

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6442 SENATE LABOR & COMMERCE

846

Jeff Gonnesson OD

HB 222

The old "Compromise" story

- Early 1987: We wanted to re-introduce a comprehensive Therapeutic Drug Bill. Sen. Fischer wanted the ophthalmologists + optometrists (MD's + OD's) to meet and compromise. We told him they would never compromise on any therapeutics.
- We met anyway to discuss it w/ MD's.
Rick Urion ~~remotely~~ (our lobbyist at one time past) promised a compromise bill would fly through the legislature in 2 weeks.
- After Dr. McCorkay from Fairbanks left the meeting, the OD's + MD's shook hands on a bill for diagnostic drugs and some limited therapeutic drugs for when an ophthalmologist wasn't available.
- 2 Hours later, Dr. Korshin, MD leader, called back and broke the deal, saying we had to add "after consultation w/ an ophthalmologist". Faced with no bill at all, Dr. Coon, OD leader, agreed, but said "no more changes".
- 3 Days later, Korshin MD said he had to remove all therapeutics from the bill, and if ~~we~~ we held him to the deal, he would be replaced as chair by the MD's.

→ Coon OD, took the broken deal for diagnostics only, since it was promised to fly through & be supported by both groups, and only Alaska & Maryland were left in the nation without diagnostic drugs for OD's.

→ After Senate passage, Korshin MD said they would withdraw support because they disliked an advertisement run by Falconer OD on Medicare.

→ McConkey MD and others actively fought against our bill, and it got amended once or twice, sent to sub-committee, and we had to hire a second lobbyist and struggle ~~both~~ both years of the 15th ~~legislature~~ legislature to finally pass diagnostics as the 50th & last out of 50 states. (Maryland got a veto & over-rode it).

→ The "compromise" was to not fight the bill, not to forever restrict our profession to antiquated laws. It expired in 1987.

→ HB 222 is our "compromise" offer, asking only for minimum tools - 2 categories of eye drops. JAG

We, the undersigned authorized representatives of the Legislative Committee of the Alaska Optometric Association and the Legislative Affairs Committee of the Alaska Association of Ophthalmology, assign the support of our respective organizations to the attached negotiated bill that amends the current Alaska optometry statute. By our signatures below and on the attached bill we attest that support. We will, if called upon, testify before the Alaska State Legislature in favor of the bill as written. This agreement expires at the end of the 1987 session of the 15th Alaska Legislature.

Lynn J. Coon, O.D. 3/29/87

Oliver M. Korshin, M.D.

Edward E. Crouch, M.D.

JEFFREY A. GONNASON, O.D.

Doctor of Optometry
Medical Park Eye Care
2211 E. Northern Lights - Suite 202
Anchorage, AK 99508

April 25, 1990

Telephone: (907) 276-2080

Home
333-1912

Senator Dick Eliason
P.O. Box V
Juneau, AK 99811

Dear Senator Eliason:

On behalf of the Alaska Optometric Association, I would please request an opportunity to gain your support for HB 222, updating the Alaska optometry statutes.

Having passed the House recently, HB 222 now awaits action in Senate HESS. We would very much appreciate a hearing and an opportunity for a Senate vote in the remaining session time.

All 50 states currently allow optometrists to use diagnostic drugs, and 25 states currently allow the use of therapeutic drugs for treatment of eye diseases, especially states with rural areas. HB 222 is the minimum first step into therapeutics, adding 2 categories of topical-only drugs to our current authorized list. This will allow treatment of infection or inflammation of the anterior eye. (Eyedrops for pinkeye or allergies, for example). The Division of Occupational Licensing supports HB 222.

In your packet I have enclosed my letter to Senator Fischer, as well as letters of support from Alaska medical doctors and Senator Murkowski, plus information and experience from some of the other states that allow ocular therapeutics.

Even though optometrists in Alaska should be allowed to practice with professional judgement in using any drugs or technical procedures within their scope of training, HB 222 only allows a first step to keep with the reality of conservative changes and help ensure passage this session.

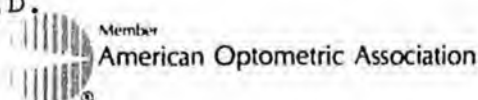
HB 222 will provide Alaskans with much greater access to quality eye-care, especially if the patient does not live in Anchorage, Fairbanks, or Juneau; cost savings by eliminating travel time and expense, and increasing competition among providers. HB 222 will benefit consumers and the state, as well as allowing for freedom of choice in eyecare.

As immediate past president of the Alaska State Board of Examiners in Optometry, and legislative chair for the Alaska Optometric Association, I thank you for your consideration of improved eyecare for all Alaskans.

Sincerely,



Jeffrey A. Gonnason, O.D.



Michael E. Darling, D.D.S.

2211 EAST NORTHERN LIGHTS BOULEVARD

SUITE 204

ANCHORAGE, ALASKA 99504

TELEPHONE 274-2889

April 24, 1990

Senator Paul Fischer
P.O. Box V
Juneau, AK 99811

Dear Senator Fischer:

I am aware of proposed legislation allowing optometrists in the state of Alaska to increase the scope of their practice to include the use of therapeutic medications. I am strongly in favor of such legislation.

Being a health professional trained in the diagnosis and treatment of eye diseases, the optometrist is an asset in the medical community that the Alaskan public cannot fully utilize currently.

An optometrist's education is on a par with dentistry and medicine as applied in clinical situations involving eyecare. Nationally, 25 states currently authorize the use of therapeutic drugs by O.D.'s to fully utilize the training of optometrists.

The nationwide experience over the past 14 years has been excellent, especially in the delivery of eye care to rural areas. Also, state social service agencies have found therapeutic treatment by optometrists to be less expensive to both the consumers and taxpayers.

Please give your full support to HB 222. This legislation will greatly increase the access and availability of eye care, at a lower cost to the public and state social service agencies.

Sincerely,



Michael E. Darling, D.D.S.
MED/dpb

FRANK H. MURKOWSKI
ALASKA

COMMITTEES:

VETERANS' AFFAIRS (RANKING MEMBER)
ENERGY AND NATURAL RESOURCES
FOREIGN RELATIONS
SELECT COMMITTEE ON INTELLIGENCE
SELECT COMMITTEE ON INDIAN AFFAIRS

United States Senate

WASHINGTON, DC 20510
(202) 224-6665

222 West 7th Street, Box 1
ANCHORAGE, AK 99513
(907) 271-3735

101 12th Avenue, Box 7
FAIRBANKS, AK 99701
(907) 456-0233

P.O. Box 1647
JUNEAU, AK 99802
(907) 586-7400

120 TRADING BAY ROAD, SUITE 250
KATIK, AK 99611
(907) 203-6608

108 MAIN STREET
KETCHIKAN, AK 99901
(907) 225-6880

April 9, 1990

Dr. Jeffrey A. Gonnason, O.D.
Medical Park Eye Care
2211 E. Northern Lights - Suite 202
Anchorage, Alaska 99508

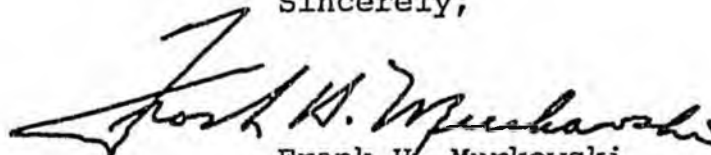
Dear Jeff:

It was a pleasure to visit with you during your recent visit to Washington. I appreciate your taking time to stop by my office.

Lisa Moore has provided me with the written information which you left. I concur with you that optometrists should not be discriminated against in federal and state legislation. I wish you luck with the Alaska legislature on the prescription drug issue. Please let me know the outcome.

If I can be of any assistance to you, please let me know.

Sincerely,



Frank H. Murkowski
United States Senator



Fairbanks Clinic

Quality Care Since 1932

March 10, 1990

Mark Boyer
P. O. Box V
Juneau, Alaska 99811

Dear Mr. Boyer:

I am writing this letter in support of House Bill 222 concerning optometry prescribing privileges. I was on active duty as a medical officer in the United States Air Force from 1981 through July of 1988. During the last five years of that time, I was assigned to the USAF Clinic at Eielson Air Force Base. Part of my duties there was to serve as direct supervisor for the optometrists. During that period of supervision, the Air Force changed their prescribing rules and began to allow optometrists, with appropriate training, to prescribe certain classes of medication. In order to obtain these prescribing privileges, the optometrist had to show documented proof of ocular therapeutic training during his original professional schooling or evidence of adequate education in ocular therapeutics since graduation from optometry school. With documentation of the appropriate training, these optometrists were then permitted to prescribe medications in classes similar to those mentioned in House Bill 222.

I have had the opportunity to work with several Air Force optometrists who have been credentialed under these rules and have found that they have been able to provide increased service to their patients. I have not seen any significant problems associated with optometrists prescribing practices.

I feel that it would be of benefit to the residents of Alaska to permit optometrists to prescribe those medications noted in House Bill 222. I believe that appropriately trained optometrists are capable of effectively and safely treating relatively minor eye problems with medications as specified in House Bill 222 and therefore am in favor in passage of this bill.

Sincerely,

Enlow R. Walker, M.D.
Family Practice

ELW:ct

Tanana Valley Clinic

Family Medical Care
Since 1959

February 26, 1990

OBSTETRICS & GYNECOLOGY

Richard B. Anderson, M.D.
Richard C. Pade, M.D.
Richard B. Stone, M.D.
Roger D. Wainwright, M.D.
Peter L. Bock, F.A.C.
Jan Swanson, CNP

UROLOGY

John W. Baker, M.D.
Robert S. Graham, M.D.
Arline S. Kesteven, M.D.

INTERNAL MEDICINE

Michael J. Hayes, M.D.
Jonathan R. Shaw, M.D.

PEDIATRICS

Marvin E. Bergeson, M.D.
J. Thomas Fiske, M.D.
Richard C. Ross, M.D.
Nancy A. Schultz, M.D.
Mark H. Scuffie, M.D.

FAMILY PRACTICE

Harvey Adkins, M.D.
Dorothy E. Thurman, M.D.
Jean M. W. Torgue, M.D.
Charles Moore, M.D.
David L. Lewis, F.A.C.
Dorothy Rogers, F.A.C. & Tan Clinic

PHYSICAL THERAPIST

Case Carson, L.P.T.
Brenda Conover, L.P.T.

PATIENT EDUCATION

Lee Robinson, R.N.

ADMINISTRATION

Paul Davis, Administrator
Sandra J. Farrow, Coordinator/Asst. Admin.

Representative Mark Boyer
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

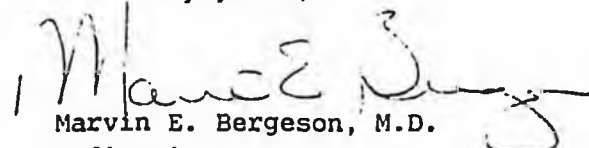
Dear Representative Boyer:

I am writing to you requesting support for the proposed House Bill 222 allowing optometrists in the State of Alaska to practice at a level consistent with their training which would include limited use of therapeutic drugs, i.e. anti-infectives and anti-inflammatory drugs. I worked for many years in the military which utilized optometrists and allowed them to use the drugs as both diagnostic and therapeutic agents. I found that the optometrists I worked with were very confident and judicious in the use of these therapeutic agents.

There are only four ophthalmologists in Fairbanks and none in the remainder of the Interior; however, there are many optometrists. Allowing optometrists to treat diseases of the eye within their spectrum of expertise would allow many more Alaskans to be adequately taken care of. Optometrists are trained for four years after completing a Bachelor of Arts degree, and in most cases this training includes 150 hours of Pharmacology. Currently all fifty states allow optometrists to use drugs in a diagnostic area, and 25 of the states also allow them to use drugs therapeutically.

Alaska, with its vast land area and remoteness of villages and cities, would certainly benefit by allowing optometrists to use their clinical expertise with the use of diagnostic and therapeutic drugs.

Sincerely yours,


Marvin E. Bergeson, M.D.
Pediatrics

MEB:sr

to Senator Ellison from Roy Boy
Senator; I hope you will consider this
Malpractice: O.D.'s
vs. Ophthalmologists *in*

For years leaders of the optometric profession have been testifying before state legislatures to the effect that modern O.D.'s are as capable of practicing primary eye care as are ophthalmologists. Ophthalmology leaders have tried in vain to convince the optometric profession, as well as the state legislators, that the diagnosis and management of medical eye problems requires medical education?

There's no optometric leader who's had greater influence on legislation than John Classé, O.D., J.D. In his article "Malpractice—A New Era Dawns," (September, 1989) Dr. Classé quotes a 1979 study which revealed that O.D.'s have considerably lower rates of malpractices than even that of general medical practitioners.

The subtle message here is that optometrists are doing a better job of treating eye disease than are ophthalmologists. Yet this survey covered O.D.'s who were practicing traditional optometry, i.e. refractions and contact lens fittings, and wasn't germane to the use of diagnostic and therapeutic pharmaceutical agents. This particular reference was used before state legislatures, however, with real impact.

The net result is that intelligent, well-trained optometrists are attempting to meet the same standards as ophthalmologists who have the advantage of medical education and have had the opportunity to have between 9,000 and 10,000 patient contacts during their training. No matter how conscientious the optometrist, there is no substitute for clinical experience.

—Walter S. Kirkconnell, M.D.
 Vice President &
 Legislative Chairman
 Florida Society of
 Ophthalmology

Dr. Classé's response to the NAIC study he alludes to does show that, in the late 1970s, optometrists were rarely sued for malpractice. The same results is evident today, based upon evidence supplied by Poe and Associates, the largest broker of professional liability policies for optometrists. The Poe data shows that optometrists pay about \$450 on the average for malpractice insurance coverage, and that this premium does not vary based upon whether an optometrist is in a state allowing therapeutic or in one allowing diagnostics only

In an era when Medical Economics reports that the average physician pays over \$10,000 for comparable insurance coverage, it is evident that optometrists have a very competitive track record. Furthermore, although I know of no studies that actually compare the management of eye disease by optometrists and ophthalmologists, I must note that the largest report of malpractice claims against ophthalmologists—authored by Dr. Jerome Beutman—found that the leading category of claims was drug complications, principally caused by misuse of steroids and glaucoma medications. The only comparable study of malpractice claims against optometrists—which is an analysis of claims spread over 12 years—found that drug-related complications for optometrists were extremely rare. On that basis, one could argue that optometrists actually do a better job of treating eye disease since they seem to experience fewer complications that result in litigation.

Rx Release Requirements

The articles by Dr. Classé and Dr. Harris ("Doctor, I Want A Copy of My...", December, 1989) prompt me to ask several questions. When do the authors expect just the prescription requirements to go into effect for Eyeglasses II? What may an O.D. charge an attorney for copies of complete records? Would they recommend release of the copies prior to the

receipt of the fee, or to let the attorney have to receive the money copies? In our area, requests from data which include drug \$20.

—Peter S

The authors respond. By consent of the parties, release requirements of Circuit Court for the 7th District, effective November Eyeglasses II rule was effective in September. It is reasonable to assume that release requirements when the court issued has made no announcement of court's action, but that a formality and not a

An optometrist may charge a fee for copying or summarizing records. What is reasonable depends upon the amount of time and effort required to produce the information. The proper charge for this service is determined when the information is a reasonable fee is included in the fee for records, the optometrist

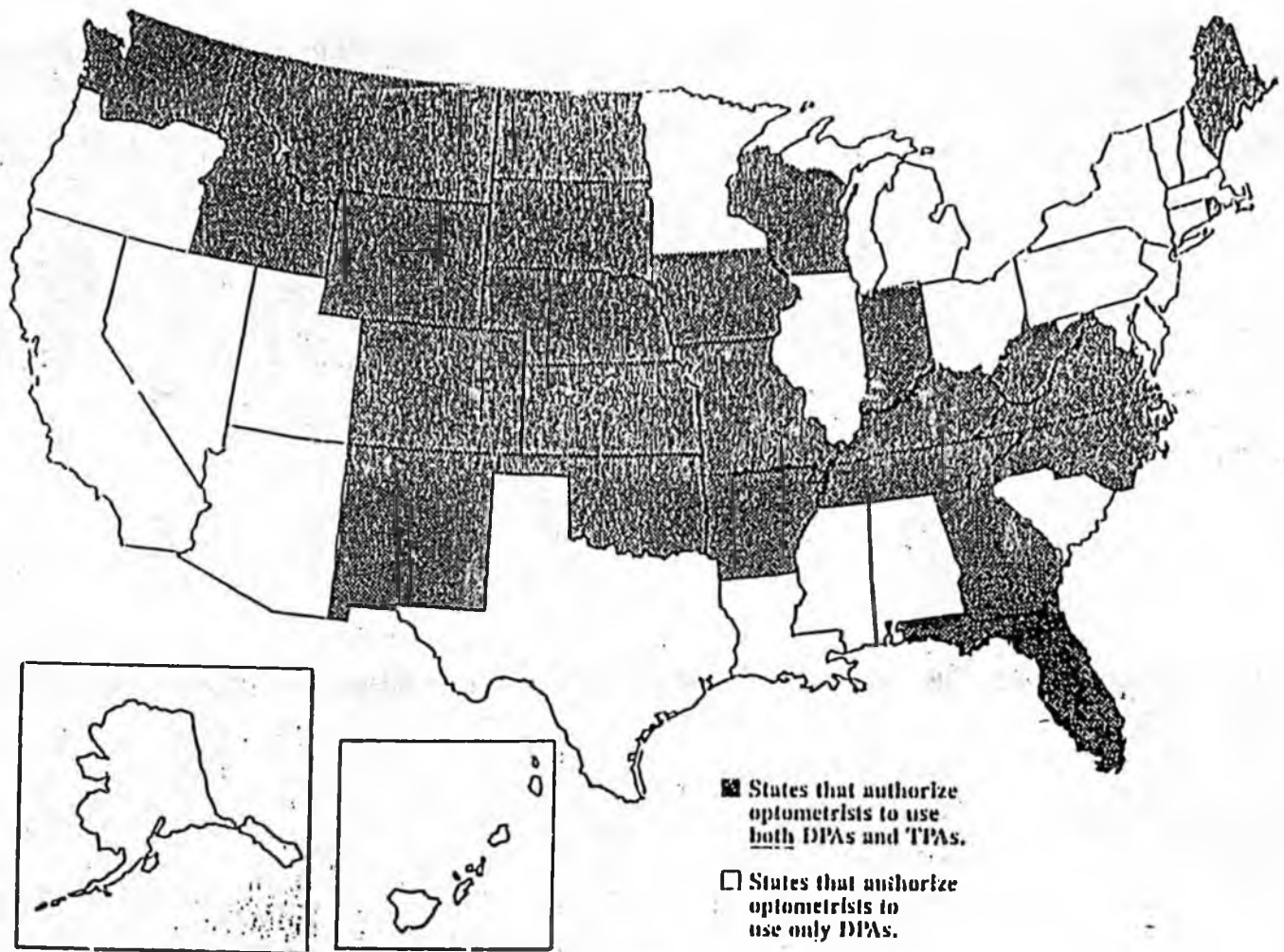
Correction

Three articles comprising the December issue did not identify clearly the authors were. All three were co-written by John G. J.D., and Michael G. J.D. Dr. Harris was the author for "How To Answer Retail Lens Rx's," Dr. Classé was the author for "What's Involved In Providing Spectacle Rx's" and "Requests For Records: A Year Legal Responses"

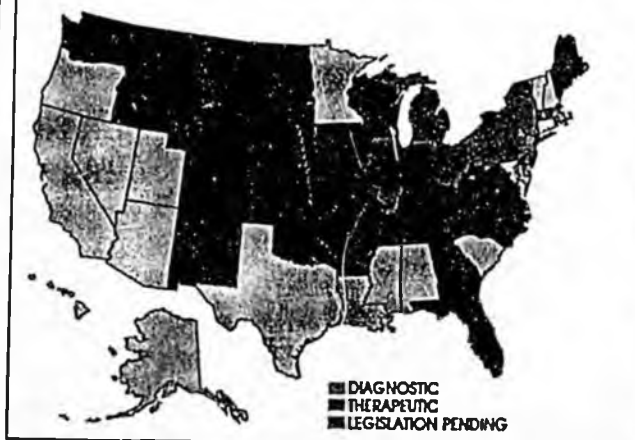
Provided by Roy Boy O.D

TREATMENT STATES

Twenty five, one half, of the fifty states of our great Union allow Optometry to utilize therapeutic medications as part of their health care delivery system. The U.S. Military, Public Health Service, Indian Health Service, and Veterans Administration also permit qualified optometrists to use therapeutic medications as a broad base eye care delivery system.



OPTOMETRIC DRUG LAWS



JEFFREY A. GONNASON, O.D.

Doctor of Optometry
Medical Park Eye Care

2211 E. Northern Lights - Suite 202
Anchorage, AK 99508

Senate HESS

Page 1

— — —
Telephone: (907) 276-2080

On behalf of the Alaska Optometric Association and about 60 doctors of optometry represented in Alaska, I wish to thank the committee for hearing this issue in the public interest. A copy of my testimony to House HESS has been provided to you in your packet, along with letters of support from several medical doctors, Senator Murkowski, and documents relating the experience of some of the 25 other states that currently allow the use of therapeutic medications by optometrists. With minimum time, I will only present a summary of the facts in this issue.

HB 222 is very limited compared to many of the other states' laws, only adding 2 topical drug categories to our current authorized list. This bill will allow us the minimum tools necessary to treat common conditions in the practice of primary eye care.

Alaska statutes currently require optometrists to "keep informed of and use current professional theories and practices" (AS 08.72.240).

Most doctors of optometry complete 8 years of college: 4 undergraduate and 4 years of graduate training in optometry school. 92% of all students currently entering optometry school hold bachelor's degrees or better. Admission requirements and tests are similar to those for medical and dental schools. The biomedical sciences presented in other health professional programs are taught in optometry school with the same quality of instruction. Course work in diagnosis and treatment of eye disease and ocular pharmacology is much more extensive than that presented in medical school. Clinical training occurs in various clinics, HMO's, Public Health, Indian Health, and VA Hospitals. Optometry schools are accredited by the same national agencies that accredit medical schools.

Optometrists possess an education similar to dentists, podiatrists, and physicians. Yet of these professions, only optometry is limited in its use of pharmaceuticals. We have far more extensive education, and training in the use of specialized eye equipment, than the general medical doctors, nurses, and health aides that currently treat eye disease in Alaska.

This bill will not allow "grandfathering" of present practitioners. Current statutes require each Alaska optometrist to pass additional examinations determined by the State Board to receive a license endorsement for pharmaceutical agents. Current regulations for a license also require passing the "TREATMENT AND MANAGEMENT OF OCULAR DISEASE", a nationally recognized and standardized examination offered by the International Association of Boards of Examiners in Optometry (IAB), of which Alaska is a member.

JEFFREY A. GONNASON, O.D.

Doctor of Optometry
Medical Park Eye Care
2211 E. Northern Lights - Suite 202
Anchorage, AK 99508

Senate HESS

Page 2

Telephone: (907) 276-2080

The malpractice insurance rates paid by optometrists are the same in states that do allow as those that don't yet allow treatment of eye disease. Rates have actually been reduced recently. My rate went from \$356 last year down to \$220 this year. This is positive proof of the public safety of optometry, with 14 years of therapeutic experience and one of the lowest litigation rates of the health professions. The courts hold optometrists to the same standards of care applicable to medical doctors and dentists.

Optometrists are considered physicians by federal Medicare law, with respect to all services authorized by state law. Indian Health and military optometrists in Alaska use medications under federal authority. If they enter private practice as many have done, they are then restricted by outdated statutes that give medicine a monopoly on eyecare.

The only reason for this legislation is to provide much better access to quality, affordable eye care for Alaskans. This is especially true in our smaller towns and villages. Time and expense would be saved by the public and the state health payors by reducing unnecessary travel, not having to pay more than one doctor, or not having to pay the higher fees of a surgical eye specialist for a common primary care condition. These cost savings have been well documented. Increased competition and freedom of choice among providers is also a cost containment reality.

Optometrists are reasonable, educated, caring professionals with a clean track record nationally. We are state licensed, and regulated by the State Board, by legal liability concerns, by community opinion, and by medicine and the legislature looking carefully over our shoulders. Unlike our other medical colleagues with unrestricted license for new educational developments, we must return to the legislature for statute changes as our education and scope of practice capability expands.

We are fortunate to have a legislature that will respond to the health care needs of all Alaskans. By lending your approval for a beginning step toward expansion of primary eyecare services by optometrists, you will be supporting the basic goal of improved quality of life for all Alaskans. Our support is from a broad base: State administrators, educators, Native groups, regional health groups, insurance providers, medical doctors, dentists, nurses, pharmacists, and mostly by the Alaskan people all over the state who trust us with their eyecare. Thank you for your consideration.

Sincerely,



Jeffrey A. Gonnason, O.D.

Legislative Chair
Past President
State Optometry Board



Member
American Optometric Association

E. E. BACH, O.D.
PHILLIP W. BACH, O.D., Ph.D.
OPTOMETRY
SUITE 204 DENALI PROFESSIONAL CENTER
3401 DENALI STREET
ANCHORAGE, ALASKA 99503

April 27, 1990

The Hon. Dick Eliason, Chairman
Labor & Commerce Committee
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811

Dear Sen. Eliason:

re: CSHB222Am

Impeding passage of optometric primary care therapeutics will preserve the monopoly of a privileged class of practitioner - holders of the MD degree - who are no longer entitled to a monopoly on the basis of exclusive education or training. In fact, general practitioners have always been only marginally qualified to treat infections and inflammations of the eye.

We cannot achieve cost containment and accessibility in health care until all professions are allowed to practice in accordance with their training. Over half the states now allow optometry to practice therapeutics at or above the level provided in HB222.

I invite you to be on the side that recognizes and encourages progress in meeting peoples needs.

Very truly yours,

Phillip W. Bach
Phillip W. Bach, O.D., Ph.D.

PWB/lr

cc: Sen. Pat Rodey
Sen. Jan Faiks
Sen. Jay Kerttula
Sen. Jack Coghill

JEFFREY A. GONNASON, O.D.

Doctor of Optometry
Medical Park Eye Care
2211 E. Northern Lights - Suite 202
Anchorage, AK 99508

— — —
Telephone: (907) 276-2080

T E S T I M O N Y

HB 222

MAY 2, 1990

SENATE HESS COMMITTEE

ALASKA STATE LEGISLATURE

JEFFREY A. GONNASON, O.D.

Doctor of Optometry
Medical Park Eye Care
2211 E. Northern Lights - Suite 202
Anchorage, AK 99508

Senate HESS

Page 1

Telephone: (907) 276-2080

On behalf of the Alaska Optometric Association and about 60 doctors of optometry represented in Alaska, I wish to thank the committee for hearing this issue in the public interest. A copy of my testimony to House HESS has been provided to you in your packet, along with letters of support from several medical doctors, Senator Murkowski, and documents relating the experience of some of the 25 other states that currently allow the use of therapeutic medications by optometrists. With minimum time, I will only present a summary of the facts in this issue.

HB 222 is very limited compared to many of the other states' laws, only adding 2 topical drug categories to our current authorized list. This bill will allow us the minimum tools necessary to treat common conditions in the practice of primary eye care.

Alaska statutes currently require optometrists to "keep informed of and use current professional theories and practices" (AS 08.72.240).

Most doctors of optometry complete 8 years of college: 4 undergraduate and 4 years of graduate training in optometry school. 92% of all students currently entering optometry school hold bachelor's degrees or better. Admission requirements and tests are similar to those for medical and dental schools. The biomedical sciences presented in other health professional programs are taught in optometry school with the same quality of instruction. Course work in diagnosis and treatment of eye disease and ocular pharmacology is much more extensive than that presented in medical school. Clinical training occurs in various clinics, HMO's, Public Health, Indian Health, and VA Hospitals. Optometry schools are accredited by the same national agencies that accredit medical schools.

Optometrists possess an education similar to dentists, podiatrists, and physicians. Yet of these professions, only optometry is limited in its use of pharmaceuticals. We have far more extensive education, and training in the use of specialized eye equipment, than the general medical doctors, nurses, and health aides that currently treat eye disease in Alaska.

This bill will not allow "grandfathering" of present practitioners. Current statutes require each Alaska optometrist to pass additional examinations determined by the State Board to receive a license endorsement for pharmaceutical agents. Current regulations for a license also require passing the "TREATMENT AND MANAGEMENT OF OCULAR DISEASE", a nationally recognized and standardized examination offered by the International Association of Boards of Examiners in Optometry (IAB), of which Alaska is a member.

JEFFREY A. GONNASON, O.D.

Doctor of Optometry
Medical Park Eye Care
2211 E. Northern Lights - Suite 202
Anchorage, AK 99508

Senate HESS

Page 2

Telephone: (907) 276-2080

The malpractice insurance rates paid by optometrists are the same in states that do allow as those that don't yet allow treatment of eye disease. Rates have actually been reduced recently. My rate went from \$356 last year down to \$220 this year. This is positive proof of the public safety of optometry, with 14 years of therapeutic experience and one of the lowest litigation rates of the health professions. The courts hold optometrists to the same standards of care applicable to medical doctors and dentists.

Optometrists are considered physicians by federal Medicare law, with respect to all services authorized by state law. Indian Health and military optometrists in Alaska use medications under federal authority. If they enter private practice as many have done, they are then restricted by outdated statutes that give medicine a monopoly on eyecare.

The only reason for this legislation is to provide much better access to quality, affordable eye care for Alaskans. This is especially true in our smaller towns and villages. Time and expense would be saved by the public and the state health payors by reducing unnecessary travel, not having to pay more than one doctor, or not having to pay the higher fees of a surgical eye specialist for a common primary care condition. These cost savings have been well documented. Increased competition and freedom of choice among providers is also a cost containment reality.

Optometrists are reasonable, educated, caring professionals with a clean track record nationally. We are state licensed, and regulated by the State Board, by legal liability concerns, by community opinion, and by medicine and the legislature looking carefully over our shoulders. Unlike our other medical colleagues with unrestricted license for new educational developments, we must return to the legislature for statute changes as our education and scope of practice capability expands.

We are fortunate to have a legislature that will respond to the health care needs of all Alaskans. By lending your approval for a beginning step toward expansion of primary eyecare services by optometrists, you will be supporting the basic goal of improved quality of life for all Alaskans. Our support is from a broad base: State administrators, educators, Native groups, regional health groups, insurance providers, medical doctors, dentists, nurses, pharmacists, and mostly by the Alaskan people all over the state who trust us with their eyecare. Thank you for your consideration.

Sincerely,



Jeffrey A. Gonnason, O.D.

Legislative Chair
Past President
State Optometry Board



Member

American Optometric Association



Donald R. Schieve, M.D.
5220 Neil Road Suite 110
Reno, Nevada 89502

April 24, 1989

Senator Ray Shaffer
Legislative Building
401 S. Carson Street
Carson City, NV 89710

Dear Senator Shaffer,

As an Ophthalmologist and practicing M.D. for over 25 years, I strongly support S. B. 296. The passage of this bill will *definitely benefit* the citizens of our State.

My credentials are as follows: (i) After residency, I practiced as a Board Certified Pathologist for 16 years in Reno; (ii) I then took a second residency in Ophthalmology and practiced in Morgantown, WV for 9 years, prior to my return to Reno in 1988, where my Ophthalmology practice is now located.

During my 9 years as an Ophthalmologist in West Virginia, I was able to observe first hand the *positive results* of the passage of a bill very similar to S.B. 296.

In all the cases I observed the patient was: (i) better served and treated; (ii) more efficiently referred, when needed, to the correct specialist; and (iii) enjoyed a lower medical cost.

As I am sure you are aware, West Virginia was the first of twenty-four states that have passed legislation similar to S.B. 296 during the last fourteen years.

As an Ophthalmologist, I am aware of the opposition some of my fellow Ophthalmologists may place before you. These objections are generally voiced by a small group of Doctors who believe their practices are being infringed upon, "a turf battle".

Medicine, science, and technology continue to bring forth new frontiers. We cannot practice medicine as we did twenty years ago. Status quo in medicine does not benefit the patient.

We must continue to grant rights to Doctors to treat their patients in areas in which they are properly trained, even though these Doctors do not carry the title "M.D.".

I urge you, and your fellow committee members, to vote in favor of S.B. 296 and continue the advancement of proper and economical medical care for the people of Nevada.

Sincerely yours,

Donald R. Schieve, M.D., Ophthalmologist



NORTHWEST EYE CENTER

State of the Art Technology
and Old Fashioned Care

February 8, 1989

State Senator Gary Nelson
106-A Inst. Building
Olympia, WA 98504

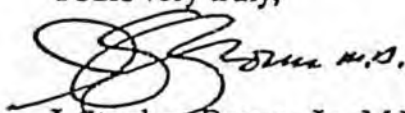
Dear Senator Nelson:

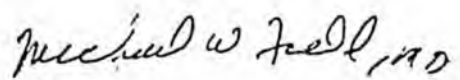
We are three ophthalmologists practicing in Seattle. We are writing in support of Senate Bill 5193, and feel that Doctors of Optometry should be allowed to use topical therapeutic drugs. We have had the opportunity and pleasure of sharing in the care of many patients with optometrists in your legislative district: Doctors Michael Medin and David Ross. These doctors provide excellent care. They have shown good judgment in their patient care decisions. We feel they will continue timely and proper care with therapeutic drug use. In the past two years we have participated in educational courses with these doctors. We have encountered a high level of interest and enthusiasm in these endeavors.

It is our hope that passage of this therapeutic bill will result in a greater unity between optometrists and ophthalmologists and ultimately our patients will be the beneficiaries.

If you have any questions or concerns, we would be happy to discuss them with you.

Yours very truly,


J. Stephen Brown, Jr., M.D.


Michael W. Field, M.D.


William E. Hancock, M.D.



Valley Eye and Laser Center

March 13, 1989

House of Representatives
Legislative Building, Room #
Olympia, Wa. 98504

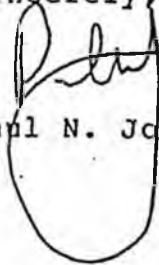
Dear Representative

I am writing to express my strong support for Senate Bill #5193. I have been practicing medicine as an ophthalmologist, specializing in eye disease and surgery for the past ten years.

I have reviewed the proposed change in Legislation carefully, and find it is a reasonable approach for expanding the scope of optometric practice. My experience with optometrists has shown me that they are very competent, careful, and ethical practitioners.

Please support this bill and move the issue out of the political arena, so all ophthalmologists and optometrists can get back to our main concern, the care of eyes.

Sincerely,



Paul N. Jcos, M.D.

HB

225

SENATE COMMITTEE REPORT

DATE: January 11 1990

FURTHER:

DATE TURNED INTO OFFICE: 4/12/90

Labor & Commerce Committee considered CS FOR HOUSE BILL NO. 225 (HESS) "An Act relating to payment of disability insurance claims."

and recommended:

[x] replace with SCS CS HB 225 (L+C)
[] or adopt
[] attached amendment(s)
[] letter of intent adopted

[x] same title
[] new title
[] technical title change (HB only)

[x] do pass
[] do not pass
[] no recommendation
[] individual recommendations
[] further referral to

ATTACHES NEW FISCAL NOTE(S):
Dept/Date:
[] fiscal note(s)

APPROVES PREVIOUS:
Dept/Date:
[] fiscal note(s)

[x] zero fiscal note(s)
updated Dept of Comm 2/2/90 CS HB 225 (HESS)
Copies also to SCS CS HB 225 (L+C)
[] appropriation-no fiscal note

[] zero fiscal note(s)
[] Governor's bill w/fiscal note

SIGNING DO PASS:
[Signature]
[Signature]

OTHER RECOMMENDATIONS:
[Signature] No Rec.

Chair: Signature and Recommendation

HB 225 - Payment of Disability Insurance

House Bill 225 deals with the "direct payment" provisions of Title 21, which governs Alaska insurance contracts. This legislation mandates that if an insurance company disregards the patient's written direction regarding to whom the insurance payments should be sent, the insurance company remains liable to the provider. This change will make the insurance company, rather than the health care provider, bear the risk that a payment improperly sent to the patient will leave a medical bill unpaid.

House Bill 225 also clarifies the manner in which "direct payment" requests by a patient can be revoked. The revocation is not effective until both the insurance company and the healthcare providers are notified. The Senate Labor and Commerce Committee added language which establishes the right of a divorced parent with custody of children covered under a health care plan to invoke the "direct payment" provisions of law. This change will assist the custodial parent in gaining timely health care for the children, without requiring the involvement of the non-custodial parent.

AMENDMENTS

1. The first amendment simply requires that any revocation by a patient that payments be made directly to the health care provider must be in writing, and include a certification that the provider has been notified of the change. This amendment will enable insurers to avoid errors in payments.

2. The second amendment clarifies that the "direct payment" provisions made applicable to medical or hospital services corporations by Section 4 of the Act do not extend to benefits that the corporation is required to pay directly to a participating health care provider under a subscription contract. The "direct payment" provisions do apply, however, when the service corporation is obligated only to indemnify the patient.

These amendments were made at the request of insurance interests and have the approval of the prime sponsor and the Division of Insurance.

ADDITIONAL INFORMATION

1. Alaska law has "direct payment" provisions which enable an insurance company to pay most health care providers directly if the patient so direct.

2. HB 225 expressly states that an insurance company would retain the right to collect any amounts mistakenly paid to the patient from that person. Under current law a health care provider could collect from the patient in the same situation.

1

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 225 (Labor & Commerce)

Page 1, line 20, after "upon":

Insert "written"

Page 2, line 3, after "services;":

Insert "the written notice of revocation given to the insurer must certify that the covered person has given written notice of revocation to the provider of the services;"

Page 2, line 27, after "upon":

Insert "written"

Page 3, line 10, after "services.":

Insert "The written notice of revocation given to the insurer must certify that the covered person has given written notice of revocation to the provider of the services."

Page 4, line 6, after "upon":

Insert "written"

Page 4, line 18, after "services.":

Insert "The written notice of revocation given to the insurer must

certify that the covered person has given written notice of revocation to the provider of the services."

#2

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 225 (Labor & Commerce)

Page 2, after line 24:

Insert a new subsection to read:

"(c) This section does not apply to payments made under a provider contract that holds the covered person harmless from charges for services except copayments, coinsurance, and deductibles."

Page 3, after line 25:

Insert a new subsection to read:

"(e) This section does not apply to payments made under a provider contract that holds the covered person harmless from charges for services except copayments, coinsurance, and deductibles."

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Payment of Disability Insurance
 Claims
 Sponsor: Gruenberg and Menard
 Requestor: House Rules

Agency Affected: Commerce & Economic Dev.
 BRU: Insurance
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: James J. Jordan, Acting Director Phone: 465-2515
 Division: Insurance Date: 1-9-90

Approved by Commissioner: Larry Merculieff *LM* Date: 1-9-90
 Agency: Department of Commerce & Economic Development 465-2500

Distribution (by preparer):

Legislative Finance
 69748/1990
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

State of Alaska

Committees

CO-CHAIR, HOUSE JUDICIARY
VICE CHAIR, HOUSE LABOR AND COMMERCE
HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES



P.O. BOX V
DUNELAU, ALASKA 99811
(907) 465-4712
465-4968/4986
(SESSION)

914 CLAY COURT
ANCHORAGE, ALASKA 99501
(907) 276-6844

Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

MEMORANDUM

TO: Sen. Dick Eliason
Chairman, Senate Labor and Commerce Committee

FROM: Rep. Max F. Gruenberg, Jr. *MF*

SUBJECT: Analysis of CS HB 225 (HESS)
and Proposed Amendment

DATE: March 26, 1990

Current Law

CS HB 225 (HESS) deals with the "direct payment" provisions of Title 21, which governs Alaska insurance contracts. Insurance contracts are indemnity contracts; they generally provide that payments are made to the person who owes the bill, rather than to the person who provided the services. Alaska law, however, has "direct payment" provisions which enable an insurance company to pay most health care providers directly if the patient so requests.

CS HB 225 (HESS)

CS HB 225 (HESS) strengthens the "direct payment" provisions of current law. A patient who has mistakenly received insurance payments that the patient asked be paid to a health care provider might not pay the medical bill. In that situation, under current law, the health care provider would bear the cost rather than the insurance company, which mistakenly paid the patient.

CS HB 225 (HESS) mandates that if an insurance company disregards the patient's written directive, it remains liable

to the provider. This change will make the insurance company, rather than the health care provider, bear the risk that a payment improperly sent to the patient will leave a medical bill unpaid.

An insurance company would retain the right to collect any amounts mistakenly paid to a patient from that person. Under current law a health care provider could collect from the patient in the same situation.

In addition to placing the risk of loss on the proper party, CS HB 225 (HESS) adds a specific time limit (30 working days) within which medical bills must be paid by the insurer. Also, the bill adds dentists to the list of health care providers who may be paid directly by an insurer.

Proposed Amendment

I've also drafted a proposed amendment to CS HB 225 (HESS) for consideration by your committee.

The amendment would do two things. First, it defines the procedure to be followed by a patient who wishes to revoke a prior authorization of direct payment to a health care provider. The amendment states that such a revocation is not effective until both the insurance company and the health care provider are notified. This will enable health care providers to monitor the payment status of patients who see them on an ongoing basis.

Second, the proposed amendment establishes the right of a divorced parent with custody of children covered under a health care plan to invoke the "direct payment" provisions of law for health care services provided to those children. This change will greatly assist the custodial parent in gaining timely health care for the children, without requiring the involvement of the non-custodial parent.

* * * * *

Taken together, these changes in current law will make the Alaska insurance industry more responsive to consumer needs and to their legitimate requests. I would appreciate the opportunity to bring the bill before your committee at your earliest opportunity.

1

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 225 (Labor & Commerce)

Page 1, line 20, after "upon":

Insert "written"

Page 2, line 3, after "services;":

Insert "the written notice of revocation given to the insurer must certify that the covered person has given written notice of revocation to the provider of the services;"

Page 2, line 27, after "upon":

Insert "written"

Page 3, line 10, after "services.":

Insert "The written notice of revocation given to the insurer must certify that the covered person has given written notice of revocation to the provider of the services."

Page 4, line 6, after "upon":

Insert "written"

Page 4, line 18, after "services.":

Insert "The written notice of revocation given to the insurer must

certify that the covered person has given written notice of revocation to the provider of the services."

#2

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 225 (Labor & Commerce)

Page 2, after line 24:

Insert a new subsection to read:

"(c) This section does not apply to payments made under a provider contract that holds the covered person harmless from charges for services except copayments, coinsurance, and deductibles."

Page 3, after line 25:

Insert a new subsection to read:

"(e) This section does not apply to payments made under a provider contract that holds the covered person harmless from charges for services except copayments, coinsurance, and deductibles."

AMENDMENT

SECTION 2, PAGE 2

AT THE END OF LINE 20: INSERT THE FOLLOWING:

"NOTHING IN THIS SECTION PROHIBITS AN INSURER FROM COLLECTING ANY AMOUNTS MISTAKENLY PAID TO A PROVIDER OR A COVERED PERSON."

SECTION 3, PAGE 3

AT THE END OF LINE 10: INSERT THE FOLLOWING:

"NOTHING IN THIS SECTION PROHIBITS AN INSURER FROM COLLECTING ANY INDEMNITIES MISTAKENLY PAID TO A PROVIDER OR A COVERED PERSON."

CSHB 225 (HESS): "An Act relating to payment of disability insurance claims."

This Act pertains to the payment of both group and individual disability insurance claims. It provides for a requirement that, when benefits are assigned to a medical care provider, the benefits must be paid within 30 days after receipt of a proof of loss statement and, if the insurer mistakenly pays the insured, then the insurer must also pay the medical care provider. The department's position on this legislation is neutral.

Section 1 - AS 21.51.120 - Individual Disability Contracts

Essentially, the repeal and reenactment of AS 21.51.120 does not change the existing law's intent. This section pertains to required contract provisions pertaining to payment of claims in individual disability insurance contracts. Two elements have been added in the situation when benefits have been assigned to a medical care provider:

1. payment must be made within 30 days after receipt of a proof of loss statement; and
2. if the insurer mistakenly pays benefits to the insured, it must also make payment to the medical care provider. It is assumed that the insurer is penalized for this mistake by the required double payment. Assumedly, both payments would tend to increase future rates.

It should be noted that this section does not create an irrevocable assignment and the insured could change his or her mind and request in writing that the insurer now pay direct to him or her (under AS 21.42.270 and AS 21.51.150).

Section 2 - AS 21.54.020 - Group Disability Contracts

Direct payment of benefits to medical care providers by insurers may provide for:

1. medical care providers not requiring patients to pay for treatment before treatment is given so as not to create a barrier to receiving appropriate medical care; and
2. assurance that at least some portions of the charges for medical care will be paid to the medical care provider.

Most group disability insurance contracts will allow the choice of direct payment to medical care providers to be made by the individual persons covered under the group contract. This election is required to be made in writing and may only be changed by a subsequent written request received before claim payment is made. However, many insurers do retain the contractual option of whether paying direct to the person covered or to a medical care provider. If the covered person has made the written election for direct payment to a provider, the insurer will pay to the provider. If the covered person does not make the written election for direct payment, the insurer must pay any benefits to the covered person.

However, if no direct payment election is made and the amount of the claim is substantial, many insurers will require the covered person to provide proof that the medical care provider has been paid. (An insurer will do this because, if a covered person is paid but the provider ultimately is not paid, those reimbursed charges will be factored into and result in higher charges being made for future medical service.

The new language removes the insurer's discretion in regard to making direct payment to a provider. If the insurer allows for the election of direct payment, then the direct payment must be made unless the election is revoked in writing.

The same 30-day criteria for payment of claims and the double payment features are evident in this amended provision as are in the section pertaining to individual disability contracts.

Section 3 - AS 21.54.050 - Blanket Disability Contracts

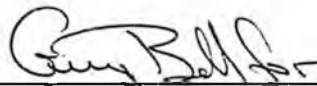
This section applies the same standards already noted in Sections 1 and 2, to blanket disability insurance contracts.

Section 4 - AS 21.87.340 - Hospital and Medical Service Corporations

Because AS 21.87 is an exclusive chapter regulating hospital and medical service corporation such as Blue Cross, there must be an internal reference to statutes outside of AS 21.87 which are intended to apply. Section 4 accomplishes that for individual contracts issued by hospital and medical service corporations.

Amendments Proposed

- o Following line 8 on page 4, add "(10) AS 21.54.020." This would apply this legislation to group contracts issued by a hospital or medical service corporation.



Larry Mercurieff, Commissioner

Date: 4/4/90

State of Alaska

Committees

CO-CHAIR, HOUSE JUDICIARY
VICE-CHAIR, HOUSE LABOR AND COMMERCE
HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES



P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4712
465-4968/4986
(SESSION)

914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

MEMORANDUM

TO: Sen. Dick Eliason
Chairman, Senate Labor and Commerce Committee

FROM: Rep. Max F. Gruenberg, Jr. *MF*

SUBJECT: Analysis of CS HB 225 (HESS)
and Proposed Amendment

DATE: March 26, 1990

Current Law

CS HB 225 (HESS) deals with the "direct payment" provisions of Title 21, which governs Alaska insurance contracts. Insurance contracts are indemnity contracts; they generally provide that payments are made to the person who owes the bill, rather than to the person who provided the services. Alaska law, however, has "direct payment" provisions which enable an insurance company to pay most health care providers directly if the patient so requests.

CS HB 225 (HESS)

CS HB 225 (HESS) strengthens the "direct payment" provisions of current law. A patient who has mistakenly received insurance payments that the patient asked be paid to a health care provider might not pay the medical bill. In that situation, under current law, the health care provider would bear the cost rather than the insurance company, which mistakenly paid the patient.

CS HB 225 (HESS) mandates that if an insurance company disregards the patient's written directive, it remains liable

to the provider. This change will make the insurance company, rather than the health care provider, bear the risk that a payment improperly sent to the patient will leave a medical bill unpaid.

An insurance company would retain the right to collect any amounts mistakenly paid to a patient from that person. Under current law a health care provider could collect from the patient in the same situation.

In addition to placing the risk of loss on the proper party, CS HB 225 (HESS) adds a specific time limit (30 working days) within which medical bills must be paid by the insurer. Also, the bill adds dentists to the list of health care providers who may be paid directly by an insurer.

Proposed Amendment

I've also drafted a proposed amendment to CS HB 225 (HESS) for consideration by your committee.

The amendment would do two things. First, it defines the procedure to be followed by a patient who wishes to revoke a prior authorization of direct payment to a health care provider. The amendment states that such a revocation is not effective until both the insurance company and the health care provider are notified. This will enable health care providers to monitor the payment status of patients who see them on an ongoing basis.

Second, the proposed amendment establishes the right of a divorced parent with custody of children covered under a health care plan to invoke the "direct payment" provisions of law for health care services provided to those children. This change will greatly assist the custodial parent in gaining timely health care for the children, without requiring the involvement of the non-custodial parent.

* * * * *

Taken together, these changes in current law will make the Alaska insurance industry more responsive to consumers' needs and to their legitimate requests. I would appreciate the opportunity to bring the bill before your committee at your earliest opportunity.

State of Alaska

Committees

CO CHAIR, HOUSE JUDICIARY
VICE CHAIR, HOUSE LABOR AND COMMERCE
HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES



P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4712
465-4968/4986
(SESSION)

914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

MEMORANDUM

TO: Senator Dick Eliason
Chairman, Senate Labor and Commerce Committee

FROM: Representative Max F. Gruenberg, Jr. *MFG*

DATE: January 23, 1990

SUBJECT: Scheduling of CS HB 225 (HESS), "An Act relating to payment of disability insurance claims."

Last year I sponsored HB 225. CS HB 225 (HESS) was the first Act to pass out of the House this session, and it passed by a unanimous vote.

CS HB 225 (HESS) amends the "direct payment" provisions of the Insurance Code, to ensure that health care providers receive payments for services rendered to insured patients.

Since the bill passed the House, I have prepared three amendments to refine the bill's impact. With those amendments in hand, CS HB 225 (HESS) is now ready to be heard and I would appreciate your scheduling it at the earliest opportunity.

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSHB 225(HESS)

Page 1, line 28, following "person":

Insert ";

(3) a covered person may revoke an election of direct payment of indemnities made under this subsection by giving written notice of the revocation to the insurer and to the provider of the services; revocation of an election of direct payment is not effective until the notice of revocation is received by the insurer and the provider of the services;

(4) the right of the insured to request payment of indemnities for hospital, nursing, medical, dental, or surgical services directly to the provider of the services or to another person may be transferred to a person who is not the insured by a qualified domestic relations order; rights under the qualified domestic relations order do not take effect until the order is received by the insurer; in this paragraph, "qualified domestic relations order" means an order or judgment in a divorce or dissolution action under AS 25.24 that designates a person to determine to whom indemnities for a named beneficiary should be paid under a disability policy"

Page 2, line 11, before "An":

Insert "(a)"

Page 2, after line 20:

Insert new subsections to read:

"(b) A covered person may revoke an election of direct payment of indemnities made under (a) of this section by giving written notice of the revocation to the insurer and to the provider of the services. Revocation of an election of direct payment is not effective until the notice of revocation is received by the insurer and the provider of the services.

(c) The right of the covered person to request payment of indemnities under a blanket disability policy directly to the provider of the services or to another person may be transferred to a person who is not the covered person by a qualified domestic relations order. Rights under the qualified domestic relations order do not take effect until the order is received by the insurer. In this subsection, "qualified domestic relations order" means an order or judgment in a divorce or dissolution action under AS 25.24 that designates a person to determine to whom indemnities for a covered person should be paid under a disability policy."

Page 2, line 23, before "All":

Insert "(a)"

Page 3, after line 10:

Insert new subsections to read:

"(b) A covered person may revoke an election of direct payment of benefits made under (a) of this section by giving written notice of

the revocation to the insurer and to the provider of the services. Revocation of an election of direct payment is not effective until the notice of revocation is received by the insurer and the provider of the services.

(c) The right of the covered person to request payment of indemnities under a group disability policy directly to the provider of the services or to another person may be transferred to a person who is not the covered person by a qualified domestic relations order. Rights under the qualified domestic relations order do not take effect until the order is received by the insurer. In this subsection, "qualified domestic relations order" means an order or judgment in a divorce or dissolution action under AS 25.24 that designates a person to determine to whom indemnities for a covered person should be paid under a disability policy."

Page 4, following line 8:

Insert new bill sections to read:

"* Sec. 5. AS 25.24.160(b) is amended to read:

(b) If a judgment under this section distributes benefits to an alternate payee under AS 14.25, AS 21.51.120(a), AS 21.54.020(c), 21.54.050(c), AS 22.25, AS 26.05.222 - 26.05.226, or AS 39.35, the judgment must meet the requirements of a qualified domestic relations order under the definition of that phrase that is applicable to those provisions.

* Sec. 6. AS 25.24.230(g) is amended to read:

(g) If a judgment under this section distributes benefits to an

alternate payee under AS 14.25, AS 21.51.120(a), AS 21.54.020(c), 21.54.050(c), AS 22.25, AS 26.05.222 - 26.05.226, or AS 39.35, the judgment must meet the requirements of a qualified domestic relations order under the definition of that phrase that is applicable to those provisions."

Renumber the following bill section accordingly.

Original sponsor(s): REP. GRUENBERG, Menard

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 225 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to payment of disability insurance
7 claims."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 21.51.120 is repealed and reenacted to read:

10 Sec. 21.51.120. PAYMENT OF CLAIMS. (a) A disability policy
11 delivered or issued for delivery must contain the following provi-
12 sions:

13 (1) indemnity for loss of life shall be paid according to
14 the beneficiary designation and payment provisions contained in the
15 policy that are effective at the time of payment; if a beneficiary has
16 not been designated, indemnity shall be paid to the estate of the
17 insured; accrued indemnities unpaid at the insured's death shall be
18 paid to either the beneficiary or the estate, at the option of the
19 insurer; all other indemnities shall be paid to the insured;

20 (2) the insurer may, and upon request of the insured shall,
21 within 30 working days after receiving a proof of loss statement, pay
22 indemnities for hospital, nursing, medical, dental, or surgical ser-
23 vices directly to the provider of the services; an insurer who pays
24 indemnities to an insured, after the insured has given the insurer
25 written notice in the proof of loss statement of an election of direct
26 payment of indemnities to the provider of the services, shall also pay
27 indemnities to the provider of the services; this paragraph does not
28 require that services be provided by a particular hospital or person;

29 (3) a covered person may revoke an election of direct

1 payment of indemnities made under this subsection by giving written
2 notice of the revocation to the insurer and to the provider of the
3 services; revocation of an election of direct payment is not effective
4 until the notice of revocation is received by the insurer and the
5 provider of the services;

6 (4) the right of the insured to request payment of indem-
7 nities for hospital, nursing, medical, dental, or surgical services
8 directly to the provider of the services or to another person may be
9 transferred to a person who is not the insured by a qualified domestic
10 relations order; rights under the qualified domestic relations order
11 do not take effect until the order is received by the insurer; in this
12 paragraph, "qualified domestic relations order" means an order or
13 judgment in a divorce or dissolution action under AS 25.24 that desig-
14 nates a person to determine to whom indemnities for a named benefi-
15 ciary should be paid under a disability policy.

16 (b) A disability policy delivered or issued for delivery may, at
17 the option of the insurer, require that an indemnity in an amount not
18 to exceed \$1,000 that is payable to the estate of the insured, an
19 insured or beneficiary who is a minor, or an insured who is not compe-
20 tent to give a valid release, be paid to a relative by blood or mar-
21 riage, or a beneficiary that the insured determines is equitably
22 entitled to the payment. A good faith payment by the insurer under
23 this subsection fully discharges the insurer to the extent of the
24 payment.

25 * Sec. 2. AS 21.54.020 is repealed and reenacted to read:

26 Sec. 21.54.020. DIRECT PAYMENT OF HOSPITAL, MEDICAL SERVICES.

27 (a) An insurer may, and upon request of the covered person shall,
28 within 30 working days after receiving a proof of loss statement, pay
29 indemnities under a group disability policy directly to the provider

1 of the hospital, nursing, medical, dental, or surgical services. The
2 policy may not contain a provision requiring that services be provided
3 by a particular hospital or person. If the insurer pays indemnities
4 to the covered person after the covered person has given the insurer
5 written notice in the proof of loss statement of an election of direct
6 payment of indemnities to the provider of the service, the insurer
7 shall also pay those indemnities to the provider of the service.

8 (b) A covered person may revoke an election of direct payment of
9 indemnities made under (a) of this section by giving written notice of
10 the revocation to the insurer and to the provider of the services.
11 Revocation of an election of direct payment is not effective until the
12 notice of revocation is received by the insurer and the provider of
13 the services.

14 (c) The right of the covered person to request payment of indem-
15 nities under a blanket disability policy directly to the provider of
16 the services or to another person may be transferred to a person who
17 is not the covered person by a qualified domestic relations order.
18 Rights under the qualified domestic relations order do not take effect
19 until the order is received by the insurer. In this subsection,
20 "qualified domestic relations order" means an order or judgment in a
21 divorce or dissolution action under AS 25.24 that designates a person
22 to determine to whom indemnities for a covered person should be paid
23 under a disability policy.

24 (d) This section does not prohibit an insurer from recovering an
25 amount mistakenly paid to a provider or a covered person.

26 * Sec. 3. AS 21.54.050 is repealed and reenacted to read:

27 Sec. 21.54.050. PAYMENT OF BLANKET DISABILITY POLICY BENEFITS.

28 (a) All benefits under a blanket disability policy shall be paid to
29 (1) the person insured; (2) the designated beneficiary or

1 beneficiaries of the person insured; (3) the estate of the person
2 insured; (4) the parent, guardian, or other person actually supporting
3 the person insured, if the person insured is a minor or otherwise not
4 competent to give a valid release; or (5) the employer, if the entire
5 cost of the insurance has been paid by the employer. An insurer may,
6 and upon request of the covered person shall, within 30 working days
7 after receiving a proof of loss statement, pay benefits directly to
8 the provider of the hospital, nursing, medical, dental, or surgical
9 services. The policy may not contain a provision requiring that
10 services be provided by a particular hospital or person. If the
11 insurer pays indemnities to the insured after the covered person has
12 given the insurer written notice in the proof of loss statement of an
13 election of direct payment of indemnities to the provider of the
14 service, the insurer shall also pay those indemnities to the provider
15 of the service.

16 (b) A covered person may revoke an election of direct payment of
17 benefits made under (a) of this section by giving written notice of
18 the revocation to the insurer and to the provider of the services.
19 Revocation of an election of direct payment is not effective until the
20 notice of revocation is received by the insurer and the provider of
21 the services.

22 (c) The right of the covered person to request payment of indem-
23 nities under a group disability policy directly to the provider of the
24 services or to another person may be transferred to a person who is
25 not the covered person by a qualified domestic relations order.
26 Rights under the qualified domestic relations order do not take effect
27 until the order is received by the insurer. In this subsection,
28 "qualified domestic relations order" means an order or judgment in a
29 divorce or dissolution action under AS 25.24 that designates a person

1 to determine to whom indemnities for a covered person should be paid
2 under a disability policy.

3 (d) This section does not prohibit an insurer from recovering an
4 indemnity mistakenly paid to a provider or a covered person.

5 * Sec. 4. AS 21.87.340 is amended to read:

6 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to
7 the provisions contained or referred to previously in this chapter,
8 the following chapters and provisions of this title also apply with
9 respect to service corporations to the extent applicable and not in
10 conflict with the express provisions of this chapter and the reason-
11 able implications of the express provisions, and for the purposes of
12 the application the corporations shall be considered to be mutual
13 "insurers":

- 14 (1) AS 21.03
- 15 (2) AS 21.06
- 16 (3) AS 21.09, except AS 21.09.090
- 17 (4) AS 21.18.010
- 18 (5) AS 21.18.030
- 19 (6) AS 21.18.040
- 20 (7) AS 21.18.120
- 21 (8) AS 21.21.321
- 22 (9) AS 21.36
- 23 (10) AS 21.69.400
- 24 (11) AS 21.69.520
- 25 (12) AS 21.69.600, 21.69.620, and 21.69.630
- 26 (13) AS 21.78
- 27 (14) AS 21.90
- 28 (15) AS 21.42.345 - 21.42.365
- 29 (16) AS 21.89.040

1 (17) AS 21.89.060;

2 (18) AS 21.51.120;

3 (19) AS 21.54.020.

4 * Sec. 5. AS 25.24.160(b) is amended to read:

5 (b) If a judgment under this section distributes benefits to an
6 alternate payee under AS 14.25, AS 21.51.120(a), AS 21.54.020(c),
7 21.54.050(c), AS 22.25, AS 26.05.222 - 26.05.226, or AS 39.35, the
8 judgment must meet the requirements of a qualified domestic relations
9 order under the definition of that phrase that is applicable to those
10 provisions.

11 * Sec. 6. AS 25.24.230(g) is amended to read:

12 (g) If a judgment under this section distributes benefits to an
13 alternate payee under AS 14.25, AS 21.51.120(a), AS 21.54.020(c),
14 21.54.050(c), AS 22.25, AS 26.05.222 - 26.05.226, or AS 39.35, the
15 judgment must meet the requirements of a qualified domestic relations
16 order under the definition of that phrase that is applicable to those
17 provisions.

18 * Sec. 7. This Act applies to policies of disability insurance entered
19 into or renewed after the effective date of this Act.
20
21
22
23
24
25
26
27
28
29

HB

235

zero
1/31/90

DATE: 2/6/90

FURTHER: Judiciary

DATE TURNED INTO OFFICE:

4/12/90

Labor and Commerce

Committee considered

CS HB 235 (Judiciary)

An Act relating to safety involving refrigerators and similar equipment.

and recommended:

replace with _____ CS
 or adopt _____ CS

~~HB 235 (Jud)~~

same title
 new title
 technical title change (HB only)

attached amendment(s)

_____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s)
Dept of Labor 4/18/90

Governor's bill w/fiscal note

SIGNING DO PASS:

[Signature]
[Signature]
[Signature]

OTHER RECOMMENDATIONS:

[Signature]
Chair: Signature and Recommendation

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to safety involving certain kinds of equipment and containers."
Sponsor: Gruenberg and Hoffman
Requestor: House Judiciary

Agency Affected: Labor
BRU: Labor Standards & Safety
Components: Mechanical Inspection

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Note: there is no fiscal impact in FY 90.

Prepared by: Tom Stuart, Director
Division: Labor Standards & Safety
Approved by Commissioner: Jim Sampson
Agency: Department of Labor

Phone: 264-2452
Date: 1/18/90
Date: 1/18/90

Distribution (by preparer) :
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

State of Alaska

Committees


CO-CHAIR, HOUSE JUDICIARY
VICE-CHAIR, HOUSE LABOR AND COMMERCE
HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES



P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4712
465-4968/4986
(SESSION)
914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

MEMORANDUM

TO: Members of the House
FROM: Rep. Max Gruenberg, Jr. 
DATE: February 5, 1990
RE: HB 235, Refrigerator Safety bill.

I would very much appreciate your support for HB 235. The refrigerator safety bill updates our laws to prohibit leaving a dangerous refrigerator in an area that presents an unreasonable hazard to small children. After the incident in the enclosed citation, Representative Hoffman and I reviewed our statutes and those of other states and concluded that Alaska needed this legislation to help prevent similar incidents.

The bill incorporates federal safety standards enacted in 1958 and updates our laws based the new laws in other states. It will help save lives.

Thank you.

* HONORING *

* ISAAC FRAZIER *

The members of the Fifteenth Alaska Legislature take great pride in honoring a fine young Alaskan, Isaac Frazier, who saved the lives of four young children.

On April 17, 1988, Rebecca Mary, age six, Janna Excelia, age five, and Shannon Bernice, age two, daughters of Jimmy and Chrystal Smith, and William, age four, foster son of Hielbent and Sarah Frazier were playing in the halls of the Bureau of Indian's housing complex in Bethel. These children being full of adventure and naivete during a game of "hide 'n' go seek" discovered an unplugged refrigerator that did not have the door removed. Not knowing the danger, they became locked in the refrigerator.

If Isaac, age nine, had not been looking for his little brother and heard the children's muffled cries for help, most likely they would have perished. When he found them, all were red in the face and short of breath, a very close call!

This near tragedy should serve as an example to Alaskans. All unused refrigerators and freezers should have the doors removed for the safety of our precious resource, children.

This Legislature congratulates Isaac Frazier and joins his family, friends and the residents of the Yukon-Kuskokwim Delta in celebrating life.



Ben Demas
SPEAKER OF THE HOUSE

James P. L...
PRESIDENT OF THE SENATE

Date: May 6, 1988

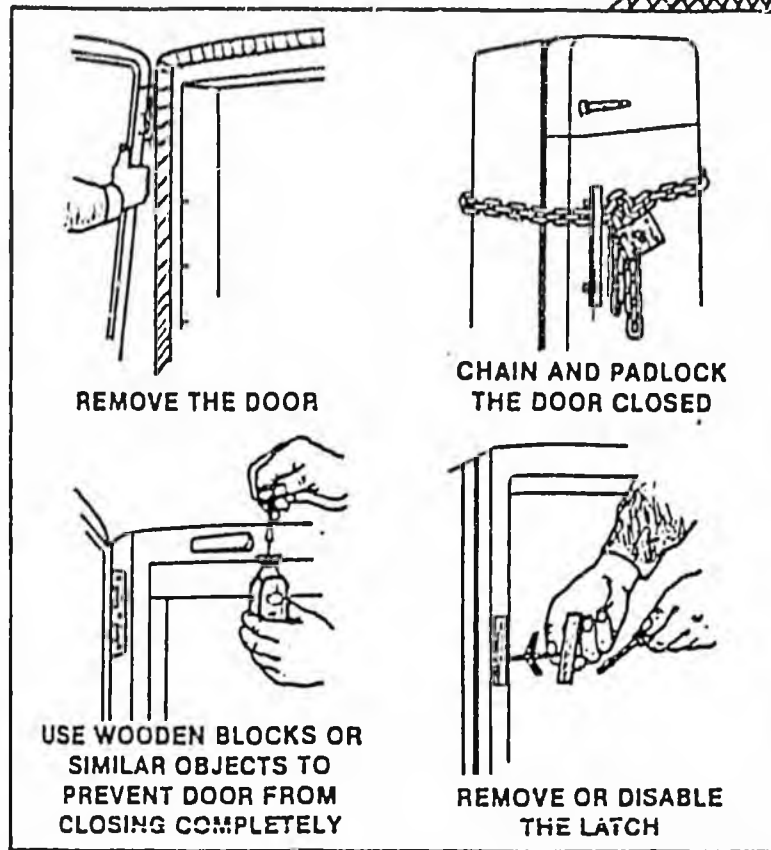
Requested by: Representative Hoffman;
Senator Binkley

Under laws administered by CPSC, an estimated 325 million potentially hazardous products have been called back from the marketplace and consumers since 1973 (when CPSC was created). Most of these were voluntarily recalled by manufacturers who established programs to repair or replace the products, or to refund the purchase price.

CPSC Warns About Suffocation and Death of Children in Old Refrigerators

L.S. & S.
ANCHORAGE

JUL 27 1988



The U.S. Consumer Product Safety Commission (CPSC) urges that all unused old-style refrigerators around the home be rendered "child-proof" or, if on public property, appropriate authorities be called to safely dispose of the products. CPSC continues to receive reports about the tragic deaths of young children who are suffocated because of entrapment in old refrigerators.

The Refrigerator Safety Act was enacted August 2, 1956. The

Act's regulations which became effective October 30, 1958 require a mechanism (usually a magnetic latch) which enables the door to be opened from the inside in the event of accidental entrapment. This type of latch, therefore, makes the hazardous refrigerators manufactured before that date easy to identify. The serious entrapment hazard occurs when children, during play, climb inside the old abandoned or carelessly stored refrigerators to hide. Many of these refrigerators are still in

RECEIVED
JUN 27 1988
OSH Anchorage

Suffocation and Death of Child in Old Refrigerators

(continued)

30
10

use, and when they are carelessly discarded or stored where they are accessible to children, they become a danger.

The CPSC has record of 96 children's deaths since 1973 caused by suffocation resulting from entrapment in those old refrigerators. Children in the 3 and 4 year age brackets have been the most vulnerable.

While there has been some decline in deaths in recent years, 8 children died during 1983 from refrigerator entrapment. Three of these instances were double deaths occurring in Missouri, Texas and West Virginia. The other deaths were separate, involving two 3 year olds in California.

The grim statistics from refrigerator entrapments have already begun for 1984. CPSC has recently received a report of the deaths on January 31, 1984 of cousins, ages 3 and 4 in an old refrigerator in Berkley Township, New Jersey. The refrigerator was one of the old prestandard models with the self-latching mechanism on the door and was stored in an unused neighborhood garage. The children apparently both sat down on the single metal shelf near the bottom of the empty, unplugged refrigerator and the door became latched.

Double deaths are not uncommon because children naturally enjoy playing together, and old refrigerators provide an interesting place to share this fun. However, when the door slams shut, there is sudden darkness, and the normally innocent and familiar refrigerator becomes a

death trap. Suffocation then ensues because the tight fitting gasket, which is on the inside of the door to seal in the cold, cuts off the child's air. This along with the insulated construction of a refrigerator also prevents the children's screams for help from being heard.

There are several ways to "child-proof" these old discarded refrigerators. The surest method is to take off the door completely and in most cases this is a simple process using a screwdriver. If the door will not come off, chain and padlock the door permanently and tightly closed. A third alternative is to remove or disable the latch completely so the door will no longer lock when closed. A wooden block screwed to the door to keep it from closing is also a possibility. Another helpful deterrent is to leave the shelves in the refrigerator to discourage children from getting inside. Also, it is unlawful in many local jurisdictions to discard old refrigerators without first removing the door.

Old electric refrigerators are not the only killer of children. The CPSC is aware of the death of a 3 year old because of suffocation in a self-locking ice refrigerator in a camper. The parents had probably never realized that an ice box which cannot be opened from the inside presents a suffocation hazard to small children.

Consumers wishing additional information should call CPSC's toll-free Hotline at 800-638-CPSC. A teletypewriter number for the hearing impaired is 800-638-8270. (Maryland only, 800-492-8104.)

HB

261

SENATE COMMITTEE REPORT

FURTHER

4/25/89

DATE TURNED INTO OFFICE 4/27/89

Mr. President:

L&C

Committee considered CSHB 261 (FIN)

authorizing an Alaska-Soviet Ice Classic

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to Dept of Commerce 4/26/89

FISCAL NOTE(S) zero fiscal impact appropriation no FN

new updated previous

same as previous fiscal note(s) published 4/12/89

MEMBERS SIGNING DO PASS

[Handwritten Signature]

[Handwritten Signature]

OTHER RECOMMENDATIONS

[Handwritten Signature]

Chair: Do Pass signature and recommendation

Committee Backup attached

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSHB 261 (Fin)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Soviet-American Ice Classic

Agency Affected: Commerce & Economic Dev.
BRU: Occupational Licensing

Sponsor: Hudson, et al.
Requester: Senate Labor & Commerce

Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.) The Soviet-American Ice Classic will have no effect on the Games of Chance and Skill program currently in place. Camai, Inc. would operate this ice classic, and the department would not be involved other than receiving and processing an annual application and annual report. This ice classic is not predicted to have any impact on the enforcement and audit function carried out by the department under the Games of Chance and Skill program.

Prepared by: Randall P. Burns, Director
Division: Occupational Licensing

Phone: 465-2535
Date: 4-26-89

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Phone: 465-2500
Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



Alaska State Legislature

REPRESENTATIVE BILL HUDSON

P.O. BOX V
Juneau, Alaska
99811
(907)465-3744 or 4991

COMMITTEES:

Transportation
Resources
Foreign Trade

FINANCE SUBCOMMITTEES

DOIT/F
C & RA

April 25, 1989

Honorable Dick Eliason, Chair
Senate Labor and Commerce Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Re: CSHB 261 (Finance)

Dear Senator Eliason,

Thank you for promptly scheduling a committee hearing of CSHB 261 (Finance), "An Act authorizing an Alaska-Soviet Ice Classic."

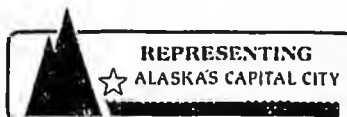
I sponsored the bill after well-known activist Dixie Belcher approached me with the idea of an Alaska-Soviet Ice Classic as a way to celebrate improving relations between the United States and the Soviet Union.

Her nonprofit organization, CAMAI*, and the City of Diomedes** would like to sponsor the ice classic; however, they must wait for the legislature to pass CSHB 261 (Finance) this session before they can proceed to organize one for next year.

Since 1960, when the legislature passed charitable gaming legislation, organizations have had to obtain statutory authority to operate and administer ice classics. CSHB 261

* Pronounced "cha-MY", the Yup'ik for "hello".

** At my request, the House Finance Committee added the City of Diomedes as a joint sponsor of the ice classic. This marks the only difference between my bill and its companion, SB 274 by Senator Jim Duncan.



Senator Dick Eliason
April 25, 1989
Page Two

(Finance) adds the Alaska-Soviet Ice Classic to five other authorized ice classics: the Nenana Ice Classic, the Chena Ice Pool, the Kuskokwim Ice Classic, the Kenai River Ice Classic, and the Yukon River Ice Classic.

Should CSHB 261 (Finance) pass this year, ice classic organizers would set up a tripod in the spring of 1990 on the International Dateline between Big and Little Diomed Islands. Tickets would go on sale in both Alaska and the Soviet Union from April 15 to May 25.

CAMAI and the City of Diomed would operate the ice classic in Alaska. The Foundation for Social Inventions, a Soviet agency, would manage the ice classic in the Soviet Union.

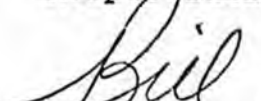
Bering Sea ice usually breaks up between the middle of June to the middle of July. Those coming closest to guessing the time of the breakup would be declared winners in Alaska and in the Soviet Union. Alaska winners would be paid from dollars earned in Alaska. Soviet winners would be paid from rubles earned in the Soviet Union.

Proceeds would support efforts to promote Alaska-Soviet cultural exchanges.

Finally, CSHB 261 (Finance) has a zero fiscal note.

Again, thank you for the prompt hearing of CSHB 261 (Finance). I hope we can quickly pass this bill this session so that the ice classic organizers can immediately begin work on a unique event.

Respectfully,


Bill Hudson

HB

284

Terms and conditions under which prime contractors/subcontractors are paid for materials and services provided to a public construction project; efd.

and recommended:

replace with _____ CS
 or adopt SCS CS HB 284 (C+RA)
 attached amendment(s)
 _____ letter of intent adopted

same title
 new title
 technical title change (HB only)

do pass
 do not pass
 no recommendation
 individual recommendations
 further referral to _____

Add Finance Referral

ATTACHES NEW FISCAL NOTE(S):
Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) DOT/PF 4/2/90

zero fiscal note(s) _____

Governor's bill w/fiscal note

SIGNING DO PASS:

[Handwritten signatures]

OTHER RECOMMENDATIONS:

[Handwritten: Kuffler Do Pass]

[Handwritten Signature]
Chair: Signature and Recommendation

prime contractor for satisfactory performance within 21 calendar days of the date the state receives a payment request that complies with the contract or within 21 calendar days of the date the state actually receives the federal money, whichever is later.

20
27
28
29
S

**STATE OF ALASKA
1989 LEGISLATIVE SESSION**

**BILL VERSION: CSHB 284 (L&C)
PUBLISH DATE: HOUSE 5/1/89**

FISCAL NOTE

Revision Date:
Title: Public Construction Contract Payments

Agency Affected: DOT&PF
BRU: Finance

Sponsor: Boyer
Requestor: House Labor and Commerce

Components:

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTURAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	146.0	146.0	146.0	146.0	146.0
---------	---	-------	-------	-------	-------	-------

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (THOUSANDS OF DOLLARS)	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
GENERAL FUND	0	146.0	146.0	146.0	146.0	146.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS:

The annual costs are based on the fact that 15% of all contractor payments could not be paid within the proposed 14 day time frame and would require payment of increased interest costs. The costs reflected are calculated based on late payments incurring 15 days of interest charges. Significant budget reductions being considered for all administrative units would cause a delay in the processing of payments and could increase the annual costs to approximately \$300,000.

Prepared by: Robert N. Bartholomew, Director
Division: Management and Finance

Phone: 465-3911
Date: 4/17/89

Approved by Commissioner: Mark S. Hickey
Agency: Department of Transportation and Public Facilities

Date: 4/19/89

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: SCS CSHB284 (C&RA)
PUBLISH DATE: 4/2/90

REQUEST: FISCAL NOTE

Revision Date:
Title: "An Act relating to Public Construction
Contract Payments"
Sponsor: Boyer
Requestor: House Labor and Commerce

Agency Affected: DOT&PF
BRU: Finance

Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTURAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	110.0	110.0	110.0	110.0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	110.0	110.0	110.0	110.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	110.0	110.0	110.0	110.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: The annual increased costs can only be estimated. Based on prior experience, 8% of all contractor payments could not be paid within the proposed 21 day time frame and would require payment of interest costs. The estimated increased costs are between \$80,000 and \$110,000. These costs would be funded out of General Fund capital appropriations allocated for "state match" or projects ineligible for federal participation. The costs reflected are calculated based on late payments incurring 15 days of interest charges. Significant budget reductions being considered for all administrative units would cause a delay in the processing of payments and could increase the annual costs to approximately \$200,000. Each administrative unit lost at least one position effective 10-01-89. The effect on contractor payments of this reduction will not be known until 1990 construction season.

Prepared by: Robert N. Bartholomew, Director
Division: Administrative Services

Phone: 465-3911
Date: April 2, 1990

Approved by Commissioner: Mark S. Hickey
Agency: Department of Transportation and Public Facilities

Date: 4/2/90

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Department of Transportation & Public Facilities



POSITION PAPER

BILL NO: HB No. 284

An act relating to terms & conditions under which prime contractors & subcontractors are paid for materials & services provided to a public construction project.

TITLE:

APPROVED: *M. K. D. H. G.*

DATE: April 19, 1989

The department is not opposed to this bill. The proposed legislation would reduce from 30 calendar days to 21 calendar days the period within which the state must make payment on public construction contractor payment requests or incur late payment interest costs. Any payment not made within 21 days of receipt would result in the state paying interest at the rate of 1.5% per month. AS 36.90.010 currently requires the state to "initiate procedures" to pay a contractor's payment request within 15 days with interest charges are only incurred for payments made 30 days after receipt.

Currently DOT&PF's payment process and experience indicates that the vast majority of standard contractor payments can be made within the proposed 21 day time frame. The shorter payment period (which includes weekends) would not allow for any margin of error in the department's review, approval and payment process. Significant budget reductions are being considered for all administrative units which would result in increased workloads and a slowdown in processing payment transactions. If those reductions are realized the department's ability to comply with the reduced timeframe would be impacted.

Current experience indicates that 8% of standard contractor payments could not be made within the shortened timeframe. This would result in an annual increased cost charged to the state's general fund capital budget of between \$80,000 and \$110,000 (fiscal note attached). Adverse effects of accounting staff budget cuts could increase the annual interest costs to between \$160,000 and \$200,000. Late payment fees are not eligible for federal participation.

(4)

For further information call Catherine A. McHugh at 465-3900

Alaska State Legislature

REPRESENTATIVE
MARK BOYER

VICE CHAIRMAN, HOUSE
HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

MEMBER, HOUSE LABOR AND
COMMERCE COMMITTEE

CHAIR, CHILDREN'S CAUCUS



FAIRBANKS

1098 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
(907) 456-6473

JUNEAU

P.O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3466

House of Representatives

SECTION BY SECTION ANALYSIS

CSHB 284 (L&C) am

Section 1. This section amends AS 36.90 by adding a new article relating to Public Construction Contract Payments. Within the article are provisions which require public owners to timely pay construction contractors and provisions requiring contractors to timely pay subcontractors and suppliers. Further references in this section are to the proposed AS 36.90 section numbers contained in the bill.

Section 200 requires the state or political subdivision to pay a prime contractor within 30 days of receiving a pay request. This 30 calendar day time clock does not begin to run until the state or political subdivision actually receives the grant or federal money. Previously, there was no requirement for timely payment by a political subdivision. Failure to timely pay will result in liability for interest in accordance with AS 45.45.010 (currently 10.5%). If the state or political subdivision believes the pay request does not comply with the contract or if all or part of a payment is going to be withheld for unsatisfactory performance, then the state or political subdivision must notify the contractor in writing of the problem and the remedial action necessary. A failure to provide a timely notice results in liability for interest until the notice is provided or the contractor is paid. Once corrected, the contractor is entitled to payment within 14 days or else interest accrues.

Section 210 requires all contractors and subcontractors to include within their subcontracts a provision requiring them to pay their subcontractors and suppliers within eight (8) days of receiving a payment from which the subcontractor is to be paid. This "flow down" concept is common to construction and an accepted industry practice. All contractors and subcontractors are also required to contractually provide for interest in accordance with AS 45.45.010, if payment is not timely made. Finally, any interest received on state held retention must be passed through to the appropriate subcontractors.

FAIRBANKS 20B

Section 220 continues to provide maximum flexibility to the prime contractor and subcontractor to negotiate provisions relating to withholding without cause ("retention") and withholding for cause, i.e., unsatisfactory performance without interest liability if the article's notice provisions are complied with.

Section 230 allows a contractor to withhold payment to a lower tiered contractor for which the contractor has received payment without interest liability if the contractor notifies that lower tiered contractor of the reason the money is being withheld and the appropriate remedial action. A copy of this notice is required to be sent to the state or political subdivision. The payment is due by the eighth day after the remedial action is taken.

Section 240 prescribes the form for notices required by this article.

Section 250 requires the state or a political subdivision to pay interest on retainage and warranty retainage. This section is similar to existing AS 36.90.010(c)-(e).

Section 260 establishes the beginning times for the time limits imposed throughout the article and exempts communities of less than 800 people from complying with the provisions of AS 36.90.200.

Section 2. This section makes necessary editorial amendments in other Titles.

Section 3. This section repeals AS 36.90.010 which is superseded by Section 1 of this bill.

Section 4. This section clarifies that this act does not take effect on public works contractors entered into before this Act's effective date.

Section 5. Establishes the effective date for this act as July 1, 1989.



ASSOCIATED GENERAL CONTRACTORS of ALASKA

6041 BIRCHST • ANCHORAGE ALASKA 99503
 PO BOX 24000 • ANCHORAGE, ALASKA 99524 (MAY)
 TELEPHONE (907) 561-5334 • FAX (907) 562-6118

J O I N T S T A T E M E N T O F S U P P O R T

Attached you will find legislation requiring prompt payment which is jointly supported by the Associated General Contractors of Alaska (AGC) and the Alaska Chapter, American Subcontractors Association (ASA).

Support for the legislation was achieved by meetings with general and subcontractor representatives of AGC and subcontractor representatives of ASA. The legislation will encourage fair dealing amongst government owners, contractors, subcontractors and suppliers. In essence it will require owners to promptly pay contractors; and contractors and subcontractors to promptly pay their subcontractors and suppliers. The failure of any party to promptly pay will cause interest to accrue at the current rate of 10.5%. Most of this will be achieved by requiring certain provisions to be in all construction contracts and subcontracts. The parties retain maximum freedom to negotiate contract terms to meet their particular circumstances. The proposed legislation is similar to the recently enacted Federal Prompt Payment Act Amendments of 1988.

We urge you to cosponsor this joint general contractor-subcontractor effort. It is our desire to achieve quick passage of this legislation so that fair dealing in the construction industry is attainable for this season.

ASSOCIATED GENERAL CONTRACTORS
OF ALASKA

ALASKA CHAPTER,
AMERICAN SUBCONTRACTORS ASSOC.

wfr\promtpay.wp

Alaska State Legislature

REPRESENTATIVE
MARK BOYER

VICE-CHAIRMAN, HOUSE
HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

MEMBER, HOUSE LABOR AND
COMMERCE COMMITTEE

CHAIR, CHILDREN'S CAUCUS



FAIRBANKS

1098 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
(907) 456-6473

JUNEAU

P.O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3466

House of Representatives

MEMORANDUM

To: Senator Dick Eliason
Chairman, Labor and Commerce Committee

From: Representative Mark Boyer *MB*

Date: April 2, 1990

Re: HB 284, Public Construction
Contract Payments

SCSCSHB 284 (C&RA) has recently been referred to the Senate Labor and Commerce Committee. This bill had great support in the House last year, having been passed to the Senate in less than a month. Last week, in the Community and Regional Affairs Committee, the representatives from Associated General Contractors and the Alaska Municipal League came together on a compromise package that has all their major problems worked out.

The bill mandates that the state and its political subdivisions pay their public construction work project bills in a timely fashion and sets the interest and penalty percentages for noncompliance. It further authorizes the payment of interest on retainage and the withholding of payments for unsatisfactory performance. It is based on Federal prompt pay legislation.

I formally request a hearing on this bill and I can reasonably assure you that the Senate L&C CS has the support of all affected parties.

Thank you for your early consideration.

FAIRBANKS 20B

PROMPT PAY

HB 284 was introduced April 12, 1989, by Representatives Boyer, Donley, Furnace, Grussendorf, Boucher, Foster, Gruenberg, Hudson, Koponen, Larson, Merard, Pettyjohn, Reiger, Sharp, Shultz, Taylor, Ulmer, Zawacki, Collins, Navarre and Leman. It passed the House May 7, 1989.

SB 289 was introduced April 18, 1989, by Senators Fahrenkamp, Rodey, Pourchot, Sturgulewski, Pearce, Frank and Coghill. Senator Szymanski added his name as a co-sponsor April 21, 1989.

The following are some highlights of CSHB 284(L&C) am:

- Government agencies are to pay prime contractors within 30 days after receiving progress payment application or pay interest. Communities with a population of 800 or less are exempt. The original bill contained 14 days and the Federal law is 7 days.
- Government agencies would pay interest on retainage. Communities with a population of 500 or less are exempt.
- Contract documents between prime contractor and subcontractors and between subcontractors and their subcontractors and supplies would require payment for satisfactory performance within 8 days after receiving payment or pay interest.
- If payment is withheld for unsatisfactory performance, by an agency, they are to notify the prime contractor and the remedial actions needed. The agency is to pay within 21 days after completion of the remedial action or within 21 days after a community actually receives its grant funds.

Provided by Associated General Contractors

Prompt Pay
Page: 2

The following are the changes made by the Senate Community and Regional Affairs Committee.

Page 2 lines 9 and 17; Page 3, line 20 and 23; Page 4, lines 12 and 15; Page 5, line 28; Page 6, line 4 - changed calendar days to working days.

Page 3, lines 9-10 was added to clarify that the deadlines and interest would not apply during the warranty period in addition to the interest on retainage provision.

Page 3, lines 11-13 was moved from page 7, lines 8-10 of the House passed bill. The language on page 7 of the House passed bill was a floor amendment and was place in an incorrect section of the bill.

Deleted the language on Page 4, lines 26-29 and page 5, lines 1-5 of the House passed bill. This section allowed the prime and subcontractor to negotiate provisions for retainage without cause and not have to pay interest except for pass through interest received on retainage from a community; when making these provisions they could take into consideration the ability of the subcontractor to furnish performance and payment bonds.

Page 7, lines 1-3 expanded language to allow communities to pay interest under the legislation from the state construction grant. Page 6, lines 22-24 of the House passed bill allowed communities to pay interest on retainage from the state construction grant.

Page 7, lines 4-8 was added to specify that the legislation would apply only when the community is using state funds.

Page 7, lines 21-22 added a new subsection to definitions - "working day".

Page 8, line 10 changed the effective date from July 1989 to July 1990.

POSITION PAPER
A.G.C. OF ALASKA
TO THE
SENATE LABOR AND COMMERCE COMMITTEE
ON
HB 284

AN ACT RELATING TO THE TERMS AND CONDITIONS UNDER WHICH PRIME CONTRACTORS AND SUBCONTRACTORS ARE PAID FOR MATERIALS AND SERVICES PROVIDED TO A PUBLIC CONSTRUCTION PROJECT.



THANK YOU MR. CHAIRMAN. FOR THE RECORD, MY NAME IS RESA JERREL AND I AM THE DIRECTOR OF GOVERNMENTAL RELATIONS FOR THE ASSOCIATED GENERAL CONTRACTORS OF ALASKA (A.G.C.). ON BEHALF OF OUR OVER 600 MEMBER FIRMS WE APPRECIATE THE OPPORTUNITY TO TESTIFY IN FAVOR OF HB 264.

IN THE CONSTRUCTION INDUSTRY CASH FLOW IS IMPORTANT FOR THE SURVIVAL OF THE CONTRACTOR'S AND THE LOWER TIERED SUBCONTRACTOR'S BUSINESSES. THE FAILURE OF AN OWNER TO PROMPTLY PAY A GENERAL CONTRACTOR EFFECTS THE CASH FLOW OF NOT ONLY THE GENERAL CONTRACTOR BUT, THE CASH FLOW OF THE SUBCONTRACTOR, LOWER TIERED SUBCONTRACTOR AND SUPPLIER. LIKEWISE, THE FAILURE OF A GENERAL CONTRACTOR TO PROMPTLY PAY A SUBCONTRACTOR EFFECTS THE SUBS OF THE SUBCONTRACTOR AND SUPPLIER. A.G.C. OF ALASKA BELIEVES, INORDER TO PROMOTE FAIR DEALING AMONGST GOVERNMENT OWNERS, GENERAL CONTRACTORS, SUBCONTRACTORS AND SUPPLIERS IT IS ONLY REASONABLE TO EXPECT EACH SEGMENT TO PAY THEIR BILLS ON TIME.

IF YOU HAVE ANY QUESTIONS, I WOULD BE HAPPY TO TRY AND ANSWER THEM.

HB

300

SENATE COMMITTEE REPORT

DATE: 4/15/90

FURTHER:

DATE TURNED INTO OFFICE: 5/4/90

Labor & Commerce Committee considered CSHB 300 (Judiciary) am Acquisition/ownership of capital stock of a public utility by political subdivision; certain property records maintained by public utilities; customers of a public utility that has an annual compensation in excess of \$50,000 in the definition of 'public' for public utility regulation."

and recommended:

- replace with SCS CS HB 300 (L+C) same title
- or adopt _____ CS _____ new title
- attached amendment(s) technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) Dept of Commerce, 3/6/90
(for SCS CS HB 300 (L+C))

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) Dept of Commerce 3/6/90

Governor's bill w/fiscal note

SIGNING DO PASS:

[Signature]

Pat Bradley

OTHER RECOMMENDATIONS:

[Signature] No Rec

[Signature] Do pass
Chair: Signature and Recommendation

SCS for CS for HB 300 (L&C)

House Bill 300 will allow a city to acquire ownership of a public utility by purchasing corporate stock. This method of purchasing a utility is an alternative to buying the physical plant and other assets of the utility.

In addition, HB 300 will prevent raids on the larger customers of the utilities without a finding by the Alaska Public Utilities Commission that such dual service is in the public interest. Currently an independent power producer can come into a small community and begin service for up to nine of the larger commercial and industrial customers. The utility loses the revenue from those customers, but it still must recover its costs incurred to be able to serve them. This means substantial rate increases for everybody else. The APUC should have the authority to examine these situations on a case-by-case basis and determine if they are in the public interest. Passage of HB 300 will accomplish this.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to certain property records, etc.
Sponsor: House Labor & Commerce Comm.
Requestor: House Labor & Commerce Comm.

Agency Affected: Commerce & Economic Dev.
BRU: APUC

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Please see attached

Prepared by: T.S. Moninski II, Executive Director
Division: Alaska Public Utilities Commission

Phone: 276-6222
Date: 3/5/90

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Date: 3/6/90

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

ANALYSIS - FISCAL NOTE FOR CSHB 300 (L&C)

The primary impact of the enactment CS for HB 300 is found in Section 2 of the bill which would expand the APUC's jurisdiction by bringing under regulation any utility which serves one or more customers if such service produces gross annual revenue in excess of \$50,000.

While this section has some potential for increasing the number of utilities subject to economic regulation, the projected increase is highly speculative. At this time, the APUC does not anticipate that the workload increase will be substantial and, accordingly, submits a zero fiscal note.

The commission may need to submit a budget request in the future if the actual result of the bill's enactment is to generate significant numbers of new jurisdictional utilities which require regulatory oversight.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act relating to certain
property records, etc.
 Sponsor: House Labor & Commerce Comm.
 Requestor: House Labor & Commerce Comm.

Agency Affected: Commerce & Economic Dev.
 BRU: APUC
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Please see attached

Prepared by: T.S. Moninski II, Executive Director Phone: 276-6222
 Division: Alaska Public Utilities Commission Date: 3/5/90
 Approved by Commissioner: Larry Mercurieff *Guy Bellor* Date: 3/6/90
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

ANALYSIS - FISCAL NOTE FOR CSHB 300 (L&C)

The primary impact of the enactment CS for HB 300 is found in Section 2 of the bill which would expand the APUC's jurisdiction by bringing under regulation any utility which serves one or more customers if such service produces gross annual revenue in excess of \$50,000.

While this section has some potential for increasing the number of utilities subject to economic regulation, the projected increase is highly speculative. At this time, the APUC does not anticipate that the workload increase will be substantial and, accordingly, submits a zero fiscal note.

The commission may need to submit a budget request in the future if the actual result of the bill's enactment is to generate significant numbers of new jurisdictional utilities which require regulatory oversight.