

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

March 14, 2022

1:31 p.m.

**MEMBERS PRESENT**

Senator Mia Costello, Chair  
Senator Joshua Revak, Vice Chair  
Senator Peter Micciche  
Senator Gary Stevens  
Senator Elvi Gray-Jackson

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 185

"An Act relating to exemptions from minimum wage."

- HEARD & HELD

SENATE BILL NO. 41

"An Act relating to health care insurers; relating to availability of payment information; relating to an incentive program for electing to receive health care services for less than the average price paid; relating to filing and reporting requirements; relating to municipal regulation of disclosure of health care services and price information; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 190

"An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

- MOVED CSSB 190 (L&C) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 185

SHORT TITLE: ELIMINATE MINIMUM WAGE EXEMPTION

SPONSOR(S): SENATOR(S) MICCICHE

02/08/22 (S) READ THE FIRST TIME - REFERRALS  
02/08/22 (S) L&C  
02/28/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
02/28/22 (S) Scheduled but Not Heard  
03/14/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 41

SHORT TITLE: HEALTH INSURANCE INFO.; INCENTIVE PROGRAM

SPONSOR(s): SENATOR(s) HUGHES

01/25/21 (S) PREFILE RELEASED 1/15/21  
01/25/21 (S) READ THE FIRST TIME - REFERRALS  
01/25/21 (S) L&C, FIN  
04/07/21 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
04/07/21 (S) Heard & Held  
04/07/21 (S) MINUTE(L&C)  
05/14/21 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
05/14/21 (S) <Bill Hearing Canceled>  
02/14/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
02/14/22 (S) Heard & Held  
02/14/22 (S) MINUTE(L&C)  
03/14/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 190

SHORT TITLE: EXTEND REGULATORY COMMISSION OF ALASKA

SPONSOR(s): SENATOR(s) MYERS

02/15/22 (S) READ THE FIRST TIME - REFERRALS  
02/15/22 (S) L&C, FIN  
02/28/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
02/28/22 (S) Heard & Held  
02/28/22 (S) MINUTE(L&C)  
03/14/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

MADISON GOVIN, Staff  
Senator Peter Micciche  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the sectional analysis for SB 185 on behalf of the sponsor.

TANYA KEITH, Supervisor  
Wage and Hour  
Division of Labor Standards and Safety

Department of Labor and Workforce Development (DOLWD)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on SB 185.

HEIDI LIEB-WILLIAMS, Chair  
Governor's Council on Disabilities and Special Education  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided invited testimony in support of SB 185.

COREY GILMORE, Chair  
Community Inclusion, Supports, and Services Committee  
Governor's Council on Disabilities and Special Education  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided invited testimony in support of SB 185.

RIC NELSON, Chair  
Self-Advocacy and Leadership Committee  
Governor's Council on Disabilities and Special Education  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified by invitation in support of SB 185.

MYRANDA WALSO, Acting Executive Director  
Governor's Council on Disabilities and Special Education  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified by invitation in support of SB 185.

BUDDY WHITT, Staff  
Senator Shelley Hughes  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided information and answered questions during the hearing on SB 41 on behalf of the sponsor.

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

**POSITION STATEMENT:** Answered questions during the hearing on SB 41.

ED MARTIN JR., representing self  
Kenai, Alaska

**POSITION STATEMENT:** During the hearing on SB 41, testified that health care costs are too high in Alaska.

BETHANY MARCUM, Chief Executive Officer (CEO)  
Alaska Policy Forum  
Anchorage, Alaska

**POSITION STATEMENT:** Offered suggestions and recommendations during the hearing on SB 41.

MELODIE WILTERDINK, Staff  
Senator Mia Costello  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the changes between version A and version I of SB 190.

SENATOR ROBERT MYERS  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 190.

#### **ACTION NARRATIVE**

[1:31:30 PM](#)

**CHAIR MIA COSTELLO** called the Senate Labor and Commerce Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Gray-Jackson, Micciche, Stevens, and Chair Costello. Senator Revak arrived during the introductions.

#### **SB 185-ELIMINATE MINIMUM WAGE EXEMPTION**

[1:32:19 PM](#)

**CHAIR COSTELLO** announced the consideration of SENATE BILL NO. 185 "An Act relating to exemptions from minimum wage."

[1:33:16 PM](#)

**SENATOR PETER MICCICHE**, speaking as sponsor of SB 185, stated that this legislation repeals the unfair minimum wage exemption in AS 23.10.070 that justifies paying a substandard wage for anyone who has a physical or mental disability or is impaired by age or injury. The regulations have been changed but the offensive language remains in statute and essentially creates

two classes of Alaskans: those who deserve a fair wage because they do not have any impairment and those who do not deserve a fair wage because they experience a physical or mental deficiency or are impaired by age, or injury. He related that when the Governor's Council on Disabilities and Special Education brought this issue to his attention he was surprised and offended to see that language in statute. SB 185 removes that offensive language. He said the bill also added a provision for a community group to pay less than minimum wage to individuals who are younger than 18 years old when they work on short-term special projects.

SENATOR MICCICHE summarized that SB 185 removes offensive language from statute and recognizes that Alaskans with disabilities are equal on the job.

[1:35:30 PM](#)

At ease

[1:36:16 PM](#)

CHAIR COSTELLO reconvened the meeting and asked Ms. Govin to go through the sectional analysis for SB 185.

[1:36:26 PM](#)

MADISON GOVIN, Staff, Senator Peter Micciche, Alaska State Legislature, Juneau, Alaska, presented the sectional analysis for SB 185 on behalf of the sponsor.

[Original punctuation provided.]

**Section 1-Sec.23.10.070-Page 1, Line 8-9**

Inserts a minimum wage exemption for an individual under 18 years old who is temporarily employed by a 501 (c)(3) non-profit organization.

**Section 1-Sec.23.10.070-Page 1, Line 10-11**

Deletes the minimum wage exemption for anyone whose earning capacity is impaired by physical or mental deficiency, age, or injury.

CHAIR COSTELLO mentioned who was available to answer questions.

[1:37:06 PM](#)

SENATOR GRAY-JACKSON thanked the sponsor for bringing the bill forward. She asked for further explanation of the language that the bill adds to statute.

1:37:40 PM

TANYA KEITH, Supervisor, Wage and Hour, Division of Labor Standards and Safety, Department of Labor and Workforce Development (DOLWD), Anchorage, Alaska, offered her understanding that the added language would provide an exemption for a minor who is temporarily employed by a nonprofit organization.

SENATOR GRAY-JACKSON summarized her understanding that somebody who is age 18 or younger and employed by a nonprofit can be paid differently than somebody who is older than age 18 and is employed by another agency.

MS. KEITH further explained that the exemption would not be automatic. Rather, the nonprofit would have to request the exemption from DOLWD and the commissioner would have to approve the request.

CHAIR COSTELLO said her reading is that the commissioner would establish in regulation the amount individuals would be paid.

MS. KEITH said that's correct. The regulation attached to the statute was eliminated years ago, so if the bill were to pass a regulation would have to be written to address how to apply for the exemption and how it would be approved. She added that the regulation would stipulate how low the wage could be.

CHAIR COSTELLO directed attention to the language on page 1, line 6 that says, "by regulation or order." She observed that the implication is that a nonprofit could hire somebody 18 years old or younger and with a commissioner's order know almost immediately what wage it could pay.

MS. KEITH replied that was her reading as well.

1:41:05 PM

SENATOR MICCICHE provided a hypothetical example to explain his goal. He described a Boys and Girls Club planter box project in the City of Kenai that sought to teach young people how to garden and to demonstrate the financial benefit of hard work. He noted that there is a way for young people to volunteer to work on certain projects, but he didn't know whether they could be compensated with something like a gift card that would be

equivalent to less than minimum wage. He asked Ms. Keith to comment. He summarized that his goal was to encourage community groups to demonstrate to young people that hard work results in some level of compensation, although not technically a minimum wage job.

[1:42:43 PM](#)

MS. KEITH explained that AS 23.10.05(a)(11) provides an exemption from the Wage and Hour Act for somebody who is younger than age 18 and is employed for not more than 30 hours a week. These individuals may be paid as little as the federal minimum wage.

SENATOR STEVENS expressed concern that the bill could result in the loss of jobs or fewer jobs being available to individuals with disabilities. He relayed his knowledge of an instance where a municipality was able to give a young man who had mental and physical disabilities a job, but it was not equal to that of a fireman and the young man was paid less than minimum wage.

[1:45:07 PM](#)

SENATOR MICCICHE advised that in February 2018 [DOLWD] repealed Section 8 ACC 15-120 and it became illegal to hire somebody with a disability at less than minimum wage. SB 185 updates the statute to reflect that change. He restated that he finds it offensive that this is in statute even though it hasn't been used for over four years. He added that there are ways for an organization to get assistance to employ individuals with a disability. Young people deserve to be treated like everyone else on a minimum wage basis.

SENATOR STEVENS said his concern is about potentially leaving some individuals behind.

[1:47:26 PM](#)

CHAIR COSTELLO reported that the Alaska minimum wage is \$10.34 per hour and that it will go up next year. The federal minimum wages is \$7.25 per hour. She asked Ms. Keith to talk about the law that stipulates that individuals may not be paid less than the federal minimum wage.

MS. KEITH said [AS 23.10.055 (a)(11)] says that "an individual under 18 years of age employed on a part-time basis not more than 30 hours in a week" could be exempt from the Wage and Hour Act. The law also provides that somebody who works less than 30 hours per week may not be paid less than the prevailing federal minimum wage.

CHAIR COSTELLO asked if she had information about what jobs are paying less than minimum wage and what the current job market looks like, because employers like Fred Meyer in her community are paying much more than minimum wage and seem to be having difficulty finding workers.

[1:49:33 PM](#)

MS. KEITH agreed that in most cases employers are paying more than minimum wage because employees won't work for less.

CHAIR COSTELLO asked her to talk about the philosophy behind paying someone who is younger than age 18 years less than minimum wage.

MS. KEITH said she's read anecdotally that the rationale for paying individuals who are 14-18 years of age less than minimum wage is that they potentially need additional oversight.

CHAIR COSTELLO asked the sponsor if the intention is to help the nonprofit save money by paying less for the work it wants done.

[1:51:09 PM](#)

SENATOR MICCICHE replied that was not his intention. The idea is to provide an opportunity for young people to see that there is value in hard work. Some of the organizations want to support the community and participate but they have very little money to pay for small, short-term projects.

CHAIR COSTELLO asked Ms. Keith if there are Wage and Hour Act considerations if a young person wants to volunteer their services for either a nonprofit or for-profit organization.

MS. KEITH replied there are instances where somebody may volunteer for a nonprofit but not for a for-profit business.

[1:52:57 PM](#)

SENATOR STEVENS said, at some point, he would like to hear from municipalities.

CHAIR COSTELLO said she'd make sure that happens.

[1:53:18 PM](#)

CHAIR COSTELLO turned to invited testimony.

[1:53:32 PM](#)

HEIDI LIEB-WILLIAMS, Chair, Governor's Council on Disabilities and Special Education, Provided invited testimony in support of SB 185. She stated that she is a national speaker advocate who experiences multiple disabilities and has also broken barriers. She submitted the following statement from her heart:

We all have gifts and talents to offer and our work is just as valuable as what others bring to the table, and we should be paid fairly for our time and knowledge. It is demeaning that someone could just look at a person and judge them on the basis of their disability, and offer them less than they are worth.

As Alaskans, we are better than that and this repeal will help us all acknowledge the [Developmental Disabilities Shared Vision] law becoming reality. How can you be an adult and say that you can judge others based on your automatic perception of what someone can do, rather than teach them how, just like you would someone else, and have them demonstrate their capabilities to soar to new heights.

Nobody is going to be left behind, but propelled forward based on sole ability to treat them with human dignity with this law being nonexistent. People often define themselves to have purpose in life by doing work that serves others in the community by what they're contributing as the daily job. That matters. To pay them accordingly for doing things that make a difference to other Alaskans.

MS. LIEB-WILLIAMS thanked the committee for the opportunity to testify and expressed optimism that it would do what is right for a better future in Alaska.

1:56:16 PM

COREY GILMORE, Chair, Community Inclusion, Supports, and Services Committee, provided invited testimony in support of SB 185. He related that wherever he goes he is judged by the way he speaks, looks, and moves. In fact, when he goes to a restaurant his staff has to remind the wait person that he can order for himself. He said this is irritating to say the least but they don't know any better. The statute that SB 185 removes was written by people who also didn't know any better.

MR. GILMORE stated that Developmental Disabilities Shared Vision says Alaskans who experience disabilities have the right to run

their own lives and to dream big enough to have not just a job but a career. People who experience disabilities deserve to have a career if that is what they want. He shared that if he were to have kids, he would want them to know that he and others have helped to make Alaska better than it was because they know better.

[1:59:18 PM](#)

RIC NELSON, Chair, Self Advocacy and Leadership Committee, Governor's Council on Disabilities and Special Education, Department of Health and Social Services (DHSS), testified by invitation in support of SB 185.

Mr. Nelson's assistant read the following:

This bill is so important because all people, no matter their disabilities, should get paid at least minimum wage to do the same job as their able-bodied peers. Having a law that singles someone out as not deserving the same pay solely because of their disability is dehumanizing.

As a person with a disability who has worked hard to have a successful career and earned a master's degree, I find this statute reinforces the misconception that individuals with disabilities are somehow a liability for an employer. Keeping this statute sends a message that Alaska is the land of opportunity, only if you are not disabled.

[2:01:42 PM](#)

MYRANDA WALSO, Acting Executive Director, Governor's Council on Disabilities and Special Education, Department of Health and Social Services (DHSS), testified by invitation in support of SB 185. She explained that the council works with communities and other state agencies to ensure that people with intellectual and developmental disabilities and their families receive the services they need. These individuals also participate in the planning and design of the services.

MS. WALSO relayed that the [Fair Labor Standards Act of 1938] established the federal minimum wage. The Act included the Subminimum Wage Provision that allowed employers with a certain certificate to employ individuals with a physical or mental disability at less than the authorized minimum wage. The basis for this was the notion that individuals with a disability had less capacity for productivity. This is discriminatory and

requires disabled workers to be measured by a standard that nondisabled workers are measured by. Employers in past generations were able to exploit workers who were deemed lesser. That outdated notion is out of step today and the statute that SB 185 seeks to repeal is similarly out of step. It holds to the same notion that people with disabilities do not have the same standing in the job market as their nondisabled peers. There is a new understanding through the Americans with Disabilities Act (ADA), the Individuals with Disabilities Education Act (IDEA), and the Workforce Innovation and Opportunity Act (WIOA). Alaska has enacted the Employment First policy that requires that individuals with disabilities receive vocational services to help them become gainfully employed at or above the minimum wage. As previously mentioned, the regulations enacting subminimum wages for individuals with disabilities were repealed, but the statute remains.

MS. WALSO emphasized that it is not acceptable for public policies to remain in effect when they conflict with the basic premise that people with disabilities are valuable members of society and have a right to participate in all aspects of life, which means gainful employment and the pursuit of economic self-sufficiency.

[2:04:51 PM](#)

CHAIR COSTELLO opened public testimony on SB 185; finding none, she closed public testimony.

[2:05:10 PM](#)

CHAIR COSTELLO held SB 185 in committee for future consideration.

**SB 41-HEALTH INSURANCE INFO.; INCENTIVE PROGRAM**

[2:05:16 PM](#)

CHAIR COSTELLO announced the consideration of SENATE BILL NO. 41 "An Act relating to health care insurers; relating to availability of payment information; relating to an incentive program for electing to receive health care services for less than the average price paid; relating to filing and reporting requirements; relating to municipal regulation of disclosure of health care services and price information; and providing for an effective date."

She noted that this was the third hearing and there was an amendment for the committee to consider. She asked Mr. Whitt to refresh the committee's recall of the bill.

[2:05:48 PM](#)

BUDDY WHITT, Staff, Senator Shelley Hughes, Alaska State Legislature, Juneau, Alaska, summarized that SB 41 incentivizes people to find in-network or out-of-network providers who can save the insured and insurer money. He noted that the greatest savings typically would be from out-of-network providers since in-network providers generally negotiate rates that are similar across the provider network. This has been implemented in several other states and the sponsor believes would be a productive policy for Alaska to consider.

CHAIR COSTELLO asked if the states that have similar legislation have reported on realized savings.

MR. WHITT said there isn't much data since this is a relatively new program, but he would look at the available analyses and provide that information to the committee.

[2:08:56 PM](#)

SENATOR MICCICHE moved to adopt Amendment 1 to SB 41, work order 32-LS0247\I.2.

32-LS0247\I.2  
Marx  
3/4/22

**AMENDMENT 1**

OFFERED IN THE SENATE

TO: CSSB 41(L&C), Draft Version "I"

Page 4, line 10, following "regulation.":

Insert "Except as provided in (e) of this section, the total amount of incentive payments a health care insurer provides to a covered person in a calendar year under this subsection may not exceed the amount of the covered person's cost sharing in the calendar year by more than five percent."

Page 4, line 15:

Delete the first occurrence of "of"

Insert "as provided in this subsection. Except as provided in this subsection and (e) of this section, the

incentive a health care insurer provides the covered person must be"

Page 4, line 18, following "service.":

Insert "Except as provided in (e) of this section, the incentive a health care insurer provides to a covered person in a calendar year under this subsection may not exceed the amount of the covered person's cost sharing in the calendar year."

Page 4, following line 24:

Insert a new subsection to read:

"(e) For a dental insurance policy or a vision insurance policy, the incentives a health care insurer provides to a covered person in a calendar year may not exceed the amount of the dental benefits or vision benefits provided to the covered person under the dental insurance policy or the vision insurance policy."

Reletter the following subsection accordingly.

Page 6, following line 10:

Insert a new paragraph to read:

"(1) "cost sharing" means a deductible, coinsurance, copayment, or similar expense owed by a covered person under the terms of the covered person's health care insurance policy;"

Renumber the following paragraphs accordingly.

CHAIR COSTELLO objected for an explanation.

[2:09:05 PM](#)

SENATOR MICCICHE stated that the amendment addresses his concern with the original version of the bill that people could be well compensated for making poor decisions about who would provide the medical care for specific procedures. The amendment would provide the insured who shops around a benefit of five percent more than their out of pocket costs. The amendment does not incentivize people for making potentially damaging decisions based on the profit that was available.

CHAIR COSTELLO asked for a detailed explanation of what the amendment does and an example of the profit potential in the earlier draft of the bill.

[2:11:07 PM](#)

SENATOR MICCICHE explained that the earlier version allowed the covered person to receive 30 percent of the savings, which potentially could have been tens to hundreds of thousands of dollars more than the cost of the medical procedure. The amendment clarifies that the insured will be paid five percent more than their out-of-pocket costs. He provided a personal example to demonstrate the profit potential without the amendment. One of his daughters had a heart condition that was monitored for a year. When it was determined that treatment was necessary, he and his wife shopped around for the most cost effective option. The right medical care at the right time was the primary concern. However, if the original version of the bill had passed, he could have pocketed \$16,000. He posited that some families may make a less than responsible choice for the best medical outcome if they know that a particular choice will put \$16,000 in their pocket.

[2:13:30 PM](#)

SENATOR STEVENS asked where the money for the incentive comes from.

SENATOR MICCICHE offered his understanding that it is money that the insurance company would not longer need to pay. He deferred further explanation to the sponsor.

[2:14:15 PM](#)

At ease

[2:14:46 PM](#)

CHAIR COSTELLO reconvened the meeting and asked Mr. Whitt to respond to Senator Stevens' question.

[2:15:13 PM](#)

MR. WHITT explained that the savings is shared either 50/50 between the insured and the insurance company or three ways between the employer who pays for the insurance, the insured employee who sought the medical treatment, and the insurance company. Regardless, the insurance company pays the incentive.

SENATOR STEVENS asked how the bill affects Medicare.

[2:17:52 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, explained that Medicare, Medicaid, Alaska Care, and union trusts would not be affected should the bill become law.

SB 41 would only apply to insured plans that fall under Title 21, which is just 18-20 percent of the state.

SENATOR STEVENS asked if deductible payments would be affected.

MS. WING-HEIER replied deductible payments are part of the out-of-pocket maximum. Should the bill pass, the most an insured who uses the incentive could receive is five percent more than their total out of pocket maximum.

CHAIR COSTELLO said the underlying concept is good, but it doesn't seem to improve cost transparency because the insured probably won't know the total cost of a procedure until months after it happened. Should the bill pass, she said a patient will have to try to extract the information about cost from the physician's office and share that with the insurance company. She wondered whether another bill might be needed to address transparency.

[2:20:49 PM](#)

MS. WING-HEIER acknowledged that there will be a learning curve. For example, somebody who is having a knee replaced might call a second facility to compare price, but they would also have to look at the cost of the surgery center, the anesthesiologist, and the other doctors that might be involved. The insurance companies will have to work with the policy holders to look at all the costs because a savings in one area might be offset by a higher cost in another. Further, it adds to the cost if the surgery is more complicated than anticipated. She noted the federal legislation that requires providers to give consumers good faith estimates, but warned that it will be the consumer's responsibility to get cost estimates for all the different parts of the procedure.

SENATOR MICCICHE expressed concern that a provider may give an estimate that is based on a best case scenario and the consumer might make a decision that results in complications that lead to much higher medical bills later on. He posited that SB 41 might not do what it's purported to do. He said Amendment 1 eliminates just one of the many concerns he has with the bill.

[2:24:45 PM](#)

CHAIR COSTELLO said she would like to finish working on the amendment.

SENATOR GRAY-JACKSON asked when she should raise questions unrelated to the amendment.

[2:25:05 PM](#)

At ease

[2:25:52 PM](#)

CHAIR COSTELLO reconvened the meeting and removed her objection to Amendment 1. Finding no further objection, Amendment 1 was adopted.

SENATOR GRAY-JACKSON asked if AlaskaCare is a self-insured plan.

MS. WING-HEIER answered yes

SENATOR GRAY-JACKSON offered her understanding that SB 41 would affect only those insurance plans that are not self-insured.

MS. WING-HEIER agreed.

SENATOR GRAY-JACKSON posed a hypothetical example of somebody who shops for a procedure and selects an option that saves \$16,000. She asked why the savings are split.

MS. WING-HEIER explained that when the insurance company receives half of the \$16,000 savings, the overall cost of health care goes down by \$8,000. The notion is to encourage the insured to shop for providers that can do the procedure for less than the network plan.

SENATOR GRAY-JACKSON asked for further clarification on the savings.

MS. WING-HEIER replied the only savings in the example is the \$8,000 that the insured doesn't have to pay the provider.

SENATOR GRAY-JACKSON continued to question the savings.

MS. WING-HEIER replied this is new territory, but the division will do its best to ensure it works for both consumers and insurance companies, should the bill pass.

[2:30:01 PM](#)

SENATOR STEVENS asked if Aetna would receive any benefit if it were able to reduce the price of a procedure.

MS. WING-HEIER explained that in an employer sponsored plan, the savings would be split three ways between the employer, the plan sponsor, and the employee. In the example, the employer and the

insurance company are the same because Aetna administers the plan for the state. She assumed that Aetna is paid on a per person per month charge.

SENATOR STEVENS commented that he was now confused at a higher level.

[2:31:38 PM](#)

SENATOR MICCICHE clarified that in the personal example he gave, the \$16,000 would have been his share as the insured so it saved the state \$48,000. He said he understands the concept in theory but he struggles with it philosophically because he believes people should make choices for the best medical outcome at the lowest cost possible.

[2:32:29 PM](#)

CHAIR COSTELLO questioned whether the bill might drive increased medical tourism and if that is happening in states that passed similar legislation.

MR. WHITT said he had anecdotal data that people crossed the state line to seek treatment when New Hampshire passed similar legislation. He also shared that the sponsor traveled to Idaho for a major medical procedure and that drastically reduced her out of pocket in-network savings.

MR. WHITT addressed the earlier question about transparency, noting that Ms. Wing-Heier pointed out that federal legislation passed and was being implemented about transparency and giving people information about the cost of procedures. He directed attention to the provision in Section 4 that stipulates that insurance companies operating in the state must provide a mechanism by which insured persons can see the cost of medical procedures.

MR. WHITT maintained that the bill would not incentivize people to select lower quality care. Rather, it would incentivize a shopping mentality for more affordable care. The bill simply says that when the playing field is even and there is a drastic difference in pricing, Alaskans should be able to realize some of the savings that an insurance company would receive for selecting the lower cost option.

[2:39:15 PM](#)

CHAIR COSTELLO opened public testimony on SB 41.

[2:39:43 PM](#)

ED MARTIN JR., representing self, Kenai, Alaska, said he likes that SB 41 talks about transparency in getting cost information about medical procedures. He offered his belief that medical procedures in this state are too costly and he and his wife likely would travel out of state to seek less expensive options since they have never purchased insurance under the Affordable Care Act. He opined that "there shouldn't be a profit margin when it comes to health," regardless of whether it's the individual, the insurance company or the doctors. He asserted that the number of specialists throughout the country was out of control. He recalled the time when children were born in Palmer at the Valley Hospital for \$350. Regarding the bill, he said disclosure is fine, but the profit section is too complicated. "If anybody should profit from it, it should be the individuals." He said he didn't care about the insurance companies and he will travel outside to receive health care because costs are too high in this state and it is the legislature's fault for not getting rid of Certificate of Need and allowing competition.

CHAIR COSTELLO thanked him for his testimony and clarified that if the bill were to pass, the savings would be shared with the insured person.

[2:42:51 PM](#)

BETHANY MARCUM, Chief Executive Officer (CEO), Alaska Policy Forum, Anchorage, Alaska, offered suggested changes and recommendations during the hearing on SB 41. She read the following testimony:

Price transparency is an essential component of markets that work, but health care is not most markets. Its pricing system is extremely complicated and one primary reason for this complexity is the presence of third-party payers for routine care. In most market transactions, payment is made from the person or entity receiving the good or service to the entity providing the good or service. In those instances, consumers typically shop around for the best product or service at the best price. But some form of health insurance, either private or government provided has become the middle man in nearly all the health care transactions today. Some patients only receive services, but most do not directly pay for services; instead paying for insurance premiums, copays, or deductibles. Patients have much less incentive to shop for the best service at the best

price. In fact, most Americans don't shop for health care services in our current environment. So while transparent pricing for health care services is important, this alone will not have a significant effect on the market as long as third-party payers are involved. We have evidence of this from transparency initiatives, which have occurred in other states.

MS. MARCUM continued to read:

Our 2020 report found that Alaska health care expenditures per capita has grown significantly faster than the national average over the past 30 years and are now higher than every other state. In order to bring down these costs, Alaska must create a competitive marketplace. To truly make a difference in our third-party payer health care system, three key elements must be included.

First, is that for patients to make true price comparisons, they must know what their own insurance plan pays for the service. California implemented a payers' bill of rights years ago and that required disclosure of charge master rates. But later studies found little to no observable effect on the end result. So listing the undiscounted price or even an out-of-pocket estimate is not sufficient to give consumers the information they need to make life choices.

The second and most important element is an incentive. I mean, after all if only your insurance company stands to gain from a patient choosing a lower cost provider, why would patients do the extra footwork to shop around? However, if they personally get a cut of the savings, patient engagement with transparency tools has shown to increase elevenfold. So some kind of shared savings program is a vital component of any transparency initiative. Some have expressed concern that such an incentive program would push patients to always choose the lower-cost provider and thus affect quality and outcomes. But that surely presumes that Alaskans are not smart enough to balance cost with quality or to make their own health care decisions in direct consultation with providers.

MS. MARCUM continued to read:

The final required element is loosening restrictive in-network requirements. If patients are only encouraged or incentivized to shop around within the network, the network providers may keep costs high knowing they have a captive audience. Patients should be allowed to use lower priced services outside the network if they so choose.

Lastly I would like to make a couple of specific policy recommendations:

1. A provision should be included for a discounted cash price to also be disclosed by providers and facilities.
2. Language should be added to establish that insurers cannot deny referrals to in-network providers from out-of-network providers if the patient went there for a lower cost.
3. All the federal rules that have been enacted in the last five years related to price transparency should be codified into this bill. And that is regarding federal regulations 26, 29, and 45.

MS. MARCUM thanked the committee for the opportunity to testify.

[2:46:51 PM](#)

CHAIR COSTELLO closed public testimony on SB 41.

She asked the committee if there were any comments on the suggested changes.

SENATOR REVAK said he would like the sponsor to comment on the suggestions and recommendations.

[2:47:24 PM](#)

MR. WHITT pointed out that insurance companies that participate in the incentive would be required to report the number and amount of the incentives they paid, and the department would also be required to submit a report to the legislature so changes could be made to the program if they were needed. Responding to the public testimony, he clarified that the majority of individuals in the state who are insured through the individual market with healthcare.gov don't pay anything for insurance. For those people, the result of Amendment 1 is they have no incentive to shop for a lower cost procedure. Their

incentive is limited to five percent above out-of-pocket costs, and they have no out-of-pocket costs to recoup.

MR. WHITT restated that the sponsor believes SB 41 is good policy. It has the potential both to bend the curve on health care costs and change the minds of Alaskans about how to look for health care.

[2:49:25 PM](#)

At ease

[2:51:09 PM](#)

CHAIR COSTELLO reconvened the meeting and recognized Senator Micciche.

[2:51:20 PM](#)

SENATOR MICCICHE said he felt compelled to respond to Ms. Marcum's comment that concerns about the incentive program as initially drafted presumes that Alaskans are not smart enough to balance cost and quality and make a good health care decision. He said he believes Alaskans are smart enough to make good choices whether they're paying the bill or not. His concern was specifically focused on the cash incentive.

[2:52:07 PM](#)

CHAIR COSTELLO held SB 41 for future consideration.

#### **SB 190-EXTEND REGULATORY COMMISSION OF ALASKA**

[2:52:14 PM](#)

CHAIR COSTELLO announced the consideration of SENATE BILL NO. 190 "An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

[2:52:24 PM](#)

At ease

[2:53:01 PM](#)

CHAIR COSTELLO reconvened the meeting and solicited a motion to adopt the proposed committee substitute (CS).

[2:53:25 PM](#)

SENATOR REVAK moved to adopt the work draft CS for SB 190, work order 32-LS1525\I, as the working document.

[2:53:39 PM](#)

CHAIR COSTELLO objected for an explanation of the changes.

[2:53:48 PM](#)

MELODIE WILTERDINK, Staff, Senator Mia Costello, Alaska State Legislature, Juneau, Alaska, presented the changes between version A and version I of SB 190.

**Sec. 1 - Page 1, Lines 4-9**

Adds legislative intent language to uncodified law which states that it is the intent to extend the Regulatory Commission of Alaska every five years to take into account the term length of legislators, providing for awareness of the commission and its purpose through legislative review and debate.

**Sec. 2 - AS 44.66.010(a)(3) Page 1, Lines 10-13**

Changes the expiration date for the commission from 2030 to 2027.

[2:54:56 PM](#)

SENATOR STEVENS said he appreciates the five year extension instead of eight years.

CHAIR COSTELLO stated that she supports the addition of the legislative intent to extend the commission just five years, not because there is a problem, but because the audit provides an opportunity for legislative oversight of this very significant commission. She noted that Senator Stevens previously mentioned that it is possible to serve in the legislature and have no interaction with the Regulatory Commission of Alaska unless specific legislation is brought forward.

[2:56:41 PM](#)

CHAIR COSTELLO removed her objection. There being no further objection, CSSB 190, version I was adopted. She invited the sponsor to comment.

[2:56:56 PM](#)

SENATOR ROBERT MYERS, Alaska State Legislature, Juneau, Alaska, sponsor of SB 190, thanked the committee for considering the bill.

CHAIR COSTELLO solicited a motion.

[2:57:27 PM](#)

SENATOR REVAK moved to report CSSB 190, work order 32-LS1525\I, from committee with individual recommendations and attached fiscal note(s).

2:57:48 PM

CHAIR COSTELLO found no objection and CSSB 190(L&C), was reported from the Senate Labor and Commerce Standing Committee.

2:58:16 PM

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:58 p.m.