

SENATE FINANCE COMMITTEE

April 5, 2017

2:06 p.m.

2:06:25 PM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 2:06 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Anna MacKinnon, Co-Chair  
Senator Click Bishop, Vice-Chair  
Senator Mike Dunleavy  
Senator Peter Micciche  
Senator Donny Olson  
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Joan Wilkerson, Assistant Attorney General, Department of Law; Kathy Lea, Chief Pension Officer, Division of Retirement and Benefits, Department of Administration; Juli Lucky, Staff, Senator Anna MacKinnon; Kelly Howell, Administrative Services Director, Department of Public Safety;

PRESENT VIA TELECONFERENCE

SUMMARY

SB 48           INS. FOR DEPENDS. OF DECEASED FIRE/POLICE

SB 48 was HEARD and HELD in committee for further consideration.

CSHB 23(FIN)am

INS. FOR DEPENDS. OF DECEASED FIRE/POLICE

CSHB 23(FIN)am was HEARD and HELD in committee for further consideration.

#sb48

#hb23

SENATE BILL NO. 48

"An Act creating a fund in the Department of Public Safety; providing for payment of certain medical insurance premiums for surviving dependents of certain police officers or firefighters who die in the line of duty; and providing for an effective date."

CS FOR HOUSE BILL NO. 23(FIN) am

"An Act creating a fund in the Department of Public Safety; providing for payment of certain medical insurance premiums for surviving dependents of certain peace officers or firefighters who die in the line of duty; relating to contributions from permanent fund dividends to the peace officer and firefighter survivors' fund; and providing for an effective date."

[2:07:11 PM](#)

Co-Chair MacKinnon informed that the committee would be continuing a conversation from earlier in the day regarding SB 48 and HB 23. She wanted to review what she considered the difference between the two bills. She highlighted that in SB 48 there was a municipal "opt in", which meant that municipalities had the option to participate in the program and the costs would be borne by the municipalities. She relayed that HB 23 would require municipalities to participate; large municipalities with a population of over 10,000 would pay the entire cost, while small municipalities would have 50 percent of the cost covered by the state. She noted that in SB 48, "major medical" was used and did not include dental or vision coverage; HB 23 required that medical insurance continue to be provided at the same level as the employee's benefits at the time of death. She related that HB 23 could allow for widowed spouses to opt in or out of the benefit plan. She said that SB 48 excluded temporary and seasonal employees and the benefit would only apply to surviving dependents of permanent, full-time employees for which the employee was paid for 12 months of the year. HB 23 included temporary and seasonal employees; surviving dependents of temporary or seasonal employees would be eligible for benefits. She said that under SB 48 surviving spouses would become ineligible for benefits after receiving the benefit for 10

years. She countered that in HB 23, spousal benefit could be received until the age of eligibility was reached for Medicare.

[2:10:31 PM](#)

Co-Chair MacKinnon continued saying that in SB 48, under continued eligibility, the bill required the commissioner to annually determine the eligibility of the benefits. In HB 23 there was continued eligibility that did not require a determination by the commissioner after the initial determination.

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Co-Chair MacKinnon explained that there was no provision for the Pick.Click.Give program in SB 48; however, the provision did exist in HB 23. She stated that in SB 48 the commissioner would be required to determine the amount of money needed to pay the benefit annually by December 15th. HB 23 required the commissioner was required to determine the amount of money needed to pay the benefit annually by June 30th. She said that a surviving dependent would become permanent ineligible upon becoming eligible for coverage by other means in SB 48, she furthered that upon becoming eligible for coverage by other means would not result in ineligibility for coverage under HB 23. She concluded that those were the primary differences that could be outlined at this time.

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AT EASE

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RECONVENED

Co-Chair MacKinnon wondered whether people who were not currently covered, but met eligibility requirements, be able to opt in and out of the program.

JOAN WILKERSON, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, asked if Co-Chair MacKinnon's questions pertained to the eligibility provisions under HB 23.

Co-Chair MacKinnon wondered how it would be possible to know under HB 23 whether a person was ineligible. She extended the question to either bill, saying that the

senate was trying to manage whether the opting in or out of the program should be added to their version of the legislation. She queried whether allowing for an option would be easy to accommodate, and if so, would there be a cost associated with allowing an option.

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Ms. Wilkerson stated that the issue arose and was addressed in the House. Because of the way the language was written, the interpretation was to allow survivors to opt in and out over time. She said that an amendment could provide further clarification if the committee so wished.

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Co-Chair MacKinnon asked how the department currently handled eligibility if an individual was not required to come back and re-qualify for eligibility.

Ms. Wilkerson replied that the premium payment was new to the department. She elaborated that the concept was to create regulation that would require the applicant to apply for the benefit and to indicate whether they had insurance at the time of applying. She said that the currently obligation fell to the survivor to notify the department when they became ineligible by having other major medical insurance available to them.

[2:18:43 PM](#)

Senator Micciche hypothesized that under the house version, the employed spouse of a deceased police officer would immediately be ineligible for coverage because their coverage would end once they were covered under employment.

Ms. Wilkerson stated that if the survivor had medical coverage, the premium payment would not apply; the coverage was intended for people that did not have insurance coverage.

Senator Micciche asked how eligibility was covered under Tier 1.

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KATHY LEA, CHIEF PENSION OFFICER, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, explained that under Tier 1 a survivor that received medical insurance would become eligible at the time of the participants death whether they had coverage somewhere else. She added that their retiree coverage that they received with their survivor benefits would become secondary.

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Vice-Chair Bishop understood that under HB 23, once survivors were approved for benefits, the approval was ongoing in perpetuity.

Ms. Wilkerson thought that under HB 23, once a survivor was known to be eligible for benefits, they would receive the benefits.

Vice-Chair Bishop wondered whether those people would ever become ineligible.

Ms. Wilkerson replied that the survivor would have to notify the division of the alternative coverage.

Vice-Chair Bishop asked whether regulation entreated the disclosure. He asserted that he did not want to deny benefits to anyone but that it was important to craft clearly interpretable legislation.

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Co-Chair MacKinnon recommended that the committee annually review the eligibility process. She asked whether the benefit for survivors would be retained in retirement.

Ms. Lea answered in the affirmative, if the individual would continue to receive retiree health insurance, which would be secondary.

Co-Chair MacKinnon spoke to the retroactivity of coverage. She stated that an effective date of July 1, 2017 had been considered for both bills. She asked what would be defensible, so that the state could be free of litigation on the matter if a look back year were chosen arbitrarily. She wondered how the state could be protected while also meeting the needs of people who had been affected by the 30-year gap in service.

Ms. Wilkerson stated that the way the bill was written, the triggering mechanism was not the date of death, and was not retroactive; but was triggered by the application date. Present survivors who had already lost family members could apply and receive benefits. She reminded the committee that to be eligible terms and condition had to be meet, as well as prove that there was no other insurance available. She referred to the number of police officers and fire fighters that had died; most of the people impacted were already covered by other forms of insurance.

[2:26:37 PM](#)

Co-Chair MacKinnon stated that there had been an assertion that people who had lost loved ones within the past ten years would be able to apply for benefits. She wondered how the qualifications for application for the benefit would be defined in regulation.

Ms. Wilkerson stated that an applicant could apply but would not receive a benefit until July 1, 2017. She relayed that the committee could put a date in the bill for further clarification.

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Senator Micciche thought that the goal should be ten years from the date of the loss of the serving spouse. He tried to restate Co-Chair MacKinnon's question.

Co-Chair MacKinnon stated that Senator Micciche did not accurately restate her question.

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AT EASE

[2:34:57 PM](#)

RECONVENED

Co-Chair MacKinnon restated her question concerning coverage and applications.

Ms. Wilkerson explained that the state had been looking at the actual number of state related employee deaths, which were few, and had determined that the cases involved a small number of people who would not already be covered by PERS retirement health benefits. She said that the

committee should determine the number of years back a person could be eligible.

Co-Chair MacKinnon understood that the state did not have a figure for the number of lives lost under municipalities. She thought mandating the municipalities provide coverage could result in an unknown cost to the state.

Ms. Wilkerson stated that information about employers that were not within the PERS system was not available for the state to provide to the committee.

[2:36:46 PM](#)

Vice-Chair Bishop noted that 7 people listed were employees of small municipalities.

Co-Chair MacKinnon reiterated that there was a policy to be made. She asked whether off-duty officers should be covered and, if so, what parameters should be set in statute or regulation.

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Senator Dunleavy opined that if a first responder was killed in the line of duty, they should be covered.

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Co-Chair MacKinnon asked whether families should be given the discretion to choose their current plan.

[2:38:42 PM](#)

Senator Dunleavy felt that if there were eligibility guidelines that people fell under then they should be covered.

[2:39:16 PM](#)

JULI LUCKY, STAFF, SENATOR ANNA MACKINNON, stated that the issue was about the case of a survivor being remarried and their spouse had a plan; many plans allowed for an optional family coverage, versus a primary person. She said that the new spouse would be covered but that the person currently covered under the surviving spouse would be covered by

their employee plan and would have to pay an additional premium to cover the surviving spouse and dependent children. She said that the spouse was not automatically covered and could opt in and pay a higher premium. She stated that because of the word "eligibility" it had been unclear whether the surviving spouse was eligible for the plan even though an additional premium would have to be paid by the new spouse, or could the person chose to say that they did not want to pay the additional cost for the new plan and stay with the original surviving benefit. She said that the statute was unclear, and that the committee should clarify the language.

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Ms. Wilkerson commented that if the point was to expand upon what was in the current bill, which rendered a person who became eligible for other medical insurance, ineligible for survivor benefits, an amendment would be required.

Co-Chair MacKinnon asked whether the bill should allow the policy in the bill to become secondary so as to not be a disincentive for re-marriage or job promotion with benefits.

[2:42:12 PM](#)

Senator Micciche relayed that both bills currently stated that the person would become ineligible for premium payments once the surviving spouse became eligible to receive major medical insurance coverage by other means. He thought that allowing for re-eligibility could solve the problem. He believed that the goal was to provide a safety net for survivors of first responders lost in the line of duty.

[2:43:30 PM](#)

Senator von Imhof thought that the ten-year limit in SB 48 was a sensible amount of time for a spouse to opt in or opt out of coverage.

[2:44:04 PM](#)

Senator Dunleavy discussed the concept of comparable insurance. He thought that offering incomparable insurance could be a disincentive to accept employment.

Co-Chair MacKinnon relayed that in her meeting with a testifier from the morning meeting, there had been an assertion that the testifiers family had made an active choice to continue, beyond the 20 years, to seek the benefit of the five more years of employment to secure health benefits for the family. She said that the individual had advocated that the benefit be viewed as a retirement benefit versus an ongoing employee relationship. She felt that this testifier was in favor of the option to opt in or out but was not supportive of the 10-year timeframe.

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Senator Micciche understood that every family had had their premiums paid in the past but that beneficiaries now feared that coverage would be lost at the end of the month. He warned against spending too much time on exhaustive details and stressed that the committee should focus on ensuring that surviving families of first responders had an adequate safety net for reasonable coverage. He lamented the myriad of factors involved and suggested that families were only seeking adequate coverage.

Co-Chair MacKinnon referred to the loss of a family member and the subsequent difficulty with obtaining a death certificate. She thought a 30-day application period for benefits was insufficient. She suggested that if a death certificate were required for survivors to apply for benefits, the application period should be extended.

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Ms. Wilkerson stated that in writing the brand-new premium payment program the department had worked to create a matrix involving appropriate timeframes for application hurdles. She noted that the senate version of the bill would presume that the person was eligible, even during the application process, so that payments could begin immediately. She thought that the committee should consider which bill version would allow for an extended application period.

Co-Chair MacKinnon thought that the risk could be that someone or an entire family that did not qualify, would receive coverage for one month during the application process. She proposed a minimum of 45 days to 2 months for

the procurement of a death certificate. She solicited comments on the matter from the committee via email.

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Senator Micciche noted that SB 48 allowed for major medical coverage, while HB 23 allowed for coverage at the current level of the survivor. He asked for an explanation of the difference in the two coverages.

Ms. Wilkerson referred to information that the department had provided to the House Finance Committee in response to the same inquiry. She discussed the difference between the terms health insurance, medical insurance, and major medical insurance. She stated that that statute that defined health insurance was broad and included items that were not intended under the legislation; for example, stop-loss insurance, dismemberment, accidental death, and disability were not included. She said that Alaska Statute 21.55.514 defined term "major medical insurance" as including dental, or vision care if it was included within a medical policy; the definition did not include stand-alone dental and vision. She furthered that the term "medical insurance" that the house had decided on, was not defined in statute but was commonly used in the insurance industry to encompass major medical and could include plans that had dental and vision coverage.

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Senator Micciche asserted that he had not heard the discussion pertaining to the differing types of coverage.

Co-Chair MacKinnon commented that all the members heard things differently. She recalled a surviving spouse that had testified in appreciation of the language for medical insurance that provided the stand-alone policies. She noted that there had been supporting testimony for both bill versions.

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AT EASE

[3:00:26 PM](#)

RECONVENED

Senator Dunleavy was pondering the difference between the two bill versions. He discussed the concept of continuation of care. He thought that the problem could be solved by the plan itself including continuation of care.

[3:01:14 PM](#)

Co-Chair MacKinnon queried disability benefits for a person injured on the job.

Ms. Lea responded that there were both occupational and non-occupational in the defined benefit tiers. She said that a disability that was directly tied to a person's work would make them eligible for an occupational disability benefit; 40 percent of their salary would be awarded for the month in which they were disabled and would continue to receive the benefit until they reached normal retirement age or service eligibility. She furthered that they would continue to earn membership service while receiving disability benefits and would receive medical benefits, as well.

Senator von Imhof asked whether Ms. Ms. Lea had been referring to the benefits under Tier 1.

Ms. Lea stated that those benefits applied to Tier 1, Tier 2, and Tier 3 employees.

[3:02:45 PM](#)

Vice-Chair Bishop asked about Tier 4.

Ms. Lea stipulated that under Tier 4, an individual would receive the same benefit and would continue to earn service while receiving disability benefits; additionally, the employer would pay both the employee contribution and the employer contribution that would have been paid if the member was still working, into their investment account. She related that once normal retirement aged was reached, the disability benefits would end, and the employee would have access to the investment account.

[3:04:10 PM](#)

Co-Chair MacKinnon referred to an earlier comment about Tier 1 language that used to provide for the benefits under discussion. She wondered what language had changed with the

elimination of Tier 1, that precluded surviving spouses from receiving benefits.

Ms. Lea stated that the surviving spouse was eligible for benefits in all tiers, whether they paid the premium was what changed under Tier 2. She stated that under Tier 2, the spouse had to pay the premium if they were under age 60. She said that language had been added to Section C of the statute that persons under age 60, that were receiving benefits, would have to pay the full monthly premium. She noted that Tier 3 had the additional requirement of requiring 10 years of membership service to be eligible.

[3:05:48 PM](#)

Vice-Chair Bishop asked whether the conversation could be of the same nature if Tier 1 was currently in effect.

Ms. Lea replied in the negative. She confirmed that the changes that happened with Tier 2 and 3 were cost containment measures for the plan.

Vice-Chair Bishop asserted that there must be a template for survivor benefits under Tier 1.

Ms. Lea said that that was correct. She said that the requirement for a survivor to pay for premiums could be removed. She warned that that could be costly and would require an actuarial study.

Co-Chair MacKinnon thought the conversation in the previous legislative cycle had determined that opening and changing Tier 2, 3, or 4 would reopen the entire benefits conversation, which the legislature was not interested in doing.

[3:07:21 PM](#)

Co-Chair MacKinnon asked whether there were additional costs to the surviving parent for children covered under the age of 26 years old.

Ms. Lea replied that she would provide an answer to the question at a later date.

Co-Chair MacKinnon wanted to know why the Department of Administration (DOA) would not be administering the program.

KELLY HOWELL, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF PUBLIC SAFETY, said that the Department of Public Safety (DPS) was currently paying the medical insurance premiums for 3 of the surviving families that would be eligible under the legislation. She stated that DPS already had established policies and protocols for similar situations; a coordinator was assigned to the family of the deceased employee and that person was responsible to assist the family in identifying and accessing all the assistance and resources available. She said that accessing the premium payment program would be added to the list of services they provide. She added that the department was uniquely situated because it was a tightly knit, family-oriented organization with a unique understanding of the situations in which the families found themselves.

[3:10:37 PM](#)

Co-Chair MacKinnon asked whether the department was prepared to take on the obligations of the legislation in her department.

Ms. Howell stated that the department hoped that the program would not be overly-burdensome to administer, at this point the department was willing to accept the additional responsibilities with assisting the families under the program.

[3:11:32 PM](#)

Co-Chair MacKinnon asked whether Ms. Wilkerson had a comment on the eventuality of DPS administering the program.

Ms. Wilkerson replied that she echoed previous testimony on the matter and added that DPS was the logical department to administer the program because DOA would need to add additional PCNs to administer the program.

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Co-Chair MacKinnon discussed the subject of coverage of unborn children of deceased officers. She requested

feedback from the committee on whether the issue should be written into the committee substitute.

Co-Chair MacKinnon mentioned a document from Legislative Research Services entitled "Medical Benefits for the Surviving Dependents of Law Enforcement Officers and Firefighters Killed in the Line of Duty" (copy on file).

[3:14:04 PM](#)

Senator Dunleavy commented on the high rate of crime in the state and the risk of being a first responder.

Co-Chair MacKinnon discussed housekeeping.

#

ADJOURNMENT

[3:15:06 PM](#)

The meeting was adjourned at 3:15 p.m.