

HOUSE FINANCE COMMITTEE  
April 22, 2019  
1:30 p.m.

1:30:17 PM

CALL TO ORDER

Co-Chair Wilson called the House Finance Committee meeting to order at 1:30 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Tammie Wilson, Co-Chair  
Representative Jennifer Johnston, Vice-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Andy Josephson  
Representative Gary Knopp  
Representative Bart LeBon  
Representative Kelly Merrick  
Representative Colleen Sullivan-Leonard  
Representative Cathy Tilton

MEMBERS ABSENT

None

ALSO PRESENT

Lynn Gattis, Staff, Representative Tammie Wilson; Representative Steve Thompson, Bill Sponsor; Representative Ivy Spohnholz, Bill Sponsor; Bernice Nisbett, Staff, Representative Ivy Spohnholz; Jill Lewis, Deputy Director, Division of Public Health, Department of Health and Social Services; Rachel Gearhart, SHARP Council Co-Chair, National Association of Social Workers - Alaska Chapter.

PRESENT VIA TELECONFERENCE

Dan Britton, General Manager, Interior Gas Utility, Fairbanks; Jon Zasada, Policy Integration Director, Alaska Primary Care Association.

SUMMARY

HB 41 SHELLFISH ENHANCE. PROJECTS; HATCHERIES

HB 41 was HEARD and HELD in committee for further consideration.

HB 87 LIQUEFIED NATURAL GAS STORAGE TAX CREDIT

HB 87 was HEARD and HELD in committee for further consideration.

HB 114 MEDICAL PROVIDER INCENTIVES/LOAN REPAYM'T

HB 114 was HEARD and HELD in committee for further consideration.

Co-Chair Wilson reviewed the agenda for the meeting.

#hb41

HOUSE BILL NO. 41

"An Act relating to management of enhanced stocks of shellfish; authorizing certain nonprofit organizations to engage in shellfish enhancement projects; relating to application fees for salmon hatchery permits; and providing for an effective date."

1:31:06 PM

Vice-Chair Johnston MOVED to ADOPT proposed committee substitute for HB 41, Work Draft 31-LS0218\U (Bullard, 04/17/19) (copy on file).

There being NO OBJECTION, it was so ordered.

LYNN GATTIS, STAFF, REPRESENTATIVE TAMMIE WILSON, reviewed the changes to the bill by reading a prepared statement:

Page 1, line 2:

Insert after projects: authorizing the Department of Fish and Game to collect fee revenue from applicants for certain salmon hatchery permits and from applicants for shellfish enhancement project permits;

Page 2, Section 2, lines 15-16:

Delete: \$1000

Insert after fee: in the amount determined under (h) this section.

Page 2, Section 3, lines 19-31 and Page 3, lines 1-6:

Insert:

AS 16.10.400 is amended by adding new subsections to read:

(h) The department shall establish by regulation an application fee under this section in an amount that provides for the total amount of fees collected under (b) of this section to approximately equal the department's actual regulatory costs under this chapter. The department shall annually review the fee level to determine whether the department's regulatory costs under this chapter are approximately equal to the fees collected. If the review indicates that fee collections and regulatory costs are not approximately equal, the department shall adjust the application fee by regulation. In January of each year, the department shall report the fee level and any revision made for the previous year under this subsection to the office of management and budget.

(i) The salmon hatchery permit fees collected under (b) of this section shall be deposited in the state treasury. Under AS 37.05.146(c), the fees shall be accounted for separately, and appropriations from the account are not made from the unrestricted general fund. The legislature may appropriate money from the account for expenditures by the department for necessary costs incurred by the department in the administration of this chapter. Nothing in this subsection creates a dedicated fund or dedicates the money in the account for a specific purpose. Money deposited in the account does not lapse at the end of a fiscal year unless otherwise provided by an appropriation.

Page 3, Section 4, Chapter 12, lines 14-15:

Delete: of \$1000

Insert: in the amount determined under (f) of this section.

Page 3, Section 4, Chapter 12, lines 25-31 and Page 4, lines 1-11:

Insert:

(f) The department shall establish by regulation an application fee under this section in an amount that provides for the total amount of fees collected under (b) of this section to approximately equal the department's actual regulatory costs under this chapter. The department shall annually review the fee level to determine whether the department's regulatory costs under this chapter are approximately equal to the fees collected. If the review indicates that fee collections and regulatory costs are not approximately equal, the department shall adjust the application fee by regulation. In January of each year, the department shall report the fee level and any revision made for the previous year under this subsection to the office of management and budget.

(g) The shellfish enhancement project permit fees collected under (b) of this section shall be deposited in the state treasury. Under AS 37.05.146(c), the fees shall be accounted for separately, and appropriations from the account are not made from the unrestricted general fund. The legislature may appropriate money from the account for expenditures by the department for necessary costs incurred by the department in the administration of this chapter. Nothing in this subsection creates a dedicated fund or dedicates the money in the account for a specific purpose. Money deposited in the account does not lapse at the end of a fiscal year unless otherwise provided by an appropriation.

Page 10, Section 16, line 2:

Delete: semi artificial

Insert: semiartificial

[1:37:39 PM](#)

Co-Chair Wilson explained that the bill would help the program to grow and allow the department to charge back to the groups, but the money would only be used for the program. She mentioned a fee change from \$100 to \$1000. The department would be able to set fees based on the resources necessary to keep the program going. She indicated that the committee was waiting on a fiscal note and intended to move the bill along once it was received. She anticipated receiving the fiscal note by the following day.

HB 41 was HEARD and HELD in committee for further consideration.

#hb87

HOUSE BILL NO. 87

"An Act extending the liquefied natural gas storage facility tax credit; and providing for an effective date."

[1:38:53 PM](#)

Vice-Chair Johnston MOVED to ADOPT proposed committee substitute for HB 87, Work Draft 31-LS0619\M (Nauman, 4/16/19) (copy on file).

There being NO OBJECTION, it was so ordered.

LYNN GATTIS, STAFF, REPRESENTATIVE TAMMIE WILSON, reviewed the changes to the bill in a prepared statement:

Page 1, line 6:

Delete: June 30, 2021

Insert: January 1, 2020

Ms. Gattis read from a new section, Section C:

that would commence commercial operation between January 2, 2020 to January 30, 2021 and may apply a refundable credit against a tax liability that may be imposed on the person under this chapter or receive the amount of credit in the form of a payment for the taxable year in which the liquified natural gas facility commences commercial operation. The tax credit or payment under this section may not exceed the lesser of \$7,500,000 or 50 percent of the cost incurred to establish or expand the liquified natural gas storage facility.

Representative Knopp needed to backup to page 1, line 7. He was confused about the dates Ms. Gattis provided versus what the work draft reflected. Ms. Gattis clarified that she was speaking to Page 1, line 6 which deleted June 30, 2021, and added January 1, 2020 back in.

Representative Knopp asked about the version being reviewed. Co-Chair Wilson relayed that the committee was looking at version M. Ms. Gattis responded that she was referring to line 7. Co-Chair Wilson further clarified that the original bill asked for an extension of \$15 million in tax credits. The work draft would allow the Fairbanks storage tank to be taken care of by the original date of January 1, 2020. The extension would only apply to the other storage in the amount of \$7.5 million.

[1:42:03 PM](#)

AT EASE

[1:42:21 PM](#)

RECONVENED

Co-Chair Wilson indicated there was a typo on the version and, the committee would take up the bill again the following morning.

[1:42:55 PM](#)

AT EASE

[1:44:14 PM](#)

RECONVENED

Co-Chair Wilson clarified that the date of June 30, 2021 was correct on Page 1. She relayed that the bill extended

the program but in a different way. She turned to Page 2 which explained there would be 2 opportunities for credits. A person or entity would have to complete and commercialize a facility by the end of the current year to be eligible for a tax credit of \$15 million. They could receive an additional tax credit of \$7.5 million or 50 percent of the costs incurred to establish or expand another gas storage tank after January 1, 2020.

REPRESENTATIVE STEVE THOMPSON, BILL SPONSOR, was not opposed to the committee substitute. He thought the general manager of the Interior Gas Utility in Fairbanks was online if anyone had any questions.

Co-Chair Wilson asked Mr. Britton to comment on whether the utility would have commercialization completed on the original tank. She reviewed the purpose of the bill. She asked if the utility would be able to meet the deadlines as outlined in the bill. She read a portion of the bill.

DAN BRITTON, GENERAL MANAGER, INTERIOR GAS UTILITY, FAIRBANKS (via teleconference), responded that it was the full intention of the utility to meet the deadlines particularly with its large storage project. He reported the project was on schedule and anticipated it would be in operation prior to the existing January 1, 2020 deadline. He reported that the schedule continued to advance for the facilities in North Pole, however, that project would not likely be done by the end of 2019. Therefore, the extension contemplated in the committee substitute would be helpful. He felt the utility could work within the parameters outlined in the committee substitute.

Co-Chair Wilson asked Mr. Britton if he was aware that the money would come out of the oil and gas fund and, the utility would be in line with other companies for the same funding. Mr. Britton responded affirmatively.

Co-Chair Wilson informed the committee that there were no unrestricted general funds going to the project. She also clarified that if someone else had a gas storage tank that could come on line by the specified date, they would be eligible to receive a tax credit. In other words, the credit did not only apply to the Interior Gas Utility. Other communities looking to apply for the credit would have to commercialize before January 30, 2021. They would also have to wait for funds to be available in the oil and

gas fund to receive payment for their credits or purchased by another company that was already making a profit in the State of Alaska.

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Vice-Chair Ortiz asked if the impact of the bill was to extend the tax credit program in a limited way. He asked if there were other potential projects that could use the bill to get their own credits applied. Co-Chair Wilson responded in the negative. She reiterated that the bill only applied to gas storage tanks.

Representative Knopp asked if the deadline was being shortened by 6 months. Representative Thompson responded that Representative Knopp was correct. The Interior Gas Utility felt that it would meet the specified deadline. The bill also clarified that the legislature was not extending the \$15 million credit; it was being limited to \$7.5 million.

Representative Knopp was satisfied with limiting the reimbursement rate. However, he expressed a concern about shortening the time by 6 months. He wondered why the date in June could not stay the same as in the original version. Co-Chair Wilson responded that it was an incentive. She continued that the legislature was trying to get the tax credits off the books. She realized that there were high costs of energy in certain parts of Alaska and hoped it would not be an issue in the future. She also noted that there was a fund from which the tax credits would be paid. However, they might not be paid right away because of others being in line for the tax credits first.

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Representative Knopp had not scrutinized the bill. He wondered if there was a change in reimbursements based on a tax liability or whether the credits were cash credits. He thought he had seen language allowing tax credits to be applied to future tax liabilities. He was aware that non-profits did not have tax liabilities. Co-Chair Wilson reported that the original language was in the current bill and, the credits were cashable tax credits. Representative Knopp was correct that a non-profit would have to wait for available funding for cash credits. Alternatively, they could sell their tax credits to a party making a profit.

Representative Thompson noted that they were cashable tax credits, not undesignated general funds.

Co-Chair Wilson would be setting the bill aside until the following morning in anticipation of receiving the fiscal note.

HB 87 was HEARD and HELD in committee for further consideration.

#hb114

HOUSE BILL NO. 114

"An Act relating to a workforce enhancement program for health care professionals employed in the state; and providing for an effective date."

[1:52:33 PM](#)

REPRESENTATIVE IVY SPOHNHOLZ, BILL SPONSOR, was before the committee to discuss HB 114, the SHARP-3 bill. She asserted that healthcare was one of Alaska's largest and dynamic industries. Yet, many Alaskans continued to have challenges accessing care because of the shortage of healthcare providers, particularly in rural Alaska. It was difficult to recruit and retain healthcare professionals in rural Alaska because of large student debt and high costs of living.

Representative Spohnholz continued that HB 114 sought to address the issue by establishing the Healthcare Professionals' Workforce Enhancement Program which was more commonly known as SHARP-3 in which healthcare professionals agreed to work for a provider for a minimum of 3 years in exchange for a loan repayment for student loans or direct incentives. Employers could use the program up to 4 times with an individual healthcare practitioner for a total of 12 years. Employers would fully fund the program taking advantage of a federal tax exemption available only to a state-run program. She had looked at other alternatives such as going to the community foundation or elsewhere. She was aware it had to run through the State of Alaska in order for the program to be tax sheltered.

Representative Spohnholz continued that the healthcare loan repayment and incentive programs had demonstrated success in increasing the healthcare workforce in Alaska. She

reported that the SHARP-2 Program, the Department of Health and Social Services' existing state loan repayment incentive program, was a combination of private and state funding and was scheduled to sunset on June 30, 2019. Therefore, the passage of the bill was time sensitive. She reported that between 2013 and 2015 SHARP-2 was successful in recruiting and retaining 83 clinicians statewide, a majority of whom were placed off the road system with an emphasis in care for rural and underserved populations. The program was also used for underserved populations eligible for Medicaid. She conveyed that Anchorage Community Health and Fairbanks Community Health were eligible to use the program. The new program was built on the success of SHARP-2 introducing new practices, new occupations, new employers, new locations, and new roles. However, the newest program, SHARP-3, would be entirely privately funded.

Vice-Chair Ortiz inquired whether there was an increasing problem, even though SHARP-2 had been in practice. He wondered if SHARP-2 had effectively addressed the need for healthcare professionals throughout Alaska. Representative Spohnholz explained that although Sharp-2 had been successful, Alaska had a growing need, especially in the area of Behavioral Health. She noted the problems in Alaska of opioid and alcohol addiction. There was a healthcare gap in Alaska. She reiterated that the SHARP-2 Program had been effective in helping to address some of Alaska's healthcare needs, but there were behavioral healthcare problems that the state was becoming more aware of 10 years prior. In the current version of the bill, additional mental health providers were added for eligibility. She thought it was an important update to the SHARP program.

BERNICE NISBETT, STAFF, REPRESENTATIVE IVY SPOHNHOLZ, explained that someone from the department would review the historical presentation for HB 114. She would be reviewing the sectional analysis.

Co-Chair Wilson indicated she would not have the sectional analysis presented in the current meeting, as the companion bill would be coming over to the House.

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JILL LEWIS, DEPUTY DIRECTOR, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, introduced the

PowerPoint presentation: "HB 114 Medical Provider Incentives/Loan Repayment." She began with slide 2 reviewing the purpose of the bill which was to establish a Healthcare Professionals Workforce Enhancement Program, referred to as SHARP-3. The program addressed the shortage of healthcare workers across the state. The program's basic component was that a healthcare professional agreed to work for 3 years in underserved areas in exchange for repayment of either a student loan debt or a direct incentive. Employers would fully fund the program and there were no unrestricted general funds involved in SHARP-3. It was replacing the existing program, SHARP-2, which sunsets June 30, 2019.

Representative Tilton asked Ms. Lewis to define "underserved areas." Ms. Lewis responded that underserved areas targeted what type of populations were being served. She provided a list of examples including the uninsured, Medicaid recipients, Medicare recipients, or people with other public types of coverage. She noted Indian Health Services and the Veterans Administration. She relayed that the term "health shortage area" had to do with geography, the type of employer, and the type of specialties.

Representative Tilton appreciated the information. She clarified that the underserved had to do with the different types of recipients rather than geography. Ms. Lewis responded that the term "underserved" had to do with the population being served. A "health shortage area" had to do with specialties and the location in the state.

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Representative Knopp asked if employers would be fully funding the program. Ms. Lewis responded in the affirmative. State general funds would not be used to fund SHARP-3. Employers would fully fund the program including benefits to employees and administrative costs.

Representative Knopp asked if it would be mandatory for employers to participate. He thought one of the consequences of making the program mandatory for employers was reduced payroll or a reluctance to hire someone. Ms. Lewis responded that the program was entirely voluntary. The employee was not obligated to participate, nor was the employer. The employer decided whether they wanted to participate in the program and to submit their application

for eligibility. Employers were not allowed to reduce pay to an employee for them to receive the benefit of the program. Representative Spohnholz added that there was also a SHARP Council made up of employers and providers that had approached the legislature to initiate the legislation. They wanted to be a part of a solution to the fiscal gap.

Ms. Lewis discussed slide 3: "Challenges in health care access." There were challenges of access to healthcare which the bill tried to address. The state had a shortage and a mal-distribution of professionals across the state. In other words, Alaska did not have all of the right type of providers in the right places, which the bill attempted to rectify. Healthcare sites struggled with recruiting and retaining healthcare professions. It was costly for the sites to do recruitment and, healthcare professionals were challenged with large student debt. The bill would help with both issues.

Representative Sullivan-Leonard asked about which specialties were in short supply. She wondered if there was a shortage of radiologists, general practitioners, physical therapists, or others. Ms. Lewis responded that, depending on the location, there were shortages in most occupations including primary care, specialties, surgery, and many other types. Not only did the bill have a list of 12 targeted occupations, it also allowed for the addition of other occupations when demands changed.

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Representative Tilton asked about the success rate of the SHARP-2 program in filling hard-to-fill positions in rural areas of the state. Ms. Lewis responded that the SHARP-2 Program only operated for a few years. The department had to stop the program early because it no longer had the undesignated general funds (UGF) to apply to the program. The program had 83 participants whose contracts were all completed. About half of the participants were placed in very difficult-to-fill positions. Positions were considered difficult-to-fill after taking into account how long a position had been vacant and how difficult the recruitment had been. The employer had to provide evidence of how they had recruited for the position. Retention had been pretty good with positions. Most of the participants indicated that, on average, they were looking at staying with their employer for 8 years and 14 years in-state after they had

made a 3-year commitment to their employer. On average, participants had indicated they would stay much longer once they completed their contract.

Ms. Lewis explained the Supporting Health Access Repayment Program II (SHARP-2) on slide 4: "SHARP-2." The program operated from 2013 to 2018. However, they stopped signing contracts after 2015. From 2013 to 2015, when the program was most active, there were 83 contracts in place. All of the contracts were completed and fully paid out. About half of them were difficult-to-fill positions. She explained there were 2 tiers in SHARP-2 and there will be 3 tiers in SHARP-3. The average payment was just over \$25,000 per year across all of the tiers. Employers for SHARP-2 provided 10-30 percent of the match. In the program they would provide 100 percent of the funding. SHARP-3 was broad-based with 83 contracts and 31 employers participating including non-profits, hospitals, and tribal and non-tribal organizations. She reported that there was participation across the state. She added that participants were voluntary which determined the location of participation.

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Co-Chair Wilson asked why only about 3 percent participated from the Interior. Ms. Lewis thought it had to do with the number of employers that applied from the region.

Vice-Chair Johnston asked for statistics around the number of non-profit participants versus for-profit entities. Ms. Lewis responded that a majority of the participants were non-profits. She explained that for-profit entities were also allowed to participate. She thought there was a final report for SHARP-2 containing specific demographics.

Vice-Chair Johnston asked for the information because of tax write-offs. Ms. Lewis responded that the tax incentive was to the employee for their individual income tax. If the employee had a student loan repayment, the loan was done through a state-run program, and the program targeted the underserved and health shortage areas, it would be exempt from taxable income. If an employee received a direct incentive it would be taxable. The employer benefited because otherwise they would pay more doing it on their own trying to hold the employee harmless for the tax. It would cost the employer less by participating in the program.

Co-Chair Wilson relayed percentages from page 13 of the SHARP-2 final report. She reported that of the 83 contracts, 68 (82 percent) were with non-profit organizations, 13 (16 percent) were with government agencies, and 2 percent were with for-profit entities.

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Ms. Lewis spoke to the benefits of the program on slide 5: "An innovative solution." The SHARP-3 Program was an innovative solution and a public-private partnership. She indicated that SHARP-1 and SHARP-2 were limited in the types of positions they could fund and the different type of employers and geographical areas they could serve. Sharp-3 allowed significantly more flexibility and would respond to the demand of the industry as to where the shortages were and what occupation. She thought that over time SHARP-3 would be much more flexible. She reported that 10 years prior the state did not know how much of a demand there was. There was not as high of a demand for behavioral health positions as they were currently. She continued that SHARP-1 and SHARP-2 had allowed some urban areas to participate. However, the programs really targeted primary care and rural areas. It had been difficult for some of the urban areas who wanted to participate. The bill lifted the restriction as long as the employer continued to have a shortage and were still serving an under-served population.

Representative Spohnholz responded that primarily the underserved population would be the uninsured, people who were on Medicaid, and People who did not have their own health insurance. They needed access to care. She suggested she was talking about organizations in Urban Alaska such as Anchorage Neighborhood Health or Fairbanks Community Health Center.

Ms. Lewis continued to discuss the benefits of SHARP-3 on slide 6. She elaborated that some of the state programs broke down the types of occupations into 3 major categories: medical, dental, and behavioral health. The other programs often times might have a shortage in the dental category but not in medical or behavioral health categories. Therefore, the incentive might not be applied to all of the occupations an entity might like. The bill would open up the occupations in which the incentive could be applied. There were a number of benefits the bill would facilitate. She reported that healthcare sites would be

able to hire much needed staff. The professionals would receive help with their student loan debt. Alaskans would have access to improved access to healthcare because they would have providers available in rural areas. If a site was in more of a hub area that was serving a rural population, patients would have access to more specialty providers. She argued that access to healthcare was important for maintaining good health which then reduced costs to healthcare. The benefits would be provided without any use of state UGF.

Representative Josephson suggested that SHARP-2 was covered 10-30 percent by employers and SHARP-3 would be covered 100 percent by employers. He wondered who covered the other percentage of SHARP-2. Representative Spohnholz responded that SHARP-1 was funded by the federal government and, SHARP-2 was funded by the state and through private funding. She reported that SHARP-3 would be funded entirely by the private sector. No state general funds would be used to fund the program; it would be fully self-supporting. She noted hearing from the SHARP Council that communities were prepared to help with funding. It would be up to communities how to fund the program. She would be watching to make sure the state was meeting its goal of increasing access to healthcare. The private sector providers were paying a fee to administer the program rather than the state spending any UGF.

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Ms. Lewis addressed SHARP-3 on slide 7. She reported the new program would operate such that healthcare professionals would either receive student loan repayments or direct incentives in exchange for working in underserved areas and health shortage areas. The eligible employer sites would provide the healthcare services. Healthcare professionals would be required to make a 3-year contractual commitment to work and could renew 3 additional times up to 12 years for a lifetime. The renewals would allow for someone who started with one loan to continue their education and to advance. The employer payments would fully cover the cost of the program payment and the administrative fee. The advisory council had already been mentioned.

Representative Sullivan-Leonard asked about direct incentives for working in underserved areas. She asked Ms.

Lewis to give an example of a direct incentive. Ms. Lewis responded that direct incentives were not often chosen. More often professionals chose a loan or a combination of a loan with a direct incentive. The direct incentive was a payment made to the employee that was taxable income to them. Direct incentives were included as an option was because there were times a more experienced provider was needed. The direct incentive was a way to get mid-career providers into the rural areas.

Representative Sullivan-Leonard asked if they would also look at other incentives such as housing and transportation. Ms. Lewis responded that the participation in SHARP-3 did not preclude an employer from offering any other type of incentive. However, the program limited employees from having a concurrent obligation for work - they could have consecutive service obligations.

Representative Tilton asked about the make-up of the advisory council. Ms. Lewis replied that council members included members of the healthcare clinics and hospitals, professional associations, and other entities that provided important information to DHSS. She noted the Department of Labor and Workforce Development and the Alaska Council on Postsecondary Education. She indicated there were about 15 organizations that made up the council.

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Representative Carpenter asked how the advisory council would determine an employer's ability to pay. Ms. Lewis responded that when an employer decided they wanted to participate, they filled out an application which included information about where they would get their funding. She explained that for SHARP-2 there was a waiver process for part of the amount. The state would still look at an employer's ability to pay.

Representative Carpenter thought he had heard a comment about federal funding being available to help with the program. He asked Ms. Lewis to elaborate. Ms. Lewis thought he might have heard her talking about the SHARP-1 Program, a federal grant program. The state would still have the SHARP-1 Program available. However, the scope of professionals that could participate was narrower.

Co-Chair Wilson reported that when she visited Unalaska there was discussion about the difficulty of keeping a provider in town. Once Unalaska hired a provider, they immediately started looking for another provider to fill the position at the end of the 3-year contract. Most providers would only stay for the duration of their contract. She asked about retention beyond the service obligation period. Ms. Lewis responded that the state had had pretty good success in retaining employees. She reported that the SHARP-3 Program was a 3-year program, whereas, the SHARP-1 program was a 2-year commitment. She suggested that a period of 3-years made a difference because of someone having a little more time to establish themselves in a community. She thought the extra year of obligation had paid off for the state. She reported that participants had indicated they would stay 8 years at the same location and 14 years in Alaska. Representative Spohnholz added, "It works."

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Representative Knopp asked about the state's role in the program. He asked if there were additional incentives for the employer to participate. Representative Spohnholz replied that the incentive for the employer to go through the program was that it stretched their dollars farther. She suggested that because the employees did not have to pay taxes, the net impact of using the SHARP Program as opposed to providing loan repayment directly to the employee stretched farther. They did not have to pay taxes on the loan repayment amount so, they received more net benefit. They had to do slightly more paperwork; they had to send a check through the State of Alaska. The recruiting dollars would go farther.

Representative Knopp wondered if the checks had to be funneled through the state. Representative Spohnholz had explored whether it could be done entirely through the private sector, but it could not. She further explained that by running the payments through the state it shielded the employee from the money becoming taxable income. Thus, it maximized the value of the dollars.

Representative LeBon suggested that the program would help with recruitment. In theory, the employer could build the benefits of the program into an employee's compensation package. He thought the program could be a win-win for the

provider and for the health center. Representative Spohnholz reminded Representative LeBon that the SHARP Program was designed to augment the compensation package by allowing for loan repayment or a direct incentive. She believed there was an incentive for a healthcare employer to participate because it helped them with recruitment. In terms of retaining employees for a long period, the SHARP Program had a demonstrated track record of keeping employees for 8 years - not a standard tenure in healthcare careers presently. The field was very competitive, and employees could shop around for the best package. If an organization was able to keep an employee for 8 years on average and potentially use the Sharp Program for up to 12 years, it was a significant incentive. An employer would get better outcomes for their organization because there was value in longevity within an organization.

Representative LeBon saw the advantage for a provider to accept a proposal from a health center that built the benefit of the program into the compensation package. He thought it was a powerful incentive for an employee to have their loan paid down. Representative Spohnholz agreed.

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Representative Josephson asked about Representative Spohnholz's comment regarding the benefits package not being able to be different. Representative Spohnholz replied that the base compensation package had to be the same for participants in the SHARP Program. The idea was that employers would not be able to offer a lower salary for someone participating in the SHARP Program because of loan repayment. The employer would have to offer an employee the same salary for similar employees. The SHARP Program was designed to be an additive to the base compensation.

Representative Carpenter asked if the fiscal note would be addressed at a later time or whether he could ask about it presently. Co-Chair Wilson suggested that Representative Carpenter ask his question.

Representative Carpenter understood there was no cost to the state for the program and that there was an administrative fee. The administrative fee for years 1 through 4 equaled 5 percent of the contract value paid by the employer. He asked about the new accounting position

and whether the position was for the life of the program or for perpetuity. Ms. Lewis replied that the program ran very lean. There was a single person who managed the program currently. However, the department anticipated an increase in volume with the SHARP-3 option and an additional accounting technician would be needed. If the program were to end, there would no longer be a need for the additional position.

Representative Carpenter asked, if the funding source of the employer dried up part way through the contract, whether the contract would become null and void or whether the state would become liable for finishing the contract. Ms. Lewis responded that the state would not pick up the liability.

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Representative Tilton referred to the administrative fee which stated that in year 5 the fee would increase 1.5 percent to facilitate looking for a vendor to assist in the administration of the program. She asked if it had to do with contract collections. Ms. Lewis replied that Representative Tilton was correct. The department anticipated that as the program matured there would be more work than the accounting technician could handle, at which point, the state would look at hiring a private vendor to help with collections rather than hiring another state employee. The account technician would remain in place to audit the providers and manage the contracts. The work would shift for the accounting technician, but the position would still be needed.

Ms. Lewis spoke on the different tiers within SHARP-3 on slide 8. The slide showed 3 different tiers that addressed different types of occupations. The department proposed that each of the tiers paid a different amount. Tier 1 and Tier 2 were aligned with what the department currently had in terms of amounts in SHARP-1 and SHARP-2. Tier 3 was new. She reviewed the tiers on the slide:

Tier 1: dentist, pharmacist, physician

- \$35,000/year regular or \$47,250 very hard-to-fill

Tier 2: dental hygienist, registered nurse, advanced practice registered nurse, physician assistant, physical therapist, clinical psychologist, counseling

psychologist, professional counselor, board certified behavior analyst, marital and family therapist, or clinical social worker

- \$20,000/year regular or \$27,000 very hard-to-fill

Tier 3: not otherwise eligible under Tier 1 or Tier 2

- \$15,000/year regular or \$20,250 very hard-to-fill

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Co-Chair Wilson asked if the tiers would be in statute. Representative Spohnholz responded that she intended to define Tier 1, Tier 2, and Tier 3 generally in statute but allow the board flexibility to make changes over time. She hoped the program could remain nimble over time to respond to market forces and not be so rigid that it could not respond without coming back to the legislature for a legal change.

Representative Josephson referred to slide 7 and asked about the administrative fee and whether it included the accounting technician salary. Ms. Lewis responded that the administrative fee would cover all of the costs to run the program including the future accounting technician. The department envisioned the fee being based on a percent of a contract's value. As each contract came on or offline the amount would change but, the department thought the amount would be adequate to fund the position. She returned to Representative Carpenter's question about whether employers were paying the fee in perpetuity. She clarified that the fee was for the duration of each contract between an employee and employer.

Co-Chair Wilson asked Ms. Lewis to define, "very hard-to-fill." Ms. Lewis responded that "very hard-to-fill" was currently defined in regulations. It had to do with how long a position had been vacant and how aggressively the position had been recruited for. Employers provided documentation when they asked for an employee and submitted an employee's contract for consideration noting that the particular contract was a very hard-to-fill position. A very hard-to-fill position in regulations was a vacancy of 1 year or more.

Ms. Lewis reviewed the circular flow chart on slide 9. The chart showed how the money flowed in and out and clarified the state's role. She began at the top of the slide. First,

there were healthcare professionals who worked at an eligible site for a calendar quarter. At the end of the quarter the employer at the site would report on the professional's hours worked to the SHARP Program to indicate how much work was actually done. Employees had the choice of either a full-time or part-time contract. Not all employees worked the entire amount each quarter and, their payments were adjusted accordingly. Once the payment amount was adjusted based on the report, the SHARP Program would invoice the employer for the quarter. In turn, the employer sent the SHARP Program a check for the quarterly payment which included the administrative fee for the contract. Sharp would then make a payment to the lender if the benefit was a loan repayment. If the benefit was a direct incentive, the payment would be made to the employee. Lastly, SHARP provided data to the advisory council which helped the council to evaluate the program, plan ahead for where the next shortages were, and to prioritize contracts into the future.

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Vice-Chair Johnston asked if there was any liability to the state regarding cash-flow. Ms. Lewis answered that the state did not take on a liability if the employer failed to pay. The terms were reflected in the contract between the employee, employer, and the state.

Vice-Chair Johnston asked if a system would be in place, so the employee was not burdened with a cash flow issue. Ms. Lewis responded that Vice-Chair Johnston's statement was true. She indicated that up to the present the state had not had difficulties with employers making their payments. She realized the state was going from a program with a partial match to a 100 percent match on the part of the employer. She reported that part of the screening process was to look at the employer's ability to pay to ensure that it was reasonable for the employer to sustain the contract.

Vice-Chair Ortiz asked how many states were following the same path as Alaska in terms of helping employers to recruit healthcare professionals. Ms. Lewis responded that Alaska was on the cutting edge. There were several states that participated in the federal program and some states that had some sort of state-operated program. Alaska of the programs were different. As far as she was aware, Alaska was the first state to come up with a public/private

partnership that did not utilize any general funds to support it. She suggested Alaska was quite innovative.

Representative LeBon referred to slide 8 using the Tier 1 provider. He asked if the repayment amount was determined by a negotiation between the provider and the clinic. Ms. Lewis responded that the state did not allow such a negotiation. She explained that in order for it to be a state-run program, there needed to be consistency in criteria and amounts. She told of an employer wanting to hire someone in Tier 1 but could not come up with the entire \$35,000. One option for the employer was to hire the person half-time in order to keep in line with their budget. The department encouraged the employer to seek supporting funding such as philanthropy, fund raising, and local government contributions. The department was agnostic about where the funding would come from but encouraged them to get more community involvement in their funding.

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Representative LeBon queried how the department verified that the employer was treating the provider in accordance of the SHARP-3 Program. Ms. Lewis replied that it was one of the duties of the sole employee that ran the program for the state. It was the state employee's role to check in with both the employer and the employee. The state program allowed for leave of absences. Therefore, if someone took a leave of absence, the employee's service obligation date would extend out.

Representative Carpenter was uncertain if the program was needed. He wondered why the healthcare site needed to involve the state. Ms. Lewis answered that the only way an employee could avoid paying taxes on the benefit was through a state-run program. The state had a benefit it could provide to the private sector that they could not access any other way. She reminded members that the program was voluntary. Representative Spohnholz added that it stretched out the dollars farther.

Co-Chair Wilson asked whether the state could contract out the entire service. Ms. Lewis thought it might work the way Co-Chair Wilson described. There was a minimal amount of staffing the state would need to have to oversee the contract, manage the program, and perform site visits. There was a certain amount of work the state had to do to

be a state-run program. The department was keeping the staffing at the bare minimum that the department thought it could manage. She added that the department thought there were some portions of the program that could be done as well or better by a vendor, which was why the department built it into its plan.

Co-Chair Wilson provided an example about filling the gap if an employee were to take a leave of absence. Representative Spohnholz argued that there was a case for cross training which was part of doing business on a day-to-day basis for any organization. Co-Chair Wilson agreed but indicated some entities had not done cross training.

Ms. Lewis concluded her presentation with slide 10. HB 114 would keep healthcare professionals in rural communities, promote health and economic community stability by allowing healthcare to be delivered in the place closest to home, and ensure a healthy future for all Alaskans at the lowest possible cost.

Representative LeBon asked about the use of the word "rural" and whether it would apply to downtown Fairbanks. Ms. Lewis stated that there was no one definition for "rural" especially when talking about the healthcare industry. She suspected that downtown Fairbanks would not be considered rural. However, they might be doing work with underserved populations or have health shortage areas. SHARP-1 and SHARP-2 were more limited because of their narrow focus in rural areas. Gaps were left in urban areas - central hubs people went to in order to get specialty care. She thought the bill would help to address the issue.

Representative LeBon thought the correct wordage could be rural or eligible communities. In other words, a primary healthcare facility in downtown Fairbanks could be eligible for the SHARP-3 Program. Representative Spohnholz answered that that was the reason the term "underserved" was added to the bill. SHARP-3 was designed to meet the needs of both rural and underserved areas.

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Representative Carpenter asked about the tax benefits that applied with the bill. He wondered which entity would benefit. Representative Spohnholz answered that it was the federal income tax. She noted they would not be seeing a

reduced tax obligation or tax revenue. They would not be receiving taxes on the loan repayment that otherwise the provider would not likely get because of the SHARP-3 Program. It would be tax avoidance rather than reducing taxes to the federal government.

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Co-Chair Wilson OPENED Public Testimony.

RACHEL GEARHART, SHARP COUNCIL CO-CHAIR, NATIONAL ASSOCIATION OF SOCIAL WORKERS - ALASKA CHAPTER, read from a prepared statement:

My name is Rachel Gearhart and I've been a licensed clinical social worker in Alaska since 2008. I'm a member of the National Association of Social Workers Alaska Chapter and serve as the Southeast Region Representative to the Board. It is through my volunteer NASW service that I also volunteer to sit on the SHARP Council; where NASW AK is a voting member and where I serve as co-chair. I'm also a constituent of Rep. Sara Hannan's District 33 - which is not considered a federally designated geographic Health Professional Shortage Area and unless you work for the tribal health organization in town, would not be eligible for student loan repayment either through SHARP 1 or National Health Services Corps.

Speaking of HPSAs; neither is Co-Chair Wilson's district. Nor are the districts that Johnston, Josephson, LeBon, or Merrick represent. Representative Ortiz, Tilton, Sullivan-Leonard, Knopp, and Carpenter's districts are considered geographic HPSAs for mental health only, though upper Mat-Su is also approved for primary care and dental. Of the representatives on this committee, only Co-Chair Foster's whole district qualifies as a HPSA for primary care, dental care, and health care.

We dabbled in this arena before with SHARP 2 - this time with no additional state expenditures and it's time that we sign on for good. I was one of 83 lucky recipients of SHARP-2. After paying on my student loans for 7 years; and after a 3-year SHARP fee for service contract, I am student debt-free 20 years

early still working at the same agency and have now lived in Alaska nearly 13 years. Retention matters.

While we in this room cannot designate all of Alaska as a HPSA, we can use SHARP 3 to recruit and retain quality staff to serve our vulnerable and underserved Alaskans. We can help well trained, compassionate health professionals turn from cheechako to sourdough.

As the finance committee, you may be interested to know that we get a fair amount of data from the quarterly work reports completed by participants in the SHARP programs. We are able to track who works in primarily substance use capacities; and which positions are full-time permanent position replacing what was once filled by a costly locum tenens position. We learn important demographics that can be used for further recruitment and retention efforts in Alaska's health professionals.

According to a study by the National Healthcare Retention & RN Staffing Report, since 2013 the average hospital has turned over 85.2 percent of its workforce. The average cost of turnover across all occupations in the healthcare industry is \$60,000. Some reports estimate replacing a physician as costing at least \$200,000 and as high as \$1 million.

These two statistics are not Alaskan specific. Considering that I think we can agree that Alaskan hospitals & health care providers are anything but average, this is concerning.

In Alaska there was a study done in 1998 of developmental disability service providers who contracted with the state (23 of 28 responded) about how much they spent on advertising, overtime, recruitment costs (like fingerprinting and background checks), and training. The statewide average, more than 20 years ago, PER worker, was \$2341.

Healthcare is a growing field. As a social worker, that's the field I know best. Social workers are the largest group of mental health care providers in the US and SW employment is projected to grow 16 percent by 2026, faster than the average for all other occupations.

So, it is important to note that SHARP 3 will not only expand eligible sites; but will also expand eligible professions. Occupational therapists, art therapists, case managers, CNAs, training coordinators, chemical dependency counselors, dental hygienists, health care faculty members, phlebotomists and peer recovery coaches would be examples of included professionals working in health care settings that can be included if they have qualified student loans and are working at eligible sites.

In my line of work, the therapeutic alliance you have with your client is considered the most important factor in how well you'll work together. Not your age, gender, where you were born, or whether you have children. Once clients in primary care, dental care and health care, with high ACEs scores, years of trauma, and often co-morbid conditions and co-occurring disorders start to connect; we see progress. Disruptions in service delivery because of staff turnover that may be due to high cost of living; is unavoidable. SHARP 3 support for service helps all Alaskans live their own best lives. As a provider, a SHARP alum, and SHARP Council co-chair, I'm happy to answer any questions you might have.

Co-Chair Foster noted that Ms. Gearhart had mentioned that his entire district was eligible but had referenced the slide [slide 4] showing the Interior/Northern category at 3 percent. He assumed Nome was in that category. He wondered why the numbers were so low since Nome was eligible.

Ms. Gearhart was referencing SHARP-2 numbers. She explained that SHARP-2 expanded on SHARP-1. SHARP-1 was limited to a geographic Health Professional Shortage Area (HPSA). Representative Foster's entire district would be eligible for SHARP-1 or National Health Service Core. Whereas, much of the rest of the state and many of the constituents of other representatives on the Finance Committee would not be eligible. She guessed that there might be a low percentage of applicants in the Interior and Northern areas of the state because much of Representative Foster's constituents were eligible for SHARP-1. He might have people in his district that applied for SHARP-1 or other student loan repayments. She reminded members that a person could only apply for 1 program at a time.

Co-Chair Wilson asked if there was a list of recipients for SHARP-1. Ms. Lewis could provide the list of employers who have participated. Co-Chair Wilson would appreciate getting the information. She thought it would provide a better understanding whether people knew about the program.

Representative LeBon suggested that downtown Fairbanks was somewhat rural. He referred to the Interior Community Health Center. He asked if it had participated in SHARP-1 and SHARP-2. Ms. Lewis thought Representative LeBon was correct.

Representative LeBon asked if it was likely that anyone who had participated in SHARP-1 and SHARP-2 would be eligible to participate in SHARP-3. Ms. Lewis confirmed that it was certain that they would be eligible to participate in SHARP-3. She elaborated that SHARP-1 was the most restrictive, SHARP-2 was less restrictive, and SHARP-3 was even less restrictive. Each program had expanded on the other. SHARP-3 would be the most open-ended program the department had to-date.

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JON ZASADA, POLICY INTEGRATION DIRECTOR, ALASKA PRIMARY CARE ASSOCIATION (via teleconference), read from a prepared statement:

Good Afternoon Co-Chairs Foster and Wilson and members of the House Finance Committee. For the record my name is Jon Zasada, and I am the Policy Integration Director of the Alaska Primary Care Association.

The Alaska Primary Care Association (APCA) supports the operations and development of Alaska's 27 Community Health Center organizations. Together with the leaders of the Community Health Centers in this state, we strongly support Senate Bill 93 to establish the SHARP 3 program.

Today, I'd like to highlight three particular points about how this legislation will help Health Centers better serve Alaskans:

1: There is a shortage of health professionals of all types in Alaska. Recruiting and retaining health professionals is the number one area of concern for

Alaska Health Center leaders, who constantly grapple with vacant healthcare clinician positions in their clinics. Although Healthcare jobs remain the fastest growing sector in the Alaska labor force, the demands are outpacing the availability. Alaskans are growing older, needing more healthcare; there is an increasing incidence of chronic disease requiring more constant care; and healthcare professionals are not distributed evenly across the state.

2: SHARP and other loan repayment programs have been critical for Community Health Centers. Since its inception in 2010, the SHARP 1 program has issued 172 contracts to Health Centers and SHARP 2 has issued 47 contracts with healthcare providers - 140 medical, 43 dental, and 36 behavioral health. And, SHARP has been able to address some of the disparity in distribution of providers - placing them from Anchorage to Juneau, to Norton Sound, Y-K, the Kenai Peninsula and out the Chain to Dutch Harbor.

The SHARP support-for-service program, including loan repayment and longevity payments, has made a tremendously positive difference in Health Centers' ability to attract and retain qualified healthcare professionals in these critical positions. Over the years Alaska's Community Health Centers have continued to benefit from the SHARP program. In 2018 alone 80 out of the 105 candidates who were awarded into the SHARP I program were practicing in Community Health Centers. SHARP has been successful in serving as the main state program to support placement of a range of providers in many hard to place organizations and communities, using the loan repayment incentive.

3: SHARP-3 is innovative and requires no State General Fund dollars. SHARP-3 is a creative solution to replace the State-funded program. SHARP 3 will offer a valuable state infrastructure, without additional state general funds, and will provide the ability to expand the benefits of SHARP to areas that are not Health Professional Shortage Areas (HPSAs), a requirement for SHARP 1 as well as expand the provider types that are eligible for loan repayment. Alaska's Community Health Centers are prepared to utilize SHARP 3 as soon as it is available. We're eager to continue the momentum of SHARP and to support workforce development efforts in Alaska.

APCA and FQHCs appreciate the SHARP Council's innovative thinking in contributing to the solutions of the healthcare workforce shortage issues in Alaska. The concept of SHARP 3 being privately funded (no State of Alaska funds) means that loan repayment and longevity incentives can be expanded to more practitioner types and more clinical sites across Alaska. This will greatly increase the number and variety of health professionals and sites, like FQHCs, who participate.

Thank you for the opportunity to speak today.

Co-Chair Wilson CLOSED Public Testimony.

HB 114 was HEARD and HELD in committee for further consideration.

Co-Chair Wilson reviewed the agenda for the following meeting at 4:00 p.m.

#  
ADJOURNMENT

[3:06:42 PM](#)

The meeting was adjourned at 3:06 p.m.