

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672  
7040 HOUSE LABOR & COMMERCE

submissions are currently deficient. Many submissions did not include raw data (instrument readings), adequate information on instrument calibration, or sufficient data on blanks and controls. The descriptions of leaching and analytical methodologies were incomplete. Information needed to demonstrate that proper environmental controls (pH, temperature, and salinity) were maintained were not included in most submissions. In some cases, samples were stored beyond the period specified by the ASTM/EPA method; however, storage stability data were not submitted.

At this time no release rate studies have been validated. Registrants were informed in an Agency letter dated August 12, 1988, that additional data/information were required to be submitted before any decisions regarding specific release rates can be made.

In addition to the above deficiencies, many of the submitted studies did not adhere to the ASTM/EPA method specification that the TBT concentration in the measuring tank not exceed 50 ppb. This restriction was imposed to eliminate the possibility of autoinhibition of TBT release from the paint film. EPA and the ASTM committee suspect that the 50 ppb restriction may be too conservative. Testing is being initiated at EPA's Environmental Chemistry Laboratory (ECL) in Bay St. Louis, Mississippi, to determine the true autoinhibitory threshold.

After the ECL test results are available and the registrants respond to the above Notice, the Agency will reevaluate each study. If it is determined that the measuring tank concentration did not exceed the true autoinhibitory threshold and if the Agency finds that the registrant has supplied the additional data/information necessary to validate his submission, the Agency will use the study for regulatory purposes.

#### (B. Release Rate Restriction)

The proposed restrictions in the Preliminary Determination specified that no TBT antifouling paint could be sold or distributed which exceeds the short-term cumulative release (cumulative release over the first 14 days of the ASTM/EPA test) of 168 µg TBT (includes tributyltin and triphenyltin)/cm<sup>2</sup> or an average daily release rate (average over weeks 3 through 5) of 4.0 µg TBT/cm<sup>2</sup>/day. The proposed short-term cumulative release restriction was indexed to the average release rate restriction (3 X the average release rate over 14 days).

The short-term cumulative release was intended to reflect the initial surge of TBT release when a freshly painted vessel is first placed in the water. It was calculated by summing the time weighted release for each sampling over the first 14 days of the test. The time weighted release was calculated by multiplying the rate of TBT release for a given sampling time by the preceding length of time between sampling times. The average release rate reflects the long-term TBT release pattern that is established after the initial surge. It is defined as a simple average of the release rates measured over a certain number of weeks.

In the Preliminary Determination, release rate values were normalized to adjust for variation between testing facilities and the average daily release rate was defined as the mean of individual release rates over weeks 3 through 5. The Agency received numerous comments from TBT registrants and the FIFRA Scientific Advisory Panel regarding this analysis of the release rate data. Most commenters felt that the proposed release rate restrictions should be adjusted to account for the variability of the test method but that normalization was not an appropriate means of accounting for variability.

The standard test paint data were the only data common to all registrants and as such were used to evaluate the variability of the ASTM/EPA release rate method. Additional standard test paint data and information on testing procedures from individual testing facilities submitted after the Preliminary Determination was issued, were included in the Agency's analysis of the method's variability. It was not possible to establish that variation among testing facilities was attributable to systematic error, as was previously assumed. Variation associated with testing facilities is now assumed to represent a component of method variance. Normalization is not appropriate under these circumstances, and the Agency agrees that release rate data should not be normalized. The available data could not be analyzed by standard statistical procedures because sampling was unbalanced (a wide variation in the number of samples per laboratory). The Agency could only perform a qualitative analysis of the method's variability. It was determined that most of the variability was associated with testing among different laboratories and sampling over time within a given test. Variation between replicate cylinders and between replicate runs was low by comparison.

The Agency has determined that, due to the incomplete nature of the release rate data submissions and the uncertainty over autoinhibition, it would be inappropriate at this time to try to quantify the variability associated with the EPA/ASTM method. The Agency is unable to determine whether the high variance of the results is attributable solely to the inherent variability of the method or to possible improper conduct of the release rate studies. It would also be inappropriate to determine a release rate restriction which attempts to account for this variability based solely on the current data base.

For the present the Agency is keeping the Special Review open on the issue of release rates and is deferring to the interim release rate restriction (4 µg/cm<sup>2</sup>/day) and certification program established by OAPCA. Products will be certified on the basis of the average daily release rate calculated from validated release rate studies conducted according to the current draft ASTM/EPA method. Any new release rate data submission or resubmission (such as those required by the Agency's August 12, 1988 letter) will be reviewed and a determination regarding certification reached within 90 days of the Agency's receipt of such data.

The average daily release rate will now be calculated as the non-normalized mean of all release rate measurements during weeks 3 through 10. In the Preliminary Determination the average daily release rate was defined as the average of release rates measured over weeks 3 through 5. However, examination of the standard paint release rate data indicated that individual release rate measurements made during week 6 and beyond were equivalent to those made during weeks 3 through 5. Release rate measurements beyond 10 weeks may be required for paints with atypical patterns of TBT release over time. The additional measurements included in the calculation of the average release rate are expected to increase accuracy.

The Agency will consider release rate levels again when additional environmental monitoring data are available and the release rate method is improved. The Agency has already identified certain procedures within the method as potential sources of variability and has initiated experimentation to determine how the release rate method can be improved. This testing is further discussed in Unit VII. When the research is completed, the Agency may decide to replace the current OAPCA release rate restriction

7/8/88  
Testing  
method

(c) Notwithstanding other provisions of this section, slow-leaching TBT-based marine antifouling paint may be imported into and sold in the state. A slow-leaching TBT-based marine antifouling paint may be applied in the state only to aluminum vessel hulls and lower outboard drive units. Aluminum vessel hulls and lower outboard drive units to which a slow-leaching TBT-based marine antifouling paint has been applied may be imported into and sold, rented, leased, or used in the state.

(d) This section does not apply to

(1) a vessel of the United States government;

(2) a foreign vessel in state water fewer than 90 consecutive days;

or

(3) a vessel of 4,000 gross tons or more.

(e) In this section

(1) "slow-leaching TBT-based marine antifouling paint" means a TBT-based marine antifouling paint, but not a coating or other treatment, that has a measured release rate equal to or less than 3.0 micrograms per square centimeter per day at steady state conditions determined under the U.S. Environmental Protection Agency testing procedure, as outlined in the agency's call-in notice of July 29, 1986, on tributyltin in antifouling paints under 7 U.S.C. 136 — 136y (the Federal Insecticide, Fungicide, and Rodenticide Act);

(2) "TBT-based marine antifouling paint or coating" means a paint, coating, or treatment that contains tributyltin, or a triorganotin compound used as a substitute for tributyltin, and that is intended to control fouling organisms in a fresh water or marine environment;

(3) "vessel" means watercraft used or capable of being used as a means of transportation on water, including

(A) aircraft equipped to land on water; and

(B) barges. (§ 2 ch 67 SLA 1987)

**Cross references.** — For provisions December 1, 1987, see § 3, ch. 67, SLA applicable to the importation of TBT-based paint after June 13, 1987, and until 1987 in the Temporary and Special Acts.

**Sec. 46.03.720. Construction and operation of certain facilities prohibited.** (a) A person may not construct, extend, install or operate a sewerage system or treatment works, or any part of a sewerage system or treatment works, until plans for it are submitted to the department for review and the department approves them in writing and issues a written permit.

(b) A person may not construct, extend, install or operate a public water supply system, or any part of a public water supply system, until plans for it are submitted to the department for review and the department approves them in writing.

(c) The department may waive the requirements of this section. (§ 3 ch 120 SLA 1971; am § 7 ch 220 SLA 1976)

*change  
to  
4.0*

HB

71

**REQUEST: FISCAL NOTE**

Revision Date: \_\_\_\_\_ Agency Affect: Health & Social Services  
 Title: Relating to the delivery, quality, and financing of health care BRU: State Health Services  
 Sponsor: Boyer, Navarre Components: none  
 Requester: Labor and Commerce

**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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>REVENUE</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUNDING: (Thousands of Dollars)**

General Funds	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS**

Full-Time		0				
Part-Time		0				
Temporary		0				

ANALYSIS: (attach a separate page if necessary)

No fiscal impact will occur in the immediate future. At the time the Authority requires services from the Division of Public Health, the Division will assess the Authority for those services.

Prepared By: Alfred G. Zangri Phone: 465-3090  
 Division: PUBLIC HEALTH Date: 02/13/91  
 Approved By Commissioner: Theodore Mala, M.D., MPH Date: 2/13/91  
 Agency: HEALTH & SOCIAL SERVICES

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

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. HB 71

Revision Date: \_\_\_\_\_ Department Affected: Commerce & Economic Dev.  
 Title: An Act relating to the Alaska BRU: Insurance  
Health Resources Authority Component: \_\_\_\_\_  
 Sponsor: Boyer  
 Requestor: Boyer COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
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
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REVENUE	0	0	0	0	0	0
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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						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Don Koch, Chief of Market Surveillance Phone: 465-2577

Division: Insurance Date: \_\_\_\_\_

Approved by Commissioner: Glenn A. Olds

Agency: Department of Commerce & Economic Development Date: 2-1-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

# Alaska State Legislature

REPRESENTATIVE  
MARK BOYER

VICE-CHAIRMAN  
HOUSE FINANCE COMMITTEE



## House of Representatives

### MEMORANDUM

FAIRBANKS

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

JUNEAU

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

DATE: February 13, 1991

TO: Representative David Finkelstein, Chairman  
House Labor and Commerce Committee

FROM: Representative Mark Boyer *MB*

RE: HB 71 - Alaska State Health Resources  
Authority/Certificate of Need

Thank you for your prompt scheduling of HB 71. The bill would create the Alaska State Health Resources Authority in the Department of Administration. Under this legislation, the certificate of need (CON) process is changed to require the Health Authority to make a determination on how group health insurance costs would be effected by proposed new or expanded health facilities. The Department of Health and Social Services may not issue a CON until this determination has been made.

This bill and HB 69 (development of a state health care program) are a direct result of recommendations made by the Health Care Cost Containment Task Force, of which I am a member. The Task Force was formed by the Legislature and charged with investigating, analyzing and recommending ways to reduce or stabilize the health insurance costs for State of Alaska employees. Senator Jim Duncan, chair of the Task Force, has introduced identical legislation in the Senate (SB 83 and SB 84).

Attached is a copy of the bill and back-up information. Legal Services has drafted a sectional analysis, which I've also included along with the report by the Health Care Task Force.

The theme of universal health care at the state level is very prevalent today and many states are attempting to enact substantive reforms to provide all Americans with access to a basic level of health care. The federal budget deficit has caused many state legislatures to rethink this issue and to develop their own health care systems at the state level. Ohio has drafted a plan for Universal Health Insurance, which is modeled after Canada's national health system.

FAIRBANKS 20B

Page Two  
HB 71

As a member of the Health Care Task Force, I have studied this issue in great detail and feel very strongly that it is imperative that Alaska set up a separate health authority. I look forward to testifying on this legislation. Thank you for your assistance.

Please contact me or my staff, Alexis Miller, at 465-3467 if you have any questions.

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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FAX (907) 465-2029

Deliveries to: 240 Main Street  
Court Plaza, Room 500  
Mail Stop 3101

### MEMORANDUM

February 4, 1991

**SUBJECT:** Alaska State Health Resources Authority - (HB 71)

**TO:** Representative Mark Boyer

**FROM:** Michael F. Ford *M. F.*  
Legislative Counsel

As you requested, I have prepared the following section by section analysis of HB 71:

Section 1 - Purpose.

Section 2 - Requires a copy of each application for a certificate of need, except emergency or temporary certificates, be provided to the authority.

Section 3 - Prohibits a certificate of need, except for emergency or temporary certificates, from being issued unless the authority has issued a determination regarding the effect of the certificate on the cost of group health insurance.

Section 4 -

Sec. 21.77.010 - Creates the Alaska State Health Resources Authority within the Department of Administration. Requires the authority to establish and implement a reimbursement system and utilization standards. Requires the state, municipalities and school districts to use the system and standards established by the authority. Requires the authority to provide group health insurance to eligible employees of the state, municipalities, and school districts, as well as other employers who elect to participate.

Sec. 21.77.015 - Requires other agencies of the state to cooperate with the authority.

Sec. 21.77.020 - Establishes the board of directors of the authority and provide for the organization of the board.

Sec. 21.77.030 - Establishes the general powers of the authority.

Representative Mark Boyer  
February 4, 1991  
Page 2

Sec. 21.77.040 - Establishes the duties of the board and requires the authority to produce an annual report.

Sec. 21.77.050 - Establishes the executive director of the authority and provides authority to enter into contracts for professional services.

Sec. 21.77.060 - Requires the authority to procure insurance from a licensed insurer, unless the authority acts as a self-insurer. Establishes requirements for obtaining group health insurance.

Sec. 21.77.070 - Establishes the Alaska state health resources fund and provides for management of the fund by the board.

Sec. 21.77.080 - Requires the authority to collect sufficient funds as premiums to offset the expenses of the authority. Provides for investment of reserves.

Sec. 21.77.090 - Provides for participation in the group insurance offered by the authority. After an election to participate, requires that participation continue unless a waiver is granted by the board. Establishes requirements for obtaining a waiver of participation.

Sec. 21.77.100 - Definitions.

Section 5 - Requires that the legislature appropriate funds for the operation of the authority.

Section 6 - Provides that employees of the authority are in the exempt service.

Section 7 - Adds the authority to those state boards covered by the conflict of interest law, AS 39.50.

Section 8 - Requires the authority to file a report with the legislature on the establishment of a reimbursement system and utilization standards.

Section 9 - Effective date.

MFF:pl  
91-064.plm

A M E N D M E N T

OFFERED IN THE SENATE  
TO: SB 83

BY SENATOR DUNCAN

Page 5, after line 20:

Insert a new subsection to read:

"(c) If the authority elects to act as a self-insurer, the authority shall submit a plan of the intended insurance coverage and benefits to the legislature. The authority may not begin acting as a self-insurer until 60 days after the authority submits the intended plan of insurance to the legislature."

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR DUNCAN

TO: SB 83

Page 7, after line 15:

Insert a new bill section to read:

"\* Sec. 5. AS 24.20.206 is amended to read:

Sec. 24.20.206. DUTIES. The Legislative Budget and Audit Committee shall

- (1) report to the legislature its recommendations relating to the confirmation of appointees to the Board of Trustees of the Alaska Permanent Fund Corporation;
- (2) annually review the long-range operating plans of all agencies of the state which perform lending or investment functions;
- (3) review periodic reports from all agencies of the state which perform lending or investment functions;
- (4) present a complete report of investment programs, plans, performance, and policies of all agencies of the state which perform lending or investment functions to the legislature within 30 days after the convening of each regular session;
- (5) present to the legislature within 30 days after the convening of each regular session a review of the report of the governor under AS 37.07.020(d) with recommendations for needed legislation;
- (6) in conjunction with the finance committee of each house recommend annually to the legislature the investment policy for the general fund surplus and for the income from the permanent fund;
- (7) provide for an annual post audit and annual operational and performance evaluation of the Alaska Permanent Fund Corporation investments and investment programs;
- (8) provide for an annual operational and performance evaluation of the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority; the performance evaluation shall include, but is not limited to, a comparison of the effect on various sectors of the economy by public and private lending, the effect on resident and nonresident

employment, the effect on real wages, and the effect on state and local operating and capital budgets of the programs of the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority;

**(9) provide for an annual post audit and annual operational and performance evaluation of the Alaska State Health Resources Authority."**

Renumber the following bill sections accordingly.

A M E N D M E N T

OFFERED IN THE SENATE  
TO: SB 83

BY SENATOR DUNCAN

Page 3, line 8, after "standards.":

Insert "The authority shall establish the reimbursement system and utilization standards prospectively utilizing the most accurate information available to the authority regarding defined reliable components of the reimbursement system and utilization standards."

Page 3, after line 22:

Insert a new subsection to read:

"(e) At least 60 days before implementing a reimbursement system and utilization standards, the authority shall provide public notice and accept public comments on the reimbursement system and utilization standards "

Page 5, line 1, after "(4)":

Insert "establish a grievance procedure to resolve disputes between the authority and participants;  
(5)"

Page 5, line 12:

Delete "obtain"

Insert "procure or provide"

Page 5, line 16:

Delete "obtain"

Insert "procure or provide"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR DUNCAN

TO: SB 83

Page 1, lines 6 - 11:

Delete all material and insert:

"(1) by July 1, 1992, create and begin a phased implementation of statewide geographic specific health care provider reimbursement systems and utilization standards;

(2) after July 1, 1992, begin the procurement or provision of a comprehensive group health insurance program for individuals, groups of individuals, or employers that the authority determines do not have health insurance or for whom health insurance could be more cost effective if offered by the authority; <sup>with other entities</sup> the authority may also procure or provide health insurance to employers who elect to participate in the group health insurance offered by the authority; employer group health insurance may include coverage for eligible employees and dependents;

(3) assure financial protection for participants and beneficiaries, provide equitable payment to health care providers, and slow the increase in health care expenditures;"

Reletter the following paragraphs accordingly.

Page 2, line 11:

Delete "offered"

Insert "procured or provided"

Page 2, line 13:

Delete "evaluate the need for group health insurance for residents of the state who are"

Insert "continue to evaluate and where feasible offer a health insurance program for those sectors of the state that remain"

FEB 25 1991

HB 71: "An Act relating to the Alaska State Health Resources Authority; relating to the delivery, quality, and financing of health care for residents of the state, and to the issuance of certificates of need; and providing for an effective date."

This department is in favor of this legislation with the changes noted below.

HB 71 would create a Health Resources Authority in the Department of Administration which would become the purchasing entity or may become the provider of health insurance coverage for state employees, municipal employees, school district employees and other groups electing to participate.

The department recommends the following changes to HB 71.

1. Move Section 4 of the bill from Title 21 to another title.

This would avoid conflict with the content and purpose of Title 21. Title 21 is designed for the regulation of the business of insurance. Section 4, on the other hand, is designed for the purchase or provision of coverage. These two roles tend to be in conflict with each other. Further, Title 21 is administered and regulated within the Department of Commerce and Economic Development while Section 4 is an authority administered under the Department of Administration.

2. Eliminate regulatory oversight of the authority by the Division of Insurance.

The regulation of one agency in the executive branch by another agency in the executive branch is not workable. The potential for interagency squabbles is substantially increased and other conditions beyond the regulatory scheme may control and prevail. This arises if the authority elects to become a direct provider of coverage. To a large extent, that should be part of the responsibility of the authority Board of Directors.

3. Provide for legislative oversight of any move to provider status.

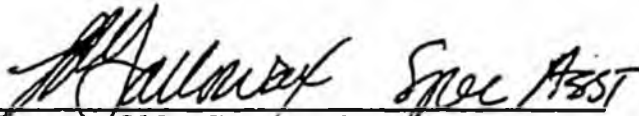
If the authority elects to become a direct provider of coverage, it basically enters an area that has been a subject for private enterprise. Such a move must, therefore, be subject to a process that assures that conditions warrant such a move. This should be done only after appropriate hearings on the specific move and the Legislature has had an opportunity to review the proposal.

4. Expand the report required in page 4 to include complaints against the authority as an element for review.

The fiscal activities of the authority are a reasonable measure of the financial activities and rate activities of the authority. An equally important activity is one that deals with how the authority treats those it serves. Complaints are one measure of a firm's success in its relations with the public. It should also serve to let the authority and the Legislature know how the public perceives the authority and the coverage it provides.

5. Change the cost-benefit analysis to biannual rather than triannual.

A greater frequency of cost-benefit analysis is desirable. A two-year period would assure that each Legislature has an opportunity to see and review such information. The three-year approach would skip every other Legislature.

  
Glenn A. Olds, Commissioner

Date: 2-25-91

NATIONAL  
GOVERNORS'  
ASSOCIATIONBooth Gardner  
Governor of Washington  
ChairmanRaymond C. Schepsach  
Executive DirectorJohn Ashcroft  
Governor of Missouri  
Vice ChairmanHall of the States  
444 North Capitol Street  
Washington, D.C. 20001-1572  
Telephone (202) 624-5300

February 12, 1991

Senator Jim Duncan  
P.O. Box V  
Juneau, Alaska 99811-3100

Dear Senator Duncan:

Thank you for the opportunity to review Senate Bill 83 which you have introduced in the Alaska State Legislature. My comments follow:

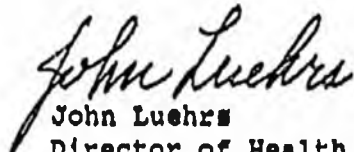
- o I agree with your effort to use the purchasing power of state government to contain cost for state employees and, perhaps as important, to create a vehicle for private employers to forge a public/private partnership to make insurance more available at a reasonable price. This is a fruitful area for state policymakers. As you may know, though most attention is focused on state Medicaid expenditures, state employee expenditures have been increasing at a greater rate than Medicaid. In previous research Health Programs at NGA has advocated states combining their health care purchasing dollars across programs in order to become more prudent purchasers.
- o I appreciate your attempt to establish a uniform payment system to contain expenditures. Tying certificate of need to reimbursement can establish a mechanism for rationalizing the distribution of technology and capital which, as you know, quickly impact operating costs and service payment.
- o One word of caution, however. The language defining reimbursement system explicitly identifies "geographic regions, actual provider costs, and availability of services" as the basis for payment. It seems to me that geographic and availability can be subsumed under provider costs and, thus are interactive with respect to a payment method to an individual provider. You can, however, use geography and availability as peer grouping categories with actual provider costs used to array individual providers for facility-specific payment. In lieu of such a convoluted system, I suggest that the term "actual provider costs" be removed from the bill. First, the term seems to imply that you could not use a prospective payment method, but would have to "rebase" every year.

Second, most major purchasers of care, including Medicare, Medicaid, and private purchasers, no longer base their payments on cost because it is inherently inflationary.

As you can see from my comments, I am supportive of what you are trying to do. However, please do not construe my support as representing the support of the National Governors' Association.

If you have any questions concerning my comments, please call me at 202/624-7812.

Sincerely,



John Luehrs  
Director of Health Programs

# ALASKA STATE AFL-CIO

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Anchorage, Alaska 99501  
(907) 258-6284



319 1st Ave.  
Fairbanks, Alaska 99701  
(907) 456-2030

MANO FREY  
Executive President

February 27, 1991

Senator Jim. Duncan  
P.O. Box 5  
Juneau, AK. 99811

Dear Senator Duncan:

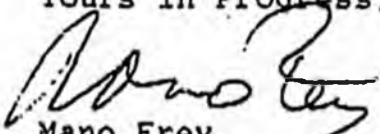
On Thursday, February 21, the Executive Board of the Alaska AFL-CIO voted its unanimous support for SB-83, a measure introduced to decelerate the cost spiral of health care for Alaskans.

The unchecked increases in health care costs is of grave concern to all Alaskans. It has priced insurance right out of the market for many small businesses, resulting in a drastic increase in the percentage of uninsured/ underinsured citizens. This in turn has dumped a greater proportion of the costs on those of us who are fortunate enough to enjoy comprehensive insurance coverage. Alaskans can no longer afford to leave this problem unresolved.

SB-83 is the most comprehensive, reasonable, and effective legislation we have ever seen introduced in this area. It would provide a long-term policy rather than a short-term fix.

With regard to health care cost containment and access questions, all too often public officials are quick to agree that someone else should do something about it. The Alaska AFL-CIO applauds your leadership in the field of health care quality and access through your introduction of SB-83 and urges its passage.

Yours in Progress,

  
Mano Frey  
President



# NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

## ANCHORAGE REGIONAL OFFICE

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## FAIRBANKS REGIONAL OFFICE

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FAIRBANKS, ALASKA 99701  
(907) 456-4435  
FAX: (907) 456-2159

February 27, 1991

**To: Representative Finkelstein, Chair  
Members, House Labor & Commerce Committee**

**Re: HB 71: "An Act relating to the Alaska State Health Resources Authority;  
relating to the delivery, quality, and financing of health care for  
residents of the state, and to the issuance of certificates of need; and  
providing for an effective date."**

NEA-Alaska strongly supports and encourages your favorable consideration of HB 71.

The creation of the Alaska State Health Resources Authority provides the opportunity for school districts and public school employees to have access to a better and more comprehensive system for providing health care benefits and services.

In our public schools we currently have a variety of health care plans with different levels of benefit coverages and a wide range of premium costs.

By providing for health care reimbursement schedules and utilization standards through the ASHRA school districts and their employees will have an increased opportunity to participate in a meaningful health care cost containment program. It has been patently unfair for the major share of increasing health care costs to fall directly on employees and employers through increases in health insurance premium rates.

A comprehensive and viable health care system requires equal participation by providers, insurers, and benefit recipients. HB 71, through the creation of the ASHRA, gives Alaska a good start in this direction.

The PHASE TWO potential in HB 71 which provides for expanded participant pools will be of substantial benefit, especially for smaller school districts. Health insurance premium rates have been increasing at an alarming rate in many districts.

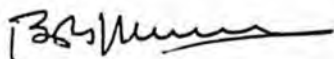
Five years ago the state of New Mexico created a public school health insurance authority for all public school employees. They have been able to contain, and even reduce premium costs, while increasing benefits in some instances.

Alaska must reach a consensus on health care problems, not just from an employee/employer perspective, but for everyone, especially for those who do not have access to adequate care and for those to whom it is becoming rapidly cost prohibitive.

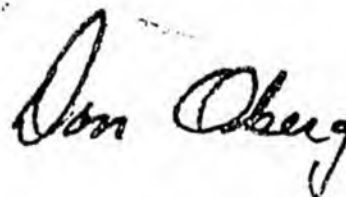
HB 71 gives us a chance to get started in the right direction. We urge your support.

Thank you for your consideration of our position.

Respectfully submitted,



Bob Manners  
Executive Director



Don Oberg  
President

cc: Representative Boyer

## AMERICAN ASSOCIATION OF RETIRED PERSONS

AARP was founded in 1958 as a voluntary nonprofit and nonpartisan organization to help improve the quality of life of not only its members, but all older people. It is dedicated to helping its members meet the challenges of pre-retirement and retirement living and achieve a dynamic maturity of independence and purpose.

In Alaska, more than 39,053 individuals belong to the American Association of Retired Persons. AARP volunteers serve their communities through a variety of programs, from free tax counseling to support for newly widowed persons. The Association also offers a variety of educational and advocacy programs for older workers, who make up one-fourth of AARP's total membership.

AARP, the largest membership organization of older Americans, totals more than 32 million nationwide. There are more than 3,500 local AARP chapters.

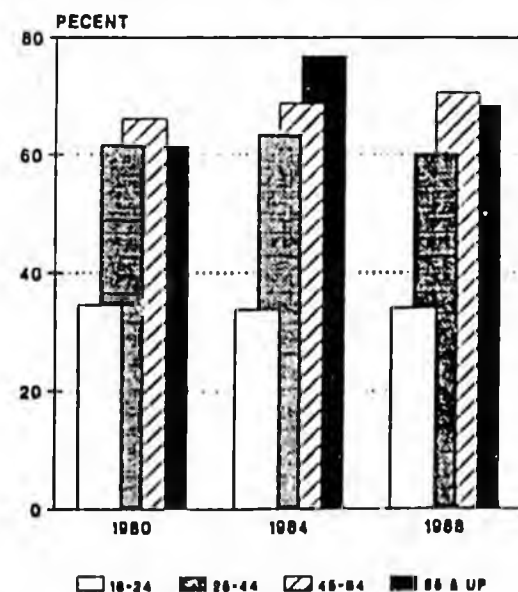
AARP initiatives marshal Association resources to address health care concerns, the status of minority elderly and issues concerning mid-life and older women. A new emphasis has been placed on helping mid-life and older Americans cope more effectively with managing their personal financial resources.

## OLDER VOTERS

Older people are generally eager to participate in all facets of political life. Older persons are often involved in registering voters, assisting voters in traveling to polls, and actually conducting poll operations on election day. They believe in the Eisenhower adage, "Politics should be the part-time profession of every citizen."

The voter turnout graph illustrates the participation rate of four age groups of Alaska voters in elections held between 1980 and 1988.

VOTER TURNOUT GRAPH



Prepared for AARP by Election Data Services

## 1991 ALASKA LEGISLATIVE PROGRAM

### PRIORITIES

#### HEALTH

- Increase access to appropriate and affordable health care for all Alaskans by:
  - advocating formulation of a health policy for Alaska
  - supporting concept of state-mandated insurance for the uninsured
  - seeking legislation and appropriations for a comprehensive and coordinated program of home-, community-, and institutionally-based services throughout the state
  - supporting availability of adequate health insurance for all, including those uninsured

#### ECONOMIC SECURITY AND BUDGET

- Strengthen programs which will provide economic security for all Alaskans by:
  - supporting legislation to stabilize the Longevity Bonus Program
  - advocating recognition of the economic and social value of the retirement community by supporting programs to encourage retirees to remain in Alaska
  - supporting full funding of present property tax relief to senior citizen homeowners and renters

#### SUPPORT ITEMS

- Support legislation to provide separate management of public pension funds
- Support efforts to improve availability of insurance by means of tort reform and/or increased regulations consistent with adequate consumer protection

## ALASKA

State Legislative Committee

# 1991 FACTS & LEGISLATIVE PRIORITIES



American Association  
of Retired Persons

SL1003AK(1090)

## ALASKA STATE LEGISLATIVE COMMITTEE

The AARP State Legislative Committee (SLC) decides and promotes the legislative objectives to be sought by the Association in each state legislative session. Composed of volunteers from the AARP membership across the state, the Committee works on behalf of not only AARP members, but all older persons and the state community.

Each year, the State Legislative Committee in Alaska selects legislative priorities based on the needs of the state's residents, using guidelines developed by the AARP National Legislative Council. SLC members work with legislators to promote passage of legislation beneficial to Alaska's older population.


The Alaska SLC participates responsibly in the legislative process from discussion of concerns, to a bill's conception, to its signing into law and the translation of its intent into administrative procedures and regulations. The SLC volunteer "citizen lobbyists" are assisted by AARP legislative staff. Technical support for the state legislative program is provided by the AARP Public Policy Institute and by AARP program volunteers.

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## ALASKA CAPITAL CITY TASK FORCE

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Mr. Amos Alter\*

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Most State Legislative Committees have recognized that they need additional volunteers to help promote the AARP legislative program to lawmakers, legislative staff, executive branch officials and other organizations. This need to strengthen the AARP presence in the state capital city has prompted many SLCs to create a Capital City Task Force (CCTF).

The primary role of the CCTF is to help the SLC promote and defend AARP legislative interests before the state legislature. The SLC may also rely on CCTF members to monitor and participate in the regulatory and rulemaking processes of the state. The duties of Task Force members range from testifying before legislative committees to preparing legislative updates to researching issues.

To ensure appropriate policy oversight of the CCTF's activities the SLC Chairman designates a SLC member to coordinate the group. Capital City Task Force members belong to AARP and reside close to the Capitol.

\* Member, Capital City Task Force

\* Member, State Legislative Committee



OFFICE OF PUBLIC AFFAIRS  
February 2, 1991 (12-91)  
Contact: Rae Young Bond, 202/624-5330

**HEALTH CARE REFORM: Rx FOR A HEALTHY AMERICA**

WASHINGTON, D.C. — The nation's Governors have made health care reform their number one priority this year for several reasons:

- Health care costs have risen so dramatically that states — who finance health care for the needy, directly provide services through public health and other programs, and pay for health benefits as employers — find it increasingly difficult to fund other critical state priorities.
- Despite the expenditure of ever-increasing amounts of money, access to health care services is limited and may become increasingly limited.
- The shifting of costs and responsibilities from one payor to another in the system is exacerbating the problems of both cost and access and is contributing to an inefficient system.
- The current health care system is not structured to encourage the delivery of preventive health care services, which Governors increasingly understand is critical to a healthy and productive citizenry.

Health care in the United States is nearing a state of crisis. In 1983, the United States spent \$357 billion, or 10.5 percent of the gross national product (GNP) on health care. By 1989, those figures had climbed to more than \$599 billion, or 11.5 percent of GNP — that's \$2,400 for every man, woman, and child in the country. Left unchecked, health care costs are projected to rise to \$1.5 trillion, or 15 percent of the GNP, by the year 2000.

Yet, millions of Americans have limited or no access to the health care services they need. Based on insurance statistics alone, the figures are appalling. Approximately 31 million people are uninsured annually, and 37 million are uninsured in any given month. Governors, who are responsible for the health and welfare of their citizens, understand clearly that having health insurance or Medicaid coverage does not ensure access to services, particularly for poor and rural citizens.

**BACKLINDER**

Because there are so many other factors that make a difference in whether people actually have access to health care services, Governors must address the following kinds of issues: adequately funding public health efforts; meeting the transportation needs of poor and rural citizens; coordinating the outreach efforts that result in people using health care services more effectively; and screening and licensing health care personnel and facilities.

Employers, the traditional source of insurance coverage for workers and their families, are experiencing double-digit increases in their employee health insurance premiums. Their responses have ranged from dropping coverage for their workers' dependents to decreasing coverage for their employees. For most small businesses, increasingly expensive health insurance is simply beyond their financial reach.

Governors are employers too. In fact, in some states, government is the largest single employer. And as employers, Governors suffer the same premium increases and face the same draconian choices as any other employer.

#### Where Does Medicaid Fit?

While the Governors are taking an expansive view of health care reform in their initiative, "Rx for a Healthy America," it is clear that the genesis of their interest is their concern and frustration with the current direction of the Medicaid program.

Since its inception in 1965 as a program designed to provide health care services to women and children eligible for Aid to Families with Dependent Children (AFDC) and to the aged, blind, and disabled covered by federal Supplemental Security Income (SSI), Medicaid has grown to include a wide variety of special populations and services. This growth has created problems both in the states' ability to fund and effectively administer the program.

For instance, in 1980, Medicaid spending accounted for 9 percent of a state's budget; in 1990, it accounted for nearly 14 percent of all state spending. Further, the rapid expansion of mandated populations and federal micro-management of services has created an administrative nightmare.

The NGA Task Force on Health will consider and discuss a variety of conceptual options for restructuring the Medicaid program when it meets in Washington, D.C., on February 3, 1991. Although Medicaid is but one piece of a larger puzzle, it is a very large piece.

Wide-reaching and thoughtful discussion about Medicaid could lead to the creative use of its resources.

### What Are the Governors Doing?

To provide the larger context for Medicaid and the other critical and interlocking issues in health care, National Governors' Association Chairman Booth Gardner of Washington established the Task Force on Health. The task force is working on two products that will be completed by August 1991: a report on state options in health care reform and a policy on health care.

Task Force Report. The task force report will detail state options to both increase access to health care and control costs throughout the health care system. The options in the report will both identify incremental steps states have already taken successfully and describe comprehensive ways states can restructure their health care financing and delivery.

The report will guide states in reorienting their health care systems to emphasize preventive and primary care. It also will discuss how to overcome the barriers to the provision of preventive and primary care; barriers that riddle the current structure of the health care system.

The report will outline steps Governors can take to help the working uninsured. Constructive guidance will be offered to Governors interested in working with their business community to help small businesses obtain affordable health insurance for their employees. It will offer suggestions to help stabilize the insurance situation for businesses that now provide health insurance coverage but are finding it increasingly difficult to do so.

A variety of options for expanding access to health care for the non-working population will also be covered. The options will range from expanded use of Medicaid and Medicare to the development of a totally new publicly funded health insurance program for non-working people.

Because the Governors know that without significant new cost controls, the goal of increasing access to care will never be realized, the report will contain a wide range of options for cost containment.

The report will describe a series of incremental and discrete cost control strategies, such as the expanded use of managed care programs, administrative reform, and medical tort reform. It will also suggest bold and innovative strategies, such as a state-level all-payor system and global budgeting for the control of capital expansion.\*

\* All-Payor System: A system in which association of purchasers come together to negotiate payment with an association of providers.

Global Budgeting: The idea of defining limits on the total amount of health care expenditures. Allocations are then made within that amount.

Managed Care: The concept of managing the access to health care, the utilization of services, and the cost of care.

Finally, although the focus of the report will clearly be on state action, the report will contain suggestions for federal action that would help the states implement the strategies.

Policy on the Federal Role. To complement the report, the task force will develop a policy for consideration during their annual meeting in August 1991. The policy will focus on the key issues that would require federal action to restructure the health care system. The policy will focus on recommendations on the future of the Medicaid program, changes in insurance practices, and small market reforms to enhance increased access to health insurance.

#### How Are the Governors Reaching Out?

The Governors began the process of reaching out to a wide variety of people when they hosted a national conference on health care reform in September 1990. During the two-day conference, some of the best health policy analysts and experts in the country participated in roundtable discussions. The participants and Governors explored issues ranging from ensuring the delivery of quality care to helping business find affordable, stable insurance policies; from insurance practice reforms to the individual's responsibility for health care. That conference gave the task force valuable information and insight with which to begin its work.

As the report is developed, Governors will seek extensive feedback and "reality-testing" from the wider community. This spring, Governors will hold a series of regional meetings to elicit comments on drafts of the report from business, labor, the insurance industry, and the provider community.

Further, the Governors will host a working meeting of state health policy analysts and health and human service executives to invite review and comment on the report as it moves to its final form. By involving the widest variety of interested people, Governors believe the strategies in the report will be tested for "workability" and will have benefitted from the best thinking of those involved in the health care system.

#### What Happens Beyond the Task Force?

Although the formal work of the task force will conclude in August 1991, the issue of health care reform will remain a high priority for the nation's Governors. As the Governors begin to implement the recommendations contained in the report, policymakers at all levels of government will have the opportunity to learn more about what works and what does not.

The Governors want to have the participation and cooperation of their federal partners in fashioning innovative approaches to health care reform. As the Governors and their federal partners evaluate these approaches, there will be opportunities to develop an informed national consensus about how best to move the nation's health care system toward a day when access to health care can be ensured for everyone at prices all can afford.

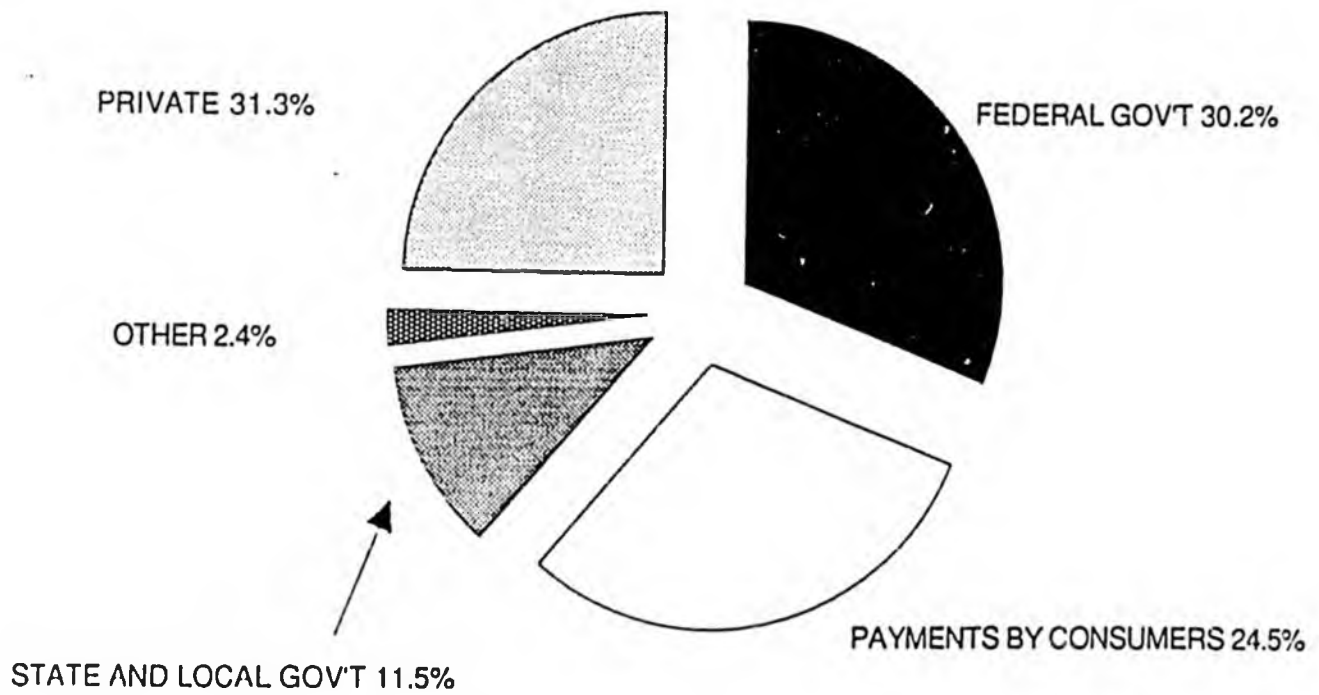
**STATE OF ALASKA**

**HEALTH CARE COST CONTAINMENT TASK FORCE REPORT**

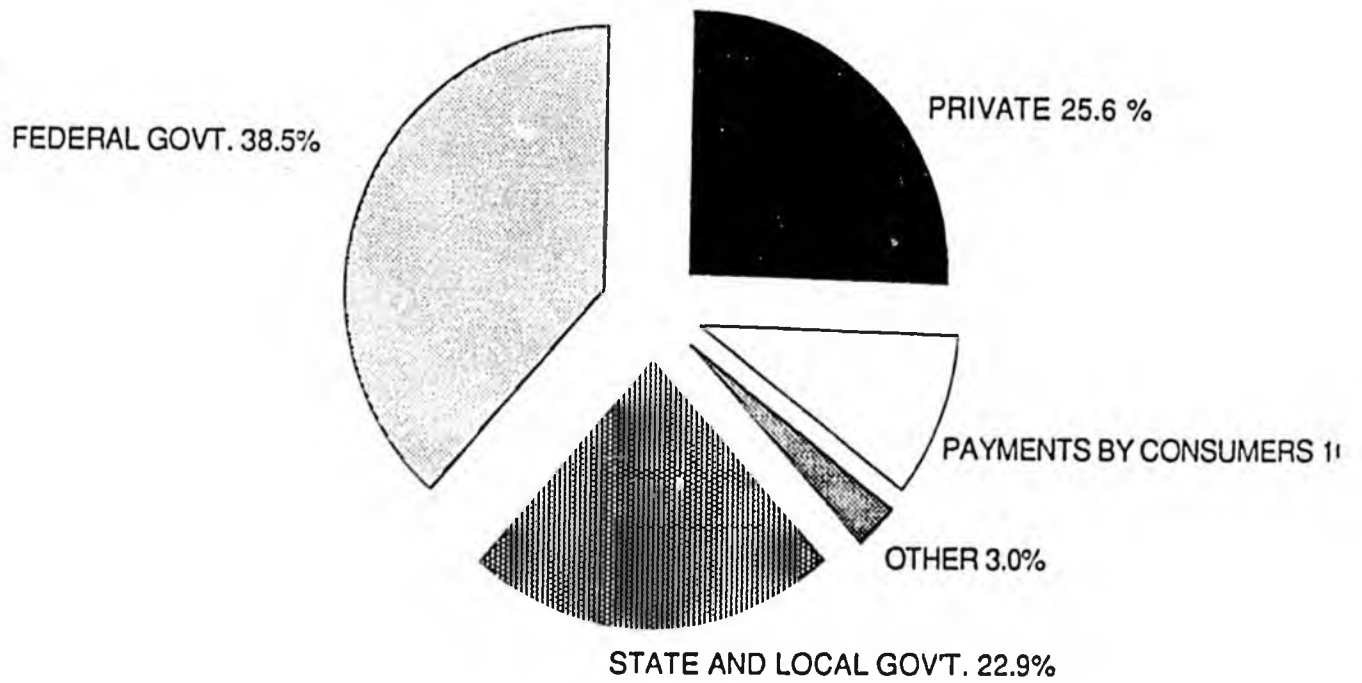
**HEALTH CARE EXPENDITURES STUDY**

**JULY 11, 1990**

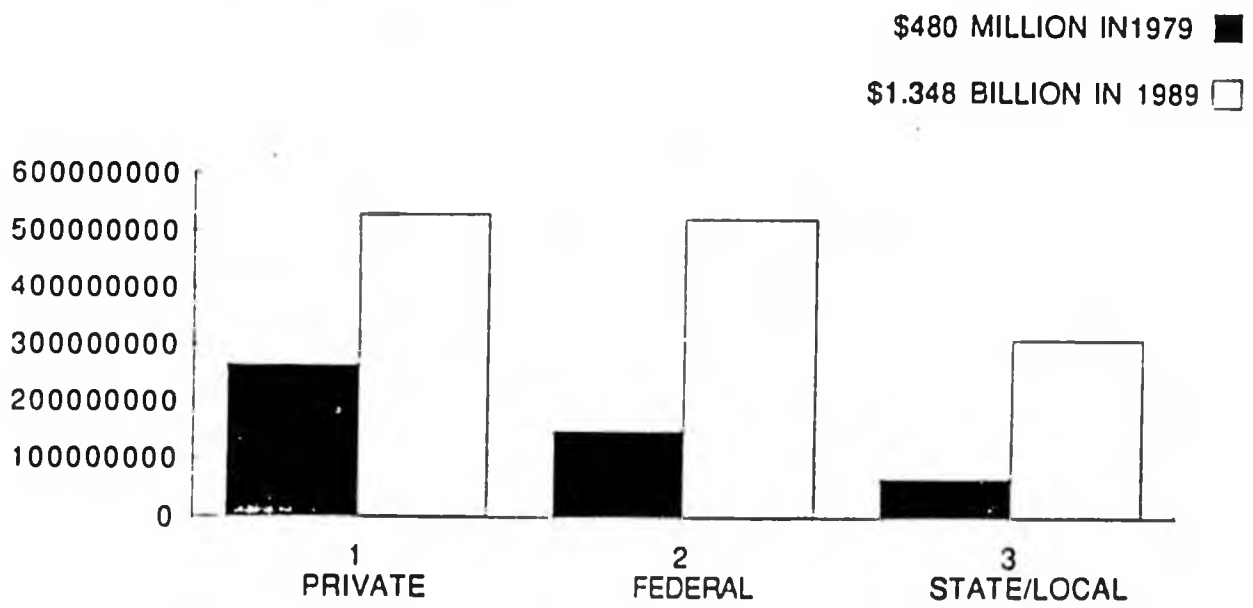
PERCENT OF U.S. HEALTH CARE EXP. BY SOURCE OF PAYMENT 1989



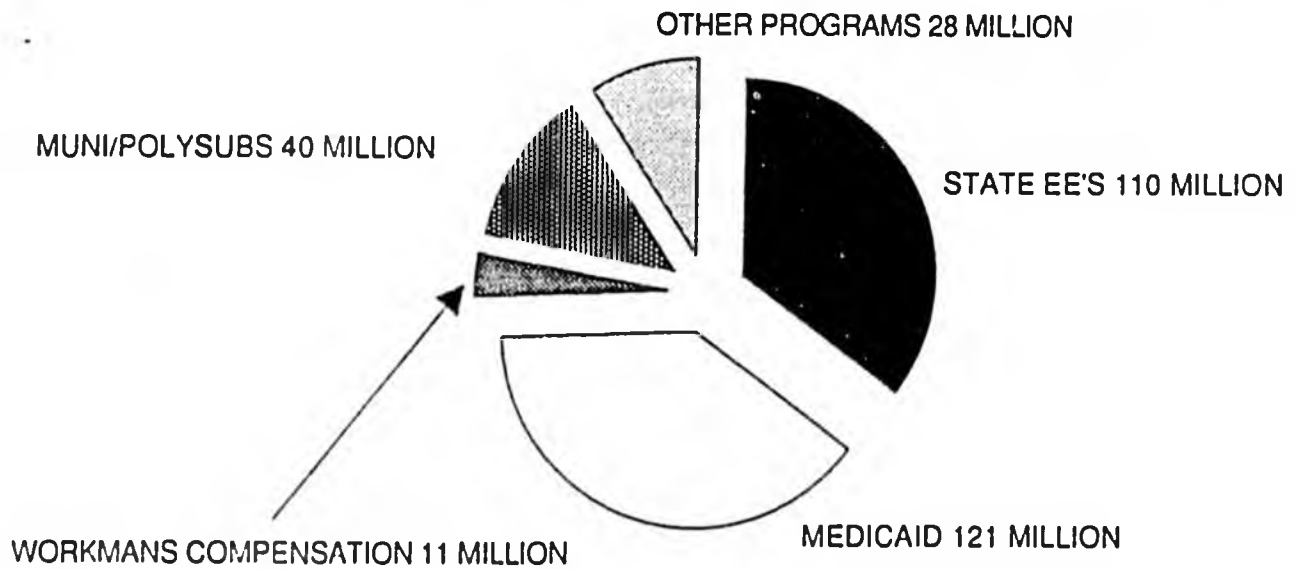
PERCENT OF ALASKA HEALTH CARE EXP. BY SOURCE OF PAYMENT 1989



STATE OF ALASKA HEALTH CARE EXPENDITURES 1979 VS 1989



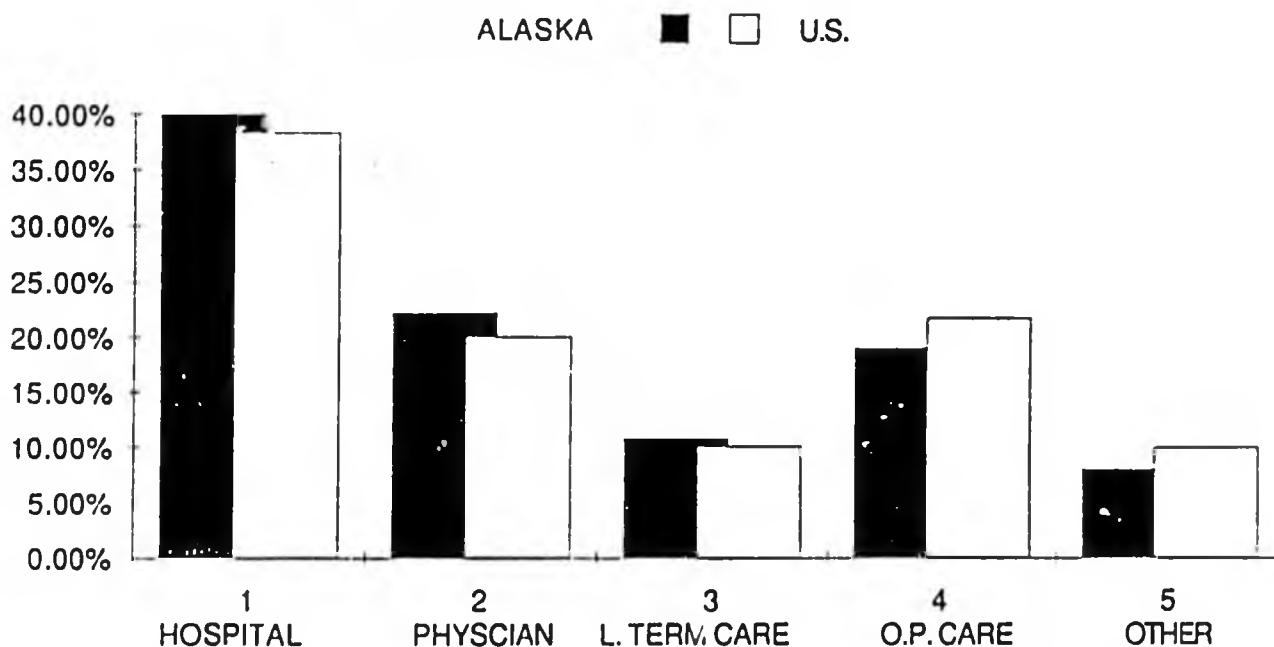
1989 STATE OF ALASKA HEALTH CARE EXPENDITURES FOR STATE AND LOCAL GOVT.



TOTAL STATE GOV'T HEALTH CARE EXPENDITURES

1989-----310 MILLION

ALASKA VS U. S. HEALTH CARE EXPENDITURES BY SERVICE CATAGORY  
1989



## STATE OF ALASKA

	1979	1984	1989
POPULATION	401,000	522,000	534,000
H.C. EXPD.	\$480 MILL.	\$710 MILL.	\$1.34 BILL.
PER.CAP. H.C. EXP.	\$1197.00	\$1360.00	\$2524.00

STATE OF ALASKA  
HEALTH CARE EXPENDITURES STUDY

METHODOLOGY

Due to the nature of this study it was necessary to compile statistics from numerous sources in order to supplement our existing health care data base.

This information while current and credible had to be manipulated to assure that the parameters and time periods were similar.

The evaluation and reporting of data is according to standard statistical analysis procedures in order to assure accuracy within +/- 10%.

THE INFORMATION CONTAINED IN THIS REPORT IS OUR INTERPELLATION OF THE DATA ON HEALTH CARE EXPENDITURES IN ALASKA AND THE UNITED STATES.

SOURCES

Battelle Study  
Dept. of Health and Social Services\*  
Division of Retirement and Benefits\*  
Division of Insurance\*  
State Demographer\*  
Institute of Social and Economic Research ( Univ. of Alaska )  
Health Care Financing Administration ( HCFA )  
U. S. Bureau of The Census

\*State of Alaska

DEFINITION OF HEALTH CARE PAYORS

STATE / LOCAL GOVERNMENT (Alaska)

State employees/retirees and dependents  
Political subdivisions employees/retirees and dependents  
Medicaid recipients (50%)  
Workmans Compensation medical benefits  
Community based health programs  
Pioneer Homes  
General relief medical

FEDERAL

Federal employees / retirees and dependents  
Indian Health Services  
CHAMPUS  
Veterans Administration  
Medicare  
Medicaid (50%)

PRIVATE

Private pay  
Private health insurance

DIRECT CONSUMER PAYMENTS

Health care costs paid directly by residents to providers  
(deductibles, co-payments, uninsured procedures)

# HEALTH CARE COST CONTAINMENT

## TASK FORCE

### REPORT TO THE LEGISLATURE

#### Draft Outline

#### I. Introduction

##### A. History of Task Force.

1. Beginnings
2. Purpose
3. Accomplishments

##### B. Extension.

1. Finish investigation of long range solutions.
2. Effects of uninsured/underinsured residents' health care.

#### II. Investigation and work plan.

##### A. Determine the nature and extent of rising health care costs in Alaska

##### B. Work Plan

1. Research.
2. Surveys.
3. Public hearings.

#### III. Findings: Nature of health care in Alaska.

- A. Funding sources (Fed., State, local govt., and private).
- B. Alaska population health care payment and accessibility demographics
- C. Health care provider demographics.

IV. Findings: Sources of health care cost increases.

- A. Previous capital expenditures
- B. Labor availability and cost.
- C. Technology.
- D. Uncompensated care.
- E. Costs associated with litigation.
- F. Inefficient delivery and reimbursement systems
- G. Cost shifting from other programs
- H. Federal program changes.
- I. Health care market place competition issues

V. Long term cost containment proposals.

VII. Recommendations

VIII. Future considerations for Health care in Alaska

**STATE OF ALASKA**  
**HEALTH CARE COST CONTAINMENT**  
**TASK FORCE REPORT**  
**TO**  
**THE SEVENTEENTH LEGISLATURE**

***SUMMARY OF FINDINGS AND RECOMMENDATIONS***

**DISCUSSION DRAFT -I**  
**CONFIDENTIAL , FOR TASK FORCE MEMBERS USE ONLY**

**FEBRUARY 1991**

STATE OF ALASKA  
HEALTH CARE COST CONTAINMENT TASK FORCE  
REPORT TO THE SEVENTEENTH LEGISLATURE

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## *EXECUTIVE SUMMARY*

The purpose of this section of the report is to give an overall perspective of the problems facing Alaska with rapidly rising health care costs and propose solutions to stem this problem.

### OVERVIEW

Health care costs in Alaska are rising at a pace two and three times the inflation rate for all other goods and services. In 1989, total Alaska health care expenditures are estimated to be in excess of 1.5 billion dollars up from 250 million in 1979, with no substantial change in the states population.

Health care expenditures have been rising at a rate of over 20% each of the last five years in Alaska. These trends are not unique to Alaska alone. Nationally, the Federal Government and virtually all other states are seeking ways to reduce these expenditures or slow the health care inflation rate to be in line with the market basket CPI.

These rapidly rising costs further exacerbate the uninsured population in Alaska, which recent estimates indicate that more than 90,000 Alaska residents are uninsured. This increase in costs have substantially driven up health insurance premiums for all employers , making it very difficult if not impossible, to continue coverage.

The Health Care Cost Containment Task Force initially was charged with the task of investigating , analyzing and recommending ways to reduce or stabilize the health insurance costs for State of Alaska employees, retirees and their dependents. With this work completed and showing favorable results, the Task Forces' charge was expanded during the last session to include reviewing the health care costs for all Alaska residents.

The Task Force, in its expanded role, has investigated the problem of rapidly increasing health care costs in Alaska through public testimony, surveys, research (statewide and nationally) and a detailed analysis of options available to the state.

During this review the Task Force has identified not a sole culprit but numerous contributing factors that must be reviewed in a all encompassing manner to provide the best long term solutions. The contributing factors identified by the Task Force include:

- \* Inefficient Medical Care Delivery Systems
- \* Overbuilt Health Care Facilities
- \* Cost Of New Medical Technology
- \* Malpractice Insurance Costs and Protective Measures
- \* Limited competition For Providers/Insurers
- \* Health Care delivery System Waste, Overhead And Administrative Costs
- \* Limited Wellness Promotion And Resources
- \* Large population of Under/Uninsured Residents
- \* Cost Shifting Between Public and Private Health Plans
- \* Life Style diseases and injuries
- \* Mandated Benefit Coverage
- \* Limited Access to Private Health Plans
- \* No Managed Care Delivery Systems IN Place

Although a long and far reaching list each item must be comprehensively addressed to achieve the stated goal of stabilized medical costs in Alaska and basic Health coverage for all Alaskans'.

### FINDINGS

The Health Care Cost Containment Task Force has been reviewing the causes for the rapidly rising costs in the State Of Alaska not only for State sponsored plans, but health care costs statewide.

1. Health care expenditures in Alaska have increased 157.2% over the last 10 years, the second highest in the nation<sup>12</sup>

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1

<sup>2</sup> Families USA Foundation Report Nov.1990

*FINDINGS CONT.*

2. The health care expenditures portion of the State of Alaska budget is the fastest growing component of the whole budget, 385.5 Million in FY 90, and at this pace will exceed 2.0 Billion in FY 95.

3. The number of uninsured residents in Alaska has increased at an alarming rate to a estimated 90,000 uninsured residents, representing 16.5% of the total population in Alaska.

4. The cost of providing health coverage for State employees and their dependents has been reduced and stabilized at \$385.00 for FY 90 and 91. This compares favorably with the most recent survey of State's health care premiums that showed only one other state (Arizona) premiums were reduced, and three other State's premiums were held at the 1989 level<sup>3</sup>.

5. The survey done by the Task Force revealed :

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<sup>3</sup>Survey of State employee health benefit plans 1990 Martin E Segal Company

# DISCUSSION DRAFT

## STATE OF ALASKA HEALTH CARE COST CONTAINMENT TASK FORCE

### *RECOMMENDATIONS*

The Health Care Cost Containment Task Force has over the last nineteen months reviewed the rapidly increasing costs of health care in Alaska and have identified not one sole culprit but many contributing factors that collectively drive the health care economy in Alaska.

The Task Force has identified the following main contributing factors that should be focused on as a minimum starting point to bring health care expenditures in control for Alaska.

- \*Low occupancy rates at facilities
- \*Cost shifting from other programs
- \*Federal program cost shifting
- \*Inefficient delivery systems
- \*Uninsured / underinsured Alaska State residents
- \*Accessibility of care
- \*Mandated coverage costs
- \*Lack of involvement and education for end users
- \*Lack of current and meaningful data

After evaluating the many contributing factors, the following recommendations are designed to provide long term health care cost management for Alaska.

1. Establish a State Health Insurance Authority that would be responsible for:

A. Establishing and maintaining health care provider payment and utilization schedules taking into consideration geographic, availability, medical necessity and overall cost effectiveness (potentially using an established system as a foundation);

B. Establish a health care procurement and financing pool to maximize purchasing power for;

- i State , local gov't and political subdivisions (Voluntary)
- ii. Underinsured/uninsured for State residents
- iii.Small employers plan

These Pools would be governed by a board and would provide health insurance on the most cost efficient basis.

C Collection and analysis of state health care utilization/cost data, to recognize trends and recommend solutions to the appropriate entity.

.2 Continued monitoring and certifying of facilities.expansion and substantial equipment purchases to assure need and eliminate duplication or unnecessary expense.

3.Promote health awareness, preventative medicine and quality health care for all state residents.

4. Provide health care for the underinsured/uninsured at an affordable premiums.

5. Continue to evaluate the effect of Federal program changes and maximize the use of Federal Funds.



# StateSide

Discussions with Health Policymakers

by Linda Demkovich

January 1991

## Alliance Strives for Universal Coverage

In 1988, after a legislative effort that would have allowed all Minnesota residents to buy into a basic "Chevrolet" insurance plan to cover health care costs fell apart in a dispute over financing, Rep. Paul Anders Ogren decided it was time to do what has become known in the political world as "networking."

The themes sounded again during the debate over the Minnesota insurance plan, Ogren said, "was that it will become a magnet for people who are ill, that it will put [the state] at an economic disadvantage relative to its neighbors, that the problem has to be solved by federal action, because of the sheer complexity and the cost."

Looking around, however, Ogren realized that many other states were also trying to address the problems of the uninsured and that a few — most notably Massachusetts and Oregon — had actually succeeded in enacting substantive reforms. The problem, in his view, was that they were doing so in isolation, with no means for sharing information and learning how to avoid each other's mistakes. "There was no resource network for progressive legislators pushing for universal health care at a state level," he observed.

That's when the Minnesota Democrat hit on the idea of launching the State Alliance for Universal Health Care — "as sort of a signal to legislators across the country that we can be a damned sight bolder than we've been thus far."

In mid-December, in concert with the Health Committee of the National Conference of State Legislatures (NCSL), the Alliance co-sponsored

a special two-day seminar on the theme "Expanding Access to Health Care." The session, a follow-up to the Alliance's first formal meeting, which was held in August 1990 in Nashville, took place just before the NCSL's regular state-federal assembly in Washington, D.C., and attracted 60 attendees. Among the featured speakers were Sen. Edward M. Kennedy (D-MA) and maverick Senator-elect Paul Wellstone (D-MN).

In separate interviews after the seminar, State Health Notes talked about the Alliance and the prospects for enactment of a universal health care system with both Ogren and Ohio Rep. Robert F. Hagan (D), who is member of the Alliance's board of directors.

### "A Dollar is A Dollar"

The immediate aim of the Alliance is to build "a coalition of legislative leaders... committed to the guarantee of universal health care in each of our states." Longer term, according to the mission statement drafted in April 1990, "our collective efforts must and will culminate in a national resolution, through the Congress and President" in support of universal care.

At present, neither Ogren nor Hagan sees signs that federal policymakers are close to achieving that goal or that they are committed to helping the states achieve it by eliminating some of the barriers that Congress has, over the years, thrown in the states' way.

"The reason for the proliferation of organizations like the Alliance," said Hagan, the chief sponsor of the Universal Health Insurance for Ohio

(UHIO) plan, which is modeled on Canada's national health system, "is the realization that the federal government cannot do it." Problems — ranging from the failure of the savings and loan industry and the burgeoning budget deficit at home to the threatening situation in the Persian Gulf — will continue to divert Washington policymakers from the health system crisis, the Ohio lawmaker said.

At the same time, Hagan said, the federal government has thrown up roadblocks — things such as ERISA, the federal pension law that bars states from requiring companies that self-insure to comply with mandated health insurance benefits and risk-pool laws, and a cumbersome waiver process that discourages the states from experimenting with Medicaid reforms. "I would like to see a waiver granted that would allow one state to implement a single-payer system and work it out over a period of five to ten years," he said.

The concept underlying the UHIO plan is not a new one, after all, Hagan continued. "This is something that has been implemented in Canada. At some point, we have to admit that someone had a better idea." Like Canada, which sold its system province to province, "we have to go state to state until we convince [the federal government] of the need for a national plan." Until that happens, "we'll have to take responsibility for our own problems. What I've realized is that when they are viewed from that perspective, the problems are not nearly as big."

Part of the problem, Ogren says, is that liberal congressional leaders like Kennedy have been unwilling to admit

that their dream of a national health plan is unlikely to be realized any time soon. He likens the struggle to an old religious tradition: "I'm half Jewish and at Passover, we always say, 'Next year in Jerusalem.' The problem is, we've been saying it for 2000 years, and it's never quite next year." At the seminar, he said that he told Kennedy, "Just in case you don't get there next year, how about loosening the reins on the states so that we can make modest progress at our parochial level while the grand plan is forged here in Washington?" The response? "Next year in Jerusalem," he laughed.

Despite the lack of flexibility, Ogren said he is convinced that the states can, on their own, make a significant difference in solving the problems of the uninsured. "Those states that throw up their hands and say 'We can't afford it, Washington has to do it,' are dreamers. A dollar is a dollar, whether it's raised by the states or the federal government," he asserted.

#### Interim Steps

There are "some short-term benefits coming out of the scrutiny of the insurance sector," Ogren noted. While states may not be able to regulate companies that choose to self-insure, "they can certainly institute community rating and eliminate discrimination on the basis of age, sex and preexisting conditions, and really take health insurance back to where it was 20 years ago, when the young and the old, men and women, the healthy and the ill, were blended into a single comprehensive pool.

"I don't know if it will go as far as full-fledged community rating," the lawmaker said, "but we're going to come closer to the roots of what insurance is presumably all about."

A problem with what most states are now doing, he continued, "is that there is little pretense of health

care reform. There is quite a bit of insurance reform, but as [states] pick their enemies, they're looking at only half of the equation. They're looking almost exclusively at the administrative cost component, and I don't think it's as simple as that."

Short of moving to a single-payer system, the states can also set for themselves the goal of coordinating various health programs. On average, Ogren said, "the states administer about a half dozen different health care programs, often in a half dozen different agencies, with a half dozen different reimbursement mechanisms. If they can streamline all of those programs, wrap them into a single state-administered program that incorporates the uninsured ... the program would also be a competitor in the marketplace." It would encompass not only the poor enrolled in Medicaid and the uninsured but also would attract people who are now buying insurance individually and would give it up gladly because of preposterous rates."

A principal aim of the Alliance is to coordinate independent state efforts. "There are lots of mistakes that won't have to be replicated because we'll have the chance to see what works and what doesn't. Now, state legislators largely work in a consummate vacuum."

A parallel aim is "to see what our collective voice can mean here in Washington." NCSL has "a very diffused voice. It cannot advocate for a specific position because it must encompass all positions."

#### Guided Reaction

Since it was formed, the Alliance has attracted a small cadre of legislators who share Ogren's belief. Also on the board are Sens. John Kitzhaber (OR), Paula Hollinger (MD) and Stanley C. Walker (VA) and Reps. James Shon (HI), Dennis Braddock

(WA), John Timmer (SD), John McDonough (MA), Gene Davis (UT) and Gail Chatfield (MO). All but Timmer are Democrats.

Clearly not all legislators embrace the Alliance's mission statement. Delaware Rep. Jane Maroney (R), a self-described "states' rights person" – said she believes that states can and should solve their own problems, "so I have an argument conceptually" with the need for federal intervention. Even so, Maroney said, "there is no reason not to debate a system such as the one in place in Canada. We need dialogue. The chemistry of good will takes time to develop."

Not even those who agree with the goal of universal care are necessarily convinced that the Alliance is an ideal vehicle for reaching it. Ogren and his board are "senior, credible people," but they are appealing only to a subset of legislators. They are committed to specific, fundamental change, but there is no evidence that they have swayed some of their more mainstream colleagues," an attendee at the December seminar noted. "They don't seem to feel that they have to market their position. Their audience seems to be people who are already committed to the goal and who need information to translate it into program changes."

Ogren reiterated that the Alliance – which he termed "truly political, not at all policy-oriented" – was not created to dictate a common tool or model program for achieving universal access but rather to facilitate the exchange of information among the states.

The Alliance, Hagan asserted, does have room for other viewpoints, provided potential members are committed to three major principles: universality of coverage; cost containment; and a belief that health care is a right.

## Old tactics won't solve health care problems

ASSOCIATED PRESS

NEW YORK — Everyone seems to be for it, for everyone. The majority, it seems safe to say, consider it a right. Most people think it is attainable. A good many think it can be offered without great additional costs.

They are referring to better health care, and they maintain their attitudes in spite of some deeply disturbing trends and repeated failures.

One of the most upsetting of the trends is higher costs, year after year, increases that each year for two decades have exceeded general inflation. The repeated failures occur glaringly in schemes to control those costs.

Government, individuals, employers, insurers, hospitals and other medical institutions and organizations have had their say about the latter. All have found the same thing: Control costs in one area and they rise in another.

"Good health is every American's right," said President Bush in his State of the Union address Tuesday. "We can provide better health care at less cost," said Sen. George Mitchell, D-Maine, in the Democratic response to that message.

But the statistics defy them. Mitchell says 37 million Americans have no health insurance, and the country has no plan for the long-term care of the elderly.

Health care in one form or another now accounts for about 17 percent of gross national product, representing an extraordinary commitment for an economy that must also produce food, clothing, shelter, automobiles, fuel and other necessities.

If the trends were to continue, sometime in the distant future the American concern for health would devour the American lifestyle. Even now, employer health benefit costs consume 26 cents of every dollar of profits.

The annual health-cost survey by A. Foster Higgins & Co., a benefits consulting firm, gives an indication of how those costs are mounting.

In 1988, the cost of employer medical plans was \$2,160 per worker. In 1989, it jumped to \$2,600. In 1990, it leaped to \$3,161. If the trend continues, said Foster Higgins' John Erb, the figure will exceed \$22,000 by the year 2000.

"Controlling medical expenses through traditional health plans has become a losing proposition," said Erb, who conducted the study. Hereafter, he said, employers must manage such costs as they would other corpo-

rate expenses.

It is, it appears, the all-American way to deal with problems: Let them grow to full-blown crises and then attack them instead of warding them off before they reach that stage.

Some refer to this technique by the disparaging label of "muddling through," and, pointing to repeated budget shortfalls, claim it is the only thing that White House or congressional budget analysts understand.

Others, however, see in such behavior an example of the entrepreneurial spirit.

Although it is too early to measure the impact, some of those answers may have emerged already to challenge the health-cost problem. Scores of small companies have arisen in the past decade, with one common goal: lower costs.

How do they lower costs? By, for example, monitoring applications for reimbursement submitted to insurers, thus keeping a restraint on overuse or overcharges. Or by providing prescriptions at wholesale prices. Or by offering at-home medical services.

A vast range of plans is offered in the preventive health area, since it is known that to pay for good health before it deteriorates is less expensive than to correct it after it fails. Other companies are simply consultants to hospitals.

They are a rather new phenomenon, and their success is not assured. Still, early indications — measured by their earnings — suggest they have a genuinely new approach to old problems. And they might be just in time.

HB

76

**FISCAL NOTE**

**STATE OF ALASKA  
1991 LEGISLATIVE SESSION**

**BILL NO. HB 76**

Alaska Energy Authority  
Dept. of Commerce & Economic Development

Revision Date: \_\_\_\_\_ Department Affected: \_\_\_\_\_  
 Title: "An Act authorizing the Anchorage/Kenai and Healy/Fairbanks transmission lines and ~~XXXXXXXXXX~~ approving design and construction costs..."  
 Sponsor: NAVARRE, et. al.  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	-0-	-0-	-0-	-0-	200	200
<b>TOTAL OPERATING</b>						

<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
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<b>REVENUE</b>	-0-	-0-	-0-	-0-	200	200
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Program Receipts)	-0-	-0-	-0-	-0-	200	200
<b>TOTAL</b>	-0-	-0-	-0-	-0-	200	200

POSITIONS:

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

Estimate of current year impact:

**ANALYSIS: (Attach a separate page if necessary.)**  
 See appropriation bill (HB 77)

Prepared By: Robert E. LeResche, Executive Director Phone: 465-3575  
 Division: Alaska Energy Authority Date: 3/22/91  
 Approved by Commissioner: GLENNOZOS Assoc. Comm.  
 Agency: Department of Commerce & Economic Development Date: 3-26-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

ALASKA STATE LEGISLATURE  
REPRESENTATIVE MIKE NAVARRE

Co-Chair  
House Finance Committee  
P.O. Box V  
Juneau, Alaska 99811  
(907) 465-3779

March 23, 1991

MEMORANDUM

TO: Representative David Finkelstein, Chair  
House Labor & Commerce Committee

FROM: Representative Mike Navarre *Mike Navarre*

SUBJECT: House Bill 76, An Act authorizing power transmission lines and approving the design and construction costs.

.....  
Purpose of HB 76

HB 76 proposes an upgrade to the existing Railbelt intertie "grid" system which will provide strong, stable power transmission and access to low-cost generation sources. The Legislature has specifically set aside a \$100 million account to make sure that Railbelt communities have access to reliable, economical power.

Benefits of the proposed interties

1. **Improved reliability** - The new 138 kV lines will help to decrease the potential number and severity of outages caused by line failures. Reliable interties are an essential component to the Railbelt's infrastructure.
2. **Improved System Efficiency** - The new interties will lower the amount of "line loss", allowing a higher percentage of the energy produced to be delivered to the customer. Hydrothermal coordination of the Railbelt intertie system will be increased, creating greater fuel cost savings through more efficient power generation.
3. **Reduced Energy Production Costs** - The new interties will allow energy produced at low-cost in one region of the Railbelt to displace higher-cost energy in another.
4. **Encourages Economic Development** - Development relies on availability of dependable, low cost energy.

Costs of HB 76

The costs associated with HB 76 are presented in HB 77, which appropriates \$125 million for the electric transmission lines. \$100 million was placed in a Railbelt Interties Reserve Account during the 1990 Legislative session.

Technical Information

This packet includes a summary of the assessment report from the North American Electric Reliability Council on the Railbelt interconnected electric utility systems. There is also a map of the Railbelt transmission systems and proposed interties, a Railbelt Interties Status Report, and three documents which outline the advantages of the proposed interties and explain why they make sense for the Railbelt.

Support for HB 76

Support letters from Railbelt communities can be found in the back of this packet.

# Alaska State Legislature

REPRESENTATIVE  
**BERT SHARP**

DISTRICT 20

MEMBER  
FINANCE COMMITTEE

FINANCE SUBCOMMITTEES  
GOVERNOR  
FISH AND GAME  
LABOR



FAIRBANKS

119 N CUSHMAN  
FAIRBANKS ALASKA 99701  
(907) 452-7885 • 7886

WHILE IN JUNEAU

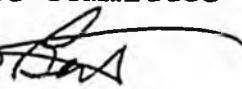
PO BOX V  
STATE CAPITOL  
JUNEAU ALASKA 99811  
(907) 465-3004 • 3018

## House of Representatives

M E M O R A N D U M

APR 08 1991

TO: Representative David Finkelstein  
Chairman, Labor & Commerce Committee

FROM: Representative Bert Sharp 

DATE: April 5, 1991

SUBJ: HB76, HB77

I request that after the hearing process scheduled April 11, 1991, on the above-referenced bills, action be taken that day to move the bills on to the next committee of referral.

Proposals and discussions on these projects have been ongoing for several years. It's time to afford them a day of judgment on the floor of the House where all of us may be included in the decision-making process.



REPRESENTING  
GOLDEN HEART  
OF ALASKA

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE TAYLOR

TO: HB 117

Page 1, line 1 after "lines":

Insert "and related transportation corridors"

Page 1, after line 14:

Insert new bill sections to read:

"\* Sec. 5. In accordance with AS 44.83.185(c), the Alaska Energy Authority is authorized to design and construct a transmission line and related transportation corridor between Tyee Lake and Swan Lake at a cost of \$50,000,000. This authorization is valid only if the project is financed by revenue bonds.

\* Sec. 6. In accordance with AS 44.83.185(c), the Alaska Energy Authority is authorized to design and construct a transmission line between Petersburg and Snettisham Dam at a cost of \$72,000,000. This authorization is valid only if the project is financed by revenue bonds."

Re-number the following bill section accordingly.

Proposed Amendments to  
**HOUSE BILL NO. 76**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - FIRST SESSION**

BY REPRESENTATIVES NAVARRE, Boyer, G.Phillips, Sharp, Moyer, Martin, Baker, Zawacki

Introduced: 1/25/91  
Referred: Labor and Commerce, Finance

**A BILL  
FOR AN ACT ENTITLED**

"An Act authorizing the Anchorage to Kenai Peninsula and the Healy to Fairbanks power transmission lines and approving the design and construction costs of the lines and contracting methods; and providing for an effective date."

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

\*Section 1. In accordance with AS 44.83.185(c) and contingent upon sec. 3 of this Act, the Alaska Energy Authority is authorized to design and construct a 138 kilovolt electric transmission line between Anchorage and the Kenai Peninsula at a cost of ~~\$85,000,000~~ <sup>1991 dollars</sup> ~~[The transmission line shall be capable of being upgraded to 230 kilovolts.]~~ **85,000 in 1991 dollars**

\*Sec. 2. In accordance with AS 44.83.185(c) and contingent upon sec. 3 of this Act, the Alaska Energy Authority is authorized to design and construct a 138 kilovolt electric transmission line between Healy and Fairbanks at a cost of ~~\$80,000,000~~ <sup>1991 dollars</sup> ~~[The transmission line shall be capable of being upgraded to 230 kilovolts.]~~ **80,000 in 1991 dollars**

\*Sec. 3. The authorizations made by this Act are contingent upon written agreements between the Alaska Energy Authority and participating electric utilities providing that the participating utilities agree to pay:

(1) the design and construction costs that are in excess of \$125,000,000 plus interest earned from the time of appropriation, for the electric lines authorized by this Act; and

(2) the operation and maintenance costs of the electric transmission lines authorized by the Act.

Redraft of HB76

Alaska Energy Authority -- 2/9/91

\* Sec. 4. AS 36.30.850 (b) is amended by adding a new section 23 to read:

(23) contracts of the the Alaska Energy Authority with participating electric utilities to design and construct 138 kilovolt electric transmission lines between Anchorage and the Kenai Peninsula and between Healy and Fairbanks; provided, that the participating utilities have contracted to pay all design, construction, operating and maintenance costs above the amounts provided by legislative appropriations.

\*Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

**DRAFT**

## RAILBELT INTERTIE PROJECTS

SUMMARY OF DRAFT FEASIBILITY STUDY ISSUED BY  
ALASKA ENERGY AUTHORITY, JANUARY 1991

## Estimated Construction Costs

	Millions of January 1991 Dollars
Soldotna-Anchorage 138 kV Intertie	
"Enstar" Route	\$74.6
"Tesoro" Route	\$83.2
Healy-Fairbanks 138 kV Intertie	<u>\$77.5</u>
TOTAL (Depending on Soldotna-Anchorage route)	\$152.1 - \$160.7

The lower cost "Enstar" route for the Soldotna-Anchorage intertie will require right-of-way through the Kenai National Wildlife Refuge. All cost estimates assume that the State would contract with the electric utilities to manage the design and construction of the projects.

## Estimated Benefits

Soldotna-Anchorage intertie: The expected value of benefits developed in previous studies performed for the Energy Authority and for the Railbelt utilities ranges from \$63.9 million to \$125.5 million in 1991 dollars. The main categories of benefit are improved reliability, improved system efficiency, and reduced cost of generation reserves.

Healy-Fairbanks intertie: The expected value of benefit developed in a previous study performed for the Railbelt utilities is \$108.2 million in 1991 dollars. The main category of benefit is the increased potential for delivering Anchorage gas-fired energy to serve Fairbanks area loads. Previous studies performed for the Energy Authority evaluated two options for upgrading the Anchorage-Fairbanks intertie, but did not assess this proposal as presently envisioned.

## Conclusion

Soldotna-Anchorage intertie: The quantified benefits noted above, and the estimates of capital and O&M costs, imply a benefit-cost ratio ranging from 0.7 to 1.5. Beyond the quantified benefit estimates, the Authority concludes that a second line between Anchorage and the Kenai Peninsula is necessary to meet prevailing industry standards of transmission reliability. Based on these considerations, the Authority concludes that overall project benefits will exceed project costs.

Healy-Fairbanks intertie: The benefits noted above, and estimates of capital and O&M costs, imply a benefit-cost ratio of 1.4. The Authority concludes that this is a reasonable indication of project economics.



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

COPY

August 1, 1990

Honorable Sam Cotten  
Alaska House of Representatives  
11940 Business Blvd  
Eagle River, Alaska 99577

Dear Representative Cotten:

On May 7, 1990, I wrote to you expressing a commitment that the Authority would abide by the legislative intent related to the \$25 million appropriation for the Healy Coal project. On May 18, 1990, I wrote to you reconfirming the commitment with only a change in the Section number from 141 to 143 and informing you that the Authority's Board of Directors, by unanimous consent, approved the intent. Subsequently, the Governor vetoed the \$4 million general fund appropriation and also vetoed out the legislative intent under Section 143.

Accordingly, to maintain, hopefully, the commitment made to yourself and Representative Navarre during the final hours of the legislative session, I proposed that at the Authority's August 31, 1990 Board meeting to submit a resolution authorizing a maximum expenditure of \$4 million from the \$25 million pending APUC approval of the project.

If this is agreeable, please let me know. Thank you for your patience.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bertram L. Wagnon", is written over a printed name and title.

Bertram L. Wagnon  
Executive Director

BLW/ss

cc: Ken Johnson, Assistant (Anchorage)



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

COPY

May 18, 1990

Honorable Sam Cotten  
Alaska House of Representatives  
11940 Business Blvd  
Eagle River, Alaska 99577

Dear Representative Cotten:

On May 7, 1990, I wrote you expressing a commitment that the Authority would abide by the legislative intent related to the \$25 million appropriation for the Healy Coal project. The final capital budget renumbered certain sections, the net result being that the Healy appropriation was contained in Section 143 as opposed to Section 141. At the Authority's May 14, 1990 Board of Directors meeting, I presented the letter for Board consideration and by unanimous consent they approved the agreement, with the section reference as the only change. Attached is a copy of the pertinent portion of the minutes dealing with this issue.

I would like to express my appreciation for your assistance. I understand your concerns about the project and will keep them in mind as it progresses.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Bertram L. Wagnon', is written over a light-colored background.

Bertram L. Wagnon  
Executive Director

BLW/ss  
attachment

The review of Mr. Wagnon's letter to Representative Sam Cotten, Speaker of the House, was one of several subjects discussed during agenda item 6C, Outcome of 1989-1990 Legislative Session and its affect on AIDEA's ability to finance prospective development projects. The following excerpt of the Board of Directors minutes pertains only to Mr. Wagnon's reference to the subject letter.

**EXCERPT OF MINUTES**  
**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**  
**BOARD OF DIRECTORS - Teleconference**  
**May 14, 1990 - 1:30 p.m.**  
**Juneau/Anchorage**  
**Minutes**

Mr. Wagnon advised the board that during the legislative session, he had written a letter to Speaker of the House, Sam Cotten, regarding the House of Representatives concerns with the timing of the issuance of bonds for the Healy Coal Project. Mr. Wagnon read the letter to the board and stated that he believed that it was absolutely essential for the Authority to comply with the legislative intent language contained in the letter.


He explained that the legislative intent applied to the \$25 million appropriation from the Railbelt Energy Fund and not the \$4 million appropriation from the General Fund.

For the benefit of the board, Mr. Wagnon stated that the intent of the legislature was that APUC approve the power sales agreement for the Healy Coal project only if the agreement is not tied to the electrical interties or contingent upon any appropriation for electric interties.

The board discussed other aspects of the 1989-1990 legislation session and HB 123 at this time.

Chairman Jessee entertained a motion for the approval of staff's letter to Speaker of the House, Sam Cotten, and to authorize Mr. Wagnon to reissue the letter with any change to the section reference as may be required to conform with the approved version of the capital projects bill.

Mr. Kookesh moved for the motion. Deputy Commissioner Milt Barker seconded the motion. There being no discussion, Chairman Jessee requested a roll call vote. Upon roll call vote, the motion was unanimously approved.

  
Bertram L. Wagnon, Secretary

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

May 7, 1990

Honorable Sam Cotton  
Speaker of the House  
Alaska House of Representatives  
P.O. Box Y  
Juneau, AK 99811

Dear Representative Cotton:

Re: Healy Coal Project

It has been brought to our attention that the House of Representatives is concerned about the timing of the issuance of bonds for the Healy Coal Project. Specifically, the proposal would prohibit the Authority from selling bonds prior to the Alaska Public Utilities Commission approving a power sales agreement between the Authority and Golden Valley Electric Association.

The Authority would, under no circumstances, sell bonds before APUC approves a power sales agreement and it is formally adopted by the governing boards of the Authority and GVEA. Furthermore, the bonds would not be marketable without such approval.

The Authority understands that the following legislative intent language will be inserted in the capital projects bill. The Authority will comply fully with the intent of the Legislature.

Page 71, line 20, after "section" add "and the bond funds"

Section 141(e) It is the intent of the Legislature that the appropriations made in this section and the bond funds not be expended until the Alaska Public Utilities Commission has approved power sales agreements for the Healy Cogeneration Project.

May 7, 1990

Add a new subsection (f):

"(f) It is the intent of the Legislature that the Alaska Public Utilities Commission approve the power sales agreement for a clean coal technology demonstration project under this section only if

(1) the agreement is not contingent in any way on legislative appropriations for electric incentives; and

(2) the agreement has been executed by the parties and approved by the governing bodies of the parties."

Sincerely,

Bertram L. Hagnon  
Executive Director

BLW/mst1532a  
050790a

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

P.O. Box Y, Juneau, Alaska 99811  
(907) 465-3867 or 465-2450  
FAX (907) 465-2029

Deliveries to: 240 Main Street  
Court Plaza, Room 500  
Mail Stop 3101

### MEMORANDUM

May 13, 1991

**SUBJECT:** Transmission line appropriations (CSHB 77(L&C))

**TO:** Representative David Finkelstein  
Chair, House Labor & Commerce Committee

**FROM:** Teresa B. Cramer *TBC*  
Legislative Counsel

Enclosed is the CSHB 77 (L&C) as passed out of committee. I am concerned about the legality of one change made by the committee. In sec. 2(b), which appropriates money for grants for energy efficiency improvement programs under AS 37.05.316, the commission deleted the name of the recipient of the grant. The committee also included an alternative granting authority statute, AS 37.05.317. As the bill passed from committee, the appropriation was "for payment as a grant under AS 37.05.316 or 37.05.317 for energy efficiency improvement programs."

Neither AS 37.05.316 nor 37.05.317 gives the department authority to pick an initial grant recipient. Both statutes allow the department to select an alternative recipient. If challenged, a court might hold that the department lacked the power under either statute to select an initial grantee and that therefore the grant was ineffective. To avoid this possibility, the legislature could name an initial grantee or could use a granting statute which allows the department to choose the initial grantee. However, I am not aware of a grant program in the Department of Community and Regional Affairs that makes grants for energy efficiency improvement programs.

If I may be of further assistance, please advise.

TC:pl  
91-:359.plm

Enclosure



# UNIVERSITY OF ALASKA ANCHORAGE



3211 Providence Drive  
Anchorage, Alaska 99508

SCHOOL OF PUBLIC AFFAIRS

INSTITUTE OF SOCIAL AND  
ECONOMIC RESEARCH  
(907) 786-7710 FAX (907) 786-7739

23 March 1991

Representative David Finkelstein  
Alaska Legislature  
PO Box V  
Juneau, AK 99811

Dear Representative Finkelstein:

At your request, I have prepared estimates of the employment impacts of various Railbelt energy projects. They are presented in an enclosed memorandum as well as a summary sheet (which is appended to the memorandum).

I must emphasize the uncertainty inherent in these estimates. Although almost 1.5 million dollars was spent on the AEA Intertie Reconnaissance Studies, none of those dollars were directed toward ascertaining employment impacts of proposed projects. Some useful data was generated in the course of the studies, however, and I have tried to utilize it as best I could.

Given the lack of data and uncertainties in the analysis, I draw two broad conclusions from the analysis. First, HB 76/77 (full interties) and HB 228 (smorgasbord bill) have similar employment impacts. While my analysis shows HB 228 to create almost 1.7 times as many total jobs as HB 76/77, most of that difference is in the "respend benefits" category, which is the most speculative. Looking just at the "project direct" and "project induced" categories, you will see a rough parity between the two bills.

Second, notwithstanding the first conclusion as to overall parity, the employment estimates for HB 228 are quite robust, even though these projects do not seem to involve as much "bricks and mortar" as the new interties. To underscore this point I need only note that the Alaska Permanent Fund Dividend -- a pure transfer program -- is now one of our state's most important basic industries in terms of contribution to purchasing power. While the projects envisioned by HB 228 are no match for dividends in magnitude, some of them are of the same type, while others combine significant transfers with large net economic benefits. These projects therefore have economic value as well as economic impact.

I hope these estimates prove helpful to you.

Sincerely,

A handwritten signature in cursive script that reads "Steve".

Steve Colt

**Employment Impacts of Alternative  
Railbelt Energy Projects**

prepared for

**House Labor and Commerce Committee  
Alaska State Legislature**

prepared by

**Steve Colt  
Visiting Assistant Professor of Economics  
Institute of Social and Economic Research  
University of Alaska Anchorage**

**March 23, 1991**

## Employment Impacts of Alternative Railbelt Energy Projects

This memorandum provides estimates of the employment attributable to various energy-related projects under consideration for the Alaska Railbelt. The estimates are based on established economic theory and generally accepted values for economic multiplier effects in Alaska. Nonetheless, they are necessarily crude, being severely limited by available data and time.

### Projects Considered

The following projects were analyzed:

Project	Short Name	Principal Data Sources
Kenai-Anchorage Intertie, Enstar Route	KA-Enstar	DFI, 1989A AEA, 1991
Kenai-Anchorage Intertie, Tesoro Route	KA-Tesoro	DFI, 1989A AEA, 1991
Healy-Fairbanks Intertie	Healy-FBX	DFI, 1989A AEA, 1991
Weatherization, Rural Focus	Rural WX	Colt, 1989
Weatherization, Urban Focus	Urban WX	Colt, 1989
End Use Electric Efficiency	End Use Top 3	Mitchell, 1989 DFI, 1989B
Anchorage-Fairbanks Limited Upgrade	AF-100 SVS	DFI, 1989A AEA, 1991
Grants to Utilities for Debt Retirement, etc.	Utility Grants	*Note 1
Reconstruction of Existing Anchorage-Kenai Intertie	KA Rebuild	AEA, 1991

\*Note 1: This project is treated as a transfer payment. There are no direct impacts to analyze. The only raw data necessary is the amount of expenditure.

**Key Issue #1: What is a "New" Job?**

In this analysis, a "new" job is a job which did not previously exist and which results from state spending on a particular project.

I focus on net jobs because some of the projects considered involve cost sharing with the private economy. The direct jobs created by the privately-funded portion of project costs come with a penalty since private funding must be withdrawn from other uses. Because of this the economy loses purchasing power and related jobs which would have been present absent the *project*. To apply the definition above when cost sharing is involved, we must therefore decide whether the project would or would not proceed without state funding.

Here I assume that all projects which involve cost-sharing with the private sector (interties and end use programs) would not occur without state funding. I therefore give the state outlay full credit for all direct project employment, including the part funded by the "leveraged" private sector contribution. To be consistent, I also assign to the state outlay the penalty for the job losses caused by withdrawal of private purchasing power. Some of the jobs created by the project are therefore not new but "stolen" from other sectors of the economy. These "stolen" jobs are netted out in computing total employment.

I further assume that there would be zero employment impact from alternative expenditures not considered in the analysis. An example will clarify. Suppose only projects A and B are up for consideration. Project A creates 100 jobs, while project B creates 50. Suppose further that project C, also offering 100 jobs, lurks unconsidered in the background. By the definition used here, the 100 jobs from project A are new jobs and A beats B on employment grounds. But if project A *precludes* project C, then A does not really create jobs at all. It simply steals them from C.

In reality, there *are* alternative uses for the money, most of which will create some employment. For example, in 1988, simple transfers in the form of permanent fund dividends sustained as many jobs as the fishing industry (Goldsmith 1989). Although there are many possible alternatives to the projects considered here, in this memo I report only one as an information item: a rough estimate of employment impacts from distributing money as additional dividends.

**Key Issue #2: Jobs for Whom, What and When?**

This analysis treats all types of jobs equally for purposes of determining total employment. Obviously, different projects will require different types of skills. Prevailing wages will affect the amount of direct employment generated from a given expenditure. In this analysis I assume a skilled labor wage of about \$48,000 and a support sector wage of about \$25,000. The difference has great implications for people trying to raise a family, but I have ignored it here in order to focus on employment, rather than on personal income.

The timing of the employment is also very important: a job today is better than a job ten years hence. The direct jobs from most of the projects would occur within a few years. The

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

## Employment Impacts of Alternative Railbelt Energy Projects

This memorandum provides estimates of the employment attributable to various energy-related projects under consideration for the Alaska Railbelt. The estimates are based on established economic theory and generally accepted values for economic multiplier effects in Alaska. Nonetheless, they are necessarily crude, being severely limited by available data and time.

### Projects Considered

The following projects were analyzed:

Project	Short Name	Principal Data Sources
Kenai-Anchorage Intertie, Enstar Route	KA-Enstar	DFI, 1989A AEA, 1991
Kenai-Anchorage Intertie, Tesoro Route	KA-Tesoro	DFI, 1989A AEA, 1991
Healy-Fairbanks Intertie	Healy-FBX	DFI, 1989A AEA, 1991
Weatherization, Rural Focus	Rural WX	Colt, 1989
Weatherization, Urban Focus	Urban WX	Colt, 1989
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Grants to Utilities for Debt Retirement, etc.	Utility Grants	*Note 1
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\*Note 1: This project is treated as a transfer payment. There are no direct impacts to analyze. The only raw data necessary is the amount of expenditure.

## Methodology

The standard methods of economic impact analysis are used. See Goldsmith (1982) for a discussion and application to Alaska capital projects.

### **Step 1: Determine Alaska Labor Content (Direct and Indirect) of the Project**

Project labor content is the amount of project expenditure which ends up as payroll paid to someone living in Alaska. Direct labor content is the payroll paid out by the project contractor. Indirect labor content is the payroll paid out by other firms which supply goods and services to the project (caterers, helicopter services). The distinction between direct and indirect labor depends largely on how the project is contracted out.

### **Step 2: Determine Induced Employment from Respending of Project Wages and Loss of Private Purchasing Power.**

Wages and salaries paid out to project workers ends up in peoples' pockets as increased personal income. Part of this income is respent within Alaska, increasing the demand for goods and services and hence Alaska employment. This process is summarized by the income multiplier, a key parameter for this analysis. The income multiplier measures the amount of "new" personal income which ultimately ends up as someone else's paycheck within Alaska, after several rounds of respending. Goldsmith (1985) has determined the Alaska induced income multiplier to be about 1.3. This corresponds to the more frequently quoted value of 1.5, since the 1.5 value includes the effects of induced *and* indirect labor.

By dividing induced income by an average support sector wage rate, induced employment from the respending of project wages is determined.

The same logic is applied to reductions in purchasing power caused by the withdrawal of private funds to pay for project costs.

### **Step 3: Determine Induced Employment from Respending of Project Benefits**

The final step in the analysis is to consider the economic benefits of the project. In the present analysis we assume that all these benefits are realized by Alaska consumers. Some benefits accrue to commercial electric customers, but we assume these are competed away to consumers in the form of lower prices. Note that this assumption may be a poor one where firms who use lots of electricity produce a product for export. In this case, they may simply reap windfall profits or offer lower prices to overseas consumers.

Since project benefits such as lower electric and fuel bills result in increased *after-tax* income available for spending, we apply an adjustment factor to "gross up" the benefits to their pre-tax equivalents. This allows straightforward use of the standard income multiplier to determine induced income and induced employment from the respending of these benefits.

**Key Issue #1: What is a "New" Job?**

In this analysis, a "new" job is a job which did not previously exist and which results from state spending on a particular project.

I focus on net jobs because some of the projects considered involve cost sharing with the private economy. The direct jobs created by the privately-funded portion of project costs come with a penalty since private funding must be withdrawn from other uses. Because of this the economy loses purchasing power and related jobs which would have been present absent the *project*. To apply the definition above when cost sharing is involved, we must therefore decide whether the project would or would not proceed without state funding.

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In reality, there *are* alternative uses for the money, most of which will create some employment. For example, in 1988, simple transfers in the form of permanent fund dividends sustained as many jobs as the fishing industry (Goldsmith 1989). Although there are many possible alternatives to the projects considered here, in this memo I report only one as an information item: a rough estimate of employment impacts from distributing money as additional dividends.

**Key Issue #2: Jobs for Whom, What and When?**

This analysis treats all types of jobs equally for purposes of determining total employment. Obviously, different projects will require different types of skills. Prevailing wages will affect the amount of direct employment generated from a given expenditure. In this analysis I assume a skilled labor wage of about \$48,000 and a support sector wage of about \$25,000. The difference has great implications for people trying to raise a family, but I have ignored it here in order to focus on employment, rather than on personal income.

The timing of the employment is also very important: a job today is better than a job ten years hence. The direct jobs from most of the projects would occur within a few years. The

responding of the benefits depends in part on utility debt structures and ratemaking, but will generally take place over a long period of time, perhaps twenty to thirty years. I address this issue by estimating the "discounted present value" of future jobs<sup>1</sup>. This treatment assumes that the timing of induced employment benefits mirrors the timing of monetary benefits.

### Specific Comments about Projects

#### KA-Enstar, KA-Tesoro, Healy-FBX

These three proposed intertie projects have cost estimates provided in some detail in the AEA's 1991 *Feasibility Study*. The estimates break down the cost of each link into "labor" and "materials" components. The raw percentages of project cost listed as "Labor" and producible by Alaska labor are:

KA-Enstar	22%
KA-Tesoro	17%
Healy-FBX	46% including AF-100 SVS
	63% excluding AF-100 SVS (almost purely materials)

Cost components listed under "labor" actually are probably better described as "non-material cost". For example, geotechnical work is listed under "labor" but includes the services of helicopters, laboratories, camp food, etc. To adjust for this, 15 percent of listed "labor" cost components are assumed to be for goods, services, or materials produced outside of Alaska.

The resulting payroll expense is assumed to consist of 25 percent fringe benefits: health coverage, pension, workmen's comp. This component never reaches workers as income.

According to one of the authors of the AEA cost estimates,<sup>2</sup> the "labor" component of 8.5 million dollars for installation of submarine cable for the southern intertie is specialized labor which will not be furnished by Alaskans. It has been removed from resident labor totals.

The Healy-FBX analysis includes AF-100 SVS upgrades. We assume that the AF-100 SVS portion of the project will be built irrespective of state funding. Therefore, the AF-100 portion of project benefits attributable to state funding are limited to the costs of the project, which are paid by the state and thus avoided by consumers.

Project benefit levels were taken from Legislative Research Agency estimates (1990). We assume that electric reliability benefits cannot be respent. These benefits are extremely difficult to quantify, and they do not accrue to anyone as reduced electric bills.

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<sup>1</sup>This treatment is also necessitated because many of the supporting dollar figures are only available as present values.

<sup>2</sup>Del LaRue, personal communication, 3/21/91.

### **Rural and Urban Weatherization**

Employment impacts of rural weatherization have been investigated in detail in Colt (1989). We assume that the proposed HB 228 allocation of funds to low income weatherization would allow for half the funding to target rural areas.

Urban weatherization impacts have been estimated by running the rural weatherization impacts model developed in Colt 1989, removing most travel, per diem, and freight items and substantially reducing the energy savings benefits of the program to adjust for warmer weather and cheaper fuel.

Urban weatherization employment impacts are used as a proxy for impacts from institutional demand-side management and ongoing residential and business efficiency programs.

### **Top 3 End Use Efficiency Programs**

Data which allow some determination of labor content for the top three end use electrical efficiency programs taken as a package are available in Mitchell (1989). The gas water heater conversion program entails significant skilled installation labor. The incandescent-to-fluorescent conversion program also entails some installation of new fixtures using skilled electrician labor. Beyond these needs, however, the top 3 end use programs considered here are assumed to use labor only in the administration task. The programs encourage the use of more efficient equipment but only during the course of normal replacement. There is therefore no additional demand for retail sales clerks, lighting designers, etc. If a different "mix" of programs were chosen from among the options offered in the Mitchell report, significantly greater amounts of direct labor might be required.

The end use programs entail the state paying for about 80 percent of the resource costs of the measures adopted. Consumers pay the other 20 percent out of pocket. This fact results in a net loss of purchasing power during the "installation phase." These outlays are more than recouped as energy savings benefits, but the conceptual approach taken here produces a small job loss attributable to this initial loss of purchasing power. In reality, this job loss would be almost immediately counterbalanced by job gains from respend benefits.

### **Utility Grants**

Direct grants to utilities are assumed not to change the pattern of utility investment: they are a transfer from the state to utility customers. The only way these grants generate employment is by adding purchasing power to the economy, in the same way as the permanent fund dividend program does.

### **AF-100 SVS Improvements**

This project taken on its own is assumed to have zero labor content. This is a simplification but not too far off the mark since the only item listed in the cost estimate for the Teeland substation is \$50,000 for mobilization. In reality there would be some skilled electrical labor

associated with moving and installing the SVS equipment.

We assume that the AF-100 project will go forward with or without state funding. Therefore the benefits of the project attributable to the state are capped at the project cost, which is avoided by utility customers.

The AF-100 upgrade is included as part of the Healy-Fairbanks intertie project.

### **KA Rebuild**

Using the Intertie cost estimates as a guide, and allowing for the greater labor intensity of a rebuild as opposed to new construction, we assume that the labor component (defined as above for the new interties) of the KA rebuild project is 50% of the \$30 million state funding level.

Benefits from the KA Rebuild project are unknown, so we assume a benefit-cost ratio of one, making the benefits exactly equal to construction cost avoided by customers: \$ 30 million.

## **Results**

Results are presented in terms of the "present value of job-years." This is necessary because most of the intermediate results used to produce the estimates are present values of dollar benefits. It is a good way to view employment benefits since almost everyone would agree that a job created this year is far more desirable than a job created twenty years from now.

If one insisted on presenting streams of future employment as nominal sums, without discounting, the necessary adjustments would *significantly* increase the employment impacts of high-benefit and long-lived programs such as End Use Top 3 and weatherization.

### **Comparison of HB 76/77 with HB 228**

Table 1 summarizes the comparison of HB 76/77 with HB 228. The first panel shows employment impacts per million dollars of state outlay for each project considered. This is an analytical tool used for comparison; it is of course impossible to build "one million dollars worth" of KA-Enstar intertie. Note that in some cases the loss of purchasing power resulting from private outlays results in a net loss of jobs in the Project Induced category.

The second panel shows the composition of the two bills in terms of outlays. HB 76/77 consists of two intertie projects and total funding is capped at \$125 million. Since this is less than the combined total of the latest cost estimates, we assume that the shortfall is allocated to the utilities in proportion to project costs. Also, since the KA-Enstar and KA-Tesoro projects are mutually exclusive, only the KA-Enstar (with higher employment than KA-Tesoro) is included.

The third panel shows the employment impacts associated with each bill. These numbers are the product of outlay levels in panel 2 and per-unit impacts in panel 1. These results indicate that HB 228 produces roughly equal amounts of direct and project-induced employment. Because HB 228 distributes much of its funding as pure transfer payments and because of its emphasis on projects with apparently high benefits, this bill produces higher employment from the respending of project benefits.

**Table 1: Employment Impacts Summary**

Employment per Million \$ State Outlays:										
	KA Enstar	KA Tesoro	Healy-Fbx	Rural Wx	Urban Wx	End Use Top 3	Utility Grants	AF-100 S/S	KA Rebuild	
Direct Project	4	3	7	14	14	6	0	0	7	
Induced by Project	(2)	(3)	1	5	5	(5)	0	0	4	
Respend Benefits	13	12	16	29	15	31	17	17	17	
<b>Total Job-years</b>	<b>15</b>	<b>12</b>	<b>24</b>	<b>48</b>	<b>35</b>	<b>32</b>	<b>17</b>	<b>17</b>	<b>27</b>	

Outlay Levels: (Million \$)										
	KA Enstar	KA Tesoro	Healy-Fbx	Rural Wx	Urban Wx	End Use Top 3	Utility Grants	AF-100 SVS	KA Rebuild	Total Outlay
HB 76/77	61	0	64							125
HB 228			0	5	23	20	30	20	30	128

Employment Impacts:										
	KA Enstar	KA Tesoro	Healy-Fbx	Rural Wx	Urban Wx	End Use Top 3	Utility Grants	AF-100 SVS	KA Rebuild	Total Job-yrs
<b>HB 76/77</b>										
Direct Project	219	0	477	0	0	0	0	0	0	696
Induced by Project	(95)	0	44	0	0	0	0	0	0	(51)
Respend Benefits	800	0	1,031	0	0	0	0	0	0	1,831
<b>TOTAL Job-years</b>	<b>924</b>	<b>0</b>	<b>1,553</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,476</b>
<b>HB 228</b>										
Direct Project	0	0	0	71	319	121	0	0	200	711
Induced by Project	0	0	0	23	123	(92)	0	0	115	169
Respend Benefits	0	0	0	145	352	613	500	333	500	2,444
<b>TOTAL Job-years</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>240</b>	<b>794</b>	<b>642</b>	<b>500</b>	<b>333</b>	<b>815</b>	<b>3,324</b>

Note: parentheses indicate negative numbers

**Comparison with Pure Dividend Program**

As a benchmark for comparison, we can consider the effects of distributing \$125 million directly to consumers. This is roughly equivalent to putting the money in the Alaska Permanent Fund where it would increase the annual dividend amount. Analytically, this case is identical to the Utility Grants project. The total induced employment is therefore 17 job-years per million dollars of outlay times 125 million dollars, or 2,125 job-years.

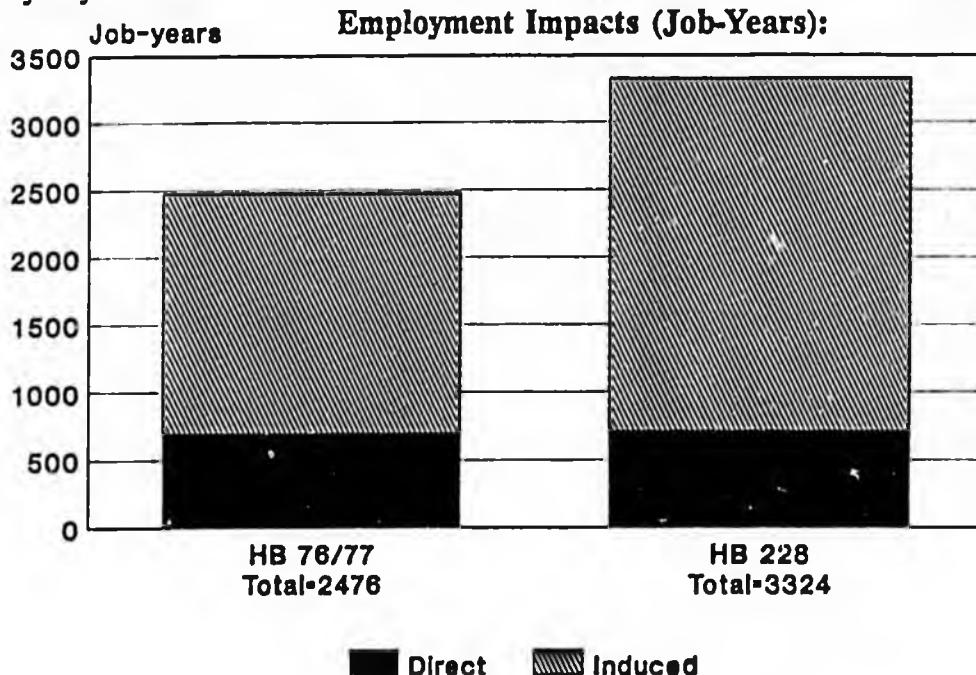
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## Comparison of Employment Impacts of HB 76/77 and HB 228

HB 76/77 would spend \$125 million on two intertie construction projects and create 696 direct job-years of employment, plus 1,780 net job-years induced by respending of project wages and respending of project benefits. Total employment generated: 2,476 job-years.

HB 228 would spend approximately \$128 million on six energy-related projects including southern intertie reconstruction, upgrade of northern intertie, weatherization and efficiency programs, and general assistance to utilities. This bill is estimated to create 711 job-years of direct employment, plus with 2,613 net job-years induced by respending of project wages and incentive payments and respending of project benefits. Total employment generated: 3,324 job-years.



### Project Descriptions

- KA-Enstar: New intertie Kenai to Anchorage via "Enstar" route
- KA-Tesoro: New intertie Kenai to Anchorage via "Tesoro" route
- Healy-Fbx: New intertie Healy to Fairbanks plus SVS improvements
- Rural WX: Weatherization with rural target areas
- Urban WX: Weatherization with urban target areas plus business/institutional efficiency programs
- End Use Top 3: Best 3 electrical end use efficiency programs identified by AEA recon study
- Utility Grants: General assistance to utilities for debt retirement or other cost reduction
- AF-100 SVS: Limited upgrade of Anchorage-Fairbanks intertie via SVS equipment addition
- KA Rebuild: Reconstruction of existing Kenai-Anchorage intertie

### Components of HB 76/77 and HB 228

