

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

March 13, 2024

1:32 p.m.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Elvi Gray-Jackson
Senator Kelly Merrick
Senator Forrest Dunbar

MEMBERS ABSENT

Senator Click Bishop, Vice Chair

COMMITTEE CALENDAR

SENATE BILL NO. 234

"An Act relating to the Marijuana Control Board; and providing for an effective date."

- MOVED SB 234 OUT OF COMMITTEE

SENATE BILL NO. 146

"An Act relating to pull-tabs; relating to persons prohibited from involvement in gaming; and relating to the duties of the Department of Revenue."

- HEARD & HELD

SENATE BILL NO. 219

"An Act relating to utilization review entities; exempting certain health care providers from making preauthorization requests for certain services; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 234

SHORT TITLE: EXTEND MARIJUANA CONTROL BOARD

SPONSOR(S): LABOR & COMMERCE

02/15/24 (S) READ THE FIRST TIME - REFERRALS

02/15/24 (S) L&C, FIN
03/08/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/08/24 (S) Heard & Held
03/08/24 (S) MINUTE(L&C)
03/13/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 146

SHORT TITLE: GAMING; ELECTRONIC PULL-TABS
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

05/10/23 (S) READ THE FIRST TIME - REFERRALS
05/10/23 (S) L&C, FIN
03/13/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 219

SHORT TITLE: PRIOR AUTH EXEMPT FOR HEALTH PROVIDERS
SPONSOR(s): WILSON

02/07/24 (S) READ THE FIRST TIME - REFERRALS
02/07/24 (S) L&C, HSS
03/13/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

KONRAD JACKSON, Staff
Senator Jesse Bjorkman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an overview of SB 234.

JOAN WILSON, Director
Alaska Alcohol and Marijuana Control Office (AMCO)
Department of Commerce, Community and Economic Development
(DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on SB 234.

BAILEY STUART, Owner
Stuart Consulting
Palmer, Alaska

POSITION STATEMENT: Testified in support of SB 234.

ADAM CRUM, Commissioner
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Introduced SB 146 on behalf of the sponsor.

BRANDON SPANOS, Acting Director of the Tax Division
Department of Revenue (DOR)

POSITION STATEMENT: Gave a presentation on SB 146.

MARTHA ABEL, Gaming Manager
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 146.

MARY MAGNUSON, Vice President of Governmental Affairs
Arrow International
St. Paul, Minnesota

POSITION STATEMENT: Gave a presentation on SB 146.

MAC MEINERS, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified with concerns on SB 146.

CHRISTA FOLI, Commander
American Veterans (AMVETS), Department of Alaska
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 146.

DAVID SANDEN, Manager
Hidden Treasures Multi Beneficiary Permit
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to SB 146.

TIM NAVARE, representing self
Kenai, Alaska

POSITION STATEMENT: Testified in opposition to SB 146.

STEVE NERLAND, President
American Legion Baseball
Anchorage, Alaska

POSITION STATEMENT: Testified with concerns on SB 146

MICHELLE SAS, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 146.

ANGEL WHITNEY, Unity Secretary
American Legion Post 29
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 146.

SANDY POWERS, President

Alaska Charitable Gaming Alliance
Anchorage, Alaska

POSITION STATEMENT: Testified with concerns on SB 146.

SENATOR DAVID WILSON, District N
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 219.

PAM VENTGEN, Executive Director
Alaska State Medical Association (ASMA)
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on SB 219.

JEANNIE MONK, Senior Vice President
Alaska Hospital and Healthcare Association
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 219.

ACTION NARRATIVE

[1:32:10 PM](#)

CHAIR JESSE BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Gray-Jackson, Dunbar, and Chair Bjorkman. Senator Merrick joined the meeting thereafter.

SB 234-EXTEND MARIJUANA CONTROL BOARD

[1:33:26 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 234, "An Act relating to the Marijuana Control Board; and providing for an effective date."

[1:33:51 PM](#)

KONRAD JACKSON, Staff, Senator Jesse Bjorkman, Alaska State Legislature, Juneau, Alaska, explained that SB 234 proposes to extend the Marijuana Control Board (MCB) by three years. He reminded the committee that concerns put forth by the Division of Legislative Audit were discussed at a previous hearing and added that representatives from Legislative Audit, the Alaska Alcohol and Marijuana Control Office (AMCO) and MCB were available for questions.

[1:34:46 PM](#)

CHAIR BJORKMAN noted that, in response to questions at the previous hearing, Director Wilson would be discussing the issue of board vacancies.

[1:35:10 PM](#)

JOAN WILSON, Director, Alaska Alcohol and Marijuana Control Office (AMCO), Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, said that she would be discussing vacancies for the public health seat and the rules seat and shared her understanding that the other positions are fully staffed. She explained that the public health seat was vacant between February 28, 2021, and August 19, 2021. The rules seat was vacant from May 2021 until January 2022.

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CHAIR BJORKMAN opened public testimony on SB 234.

[1:36:52 PM](#)

BAILEY STUART, Owner, Stuart Consulting, Palmer, Alaska, testified in support of SB 234. She gave a brief background on her experience in the cannabis industry. She stated that her work in the industry allows her to understand the regulatory work that needs to be done. She noted that there is a new state licensing system under development that would streamline license applications and renewals. She pointed out that this is currently done with paper and excel spreadsheets and added that it will take time to implement the new system. She stated her support for extending MCB. The three-year extension would put MCB in line with the Alcoholic Beverage Control Board (ABC) which would further streamline the work done by the Department of Commerce, Community and Economic Development (DCCED). She emphasized that, should MCB sunset, the AMCO office would no longer be authorized to operate the marijuana licensing program. She acknowledged that more work needs to be done in the area of licensing and pointed out concerns that arose when marijuana was first legalized ten years ago. While unfounded, these concerns resulted in overregulation of the industry - which MCB has been working to remedy. She briefly discussed hemp and its relationship to marijuana and expressed concerns about the sale of intoxicating hemp products and emphasized the need for regulation. She noted that there are also issues related to the import of products and underscored the importance of MCB in addressing these issues.

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CHAIR BJORKMAN closed public testimony on SB 234.

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CHAIR BJORKMAN solicited the will of the committee.

[1:40:49 PM](#)

SENATOR GRAY-JACKSON moved to report SB 234, work order 33-LS1358\A, from committee with individual recommendations and attached fiscal note(s).

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CHAIR BJORKMAN found no objection and SB 234 was reported from the Senate Labor and Commerce Standing Committee.

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At ease

SB 146-GAMING; ELECTRONIC PULL-TABS

[1:42:37 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 146, "An Act relating to pull-tabs; relating to persons prohibited from involvement in gaming; and relating to the duties of the Department of Revenue."

[1:43:15 PM](#)

ADAM CRUM, Commissioner, Department of Revenue (DOR), Juneau, Alaska, introduced SB 146 on behalf of the sponsor and explained that this legislation would help charities by removing caps and allowing access to a new form of gaming. He said the new form of gaming would increase revenue to all parties (as has been shown in other states).

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BRANDON SPANOS, Acting Director of the Tax Division, Department of Revenue (DOR), advanced to slide 2 of a presentation on SB 146:

[Original punctuation provided.]

SB 146 - Current Pull-Tab Gaming Structure

Tax Division mission: To collect taxes, inform stakeholders, and regulate charitable gaming.

Who can conduct gaming activities in Alaska?

- Municipalities
- Qualified nonprofit organizations

What are examples of a qualified nonprofit organization?

- Civic or Service Organizations
- Religious
- Charitable
- Fraternal
- Veterans
- Labor
- Political
- Educational
- Police Or Fire Departments and Companies
- Dog Musers' Associations
- Outboard Motor Associations
- Fishing Derby
- Nonprofit Trade Associations

MR. SPANOS explained that the purpose of gaming activities is to provide public benefit in the form of money that supports non-profit organizations. He noted that, in addition to pull-tabs, the division also regulates bingo and raffles.

[1:45:59 PM](#)

MR. SPANOS advanced to slide 3:

[Original punctuation provided.]

SB 146 - Current Pull-Tab Gaming Structure

Overview

- Annual permits range from \$20 to \$100
- 1 percent fee on net proceeds annually from permittees with gross receipts of \$20,000 or more
- Annual licenses range from \$500 to \$2,500
- 3 percent tax on pull-tabs sold by distributor due monthly

MR. SPANOS explained that the program issues permits and licenses to conduct gaming activities, collect fees and taxes, conduct audits, and investigates complaints from the public and other permittees. Permittees and licensees file monthly, quarterly, and annual returns (depending on the amount of gross receipts and the type of permit or license held). Manufacturers and distributors file monthly reports. Operators file monthly reports to permittees but not to the tax division. He noted that permit and license fees, pull-tab taxes, and net proceeds fees

are deposited into the general fund. He directed attention to a chart on slide 3 detailing the amount for each category for the last three years.

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MR. SPANOS advanced to slide 4, displaying the number of permittees, operators, multi-beneficiary permittees, distributors, and manufacturers that report to the division as well as the number of reports received. He noted that the number of permittees in 2023 was 1,045 and 3,344 reports were received from those permittees.

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MR. SPANOS advanced to slide 5:

[Original punctuation provided.]

SB 146 - Pull-Tab Gaming History

1960 - The Alaska Legislature legalized gaming and gave oversight for all gaming activities to the Department of Revenue (DOR).

1984 - The DOR authorized pull-tabs by regulation.

1988 - The Legislature legalized operators, authorized pull-tabs, and increased prize limits.

1989 - Under administrative order, gaming functions transferred to the Department of Commerce, Community and Economic Development.

1993 - Under administrative order, gaming functions transferred back to the DOR and the Legislature significantly changed various aspects of the gaming statutes to include:

- Permittees allowed to contract with 3rd-party vendors to sell pull-tabs
- Multiple-Beneficiary Permits (MBPs) created
- Minimum payments by operators to the permittees, increased from 15 percent to 30 percent of adjusted gross income for pull-tab games

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MR. SPANOS advanced to slide 6:

[Original punctuation provided.]

SB 146 - Bill Overview

Allows pull-tab games to be expanded from traditional paper pull-tabs to include electronic pull-tabs or e-tabs.

- Current statute defines a "pull-tab game" as a game of chance where a card, the face of which is covered to conceal a number, symbol, or set of symbols, is purchased by the participant and where a prize is awarded for a card containing certain numbers or symbols designated in advance and at random.

Increases the prize limits for permittees who contract with an operator from a maximum of \$500,000 in prizes each year to a maximum of \$2,000,000 in prizes each year for electronic pull-tab activities and a maximum of \$1,000,000 in prizes each year for other gaming activities.

Provides unique limitations for electronic pull tab systems that the paper pull-tab games do not have:

- A series may not exceed 15,000 tickets
- A Vendor may not have more than five electronic pull tab devices on premises
- An Operator may not have more than ten electronic pull tab devices on premises

Note: There is no limit for the number of electronic pull tab devices for permittees.

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MR. SPANOS advanced to slide 7:

[Original punctuation provided.]

SB 146 - Estimated Revenue Impact

Data from five other states that have implemented e-tabs was used to prepare the fiscal analysis.

- Minnesota
- New Hampshire
- Kentucky
- Virginia
- North Dakota

The average of the other five states was used for the fiscal note.

This estimated revenue is one option in a wide range of uncertainty. We have provided the high and low cases of our analysis below to demonstrate the possible range of outcomes.

MR. SPANOS said that the DOR analysis indicates that expanding gaming to electronic pull-tabs ("e-tabs") would generate additional positive revenue. He directed attention to a chart on slide 7 titled, "Possible Alaska Additional Revenue from Adding E-Tabs (\$ millions)" and said that there would be an estimated \$1 million in additional state revenue in the first full year of implementation (FY 2026). This would increase to \$3 million in FY 2030. He explained that there is no expected impact in FY 2025 due to a year-long implementation process.

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MR. SPANOS reviewed points on slide 8:

[Original punctuation provided.]

SB 146 - Implementation Cost

- The Charitable Gaming group has been reduced due to budget cuts over recent years
- Currently very small group within the Tax Division
- SB 146 creates an added burden on the group that necessitates adding positions to provide adequate service to permittees, operators and others as well as enforcement
- Two positions at a cost of \$225,300 per year as part of fiscal note
- Other costs for software and forms updates will be absorbed by the Division

MR. SPANOS explained that the charitable gaming group currently consists of three positions - two of which are currently vacant. He indicated that it is a large job for three individuals - larger still for a single person.

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SENATOR GRAY-JACKSON asked if the increase in prize limits is expected to increase state revenue.

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MR. SPANOS answered that increased prize limits could increase state revenue through increased gaming activity. He explained that each operator could potentially have increased gaming activity as a result of higher prizes.

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SENATOR GRAY-JACKSON asked how e-tabs would increase state revenue.

[1:53:29 PM](#)

MR. SPANOS answered that the DOR analysis indicates that other states that utilize e-tabs saw an associated increase in state revenue. The analysis concluded that this is likely because e-tabs appeal to some individuals who are not interested in paper pull-tabs. He referred to a presentation by Arrow International which showed that a younger generation of players are engaging with e-tabs (though this younger generation is still adult age).

[1:54:11 PM](#)

CHAIR BJORKMAN asked for confirmation that SB 146 is forecasted to raise state revenue by \$1 million.

[1:54:32 PM](#)

MR. SPANOS replied that this is correct.

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CHAIR BJORKMAN asked how many additional dollars Alaskans would have to gamble to create the additional \$1 million in revenue.

[1:54:55 PM](#)

MR. SPANOS answered that he could supply the exact number at a later time. He shared his understanding that pull-tabs have a 3 percent return; however, there may be other fees involved. He agreed that it would require an increase in gaming activity to create the additional revenue.

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CHAIR BJORKMAN asked if charities would see a proportional increase in revenue.

[1:55:34 PM](#)

MR. SPANOS replied yes, the charities would have an increase in revenue.

[1:55:40 PM](#)

CHAIR BJORKMAN asked if the revenue increase to charities would be proportionate.

[1:55:43 PM](#)

MR. SPANOS replied that because the state's take is a percentage - except for the flat permits and fees - it would be very proportionate.

[1:55:54 PM](#)

CHAIR BJORKMAN asked for clarification that if gameplay increased 4x, the department would receive a 4x increase in revenue and charities would also receive a 4x increase.

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MR. SPANOS clarified that it may not be exactly the same 4x increase, but it would be very close.

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SENATOR GRAY-JACKSON asked what percentage charities receive.

[1:56:47 PM](#)

MR. SPANOS replied that he would defer that question to Martha Abel.

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MARTHA ABEL, Gaming Manager, Department of Revenue (DOR), Juneau, Alaska, said that she was unable to hear the question.

[1:57:35 PM](#)

SENATOR GRAY-JACKSON asked what percentage charities receive from gaming.

[1:57:40 PM](#)

MS. ABEL replied that nonprofits (permittees) receive 100 percent of net proceeds from gaming. She explained that the gross receipts come in, expenses are subtracted from this total. Certain licensees charge a fee, which is in an additional expense. The net proceeds are what is left after all of these fees are taken out. She was unable to give an exact percentage but offered to get back to the committee with this information.

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SENATOR GRAY-JACKSON expressed her appreciation and said that this provides a clear answer.

[1:59:11 PM](#)

CHAIR BJORKMAN indicated that the committee would be interested to know - for every dollar spent on a pull-tab - how many cents are going to charity.

MS. ABEL replied that she would provide this information to the committee.

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MR. SPANOS expressed his appreciation to the committee.

[2:00:36 PM](#)

MARY MAGNUSON, Vice President of Governmental Affairs, Arrow International, St. Paul, Minnesota, began her presentation on SB 146. She advanced to slide 2 and offered a brief history of her work experience and Arrow International (Arrow). She explained that e-tabs are an evolution of paper pull-tabs, not a replacement. She emphasized that Arrow is not attempting to create a monopoly, though they did recently acquire a distributor in Alaska - Whaler Casino Supply - this was to create more distribution outlets for product. She pointed out that, in Alaska, it is possible for a manufacturer to also hold a distributor license. She described the purchase as an investment in Alaska.

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MS. MAGNUSON advanced to slide 3 and compared paper and electronic pull tabs. She explained that there is little difference between the two formats. She briefly discussed the cost range for both. With respect to paybacks - the amount that goes back to the player in the form of prizes - she stated that paper games average 82 percent (the charity holds roughly 18 percent). Electronic games tend to run a little higher, with a 90 percent payback. She added that charities do very well at this rate of payback but acknowledged that some have expressed concern with this amount not leaving enough to the charity (10 percent). However, she explained that, like paper games, electronic games are offered in a variety of paybacks (developed based on market demand). She stated that there is no need to fear that all games will include a 90 percent payback since the game payback will adjust to market demand.

[2:06:04 PM](#)

MS. MAGNUSON advanced to slide 4:

[Original punctuation provided.]

ELECTRONIC PULL TABS

- Electronic pull tab devices show the ticket results on a digital display
- Replicates existing paper pull tab with low stakes, low wagers & limited prizes
- Multiple games on each device
- Multiple payout options - 85 percent or 90 percent
- Connects to standard internet and for tablets, standard Wi-Fi
- New games provided regularly
- Robust record keeping and reporting features, including reports configured to state requirements and direct DOR access

MS. MAGNUSON explained that the payout for paper pull-tabs is around 82 percent, leaving 18 percent for the charity. E-tabs tend to run a little higher, with a 90 percent payout. She acknowledged that there has been concern that a 90 percent payout does not leave enough for charities (10 percent); however, electronic games (like their paper counterparts) can have a variety of payouts. She indicated that whatever the market wants can be developed. She opined that there is no need to fear a 90 percent (or more) payout. She explained that the games can either come in a stand-alone cabinet style or a more portable tablet. SB 146 would allow both. She pointed out that tablets offer greater ease and flexibility for rural communities.

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MS. MAGNUSON advanced to slide 5:

[Original punctuation provided.]

BENEFITS OF ELECTRONIC PULL TABS

- Increased revenues to charities (permittees)
 - Average 74 percent increase in other states with electronic pull tabs based on state data
- Attracts new players
 - Provides sustainability for veteran and fraternal clubs
- Complements paper games

- No significant decline in paper ticket sales in any state
- Competitive pricing
 - Likely 30 percent to 33 percent of net
- Increases accountability
- Simplifies monitoring and reporting
- Enhances regulatory oversight

MS. MAGNUSON noted that "net revenue" is equal to wagers less prizes. She explained that there are no upfront costs to charities; if no one played the e-tabs then the charity would not lose money. She went on to say that the charity pays when pull-tabs and e-tabs are sold. She stated that there would be competitive pricing and indicated that concerns related to manufacturers taking too much money are unfounded. She briefly discussed distributor rates and explained that paper pull-tabs cost 20 percent while e-tabs would cost 30 percent. She emphasized that the charities receive the equipment up front - at no cost. All equipment servicing is included, and new games are provided on a regular basis. She noted that these games cost between \$200,000 and \$300,000 to develop. In addition, there is 24-hour customer service available for any questions. She opined that the price may be higher but there are more benefits that justify this price increase. She contrasted the sale of e-tabs (if they do not sell, no payment is required) to the sale of paper pull-tabs (the box of tickets is purchased up-front, so if tickets are not sold, the charity loses money).

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MS. MAGNUSON reiterated that with e-tabs, the charities only pay for what they sell. This eliminates the "unplayed ticket" penalty. She went on to explain that e-tabs increase accountability by utilizing back-end reporting that allows for easier monitoring. Additionally, it is impossible for a seller to suggest that one game might be better than others based on the number of winners and remaining number of tickets, as this information is not available when playing e-tabs. She noted that the rule disallowing the sale of pull-tabs to relatives does not apply to e-tabs. E-tabs increase regulatory oversight by allowing electronic reports and back-end device access via an online portal system.

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MS. MAGNUSON advanced to slide 6:

[Original punctuation provided.]

WHAT CAN ALASKA EXPECT FROM ELECTRONIC PULL TABS?

- Electronic pull tabs will be optional, NOT mandatory.
- Paper pull tabs will NOT go away.
- Bingo will not be destroyed.
- NO up-front investment required; Charity has no risk.
- NOT an expansion of gaming; just pull tabs in a modern format.
- The current regulatory structure will NOT change.
- Charity gaming revenue WILL increase.

MS. MAGNUSON noted that currently, the maximum amount that can be spent per ticket is \$2 and maximum prize is \$500. This remains the same for e-tabs.

[2:18:19 PM](#)

MS. MAGNUSON advanced to slide 7, titled "Net Profit Comparison: Paper pull-tabs and electronic pull-tabs" and explained that in states that utilize both paper pull-tabs and e-tabs, there has been an average increase of 74 percent of net receipts. In these states, paper pull-tab sales continue to increase alongside the adoption of e-tabs. She noted that the numbers included come from state agencies.

[2:19:29 PM](#)

MS. MAGNUSON advanced to slide 8, depicting a graph of Ohio pull-tab net receipts, and explained that the net receipts for charities increased from \$200 million around \$375 million with the addition of e-tabs.

[2:19:49 PM](#)

MS. MAGNUSON advanced to slide 9, depicting a graph of Minnesota pull tab net receipts, and explained that Minnesota sells more pull-tabs than any other state. The addition of e-tabs has resulted in a dramatic increase in charitable revenue.

[2:20:20 PM](#)

MS. MAGNUSON advanced to slide 10, depicting a graph of North Dakota pull tab net receipts, and noted the steady sale of paper pull-tabs contrasted with the tremendous growth of e-tab sales.

[2:20:31 PM](#)

MS. MAGNUSON advanced to slide 11, depicting a graph of Kentucky pull tab net receipts, and noted the significant growth in e-tab sales.

[2:20:34 PM](#)

MS. MAGNUSON advanced to slide 12, depicting a graph of Virginia pull tab net receipts, electronic games.

[2:20:40 PM](#)

SENATOR DUNBAR referred to slide 10 and noted that North Dakota's population size is similar to Alaska. He asked how much gaming activity is required to reach \$200 million in net receipts.

MS. MAGNUSON answered that it likely takes around \$1 billion in gross receipts.

[2:21:46 PM](#)

SENATOR DUNBAR commented that North Dakota's population is slightly larger than Alaska.

[2:21:58 PM](#)

MS. MAGNUSON stated that North Dakota has a population of 770,000.

SENATOR DUNBAR noted that this is about 50 thousand people more than live in Alaska. He asked if Alaska's industry would be of approximate size.

MS. MAGNUSON replied that it is hard to predict. She said that the gross receipt number can be misleading. She offered an example of someone who has \$20 to spend on gaming - and can purchase paper pull-tabs or e-tabs.

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SENATOR MERRICK joined the meeting.

MS. MAGNUSON continued to explain that in North Dakota, the payout (to charities) on paper pull-tabs is around 80 percent and around 92 percent for e-tabs. She gave an example of someone with \$20 to spend on pull-tabs/e-tabs and the cycle of winning/spending that would occur over the course of play. Regardless of whether they go home with prize money, they have still only spent the initial \$20. The gross receipt amount includes all of the money that the person won - and then chose to reinvest in additional games ("playbacks"). She said that,

while this counts as economic activity, the number is a little exaggerated.

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SENATOR DUNBAR asked if the 8 percent captured by operator is equal to the nearly \$200 million shown on the chart.

MS. MAGNUSON answered that the \$200 million is the 8 percent.

SENATOR DUNBAR commented that the gross receipts must be over \$2 billion in order to reach this number. He acknowledged that the \$2 billion is cycling; however, \$2 million is extracted from players (equal to 8 percent of the money spent). He asked for clarification that this is accurate.

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MS. MAGNUSON answered that this is true for 92 percent and added that this is an example of a high market. Most markets are closer to 90 percent, and some are lower (around 85 percent). She noted that it also depends on the payback. She confirmed that the analysis is correct; however, the numbers involved would change depending on the market percent.

SENATOR DUNBAR asked for clarification on the distinction between the money received by the charity and the pull-tab net receipt growth.

MS. MAGNUSON clarified that it is the amount of money that the charity retains after all prizes paid.

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SENATOR DUNBAR pointed out that the charity is not the only entity being paid - the government takes a tax, the owners take a profit. He asked if the \$200 million is distributed to these entities and the charity receives a portion of this - or if the entire \$200 million is given to the charity.

[2:27:04 PM](#)

MS. MAGNUSON clarified that a portion of the \$200 million goes to taxes and expenses and whatever is left goes to the charity as profit (net minus expenses).

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SENATOR GRAY-JACKSON expressed confusion and asked for clarification about the amount that charities receive.

[2:27:52 PM](#)

MS. MAGNUSON explained that, in this case, "net receipts" are what is left after all prizes are paid. The charity (permittee) must pay expenses out of this net receipt amount. This includes a 3 percent tax to the state, cost of games, employee salaries, etc. Once these expenses are paid, what is left is considered "net profit" and this is what the charity keeps. She noted that if the charity has few expenses and works with volunteers, this profit will be higher. She added that it is in the charity's interest to control these expenses - which they generally try to do.

[2:29:17 PM](#)

CHAIR BJORKMAN expressed interest in how the "pie" is divided from previous pull-tabs to what is proposed by SB 146. He said that he would like the distribution of funds to remain the same or to have more of the money go to the charity - particularly since more money would be redirected from the economy to pull-tabs and e-tabs (the cabinet version of which is comparable to a slot machine).

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SENATOR DUNBAR requested to see the last slide. He noted that there is a projected 40 percent increase in net profits. He asked why the projected increase is not more like that of North Dakota.

[2:31:00 PM](#)

MS. MAGNUSON advanced to slide 13, depicting a graph of projected Alaska gaming profits, and explained that this shows the profit to Alaskan charities (about \$46 million), which is after all expenses. She clarified that the chart for North Dakota was the gross less prizes, without expenses taken out. In addition, she noted that this is a conservative projection and is average across the country.

[2:31:59 PM](#)

CHAIR BJORKMAN opened public testimony on [SB 146].

[2:32:17 PM](#)

MAC MEINERS, representing self, Anchorage, Alaska, testified with concerns on SB 146. He said he has been involved in gaming for many years. He offered clarification on the amount received by vendors, operators, and fraternal organizations. He emphasized that the percentage must make the game viable or the charity will suffer. He asserted that 22.5 to 24 percent is the minimum required to make money. He expressed doubt that 10 to 15 percent would be successful. He stated that he agrees with the

increase in prize limits and believes the amount received by manufacturers should be 20 percent.

[2:34:43 PM](#)

CHRISTA FOLI, Commander, American Veterans (AMVETS), Department of Alaska, Anchorage, Alaska, testified in support of SB 146. She said that sister organizations in states that utilize e-tabs have had increased profits that are given to charities. She added that these organizations are volunteer run, so the charities receive 98 percent of the funds. She said that younger adults are not interested in paper pull-tabs but enjoy spending money at slot machines in Las Vegas. She would like to keep this money in the state.

[2:37:26 PM](#)

DAVID SANDEN, Manager, Hidden Treasures Multi Beneficiary Permit, Juneau, Alaska, testified in opposition to SB 146. He stated that an increase in the prize allowance would result in fewer non-profits receiving money through charitable gaming. He asserted that SB 146 would limit participation in the marketplace and that the market would likely be controlled by the manufacturers and distributors of electronic gaming equipment. He surmised that it would be possible to amend SB 146 to allow for an open and competitive market; however, this would require a restructuring of the charitable gaming statute. He suggested that an increase in the amount returned to charities (e.g. increase from 30 to 35 percent of the net profits) as well as the amount received by the state of Alaska (from 3 to 8 percent). In addition, he suggested disallowing local government gross taxation on pull-tabs; instead, split the 8 percent received by the state with local municipalities. He suggested putting a cap on e-tabs at 15 percent.

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TIM NAVARE, representing self, Kenai, Alaska, testified in opposition to SB 146. He opined that this legislation needs more work. He suggested that there are potential issues with distributors and the creation of a monopoly. He shared his belief that, as it currently stands, everyone loses but the manufacturers and distributors. He acknowledged that change is needed but argued that it should be done right and not hurt nonprofits.

[2:42:04 PM](#)

STEVE NERLAND, President, American Legion Baseball, Anchorage, Alaska, testified with concerns on SB 146. He said that permittees have little to do with the gaming itself - except as

a source of income. He stated that certainty is the most important aspect of gaming income. Most entities identify the monies that come in as additional found money to perform services or to help their organizations. Very few budget for this, because it is not a certain amount. He expressed concerns that SB 146 would result in fewer nonprofit permittees.

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MICHELLE SAS, representing self, Anchorage, Alaska, testified in support of SB 146. She said she is on the board for an American Legion auxiliary unit. She shared her understanding that the operators and people who produce the games make a lion's share of the money; however, her small organization benefits from being a permittee and would continue to benefit if e-tabs were added, as this would draw additional people. She said that these games generate the organization's largest share of money annually. An increase in this amount would translate into more money back into the communities supported by her organization. She said she does not see a downside to increasing the income received from charitable gaming.

[2:45:47 PM](#)

ANGEL WHITNEY, Unity Secretary, American Legion Post 29, Anchorage, Alaska, testified in support of SB 146. She shared her belief that nonprofits would thrive and thus would contribute more to the community. She stated that e-tabs would appeal to a younger demographic but would not decrease interest in paper pull-tabs. She commented that electronic gaming is reliable and shared her belief that profits and community engagement would increase.

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SANDY POWERS, President, Alaska Charitable Gaming Alliance, Anchorage, Alaska, testified with concerns on SB 146. She said that she is unable to find a cost comparison for e-tabs versus paper pull-tabs. She expressed concerns regarding the addictive nature of e-tab machines. She noted that Alaska currently ranks 47th for gambling addiction and pointed out that states that allow e-tabs are in the top 25 for gambling addiction.

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CHAIR BJORKMAN held public testimony on SB 146 open [and held SB 146 in committee].

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At ease

SB 219-PRIOR AUTH EXEMPT FOR HEALTH PROVIDERS

[2:50:37 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 219, "An Act relating to utilization review entities; exempting certain health care providers from making preauthorization requests for certain services; and providing for an effective date."

[2:51:03 PM](#)

SENATOR DAVID WILSON, District N, Alaska State Legislature, Juneau, Alaska, sponsor of SB 219, paraphrased the sponsor statement for SB 219:

[Original punctuation provided.]

**Sponsor Statement
Senate Bill 219**

"An Act relating to utilization review entities; exempting certain health care providers from making preauthorization requests for certain services; and providing for an effective date."

SB 219 aims to reduce the wait time for certain health care services by exempting qualified health care providers from making preauthorization requests for said services. Currently, Alaskans who need certain health care services must wait days or weeks to get preauthorized to receive health care services because of the processing time between the health care provider and insurance companies. This bill would help Alaskans receive health care services immediately, especially health care services that could save their lives.

Health care providers shall qualify for a prior authorization exemption if at least 80 percent of prior authorization requests submitted in the past 12-month period were approved for that health care service. Utilization review entities will provide exempted health care providers with a list of health care services for which the exemption applies and the duration of the exemption. This helps eliminate unnecessary delays in care by granting providers exemptions who have demonstrated consistent adherence to approval guidelines from prior authorization requirements.

Other states with prior authorization exemptions have seen increased frequency of patients who receive the health care services they need and help eliminate unnecessary delays in care. This bill will help Alaskans receive fast, efficient, and quality healthcare when they need it without waiting for a preauthorization process that could cause their health to decline even more.

Please contact Julia Fonov in my office at (907) 465-4711 or Julia.Fonov@akleg.gov for any questions.

SENATOR WILSON explained that the onus is on the patient to seek out preauthorization, although many healthcare providers take this on in order to help the patients move forward with their care. He stated that patients in his district have suffered for months trying to get authorization for services. The lack of integrated care in Alaska makes it difficult for people with complex health issues to get the help that they need. He noted that other states have passed similar programs, while some are considering similar changes. He noted that he would not be reviewing the sectional analysis in the interest of time.

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PAM VENTGEN, Executive Director, Alaska State Medical Association (ASMA), Anchorage, Alaska, explained that prior-authorization is a cost-control process requiring healthcare professionals to obtain advance approval from health insurance plans before a prescription medication or medical service qualifies for payment and delivery. She stated that these are time-consuming barriers to effective delivery of necessary treatment and are especially burdensome for providers who routinely get these authorizations approved. Prior authorizations are approved over 80 percent of the time; however, they delay necessary care 94 percent of the time. Up to 80 percent of patients abandon recommended care at least some of the time. 33 percent of physicians report that prior authorization has led to serious adverse events for the patients in their care. 89 percent of physicians report that prior authorization has a negative impact on patient care. 62 percent of physicians report that prior authorization has led to additional office and emergency department visits.

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MS. VENTGEN went on to explain that insurance companies claim that their panel of reviewers is well qualified; however, physicians report having to get prior approval from nurse practitioners, physician assistants, and retired physicians - not physicians who are well-versed in current standards of care. She stated that she has heard from oncologists that it can take multiple phone calls to get a physician reviewer - a peer-to-peer reviewer - who must then be educated on the type and stage of cancer and current best practices for treatment before finally getting approval. She shared a story of an oncology patient who sought treatment from a specialist who was out of network and was faced with paying \$40,000 out of pocket before they could see this physician. She said that SB 219 will decrease the burden on providers, increase the quality of care to patients, and decrease costs of unnecessary office and emergency department visits prior to authorization.

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CHAIR BJORKMAN asked if she would be surprised to hear that some providers in his community often receive a denial in a matter of minutes when they submit prior authorization claims.

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MS. VENTGEN replied that insurance companies will routinely initially deny these requests. This initiates the appeal process, involving multiple phone calls, long phone wait times, and some offices hire additional staff to handle these prior authorizations. She noted that it takes many hours per week to deal with these authorizations.

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CHAIR BJORKMAN asked if, in her professional opinion, it is possible for an experienced professional medical team to evaluate most prior authorizations in a matter of minutes.

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MS. VENTGEN replied yes, if they were experienced in the particular specialty area.

[2:59:20 PM](#)

CHAIR BJORKMAN stated that he has heard from providers who hit send on a prior authorization request and receive denials within five minutes. He commented that many of these providers report that insurance companies are utilizing artificial intelligence to deny these claims. He added that this would be explored more.

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MS. VENTGEN said that she does not know but would not be surprised. She noted that if a prior approval is denied, some will go on to appeals and some will not. If they do go on to appeals, they are delayed for a prolonged period. She said that a significant number of these requests are ultimately approved, and this is what SB 219 is intended to address. She added the physicians who receive approval are then exempted from this process for a period of time.

3:01:00 PM

JEANNIE MONK, Senior Vice President, Alaska Hospital and Healthcare Association, Juneau, Alaska, testified in support of SB 219 and said that Alaska Hospital and Healthcare (AHA) is committed to the well-being of patients and the efficient operation of hospitals. She stated that AHA believes SB 219 is a significant step forward in ensuring timely access to essential medical care while reducing burdensome administrative requirements. She explained that this directly impacts patient health and wellbeing. The authorization process adds additional stress for patients in need of medical care by adding unnecessary delays and obstacles to treatment. She said that this can apply to diagnostic testing, medications, and surgery. This can present an even greater challenge for patients in rural areas. She pointed out that making arrangements for time off work, childcare, and transportation to receive medical care is already challenging - and the uncertainty of whether the insurance company will approve the procedure (and when) makes planning more difficult (especially when travel is involved). She said that patients may have to call repeatedly - and may make travel arrangements or leave their community only to find out that the initial request has been denied and the provider must appeal.

MS. MONK explained that this process was intended to prevent unnecessary procedures; however, prior authorization has also become a tool to delay and deny necessary medical treatment and avoid paying for services altogether. She reiterated that this is a time consuming process for hospitals and medical practices, who must have staff who navigate these administrative hurdles in order to receive approval before they can deliver the necessary care. She added that SB 219 recognizes the validity of the prior authorization process while limiting unnecessary obstacles. She explained that providers with a proven track record of responsible practice can be exempt from the requirement for specific services. This would streamline the care delivery process and allow providers to focus on providing patients with timely treatment. She opined that SB 219 strikes a good balance

between insuring responsible healthcare practices and reducing administrative burden.

[3:04:52 PM](#)

SENATOR DUNBAR asked if there are any Employment Retirement Insurance Security Act (ERISA) impacts. He noted a potential "no" response from the director of the Division of Insurance and requested this information in writing for the next hearing. He pointed out that SB 219 applies to healthcare providers with a proven track record and asked if there is any concern that this may prevent new healthcare providers from entering the field because they will be at a competitive disadvantage.

[3:06:04 PM](#)

SENATOR WILSON said that he would work with the director of the Division of Insurance to provide information about ERISA impacts. With respect to new healthcare providers, he said that SB 219 would not impact new players coming into the market. He explained that existing players would need to renew every 12 months. In their first year, new providers would be working toward their initial authorization status but after that, everyone would be on an equal playing field.

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CHAIR BJORKMAN held SB 219 in committee.

[3:07:02 PM](#)

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 3:07 p.m.