

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 21, 2025

1:31 p.m.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Kelly Merrick, Vice Chair
Senator Elvi Gray-Jackson
Senator Robert Yundt

MEMBERS ABSENT

Senator Forrest Dunbar

OTHER LEGISLATORS PRESENT

Representative Dan Saddler

COMMITTEE CALENDAR

SENATE BILL NO. 28

"An Act relating to the Public Employees' Retirement System of Alaska and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska and the teachers' retirement system; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 4

"An Act relating to a health care insurance policy incentive program; relating to health care services; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 28

SHORT TITLE: RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

SPONSOR(S): SENATOR(S) GIESSEL

01/10/25 (S) PREFILE RELEASED 1/10/25

01/22/25 (S) READ THE FIRST TIME - REFERRALS
01/22/25 (S) L&C, FIN
03/21/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 4

SHORT TITLE: HEALTH CARE PRICES AND INCENTIVE PROGRAMS
SPONSOR(s): SENATOR(s) HUGHES

01/10/25 (S) PREFILE RELEASED 1/10/25
01/22/25 (S) READ THE FIRST TIME - REFERRALS
01/22/25 (S) L&C, HSS
03/21/25 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR CATHY GIESSEL, District E
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 28.

SENATOR SHELLEY HUGHES, District M
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 4.

ELEILIA PRESTON, Staff
Senator Shelley Hughes
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented an overview of SB 4.

ACTION NARRATIVE

1:31:58 PM

CHAIR BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Merrick, Gray-Jackson, Yundt and Chair Bjorkman.

SB 28-RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

1:32:55 PM

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 28 "An Act relating to the Public Employees' Retirement System of Alaska and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the Public Employees'

Retirement System of Alaska and the teachers' retirement system; and providing for an effective date."

1:33:10 PM

SENATOR CATHY GIESSEL, District E, Alaska State Legislature, Juneau, Alaska, as sponsor of SB 28 she provided a presentation and moved to slides 2-4. She stated that the bill establishes a shared-risk public employee retirement plan developed over more than ten years with extensive stakeholder input. SB 28 addresses long-standing workforce shortages across public sectors—such as education, public defense, assisted living, and state services—caused in part by the lack of a strong retirement system to support recruitment and retention. The proposal does not return to the former defined benefit plan but instead creates a new system based on shared risk to help retain employees and strengthen public service delivery.

1:35:15 PM

SENATOR GIESSEL moved to slide 5, Vacancy Rates, and referenced a graph that shows full-time positions filled, which dropped from about 89 percent in July 2017 to 82 percent in 2024, with only a slight 2 percent recent increase. She said much of this growth is due to more out-of-state hires of about 7 percent of government employees and 22.5 percent of the overall workforce. She stated that to fill vacancies, the state has offered large but unsustainable hiring bonuses and temporary pay increases. This approach leads to the loss of experienced workers whose skills and efficiency grow with time, such as teachers and nurses, making retention of seasoned employees essential to maintaining service quality.

1:39:29 PM

SENATOR GIESSEL moved to slides 6-7, DB vs DC Comparison, and referenced charts that compared the former defined benefit (DB) plan to the current defined contribution (DC) plan. Using the position of peace officer as an example, the analysis showed that under a defined benefit plan, an employee with 12 years of service would earn about 24 percent salary replacement at retirement, compared to only 16 percent under a defined contribution plan, even assuming a 7 percent investment return. She said real data confirmed this gap: most defined contribution members earned significantly lower replacement rates than they would have under a defined benefit plan, with only a few achieving higher returns through active investment management. Overall, the defined benefit system provides substantially greater and more reliable retirement income than the defined contribution plan.

[1:45:14 PM](#)

SENATOR YUNDT noted the defined contribution plan assumes a 7 percent projected rate of return and asked what the projected rate of return would be under the defined benefit plan.

[1:45:34 PM](#)

SENATOR GIESSEL replied that the Alaska Retirement Management (ARM) Board sets the target rate of return for the defined benefit plan. She stated her belief that currently the return rate is 7.5 percent and has been successfully achieving strong returns.

[1:46:00 PM](#)

SENATOR YUNDT suggested that the charts be revised in the future so both plans use the same projected rate of return, such as 7 percent or 7.5 percent, for clearer comparison.

[1:46:14 PM](#)

SENATOR GIESSEL replied that this information came from the Division of Retirement and Benefits, and any changes should be coordinated with them.

[1:46:29 PM](#)

SENATOR GIESSEL moved to slide 8, Cause and History, and referenced a timeline of how Alaska went from a valuable retirement system to the defined contribution plan.

[1:46:50 PM](#)

SENATOR GIESSEL moved to slide 9, DB System Funded Ratio History, and referenced a chart that shows the funding history of the legacy defined benefit system. Funding rose steadily from 68 percent in 1979 to over 100 percent between 1997 and 2001 but dropped sharply to 75 percent in 2002 due to rising healthcare costs, a recession, and major actuarial errors by Mercer, the state's actuary at the time. Mercer mistakenly advised the legislature that no contributions were needed for two years, causing severe underfunding. Another firm, Milliman, later uncovered the error, leading to a lawsuit that recovered only a small portion of the losses. She said the funding decline prompted the 2005-2006 shift to a defined contribution system. The state continues to pay down the legacy system's debt and make consistent contributions, gradually improving its funding level.

[1:50:38 PM](#)

SENATOR GIESSEL moved to slide 10. Will This Happen Again, and spoke to the following:

[Original punctuation provided.]

Triple Safeguards Since 2006

1. Gallagher (formerly Buck Consulting), State Actuary, provides annual review of pension assets and liabilities
2. ARM Board Actuary reviews Gallagher work every year
3. Every 4th year a third Actuary reviews ARMB and Gallagher actuarial reports.

SENATOR GIESSEL stated that it's not likely there will be another similar 2022 Mercer mistake.

[1:51:26 PM](#)

SENATOR GIESSEL moved to slide 11. She said the defined contribution system's lower retirement returns have become a major obstacle to recruiting and retaining employees. Without a strong retirement plan, it is difficult for the state to keep workers beyond their five-year vesting period. She stated the state is already unable to match private-sector wages.

[1:52:18 PM](#)

SENATOR GIESSEL moved to slide 12, Structural Features of SB 28, and read the following:

[Original punctuation provided.]

- Builds on best practices of other states
- Shares risk between employees, employers, and retirees
- Ensures system will remain solvent

[1:52:35 PM](#)

SENATOR GIESSEL moved to slides 13-15, Employee Contribution, and stated that under the new system, employees will contribute 8 percent of their wages to retirement. The Alaska Retirement Management (ARM) Board can adjust this rate if the fund's status drops below the goal of 90 percent, as seen on slide 9, by increasing employee contributions as needed based on annual investment reviews. She said several other states use variable contribution rates, so this approach is not new. Currently, employer contributions are fixed at 22 percent for public employees, a rate established after the earlier funding crisis,

but under this proposal, the rate could decrease if the fund exceeds 95 percent to 100 percent funding, potentially saving employers money. She stated that for teachers, the contribution rate is 12.56 percent, with a minimum floor of 12 percent. These rates are consistent with those used in both the current defined benefit and defined contribution systems.

[1:55:09 PM](#)

SENATOR GIESSEL moved to slide 16, 2024 Actual Employer Contribution Rates, and referenced a chart that sourced from the state actuary Gallagher's September 2024 presentation to the ARM Board. She said the chart compares the normal costs of the two retirement systems. The defined benefit (DB) pension plan has a normal cost of 2.14 percent, and its health plan currently has no cost because it is fully funded. In contrast, the defined contribution (DC) plan has a normal cost of 6.9 percent. She said this demonstrates that the defined benefit system, through pooled resources and professional management, operates at a lower cost than the defined contribution system.

[1:56:47 PM](#)

SENATOR GIESSEL moved to slide 17 and stated that SB 28 also addresses an issue affecting small public employers that struggled to meet retirement contribution requirements under the legacy system. She said currently, these communities are charged a penalty rate of 1.5 times the normal interest rate for late payments. SB 28 reduces that penalty to the standard interest rate of about 2 percent, providing financial relief and lowering costs for local employers that fall behind on contributions.

[1:57:56 PM](#)

SENATOR GIESSEL moved to slide 18, Vesting PERS and TRS, and stated that vesting means the employee has worked for the state or other agency for a minimum number of years to qualify for retirement. She said teachers vesting period used to be 8 years but that will change with SB 28.

[Original punctuation provided.]

- Vested at 5 years for both PERS and TRS
- PERS is consistent with prior Defined Benefits (DB) plan
- Aligns TRS with PERS vesting period

[1:58:34 PM](#)

SENATOR GIESSEL moved to slide 19, Qualification for Retirement, and stated that retirement qualifications vary by employee

group. For PERS, public safety only workers, eligibility starts at age 50 with 25 years of service or age 55 with 20 years. She said this structure recognizes that many, such as state troopers, begin their careers young, while others like firefighters or correctional officers start later. SB 28 allows public safety employees to retire before age 60 due to the physically demanding nature of their work.

[2:00:07 PM](#)

SENATOR GIESSEL moved to slide 20, Qualification for Retirement, and spoke to the following:

[Original punctuation provided.]

PERS (Non-Public Safety)
TRS (Teachers)

- 60 years of age OR 30 years of service
- Aligns TRS with PERS qualification for retirement.

[2:00:30 PM](#)

SENATOR GIESSEL moved to slide 21, Benefit Calculation Formula, and stated that the formula determines how much retirement the worker will receive each year. She spoke to the following:

[Original punctuation provided.]

PERS (Public Safety only)

- 2.00 percent first 10 years
- 2.50 percent thereafter
- New plan is consistent with PS PERS Tier III

[2:00:59 PM](#)

SENATOR GIESSEL moved to slide 22, Benefit Calculation Formula, and stated that for PERS (non-public safety) employees and teachers, the benefit structure provides 2 percent for the first two years of service, 2.25 percent for the next ten years, and 2.5 percent for subsequent years. This aligns the teachers' and regular PERS systems and remains consistent with previous retirement structures.

[2:01:25 PM](#)

SENATOR GIESSEL moved to slide 23, Final Average Salary, and stated that for public safety employees, retirement benefits are

based on the highest five consecutive years of salary, while for teachers, they are based on the highest five non-consecutive or contract years. She said this flexibility accounts for teachers who may work in other state roles, private sector jobs, or rural Alaska where pay is higher but service may be intermittent. She said this allows their benefits to reflect their highest-earning years.

[2:02:39 PM](#)

SENATOR GIESSEL moved to slide 24, Alaska Cost of Living Adjustment (COLA) PERS and TRS, and stated that the proposed plan does not include a cost-of-living adjustment (COLA). Stakeholders agreed to exclude it to reduce expenses and maintain the plan's long-term financial stability.

[2:03:14 PM](#)

SENATOR GIESSEL moved to slide 25, Post Retirement Pension Adjustments (PRPA) aka Inflation Protection. She stated that the plan allows the ARM Board to adjust post-retirement pension adjustments (PRPA) for inflation. If the fund falls below 90 percent funded, retirees may receive a reduced adjustment, reflecting shared risk. Additionally, non-resident retirees receive only 50 percent of the PRPA, encouraging retirees to remain in-state where they contribute to communities, mentor, or even return to work temporarily.

[2:04:47 PM](#)

SENATOR YUNDT asked whether the current plan has a reduction for Tier 1 individuals, and if so, what is the percentage.

[2:05:02 PM](#)

SENATOR GIESSEL replied that there is no alteration for Tier 1 individuals, as they receive a COLA.

[2:05:29 PM](#)

SENATOR GIESSEL moved to slide 26, Post Retirement Pension Adjustments (PRPA), and showed a slide that listed the other states that use PRPA contingent on fund performance.

[2:05:36 PM](#)

SENATOR GIESSEL moved to slide 27, Retirement Medical Coverage PERS and TRS, and spoke to the following:

[Original punctuation provided.]

- Coverage is consistent with PERS Tier IV and TRS Tier III Defined Contributions (DC) Plans for all employees
- Employer makes contribution of 3% to employee Health Reimbursement Arrangement (HRA)
- HRA can be used for any qualifying medical need
- Keeps the plan solvent

[2:06:09 PM](#)

SENATOR GIESSEL moved to slide 28, Death and Disability Benefit PERS, and stated that the plan includes an occupational death or disability benefit, providing 40 percent of gross monthly compensation to employees injured or killed on the job. This corrects a gap in the defined contribution system, which previously left families of deceased or disabled public safety employees without coverage. Ten years ago, the legislature granted limited medical benefits to the families of three state troopers who died on duty, underscoring the importance of establishing a permanent, comprehensive safety net for public safety workers and their families. She said the plan includes a non-occupational death and disability benefit if the individual is injured outside of the job.

[2:07:48 PM](#)

SENATOR GIESSEL moved to slides 30-31 and stated that the plan requires separate accounting of assets and liabilities, distinct from both the previous defined benefit and defined contribution systems. She stated that SB 28 establishes sub-trusts to further differentiate it from the prior pension system.

[2:08:16 PM](#)

SENATOR GIESSEL moved to slide 32, TRS members w/ PERS service and PERS members w/ TRS Service and spoke to the following:

[Original punctuation provided.]

Employees that are members of both TRS AND PERS may elect to have their earnings included in the base salary of their selected DB plan to potentially count toward their pension benefit calculation.

[2:08:41 PM](#)

SENATOR GIESSEL moved to slide 33 and stated that current employees in the defined contribution plan will have a six-month window, assumed to be from July 1, 2025, to January 1, 2026, to choose whether to remain in the defined contribution plan or transfer to the new defined benefit plan. She said employees

hired after the enactment of SB 28 will automatically enter the defined benefit plan.

[2:10:03 PM](#)

SENATOR GIESSEL moved to slide 34 and stated that employees choosing to convert from the defined contribution plan to the defined benefit plan will work with the Alaska Retirement Management (ARM) Board and the Division of Retirement and Benefits to translate their DC savings into equivalent years of service in the DB plan. Some employees' savings will fully equate to DB years, while others may need to either purchase additional service credit or accept fewer years of credit.

[2:10:50 PM](#)

SENATOR GIESSEL moved to slide 35 and spoke to the following:

[Original punctuation provided.]

What will happen to NEW employees after SB 28 effective date?

PERS & TRS

- New employees would automatically be enrolled in the Defined Benefit (DB) system

[2:10:57 PM](#)

SENATOR GIESSEL moved to slide 36 and stated that former defined contribution (DC) employees who have left service but maintained active accounts can choose to return under the new defined benefit (DB) plan and convert their DC savings into DB benefits.

[2:11:13 PM](#)

SENATOR GIESSEL moved to slide 37 and stated that if a former DC employee with an inactive account wishes to return to work, they would join the new defined benefit plan.

[2:11:26 PM](#)

SENATOR GIESSEL moved to slides 38-39 and stated that according to a January 31, 2025, report from the Alaska Retirement Management Board, approximately \$105 million was withdrawn from TRS and PERS defined contribution accounts over the past seven months. She said about 90 percent of these withdrawals occurred after employees reached full vesting at five years, indicating that many employees are leaving their jobs once vested and cashing out their accounts.

[2:12:33 PM](#)

SENATOR GIESSEL moved to slide 40 and referenced a chart that supports the ARM board report referenced in slide 39 and noted that very little is withdrawn at lower vesting levels, but 90 percent of withdrawals occur after full vesting.

[2:13:41 PM](#)

SENATOR GIESSEL moved to slides 41-42, Return to Social Security, and stated that some argue that Alaska wouldn't face these challenges if employees participated in Social Security. While the state could rejoin Social Security, the process is complex. She said Alaska originally opted out before statehood when it implemented a strong defined benefit plan, viewing Social Security as an unnecessary extra payroll cost. That system worked until the shift to defined contribution. Now retirees lack a Social Security safety net, with many withdrawing their DC funds at five years leaving them with no remaining retirement security.

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SENATOR GIESSEL moved to slide 43, Supplemental Benefit System (SBS) aka Alaska Supplemental Annuity Plan, and stated that Alaska has a supplemental benefit system similar to Social Security, but many school districts and municipalities chose not to join because of the cost. As a result, many teachers and public employees are covered by neither the supplemental system nor Social Security.

[2:15:43 PM](#)

SENATOR GIESSEL moved to slide 44, Health Reimbursement Arrangement (HRA), and spoke to the following:

[Original punctuation provided.]

- A HRA must be funded solely by an employer per IRS
- Not paid through voluntary salary reduction agreement on the part of employee
- Employee pays no federal taxes or employment taxes on money put in HRA by employer
- Used tax free for qualified medical expenses, not included in employee's income
- Unused amounts can be carried forward for years

[2:16:07 PM](#)

SENATOR GIESSEL moved to slide 46 and referenced a statement given in the House and Senate Finance Committees in 2024 by the

State of Alaska debt manager saying that the Public Employees' Retirement System is about 86 percent funded, and the Teachers' Retirement System is about 92 percent funded. She said rating agencies viewed this positively, which improved Alaska's bond ratings to AA and AAA levels, comparable to states like South Dakota and Wisconsin that have similar retirement system components.

[2:17:04 PM](#)

SENATOR GIESSEL moved to slide 47, Total Cost Through 2039, and stated that the actuarial analysis, presented by Pension Trust Advisors, shows that most of the system's cost, represented by the blue bars from 2026 to 2039, represents payroll. Higher payroll reflects retained employees who earn more as they gain experience and skills, which is the intended outcome of SB 28. She said Gallagher, the state's hired actuary, has repeatedly stated that SB 28 will achieve its goal of retaining public employees. Gallagher assumes nearly all defined contribution employees would choose to move to the defined benefit plan because it offers significantly better retirement security. She said the chart illustrates these higher wages, the resulting pension impacts, and the health benefit costs, which Alaska has managed to keep relatively low.

[2:19:01 PM](#)

SENATOR GIESSEL moved to slide 48. The Economic Benefit of SB 28, and spoke to the following:

[Original punctuation provided.]

- \$76 million per year savings reported by Economist, Dr. Teresa Ghilarducci to the Senate Finance Committee
- Recruitment and Retention will improve, saving in training costs and lost workforce hours
- Returns Alaska to a Functioning State Government

[2:19:31 PM](#)

SENATOR GIESSEL moved to slides 49-54 and stated that the first survey completed by Data for Progress (Feb 28-Mar 7, 2024) showed that the majority of Alaska voters support creating a new guaranteed pension for state employees. Support was positive across all regions of the state. The second survey completed by Patinkin Research Poll (Nov 2023) asked whether respondents favored a pension plan. She stated that detailed demographic results are included in the accompanying addendum, but overall support was strong. The third survey from the Department of

Public Safety Internal Survey (Mar 2024) showed an informal survey of state troopers and public safety personnel, 83 percent said they preferred a defined benefit pension over the current system.

[2:21:15 PM](#)

SENATOR GIESSEL moved to slides 55-56 and summarized SB 28:

[Original punctuation provided.]

Safeguards in place

- Protect against downside risk
- Triggers to increase contributions
- Suspend or decrease benefits if needed
- Conservative rate of return

Cost Savings

- Retain employees
- Save recruitment costs
- Save onboarding costs
- Retain experience & knowledge

[2:21:55 PM](#)

SENATOR GIESSEL stated that in the bill packet she included a chart with colored bars to serve as a guide in helping the committee navigate SB 28. On the left, it lists each proposed benefit, followed by columns showing how it applies to public safety employees, regular public employees, and teachers. She said the packet also provides the policy rationale and the corresponding bill sections.

[CHAIR BJORKMAN held SB 28 in committee.]

[2:22:42 PM](#)

At ease.

SB 4-HEALTH CARE PRICES AND INCENTIVE PROGRAMS

[2:29:52 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 4 "An Act relating to a health care insurance policy incentive program; relating to health care services; and providing for an effective date."

[2:30:12 PM](#)

SENATOR SHELLEY HUGHES, District M, Alaska State Legislature, Juneau, Alaska, presented a summary of SB 4:

[Original punctuation provided.]

Our state has healthcare costs that are among the highest in the nation and on the entire planet.

- SB 4 is not the silver bullet, the panacea, the complete solution
- But is an important tool that will help
- A part of the solution
- A step that will help get us to where we need to be over time

Not a drastic step

- Won't suddenly disrupt the system
- Won't create chaos, instead

Through free market principles, SB 4 will bend the cost curve down over time,

- it will nudge down provider charges
- nudge down insurance premiums
- nudge down out-of-pocket consumers pay
- nudge down employer costs for providing insurance coverage for employees
- nudge down school districts' costs for health benefits for teachers
- nudge down SOA costs for healthcare for state workers

SB 4 helps relieve the disproportionate burden of healthcare costs on our constituents

- on family budgets,
- seniors on fixed incomes

SB 4 -provide Alaskans with info to plan financially for care decisions and

[2:31:55 PM](#)

SENATOR HUGHES continued with the summary of SB 4:

- incentivize them to make smart decisions
- result in two things
 - cash in their pocket as a consumer - immediately
 - over time - reduced costs in healthcare system overall,
 - nudged down charges or at least flattened charges
 - that don't escalate year after year

Eleilia will go through how this would work but I'll give you the "movie preview clip" quickly - the gist of what the bill does, the bottom line for the consumer

-Based on the mechanism in the bill

- A patient/consumer will be able to find out through their insurer what a procedure will cost who the providers are for that procedure and what they charge
- And will be incentivized to do so. Here's how:
- If consumer chooses a provider who charges less than the average cost of that procedure
- The consumer will receive a share of the savings back in a check

Range for procedure: \$7K to \$13K, difference of \$6K, median cost is \$10K

-Consumer picks \$7K (\$4K less than median cost of \$10K)

-\$3K in savings is shared:

-\$1000 to patient

-\$1000 to employer providing insurance coverage

-\$1000 to insurance company coordinating and administering the incentive process

-If no employer; individual purchases insurance directly

-Than a 50/50 split

-Half to consumer/patient and half to insurance company to administer.

-\$1500 to consumer; \$1500 to insurer for their work

[2:34:28 PM](#)

SENATOR HUGHES continued with the summary of SB 4:

Special Note: People with high-deductible plans often forgo

- or delay necessary medical care.
- Incentive mechanism will allow individuals to apply shared savings to deductible.
- Better health results for patient and
- Savings to overall system, to future premiums, to employers
 - because early care is less expensive care
 - when delay and condition worsens, the care is more costly

Other states have passed Right to Shop legislation like SB 4.

- New Hampshire, Maine, Massachusetts, Tennessee
- you'll see a slide with the other states.
- They've seen that right-to-shop places pressure
 - on the highest priced providers to lower their rates
 - saving millions of dollars annually.

Alaska can reap these same benefits.

- The Alaska Health Care Consumer's Right to Shop Act will empower Alaskans to shop for smart healthcare choices
- while introducing a bit of competition into the healthcare market in Alaska
- to help nudge down the costs over time.

CLOSING

This right to shop mechanism giving patients the incentive to choose better value health care

- has received widespread support from across the political spectrum.
- Other states, both red and blue in the past few years
- have implemented this right-to-shop concept.
- It's time for Alaska to do the same!

[2:36:31 PM](#)

ELEILIA PRESTON, Staff, Senator Shelley Hughes, Alaska State Legislature, Juneau, Alaska, presented an overview of SB 4 and moved to slide 2, Health Care Costs Increased. She stated that health care costs, measured by insurance premiums, have risen by 42 percent between 2019 and 2025; a significant increase in just six years.

[2:37:00 PM](#)

MS. PRESTON moved to slide 3, Three Pillars of SB 4 Right to Shop, and stated that SB 4 is built on three pillars: the right to know, the right to save and the right to pick. It empowers patients to seek high-value care (which isn't always the most expensive), helping lower health care costs, improve care, reduce out-of-pocket expenses, and expand access.

[2:37:27 PM](#)

MS. PRESTON moved to slide 4, Patients Should Know, and gave an example of getting a CT scan at hospitals in Anchorage. She said there are big opportunities for savings on brain CT scans in Anchorage. While some hospitals charge \$650-\$2,850, the median price across seven providers is just \$492, showing that several providers offer the same scan at much lower rates.

[2:38:21 PM](#)

MS. PRESTON moved to slide 5, How Right to Shop Works, and stated the steps to use Right to Shop:

-See your doctor

-Call or go online to locate best options

-Choose location at the best value (in or out-of-network)

[2:39:09 PM](#)

SENATOR HUGHES clarified that if you are needing a surgery your primary care doctor would need to recommend the procedure before moving to step two: call or go online to locate best options.

MS. PRESTON continued with slide 5, How Right to Shop Works:

-Receive service at location of your choice

-Earn shared savings along with the employer, insurance company and patient.

[2:39:49 PM](#)

MS. PRESTON moved to slide 6, Cool Tools Work for Shopping Available to All, and stated that price shopping tools are widely accessible through smartphones, computers, or even libraries. She said under the Federal Transparency in Coverage rule (released in October 2020), most group and individual health plans must disclose prices and cost-sharing details, making it easier for patients to compare coverage and costs.

[2:40:32 PM](#)

MS. PRESTON moved to slide 7, Patients Want the Right to Shop:

[Original punctuation provided.]

Patients Want the Right to Shop

- 53 percent of voters say its difficult to determine medical costs before a visit.
- Only 12 percent think higher-cost providers always provide better care.
- 77 percent of Americans want the Right to Shop for more affordable health care.

[2:41:25 PM](#)

MS. PRESTON moved to slide 8, Other States with Right to Shop, and noted that other states with different approaches and values have adopted Right to Shop and have seen success.

[2:42:03 PM](#)

SENATOR GRAY-JACKSON asked if the state has a right to know ordinance in statute, like the city of Anchorage does.

[2:42:19 PM](#)

SENATOR HUGHES replied that a few years ago, Alaska passed a price transparency law, but it was difficult for patients to find the correct procedure codes and cost. As a result, people weren't using the information, and it didn't reduce costs. She said congress later passed more user-friendly tools, which are now available and practical, making the right to shop approach of SB 4 more effective today.

[2:43:13 PM](#)

SENATOR YUNDT asked who the patient coordinates with to ensure they receive the savings after selecting their provider.

[2:43:38 PM](#)

SENATOR HUGHES replied that the insurer provides the information, and if the patient chooses that provider, the

shared savings are automatically applied. She said notifying the insurer isn't required.

[2:43:59 PM](#)

SENATOR YUNDT noted that last year, while on the borough assembly, he began exploring this concept. He received praise from Anchorage representatives for supporting incentives that help employees access lower health care costs. He opined that the approach is brilliant, gives more control to patients, and could help lower costs for everyone over time.

[2:45:02 PM](#)

CHAIR BJORKMAN asked how the patient will receive the savings if they choose to do the knee replacement surgery in another state.

[2:45:34 PM](#)

SENATOR HUGHES replied that most insurances cover procedures both in Alaska and out of state. She said some limits may exist, though the same process for applying savings would work regardless of location.

[2:46:01 PM](#)

CHAIR BJORKMAN asked whether the patient would need to submit quotes from two doctors, one in Alaska and one out of state and how they should provide evidence of cost savings.

[2:46:18 PM](#)

SENATOR HUGHES responded that the patient would choose the surgeon in the other state, that surgeon would bill the insurance company; the insurance company would see that the lower cost option was chosen and then this would trigger the payment to the patient. She said to avoid a fiscal note for SB 4, her office could remove the Division of Insurance reporting requirement and Department of Administration's analysis and report on AlaskaCare, both involve studying and reporting on impacts.

[2:47:25 PM](#)

SENATOR YUNDT asked if patients traveling out of state for surgery would need to pay for airfare and hotels upfront, or would they receive an upfront credit, allowance or per diem to cover those costs.

[2:48:05 PM](#)

SENATOR HUGHES replied that there isn't anything in SB 4 about insurances covering upfront travel cost but she has heard of insurances providing an upfront allowance.

2:48:31 PM

SENATOR HUGHES referenced a chart that shows evidence from other states that follow the Right to Shop concept.

[CHAIR BJORKMAN held SB 4 in committee.]

2:49:43 PM

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 2:49 p.m.