

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 22, 2023

3:30 p.m.

MEMBERS PRESENT

Representative Jesse Sumner, Chair
Representative Justin Ruffridge, Vice Chair
Representative Mike Prax
Representative Dan Saddler
Representative Stanley Wright
Representative Ashley Carrick
Representative Zack Fields

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 93

"An Act relating to a lumber grading training program and lumber grading certificates; relating to use of lumber graded and certified by a person holding a lumber grading training program certificate; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 47

"An Act relating to insurance; relating to direct health care agreements; and relating to unfair trade practices."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 93

SHORT TITLE: LUMBER GRADING PROGRAM

SPONSOR(S): REPRESENTATIVE(S) SUMNER

03/06/23	(H)	READ THE FIRST TIME - REFERRALS
03/06/23	(H)	L&C
03/15/23	(H)	L&C AT 3:15 PM BARNES 124
03/15/23	(H)	Heard & Held
03/15/23	(H)	MINUTE(L&C)
03/22/23	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 47

SHORT TITLE: DIRECT HEALTH AGREEMENT: NOT INSURANCE

SPONSOR(S): REPRESENTATIVE(S) MCCABE

01/25/23	(H)	READ THE FIRST TIME - REFERRALS
01/25/23	(H)	HSS, L&C
02/18/23	(H)	HSS AT 3:00 PM DAVIS 106
02/18/23	(H)	-- MEETING CANCELED --
02/28/23	(H)	HSS AT 3:00 PM DAVIS 106
02/28/23	(H)	Heard & Held
02/28/23	(H)	MINUTE(HSS)
03/11/23	(H)	HSS AT 3:00 PM DAVIS 106
03/11/23	(H)	Moved HB 47 Out of Committee
03/11/23	(H)	MINUTE(HSS)
03/15/23	(H)	HSS RPT 3DP 3NR
03/15/23	(H)	DP: SUMNER, RUFFRIDGE, PRAX
03/15/23	(H)	NR: MCCORMICK, SADDLER, MINA
03/22/23	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

JOE YOUNG, Owner
Young's Timber, Inc.
Tok, Alaska

POSITION STATEMENT: Gave public testimony in support of HB 93.

REPRESENTATIVE KEVIN MCCABE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, introduced HB 47.

BUDDY WHITT, Staff
Representative Kevin McCabe
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative McCabe, prime sponsor, gave the sectional analysis for HB 47.

PETER DIEMER, Attorney
Clayton and Diemer, LLC
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 47.

ADAM HABIG, Co-founder and President
Freedom Health Works

Indianapolis, Indiana

POSITION STATEMENT: Gave invited testimony on HB 47.

ACTION NARRATIVE

[3:30:28 PM](#)

CHAIR JESSE SUMNER called the House Labor and Commerce Standing Committee meeting to order at 3:30 p.m. Representatives Wright, Prax, Carrick, and Sumner were present at the call to order. Representatives Saddler, Ruffridge, and Fields arrived as the meeting was in progress.

HB 93-LUMBER GRADING PROGRAM

[3:31:07 PM](#)

CHAIR SUMNER announced that the first order of business would be HB 93, "An Act relating to a lumber grading training program and lumber grading certificates; relating to use of lumber graded and certified by a person holding a lumber grading training program certificate; and providing for an effective date."

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CHAIR SUMNER opened public testimony on HB 93.

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JOE YOUNG, Owner, Young's Timber, Inc., stated that Young's Timber has been in business since 1993 and has four types of sawmills. He said that the spruce timber produced by his mill is comparable to the Douglas Fir timber from the Lower 48 and Canada. He stated that HB 93 would increase the availability of timber used for building houses, and this would help the local Alaskan economy.

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CHAIR SUMNER, after ascertaining there was no one else who wished to testify, closed public testimony on HB 93.

CHAIR SUMNER announced that HB 93 was held over.

HB 47-DIRECT HEALTH AGREEMENT: NOT INSURANCE

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CHAIR SUMNER announced that the final order of business would be HB 47, "An Act relating to insurance; relating to direct health care agreements; and relating to unfair trade practices."

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The committee took a brief at-ease.

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REPRESENTATIVE KEVIN MCCABE, Alaska State Legislature, as prime sponsor, introduced HB 47. He stated that Alaska has some of the most expensive healthcare costs in the U.S. Out of all 50 states and Washington, D.C., Alaska spends the third most on healthcare. He said that HB 47 would allow patients to make direct healthcare agreements with medical providers. He explained that direct healthcare agreements are not a form of insurance; instead, a patient pays a monthly fee to a doctor for basic medical services. He expressed the opinion that direct healthcare agreements would restore the relationship between the patient and the doctor.

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BUDDY WHITT, Staff, Representative Kevin McCabe, Alaska State Legislature, on behalf of Representative McCabe, prime sponsor, gave the sectional analysis for HB 47 [original punctuation provided], which read as follows [copy included in the committee packet]:

Section 1 - 21.03.025 - Page 1, Line 4 through Page 5, Line 9 Adds new section "Direct Health Care Agreements" to Chapter 3 of Title 21.

Section (a), page 1, line 5 through 11 - Defines a Direct Health Care Agreement as a written agreement between patient or patient representative and a health care provider to provide services in exchange for a periodic fee. This section also stipulates that Medicaid recipients under AS 47.07 and those receiving assistance for catastrophic illness and chronic or acute medical conditions under AS 47.08 are not eligible to enter into a Direct Health Care Agreement.

Section (b), page 1, line 12 through page 2, line 19 - Specifies that these agreements must contain a

description of the health care services provided in exchange for the periodic fee and the locations where services are available. The agreements must also specify the amount of the periodic fee, the period of time covered by the agreement, and any additional fees that may be charged including cancellation fees.

The agreement must also include contact information for representative(s) of the health care provider designated to receive complaints, prominently state that the agreement is not health insurance, and state that the patient is not entitled to protections under Patient Protections Under Health Care Insurance Policies or Trade Practices and Frauds (AS 21.07 and 21.36 respectively).

Section (c), page 2, lines 20 through 29 - Directs that providers must allow a patient to terminate the agreement within 30 days and that if the agreement is terminated, the provider shall provide a refund of the payments made under the agreement, less payments made for services already provided that are not included in the periodic fee. The provider may charge a termination fee equal to one month's cost of the periodic fee.

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MR. WHITT continued with subsections (d)-(k), [original punctuation provided], which read as follows:

Section (d), page 2, line 30 through page 3, line 8 - An agreement between provider and patient may be terminated by either party with at least thirty days written notice. The agreement must include that the patient pay the prorated periodic fee through the date of termination and any fees for services outstanding. The provider may charge a termination fee equal to one month's cost of the periodic fee.

Section (e), page 3, lines 9 through 11 - The health care providers must provide 45 days written notice of a change in periodic fee, and that fee may only be changed once a year.

Section (f), page 3, lines 12 through 14 - The billing for the periodic fee occurs after the period covered by the fee.

Section (g), page 3, lines 15 through 20 - An employer may cover the cost of the direct health care agreement of the employee, but that is not considered insurance or dealing in the business of insurance.

Section (h), page 3, lines 21 through 31 - A provider can immediately terminate a direct health care agreement if the patient, (1) repeatedly fails to follow a treatment plan, (2) exhibits behavior that is a threat to safety of the provider or staff, (3) engages in disrespectful, derogatory or prejudiced behavior.

Section (i), page 4, lines 1 through 5 - Either party may terminate the agreement at any time if the other party breaches terms of the agreement.

Section (j), page 4, lines 6 through 9 - AS 21.07 "Patient Protections Under Health Care Insurance Policies" and AS 21.36 "Trade Practices and Frauds" do not apply to Direct Health Care Agreements but are subject to other consumer protections.

Section (k), page 4, lines 10 through 22 - A Direct Healthcare agreement is not insurance in any form and is therefore not subject to any regulation under the division of insurance. Additionally, a certificate of authority or license to market is not required in order to sell a direct health care agreement or services under a direct health care agreement. Definitions for this section are also included.

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MR. WHITT continued with Section 2 [original punctuation provided], which read as follows:

Section 2 - AS 45.45.915 - Page 5, line 11 through page 6, line 4

Adds new section "Direct Health Care Agreements" to Chapter 45 of Title 45

Section (a), page 5, lines 11 through 17 - A health care provider may not refuse to enter into a Direct Health Care Agreement based upon any characteristic of a class of persons protected by state laws that prohibit discrimination.

Section (b), page 5, line 18 through 22 - A health care provider may decline to enter an agreement or cancel an existing agreement if the patients care needs are beyond that which the health care provider can provide or the provider does not have the capacity to accept new clients.

Section (c), page 5, lines 24 through 27 - A provider may use health care status as a reason for terminating a direct health agreement only if the health care provider is unable to provide services that the patient needs or in accordance with AS 21.03.025 (h) and (i).

Section (d), page 5, line 28 through page 6, line 2 - Provides definitions for this section.

Section 3 - AS 45.50.471(b) - Page 6, lines 3&4

Adds violation of section 2 of the bill to the list of unfair methods of competition and unfair or deceptive acts or practices in the conduct of trade or commerce that are declared to be unlawful.

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REPRESENTATIVE FIELDS asked whether such agreements should be regulated by the Division of Insurance.

REPRESENTATIVE MCCABE expressed the opinion that it would be best not to associate direct healthcare agreements with insurance. He stated that he had met with the director of the Division of Insurance, and he expressed the understanding that one of the strongest provisions of the bill is that the agreements would be owned by the providers.

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REPRESENTATIVE FIELDS expressed concern over entities from outside the state buying providers in Alaska. He asked if there was another state department or division which could provide the

appropriate regulatory oversight for direct healthcare agreements.

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PETER DIEMER, Attorney, Clayton and Diemer, LLC, answered that, because of the nature of the contract and regulations already in place for medical professionals, the Department of Law, licensing boards, and the court system all offer built in protections in the proposed legislation.

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REPRESENTATIVE FIELDS expressed uncertainty whether the provided protections would be enough. He questioned whether the attorney general has enough expertise in this particular area of law.

REPRESENTATIVE MCCABE responded that the ability to terminate the agreements would be the additional protection individuals have.

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REPRESENTATIVE CARRICK asked whether the aim of allowing direct healthcare agreements is to replace insurance or provide something in addition to insurance.

REPRESENTATIVE MCCABE answered that direct healthcare agreements are meant to be in addition to insurance. He added that such agreements would help insurance companies stay in the insurance business for catastrophic events, such as major accidents, rather than being involved in day-to-day health issues. In response to a follow-up question, he stated that no Alaska-based insurance company has openly supported the proposed legislation. He added that in other areas where direct healthcare agreements are allowed, there has been no pushback from major insurance companies.

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ADAM HABIG, Co-founder and President, Freedom Health Works, provided invited testimony on HB 47. He stated that Freedom Health Works was founded to help healthcare providers move to a direct healthcare model, and legislation such as HB 47 is "critical" in helping these providers move toward this model. He expressed the opinion that the proposed legislation would give providers the assurance they are in accordance with the

law. He said that direct healthcare agreements provide doctors and patients with an alternative to having to choose healthcare treatments based on what insurance will cover.

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REPRESENTATIVE FIELDS asked whether Freedom Health Works provides only direct primary care, or a broader range of healthcare.

MR. HABIG answered that he is not a doctor. He stated that Freedom Health Works supports medical practices which are both primary care and specialized care; however, most practices using the direct healthcare model are primary care providers. In response to a follow-up question, he said that a primary care provider is a doctor an individual would see on an annual basis, and these providers would refer a patient to a more specialized provider, if necessary.

REPRESENTATIVE FIELDS asked what the income distribution is for patients using direct healthcare agreements.

MR. HABIG expressed uncertainty. He added that seeing the same doctor for over a period of time is good for the patient because the doctor would become familiar with the patient.

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REPRESENTATIVE SADDLER asked whether Mr. Habig was citing direct healthcare agreements or only providers represented by his company.

MR HABIG answered that he was citing a study. In response to a follow-up question, he stated that legal transitional risk had been an obstacle at the beginning; however, legislation such as HB 47 would make direct healthcare agreements legally viable. He added that doctors creating their own practices are creating small businesses, which has associated economic risks.

REPRESENTATIVE SADDLER asked if the proposed legislation goes far enough to make such a healthcare model possible.

MR. HABIG expressed appreciation for the bill because it gives flexibility to the providers and the patients.

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REPRESENTATIVE RUFFRIDGE asked if the intent of the language "entirely owned by healthcare providers" is meant to help smaller, locally owned healthcare providers.

REPRESENTATIVE MCCABE answered yes. In response to a follow-up question, he said that the intent of the bill is to move healthcare services to the doctor-patient level, and he expressed agreement that changing the definition of "person" within the bill would reflect this.

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MR. DIEMER added that the bill relies on the definition of "person" being a natural person. Using this definition within the proposed legislation would be true to the intent of the bill.

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REPRESENTATIVE FIELDS asked whether direct healthcare agreements should explicitly protect those with pre-existing conditions.

REPRESENTATIVE MCCABE expressed the opinion that pre-existing conditions would be inherently protected.

REPRESENTATIVE FIELDS expressed the sentiment that patients with chronic health conditions should not be denied access to a direct healthcare agreement, based on these conditions.

MR. WHITT responded that Section 1 would protect people with chronic conditions. He added that doctors should be able to refuse entering into a direct healthcare agreement for a condition in which they cannot give adequate care.

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REPRESENTATIVE SADDLER asked whether it is standard practice for a doctor to examine a patient prior to treatment to determine whether the patient has a pre-existing condition.

MR. HABIG answered that such decisions are left to the doctor, based on how the practice is conducted. He commented that most of the doctors Freedom Health Works does business with would do at least one annual physical examination. In response to a follow-up question, he said that it would be possible for a doctor to require a patient to disclose pre-existing conditions; however, he expressed uncertainty whether doctors would build

knowledge of the patient's medical history for themselves. He added that direct healthcare agreements are helpful for those with pre-existing conditions, as the patients would receive consistent care.

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REPRESENTATIVE FIELDS asked for some examples of chronic conditions that these doctors would care for.

MR. HABIG answered that these practices are well equipped to care for some of the top 10 chronic health conditions, such as diabetes, asthma, and depression.

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MR. WHITT asked if Mr. Diemer could expand on the section detailing the termination of a direct healthcare agreement.

MR. DIEMER answered that the termination of a direct healthcare agreement based on the doctor not being able to care for a pre-existing condition is different than denial of insurance for a pre-existing condition. He stated that it is an issue of whether the doctor has the ability to actually care for the condition versus whether insurance will cover a patient's treatment.

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REPRESENTATIVE MCCABE, in response to a question from Representative Carrick, answered that because of the nature of such agreements, the patient will be aware of what they are agreeing to before they actually agree to it. He reiterated that direct healthcare agreements are different than insurance and are meant to allow doctors to give more direct care to their patients.

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MR. DIEMER added that HB 47 fits under current Alaska statutes. He stated that doctors have regulations and ethics they must follow, and these codes allow them to determine which types of patients they will see. He said that doctor-patient relationships can already be terminated based on certain factors.

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REPRESENTATIVE SADDLER asked what would occur if the doctor and patient had a disagreement about whether the doctor has the ability to care for a patient's condition.

MR. DIEMER answered that patients currently have the ability to make a complaint to the medical board if they believe their doctor-patient relationship was inappropriately terminated, which would not change if HB 47 were passed.

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REPRESENTATIVE FIELDS asked whether the proposed legislation would apply to a broader range of care than primary care.

REPRESENTATIVE MCCABE answered yes. A doctor would have the ability to refer a patient to a specialist who would be more able to care for the patient's condition. In response to a follow-up question, he stated that the primary purpose of the bill is to ensure that patients receive primary care.

REPRESENTATIVE FIELDS expressed concern that direct healthcare agreements could turn into concierge healthcare.

REPRESENTATIVE MCCABE responded that the intent of the proposed legislation is to provide Alaskans with more options to access primary care. He said that the bill would allow patients to visit the doctor if an issue arises without having to worry about their deductible.

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CHAIR SUMNER announced that HB 47 was held over.

[4:53:13 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:53 p.m.