

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

March 18, 2022

9:05 a.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Ivy Spohnholz, Co-Chair
Representative Calvin Schrage
Representative Liz Snyder
Representative David Nelson
Representative Ken McCarty

MEMBERS ABSENT

Representative James Kaufman

COMMITTEE CALENDAR

PRESENTATION: ECONOMIC IMPACTS OF HEALTH CARE COSTS

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JON BITTNER, Executive Director
Alaska Small Business Development Center
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint, titled "Economic Impacts on Alaska's Workforce."

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

POSITION STATEMENT: Provided a PowerPoint, titled "Health Care Costs in the Last Frontier."

JASMIN SMITH, CEO and Founder
The Business Boutique
Anchorage, Alaska

POSITION STATEMENT: Discussed the economic impacts of health care costs to small businesses.

ELIZABETH RIPLEY, President and CEO
Mat-Su Health Foundation
Wasilla, Alaska

POSITION STATEMENT: Provided a PowerPoint, titled "Mat-Su Health Foundation - House Labor & Commerce."

SANDRA HEFFERN, Project Coordinator
Alaska Healthcare Transformation Project
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint, titled "House Labor and Commerce Committee Healthcare Costs and Cost Drivers."

ACTION NARRATIVE

[9:05:55 AM](#)

CO-CHAIR IVY SPOHNHOLZ called the House Labor and Commerce Standing Committee meeting to order at 9:05 a.m. Representatives McCarty, Fields, Nelson, and Sponholz were present at the call to order. Representatives Schrage and Snyder arrived as the meeting was in progress.

PRESENTATION: ECONOMIC IMPACTS OF HEALTH CARE COSTS

[9:06:36 AM](#)

CO-CHAIR SPOHNHOLZ announced that the only order of business would be a presentation on the economic impacts of health care costs.

[9:07:43 AM](#)

JON BITTNER, Executive Director, Alaska Small Business Development Center, provided a presentation, titled "Economic Impacts on Alaska's Workforce" [hard copy included in the committee packet]. He noted the rising costs of health care and said this is a significant driver of costs to small businesses. He noted that, on average, employers pay \$750 per employee per month for health care. Since the global economic downturn during the COVID-19 pandemic, he said there has been an unprecedented rise in workforce costs because of inflation and the need for competitive employee pay and benefits. He pointed out the cost-of-living index and that, compared with 300 other cities, 5 cities in Alaska have the highest health care costs.

[9:17:06 AM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community, and Economic Development, delivered a PowerPoint presentation, titled "Health Care Costs in the Last Frontier" [hard copy included in the committee packet]. She explained that health care costs are high in Alaska because of the population size. She explained that there are not enough primary care providers, and recruitment and retention costs for providers are high in Alaska. She mentioned that the state's senior population is growing and pointed out that providing services to patients in rural Alaska is expensive. She pointed out that Medicaid and Medicare have low reimbursement rates, and to make up for the difference, providers will "cost shift" to other plans or payers. She stated that all these factors contribute to the high cost of health care in the state. She pointed out that between 2010 and 2018, Alaska's health care costs rose 38 percent. As of 2017, Alaska was the highest paying state for health care practitioners. As of 2018, health care was the state's largest private sector employer. As of 2021, 39,200 Alaskans were employed in the health care industry.

MS. WING-HEIER stated that the Affordable Care Act requires that individual and small group insurers spend at least 80 percent of premium dollars on health care and quality improvement. She continued that, according to FairHealth, when compared to national averages, the COVID-19 pandemic had a significant impact on medical and hospitalization costs in Alaska. She expressed the opinion that insurance premiums are expected to rise next year. She stated that the division is supportive of direct health care agreements, and this would make a big difference in the cost of insurance.

[9:30:18 AM](#)

JASMIN SMITH, CEO and Founder, The Business Boutique, detailed affordability issues from a business standpoint. She stated that it is very difficult for businesses to offer health insurance and provide a livable wage. Because of the expense of health insurance, she said it is more difficult for businesses to stay competitive and appear compassionate to its employees. She suggested there should be more flexible opportunities and options for employers to offer health insurance, as it is not financially feasible for small businesses to offer employees' health care. She added that this has created a long-term

disparity for Black, Indigenous, and People of Color (BIPOC) businesses and owners.

9:35:00 AM

ELIZABETH RIPLEY, President and CEO, Mat-Su Health Foundation, gave a PowerPoint presentation titled, "Mat-Su Health Foundation - Labor and Commerce" [hard copy included in the committee packet]. In reference to the Mat-Su Health Foundation, she stated that an LLC partnership was formed with an equity partner to bring in the capital to build the Mat-Su Regional Medical Center. She explained that the Mat-Su Health Foundation takes a share of the profits from the medical center and invests them back into the community in the form of grants and scholarships; the more the hospital makes, the more the foundation receives to provide grants to the community; however, she added that lowering costs is necessary to create health care reform. She stated that per-capita health care costs are rising, and the Mat-Su Health Foundation has rallied its support for the expansion of Medicaid. She stated that Medicaid expansion dollars would fill significant gaps in reimbursements, but prices continue to rise for all payers. The Mat-Su Regional Medical Center has reduced waste and inefficiency and decreased the cost of doing business; however, the price of medicine is still going up. She expressed the opinion that large medical institutions are taking advantage of Alaska's weak policies. Families, employers, school districts, and governments are bearing the brunt of the rising cost of health care. The National Academy for State Health Policy recommends limiting cost increases over time through a total cost-for-care cost-growth benchmark. This would help control hospital cost by using a more stringent insurance rate review, containing costs and reducing cost-shifting through an all-payer or global hospital budget model, and addressing health care consolidation through action by the attorney general.

9:45:27 AM

SANDRA HEFFERN, Project Coordinator, Alaska Healthcare Transformation Project, offered a PowerPoint presentation, titled "House Labor and Commerce Committee Healthcare Costs and Cost Drivers" [hard copy included in the committee packet]. She described that the Alaska Healthcare Transformation Project is a cross sector collaboration of payers, providers, policymakers, and patient advocates working together to transform Alaska's health care system. The cost of Alaska's health care is \$7.5 billion and climbing, which amounts to an estimated \$12,500 per

Alaskan. From 1994-2014 there was a \$6.4 billion increase in health care spending. This amounts to a 371 percent increase. According to a report from the Robert Wood Johnson Foundation, technological change is the most important driver of health care spending increases over time. She pointed out that half of real health expenditure growth is attributed to medical technology. Discussing the health care per patient percentages, she pointed out that the costliest 1 percent of patients account for about 20 percent of all the health care spending. People with three or more chronic diseases generally fall into this 1 percent category. The top 5 percent of patients consume 49 percent of all health care spending. The top 50 percent consume 97 percent of health care spending. According to the Center for Disease Control, the leading causes of death in Alaska, outside of "COVID years," are heart disease, cancer, accident, stroke, and chronic obstructive pulmonary disease.

MS. HEFFERN noted that Senate Bill 74 [passed during the Twenty-Ninth Alaska State Legislature] provided the legislation which allowed the then Department of Health and Social Services to solicit coordinated-care demonstration projects. She pointed out that there are projects which are ready but lack the authority and financial redesign from the Department of Health to move forward and address health care policy evaluation. She advised that this evaluation should be based on current and accurate data analysis, and this would go beyond the inevitable changes in future administrations. She concluded that health care reform is a long road that requires continuity and focus.

[9:53:38 AM](#)

CO-CHAIR SPOHNHOLZ mentioned time constraints with the House floor and the possibility of resuming the conversation of economic impacts of health care costs in Alaska at a later date.

[9:55:09 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 9:55 a.m.