

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 4, 2017

8:59 a.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Shelley Hughes, Vice Chair
Senator Kevin Meyer
Senator Gary Stevens
Senator Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARINGS

Alcoholic Beverage Control Board
Rex Leath - Wasilla

- HEARD AND HELD

SENATE BILL NO. 51

"An Act extending the termination date of the Board of Veterinary Examiners; and providing for an effective date."

- MOVED CSSB 51(L&C) OUT OF COMMITTEE

SENATE BILL NO. 93

"An Act relating to security freezes on the credit reports or records of incapacitated persons and certain minors."

- MOVED SB 93 OUT OF COMMITTEE

SENATE BILL NO. 98

"An Act relating to insurer actions based on credit history and insurance scores at insurance policy renewal; and providing for insurer consideration of consumer requests for exceptions of credit history or insurance scores."

- MOVED SB 98 OUT OF COMMITTEE

SENATE BILL NO. 37

"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."

- HEARD & HELD

SENATE BILL NO. 79

"An Act relating to the prescription of opioids; establishing the Voluntary Nonopioid Directive Act; relating to the controlled substance prescription database; relating to the practice of dentistry; relating to the practice of medicine; relating to the practice of podiatry; relating to the practice of osteopathy; relating to the practice of nursing; relating to the practice of optometry; relating to the practice of veterinary medicine; related to the duties of the Board of Pharmacy; and providing for an effective date."

-BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: SB 51

SHORT TITLE: EXTEND BOARD OF VETERINARY EXAMINERS

SPONSOR(S): SENATOR(S) VON IMHOF

02/08/17	(S)	READ THE FIRST TIME - REFERRALS
02/08/17	(S)	L&C, FIN
03/02/17	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/02/17	(S)	Heard & Held
03/02/17	(S)	MINUTE(L&C)
03/28/17	(S)	L&C AT 9:00 AM BELTZ 105 (TSBldg)
03/28/17	(S)	Bill Postponed to 1:30 p.m. 3/28/17
03/28/17	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/28/17	(S)	Scheduled but Not Heard
04/04/17	(S)	L&C AT 9:00 AM BELTZ 105 (TSBldg)

BILL: SB 93

SHORT TITLE: CREDIT REPORT SECURITY FREEZE

SPONSOR(S): SENATOR(S) COGHILL

03/13/17	(S)	READ THE FIRST TIME - REFERRALS
03/13/17	(S)	L&C
03/28/17	(S)	L&C AT 9:00 AM BELTZ 105 (TSBldg)
03/28/17	(S)	Bill Postponed to 1:30 p.m. 3/28/17

03/28/17 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/28/17 (S) Heard & Held
03/28/17 (S) MINUTE(L&C)
04/04/17 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)

BILL: SB 98

SHORT TITLE: INSURER'S USE OF CREDIT HISTORY/SCORES
SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/23/17 (S) READ THE FIRST TIME - REFERRALS
03/23/17 (S) L&C, FIN
03/28/17 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)
03/28/17 (S) Heard & Held
03/28/17 (S) MINUTE(L&C)
04/04/17 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)

BILL: SB 37

SHORT TITLE: PHARMA BD & EMPLOYEES;DRUG DIST/MANUFAC
SPONSOR(S): GIESSEL BY REQUEST

01/25/17 (S) READ THE FIRST TIME - REFERRALS
01/25/17 (S) L&C, FIN
03/14/17 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/14/17 (S) Heard & Held
03/14/17 (S) MINUTE(L&C)
04/04/17 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)

WITNESS REGISTER

REX LEATH, Appointee
Alcoholic Beverage Control Board
Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Alcoholic Beverage Control Board.

WESTON EILER, Staff
Senate Labor and Commerce Committee
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Explained the changes in the CS for SB 51 and the CS for SB 37.

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

POSITION STATEMENT: Provided information related to SB 93.

LORI WING-HEIER, Director
Division of Insurance
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SB 98.

SARA CHAMBERS, Division Operations Manager
Division of Corporations, Businesses and Professional Licensing
Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SB 37.

LEIF HOLM, Chair
Board of Pharmacy
Fairbanks, Alaska

POSITION STATEMENT: Provided supporting information for SB 37.

ACTION NARRATIVE

[8:59:01 AM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 8:59 a.m. Present at the call to order were Senators Stevens, Gardner, and Chair Costello. Senators Hughes and Meyer arrived soon thereafter.

CONFIRMATION HEARINGS

Alcoholic Beverage Control Board

[8:59:39 AM](#)

CHAIR COSTELLO announced the first order of business would be a confirmation hearing for a governor appointee to the public safety seat of the Alcoholic Beverage Control Board.

She asked Rex Leath of Anchorage to tell the committee about his interest in serving on the Alcoholic Beverage Control Board and to address any challenges the board might address in the future.

[8:59:59 AM](#)

REX LEATH, Appointee, Alcoholic Beverage Control Board, Anchorage, Alaska, said he has been employed by the Department of Public Safety for over 18 years. He currently manages the northern half of the state for the Alaska Wildlife Troopers. During his career in public safety he has worked throughout the state with both the state and wildlife troopers. For the past two years he has been stationed in western Alaska and in urban

areas. Part of his career he spent in the Alaska Bureau of Alcohol and Drug Enforcement working on Title 4 investigations in local communities and local packaging stores and businesses. He said he grew up in Kodiak and commercial fished throughout the state which gave him a public perspective of legal and illegal movement of alcohol in the state.

He said that in his job he has seen the devastation that occurs when alcohol is abused or illegally transported either at an establishment or in the community. He said he has a passion to see the state overcome the challenge of alcohol abuse. He opined that he has a unique background to address what he views as a long-term fix to a long-term problem. Increasing education for both the offender and the younger generation that will be faced with the challenge of drug and alcohol abuse is a key motivation.

MR. LEATH said the challenges the board faces are the fiscal situation and meeting the desires of each local option community, supporting them with proactive enforcement of Title 4 along with a unique educational component that fits the community's standards and desires. He highlighted that law enforcement sometimes is chasing a problem-of-the-day and not dealing with the ramifications of a decade ant the effect on the next generation.

[9:03:00 AM](#)

SENATOR HUGHES joined the committee.

CHAIR COSTELLO expressed support for his comments on focusing on future generations. "It sounds like you will bring a wealth of experience to the board."

[9:04:59 AM](#)

SENATOR GARDNER thanked Mr. Leath for being willing to serve and seconded the chair's comments on his qualifications. She read an excerpt from his cover letter and asked him to talk about some successful community models.

MR. LEATH said Kotzebue is a prime example of a successful model. Years ago, that community voted to transition from a wet community to one that managed the flow of alcohol into the community through the local airports and package carriers. That gave law enforcement and package stores the ability to accurately monitor the influx of alcohol. This greatly decreased costs for law enforcement and helped packaging stores to work together more effectively. Other successful models can be found

in western Alaska where a dry community has voted to become damp or wet. That change can be successful if it is coupled with the proper education that removes the negative stigma and focuses on the individuals that have the alcohol challenge. The idea is to provide help rather than strict criminal consequences. He emphasized that one model is not appropriate for all communities.

SENATOR GARDNER summarized that criminalizing the behavior is not effective and has other adverse consequences.

MR. LEATH said he has seen that at times. He has seen that making someone a criminal because of an addiction creates a new dynamic in the community where the people are sometimes ostracized. That doesn't fix the problem; rather, it can create a long legal situation that is a burden on family and friends and can further ostracize the person from help.

[9:09:57 AM](#)

SENATOR STEVENS asked if he agrees that some progress has been made in educating young people about alcohol but now there is an even more serious problem with drug addiction.

MR. LEATH said that's what he has seen. He discussed the problem of criminals becoming martyrs in the eyes of youth and opined that if we're going to educate ourselves out of a problem we need to use people who have worked their way out of their addiction.

[9:12:30 AM](#)

CHAIR COSTELLO found no further questions and thanked Mr. Leath for being willing to serve. She advised that his name would be moved forward along with all the other nominees the committee has heard.

[9:13:18 AM](#)

At ease

SB 51-EXTEND BOARD OF VETERINARY EXAMINERS

[9:14:10 AM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of the second hearing of SB 51. She closed public testimony and noted that there is a proposed committee substitute (CS).

[9:14:59 AM](#)

SENATOR HUGHES moved to adopt the work draft CS for SB 51, labeled 30-LS0465\0, as the working document.

CHAIR COSTELLO objected for an explanation of the changes.

[9:15:19 AM](#)

WESTON EILER, Staff, Senate Labor and Commerce Committee, explained that the CS for SB 51 reflects the comments the committee heard during public testimony regarding the challenges facing Alaska's veterinarian community and the availability of services. The CS adds new sections 2-4. Section 2 designates that one member of the board shall reside in a community with a population of less than 7,500 people. Section 3 requires the Board of Veterinary Examiners to submit an electronic report to the legislature on the standards and availability of veterinary services in the state, including rural areas, before 1/31/2020. The language is taken from the board's authorizing statute that requires the board to make such a report at the request of the department. Section 4 transitions the new seat to the next time a seat comes up for appointment.

[9:18:32 AM](#)

SENATOR STEVENS reviewed the list of licenses in the packet and noted there is a weak relationship between number of licenses in a community and its population.

MR. EILER agreed.

SENATOR GARDNER commented that she is interested to see JBER listed as a community. She asked if there is reason to think that one of the limited number of veterinarians who are living in a community of 7,500 or less will be willing to serve on the board, and what happens if one can't be found.

MR. EILER said the sponsor and chair of the committee gained confidence as they heard the overwhelming public testimony about veterinary issues, especially in rural areas.

[9:20:42 AM](#)

SENATOR GARDNER said there ought to be a plan B if a qualified applicant can't be found.

CHAIR COSTELLO said if that becomes the reality, we could always return to the current composition of the board. However, judging from the public testimony she imagines that there will be qualified candidates willing to serve and fill that designated seat.

[9:21:54 AM](#)

SENATOR MEYER joined the committee.

SENATOR HUGHES commented that she is sure the board heard the message in public testimony loud and clear and will be doing what it can to address that. "Having someone from one of these smaller communities will be important to help them realize the need."

CHAIR COSTELLO said that during a previous administration she served as the deputy director of Boards and Commissions and the requirements for this board tend to be less prescriptive than for others. She said, "I don't share the concern about finding somebody, but if that does happen we'll cross that bridge when we come to it."

[9:23:55 AM](#)

CHAIR COSTELLO removed her objection and version O was adopted. She listed the individuals available to answer questions.

[9:24:21 AM](#)

SENATOR HUGHES moved to report the CS for SB 51, labeled 30-LS0465\O, from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, CSSB 51(L&C) moved from the Senate Labor and Commerce Standing Committee.

[9:24:41 AM](#)

At ease

SB 93-CREDIT REPORT SECURITY FREEZE

[9:27:29 AM](#)

CHAIR COSTELLO announced the consideration of SB 93. She stated that this is the second hearing, and the intent is to take questions and look to the will of the committee.

[9:28:17 AM](#)

SENATOR MEYER said his initial concern was that the age was 16 rather than 18. He asked if there had been a change.

[9:28:27 AM](#)

RYNNIEVA MOSS, Staff, Senator John Coghill, sponsor of SB 93, said the bill says 16 years of age.

SENATOR MEYER said he had a conversation with the sponsor and is "okay" with age 16 that's in the bill.

MS. MOSS said the sponsor did some research and found that 27 states have [minor] security freezes at age 16.

SENATOR MEYER reiterated his acceptance of age 16.

[9:29:23 AM](#)

SENATOR HUGHES moved to report SB 93 from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, SB 93 moved from the Senate Labor and Commerce Standing Committee.

[9:29:36 AM](#)

At ease

SB 98-INSURER'S USE OF CREDIT HISTORY/SCORES

[9:31:28 AM](#)

CHAIR COSTELLO announced the consideration of SB 98. She stated that this is the second hearing, and the intent is to take questions and look to the will of the committee. She noted that Ms. Wing-Heier was available to answer questions.

[9:31:58 AM](#)

SENATOR STEVENS asked why the governor vetoed a similar bill in the past and how this bill differs, so it would not be vetoed again.

[9:32:13 AM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), explained that the governor was concerned about provisions in what was Senate Bill 127. Specifically, a consumer that appealed for extraordinary life circumstances would be appealing to the insurance company that declared that they did not meet extraordinary life circumstances. The insurance company would also make the final decision about the qualification. The governor did not feel that was appropriate. SB 98 designates the director of the Division of Insurance as the final adjudicator of the process. The bill also has the consumer protection that the consumer must receive written notice from the insurer if there is an adverse action, and it must include instructions about the appeal process.

SENATOR STEVENS asked if there has been pushback from insurance companies.

MS. WING-HEIER said insurers are not concerned about having to give the notice, the appeal process, or having the director be the final adjudicator.

CHAIR COSTELLO found no further questions and solicited a motion.

[9:33:57 AM](#)

SENATOR HUGHES moved to report SB 98 from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, SB 98 moved from the Senate Labor and Commerce Standing Committee.

[9:34:12 AM](#)

At ease

SB 37-PHARMA BD & EMPLOYEES;DRUG DIST/MANUFAC

[9:36:07 AM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SB 37. She advised that this is the second hearing, public testimony is open, and there is a proposed committee substitute (CS).

[9:36:23 AM](#)

SENATOR MEYER moved to adopt the work draft CS for SB 51, labeled 30-LS0191\J, as the working document.

CHAIR COSTELLO objected for an explanation of the changes.

[9:36:43 AM](#)

WESTON EILER, Staff, Senate Labor and Commerce Committee, Alaska State Legislature, said the changes in the CS for SB 37, version J, primarily removes references to establishing a range 23 executive position that would serve as a legislative liaison/administrator position for the board. He listed the three places where the reference is deleted.

[9:38:32 AM](#)

SENATOR GARDNER questioned how the record-keeping and follow-up for inspection of facilities outside the state would happen without that position.

MR. EILER said this likely would not be a position that would do those site visits. The policy call to remove this position reflects DCCED's budgetary constraints and could be reviewed at a later date.

SENATOR GARDNER asked who is expected to do this administrative work and where the funding is if the work is done by contract.

MR. EILER said licensing fees and inspections of facilities outside the state will bring in additional revenues. The department can speak to the structure, but the inspections don't necessarily fall to the staff of the Board of Pharmacy.

SENATOR GARDNER asked if the board has the flexibility to set the licensing fees at the appropriate level to cover contractual work.

MR. EILER said his understanding is that the bill provides for that.

9:41:39 AM

SARA CHAMBERS, Division Operations Manager, Division of Corporations, Businesses and Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), stated that the need for executive staff to handle the federal policy changes has pushed the need for higher level staff over the tipping point. SB 37 reflects an additional need the board has expressed to comply with federal changes. Right now, this program has one staff member who is the licensing examiner and has fractions of management that is shared among 42 other licensing programs. Thus, there is no policy position that is assigned to this program, which puts Alaska at a disadvantage among states that do have an executive administrator. The position would be paid through receipt-supported services, so it is not supported by UGF in any way. There is a growing interest in managing opioids and the PDMP and this position would oversee all those responsibilities as well. It would fill quite a variety of needs beyond a liaison to the legislature and it's a position that is desperately needed, she said.

SENATOR GARDNER summarized that the board has the authority to raise the licensing fees to cover the cost of complying with the federal requirements of licensing facilities and dealing with the requirements of PDMP and the opioid crisis.

MS. CHAMBERS clarified that the division works with the board to set fees. She said the fiscal note includes the cost of an

executive administrator, but it does not contemplate the additional receipt authority needed for a contract position.

CHAIR COSTELLO noted that the original bill says the duties will be established. She asked Ms. Chambers how she already knows what the position would entail.

MS. CHAMBERS said that knowledge is based on the administrative functions that existing boards such as medicine, public accountancy, nursing, and marine pilots perform, and this position proposes to do. "We know the existing needs and we know what the bill will entail to implement." The division would employ the executive administrator and work with the board to make certain that all its priorities and the statutory administrative priorities are met.

[9:47:03 AM](#)

SENATOR MEYER asked if pharmacy receipt increases are passed along to the consumer. "Is this kind of a hidden tax on our prescriptions?"

MS. CHAMBERS explained that all 43 licensing programs are paid for by receipts. "Whether you're getting your hair cut, whether you're visiting the doctor, whether you're getting a house built, that's a business decision that those professionals make on how they recoup their licensing costs. But it is not unusual in how statute mandates these programs be paid for."

SENATOR MEYER asked if this legislation is modeled on other states.

MS. CHAMBERS said yes, it's an outgrowth of a need the federal government expressed after 2012 and compounded by the pharmacy crisis. All but six states have adopted similar legislation.

SENATOR MEYER asked if out of state distributors will be assessed a licensing fee should the bill pass.

MS. CHAMBERS said only instate wholesale distributors are licensed so there is currently a disparity between instate and out-of-state. Should the bill pass, the division will develop a licensing process and an associated fee to help offset the cost of running the program.

CHAIR COSTELLO listed the individuals available to answer questions.

SENATOR STEVENS questioned the need for the bill if these out-of-state facilities are already licensed and inspected by another state or the federal government. Concerning reciprocity, he asked if the intention is to automatically license any facility that already has an inspection by another state or the federal government.

[9:50:02 AM](#)

MS. CHAMBERS deferred the question to Leif Holm or Richard Holt.

[9:50:13 AM](#)

LEIF HOLM, Chair, Board of Pharmacy, Fairbanks, Alaska, said this bill is needed to protect consumers from counterfeit or increased costs due to diverted medications. He said Alaska is one of four states that does not license outside wholesalers and that presents a problem. A wholesaler that is licensed in another state and doing business in Alaska would follow that other state's laws, but not necessarily the rules and regulations that Alaska has established. This could provide an opportunity for diverters and counterfeiters to exploit Alaska. "We don't have requirements for transaction data history; we don't have requirements for inspections; we don't have any accountability or oversight and it's basically decreasing the confidence in our drug supply."

SENATOR STEVENS asked for confirmation that a drug distributor or outsourcing facility that is licensed in another state would not automatically receive a license to operate in Alaska.

MR. HOLM said that's correct; a wholesaler would not automatically be granted a license to operate in Alaska based on licensure in another state. Rather, the board would write regulations for wholesalers to follow based on FDA guidelines. The intent is to require inspections, but the board would accept outside third-party inspections upon review.

SENATOR STEVENS asked how many facilities will be licensed in Alaska.

MR. HOLM said a recent National Association of Boards of Pharmacy (NABP) presentation stated that about 1,163 wholesale distributors are licensed in other states. and could potentially be licensed in Alaska. If each of those paid \$500 to apply for licensure in Alaska, that would generate just under \$600,000.

[9:54:43 AM](#)

SENATOR GARDNER asked, should the original bill pass: 1) if he anticipates that Alaska would establish some sort of reciprocity; and 2) the number of licensed distributors that would want to participate in Alaska's licensing process.

MR. HOLM said most facilities accept that they must have a license from any state in which they operate. The executive administer position would help make the process more fluid, but he didn't have an estimate for the number of distributors that would apply for licensure. He reiterated that 46 other states have passed similar legislation with no reported issues.

SENATOR GARDNER asked how it would be possible to move forward if the committee substitute were to pass with the requirement but no funding for the position to handle the licensing.

MR. HOLM said it would be difficult for the one existing licensing examiner to handle 1,100 additional licenses.

CHAIR COSTELLO asked what impact the increased fees would have on licensed pharmacists.

MR. HOLM replied there probably would not be any licensing fee increase for pharmacists. Should wholesalers be licenses, that would be more than enough to cover any extra costs.

[9:58:35 AM](#)

CHAIR COSTELLO stated that, based on the testimony today, she would hold SB 37 and continue to work with the sponsor.

[9:58:53 AM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 9:58 a.m.