

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

April 5, 2016

1:36 p.m.

DRAFT

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Cathy Giessel, Vice Chair
Senator Kevin Meyer
Senator Gary Stevens
Senator Johnny Ellis

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING

Alaska Gasline Development Corporation Board of Directors

Augustine J. Merrick - Anchorage

- CONFIRMATION ADVANCED

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 155(FIN)

"An Act repealing an exploration incentive credit; amending the calculation of adjusted gross income for purposes of the tax on gambling activities aboard large passenger vessels; repealing the amount that may be deducted from the motor fuel tax to cover the expense of accounting and filing for the monthly tax return; repealing a provision allowing an investigation expense under the Alaska Small Loans Act to be in place of a fee required under the Alaska Business License Act; repealing the amount that may be deducted from the tobacco excise tax to cover the expense of accounting and filing for the monthly tax return; repealing the discount on cigarette tax stamps provided as compensation for affixing the stamps to packages; and providing for an effective date."

- MOVED SCS CSHB 155(L&C) OUT OF COMMITTEE

SENATE BILL NO. 201

"An Act relating to the Board of Pharmacy; relating to the licensing and inspection of certain facilities located outside the state; relating to drug supply chain security; and creating a position of executive administrator for the Board of Pharmacy."

- MOVED SB 201 OUT OF COMMITTEE

SENATE BILL NO. 175

"An Act relating to the registration and duties of pharmacy benefits managers; relating to procedures, guidelines, and enforcement mechanisms for pharmacy audits; relating to the cost of multi-source generic drugs and insurance reimbursement procedures; relating to the duties of the director of the division of insurance; and providing for an effective date."

- MOVED CSSB 175(L&C) OUT OF COMMITTEE

SENATE BILL NO. 156

"An Act relating to insurance coverage for contraceptives and related services; relating to medical assistance coverage for contraceptives and related services; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 193

"An Act extending the exemption from regulation by the Regulatory Commission of Alaska for certain facilities or plants generating energy from renewable energy resources."

- HEARD & HELD

HOUSE BILL NO. 268

"An Act relating to the dividends from the Alaska Industrial Development and Export Authority; relating to the meaning of 'mark-to-market fair value,' 'net income,' 'project or development,' and 'unrestricted net income' for purposes of the Alaska Industrial Development and Export Authority; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 155

SHORT TITLE: FEES; WAIVERS; CREDITS; DEDUCTIONS; TAXES

SPONSOR(s): REPRESENTATIVE(s) THOMPSON

03/20/15 (H) READ THE FIRST TIME - REFERRALS
03/20/15 (H) FIN
04/02/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/02/15 (H) -- MEETING CANCELED --
04/03/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/03/15 (H) <Bill Hearing Canceled>
04/06/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/06/15 (H) Heard & Held
04/06/15 (H) MINUTE (FIN)
04/09/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/09/15 (H) Scheduled but Not Heard
04/13/15 (H) FIN RPT CS (FIN) NT 6DP 2NR
04/13/15 (H) DP: EDGMON, GATTIS, WILSON, PRUITT,
SADDLER, THOMPSON
04/13/15 (H) NR: MUNOZ, GUTTENBERG
04/13/15 (H) FIN AT 9:00 AM HOUSE FINANCE 519
04/13/15 (H) Moved CSHB 155(FIN) Out of Committee
04/13/15 (H) MINUTE (FIN)
04/16/15 (H) TRANSMITTED TO (S)
04/16/15 (H) VERSION: CSHB 155(FIN)
04/17/15 (S) READ THE FIRST TIME - REFERRALS
04/17/15 (S) L&C, FIN
01/28/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
01/28/16 (S) Heard & Held
01/28/16 (S) MINUTE (L&C)
04/05/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 201

SHORT TITLE: PHARMA BD & EMPLOYEES; DRUG DIST/MANUFAC
SPONSOR(s): SENATOR(s) GIESSEL

02/22/16 (S) READ THE FIRST TIME - REFERRALS
02/22/16 (S) L&C, FIN
03/31/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/31/16 (S) Heard & Held
03/31/16 (S) MINUTE (L&C)
04/05/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 175

SHORT TITLE: PHARMACY BENEFITS MANAGERS
SPONSOR(s): SENATOR(s) GIESSEL BY REQUEST

02/10/16 (S) READ THE FIRST TIME - REFERRALS
02/10/16 (S) L&C, FIN
03/31/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

03/31/16 (S) Heard & Held
03/31/16 (S) MINUTE (L&C)
04/05/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 156

SHORT TITLE: INSURANCE COVERAGE FOR CONTRACEPTIVES

SPONSOR(S): SENATOR(S) GARDNER

01/22/16 (S) READ THE FIRST TIME - REFERRALS
01/22/16 (S) HSS, L&C
02/24/16 (S) HSS AT 1:30 PM BUTROVICH 205
02/24/16 (S) Heard & Held
02/24/16 (S) MINUTE (HSS)
03/30/16 (S) HSS AT 1:30 PM BUTROVICH 205
03/30/16 (S) Moved CSSB 156(HSS) Out of Committee
03/30/16 (S) MINUTE (HSS)
04/01/16 (S) HSS RPT CS 2DP 1NR SAME TITLE
04/01/16 (S) DP: STEDMAN, ELLIS
04/01/16 (S) NR: STOLTZE
04/05/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 193

SHORT TITLE: EXTEND EXEMPTION FOR SMALL POWER PLANTS

SPONSOR(S): SENATOR(S) MCGUIRE

02/22/16 (S) READ THE FIRST TIME - REFERRALS
02/22/16 (S) NRG, L&C
03/15/16 (S) NRG AT 1:00 PM BUTROVICH 205
03/15/16 (S) Heard & Held
03/15/16 (S) MINUTE (NRG)
03/31/16 (S) NRG AT 3:30 PM BELTZ 105 (TSBldg)
03/31/16 (S) Moved CSSB 193(NRG) Out of Committee
03/31/16 (S) MINUTE (NRG)
04/01/16 (S) NRG RPT CS 3DP 1NR SAME TITLE
04/01/16 (S) DP: BISHOP, MICCICHE, EGAN
04/01/16 (S) NR: HOFFMAN
04/05/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

AUGUSTINE "Joey" MERRICK, Appointee

Alaska Gasline Development Corporations Board of Directors
Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Alaska Gasline
Development Corporations Board of Directors.

WESTON EILER, Staff

Senate Labor and Commerce Committee and Senator Mia Costello
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented changes in version P of HB 155 and information on SB 175.

REPRESENTATIVE STEVE THOMPSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 155.

BRODIE Anderson, Staff
Representative Steve Thompson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on SB 155.

DIRK WHITE, past president of the Board of Pharmacy
Sitka, Alaska

POSITION STATEMENT: Testified on SB 175 and testified in support of SB 156.

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

POSITION STATEMENT: Presented the sectional analysis of SB 175.

LORI WING-HEIER, Director
Division of Insurance
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 175.

DAVID BALTO, former Policy Director
Federal Trade Commission
Washington, DC

POSITION STATEMENT: Testified in support of SB 175.

ASHLEY REED, Lobbyist
Pharmacy Groups - CVS Health and Geneva Woods
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to SB 175.

SENATOR BERTA GARDNER
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 156.

KATIE BRUGGEMAN, Staff
Senator Berta Gardner
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on SB 156.

MICHELE MICHAUD, Chief Health Official
Division of Retirement and Benefits
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Provided information related to SB 156.

ERIN NARUS, Pharmacy Program Manager
Division of Health Care Services
Department of Health and Social Services
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 156.

CHRISTINE NIEMI, Member
League of Women Voters-Alaska
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 156.

ALYSON CURREY, Representative
Planned Parenthood Votes Northwest and Hawaii
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 156.

ELIZABETH FIGUS, representing herself
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 156.

SAMANTHA SAVAGE, representing herself
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 156.

ROBIN SMITH, representing herself
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 156.

KENNI PSENAK-LINDEN, representing herself
Palmer, Alaska

POSITION STATEMENT: Testified in support of SB 156.

DAN NELSON, Director of Pharmacy

Tanana Chiefs Conference
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 156.

SHEELA TALLMAN, Senior Manager of Legislative Policy
Premera Blue Cross
Seattle, Washington

POSITION STATEMENT: Testified about implementation concerns with
SB 156.

MOLLY GRAY, Executive Director
Alaska Pharmacists Association
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 156.

CATRIONA REYNOLDS, Manager
Kachemak Bay Family Planning Clinic
Homer, Alaska

POSITION STATEMENT: Testified in support of SB 156.

JESSE LOGAN, Staff
Senator Lesil McGuire
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 193 on behalf of the sponsor.

BOB PICKETT, Chairman
Regulatory Commission of Alaska
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 193.

DUFF MITCHELL, Executive Director
Alaska Independent Power Producers Association

POSITION STATEMENT: Testified in support of SB 156.

ACTION NARRATIVE

[1:36:07 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:36 p.m. Present at the call to order were Senators Ellis, Giessel, and Chair Costello. She reviewed the agenda.

CONFIRMATION HEARING

Alaska Gasline Development Corporation Board of Directors

[1:37:12 PM](#)

CHAIR COSTELLO announced the confirmation hearing of Augustine J. Merrick, appointee to the Alaska Gasline Development Corporation (AGDC) Board of Directors. She voiced appreciation for Mr. Merrick's willingness to continue to serve the state in this capacity.

[1:38:04 PM](#)

AUGUSTINE "Joey" MERRICK, Business Manager, Laborers' Local 341, testified as appointee to the Alaska Gasline Development Corporations Board of Directors. Mr. Merrick shared his background and work history in the field of construction, as well as his involvement with the Laborers' Local 341. He said he represents 5,000 members of the union and is involved in workforce development. He noted he is the president of the Alaska Petroleum Joint Craft Council.

MR. MERRICK spoke of his understanding of contracts and negotiation processes. He opined that these are critical skills in light of the current fiscal crisis.

[1:41:12 PM](#)

CHAIR COSTELLO asked what he sees as the major challenges and opportunities as a board member.

MR. MERRICK noted challenges due to decreases in oil prices. He thought the board could work well together on all challenges. He related that he serves on the technical committee and the regulatory committee.

[1:42:34 PM](#)

CHAIR COSTELLO asked whether the Department of Labor and Workforce Development has shared its plan to focus on Alaska hire regarding the gas pipeline.

MR. MERRICK recalled that presentation was made before his appointment to the board. He believes that Alaska hire is critical and it is most important that all Alaskans get the first opportunity to work. He noted that pipeline training is geared for the work that is expected.

[1:44:18 PM](#)

CHAIR COSTELLO asked about his statement about working toward the best project for Alaska. She inquired if he sees that project being Alaska Liquefied Natural Gas (AKLNG) and whether he is committed to following the guidelines of SB 138.

MR. MERRICK spoke of his commitment to AKLNG as the future of Alaska. The only work outside of AKLNG is the Alaska Stand Alone Pipeline (ASAP) work on environmental issues, which can also be used with AKLNG.

[1:45:19 PM](#)

SENATOR GIESSEL expressed appreciation for his work on the board. She asked how he manages a full time job and serving on the board.

MR. MERRICK agreed it is challenging and a big responsibility, but something he is willing to do. He spoke of the great team he works with at the labor union.

[1:46:55 PM](#)

CHAIR COSTELLO closed public testimony and thanked Mr. Merrick.

CHAIR COSTELLO said that concludes the consideration of sixty nominees to state boards and commissions reviewed in the Senate Labor and Commerce Committee. She thanked all the nominees and said the committee would move forward with the committee report. She stated, "In accordance AS 39.05.080, the Labor and Commerce Committee reviewed the attached nominees and recommends the appointees be forwarded to a joint session for consideration. This does not reflect an intent by any member of the committee to vote for or against the confirmation of the individuals during any further session."

[1:47:51 PM](#)

At ease

HB 155-FEES; WAIVERS; CREDITS; DEDUCTIONS; TAXES

[1:49:30 PM](#)

CHAIR COSTELLO announced the consideration of HB 155; "An Act repealing an exploration incentive credit; amending the calculation of adjusted gross income for purposes of the tax on gambling activities aboard large passenger vessels; repealing the amount that may be deducted from the motor fuel tax to cover the expense of accounting and filing for the monthly tax return; repealing a provision allowing an investigation expense under the Alaska Small Loans Act to be in place of a fee required under the Alaska Business License Act; repealing the amount that may be deducted from the tobacco excise tax to cover the expense of accounting and filing for the monthly tax return; repealing the discount on cigarette tax stamps provided as compensation for affixing the stamps to packages; and providing for an

effective date." She noted this is the second hearing on the bill and public testimony is closed. [CSHB 155(FIN) was before the committee.]

[1:49:58 PM](#)

SENATOR GIESSEL moved to adopt the Senate CS for CS for HB 155, labeled 29-LS0715\P, as the working document.

CHAIR COSTELLO objected for an explanation of the changes.

[1:50:21 PM](#)

WESTON EILER, Staff, Senate Labor and Commerce Committee and Senator Mia Costello, Alaska State Legislature, related that the first change removes Section 5 of the original bill. This section dealt with motor fuel taxes and was removed at the request of the sponsor. Conforming changes include the renumbering of sections.

The second and third changes change the effective date in Section 11 to January 1, 2017, and the effective date in Section 12 to July 1, 2016, due to collection dates of taxes.

CHAIR COSTELLO removed her objection and the CS was adopted.

[1:52:07 PM](#)

REPRESENTATIVE STEVE THOMPSON, Alaska State Legislature, sponsor of SB 155 said he accepts the changes. Motor fuel taxes are being addressed in another bill and the conforming date changes make the bill apply this year instead of last year when the bill was drafted.

He noted the bill came about because of a report two years ago on indirect expenditure requirements. SB 155 is the start of trying to reduce excessive indirect expenditures, tax credits, and fees.

[1:53:18 PM](#)

SENATOR MEYER said it is a great bill, but he noted it is not comprehensive and there are many tax credit bills in play. He asked if there are more such bills that should be considered.

REPRESENTATIVE THOMPSON agreed that there are many tax credit bills. This bill targets low-hanging fruit and could start the process. He pointed out that the comprehensive report has sunset dates every two years that will require reviews.

BRODIE ANDERSON, Staff, Representative Steve Thompson, Alaska State Legislature, added that Legislative Finance identified the items terminated by SB 155.

SENATOR MEYER asked how many different tax credits there are.

MR. ANDERSON stated that within the Department of Revenue, there are a little over 10, but less than 20, designated tax credits. The genesis of the indirect expenditure report was to go beyond the scope of the credit and look at other ways the state might have been losing revenue. The first report had over 150 pages of expenditures identified from three or four departments.

[1:56:00 PM](#)

SENATOR GIESSEL moved to report the SCS for CSHB 155, labeled 29-LS0715\P, from committee with individual recommendations and attached fiscal note.

CHAIR COSTELLO announced that without objection, SCS CSHB 155(L&C) is reported from the Senate Labor and Commerce Standing Committee.

[1:56:22 PM](#)

At ease

SB 201-PHARMA BD & EMPLOYEES; DRUG DIST/MANUFAC

[1:58:09 PM](#)

CHAIR COSTELLO announced the consideration of SB 201; "An Act relating to the Board of Pharmacy; relating to the licensing and inspection of certain facilities located outside the state; relating to drug supply chain security; and creating a position of executive administrator for the Board of Pharmacy." She noted this is the second hearing.

CHAIR COSTELLO continued public testimony.

DIRK WHITE, past president of the Board of Pharmacy, offered to answer questions on SB 201.

[1:59:47 PM](#)

SENATOR GIESSEL moved to report SB 201, labeled 29-LS1482\A, from committee with individual recommendations and attached fiscal note.

CHAIR COSTELLO announced that without objection, SB 201 is reported from the Senate Labor and Commerce Standing Committee.

[2:00:09 PM](#)

At ease

SB 175-PHARMACY BENEFITS MANAGERS

[2:02:05 PM](#)

CHAIR COSTELLO announced the consideration of SB 175; "An Act relating to the registration and duties of pharmacy benefits managers; relating to procedures, guidelines, and enforcement mechanisms for pharmacy audits; relating to the cost of multi-source generic drugs and insurance reimbursement procedures; relating to the duties of the director of the division of insurance; and providing for an effective date." She noted this is the second hearing of the bill and there is a proposed committee substitute (CS).

SENATOR GIESSEL moved to adopt the CS for SB 175, labeled 29-LS1110\H, as the working document.

[2:03:04 PM](#)

CHAIR COSTELLO objected for an explanation of the changes.

WESTON EILER, Staff, Senate Labor and Commerce Committee and Senator Mia Costello, highlighted two elements in SB 175. The CS moves the regulation of pharmacy benefit managers (PBMs) and their registration to the section of statute that deals with third-party administrators. It also addresses some issues with regard to interest and adjudicating claims, and the effective date.

JANE CONWAY, Staff, Senator Cathy Giessel, Alaska State Legislature, presented an explanation of changes between the original version W and version H of SB 175.

[2:07:15 PM](#)

Section 1. Adds a new section concerning Pharmacy Benefits Managers.

Section 21.27.901 Registration of pharmacy benefits managers; scope of business practice. Moves the pharmacy benefit manager registration to 21.27.630 that governs third party administrators. Outlines what a PBM may do under this chapter and deletes lines 8-20 of version W regarding registration.

Sec. 21.27.905 Renewal of registration. Changes renewal of registration from annual to biannual.

Section 21.27.910 Pharmacy audit procedural requirements. Adds "Unless required under AS 21.36.495, a" (this statute governs procedure for timely payment of claims) and that during adjudication of a claim, no interest will accrue. In (d) (1) and (2) clarifies that it must be a pharmacist licensed and in good standing in AK and in compliance with AS 08.80 (Pharmacy Statute) when the audit involves clinical or professional judgment.

Sec. 21.27.915. Overpayment or underpayment. Adds language that does not allow extrapolation of figures in calculation of an over or underpayment unless PBMs and pharmacy agree to a statistically agreed-upon projection.

Sec. 21.27.920. Recoupment. Removed reference to "corrective action plan" in (b).

Section 21.27.930. Pharmacy audit appeal; future repayment. Clarifies in (c) that it is the PBM's appeal process that must be exhausted.

Section 21.27.935. Fraud. Deletes entire text in W, and rewords it: "When a pharmacy benefits manager is conducting an audit of a pharmacy, fraudulent activity is defined as an intentional act of theft, deception, misrepresentation or concealment committed by the pharmacy, which is discovered during the course of an audit. Unintentional clerical or record-keeping errors, including typographical errors, writer's errors, or computer errors regarding a required document or record, shall not be considered fraudulent activity."

Sec. 21.27.950. Multi-source generic drug appeal. Adds in (e) A network pharmacy may request a hearing under AS 21.06.170 - AS 21.06.240 that governs procedure for hearings by the Div. of Insurance and takes out the 30 calendar days language in (f) and deletes (g) since that would all be covered by AS 21.06.170 - AS 21.06.240.

Sec. 21.27.955. Definitions. Defines all selective wording as used in Section 1.

Section 2. Adds a new section on Applicability as it applies to audits of pharmacies as conducted by pharmacy benefits managers.

Section 3. Adds a new section as to Transitional Provisions for adopting Regulations.

Section 4. Adds a new section stating the Revisor's Instructions.

Section 5. Effective date clause for Bill section 3.

Section 6. Effective date clause for this Act except as provided.

[2:08:17 PM](#)

CHAIR COSTELLO asked for an explanation of the purpose for the change in the overpayment and the underpayment provision in Sec. 21.27.915.

MS. CONWAY said it is common practice during PBM audits that if they find an error that might reoccur, there is a model to extrapolate that cost out a number of times for a specific period. She gave an example of an error of \$89 being extrapolated out and resulting in a \$9,000 bill. The pharmacies view this as unfair. This provision provides the opportunity for an agreement in the contract on the model that will be used.

CHAIR COSTELLO asked Ms. Wing-Heier if the state uses PBMs and how the bill would affect the state.

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community and Economic Development, said the state does use a PBM but the Department of Administration would have to speak to the impact on the state benefit plan. She noted that PBMs have become commonplace in both the insured and self-funded plans for pharmaceutical needs.

[2:11:53 PM](#)

SENATOR STEVENS asked if there have been unreasonable audits in the past.

MS. WING-HEIER said the division isn't aware of any audits. She explained that PBMs should be registering with the Division of

Insurance, but just two have done that so they aren't currently licensed in Alaska.

[2:13:07 PM](#)

DAVID BALTO, former Policy Director, Federal Trade Commission, testified in support of SB 175. He shared his extensive background dealing with PBMs. He focused on the reforms suggested in the proposed CS dealing with PBMs. He noted the bill is similar to reforms that have been adopted in other states. He spoke of the disproportionate bargaining powers between pharmacies and PBMs. He maintained that pharmacies are almost never able to negotiate and that is why the bill is needed. It assures that payments are timely and audits are practical. Other provisions in the bill speak to a fair process for audits. The bill is especially beneficial to small, local pharmacies and their consumers.

DIRK WHITE, past president of the Board of Pharmacy, testified on SB 175. He presented examples of egregious audits by a PBM regarding wheelchairs.

[2:21:30 PM](#)

SENATOR STEVENS thanked Mr. White and agreed that the examples were egregious.

[2:22:30 PM](#)

At ease

[2:23:54 PM](#)

ASHLEY REED, Lobbyist, Pharmacy Groups - CVS Health and Geneva Woods, testified in opposition to SB 175. He noted similar bills have been around before and they never went anywhere. He maintained that there are problems with the bill. This bill will cost the state money. He said PBMs are an effort to hold down health care costs. He maintained that the state cannot trump federal law. He opined that the egregious audits are on the federal level, not at the local level. He cautioned to take time to understand this complex issue. He concluded that SB 175 is going to take away an important tool.

[2:35:22 PM](#)

CHAIR COSTELLO thanked Mr. Reed for his testimony and stated her intent to move the bill today. She noted that next it goes to the Senate Finance Committee, which can address fiscal and actuarial issues.

SENATOR GIESSEL noted the zero fiscal note comes from the Division of Insurance and she believes the fiscal note is authentic.

[2:37:01 PM](#)

SENATOR GIESSEL moved to report the CS for SB 175, labeled 29-LS 1110\H, from committee with individual recommendations and attached zero fiscal note.

CHAIR COSTELLO announced that without objection, CSSB 175(L&C) is reported from the Senate Labor and Commerce Standing Committee.

[2:37:15 PM](#)

At ease

SB 156-INSURANCE COVERAGE FOR CONTRACEPTIVES

[2:38:54 PM](#)

CHAIR COSTELLO announced the consideration of SB 156; "An Act relating to insurance coverage for contraceptives and related services; relating to medical assistance coverage for contraceptives and related services; and providing for an effective date." She noted that this is the first hearing of the bill. [CSSB 156(HSS) was before the committee.]

SENATOR BERTA GARDNER, Alaska State Legislature, sponsor of SB 156, explained that with the exception of religious exemptions, everyone is mandated to have health insurance and all policies include coverage for birth control. Oftentimes, insurers make self-administered hormonal birth control available on a monthly or three-month increment. Passage of SB 156 would mean that, after an initial three-month usage to demonstrate that a woman is not experiencing complications, she'd be able to request a 12-month supply if she wished to do so. All existing copays would remain in effect. Not every woman would want an entire year's supply.

She said the goal is narrow. An individual who is covered by insurance can opt to get a 12-month supply of hormonal contraception, if she wants to.

SENATOR GARDNER reported that states that have implemented this policy have seen a cost savings in all insurance pools that are affected by the law. Washington State has experienced a savings of about \$4 million in Medicaid savings since implementation.

The fiscal note for SB 156 shows a savings of about \$1.35 million a year.

[2:41:21 PM](#)

SENATOR GARDNER said much public testimony showed numerous problems and barriers in the ability for women to obtain a consistent supply of birth control. They are limited by clinic hours, privacy concerns, and long stretches of time where they are in remote areas.

She concluded that the bill is good policy and saves the state money and offers benefits for women who use birth control.

[2:42:08 PM](#)

CHAIR COSTELLO asked how the savings would be made.

[2:42:26 PM](#)

KATIE BRUGGEMAN, Staff, Senator Berta Gardner, Alaska State Legislature, referred to the fiscal note for SB 156 that shows the Department of Health and Social Services estimated a savings of \$1.35 million. Cost savings would come in two main ways, by preventing unintended pregnancies covered by Medicaid, and through lower costs for bulk orders negotiated by insurance companies. Washington experienced these cost savings.

[2:43:40 PM](#)

MICHELE MICHAUD, Chief Health Official, Division of Retirement and Benefits, Department of Administration, explained that the division administers the Alaska Care Employee Health Plan and Retiree Plan, and SB 156 does not impact the division directly. The employee plan offers extensive benefits and they are working on surrendering "grandfather status" on January 1, 2017, which means they would offer the full suite of contraceptive benefits that are afforded under the Affordable Care Act. As a preventive service they would be provided without copay. She noted they have the ability within their plan to offer an extended supply of contraceptives in the case of travel or being otherwise unavailable to receive them. She noted they also offer mail-order prescriptions to rural areas.

She said she does not oppose this bill, but it does not really apply to the division. She believes that Alaska Care benefits are equal to or better than the provisions in the bill. She opined that the division will not see a large decrease in pregnancies, nor cost savings to its plan should the bill pass.

[2:46:22 PM](#)

CHAIR COSTELLO asked if the fiscal note would change in the future as it applies to Alaska Care.

MS. MICHAUD said there would be some savings for bulk orders and reduced dispensing fees, but they have a different population than the Medicaid population.

[2:46:59 PM](#)

SENATOR GIESSEL asked about their mail order option and whether local pharmacies are used.

MS. MICHAUD explained their mail orders are from a third-party administrator in another state.

[2:47:29 PM](#)

ERIN NARUS, Pharmacy Program Manager, Division of Health Care Services, Department of Health and Social Services, offered to answer questions related to SB 156.

SENATOR GIESSEL said the bill covers more than prescription contraceptives. She read the list on page 1, lines 10-12, and asked if it expands Medicaid benefits.

MS. NARUS said those items are under a different section of commercial pay insurance. The Medicaid section of SB 156 begins on page 3, line 5.

SENATOR GIESSEL asked if some prescriptions are dispensed without copay. She asked if that is the standard for all prescriptions under Medicaid.

MS. NARUS said there are copays for certain drugs. She provided examples.

[2:50:31 PM](#)

SENATOR GIESSEL commented that it would absolve the beneficiary of a copay.

MS. NARUS said yes.

[2:51:18 PM](#)

CHRISTINE NIEMI, Member, League of Women Voters-Alaska, testified in support of SB 156. She read the following prepared statement:

At the national level, the League of Women Voters supports primary care for all, care that includes pre-

natal and reproductive health. When women have the consistent ability to plan their pregnancies, their families benefit through greater financial well-being, healthier living conditions, healthier children, greater opportunities, and a myriad of additional benefits. While improving the quality of life for families, the ability to avoid unintended pregnancies also reduces the cost for state and federal governments.

In 2010, according to the Guttmacher Institute, the State of Alaska spent nearly \$43 million on health costs related to unintended pregnancies, while the federal government added another \$71 million for the total cost of \$114 million. Guttmacher reports that 48 percent of all pregnancies in Alaska in 2010 were unplanned and 64 percent of Alaska's unplanned pregnancies were publicly funded, representing the \$43 million cost.

In addition, the cost benefits of supporting women in their efforts to plan their pregnancies goes far beyond the cost of the pregnancy itself. A woman who is able to plan a pregnancy can better guarantee that her health is at optimum levels prior to pregnancy, reducing the risk of a difficult pregnancy and trauma to the child. Such planning reduces the possibility of increased health problems for the child; problems which can follow the child for years and require increased health and education costs for the state.

A planned pregnancy increases a woman's ability to manage her role as an income provider for a family and allows the family the best opportunity to remain as financially independent as possible. Supporting affordable contraceptives prescribed on a 12-month basis will undoubtedly reduce the number of unintended pregnancies in Alaska, thereby increasing family wellbeing and reducing state costs. SB 156 can assist women and families to plan pregnancies so they are ready for the added responsibility of a child. In addition, cost to the state for unintended pregnancies can be reduced.

[2:54:50 PM](#)

SENATOR GIESSEL asked if she said a child born as a result of an unplanned pregnancy is at a disadvantage.

MS. NIEMI responded that children who are unplanned often are not able to be cared for by their families as well as planned pregnancies.

SENATOR GIESSEL responded, "I guess I would, using logic, construe that you're saying that they're better off having never been born."

MS. NIEMI countered that she would not say it quite that way.

SENATOR GIESSEL said, "I'm sure not."

[2:56:02 PM](#)

ALYSON CURREY, representative, Planned Parenthood Votes Northwest and Hawaii, testified in support of SB 156. She spoke in support of insurance coverage for a 12-month supply of birth control when prescribed by a healthcare provider. She thanked the sponsor for her leadership and work on the bill. She read from the following prepared statement:

As an advocate and provider of reproductive health care for all, Planned Parenthood (PP) has long supported sincere efforts to expand access to birth control. We believe that every women should have full access to the birth control method of her choosing without barriers based on cost and availability. A year's supply of birth control at a time is a solution that lowers barriers and works for women.

One in four women say they have missed pills because they could not get the next pack in time. Consistent use of birth control is the best way to prevent unintended pregnancy for those who are sexually active. Getting a one-year supply dramatically improves consistent use. According to a study published in Obstetrics and Gynecology, dispensing a one-year supply at a time reduces the odds of experiencing an unintended pregnancy by 30 percent and is also associated with a 46 percent drop in the chance of needing an abortion. Furthermore, dispensing twelve months of birth control would save significant money for the state and private insurance carriers.

A study from the University of California - San Francisco, found that insurance plans that dispense a one-year supply of birth control lower their direct

costs on follow up visits and pregnancy tests, as well as long-term pregnancy management. Women on Medicaid would also experience lower rates of unintended pregnancies and save the state money.

We believe that a woman's consistent access to birth control should not depend on her insurance carrier, and we continue to be committed to working with other stakeholders to create the best possible legislation for all parties in order to help reduce barriers to contraceptives, prevent unintended pregnancy, and save the state additional money.

[2:58:27 PM](#)

CHAIR COSTELLO asked about the correlation between the lack of birth control and unplanned pregnancies. She inquired how that data is collected.

MS. CURREY offered to provide follow up information.

SENATOR GIESSEL noted the bill sounds benign, but entails volunteer sterilization procedures.

MS. CURREY said she believes that language was in the bill because the procedure is included in the Affordable Care Act.

[3:00:33 PM](#)

ELIZABETH FIGUS, representing herself, testified in support of SB 156. She spoke of her work as a captain of an Alaska trawl tender. She urged support of the bill in order to help make it possible for Alaska women to receive contraceptives for twelve months at a time. She noted that so many residents of Alaska spend a significant portions of the year in remote locations, herself included. She spoke of the barriers to getting contraceptives during this time. She believes the bill will save individual women money and time and avoid unwanted pregnancies. She clarified that this bill is a fiscally responsible choice for women's health.

She pointed out that the bill does not focus on children that are unplanned, but on women who are legally receiving contraception and whether or not they can receive it for 12 months.

[3:02:27 PM](#)

SAMANTHA SAVAGE, representing herself, testified in support of SB 156. She stated that Alaska women face more barriers when

trying to access all medications due to geographical and occupational and financial reasons. She related a personal experience of difficulty in trying to obtain oral contraceptives while going to school and working.

[3:03:46 PM](#)

ROBIN SMITH, representing herself, testified in support of SB 156. She said it's inconvenient to get just 30 pills at a time and there are a lot of reasons other than unwanted pregnancy to be on birth control. She gave examples of other reasons for being on birth control including ovarian cancer and endometrial cancer.

[3:07:40 PM](#)

KENNI PSENAK-LINDEN, representing herself, testified in support of SB 156. She shared her personal story of being diagnosed with endometriosis and the difficulty of only having a prescription for 30 days at a time. She attributed the ability to graduate from college to the ability to have access to hormonal birth control.

[3:09:42 PM](#)

DAN NELSON, Director of Pharmacy, Tanana Chiefs Conference, testified in support of SB 156. It will save the state and federal government millions of dollars. Patients in rural areas will avoid the difficulty and inconvenience of running out of contraceptive medication.

[3:11:45 PM](#)

SHEELA TALLMAN, Senior Manager of Legislative Policy, Premera Blue Cross, testified about implementation concerns with SB 156. She said it is unclear whether the coverage provision imposes a new mandate on health care plans. She encouraged careful review of the bill. The bill would also impact private and group grandfathered health care plans. This could be as high as 3-4 percent of premium, so they are asking for an exception for grandfathered plans.

She discussed an amendment they submitted to the sponsor to ensure that the insured is receiving a supply not to exceed 12 months total. Finally, they are requesting an effective date of January 1, 2018, because it isn't feasible to make these changes before then.

[3:14:54 PM](#)

MOLLY GRAY, Executive Director, Alaska Pharmacists Association, testified in support of SB 156. She suggested changing the 90-

day requirement for the first filling of the prescription because it would create insurance issues. She thought that section had been removed from the House version of the bill. She concluded that the bill aligns with the Alaska Pharmacists Association mission.

[3:16:15 PM](#)

CATRIONA REYNOLDS, Manager, Kachemak Bay Family Planning Clinic, testified in support of SB 156. She noted she submitted written testimony. She noted that Medicaid currently has no copay for contraceptives. She highlighted that many women only use 21 days of a 30 day supply so 17 packs could be needed for one year. She provided anecdotes of clients who do not have insurance and how they are able to receive birth control for 12 months.

[3:18:32 PM](#)

DIRK WHITE, Pharmacist and past president of the Board of Pharmacy, stated support for SB 156.

[3:19:19 PM](#)

CHAIR COSTELLO stated she would keep public testimony open and hold SB 156 in committee.

SB 193-EXTEND EXEMPTION FOR SMALL POWER PLANTS

[3:19:51 PM](#)

CHAIR COSTELLO announced the consideration of SB 193; "An Act extending the exemption from regulation by the Regulatory Commission of Alaska for certain facilities or plants generating energy from renewable energy resources." [CSSB 193(NRG) was before the committee.]

[3:19:53 PM](#)

JESSE LOGAN, Staff, Senator Lesil McGuire, Alaska State Legislature, introduced SB 193 on behalf of the sponsor. He said the bill seeks to extend the regulatory exemption for power plants utilizing renewable resources of under 65 megawatts from January 2016 to January 2020. The electrical demand of this very small and dispersed population of Alaska is generally served by regulated utilities. The Regulatory Commission of Alaska is challenged and charged with certifying utilities, regulated rates, resolving disputes, and protecting customers. However, Alaska has seen increasing private sector investment in the development of renewable energy systems across the state.

Alaska has exempted small power producers from regulations provided they sell power on a wholesale basis to regulated

utilities that distribute the power to local customers. The exemption lowers the barrier cost of entry, but it expired on January 1, 2016.

He noted regulations can increase the cost of a project and pose barriers to investment, and also increase the cost of government. SB 193 continues to put Alaska in a middle ground between a thoroughly deregulated market and a highly regulated electrical market. This arrangement maintains state oversight on the power purchasing agreement and thereby continues to provide a layer of protection to rate payers.

He provided an example of Fire Island Wind, the CIRI subsidiary that sells wind power to Chugach Electric in Southcentral Alaska, which came to light as a result of deregulation.

[3:22:20 PM](#)

BOB PICKETT, Chairman, Regulatory Commission of Alaska, offered to answer questions related to SB 193.

CHAIR COSTELLO asked if the exemption has worked as planned.

MR. PICKETT said it's fair to say that the initial concerns have been alleviated. How it will work going forward, if it's extended, will hopefully add clarification about avoidable costs. The commission has not taken a position on the bill, but the narrow exemption has performed as envisioned.

[3:24:56 PM](#)

DUFF MITCHELL, Executive Director, Alaska Independent Power Producers Association, testified in support of SB 193. The exemption has resulted in a growing cadre of power producers. Alaska is the only state that regulates small power producers. He called it state overreach. This bill does nothing but extend what is already on the books.

CHAIR COSTELLO asked how many members are in the association.

MR. MITCHELL said nine.

CHAIR COSTELLO noted that RCA provides oversight, and federal regulations address concerns the public might have.

MR. MITCHELL opined that the legislation does not fix state overreach. He maintained that Alaska is over regulated for small power producers. SB 193 maintains what is already permitted.

3:27:06 PM

CHAIR COSTELLO held SB 193 in committee with public testimony open.

3:27:22 PM

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 3:27 p.m.