

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

March 25, 2024

3:17 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. 218

"An Act relating to coverage for disability from diseases for certain firefighters; and providing for an effective date."

- MOVED CSHB 218(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 313

"An Act relating to the calculation of the regulatory cost charge for public utilities and pipeline carriers; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 324

"An Act relating to insurance data security; amending Rule 26, Alaska Rules of Civil Procedure, and Rules 402 and 501, Alaska Rules of Evidence; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 55

"An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 226

"An Act relating to the Board of Pharmacy; relating to insurance; relating to pharmacies; relating to pharmacists; relating to pharmacy benefits managers; relating to patient choice of pharmacy; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 218

SHORT TITLE: FIREFIGHTER WORKERS COMP REQUIREMENTS

SPONSOR(s): REPRESENTATIVE(s) SADDLER

01/16/24	(H)	PREFILE RELEASED 1/8/24
01/16/24	(H)	READ THE FIRST TIME - REFERRALS
01/16/24	(H)	L&C
02/28/24	(H)	L&C AT 3:15 PM BARNES 124
02/28/24	(H)	-- MEETING CANCELED --
03/01/24	(H)	L&C AT 3:15 PM BARNES 124
03/01/24	(H)	Heard & Held
03/01/24	(H)	MINUTE(L&C)
03/20/24	(H)	L&C AT 3:15 PM BARNES 124
03/20/24	(H)	Heard & Held
03/20/24	(H)	MINUTE(L&C)
03/25/24	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 313

SHORT TITLE: PUBLIC UTILITY REGULATORY COST CHARGE

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/09/24	(H)	READ THE FIRST TIME - REFERRALS
02/09/24	(H)	L&C, FIN
03/25/24	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 324

SHORT TITLE: INS. DATA SECURITY; INFO. SECURITY PRGRMS

SPONSOR(s): STAPP

02/14/24	(H)	READ THE FIRST TIME - REFERRALS
02/14/24	(H)	L&C, JUD
03/25/24	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 55

SHORT TITLE: EXTEND WORKFORCE INVEST BOARD ALLOCATIONS

SPONSOR(s): CARRICK

02/01/23	(H)	READ THE FIRST TIME - REFERRALS
02/01/23	(H)	EDC, L&C, FIN
01/31/24	(H)	EDC AT 8:00 AM DAVIS 106
01/31/24	(H)	Heard & Held
01/31/24	(H)	MINUTE(EDC)
02/12/24	(H)	EDC AT 8:00 AM DAVIS 106
02/12/24	(H)	Heard & Held
02/12/24	(H)	MINUTE(EDC)
02/14/24	(H)	EDC AT 8:00 AM DAVIS 106
02/14/24	(H)	Scheduled but Not Heard
03/13/24	(H)	EDC AT 8:00 AM DAVIS 106
03/13/24	(H)	Heard & Held
03/13/24	(H)	MINUTE(EDC)
03/15/24	(H)	EDC AT 8:00 AM DAVIS 106
03/15/24	(H)	Moved CSHB 55(EDC) Out of Committee
03/15/24	(H)	MINUTE(EDC)
03/20/24	(H)	EDC RPT CS(EDC) NEW TITLE 2DP 2NR 3AM
03/20/24	(H)	DP: MCCORMICK, ALLARD
03/20/24	(H)	NR: MCKAY, PRAX
03/20/24	(H)	AM: HIMSCHOOT, STORY, RUFFRIDGE
03/20/24	(H)	L&C AT 3:15 PM BARNES 124
03/20/24	(H)	Scheduled but Not Heard
03/21/24	(H)	L&C AT 10:30 AM BARNES 124
03/21/24	(H)	-- MEETING CANCELED --
03/22/24	(H)	L&C AT 3:15 PM BARNES 124
03/22/24	(H)	Heard & Held
03/22/24	(H)	MINUTE(L&C)
03/25/24	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 226

SHORT TITLE: PHARMACIES/PHARMACISTS/BENEFITS MANAGERS

SPONSOR(S) : SUMNER

01/16/24	(H)	PREFILE RELEASED 1/8/24
01/16/24	(H)	READ THE FIRST TIME - REFERRALS
01/16/24	(H)	HSS, L&C, FIN
02/27/24	(H)	HSS AT 3:00 PM DAVIS 106
02/27/24	(H)	Heard & Held
02/27/24	(H)	MINUTE(HSS)
02/29/24	(H)	HSS AT 3:00 PM DAVIS 106
02/29/24	(H)	Moved CSHB 226(HSS) Out of Committee
02/29/24	(H)	MINUTE(HSS)
03/04/24	(H)	HSS RPT CS(HSS) 6DP 1NR
03/04/24	(H)	DP: SUMNER, RUFFRIDGE, MCCORMICK, SADDLER, MINA, PRAX
03/04/24	(H)	NR: FIELDS

03/06/24	(H)	L&C AT 3:15 PM BARNES 124
03/06/24	(H)	Scheduled but Not Heard
03/11/24	(H)	L&C AT 3:15 PM BARNES 124
03/11/24	(H)	Heard & Held
03/11/24	(H)	MINUTE (L&C)
03/25/24	(H)	L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

BECKI ALVEY, Advisory Section Manager  
 Regulatory Commission of Alaska  
 Department of Commerce, Community & Economic Development  
 Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 313, co-provided a PowerPoint presentation titled "House Bill 313: Public Utility Regulatory Cost Charge."

NAOMI JOHNSTON, Administrative Operations Manager  
 Regulatory Commission of Alaska  
 Department of Commerce, Community & Economic Development  
 Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 313, co-provided a PowerPoint presentation titled "House Bill 313: Public Utility Regulatory Cost Charge."

REPRESENTATIVE WILL STAPP  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 324 as prime sponsor.

CLIFTON COGHILL, Staff  
 Representative Will Stapp  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** On behalf of Representative Stapp, prime sponsor of HB 324, presented the changes in Version B, the proposed committee substitute (CS) for the bill.

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

**POSITION STATEMENT:** During the hearing on HB 324, answered questions.

TERI COTHREN, Associate Vice President  
 Workforce Development

University of Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 55, provided a PowerPoint presentation, titled "Technical Vocational Education Program," dated 3/25/24.

BRIAN RIDLEY, Chief/Chairman  
Tanana Chief's Conference  
Eagle, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

TAMMY THIEL, Executive Director  
Denali Oncology Group  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

JAMES LEE, Director  
State Regulation and Policy  
Community Oncology Alliance  
Washington, DC

**POSITION STATEMENT:** Testified in support of HB 226.

TONIA NEAL, Senior Director  
State Affairs  
Pharmaceutical Care Management Association  
Bellevue, WA

**POSITION STATEMENT:** Testified in opposition to HB 226.

BALLARD SAUL, PharmD, BCPS, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

SHAWNA KING, PharmD, BCPS  
Providence Alaska Medical Center  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

LEIF HOLM, PharmD, Owner  
Alaska Family Pharmacy  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

SAMANTHA ERVIN, PharmD, BCACP  
representing self  
Tok, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

DARLENE HUNTINGTON, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

GERALD "JERRY" BROWN, Pharmacist, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

DIRK WHITE, RPh, representing self  
Sitka, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

MEGAN PENNER, PharmD, BCPS  
representing self  
Eagle River, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

MARK BOHRER, RPh, Pharmacy Practice Coordinator  
Fred Meyer  
Chugiak, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

BRITTANY KARNS, PharmD, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

KAREN MILLER, Pharmacist, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 226.

#### **ACTION NARRATIVE**

[3:17:10 PM](#)

**CHAIR JESSE SUMNER** called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Saddler, Prax, Wright, Carrick, Fields, Ruffridge, and Sumner were present at the call to order.

#### **HB 218-FIREFIGHTER WORKERS COMP REQUIREMENTS**

[3:18:11 PM](#)

CHAIR SUMNER announced that the first order of business would be HOUSE BILL NO. 218, "An Act relating to coverage for disability from diseases for certain firefighters; and providing for an effective date."

[3:18:38 PM](#)

REPRESENTATIVE FIELDS moved to adopt Amendment 1 to HB 218, labeled 33-LS0709\B.2, Marx, 3/25/24, which read:

Page 2, line 9:  
Delete "three"  
Insert "six [THREE]"

Page 2, line 10:  
Delete "60"  
Insert "84 [60]"

REPRESENTATIVE PRAX objected.

REPRESENTATIVE FIELDS explained that Amendment 1 would lengthen the period of time post-employment that firefighters can be covered by workers compensation from five years to seven years. The current system of covering a firefighter for a period post-employment would be maintained, he further explained, but the amendment would push the timeline out from three months to six months per year of employment. He said Amendment 1 is based on feedback received from the Alaska State Firefighters Association (ASFA) during a previous legislative session.

[3:19:47 PM](#)

REPRESENTATIVE PRAX expressed his concern that the committee hasn't heard whether workers' compensation insurance providers can handle the increased risk at the premiums to be charged. He advised that if the local statewide company which provides workers' compensation coverage is unable to determine the actuarial risk or decides it is so high that it must discontinue offering policies to fire companies, then the companies would get kicked into the assigned risk pool and the premiums would go way up. He urged that before deciding on the amendment, the committee learn how it would affect premiums.

CHAIR SUMNER, in response to Representative Fields, informed the committee that there is no one online to address HB 218.

REPRESENTATIVE SADDLER requested that he be able to present the answers to the questions asked during the bill's previous hearing before engaging on the language of Amendment 1.

[3:21:37 PM](#)

REPRESENTATIVE FIELDS withdrew Amendment 1 so the answers could be heard.

REPRESENTATIVE SADDLER addressed the question about the bill's intention in distinguishing between hiring and certification. He answered that a person can be hired and work as a firefighter pulling hoses, driving trucks, directing traffic, opening fire hydrants, and so forth, but before someone can wear a pack and enter a burning building they are required to have Firefighter 1 certification from the Alaska Fire Standards Council. It can take months or possibly years between hiring and certification, he explained, so the goal was to have exams at both areas. Regarding the question about the time between hiring and being certified, he answered that it is not uncommon for a firefighter to be hired at a department and become certified months or perhaps years later. Regarding the question about the effect on the risk pool of this coverage, Representative Saddler answered that this question was raised in 2022 when then-Senator Holland added breast cancer to the list of presumed diseases for which service as a firefighter was a presumed cause. He related that, at that time, the Division of Insurance and the Division of Workers' Compensation testified, and the Department of Labor & Workforce Development concurred, that there was no indication the bill would increase the risk or the cost. He further related that the National Council of Compensation Insurers (NCCI) has advised him that any change to the cost or risk would be incalculable due to how little this provision would be used. So, he continued, the answer is that he doesn't think the departments would be exposed to huge risk.

[3:24:09 PM](#)

REPRESENTATIVE FIELDS again moved to adopt Amendment 1.

REPRESENTATIVE SADDLER objected, but qualified it isn't really an objection. He stated he doesn't have a problem with page 1, lines 1-5, of Amendment 1, which would extend the presumption past a firefighter's retirement from the current statute of 60 months/five years to 84 months/seven years. He shared that the director of the Division of Workers' Compensation has indicated his support of this extension as well. Representative Saddler then argued that lines 1-[4] of Amendment 1 would be accomplished in the first section of Amendment 2. He said he intends to look favorably upon the first section of Amendment 2 and offered Conceptual Amendment 1 to Amendment 1, which would delete lines 1-4 of the Amendment 1.

[3:25:27 PM](#)

REPRESENTATIVE RUFFRIDGE objected to Conceptual Amendment 1. He said the first part of Amendment 1 would affect page 2, line 9 of the bill, while the first part of Amendment 2, would affect page 2, line 14 of the bill, and they are different.

REPRESENTATIVE SADDLER concurred. He said the first part of Amendment 1 offered by Representative Fields would increase the factor by 100 percent, so instead of three months for each year of service, it would be six months for every year of service. He surmised that this would be a doubling of the length of time beyond which a retired firefighter could enjoy this presumption.

[3:26:38 PM](#)

The committee took an at-ease from 3:26 p.m. to 3:28 p.m.

[3:28:26 PM](#)

REPRESENTATIVE FIELDS, regarding going from three months to six months per year of service, stated that firefighters would continue to accrue additional benefits, until with the prospect of adoption of Amendment 2, which would set it at 84 months, would be 14 years of service versus the status quo of 20.

[3:28:57 PM](#)

REPRESENTATIVE RUFFRIDGE noted that Conceptual Amendment 1 would delete the language in Amendment 1 that proposes to alter three months of accrued possible disability to six months of accrued possible disability for every year of requisite service. He further noted that Amendment 1 would also increase the total number of calendar months following the last day of employment [from 60] to 84. Under current statute, he said, an individual must work for 20 years to be capped out at 60 calendar months. He interpreted Amendment 1 as saying that an individual must work for 14 years to cap out at the 84 months. If [Conceptual Amendment 1 to Amendment 1 is adopted], he continued, but the 84 months is kept, an individual will have to work for well over 30 years to cap out. He said he is not in support of the conceptual amendment because it would extend that time for way too long.

CHAIR SUMNER estimated it would be slightly under 30 years.

REPRESENTATIVE FIELDS said it would be 28 [years].

REPRESENTATIVE RUFFRIDGE thanked Chair Sumner and Representative Fields.

3:30:50 PM

REPRESENTATIVE SADDLER stated he misread the provisions and agreed that extending the period to [nearly] 30 years is too much. He further stated that is okay with the second section of Amendment 1 that would change 60 to 84. He withdrew Conceptual Amendment 1 to Amendment 1. He said his preference is to not accept Amendment 1 and instead make modification to [Amendment 2] to accomplish the provision of changing 60 to 84.

3:31:40 PM

A roll call vote was taken. Representatives Ruffridge, Carrick, and Fields voted in favor of Amendment 1. Representatives Prax, Saddler, Wright, and Sumner voted against it. Therefore, Amendment 1 failed by a vote of 3-4.

3:32:14 PM

REPRESENTATIVE RUFFRIDGE moved to adopt Amendment 2 to HB 218, labeled 33-LS0709\B.1, Marx, 3/6/24, which read:

Page 2, line 14:

Delete "three"

Insert "six"

Page 2, lines 15 - 25:

Delete all material and insert:

"(A) underwent [WAS GIVEN] a qualifying medical examination

(i) upon the first employment as [BECOMING] a firefighter that did not show evidence of the disease;

(ii) at least once every two years [(B) WAS GIVEN AN ANNUAL MEDICAL EXAM] during [EACH OF] the first six [SEVEN] years of employment as a firefighter that did not show evidence of the disease; and"

Page 2, line 30, following "cancer":

Insert ";

(4) the requirements of (3)(A) of this subsection apply only if the firefighter's employer makes the

applicable qualifying medical examination available to the firefighter"

REPRESENTATIVE SADDLER objected.

REPRESENTATIVE RUFFRIDGE reviewed the three parts within Amendment 2. He noted that page 2, lines 12-14 of HB 218, propose to change [the current statute of] seven years to three years. The first part of Amendment 2, he said, proposes to change three years to six. The rationale for the amendment's change, he explained, is that some of these diseases can take a significant amount of time to manifest themselves, so three years seems to be a short window, seven years seems a little too long, and six years seems more appropriate.

REPRESENTATIVE RUFFRIDGE stated that the second part of Amendment 2 proposes to delete all material from page 2, lines 15-25 of HB 218, thereby getting rid of the language [that distinguishes between a firefighter being hired and a firefighter becoming certified]. He said this second provision also proposes that a medical exam be given every two years for the first six years of employment instead of annually during the first seven years. This ensures, he explained, that a disease doesn't creep up without notice and can be treated early, and this language matches up with the language proposed to be inserted on page 2, line. 14.

REPRESENTATIVE RUFFRIDGE explained that the third part of Amendment 2 would add a new section on page 2, line 30 of HB 218. He allowed that adding this provision could be debatable given that many of Alaska's institutions are volunteer. However, he continued, these qualifying medical examinations are very expensive and probably should be a part of the employment process, so reducing it to every two years might fit easier into a budget than every year.

[3:35:41 PM](#)

REPRESENTATIVE SADDLER stated that he can accept the first part of Amendment 2 because it accomplishes the bill's general goal to lower the onus of obtaining workers' compensation insurance for firefighter cancers. He further stated that he can accept the second part of Amendment 2 because it advances the overall goal of the bill, even though it isn't the exact schedule he had originally presumed and worked with the fire chiefs to say. However, he continued, he is opposed to the third part of Amendment 2 because it conditions the periodic medical exam

required on whether the employer pays for it, and if the employer doesn't pay for the exam then the periodic exam requirement goes away and does not apply. He pointed out that someone who had cancer before being hired as a firefighter would not have that cancer established as a baseline if the department didn't pay for medical exams, thereby exposing the department to the risk of future workers' compensation claims from a cancer that could have been detected had the department paid for exams. This third part of Amendment 2, he argued, contravenes the purpose of the underlying statute and HB 218 by potentially increasing costs to fire departments.

[3:37:44 PM](#)

REPRESENTATIVE FIELDS asked whether Representatives Ruffridge and Saddler want him to offer a conceptual amendment to add lines 5-7 of Amendment 1 into Amendment 2.

REPRESENTATIVE SADDLER said that would not be his preference.

[3:38:32 PM](#)

REPRESENTATIVE SADDLER moved to adopt Amendment 1 to Amendment 2 to delete lines 16-20 on page 1 of Amendment 2. The language to do this, he explained, is written in Amendment 3, labeled 33-LS0709\B.3, Marx, 3/25/24, and which reads:

Page 1, lines 16 - 20 of the amendment:  
Delete all material.

REPRESENTATIVE RUFFRIDGE objected to Amendment 1 to Amendment 2.

REPRESENTATIVE SADDLER stated that parts one and two of Amendment 2 comport with the intent of the underlying statute and with HB 218, but part three of Amendment 2 does not. So, he continued, he would like part three excised from Amendment 2.

[3:39:29 PM](#)

REPRESENTATIVE CARRICK asked whether there are employers that do not currently offer applicable qualifying medical examinations, and whether the [other] language in Amendment 2 would establish requirements that employers were capable of meeting. She further asked about the sponsor's intent in this section.

REPRESENTATIVE RUFFRIDGE replied that, based on his research, this language is variable throughout the multiple firefighting

apparatuses and groups across Alaska. He allowed that volunteer firefighting groups struggle to offer these expensive medical examinations. He recalled that testimony during the bill's initial iteration indicated that moving the timeframe for a medical exam by up to five years would help offset the cost, which could be up to \$1,800 according to his research. He said many employers do make these qualifying medical examinations available and offering them is probably a standard that should be upheld, although it can be a cost barrier to some.

[3:41:48 PM](#)

REPRESENTATIVE SADDLER reiterated that part three of Amendment 2 would condition the periodic medical exam on whether the department pays the cost of the exam, and he doesn't think there is any requirement for an individual to get those examinations. Without the exams, he said, a firefighter may have a harder time proving that any cancer which developed later was caused by their service as a firefighter. It is a disincentive, he argued, for departments to provide those periodic medical exams, so it is contradictory to the intent of the bill and the law.

[3:42:35 PM](#)

A roll call vote was taken. Representatives Saddler, Wright, Carrick, and Sumner voted in favor of Amendment 1 to Amendment 2. Representatives Prax, Ruffridge, and Fields voted against it. Therefore, Amendment 1 to Amendment 2 was adopted by a vote of 4-3.

CHAIR SUMNER said there is still objection to Amendment 2, as amended.

[3:43:37 PM](#)

A roll call vote was taken. Representatives Carrick, Fields, Prax, Ruffridge, Saddler, Wright, and Sumner voted in favor of Amendment 2, as amended. Therefore, Amendment 2, as amended, was adopted by a vote of 7-0.

[3:44:17 PM](#)

REPRESENTATIVE RUFFRIDGE moved to report HB 218, as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 218(L&C) was reported from the House Labor and Commerce Standing Committee.

**HB 313-PUBLIC UTILITY REGULATORY COST CHARGE**

[3:44:43 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 313, "An Act relating to the calculation of the regulatory cost charge for public utilities and pipeline carriers; and providing for an effective date."

CHAIR SUMNER noted that HB 313 is by request of the governor.

[3:45:16 PM](#)

BECKI ALVEY, Advisory Section Manager, Regulatory Commission of Alaska (RCA), Department of Commerce, Community & Economic Development (DCCED), co-provided a PowerPoint presentation titled "House Bill 313: Public Utility Regulatory Cost Charge," dated 3/25, 2024. She turned to slide 2, "Organizational Structure," and explained that the Regulatory Commission of Alaska (RCA), comprised of four sections, performs quasi-judicial and quasi-legislative functions. She explained that the RCA is comprised of four sections: the Commission Section with five commissioners appointed by the governor and confirmed by the legislature, plus staff; the Administrative Law Section with hearing examiners and paralegals; the Advisory Section comprised of communication specialists, and tariff, engineering, and financial analysts, and the Utility Master Analysts.

[3:46:12 PM](#)

MS. ALVEY moved to slide 3, "RCA Authority," and noted that the RCA is created by statute, AS 42.04, and is required by statute to regulate public utilities and pipeline carriers. She said the RCA is also required by statute, AS 42.45, to determine the per kilowatt hour support for eligible customers and electric utilities under the power cost equalization (PCE) program.

MS. ALVEY displayed slide 4, "What We Do: Regulating Public Utilities and Pipeline Carriers," and related that the RCA's core services include certificating applicants that are fit, willing, and able to provide service, reviewing tariff filings made by utilities and pipeline carriers, ensuring rates are just and reasonable, investigating complaints, and calculating PCE and setting the PCE base rate, also known as the PCE floor.

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MS. ALVEY showed slide 5, "Tariff Review Process," and explained that RCA staff analyzes the filings to determine if the rates are just and reasonable, and if the tariff provisions are reasonable and supported. She noted that the slide depicts the general process of the tariff filing. An entity would make a tariff filing, the RCA would issue a public notice of the proposed change, and there is a 45-day review period for utilities. Prior to the end of that review period the RCA would approve, reject, or suspend the filing. If the RCA took no action, which the RCA generally tries to avoid, then the filing takes effect by force of law. If the tariff is suspended into a docket for further investigation, the RCA would assign a commission panel and an administrative law judge, hearings would be held as applicable, and a final order would be issued with the RCA's decision. The common timeline for changes to a revenue requirement or rate design is 450 days and it is 270 days if it is not a change to the revenue requirement.

[3:48:02 PM](#)

MS. ALVEY discussed slide 6, "Power Cost Equalization (PCE) Program." The RCA, she explained, establishes the PCE amounts for 11 regulated electric utilities and 78 non-regulated utilities that participate in the PCE programs, which impacts more than 150 communities. The RCA sets the PCE floor, she further explained, which is the weighted average cost of the retail rate in Anchorage, Fairbanks, and Juneau, which is subject to the statutory ceiling of \$1. The PCE program is administered by the Alaska Energy Authority (AEA), she noted.

[3:48:45 PM](#)

MS. ALVEY spoke to slide 7, "Funding of the RCA and RAPA." She stated that since 1993, the Regulatory Cost Charge (RCC) program has been the RCA's main source of funding. Beginning in 2005, she continued, the RCC program also became the main source of funding for the Department of Law's Regulatory Affairs and Public Advocacy (RAPA) section. She said the RCA also receives funds from the AEA through a reimbursable service agreement (RSA) to offset costs of administering the PCE program. She noted that no other general fund support is received for RCA operations. She further noted that regulated public utilities, telecommunications utilities, and pipeline carriers pay RCCs, which they are permitted to recover from customers and shippers.

MS. ALVEY addressed slide 8, "Revisions to the RCC." After the RCA's annual budget is passed by the legislature, she explained, the RCA is required to notify the public and the regulated entities of the annual RCC amount. The [RCC] is calculated on an annual basis, effective July 1 of each year, based on the formula set out in regulation, and is established by RCA order. Once established by order, she added, tariff sheets are issued to the regulated entities reflecting the new RCC amount.

[3:50:13 PM](#)

MS. ALVEY turned to slide 9, "Statutory Cap," and explained that the statutory cap for the amount the RCA expects to collect through the RCC may not exceed the sum of the following percentages of the total adjusted gross revenue of all regulated public utilities, certificated telecommunication utilities, and pipeline carriers: no more than 0.7 percent to fund operation of the RCA and no more than 0.17 percent to fund operations of RAPA. She conveyed that these caps were enacted with Senate Bill 392 and signed into law on 6/25/04. She further informed the committee that: the statutory cap sets the ceiling of what the RCA may collect in revenue; the legislature approves the RCA's operating budget and the RCC formula calculates how much of the operating budget is needed to be collected from RCCs; and the RCA is unable to collect more in RCCs than what is set as the statutory cap.

MS. ALVEY presented slide 10, "Proposed Changes to the Statutory Cap." She explained that HB 313 proposes to increase the percentages from 0.7 percent to 0.98 percent to fund operations of the RCA, and from 0.17 percent to 0.22 percent to fund operations of RAPA.

MS. ALVEY moved to slide 11, "Alaska Energy Security Task Force Report." She related that one of the priority actions suggested in the report is to provide support for the RCA "sufficient to improve the RCA's ability to respond timely and appropriately to the complex energy production, generation, and transmission challenges in Alaska." The task force, she further related, found that the RCA must be provided sufficient budgetary support to be able to attract and retain the highly skilled staff necessary to adjudicate the complex and rapid pace of decisions that are necessary for Alaska's continued access to affordable, reliable, and resilient energy.

[3:52:22 PM](#)

MS. ALVEY displayed slide 12, "Possible Impacts of an Increase to the Statutory Cap." She advised that the projected budgets for the RCA and RAPA will soon exceed the statutory cap, and without an increase to the statutory cap, the RCA and RAPA may not be able to collect the amount needed through the RCC to fund operations. Regarding the potential impact to ratepayers, she specified that under the statutory cap proposed in HB 313, the RCC impact on a customer would increase by about 27 cents, going from about 67 cents to about 94 cents on a 650-kWh monthly customer bill.

[3:53:26 PM](#)

NAOMI JOHNSTON, Administrative Operations Manager, Regulatory Commission of Alaska (RCA), Department of Commerce, Community & Economic Development (DCCED), co-provided a PowerPoint presentation titled "House Bill 313: Public Utility Regulatory Cost Charge," dated 3/25, 2024. She drew attention to the two charts depicted on slide 13, "Statutory Cap vs. RCC Revenue." She explained that both charts, one for RCA and one for RAPA, present a projected 10-year forecast with the current statutory cap and with the proposed increased statutory cap. The fluctuations seen in both charts, she noted, are based on a five-year historical pattern that shows how the statutory cap can increase or decrease depending on the gross operating revenues of the utilities in the prior calendar year. She pointed out that the blue line on each chart represents the requested statutory cap with the same fluctuations. Regarding the RCA chart, Ms. Johnston explained that the green columns represent the RCA's authorized budget, which is projected by using an average of the prior five years and is an increase of roughly 2.11 percent. The orange columns, she continued, represent the revenue the RCA needs to collect from RCCs, which can vary depending on the estimated carry forward from the prior year, whether there are any other sources of revenue, and whether there are any uncollectable RCCs from the prior year. The RCA, she added, is not always collecting the full amount in RCCs that are outlined in the RCA's budget. Regarding the RAPA chart, she explained that it shows RAPA's projected operating budget together with the current statutory cap and with the proposed statutory cap. She noted that in fiscal year 2023 (FY 23), RAPA began to exceed its statutory cap by about \$8,700.

[3:55:16 PM](#)

REPRESENTATIVE FIELDS posed a scenario in which the committee deregulates approval of projects that are, say, under 200

megawatts. He asked how much that would save the RCA and whether that would obviate the need for an increase in fees.

MS. ALVEY responded that she doesn't know how that would impact the RCA and its operation and whether it would need the statutory cap.

REPRESENTATIVE FIELDS related that three projects of about 120-130 megawatts each are being pursued by Golden Valley Electric Association (GVEA) and Chugach Electric Association (CEA) [in Fairbanks and Anchorage, respectively]. The projects are about the cost of current gas and much less expensive than imported gas, he further related, plus the cooperatives have boards elected by voters so there is a high degree of accountability. He asked how much money would be saved if these three projects were deregulated.

[3:56:39 PM](#)

REPRESENTATIVE RUFFRIDGE asked whether HB 313 would increase the number of fees that go to operation of the RCA.

MS. JOHNSTON explained that the bill would increase the ceiling that the RCA can collect to fund its operations. If the current trajectory continues, she said, the RCA will exceed the current cap in FY 26.

REPRESENTATIVE RUFFRIDGE, regarding the funding of operations, inquired whether the RCA currently has vacant positions.

MS. JOHNSTON replied that the RCA has a 33 percent vacancy rate, about 19 positions.

REPRESENTATIVE RUFFRIDGE asked whether Ms. Johnston is aware of Resolution 23-18 that was passed by the Alaska Federation of Natives (AFN) in October [2023].

MS. JOHNSTON answered that she is not aware.

REPRESENTATIVE RUFFRIDGE conveyed that Resolution 23-18 calls for the State of Alaska to investigate the operations of the Regulatory Commission of Alaska (RCA) that cause Alaska's rural residents undue financial hardships that affect their ability to thrive. He expressed his concern that even though the bill's proposed increase is small, there are individuals within the state who are already saying they pay too much.

[3:59:15 PM](#)

MS. ALVEY stated she is aware of the resolution. She explained that there are multiple factors in a customer bill, one being the RCC if the utility chooses to pass that on to its customers. She further explained that some of the items happening are outside of the RCC, such as increases in costs.

REPRESENTATIVE RUFFRIDGE inquired as to what the RCA is doing about the resolution. Asking to raise the statutory cap seems odd, he remarked, given that people, and rural Alaskans specifically, are crying for help. He asked whether the RCA is really needs that extra money when everyone else is hurting.

[4:00:53 PM](#)

REPRESENTATIVE PRAX surmised that more people could be hired if the RCA received more money. He asked whether hiring more people would reduce the timeline for docket processing, which he gathers is almost a year.

MS. ALVEY replied that the timelines are set out in statute, but that the RCA tries to get things done as efficiently as possible. The RCA can handle the filings within the usual tariff process, and it is about 45 days, she explained, but the longer timelines are when the RCA suspends a filing for further investigation. The items getting suspended, she continued, frequently are the revenue requirements of the rate cases, which can be complex and do need the timeline.

[4:02:21 PM](#)

CHAIR SUMNER asked whether the RCA regulates residential trash pickup.

MS. ALVEY answered that the RCA regulates residential and commercial trash, except commercial in Anchorage. The Fairbanks borough, the Mat-Su, and the Kenai are not rate regulated, she added, but they still are required to do filings with the RCA

CHAIR SUMNER asked whether the RCA regulates residential trash pickup in the Mat-Su.

MS. ALVEY clarified that the RCA regulates residential trash pickup across the state.

CHAIR SUMNER inquired about the amount of time spent on this.

MS. ALVEY replied that she is not sure on the number of hours. She said the RCA accounts for trash as a whole and not just commercial or residential when keeping track of the RCA's time.

CHAIR SUMNER asked about the number of trash haulers that the RCA is currently regulating in the Mat-Su.

MS. ALVEY offered her belief that it is about four, but perhaps a couple more.

[4:04:11 PM](#)

REPRESENTATIVE CARRICK inquired about the average percentage or dollar amount of a utility's cost that the RCC represents.

MS. ALVEY responded that it would depend on the sales of the utility because it is the number of kilowatt hours that the utility sells times the rate. It is going to vary between the smaller utilities and a [large] utility like CEA, she continued, but probably up to a couple thousand dollars. She said she would see if the RCA has an average of how many kilowatt hours.

REPRESENTATIVE CARRICK stated that that would be valuable information for the committee to have.

[4:05:33 PM](#)

REPRESENTATIVE FIELDS mused as to whether costs could be cut on the side of the utilities. He asked whether the RCA has estimated the administrative costs of Alaska's electric utilities for staff time and attorney time to go through the process to permit new generation.

MS. ALVEY answered that typically the RCA does not see new projects come in for project pre-approval; the RCA sees the costs for a project when a utility files its rate case. But, she noted, that will change with the large project pre-approval statutes that currently operate under the electric reliability organization (ERO).

REPRESENTATIVE FIELDS surmised that RCA staff spent as many hours on CEA's two community solar applications as did CEA. He said minimizing administrative burden for Anchorage's electric utility is something he is thinking about.

[4:07:41 PM](#)

REPRESENTATIVE SADDLER put forth his understanding that HB 313 is a formulaic and housekeeping bill for how RCA and RAPA can get the funds they need for doing their job of regulating the utility situation right now. He questioned whether it is fair to be getting into the larger issues of energy policy when Ms. Alvey and Ms. Johnston are before the committee to discuss funding in the bill.

CHAIR SUMNER remarked that the bill has an interesting title.

[4:08:25 PM](#)

REPRESENTATIVE RUFFRIDGE agreed with Chair Sumner. He asserted that when RCA asks for an increase to the statutory cap, it puts everything that RCA does under the microscope as far as, "Should that cost that, and should those people do that?" He asked how many people are currently employed under the sphere of the PCE program with RCA.

MS. ALVEY replied that the majority of one financial analyst's part is dealing with rural non-regulated PCE; the tariff section currently has three of its four positions filled that deal with calculation of power cost equalization in addition to the other items; and the RCA has some clerical staff that helps with the clerical pieces of it.

[4:09:47 PM](#)

REPRESENTATIVE CARRICK asked which vacancies the RCA would fill should the cap increase be passed.

MS. ALVEY responded that the RCA would fill the currently vacant analyst and support staff positions.

[4:10:38 PM](#)

The committee took a brief at-ease.

CHAIR SUMNER passed the gavel to Vice Chair Ruffridge.

[4:11:11 PM](#)

REPRESENTATIVE CARRICK requested further specifics regarding RCA's personnel needs.

MS. ALVEY explained that everything comes into the RCA through the Records and Filing Section. She further explained that there are a few vacancies in the Advisory Section where the analysts are and potential energy issues [are handled by] engineering. She said everything with PCE has so far been handled by current RCA staff.

[4:12:46 PM](#)

VICE CHAIR RUFFRIDGE asked why an increase is needed with a 33 percent vacancy rate and whether some other cost will be significantly altered in the coming two years. He further asked whether more people will be needed in addition to the approximately 20 vacant positions.

MS. ALVEY replied that depending on what comes out of the legislative session, RCA will potentially have some additional needs for personnel. She said RAPA is currently at its statutory cap and RAPA will intervene in cases before the commission as part of ensuring the public interest. She stated that she is unclear whether there will be additional needs in the future outside of what has been projected in RCA's budget, but based on projections RCA will exceed its current statutory cap. She noted that RCA is working to fill its vacancies.

[4:14:40 PM](#)

MS. JOHNSTON pointed out that over the last couple years, some of RCA's fixed costs over which it has no control have increased significantly, which has increased RCA's budget by an unexpected amount. She said the proposed [statutory cap] increase would allow flexibility in RCA's budget to prepare for future replacement of RCA's case management software and digitizing its records, which would make those records available.

VICE CHAIR RUFFRIDGE suggested that potentially there could be a capital request for reaching those efficiencies rather than a long-term statutory cap increase, which would negate the need to pass this along to Alaskan residents.

[4:16:13 PM](#)

VICE CHAIR RUFFRIDGE announced that HB 313 was held over.

[4:16:29 PM](#)

The committee took an at-ease from 4:16 p.m. to 4:20 p.m.

HB 324-INS. DATA SECURITY; INFO. SECURITY PRGRMS

4:20:00 PM

VICE CHAIR RUFFRIDGE announced that the next order of business would be HOUSE BILL NO. 324, "An Act relating to insurance data security; amending Rule 26, Alaska Rules of Civil Procedure, and Rules 402 and 501, Alaska Rules of Evidence; and providing for an effective date."

4:21:14 PM

The committee took a brief at-ease at 4:21 p.m.

4:21:36 PM

REPRESENTATIVE WRIGHT moved to adopt the proposed committee substitute (CS) for HB 324, Version 33-LS1348\B, Wallace, 3/21/24, ("Version B"), as the working document.

REPRESENTATIVE CARRICK objected for purposes of discussion.

4:21:57 PM

The committee took a brief at-ease.

4:22:32 PM

REPRESENTATIVE CARRICK removed her objection. There being no further objection, Version B was before the committee.

4:22:43 PM

REPRESENTATIVE WILL STAPP, Alaska State Representative, introduced HB 324 as prime sponsor. He stressed that insurance data security is paramount in today's digital age given that data breaches have occurred throughout Alaska and insurance is no different. While most insurance companies have taken steps to mitigate the risk of data breaches, he stated, the bill would set a uniform standard to allow the Division of Insurance to regulate those companies to ensure that Alaska's constitutional provision of right to privacy is upheld and consumers' information is protected as much as possible. He allowed [it's likely impossible to] devise a system in which an individual's personal information is always going to be protected but said HB

324 would be one step forward to establishing a good regulatory framework to ensuring that an individual's data is protected.

[4:24:32 PM](#)

CLIFTON COGHILL, Staff, Representative Will Stapp, Alaska State Legislature, on behalf of Representative Stapp, prime sponsor of HB 324, presented the changes in Version B, the proposed CS for the bill. He spoke from the document, titled "Summary of Changes for HB 324 - Bill Version A to B" [included in committee packet], which read as follows [original punctuation provided]:

#### **Structural Change**

All sections of the bill moved from AS 21.96 to AS 21.23. Legal Services Division felt that the topic of the bill would fit better under Risk Management in Alaska statute.

Throughout the bill, changes all references of 72 hours to 3 business days instead.

#### **All Changes are in Section 1**

- **Page 1, Line 5**

- o Adds a new section, Purpose and Construction, establishing an exclusivity standard.

- **Page 2, Line 1-5**

- o Adds clarifying language.

**commensurate with the size and complexity of the licensee and in consideration of the nature and scope of the licensee's activities and be used by on in possession or control of the licensee**

- **Page 4, Line 2-4**

- o Adds clarifying language.

**The licensee shall adopt procedures for testing the security of externally developed applications used by the licensee.**

- **Page 5, Line 2-9**

- o Adds clarifying language.

**where appropriate, encrypted nonpublic information is not considered accessible to, or held by, the third-party service provider if the associated protective process or key necessary to assign [meaning] to the nonpublic information is not within the possession of the third-party service provider;**

- **Page 8, Line 8-10**

- o Changes "law enforcement official" to be exclusively of federal law enforcement. There were

concerns that law enforcement would be too broad.

- o (a) Unless a federal law enforcement official instructs the licensee not to distribute information regarding a cybersecurity event

- Page 8, Line 25-26

- o Adds clarifying language

- o (b) To the greatest extent possible and in a form and format prescribed by the

- o director,

- Page 10, Line 27-28

- o Except as provided in (f) and (g) of this section, a licensee acting as an assuming insurer ovides reporting requirement exemptions for reinsurers with exceptions.

- Page 11, Line 9-23

- o Clarifies reporting requirements regarding insurers and insurance producers.

- o (j) An insurer shall notify an insurance producer of a cybersecurity event

- o involving nonpublic information, not later than the date the notice is provided to the affected consumers, if (1) the nonpublic information is in the possession or control of a licensee that is an insurer or the licensee's third-party service provider; (2) the consumer accessed the insurer's services through an insurance producer; and (3) the insurer is required to notify affected consumers

- Page 13, Line 1-4

- o Clarifies that the director cannot share privileged information without the written consent of licensees.

- Page 14-15

- o Clarifies some definitions. Of note is the definition of "non-public information" is expanded upon.

[4:28:28 PM](#)

REPRESENTATIVE FIELDS asked whether local or state law enforcement has been involved in security breaches in the past.

[4:29:06 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development (DCCED) State of Alaska, responded that when the original bill was introduced there was discussion with the insurance industry that if a cyberbreach occurred and the industry was also working with the

Federal Bureau of Investigation (FBI) or the [US] Department of Justice (DOJ), industry might not have to report to the Division of Insurance, yet the Division of Insurance is the insurance industry's regulator. The compromise, she continued, was that industry would report to the division unless the FBI or the DOJ directs otherwise, and so the division's mission would be to ensure that consumers in Alaska receive notice and then the investigation would proceed from there.

REPRESENTATIVE FIELDS reported that half of the other US states have adopted some version of this bill. He asked whether it varies or is cookie cutter across these states in following the language of the National Association of Insurance Commissioners (NAIC). He further asked whether HB 324 is cookie cutter or has specific factors built in.

MS. WING-HEIER responded that there was nothing built in by the department. There were discussions, she said, about whether to exempt agencies with 10 employees or with 15 employees, but there was no giving up on any major deviations from the NAIC model law.

[4:30:48 PM](#)

REPRESENTATIVE CARRICK inquired about the reasons for the exemption of 10 or fewer and how that looks in other states.

MS. WING-HEIER answered that the NAIC model uses the number 10 because NAIC thought the cost to a very small agency would be prohibitive. She pointed out that companies like State Farm or Allstate will get what HB 324 asks for in cybersecurity data protection, and smaller agencies that are in direct riders would rely on the insurer itself.

REPRESENTATIVE CARRICK surmised the intent would be that this language would cover the larger company, which would therefore cover the small entities. In other words, she continued, every insurer in the state would be covered by this language in some form or fashion.

[4:31:54 PM](#)

REPRESENTATIVE STAPP replied that HB 324 has two aspects, one on the insurer side and one on the producer side. The number being referenced is relevant to 10 folks at a producer firm, he said. Big companies like State Farm and Allstate, he continued, have way more than 10 staff, have individual agencies, and already

have some different aspect of cybersecurity, such as the now-standard two-step authentication. This bill, he explained, sets the regulatory framework at the state level because states' divisions of insurance still regulate that practice individually across the 50 states.

[4:33:28 PM](#)

REPRESENTATIVE STAPP advised that there are aspects in HB 324 that should be tweaked, and he is working with the sponsor of the Senate companion bill to address them. He said the number 10 is NAIC language and he doesn't know whether that figure is applicable to any kind of agency in Alaska, and it may not matter if the number were changed to 15. The bill is very technical and needed, he added, even though he doesn't like additional regulatory things.

[4:34:27 PM](#)

VICE CHAIR RUFFRIDGE announced that HB 324 was held over.

[4:34:36 PM](#)

The committee took an at-ease from 4:34 p.m. to 4:35 p.m.

**HB 55-EXTEND WORKFORCE INVEST BOARD ALLOCATIONS**

[4:35:57 PM](#)

VICE CHAIR RUFFRIDGE announced that the next order of business would be HOUSE BILL NO. 55, "An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date." [Before the committee was CSHB 55(EDC).]

[4:36:15 PM](#)

REPRESENTATIVE CARRICK noted that HB 55 was before the committee [on 3/22/24], so today she will take questions about policy.

[4:37:02 PM](#)

TERI COTHREN, Associate Vice President, Workforce Development, University of Alaska, provided a PowerPoint presentation titled "Technical Vocational Education Program," [TVEP], dated 3/25/24. She displayed the title slide and said she will provide the context for the importance of reauthorizing TVEP and providing

funding to upscale and rescale Alaskans for high demand jobs in the state. She stated that because of the billions in federal funding for infrastructure projects, skilled workforce needs will steadily increase over the coming years, and TVEP provides stable funding to train Alaskans for these projects and for maintaining the infrastructure long term.

MS. COTHREN showed slide 2 and discussed the 2024 jobs forecast. She said the University of Alaska (UA) is the state's largest and most comprehensive workforce provider and is key to meeting Alaska's workforce needs. She moved to slide 3 and pointed out that the three separately accredited universities within the UA system have distinct missions. She said they are also responsible for serving the community college mission through thirteen community campuses that provide access to current technical education across all six of Alaska's economic regions.

[4:38:50 PM](#)

MS. COTHREN stated that slide 4 is a summary of employment outcomes for nearly 27,000 graduates across 11 industries important to Alaska's economy. She reported that the graduates from short-term certificate and associate programs are outearning the average Alaska wage by their fifth year of employment. She specified that 94.8 percent of these working graduates are Alaska residents and said reauthorization of TVEP is critical in addressing the state's workforce needs.

MS. COTHREN spoke to slide 5. She explained that the university collaborates with the Department of Labor and Workforce Development (DLWD) on the annual Technical and Vocational Education Program Report and demonstrates requirements outcome. She related that [for fiscal year 2023], the university utilized its 45 percent allocation to train nearly 5,000 students who overall had an 80 percent employment rate [after exit], and nearly 1,300 high school students [received college credit]. The university, she continued, distributes its single TVEP allocation through a competitive grant process that includes all campuses and programs in the UA system that are aligned state identified priorities and are the intent of TVEP.

[4:40:51 PM](#)

MS. COTHREN addressed slide 6. She said TVEP supports high priority industries that are aligned to Alaska Workforce Investment Board priority industries and TVEP serves all six of Alaska's economic regions. The Fairbanks Pipeline Training

Center, she noted, receives a portion of UA's 45 percent allocation as pass-through funding based on a 2008 fiscal note.

MS. COTHREN turned to slide 7 and reviewed the performance outcomes and efficient use of funding to train Alaskans reflected in the TVEP annual report. Multiple access points are being provided for technical education across Alaska, she stated, and collectively across the 10 TVEP recipients over 8,500 participants were trained in fiscal year 2023 for an average cost of just over \$1,600 per participant.

[4:42:03 PM](#)

MS. COTHREN displayed slide 8 and concluded her presentation. She said the University of Alaska strongly supports the reauthorization of TVEP [HB 55] to provide stable funding to address Alaska's growing workforce needs. She added that the university continues to be aligned with the Workforce Investment Board's identified industry priorities and to ensure outcomes that align with TVEP performance criteria.

[4:42:40 PM](#)

REPRESENTATIVE FIELDS drew attention to slide 7 and noted that the Amundsen Educational Center received [\$274,100] and trained 5 people [at an investment of \$54,820 per person]. He inquired about the training programs that Kenai residents would enjoy if the legislature allocated another \$274,000 to the Kenai Peninsula.

MS. COTHREN replied that the university's Kenai Peninsula College, which serves over 1,700 students, has welding programs and programs in process technology that were started in partnership with the oil and gas industry, as well as general education requirements as a pathway into other degree programs.

[4:44:20 PM](#)

REPRESENTATIVE SADDLER brought attention to slide 7 and inquired about the high utilization rate by adults at Ilisagvik College [799] versus the number of adults served by Alaska Vocational Technical Center (AVTEC) [1,170], given the small number of people in the North Slope area as compared to the statewide population of about 750,000.

MS. COTHREN responded that she cannot speak to that.

[4:45:14 PM](#)

REPRESENTATIVE CARRICK posited that as a hub campus for lots of communities on the North Slope, Ilisagvik College is providing training to a large region and not just the community of Utqiagvik [formerly Barrow].

[4:45:51 PM](#)

VICE CHAIR RUFFRIDGE announced that HB 55 was held over.

[4:46:12 PM](#)

The committee took an at-ease from 4:46 p.m. to 4:48 p.m.

**HB 226-PHARMACIES/PHARMACISTS/BENEFITS MANAGERS**

[4:48:01 PM](#)

VICE CHAIR RUFFRIDGE announced that the final order of business would be HOUSE BILL NO. 226, "An Act relating to the Board of Pharmacy; relating to insurance; relating to pharmacies; relating to pharmacists; relating to pharmacy benefits managers; relating to patient choice of pharmacy; and providing for an effective date." [Before the committee was CSHB 226(HSS).]

[4:48:30 PM](#)

VICE CHAIR RUFFRIDGE opened public testimony on HB 226.

[4:48:50 PM](#)

BRIAN RIDLEY, Chief/Chairman, Tanana Chief's Conference (TCC), testified in support of HB 226. He stated that patients and pharmacists in Alaska are currently in a state of financial crisis, with prescription drugs becoming unaffordable. He reported that, through mergers, just three of the 70 pharmacy benefit managers (PBMs) in the US control 80 percent of the prescription drug market. He further reported that each of these three also own a health insurer, a large franchise pharmacy, and large medical providers, thereby controlling pricing, coverage, cost control, where prescriptions can be filled, and the ultimate cost to the employer and patient. Tribal health organizations, he stated, are the only healthcare option in many of Alaska's rural communities and their ability to continue providing pharmacy services is in serious jeopardy due to the practices of PBMs. Mr. Ridley said [TCC] has

calculated a loss of more than \$4 million annually to the bottom line of [tribal health care] pharmacies and the State of Alaska is spending nearly \$8 million more annually using the current PBM contract than it would under the provisions included in HB 226. He urged the rapid passage of HB 226.

[4:51:22 PM](#)

REPRESENTATIVE FIELDS asked whether it is the Title 21 or Title 39 language in the bill that would have primary impact on tribal health providers.

MR. RIDLEY answered that he is not sure.

[4:52:06 PM](#)

TAMMY THIEL, Executive Director, Denali Oncology Group (DOG), testified in support of HB 226. She said the bill seeks to regulate the harmful practices of white bagging and brown bagging policies employed by insurers and pharmacy benefit managers (PBMs). White bagging and brown bagging policies, she explained, require that patient medications be delivered through an insurer or PBM-designated specialty pharmacy rather than allowing providers to acquire and dispense these medications directly. This can lead to many issues for patients and providers, she noted, including the improper delivery and storage of medication, delayed end care, and medical waste. She said DOG believes that healthcare providers, in consultation with their patients, should maintain the ability to choose the most appropriate sources for obtaining and administering necessary medication. She said HB 226 would preserve the ability of oncologists to manage the procurement and administration of medication through established and trusted channels, thereby protecting the wellbeing of cancer patients in Alaska. She asked that the committee pass HB 226.

[4:54:31 PM](#)

JAMES LEE, Director, State Regulation and Policy, Community Oncology Alliance (COA), testified in support of HB 226. He said COA believes that white and brown bagging practices threaten patient safety, compromise treatment efficacy, and pose significant challenges to the continuity of care for Alaskans with cancer. He explained that white and brown bagging refers to the process where insurers and PBM affiliated specialty pharmacies mail or deliver cancer medications directly to the physician's office or to the patient's home rather than allowing

the patient's oncologist to directly handle and dispense the medications. Under white and brown bagging insurer policies, he argued, the integrity and safety of highly specialized and fragile cancer medications cannot be guaranteed once they leave the controlled environment of their affiliated specialty pharmacy. He pointed out that improper handling, storage, or temperature control during shipping can compromise the efficacy of a drug and impact patient outcomes. Dosage changes are common in cancer care, he noted, but these policies can delay changes due to the need to reorder and await delivery of new medication, further complicating a patient's health.

[4:57:11 PM](#)

TONIA NEAL, Senior Director, State Affairs, Pharmaceutical Care Management Association (PCMA), testified in opposition to HB 226. She noted that PCMA is the national trade association for PBMs. She said PBMs operate within a highly regulated framework overseen by several federal agencies, and their role is to serve as a service provider for health plans, not to unilaterally set pharmacy access or out of pocket cost. Drug pricing is dictated by manufacturers, she stated, and PBMs promote the use of generic alternatives which account for 90 percent of dispensed prescriptions in the US. Specialty drugs are responsible for about 82.5 percent of the cost, she continued, so the committee should look at the whole supply chain, not just the one entity involved in HB 226. She said specialty pharmacies focus on high cost and high-tech medications that are not self-administered, that are typically sent to the provider's office to administer, and that may require special handling, storage, and administration. She argued that the mandate in HB 226 to shift pricing to National Average Drug Acquisition Cost (NADAC) will increase costs to Alaskans without a benefit. She further argued that the bill's mandate of profit guarantees for pharmacies could compromise costs and patient safety by undermining the specialty drugs.

[4:58:43 PM](#)

BALLARD SAUL, PharmD, BCPS, representing self, testified in support of HB 226. He stated that the current practice of white and brown bagging by PBMs hinders the ability of pharmacists to ensure the delivery of safe and effective therapy to patients because pharmacists are unable to certify the medication's integrity. He asked that committee members consider whether they would prefer a supply chain that is manned by individuals who have dedicated their lives to education and training, or one

that is comprised of health care facilities that have invested millions of dollars to ensure that the medication received by a patient is safe and effective, or one that has very few checks and balances to ensure the medication is handled appropriately. White and brown bagging, he stressed, are a medication safety concern anywhere, and especially in Alaska.

[VICE CHAIR RUFFRIDGE returned the gavel to Chair Sumner.]

[5:01:59 PM](#)

SHAWNA KING, PharmD, BCPS, Providence Alaska Medical Center, testified in support of HB 226. She stated that the lack of PBM regulation in Alaska is allowing mail order only practice by insurance companies, causing local pharmacies in Alaska to close and thereby limiting access to medications for everyone. It impacts the appropriate management of chronic diseases, she maintained, and limits access to medications needed to treat urgent medical issues, such as antibiotics. Pharmacy benefit managers do not equally reimburse local pharmacies, she said, and PBMs claim to reduce medication cost but fail to provide transparent evidence of medication cost savings to patients. She related that several home infusion pharmacies and infusion centers in Anchorage have closed due to the negative financial impacts of the white bagging and brown bagging practices required by PBMs. There is unclear chain of medication custody, she asserted, which violates the Drug Supply Chain Security Act [of 2013] and appropriate therapy is often delayed for patients because of the known shipping issues for specialty medications, especially to Alaska.

[5:04:07 PM](#)

LEIF HOLM, PharmD, Owner, Alaska Family Pharmacy, testified in support of HB 226. He related that Alaska Family Pharmacy opened its first store in 1960 and grew into four stores serving Interior Alaska with plans to expand. But instead, he continued, Alaska Family Pharmacy had to close its tele-pharmacy in Healy due to unfair reimbursement practices and another pharmacy due to an employee crisis exacerbated by a lack of capital from consistently inadequate reimbursements. He said his pharmacy became the only independent pharmacy in Interior Alaska in 2022 when the other independent pharmacy closed, and he is aware of two independent locations in Juneau that closed recently. He noted that his pharmacy continues to struggle with reimbursement issues. He asserted that it is not an isolated case of him being a terrible businessman, but rather it is a

case of the math not adding up given that demand is increasing, prices are increasing, overhead is increasing, while reimbursements to pharmacies are shrinking. [Pharmacies] have no ability to set their prices, he continued, and no other business has such little power to deal with the inflation that is happening.

[5:06:03 PM](#)

SAMANTHA ERVIN, PharmD, BCACP, representing self, testified in support of HB 226. She stated that in her nearly three years as a pharmacist in Tok she has become increasingly concerned with current PBM practices because they put a threat to all small rural pharmacies in Alaska. She related that prior to the Tok pharmacy opening in 2021, patients used mail order pharmacies or drove eight hours round trip for their chronic medication needs. If critical medications came from a mail order pharmacy, she continued, they arrived with no counseling support on how to use complicated devices or special ways to take the medications or which side effects to watch for. She said some of her concerns with PBMs include forced co-pays to use local pharmacies, refusal to send diabetic medication for risk of freezing resulting in a loss in care, continued sending of medications that were stopped by providers, and sending critical lifesaving medications late, resulting in patients going to local pharmacies for the medication to prevent a lapse in care and having to pay again. The option to use mail order pharmacies should be kept as an option, she stated, not a must.

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DARLENE HUNTINGTON, representing self, testified in support of HB 226. She stated that she primarily serves patients residing in villages throughout Interior Alaska. Because the villages are not connected to a road system, she continued, patients cannot walk down the street to a local pharmacy to rectify a prescription that has been damaged in transit or damaged due to weather. She said the PBM mail order system does not accommodate for real life scenarios in villages, such as post offices sometimes being closed for long periods due to postmaster staffing shortages, medications getting stuck in the US Postal Service for extended periods of time and having to be wasted because of going out of an acceptable temperature storage range, and patients being unable to cross rivers during spring breakup to get to a post office. She asserted that the current PBM model does not provide an acceptable level of care and diligence that is provided by local pharmacists in Alaska and

does not fit or serve the logistical challenges of communities in rural Alaska.

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GERALD "JERRY" BROWN, Pharmacist, representing self, testified in support of HB 226. He related that about 10 years ago he and his wife purchased a legacy pharmacy in Fairbanks but lost the pharmacy because of the negative revenue that was being forced on them by the PBMs. He stated that 10 years ago the gross margins were about 22 percent as compared to 2 percent today, which makes it impossible to hire enough pharmacists and/or staff to conduct business and so the pharmacy was running in negative revenue. The purpose of government, he said, is to provide and develop infrastructure for the state and develop rules of conduct through legislation to provide a stable tax state and guide the future of Alaska.

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DIRK WHITE, RPh, representing self, testified in support of HB 226. He stated that the retail pharmacy world is under attack by pharmacy benefit managers. He maintained that PBMs have a hidden agenda to close all competition, which has been creating health care deficits across the US, including Alaska. He recounted that just today two patients informed his pharmacy that Optum, the State of Alaska's pharmacy benefit manager, called them trying to get them to move to mail order pharmacy out of state. How many other patients have been called, he asked. He argued that it is an egregious policy when Alaska's retiree and active employee pharmacy benefits manager tries to remove patients from [local] care and get them to go to mail order. This pulls money from Alaska's fragile state economy, he said, and Sitka is isolated on an island without other economic engines. The PBMs must be stopped, he submitted, because they only care about their profits and not Alaska's citizens or their health.

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MEGAN PENNER, PharmD, BCPS, representing self, testified in support of HB 226. She stated that she recently had corneal transplants, and as a patient herself she has seen the impacts of PBMs on medication access because limited pharmacies carry the eye drops that she needs. She said PBMs have forced Tri-Care's hand on restricting where she can get her prescriptions filled in Eagle River, resulting in significant delays in

accessing the medication she needs for her transplants. She related that as a hospital pharmacist she sees the impacts of PBMs in transitions of care and she often worries that patients will not receive their prescriptions in a timely manner because of PBMs. As an educator, she further related, she sees the impacts of PBMs on new graduates as they have decreased opportunities for work in Alaska's small local pharmacies.

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MARK BOHRER, RPh, Pharmacy Practice Coordinator, Fred Meyer, testified in support of HB 226. He stated that Fred Meyer believes HB 226 represents a step towards safeguarding patients' rights and improving access to quality health care. The reforms in HB 226, he said, would ensure that patients have the freedom to choose their pharmacy without undue influence from PBMs; would bring PBMs within the purview of the Alaska Unfair Trade Practices and Consumer Protection Act; and would require reimbursement at an objective and transparent standard. He put forth that the PBM practice of reimbursing pharmacies below drug acquisition cost has led to permanent and/or temporary pharmacy closures within Alaska. Those pharmacies that have not yet had to close their doors or reduce hours, he advised, have not yet had to make the difficult decisions of which drugs to stock, how to remain open without making staffing cuts, or not renewing certain third-party contracts due to too low a reimbursement. He said HB 226 will help ensure pharmacies continue providing Alaskans with the same level of service and access to medication, and will advance patient rights, improve health care outcomes, and promote fairness in the pharmacy industry.

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BRITTANY KARNS, PharmD, representing self, testified in support of HB 226. She related that she has worked across a spectrum of pharmacies, and all are being directly impacted by bad PBM practices. The bottom line, she submitted, is that PBMs are big businesses that are making big money off unfair practices and what [Alaska's pharmacies] are asking for is fair practices. Local pharmacies, she said, are telling the committee today that they are being choked out by big businesses who want all that money. She questioned the choice to have white and brown bagging practices when clinics and hospitals already have pharmacies staffed with Doctors of Pharmacy, who have completed residencies. The only reason, she answered, is so the PBMs can make the money on the drug and other people do all the work. The medications are shipped with no instructions, she continued,

and then the recipients come to her pharmacy to ask how to do it and she doesn't make any money. She asserted that the PBM model is not transparent, and it drives the money out of state, while constituents tell their legislators that it is killing their businesses and driving pharmacy out of Alaska.

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KAREN MILLER, Pharmacist, representing self, testified in support of HB 226. She said she is concerned about access to pharmacy care and noted that in the last two years independent pharmacies have closed their doors or decreased their hours. For example, she continued, her employer Denali Pharmacy is supported by a facility but had to [reduce the time it is open by five hours]. She said she is concerned about the practices of PBMs and all she is asking for is transparency. She offered her belief that when PBMs say they save health care dollars, these savings turn into a burden of cost to providers, pharmacies, and patients. [Providers] are having to hire more staff, she specified, one full time equivalent (FTE) for every five providers, just to deal with the PBM practices for paying claims, or contracting with third party vendors for thousands of dollars a year just to figure out what medication is currently covered by this pharmacy benefit plan. Further, she related, pharmacies are not getting reimbursed for the cost of the drug, let alone a dispensing fee. Patients are paying bigger co-pays than ever before, she continued. Where are the cost savings, she asked, to a patient who ends up in the intensive care unit (ICU) for diabetic ketoacidosis (DKA) because they couldn't afford to pick up their insulin?

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CHAIR SUMNER closed public testimony on HB 226.

[HB 226 was held over.]

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#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:23 p.m.