She said she does not represent any companies, but represents herself. She said that this protection was available in many states throughout the United States, including New York, Florida, Texas, and Arizona. She said that many states have the exemption for life insurance and annuities as part of their state policies. She said that if someone were to move from Alaska to New York and took their insurance policy with them and changed their residency, they would have this protection. She characterized this as a fairness issue and an opportunity to create revenue and an opportunity for savings.

[6:14:37 PM](#)

CHAIR OLSON asked whether NAIC has any model legislation.

MS. WING-HEIER answered no, not with respect to lifting the cap for creditors since it does not affect Title 21.

[6:15:02 PM](#)

REPRESENTATIVE KITO asked whose responsibility Title 9 fell under.

MS. WING-HEIER said she was unsure since statutes governing the Division of Insurance fall under Title 21, so she was unsure who administers the title.

[SB 47 was held over.]

[6:15:52 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 6:15 p.m.