

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 00/2

9153 HOUSE HEALTH EDUCATION & SOCIAL SERVICES

SB

187

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: April 30, 1997

FURTHER REFERRALS:

Date of Committee Action: 5/6/97

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

SB 187

SENATE BILL NO. 187

UNIVERSITY TUITION PAYMENT PROGRAM

"An Act relating to disclosure of public records identifying a participant in the advance college tuition payment program; relating to the composition and assets of the Alaska advance college tuition payment fund; relating to administration of the advance college tuition payment program; relating to advance college tuition payment contracts; and providing for an effective date."

recommends it be replaced the same title
 with the following committee substitute _____ a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) University / 4-28-97

| SIGNING WITH RECOMMENDATIONS | DP | DNP | NR | AM |
|------------------------------|-------------------------------------|-----|-------------------------------------|----|
| <i>Paul Pagan</i> | <input checked="" type="checkbox"/> | | | |
| <i>Carla Bunde</i> | <input checked="" type="checkbox"/> | | | |
| <i>John Verney</i> | <input checked="" type="checkbox"/> | | | |
| <i>John Hall</i> | | | <input checked="" type="checkbox"/> | |
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CHAIR'S SIGNATURE *Carla Bunde*

GARY WILKEN
SENATOR
Districts 29 & 30
West Fairbanks

Senate Standing Committees

Chairman: Health, Education,
and Social Services (HESS)
Vice Chairman: Transportation
Vice Chairman: Community and
Regional Affairs

Special Committee

Member: Administrative Regulation Review



During Session:
State Capitol, Room 510
Juneau, Alaska 99801-1182
(907) 465-3709 (v)
(907) 465-4714 (f)
[www: akrepublicans.org/wilken.htm](http://www.akrepublicans.org/wilken.htm)
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Interior:
119 N. Cushman St., Room 213
Fairbanks, Alaska 99701
(907) 452-3421
Fax (907) 452-3426

SPONSOR STATEMENT

SB 187 – University Tuition Payment Program

In August 1996, Congress passed legislation that exempts qualified state prepaid tuition programs from income taxes similar to exemptions provided other non-profit activities. Senate Bill 187 makes the necessary statutory changes to conform the Advance College Tuition (ACT) payment plan with the new federal law.

The ACT plan, established in 1990 under AS 14.40.803, offers an incentive for Alaskan residents to save for college. Under this plan one-half of a participating individual's annual permanent fund dividend can be used to prepay college tuition credits at the current cost per credit. The University of Alaska guarantees that ACT credits can be used for tuition *regardless of the amount paid for the ACT credit or the cost of tuition at the time they are used*. Currently there are over 6,300 prepaid tuition contracts in place totaling approximately \$17.6 million.

On February 14, 1997, the University of Alaska Board of Regents adopted a revised ACT plan which conforms to the new federal requirements. The changes proposed in SB 187 will strengthen the Advance College Tuition exempt status with IRS. Failure to comply with the new tax law in a timely manner could result in retroactive taxation of the program back to 1991 and destroy the financial viability of this very worthwhile program. For this reason, I recommend passage of Senate Bill 187.

James F. Lynch
Associate Vice President for Finance

(907) 474-7448
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University of Alaska
Statewide System of Higher Education

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April 28, 1997

The Honorable Gary Wilken
Chair, Senate HESS Committee
Alaska State Senate
State Capitol: Mail Stop 3101
Juneau, AK 99801-1182

Dear Senator Wilken:

RE: Federal Legislation, Prepaid Tuition Programs

At the Senate Hess Committee meeting earlier today, I agreed to provide additional information on federal legislation which may alleviate the income tax burden for individuals saving for college. Enclosed is a copy of the McConnell Graham College Savings Act of 1996 (S.594).

The McConnell Graham bill provides fixes for a number of technical problems with last year's prepaid tuition legislation, but primarily it authorizes state sponsored prepaid tuition and college savings programs to include payment of "room and board" and completely exempts the student from the federal income tax on any increase in value or earnings credited to their prepaid tuition account. Under the current law, any distributions for room and board must be subject to a payout penalty. This bill does not provide for a federal tax deduction for contributions or payments by participants into the program, but it is the next best thing. Although a student's tax rate should be relatively low, the tax bill will come when they have no source of funds from which to pay the tax. If the funds are used in accordance with the law (exclusively for qualified expenses), there is no "cash distribution" from which to pay any tax due.

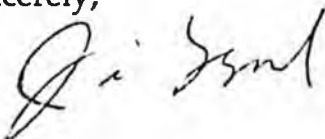
The concept of college savings programs has only recently picked up momentum. When Alaska initiated its program, there were only four other state programs. We have been actively working through the National Association of State Treasurers at obtaining national recognition for these programs and their issues. There are now approximately 20 states with active programs or are actively implementing programs, and almost every state is at some stage of evaluating the viability of a college prepaid or savings program. Today's students are leaving school with incredible amounts of debt (in many cases uncollectible) to be paid in the future. College savings programs are

University of Alaska
The Honorable Gary Wilken
Page 2
April 28, 1997

essential to turning this situation around and leverage the time value of money into payment of those costs in advance. The obstacles and disincentives to saving for college must be removed and the students encouraged to act responsibly for themselves. The primary obstacle to implantation of these programs has been the Internal Revenue Service. That problem was substantially mitigated last year. The McConnell Graham bill enclosed is another major step forward.

Senator Murkowski has signed on as a co-sponsor to the McConnell Graham bill, and I believe that Senator Stevens will be supportive. No action has occurred in the House to my knowledge. There is other federal legislation in the works. I will try to keep you informed. Communicating your support for this legislation and prepaid tuition legislation in general to the Alaska delegation will be a big help for the Alaska prepaid tuition participants. Thank you very much for your interest in the program.

Sincerely,



Jim Lynch

JFL/pe

Enclosure

cc: Senator Loren Leman



University of Alaska
Statewide System of Higher Education

THE ALASKA ADVANCE COLLEGE TUITION PAYMENT FUND

The Alaska Advance College Tuition (ACT) Payment Fund, as established in 1990 under AS 14.40.803, was created by the legislature to provide an incentive for Alaskans of all ages to continue and complete their secondary and post-secondary education. The ACT plan provides for future redemption or refund of ACT credits for payment of tuition and other qualified higher education expenses at the University of Alaska or any eligible college, university or vocational/technical institution.

The ACT fund consists of permanent fund dividend (PFD) and cash contributions under the terms of an advance college tuition payment contract. Under the PFD program, half of a participating individual's annual PFD dividend can be deposited directly into the ACT fund. Currently, there are over 6,300 pre-paid tuition contracts in place totaling approximately \$17.6 million. The Commissioner of Revenue is the custodian of the fund and the University of Alaska Board of Regents administers the program.

P.L. 104-188, signed into law on August 20, 1996, included a provision of the Internal Revenue Code (Section 529) that defined the federal tax treatment of qualified state tuition programs, thereby clarifying the tax-exempt status of the ACT fund and the tax-deferred status of a participant's earnings on any increase in value of ACT credits prior to actual use. Congress has given states with pre-paid tuition programs until August 1997 to bring their plans into conformance with the new law. The University Board of Regents has revised the ACT plan to conform with federal legislation; however, state statute changes are also necessary to better assure full compliance. Although the Internal Revenue Service will make any final determination, failure to pass conforming state legislation could result in retroactive taxation of the ACT program and its participants back to 1991 and virtually eliminate the financial viability of the program.

Senate Bill 187
Sectional Analysis
Advance College Tuition (ACT) Program

Purpose of the bill:

The bill is intended primarily to conform the state statutes related to the Advance College Tuition payment plan with federal tax legislation passed by Congress with the help of Senators Murkowski and Stevens as part of the Small Business Job Protection Act in August 1996. On February 14, 1997, the Board of Regents adopted a revised ACT Plan which was intended to conform the Plan and operation of the program to the new requirements. Congress has given prepaid tuition programs until August 1997 to bring their plans into conformance with the new law. The Internal Revenue Service (IRS) will make all determinations regarding compliance and have not yet issued any regulations or guidelines on the issues. Although the university believes that the revised ACT Plan adopted by the Board of Regents in February is adequate to comply with the new law, the proposed changes to the statute included herein will be of substantial assistance in making that argument with the IRS. Failure to comply with the new tax law in a timely manner could result in retroactive taxation of the program back to 1991 and destroy the financial viability of the program.

Section 1

AS 09.25.120(a) is amended to limit access of public records requests for personal identifying information of participants in the ACT program. The ACT records include social security numbers of purchasers and beneficiaries and personal financial information regarding amounts deposited with the Fund and the values of any participants interest in the program.

Section 2

AS 14.40.803(b)(2) is amended to eliminate unnecessary wording regarding contributions to the fund, if any.

Advance College Tuition Program

Section 3

AS 14.40.803(c) is amended to authorize payments to other eligible educational institutions, if payments to other institutions are required. Internal Revenue Service (IRS) regulations are expected to provide certain safe harbor provisions to qualified state tuition programs if payments are made directly to an eligible educational institution. An "eligible educational institution" is a defined term under the Internal Revenue Code (Code).

Section 4

AS 14.40.805(11) is amended to add the word "awards" in order to make the terminology the same as that used in AS 14.40.803(c).

Section 5

AS 14.40.809(a) is amended to clarify that ACT credits can be used for payment of "qualified higher education expenses," which are defined in the Code (basically tuition, fees, books, supplies, and potentially room and board at some future time). This change is beneficial to participants in that it allows tax deferred savings for certain expenses in addition to pure tuition. It also limits the sale of tax deferred ACT credits to purposes of funding "qualified higher education expenses" as required by federal law. In order for a prepaid tuition plan to be exempt from federal income tax, redemptions must be limited to use for "qualified higher education expenses" at an "eligible educational institution."

AS 14.40.809(a) is amended to clarify that students can utilize ACT credits for tuition and qualified expenses at other "eligible institutions." This change is beneficial to participants in that credits can be redeemed for use at institutions other than the University of Alaska. It also limits the sale of tax deferred ACT credits to use at an eligible institution as required by federal law. In order for a prepaid tuition plan to be exempt from federal income tax, redemptions must be limited to use for "qualified higher education expenses" at an "eligible educational institution."

AS 14.40.809(b)(2) is amended to indicate that the formal Plan adopted by the Board of Regents is part of the contract with the purchaser. This is intended to emphasize the fact that the terms and conditions of the ACT Plan will be deemed part of the ACT contract.

Advance College Tuition Program

AS 14.40.809(b)(4) is amended to allow the Board of Regents to enter into reciprocal agreements with other eligible educational institutions or qualified state tuition programs as considered beneficial by the Board of Regents. The Code provides for rollover provisions which are yet to be defined in IRS regulations. The university believes that it may be advantageous for participants or for qualified state programs to allow reciprocal transfers of participants between contracts, institutions, or between state programs. Although reciprocal agreements with Sheldon Jackson University and Alaska Pacific University have been authorized by statute, uncertain tax treatment of the program itself and the benefits to participants has made consideration of any such agreement unfeasible.

AS 14.40.809(b)(5) is deleted as unnecessary. This provision was added to the statutes in an effort to seek exemption of the ACT program income tax as an integral part of a tax exempt instrumentality of the state. Passage of Section 529 of the Internal Revenue Code last year eliminated the need for this provision. The commitments under the ACT Plan are, and will continue to be, a contractual obligation of the university in accordance with the terms and conditions of the ACT Plan; however, the university does not intend to make ACT participants a special or preferred class of creditors.

Section 6

AS 14.40.811(a)(1) is amended to delete the provisions related to installment contracts. This provision was included in the law prior to development of the ACT program. It was intended to apply to a situation where a purchaser would agree to payment for four years of education to be paid in installments in advance of coming to school. This provision is currently nonfunctional because the ACT program developed into a unitized program, where a purchaser receives the number of units of education that were paid for rather than making a contractual commitment to make payments in the future. Under the ACT program, there is no commitment to purchase or pay for any specified number of additional units or credits.

AS 14.40.811(a)(2),(3), and (5) are amended to clarify some of the essential information which is required for a prepaid tuition contract including name and date of birth of the purchaser and the beneficiary (prospective student), the number of credits purchased, and the commitment by the Board of Regents to provide education to the beneficiary in accordance with the terms and conditions of the Plan.

Advance College Tuition Program

AS 14.40.811(a)(7) is amended to clarify the Board of Regents will make whatever terms and condition are required by the Internal Revenue Code part of the contract with participants of the program.

Section 7

AS 14.40.817(1) is amended to clarify that "contract" as used in AS 14.40.803 - 14.40.817 means an ACT Contract.

AS 14.40.817(2) is amended to make the definition of a beneficiary under state statute the same as the definition under the Internal Revenue Code. The concept of residency for eligibility is unchanged and is retained in the formal Plan adopted by the Board of Regents.

AS 14.40. 817(4) and (8) are added to adopt the same meaning for an "eligible educational institution" and "qualified higher education expenses" as provided by the Internal Revenue Code. These definitions are critical to federal tax treatment under the Code.

AS 14.40. 817(7) is amended to clarify who is the contracting party or purchaser and to accommodate situations where payments under a contract are made by persons, such as grandparents, who are not the formally named as a purchaser or participant under a contract.



ACT Advance College Tuition

Alaska's Prepaid College Tuition Program

Save now for your child's college education.

&

Prepay future tuition costs at today's rate!

- The Alaska Legislature and the University of Alaska have developed the Advance College Tuition (ACT) payment plan to help Alaskan residents save for college.
- You can use one-half of your permanent fund dividend to prepay college tuition costs at the University of Alaska for yourself or your child.

Check the box on line 10 of an adult or line 12 of a child's application. One-half of the 1997 dividend will be used to purchase ACT prepaid tuition credits.

If this is the first time you are buying ACT tuition credits, call the ACT office at 1-800-478-0003 (907-474-7469 if in Fairbanks or outside Alaska) to receive a complete information packet and required forms.

What is a credit?

Just as a high school student is required to complete a specified number of course credits to receive a high school diploma, a college student is required to have a minimum number of course credits to receive a college degree.

How many credits do I need?

It generally takes a minimum of 60 course credits to acquire an associate's (2-year) degree and 120 course credits to acquire a bachelor's (4-year) degree. A student will need approximately 15 credits for each college semester. The number of course credits taken each semester determines the tuition cost for that semester. A student who purchases ACT prepaid tuition credits simply uses these credits to cover future tuition costs.

How many credits can I buy with one-half of my 1997 dividend?

In 1996, one-half of the dividend purchased approximately six ACT credits at a cost of \$77 per credit. The number of credits you can buy this year will depend on the amount of the dividend and the 1997 price of ACT credits.

Can I buy additional credits?

Yes, you may buy ACT credits directly from the ACT office at any time. You may even buy 120 credits all at one time!

When can my credits be used?

You may use your ACT credits two years after payment is received by the ACT program.

continued on next page...

Copied from the 1997 PFD Application Booklet

— continued from previous page... —

What is the guarantee offered by the University of Alaska?

The University guarantees that ACT credits can be used for tuition at any University of Alaska campus regardless of the amount paid for the ACT credit or the cost of tuition when they are used.

Can ACT credits be used at other colleges, universities, vocational or technical schools?

The student may use ACT credits to pay for tuition at almost any college, university, vocational or technical school in the nation. Payment will be made to the student to help defray their tuition costs, however the amount cannot be guaranteed. The amount of the payment will depend upon the original purchase price, tuition rates at the University of Alaska, and earnings of the ACT program.

Can I get a refund if my child doesn't go to college?

Your child may obtain a refund of the original purchase price of the ACT credits if he or she chooses not to attend college, unless you named another child or student as an alternate recipient of the credits in the ACT contract.

If I used the ACT check-off last year, do I have to check it again?

Yes. Each year you must check-off the Advance College Tuition box on the dividend application. However, you do not need to complete new contract forms unless you are buying ACT credits for a different individual than in the past.

Do I have to pay any fees?

Yes. There is a one-time, nonrefundable administrative fee for setting up an ACT contract and several transaction processing fees. Currently there is no fee for redemption or use of the ACT credits.

What about federal taxes?

The portion of your dividend paid into the ACT program is taxable to you or your child as though it had been received directly by you. Under current tax rules, the increase in value of the ACT credits from the date of purchase to the date used is taxable to the recipient when they are used or refunded. In August 1996, Congress passed legislation which exempts qualified state prepaid tuition programs from income taxes similar to exemptions provided other non-profit activities. Subject to adoption of certain plan amendments to be developed over the next year, the ACT program is expected to meet the requirements for exemption under the new law.

If I change my mind, can I get my dividend money back?

Yes, you can get your dividend money back in full if you properly notify the ACT office by February 1, 1998. After that date you can still get a refund but there is a processing fee deducted. Contact the ACT office for a withdrawal form if needed.

When you sign up for the ACT program do the following:

- Request an information packet from the ACT office, as noted on the previous page. This packet includes an ACT Plan booklet, ACT contract form, and other information about the program.
- Read the ACT Plan booklet very carefully. The information included in the permanent fund dividend application package is not a complete description of the ACT program.
- Complete and return the ACT contract form to the ACT office. Your purchase of ACT credits is not complete until the contract form is received and accepted by the University of Alaska. There are deadlines for completing these forms in order to purchase credits at the 1997 rate.

ACT • UNIVERSITY OF ALASKA • P.O. BOX 755120 • FAIRBANKS, ALASKA 99775-5120
(WITHIN ALASKA) 1-800-478-0003 • (FAIRBANKS AND OUTSIDE ALASKA) 907-474-7469

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

No. 1
Bill Version: SB 187
(S) Publish Date: 4/28/97

Revision Date:
Title: An Act relating to disclosure of public records...of the
Alaska advance college tuition payment fund.
Sponsor: Senator Wilken
Requester:

Department Affected: University of Alaska
BRU: All
Component:

COMPONENT SERIAL NO.

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY98 | FY99 | FY00 | FY01 | FY02 | FY03 |
|-------------------|------|------|------|------|------|------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|-------------------|--|--|--|--|--|--|
| REVENUE FD SOURCE | | | | | | |
|-------------------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------|-----|-----|-----|-----|-----|-----|
| 1002 FEDERAL FUNDS | | | | | | |
| 1003 OF MATCH | | | | | | |
| 1004 GENERAL FUND | | | | | | |
| 1006 GFMHTIA | | | | | | |
| OTHER | | | | | | |
| TOTAL FUNDING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| POSITIONS: | | | | | | |
|------------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Mariou Burton
Division: Statewide Budget Office
Approved by: MGB Mariou Burton, Director
Agency: Statewide Budget Office

Phone: 463-3086
Date: 4/25/97
Date: 4/25/97

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

S B

189

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: May 6, 1997

FURTHER REFERRALS:

Finance

Date of Committee Action: 5/6/97

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

CSSB 189(FIN)

CS FOR SENATE BILL NO. 189(FIN)

EDUC.LOAN REPAYMNT ELIG.; OCC. LIC.

"An Act relating to eligibility for and default, collection, and repayment of student loans; relating to nonrenewal of certain occupational licenses for default on a student loan; and providing for an effective date."

recommends it be replaced [] the same title
 with the following committee substitute _____ [] a new title

[] additional referral to _____ Committee
 [] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal note(s) _____

[x] fiscal note(s) ^② Education/4/30/97
^② Labor/4/30/97

[] zero fiscal note(s) _____

[x] zero fiscal note(s) Commerce/4/30/97,
 Admin/4/30/97, Labor/4/30/97

| SIGNING WITH RECOMMENDATIONS | DP | DNP | NR | AM |
|------------------------------|----|-----|----|----|
| <i>Paul Dymally</i> | ✓ | | | |
| <i>Joseph D. ...</i> | ✓ | | | |
| <i>Carl Bunde</i> | ✓ | | | |
| <i>Thomas ...</i> | ✓ | | | |
| <i>...</i> | | | ✓ | |
| <i>...</i> | | | ✓ | |
| <i>...</i> | | | ✓ | |
| | | | | |
| | | | | |
| | | | | |

CHAIR'S SIGNATURE

Carl Bunde

Alaska State Legislature

Senator Gary Wilken, Chairman
Senator Loren Leman, Vice Chairman
Senator Lyda Green
Senator Jerry Ward
Senator Johnny Ellis



State Capitol
Room 510
Juneau, Alaska 99801
(907) 465-3762

Senate Committee on Health, Education and Social Services

SPONSOR STATEMENT

SB 189 – Repayment of Student Loans

Currently the default rate of the student loans issued by the Alaska Commission of Postsecondary Education is unacceptable. Senate Bill 189 provides the Commission with the necessary financial tools to effectively and efficiently reduce the number of loans which are in default.

The ultimate goal of this legislation is to create a financially solvent Alaska student loan program that will be available to the next generation of Alaskan postsecondary students. SB 189 will (1) improve the credit rating of the Alaska Student Loan Program, (2) lower the loan program default rate, (3) improve the return rate on funds loaned to borrowers, and (4) increase the recovery rate on defaulted loans.

With the huge jump in loan demand that this program is now experiencing (20% – 25%), it is vital that the Commission be given the tools and authority to operate on a business-basis. Passage of Senate Bill 189 will be a step in the right direction.

CSSB189(FIN)
Sectional Analysis

An act relating to eligibility for and default, collection, and repayment of student loans.

Sections 1- 3: Technical conforming amendments to reflect the appropriate citation referencing the Family Education Loan Program (FELP).

Section 4: Provides for deferment of Half-Time Alaska Student Loans for borrowers who are in full-time student status at postsecondary institutions outside of Alaska.

Section 5: Increases by one-half of one percent the interest rate allowance to be used to offset costs of administering corporation and commission.

Section 6: Borrower eligibility section is amended to clarify that borrower must be eligible not only at the time of application but also at the time the funds are received (may be several intervening months). Places the residency criteria in the appropriate section of statute (currently set out in AS 14.43.120(p)) and clarifies language relating to residency eligibility.

- **Substantive change is addition of (a)(6-8), page 5, beginning on line 26. Allows for assessment of applicants' credit history to identify chronic bad debt. Will allow program administrators to determine inability to repay.**

Section 7: Provides for loan eligibility if applicant obtains a credit-worthy cosigner.

Section 8: Expands tools for collecting on defaulted loans (Six months or more in arrears).

- **Page 6, line 12 – Page 7, line 2, (AS 14.43.145) describes the sanctions that will be imposed when a borrower defaults.**
- **Page 6, line 3 – Page 9, line 1, (AS 14.43.147) authorizes administrative wage garnishment and describe the legal process. (Modeled after Child Support Enforcement's garnishment in AS 25.27.070.)**
- **Page 9, line 2 – Page 12, line 9, (AS 14.43.148) expands existing authority to intervene in the renewal of professional or occupational licenses and provides for issuance of a temporary license during a period when the licensee may dispute that agency's action. Excludes those licenses which may be jointly owned or which are not centrally controlled. Exclusion will eliminate potential damage to non-borrowers and avoids targeting licenses that would require intensive manual intervention to administer.**

CSSB189(FIN)

Sections 9-15: Technical changes amending citation of FELP and making eligibility criteria consistent among Alaska Student Loans, Teacher Scholarship Loans and Family Education Loans.

Section 16: Clarifies that certain temporary licenses issued during a loan default appeal process are not eligible for transfer to a spouse of a deceased licensee.

Section 17: Re-states an existing Revenue statute to conform to this legislation (re: PFD garnishment).

Section 18: Technical conforming repealers. Specifically, AS 08.02.025 is replaced by new AS 14.43.148; AS 14.43.120(i) and (q) are replaced by new AS 14.43.145; 14.43.740(b) is replaced by amended AS 14.43.720(a); and, AS 14.43.790 is replaced by amended AS 14.43.740(a).

Section 19: Authority to promulgate regulations prior to effective date of this act, but which may not be in effect prior to the effective date of the act.

Section 20: Providing for an immediate effective date for Section 19.

Section 21: Providing for an effective date of July 1, 1997 for the act.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

SB 189-- "An act relating to eligibility for and default, collection and repayment of student loans; relating to nonrenewal of certain occupational licenses for default on a student loan; and providing for an effective date."

- Allows the Alaska Student Loan Programs (ASLP) administrators to assess applicants' credit history to identify chronic bad debt. This provides an indicator of a borrower's potential ability to repay their debts;
- Provides applicants, found to have chronic bad debt, with an opportunity to obtain a credit worthy co-signer;
- Provides cost-effective, relevant sanctions that will be imposed when borrowers default and which will motivate borrowers to repay to avoid sanctions;
- Provides an increased rate of return on funds loaned to offset current interest losses to the fund;
- Provides for issuance of a temporary occupational/professional license during a borrower appeal of the nonrenewal of a license.

The ultimate goal of this legislation is to create a financially solvent Alaska student financial aid resource that will, without further assistance from the State coffers, still be available to the next generation of Alaskan postsecondary students. This bill contains a number of tools which are necessary to achieve specific objectives: improving the credit rating of the Alaska Student Loan Program; lowering the loan program default rate; improving the return rate on funds loaned to borrowers; and, increasing the recovery rate on defaulted loans.

These objectives are measurable and should be measured. If this bill is enacted, it would be with the intent that the Commission, in its annual report to the Governor and the Legislature, include these statistics as a report card on the effectiveness of these tools and to insure accountability on the part of program administrators. This bill supports this legislature's and the administration's goals for self-sustaining government operations.

Are These Legislative Changes Really Necessary?

The Alaska Student Loan Corporation is in critical need of assistance through legislative changes to the programs it funds. These are changes that would have been prudent to make at the point in time when the General Fund subsidy was eliminated, thereby funding the programs solely with private capital. The following are fund loss statistics.

- The total amount of forgiveness granted from 1972 to June 30, 1996 was approximately \$70 million. Of that amount, over \$57.3 million has been granted since the Corporation was created in 1987. Staff estimate that the Corporation will have to pay another \$8.7 million as these older loans are retired. Had the Corporation

continued to receive General Funds to offset these losses, it would have had a retained earnings balance of \$19.1 million at the end of the FY96 instead of the current deficit balance of \$47.3.

- Losses due to loans written-off (death, disability, bankruptcy and lack of payment activity) since the Corporation's creation total approximately \$47.8 million at 6/30/96. Staff estimate that another \$97.1 million, of the current loan portfolio, will be written-off in the future.
- Another 'public policy' loan issue is interest accrual. The September 30, 1996, unaudited financial statements indicated that loans totaling \$122,662,495, or 23% of the portfolio at September 30, 1996, were not accruing interest because they were in an interest-free period. Of these loans, approximately 60% were financed with bond proceeds. From a purely business perspective, any interest-free period on these student loans results in a loss to the Corporation as it pays interest on outstanding bonds from issuance until retirement of the bond debt and forgoes interest income on funds used to originate the loans.

At the time the Corporation was created, the ASLP was overcapitalized to a significant extent. Additionally, the Corporation adopted, and the legislature initially funded, the "Millennium Plan", a capitalization plan that assumed yearly influxes of General Funds leaving little concern that the Corporation would not be able to easily meet the debt service coverage ratio of 150% stipulated in its master bond indenture. The unanticipated elimination of General Fund support caused the abrupt curtailment of that plan in 1991, leading to several years of large bond issues to keep up with student borrowing needs. As a result, the Corporation is now very close to the minimal level of debt service coverage required by the master bond indenture.

With the huge jump in loan demand that the program is now experiencing (20% - 25%), it is vital that the Commission be given the tools and authority to operate on a business-basis. Alaska can no longer afford to characterize and consider this student aid source as simply a social service.

What Methods Will be Used to Measure the Success of these Changes, if Enacted?

The Commission/Corporation provides a variety of indicators that will reflect the effectiveness of program changes. They include: program default rate, annual audited financial statements, default recovery statistics, etc.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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EXCERPTS OF APPROVED MINUTES OF THE
COMMISSION MEETING OF THE
ALASKA COMMISSION ON POSTSECONDARY EDUCATION
DECEMBER 13, 1996 RE: PROPOSED LEGISLATION

Commission members present for all or portions of the meeting were: Mark Begich, Chairman; Bobette Bush, Vice Chair; Dr. Milton Byrd; Senator Johnny Ellis; Rosa Foster; Dr. Roger Jarvis; Charles H. Parr; Scott Sterling; Dr. Alice Galvin and Dr. Lydia Hays.

At page 13:
LEGISLATIVE/REGULATION UPDATE

Endorsement of Legislative Amendment Proposal - Diane Barrans

Ms. Barrans provided a summary of comments received from various identified constituency groups concerning the proposed legislation. Our primary focus group was student representatives, and every effort was made to get a good sense of attitudes towards the different discussion items. Overall responses were positive, with some cautionary words regarding the Commission taking a deliberative approach to making positive reasoning changes. The most common comment was to use these instruments as a leverage and not a hammer...

Dr. Lydia Hays moved to approve the legislative package as identified by Ms. Barrans. The motion was seconded by Ms. Bush.

Mr. Parr asked what the procedures for administrative wage garnishment would entail. Ms. Williams stated that if the Governor's office asks her to draft something to implement this procedure, she would follow the child support enforcement division's administrative wage garnishment process.

Mr. Sterling stated that this type legislation continues to demonstrate to the underwriters of our bonds that we are fiscally serious people and that, within reason, we are going to reform a number of approaches we have taken to be on a business-like basis as possible, while at the same time keeping access to ASL far more open than [private] programs would ever allow. We need as many tools as the law allows. He stated that collections through the courts are difficult because an attorney will not consider a case unless it involves a large sum of money. Ms. Barrans stated that whatever enhancements we make to the program translates into more marketable bonds, at lower rates, which lowers the rate borrowers will pay.

Ms. Bush stated that she is familiar with the child support wage garnishment system from an employer's standpoint and feels it involves little paperwork and provides an efficient program in dealing with the state. It is very effective and if what we do is tailored along those lines, she is highly supportive of the proposal...

Mr. Begich asked for any objections to moving forward with the proposed legislation to be presented to the Governor, excluding the setting of institutional authorization fees. There being no objections, the motion carried.

TO: Diane Barrans
C: Pat Born
Charlene Morrison

FROM: Smith Barney Inc.

RE: Revenue Expense Enhancements

DATE: April 1, 1997

Alaska Student Loan Corporation ("ALSC") seeks ways to achieve positive future operating results with a goal of not attempting to fully recover prior losses from the pockets of current borrowers. Thus a long term strategy is essential to achieve an equitable turnaround of ASLC's finances. The purpose of this memorandum is to set forth our estimates for the effect several initiatives may have on ASLC earnings and net worth. These initiatives are set forth below:

- A) Pre-screening applicants for credit history/co-signers (we estimate that approximately 13% of applicants would be required to acquire a credit-worthy cosigner or be denied a loan)
- B) Increase array of sanctions/collection tools on defaulted loans to include:
 - i) Administrative wage garnishment (we estimate that 25% of ASL defaulters could be subject to this collection tool)
 - ii) Expanded occupational/professional license renewal intervention
- C) Increase of administrative cost cap in interest rate formula from 2.5% to 3%; or
- D) Charge interest during all borrowing periods

Current Financial Situation

Over the last 5 years, ASLC has experienced an average *annual* loss, and thus decrease of Net Worth, of approximately \$3.5 million. This annual loss is the result of several major factors: (1) losses due to defaulting borrowers, (2) losses due to polices where borrowers are not charged interest during certain periods, and (3) expenses of servicing and administering the portfolio. Significant improvement in lowering defaults and charging interest during all periods would reverse the annual loss, and provide ASLC with annual surplus. This is particularly important now that annual origination is higher, and the ability to meet additional bonds test less certain.

- A. Pre Screen Applicants: Clearly, implementing credit underwriting standards would have a positive effect on reducing future default costs. Statistics nationally show that credit underwriting standards slightly less rigorous than home mortgage requirements will produce 2 to 4% default rates, whereas credit blind underwriting standards will produce default rates of 10% to 20% depending on the demographics of the target population. Alaska's experience recently is at the high end of this range with loan loss rates of 11% to 12%. Assuming \$70,000,000 of annual originations and an initiative that reduced that loss rate by 3% (from

SMITH BARNEY

say 12% to 9%) ASLC would save \$2.1 million for each annual cohort of loans. Thus, a reduction of 3% would slowly help stem the annual corporate loss, a great result from a financial perspective, but instituting credit standards on 13% of applicants carries significant public policy concerns. The benefits of reduced future defaults will occur in the first three years of repayment, or three to five years after implementation. This lag time makes this alternative the slowest acting change element when compared to either enhanced collection or restructured interest rates.

- B. Enhanced Collection Tools: From a financial standpoint, ASLC should utilize all of the collection tools available, including Permanent Fund Dividend garnishment, wage garnishment, license renewal intervention, commercially diligent loan collection, etc. National rules of thumb for recovery rates approach 50% of defaults and anything less than 30% recovery would be sub-standard. ASLC should target obtaining at least 50% recovery due to the availability of the Permanent Fund Dividend.

A program which allow rescheduling the debt or an amnesty with respect to late fees and overdue interest could enhance collections. Given the amount of defaulted loans, any collection improvement will yield large results compared to the size of the recent annual losses.

Any increase in collection of prior default has the additional benefit of results within twelve months. On the negative side, the enhancement to earnings comes from those least able to pay.

- C. Increase Interest Rates: Increasing interest rates by 1/2 of 1% will have an obvious positive impact of \$350,000 per year in repayment for each annual cohort of loans. This increase of revenue will begin at repayment (i.e., 3 to 5 years hence).
- D. Charge interest during in-school period: This alternative is very attractive as it will produce significant and immediate results. Currently, students do not pay interest during the in-school period. The proposal is to charge interest during this period. Below is a table which outlines the annual added revenue ASLC will receive, and the added cost to a student, under various scenarios. It is assumed that annual originations are \$70 million, and borrowers are in school an average of two years.

| Assumed Interest Rate | First Year Enhanced Revenue to ASLC ¹ | Second Year and Succeeding Years Annual Enhanced Revenue to ASLC ¹ | Added Cost to Borrower with \$15,000 of Loans ² | Added Cost to Borrower with \$30,000 of Loans ² |
|-----------------------|--|---|--|--|
| 3% | \$2.1 million | \$4.2 million | \$1,600 | \$3,200 |
| 4% | \$2.8 million | \$5.6 million | \$2,140 | \$4,280 |

1 Assumes \$70 million annual originations

2 Assumes 2 year in school period, borrower does not pay interest but it is added to principal of loan at repayment, interest rate on loan is 8.6%.

If ASLC starts to charge interest during the in-school period, ASLC can give the borrowers the option to pay the interest currently, or have accrued interest added to the balance of the loan. In either scenario, ASLC will record enhanced revenue, which will help produce a small annual surplus, with immediate results beginning in the first year.

- E. Title IV Loans: We continue to urge a careful review of using Title IV Loans to supplement the Alaska Loan. As discussed above, the two major reasons for losses at ASLC are default costs and in-school interest rate subsidies; the federal government covers these two costs in the Title IV program. To the extent a borrower takes out a Title IV Loan instead of an Alaska Loan, there is a significant saving which can be (i) taken by ASLC, (ii) given to the borrower in a significantly lower interest rate, or (iii) a combination of the two.

Borrower Benefit Programs

ASLC should consider incenting borrowers to pay on time. The most significant cost to ASLC of servicing a loan is corresponding with borrowers who are late. Thus, an incentive to cause borrowers to be on time with payments is of interest. The most prevalent borrower benefit program nationally is a program whereby if a borrower is on time (within 10 days of due date) for 48 consecutive payments, then for the balance of the loan term, the interest rate is reduced by 2% per year (i.e., from say 8% to 6% per year). Since most borrowers will not qualify (only 20% of borrowers are expected to pay on time) and since a good portion of the loans will be paid off after 48 months, the annual cost to ASLC is modest. Such a program is likely to reduce the overall yield on the borrower benefit portfolio by approximately 10 basis points per year, or \$70,000 per year for a \$70 million portfolio.

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 189

Revision Date: _____
Title: An Act relating to eligibility for and default, collection, and repayment of student loans; relating to nonrenewal of certain occupational licenses for default on a student loan; and providing for an effective date.

Department Affected: Education
BRU: Alaska Commission on Postsecondary Education

Sponsor: Senate HESS
Requester: Senate HESS

Component: Student Loan Operations
COMPONENT SERIAL NO. 213

EXPENDITURES/REVENUES:

| OPERATING EXPENDITURES | FY98 | FY99 | FY00 | FY01 | FY02 | FY03 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | 15.1 | 32.8 | 15.0 | 15.0 | 15.0 | 15.0 |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 15.1 | 32.8 | 15.0 | 15.0 | 15.0 | 15.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|-----------------------|--|--|--|--|--|--|
| CHANGE IN REVENUE () | | | | | | |
|-----------------------|--|--|--|--|--|--|

(Thousands of Dollars)

FUND SOURCE:

| | | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| OTHER Corp. Receipts 1022 | 15.1 | 32.8 | 15.0 | 15.0 | 15.0 | 15.0 |
| TOTAL | 15.1 | 32.8 | 15.0 | 15.0 | 15.0 | 15.0 |

Estimate of any current year (FY 97) cost: \$

POSITION:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary.)

The student loan fund continues to experience an erosion of fund equity each year, primarily due to the drain of uncollectable debt and losses due to interest-free periods on loans. This legislation will establish a front-end credit assessment of loan applicants as another step towards preservation of the fund for future generations. The only assessment of an applicant's credit-worthiness currently available is a check to ensure that the applicant is not delinquent on a previously awarded State of Alaska student loan.

Please see attached page.

Prepared by: Mike Maher, Director
Division: Student Loan Operations

Phone: 465-6743
Date: April 26, 1997

Approved by Executive Director: Diane Barrans
Agency: Alaska Commission on Postsecondary Education

Date: April 26 1997

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ANALYSIS (continued)

The Commission proposes that credit assessments only be done on applicants 21 years of age and older. In the event that an applicant is denied due to "chronic" bad debt, the option of obtaining a co-signer who has good credit may be available. Credit reporting agencies generally have a model which analyzes credit histories based on a number of variables. Through the use of such models, the level of credit-worthiness can be assessed on a point basis, and a tolerance level for "chronic" debt can be established.

In addition, this legislation provides for administrative wage garnishment authority of wages of defaulted Alaska Student Loan borrowers who work in Alaska, either in the private sector or for state or local government employers. It also expands the licensing intervention process, which assures that defaulted borrowers seeking to renew specific licenses would be unable to do so until they have negotiated a payment arrangement with ACPE.

Section 4 amends the rate of interest charged for administrative costs of the student loan program from two and one-half percent to three percent. This change will provide for an increased rate of return on funds loaned, to offset current interest losses to the fund. This change will also have a positive impact to the loan fund of approximately \$350,000 per year, beginning at repayment (3 to 5 years out), for each loan year.

Credit assessments. The following analysis represents the loss-avoidance to the loan fund as well as the cost to ACPE of doing credit assessments.

| Award year | Applications (11/1/97-7/31/98) | | | 21 & Older | Sub-total | Cost | Total Cost |
|--------------------------------------|-----------------------------------|----------------|-----|-------------|-----------|------|------------|
| 1997-98 (FY98) | 6,000 | A | 63% | B | 3,780 | \$4 | C \$15,120 |
| (per assessment) | | | | | | | |
| Estimated Award (11/1/97-7/31/98) | Chronic Debtors | Loss Avoidance | | | | | |
| \$24,000,000 | D | 13% | E | \$3,120,000 | F | | |

| Award year | Applications | | | 21 & Older | Sub-total | Cost | Total Cost |
|------------------------|-----------------|----------------|-----|-------------|-----------|------|------------|
| 1998-99 (FY99) | 13,010 | A.1 | 63% | B | 8,196 | \$4 | C \$32,785 |
| (per assessment) | | | | | | | |
| Estimated Annual Award | Chronic Debtors | Loss Avoidance | | | | | |
| \$70,000,000 | D.1 | 13% | E | \$9,100,000 | F | | |

- A** The estimated number of initial loan applications ACPE expects to receive between November 1, 1997 and July 31, 1998. These dates are being used as ACPE does not expect regulations to be in effect prior to November 1, 1997. Without regulatory/statutory authority, ACPE cannot deny applications based on the credit worthiness of potential borrowers.
- A.1** About 66.5% of the total number of applications received will be from borrowers with a prior loan. The estimated number of 1998-99 loan applications (17,000) less 66.5% of the number received between November 1, 1997 and July 31, 1998 (6,000) equals 13,010.
- B** Borrowers under the age of 21 do not generally have an established credit history. This population represents 37% of ASL borrowers. ACPE does not propose to assess the credit worthiness of applicants under 21 years of age.
- C** Credit report and risk score (credit worthiness) \$3.30 + \$0.55 = \$3.85 / assessment.
- D** The estimated net amount of dollars ACPE expects to award to borrowers between November 1, 1997 and July 31, 1998. These dates are being used as ACPE does not expect regulations to be in effect prior to November 1, 1997. Without regulatory/statutory authority, ACPE cannot deny applications based on the credit worthiness of potential borrowers.
- D.1** The estimated net amount of dollars ACPE expects to award to borrowers during the 1997-98 award year.
- E** Approximately 25% of applications received will be from borrowers ACPE could classify as having questionable credit worthiness. About half of this population, or 13%, could be classified as having a history of "chronic" bad credit.
- F** The estimated principal amount of dollars ACPE would not award to borrowers demonstrating a high risk of default to the ASL fund.

ANALYSIS (continued)

Administrative wage garnishment authority allows for garnishment of wages of defaulted Alaska Student Loan borrowers who work in Alaska, either in the private sector or for state or local government employers. Historical information is the basis for the following:

ASSUMPTIONS

- A. Approximately 18% (17,000-) of borrowers default on the student loans.
- B. Approximately 9% (1,500-1,600) of defaulters are employed in the public sector in Alaska.
- C. Approximately 16% (2,700-2,800) of defaulters are employed in the private sector (non-federal and non-self-employed).
- D. Based upon current loan balances in default, these 4,200-4,400 defaulters owe between \$27.6 and \$28.9 million dollars to the Loan Fund.

Administrative wage garnishment will provide for efficient collection of defaulted loans to borrowers employed in the public and private sectors in Alaska.

License Renewal Intervention authority in this bill will expand the Commission's existing ability to use the State's licensing activity as an incentive for improved repayment behavior on the part of licensees who have defaulted on their Alaska Student Loans and who continue to ignore this financial obligation to the State. While administrative wage garnishment can be used to improve collection of defaulted loans for borrowers who are employed by public and private sector employers, license renewal intervention provides a tool to compel repayment from those borrowers more likely to be self-employed as a licensee in one of the identified fields or professions.

ASSUMPTIONS

- A. Approximately 61% of borrowers live in Alaska while in repayment. Approximately 10,000 defaulters reside in Alaska.
- B. Given the numbers of defaulters known to be employed by state/local government or by private sector employers, as many as 5,600 defaulters may be self-employed and holding employment related licenses. This sector currently represents approximately \$36 million in defaulted loans.

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 189

Revision Date: _____ Dept. Affected: EDUCATION
 Title: Education Loan Repayment/Eligibility: BRU: Teaching and Learning Support
Occupational Licensing Component: Teacher Certification
 Sponsor: Senate Health, Education & Social Services
 Requester: Senate Health, Education & Social Services COMPONENT SERIAL NO. _____ 1240

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY98 | FY99 | FY00 | FY01 | FY02 | FY03 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | 6.5 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| SUPPLIES | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 9.5 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |

| | | | | | | |
|----------------------|---|---|---|---|---|---|
| CAPITAL EXPENDITURES | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------------|---|---|---|---|---|---|

| | | | | | | |
|---------------------|--|--|--|--|--|--|
| CHANGES IN REVENUES | | | | | | |
|---------------------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF Program Receipts | | | | | | |
| 1007 Interagency Receipts | 9.5 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| TOTAL | 9.5 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |

Estimate of current year (FY97) cost: \$

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

The legislation would require that teacher certification be withheld if a licensee is in default on a loan issued by the Alaska Commission on Postsecondary Education. The Teacher Certification Unit would be required to match up borrowers in default on a student loan with teaching certificates issued to determine if a license should be withheld. It also requires written notification of denial of renewal and issuance of a 150 day temporary license if the denial is appealed. The requested funding would come through the ACPE to DOE for costs associated with comparing borrower default information with licensees, issuing the written notice and temporary license. Contractual costs include revisions to regulations and procedures, computer programming time, additional phone and copy charges. Supplies costs include purchase of certification forms and office materials.

Prepared by: Nancy Buel
 Division: Teaching and Learning Support
 Approved by Commissioner: Shirley J. Holloway, Ph.D.
 Agency: Department of Education

Phone: 465-8689
 Date: 4/29/97
 Date: 4/29/97

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 189

Revision Date: _____
 Title: Educⁿ Loan Repayment
Eligib lty; Occ Licensing
 Sponsor: Senate HES
 Requestor: Senate HES

Department Affected: Labor
 BRU: Workers' Compensation
 Component: Workers' Compensation

COMPONENT SERIAL NO. 344

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PERSONAL SERVICES | 18.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| TRAVEL | | | | | | |
| CONTRACTUAL | 10.5 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| SUPPLIES | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 28.9 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 |

| | | | | | | |
|----------------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|----------------|--|--|--|--|--|--|

| | | | | | | |
|--------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUE | | | | | | |
| FUND SOURCE # | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipt | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| 1007 Interagency Receipt | 28.9 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 |
| TOTAL | 28.9 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 |

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year (FY97) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)
 This legislation gives the Commission on Postsecondary Education (Commission) authority to collect certain workers' compensation benefits due an injured worker who has defaulted on an education loan. Section AS 14.43.147 appears to apply to workers' compensation payments and grant authority to the commission to obtain those payments. This legislation will require additional clerical time for the Workers' Compensation Division as attached:

Prepared by: Paul Grossl, Director *Paul Grossl* Phone: 465-2790
 Division: Workers' Compensation Date: 4/30/97

Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*
 Agency: Department of Labor Date: 4/30/97

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Analysis:

The Post Secondary Education Commission estimates approximately 17,000 student loans are currently in default. This legislation will require additional clerical time and costs for the Workers' Compensation Division as follows:

Each request for workers' compensation benefits payable would need to be researched and verified. It is anticipated based on the number of existing student loans currently in default the first year would require 6 months of an Administrative Clerk III time. Response letters to requests to claimant will need to be prepared advising insurers and employees of the potential impact to compensation benefits. Programming and procedures would need to be developed to respond to match up request with workers' compensation claim files. Additional mailings and reports may be required.

One month programming time will be required to meet bill requirements.

Line 100 Personal Services

50% of 1 Administrative Clerk III
(1st year, 25% subsequent years)

| | |
|----------|------------|
| Salary | 12.2 |
| Benefits | <u>5.8</u> |
| | 18.0 |

Line 300 Contractual Services

| | |
|---------------------------------|------------|
| DP Programming (FY98 one time) | 5.0 |
| Postage | 3.2 |
| DP Operations one time overhead | 0.4 |
| Printing form letters | 0.5 |
| Indirect @ 8% salary | <u>1.4</u> |
| | 10.5 |

Line 400 Commodities

| | |
|-----------------|-----|
| Office Supplies | 0.4 |
|-----------------|-----|

| | |
|--------------|--------------------|
| Total | <u>28.9</u> |
|--------------|--------------------|

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 189

Revision Date: _____
 Title: Education Loan Repayment
Eligibility; Occ Licensing
 Sponsor: Senate HES
 Requestor: Senate HES

Department Affected: Labor
 BRU: Labor Standards & Safety
 Component: Mechanical Inspection

COMPONENT SERIAL NO. 346

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PERSONAL SERVICES | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| TRAVEL | | | | | | |
| CONTRACTUAL | 5.8 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| SUPPLIES | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 15.2 | 11.9 | 11.9 | 11.9 | 11.9 | 11.9 |

| | | | | | | |
|----------------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|----------------|--|--|--|--|--|--|

| | | | | | | |
|--------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUE | | | | | | |
| FUND SOURCE * | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipt | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| 1007 Inter-Agency Receipt | 15.2 | 11.9 | 11.9 | 11.9 | 11.9 | 11.9 |
| TOTAL | 15.2 | 11.9 | 11.9 | 11.9 | 11.9 | 11.9 |

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year (FY97) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

(SEE ATTACHED)

Interagency Receipts: RSA with Department of Education, Postsecondary Education Commission

Prepared by: Alan W. Dwyer, Director *Al Dwyer* Phone: 465-4855

Division: Labor Standards & Safety Date: 4/30/97

Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*

Agency: Department of Labor Date: 4/30/97

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ANALYSIS:

This legislation will require additional administrative and clerical time and costs for the Mechanical Inspection component as follows:

- 1) When individuals apply in person for new or renewal certificates of fitness at any of five offices (Anchorage, Juneau, Fairbanks, Sitka, and Kenai), the estimated increase in processing time will be 30 minutes per individual who is in non-compliance with an Alaska student loan. This does not include testing, proctoring, scoring or discussion of tests.
- 2) Renewal letters are mailed out monthly. New programming, different procedures, forms, and additional mailing and reporting costs will be incurred to provide the "temporary" renewal letters and to answer phone calls regarding the change.
- 3) Additional time will be required to process the releases and the permanent certificates, as individuals submit those to our office.
- 4) Two weeks programming time will be needed to respond to the bill's requirements.

Line 100 - Personal Services

25% of 1 PFT Admin Clerk II (PCN 07-4543)

| | |
|-----------------|------------|
| Salary | 6.1 |
| Benefits | <u>2.9</u> |
| Subtotal | 9.0 |

Line 300 - Contractual Services

| | |
|--|------------|
| Professional Services - DP Programming (FY98 one-time) | 3.1 |
| Postage @ \$2.52 x 2 x 5,650 x 5% | 1.4 |
| Printing - forms, notices, letterhead | 0.1 |
| DP Operations Overhead (FY98 one-time) | 0.2 |
| Phone Base & Long Distance | 0.3 |
| Indirect @ 8% of salaries | <u>0.7</u> |
| Subtotal | 5.8 |

Line 400 - Commodities

| | |
|-----------------|-----|
| Office Supplies | 0.4 |
|-----------------|-----|

TOTAL **15.2**

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 189

Revision Date: _____
 Title: An Act relating to eligibility for and default, collection,
and repayment of student loans;....
 Sponsor: Senate HESS
 Requestor: Senate HESS

Department: Commerce and Economic Development
 BRU: Occupational Licensing
 Component: Operations
 COMPONENT SERIAL NO. _____ 1844

| Expenditures/Revenues | (Thousands of Dollars) | | | | | |
|------------------------|------------------------|-------|-------|-------|-------|-------|
| OPERATING EXPENDITURES | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|--------------------|-----|-----|-----|-----|-----|-----|
| CHANGE IN REVENUES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|--------------------|-----|-----|-----|-----|-----|-----|

| FUND SOURCE | (Thousands of Dollars) | | | | | |
|--------------------------|------------------------|-----|-----|-----|-----|-----|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 General Fund | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other 1091 Designated PR | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY 97) cost: \$ 0.0

| POSITIONS | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

SB 189 repeals AS 08.02.025 and reenacts new requirements under AS 14.43.148 concerning nonrenewal of a license for an individual in default with the student loan program. The renewal requirements are similar to those currently in place under AS 08.02.025 with the exception of adding a new provision for a 150 day temporary license. New funds are not required to implement the license renewal requirements in this bill.

Prepared by: Jennifer Strickler, Administrative Manager
 Division: Occupational Licensing
 Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Phone: 465-2144
 Date: 4/28/97
 Date: 4-27-97

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 189

Revision Date: _____
 Title: An Act relating to eligibility for and default, collection, and repayment of student loans.
 Sponsor: (S) HES
 Requestor: (S) HES

Department Affected: Administration
 BRU: Centralized Administrative Services
 Component: Finance
 COMPONENT SERIAL NO. 59

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE: (Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| OTHER | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary.) This bill would require the Department of Administration, upon notification by the Alaska Commission on Post-secondary Education, to withhold money from a person to whom the State legally owes money. We understand similar legislation has been passed in other states and at the federal level to address the issue of collecting defaulted student loans. This document is intended to respond only to those provisions of the bill relating to the Department of Administration.

From a Division of Finance perspective, this means withholding of employee pay or vendor payments to satisfy the requirements of a withholding order, and turning the withholdings over to the Commission.

Prepared by: Don Wanie
 Division: Finance

Phone: 465-3435
 Date: _____

Approved by Commissioner: Mark Boyer
 Agency: Department of Administration

Hanson M. Edgar
 Date: 4/18/97

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 189

Revision Date: _____
 Title: Education Loan Repayment
Eligibility; Occ Licensing
 Sponsor: Senate HES
 Requestor: Senate HES

Department Affected: Labor
 BRU: Employment Security
 Component: _____
Employment/Unemployment Services
 COMPONENT SERIAL NO. 1807

EXPENDITURES/REVENUES:

(Thousands of Dollars)

| OPERATING | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|----------------|--|--|--|--|--|--|

| | | | | | | |
|--------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUE | | | | | | |
| FUND SOURCE # | | | | | | |

FUNDING:

(Thousands of Dollars)

| | | | | | | |
|-------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipt | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year (FY97) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

(SEE ATTACHED)

Prepared by: Rebecca Nance, Director *Rebecca Nance* Phone: 465-2711
 Division: Employment Security Division Date: 4/30/97

Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*
 Agency: Department of Labor Date: 4/30/97

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**ATTACHMENT
FISCAL NOTE**

Page 2 of 2

This bill would give the Alaska Commission on Postsecondary Education additional tools to collect delinquent student loans. It has three main components: a grant of authority to attach wages and benefits by notice served on employers, political subdivisions, and state departments; a provision for denying state licenses to defaulting debtors; and a set of special provisions for permanent fund dividend attachment.

Attachment of wages and benefits. This provision will not significantly impact the Employment Security Division, because unemployment insurance benefits are exempt from attachment under AS 23.20.405 and AS 09.38.015. The bill would exempt any income which is exempted under AS 09.38.

Denial of State licenses. This provision will not directly affect ESD programs.

Permanent fund dividend attachment. No ESD impact.

Fiscal impact. No ESD fiscal impact.

SB

197

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: February 25, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/29/98

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

CSSB 197(RLS) am

CS FOR SENATE BILL NO. 197(RLS) am

REGULATING HEALTH MAINTENANCE ORGS.

"An Act relating to health care services provided by, and practices of, a health maintenance organization; providing that an enrollee in a health maintenance organization has the right to select a treating chiropractor; specifying certain chiropractic health care reports, examinations, and limits on treatment; and prohibiting health maintenance organizations from limiting free speech of health care providers."

recommends it be replaced with the following committee substitute HCS CS SB 197 (HES) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) C+ED/1-21-98

| <u>SIGNING WITH RECOMMENDATIONS</u> | DP | DNP | NR | AM |
|-------------------------------------|-------------------------------------|-----|-------------------------------------|----|
| <i>Paul D. ...</i> | | | <input checked="" type="checkbox"/> | |
| <i>Bryant D. Porter</i> | | | <input checked="" type="checkbox"/> | |
| <i>Con ...</i> | <input checked="" type="checkbox"/> | | | |
| <i>Joseph ...</i> | | | <input checked="" type="checkbox"/> | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

CHAIR'S SIGNATURE

Con Beck

HOUSE CS FOR CS FOR SENATE BILL NO. 197(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS DONLEY, Taylor, Ellis, Duncan

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to health care services provided by, and practices of, a health
2 maintenance organization; providing that an enrollee in a health maintenance
3 organization has the right to select a treating chiropractor; specifying certain
4 chiropractic health care reports, examinations, and limits on treatment; and
5 prohibiting health maintenance organizations from limiting free speech of health
6 care providers."

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

8 * Section 1. AS 21.36.090(d) is amended to read:

9 (d) Except to the extent necessary to comply with AS 21.42.365 and AS 21.56,
10 a person may not practice or permit unfair discrimination against a person who
11 provides a service covered under a group health insurance policy that extends coverage
12 on an expense incurred basis, or under a group service or indemnity type contract
13 issued by a health maintenance organization or a nonprofit corporation, if the

1 service is within the scope of the provider's occupational license. In this subsection,
 2 "provider" means a state licensed physician, dentist, osteopath, optometrist,
 3 chiropractor, nurse midwife, advanced nurse practitioner, naturopath, physical therapist,
 4 occupational therapist, psychologist, psychological associate, or licensed clinical social
 5 worker, or certified direct-entry midwife.

6 * Sec. 2. AS 21.86.060(a) is amended to read:

7 (a) A health maintenance organization may provide provider [PHYSICIAN]
 8 services directly, through provider [PHYSICIAN] employees, or may provide the
 9 services under arrangements with individual providers [PHYSICIANS] or one or more
 10 groups of providers [PHYSICIANS].

11 * Sec. 3. AS 21.86.070(c) is amended to read:

12 (c) An evidence of coverage

13 (1) may not contain a provision or statement that is unjust, unfair,
 14 inequitable, misleading, deceptive, or encourages misrepresentation, or that is untrue,
 15 misleading, or prohibited under AS 21.86.150; and

16 (2) must contain a clear and concise statement [,] if a contract, or a
 17 reasonably complete summary [,] if a certificate, of

18 (A) the health care services and the insurance or other benefits,
 19 if any, to which the enrollee is entitled;

20 (B) limitations on the services, kind of services, benefits, or
 21 kind of benefits, to be provided, including a deductible or copayment feature;

22 (C) where, and in what manner, information is available as to
 23 how services may be obtained;

24 (D) the total amount of payment for health care services and the
 25 indemnity or service benefits, if any, that the enrollee is obligated to pay with
 26 respect to individual contracts; [AND]

27 (E) the health maintenance organization's method for resolving
 28 enrollee complaints; and

29 (F) guidelines explaining when treatment may be denied.

30 * Sec. 4. AS 21.86 is amended by adding new sections to read:

31 **Sec. 21.86.075. Chiropractic health care services.** (a) An enrollee may use

1 the services of a licensed chiropractor of the enrollee's choosing and may not be
2 required to obtain the prior approval of the enrollee's health maintenance organization,
3 a gatekeeper, or primary care physician. Within 10 days after an enrollee's first visit,
4 a chiropractor shall transmit a report containing the enrollee's primary complaint,
5 related history, examination findings, initial diagnosis, and treatment plan to the
6 enrollee's health maintenance organization. If the enrollee and the enrollee's
7 chiropractor determine that the condition of the enrollee has not improved within 30
8 days after the initial treatment, the chiropractor shall refer the enrollee back to the
9 enrollee's health maintenance organization for examination and possible concurrent
10 care.

11 (b) If the enrollee's chiropractor recommends chiropractic treatment beyond
12 30 days, the chiropractor shall conduct a second examination and transmit the findings
13 to the enrollee's health maintenance organization. The transmitted information must
14 include the enrollee's current status regarding the primary complaint, the progress of
15 a revised treatment plan, and the objectives for continued care.

16 (c) After receiving a 30-day treatment report from a chiropractor under (b) of
17 this section, the enrollee's health maintenance organization may request a review by
18 another chiropractor. The reviewing chiropractor shall conduct a physical examination
19 of the enrollee. The findings of the reviewing chiropractor must be disclosed to the
20 enrollee and the enrollee's chiropractor. Charges for additional chiropractic care
21 recommended by the reviewing chiropractor must be included as covered health care
22 services provided by the health maintenance organization.

23 (d) If the enrollee's treating chiropractor and the reviewing chiropractor
24 determine that the enrollee's condition has stabilized, ongoing preventative or
25 maintenance care is limited to two chiropractic visits a month. If the treating
26 chiropractor and the reviewing chiropractor disagree on the enrollee's continued
27 treatment, the enrollee and the health maintenance organization shall jointly select a
28 third chiropractor to review the enrollee's chiropractic treatment. Selection of a third
29 chiropractor must occur not more than 60 days after the date of the enrollee's initial
30 treatment by the enrollee's treating chiropractor. Until the third chiropractor's opinion
31 is received in writing by the enrollee and the health maintenance organization, the

1 enrollee may receive chiropractic treatment recommended by the treating chiropractor.
2 The opinion of the third chiropractor as to continued chiropractic treatment is binding
3 on the enrollee and the health maintenance organization. This subsection does not
4 apply if a new documented injury or a substantial exacerbation of the enrollee's
5 previous primary complaint occurs.

6 **Sec. 21.86.078. Choice of health care provider.** (a) A health maintenance
7 organization shall offer to every enrollee a point-of-service plan option that would
8 allow a covered person to receive covered services from an out-of-network health care
9 provider without obtaining a referral or prior authorization from the health maintenance
10 organization. The point-of-service plan option may require that an enrollee pay a
11 higher deductible or copayment and higher premium for the plan.

12 (b) A health maintenance organization shall provide each enrollee with an
13 opportunity at the time of enrollment and during the annual open enrollment period to
14 enroll in the point-of-service plan option. The health maintenance organization shall
15 provide written notice of the point-of-service plan option to each enrollee and shall
16 include in that notice a detailed explanation of the financial costs to be incurred by an
17 enrollee who selects that option.

18 * **Sec. 5.** AS 21.86.150 is amended by adding new subsections to read:

19 (i) A health maintenance organization, including a health maintenance
20 organization operating a managed care plan, or a representative of a health
21 maintenance organization may not cause, request, or knowingly permit

22 (1) the imposition of limits regarding

23 (A) criticism by a health care provider of health care services
24 provided by the health maintenance organization; or

25 (B) written or oral communications between a health care
26 provider and an enrollee regarding health care services;

27 (2) the employment of a health care provider to be terminated unless
28 the provider receives written notice of the cause for the termination before being
29 terminated;

30 (3) denial of health care coverage for an enrollee unless the enrollee
31 has been examined by at least two physicians; or

1
2
3
4
5
6
7

(4) financial incentives to be given or offered to a provider for denying or delaying health care services.

(j) A utilization review decision to deny, reduce, or terminate a health care benefit or to deny payment for a health care service because that service is not medically necessary may only be made by a health care provider trained in that specialty or subspecialty and licensed to practice in this state after consultation with the covered person's health care provider.

adopt

AMENDMENT #2

OFFERED IN THE HOUSE
CSSB 197(RLS)

BY Representative Con Bunde

PAGE 3⁴ after line 6 - add a new section 4

INSERT: A utilization review decision to deny, reduce, or terminate a health care benefit to deny payment for a health care service because that service is not medically necessary may only be made by a health care provider trained in that speciality or subspeciality and licensed to practice in the state after consultation with the covered person's health care provider.



SENATOR DAVE DONLEY
ALASKA STATE LEGISLATURE

MEMORANDUM

To: Representative Con Bunde
Chair, House Health, Education & Social Services Committee

From: Senator Dave Donley *DD*

Date: March 24, 1998

Re: **Restore Unfair Discrimination language to CSSB 197(RLS)am**

After a confusing Senate Floor debate on amendments to SB197, I made an amendment to remove the unfair discrimination language contained in section 1 of the CSSB197(RLS) version. My amendment was successful and CSSB 197(RLS) am passed the Senate by 17-1 without the unfair discrimination language. **I would appreciate your consideration of the attached amendment in the House HESS Committee which would restore the intent of that unfair discrimination language in what I believe is a non-controversial way.**

The Alaska Psychological Association contacted me initially asking that unfair discrimination language be added to CSSB 197(RLS) am. The attached amendment requires HMOs that cover specific types of care, such as 'mental health' cover claims by all providers licensed in that field, such as psychologists and psychiatrists.

CSSB 197(RLS) am currently:

- bans HMOs from having gag orders which prohibit physicians from discussing alternative treatment options, financial incentives or second opinions with patients,
- requires HMOs clearly identify treatments that may be denied a patient,
- allows an enrollee the option of a point of service plan through their HMO,
- allows patients direct access to chiropractic care with a licensed chiropractor of their choice,
- allows HMOs to provide medical services through health care providers.

If you would like more information, please contact myself or Karen Brand of my staff at 3892.

DD/kb

January-May: STATE CAPITOL • JUNEAU, AK • 99801-1182 • (907) 465-3892 • FAX: (907) 465-6595
June-December: 716 W. 4TH AVE. • STE. 430 • ANCHORAGE, AK • 99501 • (907) 258-8181 • FAX: (907) 258-1648

MEMBER: Senate Finance Committee • Legislative Budget & Audit Committee
• Senate Community & Regional Affairs Committee

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSSB 197(RLS) am

1 Page 1, following line 7:

2 Insert a new bill section to read:

3 **** Section 1.** AS 21.36.090(d) is amended to read:

4 (d) Except to the extent necessary to comply with AS 21.42.365 and
5 AS 21.56, a person may not practice or permit unfair discrimination against a person
6 who provides a service covered under a group health insurance policy that extends
7 coverage on an expense incurred basis, or under a group service or indemnity type
8 contract issued by a health maintenance organization or a nonprofit corporation, if
9 the service is within the scope of the provider's occupational license. In this
10 subsection, "provider" means a state licensed physician, dentist, osteopath, optometrist,
11 chiropractor, nurse midwife, advanced nurse practitioner, naturopath, physical
12 therapist, occupational therapist, psychologist, psychological associate, or licensed
13 clinical social worker, or certified direct-entry midwife."

14 Page 1, line 8:

15 Delete "Section 1."

16 Insert "Sec. 2."

17 Renumber the following bill sections accordingly.



SENATOR DAVE DONLEY

ALASKA STATE LEGISLATURE

SPONSOR STATEMENT - CSSB 197(RLS) am

Prohibiting HMOs from having gag orders on physicians, requiring HMOs identify medical treatments that may be denied, requiring HMOs offer a point of service plan option, allowing HMOs to provide medical services through health care providers and clarifying access to chiropractic care

Tension between quality medical care and cost containment has been growing in the health care industry. Serious problems have developed in the use of Health Maintenance Organizations (HMOs). Public concern has grown about HMO gag clauses that prohibit physicians from discussing alternative treatment options, financial incentives or second opinions with patients. Some HMOs have not clearly identified medical services that may be denied coverage and guidelines on access to chiropractic care are oftentimes unclear or non-existent. Senate Bill 197 was introduced in response to these concerns and bans gag clauses between physicians and patients, requires HMOs identify treatments that may be denied and clarifies guidelines on access to chiropractic care. SB 197 was amended to require HMOs offer a point of service plan option to enrollees and to allow HMOs to provide medical services through health care providers.

SB 197 bans HMOs from having gag orders which prohibit physicians from discussing alternative treatment options, financial incentives or second opinions with patients. The practice by HMOs of hindering open patient-physician communications was exposed in a December 1995 editorial in the New England Journal of Medicine, and later in a January, 1996 Time magazine cover story. President Clinton has urged Congress, doctors, nurses, health care professionals, and consumers to craft legislation banning gag orders for Americans in HMOs. State legislatures responded and by January, 1998 all but 12 states had enacted legislation or passed rules banning gag clauses. Ten of the remaining states, including Alaska with SB 197, have introduced legislation banning gag orders.

To prevent confusion about treatments that are not covered, SB 197 requires HMOs clearly identify treatments that may be denied a patient. This prevents the HMO from denying coverage to a patient after treatment has been performed but cost is not covered. In an April, 1997 issue of California Medicine, the California Physician's Alliance identified this problem as a primary abuse by HMOs.

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June-December: 716 W. 4TH AVE. • STE. 430 • ANCHORAGE, AK • 99501 •

MEMBER: Senate Finance Committee • Legislative Budget •
• Senate Community & Regional Affairs Comm

Sponsor Statement

Sponsor Statement
Page Two
CSSB 197(RLS) am

SB 197 allows patients direct access to chiropractic care with a licensed chiropractor of their choice and does not require prior consent of a gatekeeper. HMOs attempt to control costs by requiring all patients initially see a gatekeeper, either a Medical Doctor or Registered Nurse, who refers the patient to an appropriate health care provider. Many times a gatekeeper will not recommend chiropractic care, even if the HMO covers chiropractic services.

To allow patients more freedom of choice of their health care provider, SB 197 requires HMOs offer a point of service plan (POSP) option to enrollees. A POSP allows an enrollee to obtain medical services from health care providers of their choice without prior approval of the HMO but may cost an enrollee of the plan a higher deductible. The bill also allows HMOs more freedom to provide medical services through health care providers.

The concept behind SB 197 is widely supported by the American public, the Federal government, chiropractors and many medical doctors. Although there are no HMOs currently operating in Alaska, SB 197 bans HMOs from having gag orders on physicians, requires HMOs identify treatments that may be denied and clarifies access to chiropractic care.

If you have further questions, please contact Karen Brand of my staff at (907) 465-3892.

DD/kb 2/26/98

Alaska Chiropractic Society

P.O. Box 111507 • Anchorage, Alaska 99511-1507

January 12, 1998

Senator Dave Donley
State Capitol
Juneau, AK 99801

Dear Senator Donley:

On behalf of Alaska's chiropractic community, I want to thank you for introducing Senate Bill 197.

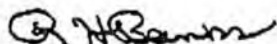
As you know, SB 197 makes three important changes to current law:

- Clarifies guidelines on access to chiropractic care by allowing patients direct access to a chiropractor of their choice and does not require prior consent of a medical doctor or registered nurse;
- Prohibits HMOs from having "gag" orders which prohibit physicians from discussing alternative treatment options; and
- Requires HMOs to clearly identify treatments that may be denied a patient which will minimize confusion about treatments that are not covered.

As evidenced by thousands of patient signatures on petitions in support of SB 197 and letters submitted under separate cover by Alaska's chiropractic community, this legislation is widely supported throughout Alaska.

On behalf of Alaskans throughout the state who value the benefits of chiropractic and Alaska's chiropractic community, thank you for your leadership and support on this issue.

Sincerely,



Dr. R. H. Banks
President
Alaska Chiropractic Society

Support

**Alaska Nurse
Practitioner Association**

Alaska Nurse Practitioner Association
237 East Third Avenue
Anchorage, AK 99501

Lynn Hartz, Legislative Representative
lhartz@micronet.net
(hm) 907-248-4877
fax 907-561-1257

(wk) 907-562-2965
(wk) 907-343-4623, press 0

February 12, 1998

The Honorable Dave Donley
State Capitol, Room 508
Juneau, AK 99801-1182
Fax 907-465-6595

Dear Senator Donley:

Thank-you for your timely response to our letter re: including Advanced Nurse Practitioners in section 2 of Senate Bill 197. We have reviewed your amendment (ref. O-LS0905\B7) to SB197 and feel that it addresses our concerns.

Your bill has important consumer protections in sections 1 and 3 such as banning HMO gag orders and requiring HMOs to identify treatments that may be denied. Based on what we are hearing from around the country, these protections are needed. Hopefully those sections can be added to the House version (HB 219) in the future.

We appreciate your efforts on behalf of the health care consumers of Alaska, both in the consumer protection aspects of SB 197 and assuring consumers continued access to their health care provider of choice.

Sincerely,
Lynn Hartz, MSN, ANP
ANPA Legislative Representative

SANDRA T. JACQUES, D. C.

4316 KINGSTON DRIVE
ANCHORAGE, AK. 99504
TELEPHONE (907) 337-6770
FAX (907) 337-9604

Senator Gary Wilken
State Capitol, Room 510
Juneau, AK 99801

7 November, 1997

Dear Senator Wilken,

I would like to address House Bill 219 and Senate Bill 197 currently passing through the Legislature. I understand that these bills are designed to allow patients enrolled in HMOs to self-refer for chiropractic services if their HMOs do not offer this type of referral service.

I fully support both bills. I feel that it is of utmost importance for patients to be able to select the type of treatment they desire. HMOs should consider patient choice when referring them to health care providers. Additionally, HMOs should be required to utilize funds paid by patients in the form of health care premiums to pay for the treatment of the patients' choice first.

Please consider both of these bills favorably when they come to vote.

Thank You,

Sandra Talt, D.C.

Sandra Talt, D.C.



Northern Chiropractic

Gregory M. Culbert, D.C.

11723 Old Glenn Highway, Suite 101
(Parkgate Building)
Eagle River, Alaska 99577

Telephone: (907) 696-1878

November 10, 1997

Senator Gary Wilken, Chair
State Capitol, Room 510
Juneau, AK 99801

RE: SB 197

Dear Senator Wilken:

Senator Dave Donley is sponsoring SB 197, a bill prohibiting HMO's from placing "gag orders" on physicians, requiring HMO's to identify medical treatments that may be denied, and clarifying access to chiropractic care.

I urge you to support this bill. Currently, there are no HMO's in the State of Alaska, but it is only a matter of time. Being proactive in dealing with HMO's would benefit Alaskans.

This bill will also allow patient's direct access to chiropractic care by a licensed chiropractor of their choice without prior consent from a gate keeper. Most gate keepers, as they often do not understand chiropractic care, do not refer the patient for chiropractic care when it may indeed be warranted. Senate bill 197 would prevent "gag orders" from being placed on physicians and would allow direct access to chiropractic care when appropriate.

By March of 1997, all but 14 states had enacted legislation or passed rules banning gag clauses. Including Alaska, 12 of the remaining states are in the process of doing this. Alaska Senate Bill 197 would ban gag clauses on physicians, would require HMO's to identify treatment that is denied, and further clarify access to chiropractic care.

Please support this bill.

Sincerely,

Gregory M. Culbert, D.C.
kd



NORTHERN LIGHTS CHIROPRACTIC

AMBER ALEXANDER, D.C.
1867 Airport Way, Ste. 140-C
Fairbanks, Alaska 99701
Telephone: (907) 452-3309

RECEIVED
NOV 17 1997

November 14, 1997

Senator Gary Wilken, Chair
State Capitol
Room 510
Juneau, AK 99801

Dear Mr. Wilken,

I would like to encourage your support for House Bill 219 and Senate Bill 197, allowing patients in HMO's to self-refer for chiropractic services. This legislation is necessary to allow patients freedom of choice in health care and to help keep HMO's responsible for preventative health care as well as crisis care.

Very truly yours,

Dr. Amber Alexander

Dr. Amber Alexander

gd/aa

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF OCCUPATIONAL LICENSING

TONY KNOWLES, GOVERNOR

3601 C STREET, SUITE 722
ANCHORAGE, ALASKA 99503-5986
PHONE: (907) 269-8160
FAX: (907) 269-8156
TDD: (907) 465-5437


September 30, 1997

Senator Dave Donley
716 West Fourth Avenue Suite 430
Anchorage AK 99501

Senator Donley, the Alaska State Medical Board reviewed your letter and SB 197 at its board meeting on September 25, 1997.

The board asked me to advise you that they are in favor of and support the changes provided in SB 197, Sections 1 and 3 of the statute. The board did not feel it could render an opinion on Section 2 and suggested that perhaps you may wish to refer this section to the Board of Chiropractic for their review.

The board asked me to also convey to you their appreciation for soliciting their opinion of this important legislation and to wish you success in your endeavors.



Leslie G. Abel
Executive Administrator
Alaska State Medical Board

Ketchikan Chiropractic Center
R. Clark Davis, D.C.
320 Bawden, Suite 306
Ketchikan, Alaska 99901

RECEIVED
NOV 14 1997

November 12, 1997

Senator Gary Wilken, Chair
State Capitol, Room 510
Juneau, AK 99801
FAX: 465-4714

Dear Senator Gary Wilken,

I am writing to encourage your support of Senate Bill 197. This bill will allow patients to self refer themselves for chiropractic care if an HMO health maintenance organization gatekeeper (medical doctor) refuses to refer the patient for chiropractic care. Many conditions, for example back pain, are helped by chiropractic care when medical care has failed. Medical school curriculum does not regularly teach chiropractic methods, chiropractic research, or chiropractic referral. Some people also prefer chiropractic care over medical or surgical treatment. The Alaskan public deserves proper access to chiropractic care. Thank you for your time on this important matter.

Please let me know your thoughts on this issue so I can inform my patients.
Thanks again.

Sincerely,

R Clark Davis, D.C.

R. Clark Davis, D.C.

FISCAL NOTE No. 1

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Bill Version: SB197

(S) Publish Date: 1-21-98

Revision Date (Note if correction) _____ Dept. Affected Commerce & Economic Development
 Title Regulating Health Maintenance Orgs. Insurance
 Component Insurance
 Sponsor Senator Donley
 Requester Senate HESS Component Serial No. 354

Expenditures/Revenues (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE: (Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY98) cost: 0.0

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

Although there has been enabling legislation since 1990, there are no HMOs in Alaska.

Prepared by Lianne K. Burke, Director Phone 465-2515
 Division Insurance Date 1/13/98
 Approved by Commissioner Deborah Sedwick Date 1/13/98
 Agency Commerce and Economic Development

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**Alaska Nurse
Practitioner Association**

Alaska Nurse Practitioner Association
237 East Third Avenue
Anchorage, AK 99501

Lynn Hartz, Legislative Representative
lhartz@micronnet.net
907-248-4877
fax 907-561-1257

April 28, 1998

The Honorable Con Bunde
House of Representatives
Fax 907-465-3871

Testimony to House Health, Education and Social Services Committee re. SB 197:

The Alaska Nurse Practitioner Association is pleased to support SB 197. Unfortunately, we will not be able to testify in person and appreciate the opportunity to submit written testimony. SB 197 provides important consumer protections including the right to full disclosure regarding treatment options and assuring Alaskans continued access to their clinician of choice.

There are over 300 Advanced Nurse Practitioners in Alaska. Most of us work in an outpatient setting and provide direct patient care. Section 4 in SB 197 will guarantee in law what we were taught to be our ethical responsibility in dealing with patients. That is, that each person seeking care from us is entitled to a full explanation of their diagnosis and the pros and cons of treatments available. A third party, even if it is the reimbursing party should not be able to intrude on this responsibility.

We consider health consumer protection in legislation crucial to offset what appears to be the increasingly unilateral power of insurance companies to dictate health care policy to consumers and providers alike. As such, we support SB 197 and urge it's passage.

Thank-you,
Lynn Hartz, ANP
ANPA Legislative Representative

cc: Senator Donley

SCR

6

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: March 27, 1997

FURTHER REFERRALS:

Date of Committee Action: 4/28/97

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: SCR 6 am

SENATE CONCURRENT RESOLUTION NO. 6 am ALASKA TELEMEDICINE PROJECT

Relating to the Alaska Telemedicine Project.

recommends it be replaced with the following committee substitute HCS SCR 6 (HES) the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) Senate HESS/3-24-97

| SIGNING WITH RECOMMENDATIONS | DP | DNP | NR | AM |
|------------------------------|----|-----|----|----|
| <i>Paul Brown</i> | ✓ | | | |
| <i>Car Beede</i> | ✓ | | | |
| <i>[Signature]</i> | ✓ | | | |
| <i>[Signature]</i> | ✓ | | | |
| <i>[Signature]</i> | ✓ | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

CHAIR'S SIGNATURE *Car Beede*

Alaska State Legislature

During Interim:

716 West 4th Avenue, Suite 510
Anchorage, Alaska 99501-2133
(907) 258-8185
Fax (907) 258-0226



During Session:

State Capitol
Juneau, AK 99801-1182
(907) 465-4993
Fax (907) 465-3872

Senator Drue Pearce
District F

Sponsor Statement for SCR 6

The Alaska Telemedicine Project is a pioneering program focused on improving the availability and delivery of health care in Alaska using telecommunications and other information technologies. The project involves a consortium of over 34 organizational members, including the University of Alaska, most major telecom providers, Native health corporations, and many regional health care facilities.

Now in its fourth year of operations, the Alaska Telemedicine Project continues towards its goals of assessing the health care needs of the state, demonstrating appropriate telehealth and telemedicine applications for Alaska, and analyzing these applications for cost, benefit, satisfaction, and use.

The methods used by the Alaska Telemedicine Project have been recognized as models for rural areas, developing nations, and all health providers. The recognition of the project as a leader in providing low-cost telemedicine applications has come from many entities such as the National Library of Medicine, the U.S. Department of Commerce, and the Government of Romania.

In totality, the Alaska Telemedicine Project has accomplished all of its functions with independent grants and without dedicated state funding. Recently, the project was awarded a \$2 million contract from the National Library of Medicine to assist the Alaska Native Health Board in providing rural health services. Senate Concurrent Resolution 6 would officially recognize these achievements of the Alaska Telemedicine Project and commend it on promoting telemedicine and telehealth in the state of Alaska.

0-LS0689E
Cook
4/11/97

HOUSE CS FOR SENATE CONCURRENT RESOLUTION NO. 6()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS PEARCE, Ellis

A RESOLUTION

1 Relating to the Alaska Telemedicine Project.

2 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 WHEREAS the Alaska Telemedicine Project, founded by the University of Alaska,
4 Anchorage, Providence Health Systems in Alaska, and AT&T Alascom, is a private/public
5 consortium of over 34 telecommunications carriers and health care organizations, including
6 Native health corporations, dedicated to using telecommunications and information technology
7 to improve the delivery of health care to all Alaskans; and

8 WHEREAS the Alaska Telemedicine Project is beginning its fourth year of operations;
9 and

10 WHEREAS the Alaska Telemedicine Project has predicated its existence on the idea
11 that "our" health care dollars must be used wisely, and that advances in telecommunications
12 and information technology offer the promise of health care system re-engineering that can
13 both contain costs of health care and improve the quality of health care for all Alaskans; and

14 WHEREAS the Alaska Telemedicine Project has performed planning for narrow
15 bandwidth telemedicine and telehealth applications that has been predicated on current and
16 planned end user telecommunications and information technology systems in Alaska; and

17 WHEREAS the Alaska Telemedicine Project has been dedicated to assessing the needs

1 of all health care organizations in the state, demonstrating appropriate telemedicine and
2 telehealth technologies and applications scaled to Alaska's current and planned infrastructure,
3 and evaluating these demonstration projects for cost and benefit, satisfaction, and use; and

4 **WHEREAS** the Alaska Telemedicine Project has developed an evaluation method,
5 sanctioned by the National Library of Medicine, designed to reveal cost and benefits,
6 satisfaction, and use of telemedicine and telehealth applications and technologies scaled to
7 Alaska's current and planned telecommunications and information technology infrastructure;
8 and

9 **WHEREAS** the Alaska Telemedicine Project has established a nonprofit Alaska
10 TeleHealth Network for e-mail, digital imagery, and continuing medical and health care
11 information and education throughout the state; and

12 **WHEREAS** the Alaska Telemedicine Project has been recognized by the government
13 of Romania, the National Library of Medicine, and the United States Department of
14 Commerce as a model for telemedicine and telehealth applications and technologies in rural
15 America and developing nations; and

16 **WHEREAS** the Alaska Telemedicine Project has performed all these accomplishments
17 without new, dedicated funding from the state;

18 **WHEREAS** the Alaska Telemedicine Project will not preclude other entities within
19 the state from applying for funding for technology, but support them in their efforts to develop
20 partnerships to secure funding and expertise in the telemedicine field;

21 **BE IT RESOLVED** that the Twentieth Alaska State Legislature recognizes the Alaska
22 Telemedicine Project, its founding organizations, and commends its leadership for advancing
23 telemedicine and telehealth in the State of Alaska.

FISCAL NOTE

No. 1

STATE OF ALASKA
1997 LEGISLATIVE SESSION

Bill Version: SCR 6
 (S) Publish Date: 3-24-97

Revision Date _____ Dept. Affected _____
 Title Relating to the Alaska Telemedicine Project BRU _____
 _____ Component _____
 Sponsor Senator Pearce _____
 Requester _____ Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES [] | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| 1091 Designated Program Receipts | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY97) cost: 0.0

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: *(Attach a separate page if necessary)*
 There is no fiscal impact with passage of this resolution.

Prepared by Gary Wilken Phone 465-3709
 Division State Senator *(Signature)* Date 3/18/97
 Approved by 3/18/97 Date 3/18/97
 Agency _____

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ALASKA TELEMEDICINE PROJECT

of the Department of Journalism
University of Alaska, Anchorage
2211 Providence Drive
Anchorage, AK 99508

- University of Alaska Anchorage*
Anchorage
- Alaska State Department of
Health & Social Services
Juneau
- Alaska State Hospital
& Nursing Home Association
Juneau
- Alaska Native Health Board
Anchorage
- Alaska Center for Rural Health
Fairbanks
- Alaska Rural Development Council
Anchorage
- Copper River
Economic Development Council
Germantown
- International Union for
Circumpolar Health
Anchorage
- WAM Rural Telemedicine Network
Anchorage
- Providence Alaska Health System*
Anchorage
- Alaska Regional Hospital
Anchorage
- Valley Hospital
Palmer
- Alaska State Division of
Emergency Services
Juneau
- Alaska Federal Healthcare Partnership
Anchorage
- Ther Medical Group, Bremford AFB
Anchorage
- U.S. Department of Veteran's Affairs
Anchorage
- Alaska Area Native Health Service
Anchorage
- Central Slope Area Native Health Corporation
Dillingham
- Eastern Aleutian Tribe, Inc.
Anchorage
- Kodiak Area Native Association
Kodiak
- North Slope Borough
Department of Health
Barrow
- Noton Sound Health Corporation
Nome
- Tukwot-Kushenok Health Corporation
Iliamna
- AT&T Alacom*
Anchorage
- CCI
Anchorage
- ATU Telecommunications
Anchorage
- United Utilities
Anchorage
- Telepresence of Alaska
Eggen River
- Other Organizations*

Mission:

Improving delivery of health care in Alaska using telecommunications and information technologies.

Vision:

User-friendly access to electronic communication and information for every health provider in Alaska.

Goals:

- Seek collaboration to make available the highest quality health care to every Alaskan
- Empower health providers with the best possible access to information
- Assist members in acquiring individual or collective funding for improving access to health informatics and implementing telemedicine demonstrations throughout Alaska
- Test and evaluate various state-of-the-art telecommunications and information technologies in typical Alaskan environments
- Identify the most appropriate telemedicine technologies for Alaska
- Define telemedicine technologies capable of being implemented, supported, and sustained in Alaska
- Assess and quantify the cost-benefit impact on organizations who use telemedicine technology to deliver health care in Alaska
- Develop through new and existing resources a functional state-wide community health information network

Alaska Telemedicine Project

Responding to anticipated changes in Federal funding strategies which are seeking programs based on broad-based partnerships, the Alaska Telemedicine Project was designed to maximize the creativity of individual health care organizations by having the Project proper concentrate on a state-wide needs assessment and to provide evaluations of Project activities.

The Alaska Telemedicine Project was organized in 1994 by the University of Alaska Anchorage, Providence Health Systems in Alaska, and AT&T Alascom.

The purpose of the Project has been, from its beginning, to encourage new members to seek collaboration as they planned for expected changes in health care delivery.

The membership of the Project consists of professionals representing health care organizations, telecommunications carriers, and the University of Alaska. Additional non-Alaska members consist of organizations interested in narrow bandwidth telemedicine and telehealth applications and technologies and their viability in rural environments. Each member organization was required to request in writing membership in the Project.

The goal of the Project is to encourage member organizations to use telecommunications and information technologies, scaled to Alaska's current and planned telecommunications infrastructure, to improve the delivery of health care to all Alaskans.

The Project was designed to assess the capabilities of individual organizations for implementing telemedicine and telehealth applications; to demonstrate the range of telemedicine and telehealth applications and technologies scaled to Alaska's current and planned telecommunications infrastructure; and to evaluate individual projects using accepted standards of social science and economic research.

The Project has been committed to encouraging local ownership, and retaining local control, of individual telemedicine and telehealth applications and technologies while participating in a state-wide initiative. For example, since 1994, Project members have accomplished the following:

- Evaluated Third Medical Group video teleconferencing project;
- Providence Health Systems in Alaska seven site teleradiology project has over 3,500 patient encounters in last 18 months;
- Co-sponsored telemedicine symposium for International Congress for Circumpolar Health;
- Developed Alaska Telemedicine Project website (<http://www.telemedicine.alaska.edu>);
- Developed and deployed statewide telehealth information network for health care professionals with over 1,200 users;
- Presented at four national telemedicine conferences;

- Implemented and tested appropriate and sustainable telemedicine and telehealth applications and technologies throughout Alaska;
- Demonstrated teledermatology and informatics program in conjunction with the Ministry of Health in Romania;
- Signed letter of intentions with Ministry of Health of Romania;
- Deployed telehealth informatics network in Russian Far East;
- Awarded \$2.0 M National Library of Medicine contract to evaluate telemedicine and telehealth applications and technologies in rural Alaska;
- Acted as project and evaluation consultants for member projects throughout Alaska;
- Project members have been awarded over \$5.0 M in Federal telemedicine funds;
- Upcoming projects for evaluation include a teledermatology project to selected sites; wireless personal digital assistant home health demonstration project; telecardiology project; statewide continuing medical and health care delivery program including TCP/IP and video "on demand."



THE ALASKA TELEMEDICINE PROJECT

*A joint non-profit project for the care of the people of Alaska administered by
Providence Alaska Medical Center, The University of Alaska Anchorage, and Alascom*

Oct. 10, 1995

Dear Colleague:

Mark EN Agnew,
MA, MB, MRCP
Director of Medical Staff Education
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menagnew@mol.com
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907.261.4911 fax

Kathe Bourcha-Reberts
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Telemedicine & Teleconferencing
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akbr1@vms.sci2.alaska.edu
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907.261.3193 fax

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907.264.7332 fax

Frederick W. Pearce, Ph.D.
Director of The Applied
Sciences Laboratory
Department of Journalism &
Telecommunications
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H. Hudson Stamm, M.A., Ph.D.
Director of The Traumatic
Stress Research Group
Department of Psychology
University of Alaska Anchorage
3211 Providence Drive
Anchorage Alaska 99508
ahhs@vms.sci2.alaska.edu
907.786.4817 voice
907.786.4898 fax

Thank you for your interest in telemedicine and the Alaska Telemedicine Project. Your support, and the participation of your organization, is vital to improving the delivery of health care in Alaska. While we are working on letters of agreement with health care organizations around the State, this project has been actively and financially supported by Providence Alaska Medical Center, the University of Alaska Anchorage, and AT&T Alascom. The goal of this project is an ongoing study of health care needs and telemedicine in Alaska.

The application of telecommunications and information technology to medicine in Alaska has generated enormous interest throughout the State. Telemedicine projects in Kodiak, Valdez, Homer, Cordova, Unalaska, Glenallen, Nome, Bethel, and other activities, are promising to change the way health care is delivered in the State. And, as you know, telemedicine projects in Georgia, Kansas, Oklahoma, West Virginia, and Texas suggest that telemedicine can improve health care delivery and contain costs of health care in Alaska.

The Alaska Telemedicine Project is committed to a comprehensive needs assessment of telemedicine in the State based on provider and patient usage. In addition, we are committed to demonstrating the range of telemedicine applications "across the technology" and "across the State," and to a comprehensive evaluation of these projects to describe and predict what telemedicine applications are most appropriate to the health care needs of the citizens of Alaska.

Following the lead of other working projects, we believe that telemedicine may be defined as the application of telecommunications and information technology to medical services. It includes traditional 2:2 (two-way video and audio) teleconferencing for remote consultation and diagnosis, as well as new desktop teleconferencing, image transfer, and "virtual" community information systems. Simply, telemedicine presumes that the many changes that have occurred in telecommunications and computing hardware and software can be applied to medical procedures to contain costs and improve health care delivery, especially in rural settings. These applications now include remote diagnosis using video teleconferencing and digital medical image transfer, electronic patients records archival and retrieval, interactive information systems designed to train patients in self-

examination and self care, training for public health and emergency medicine techniques. According to Dr. Jay Sanders, principle investigator for the broad band applications group of the Georgia Telemedicine Project.

Changes in communication technology and information processing and management are occurring at a more rapid pace than even the most optimistic predictions. Functionality must control structure and the technology should have a transparent interface between users.

Consistent with this notion that "functionality must control structure...and technology," the following is a chronology of activities performed by members of the Alaska Telemedicine Project workgroup:

Summary of Activities

The following is a chronological summary of the activities of *The Alaska Telemedicine Project* work group. This chronology represents specific events and accomplishments by the Project work group in the last 18 months.

1. April 24, 1994: a technology and economic development workshop sponsored by the Applied Sciences Laboratory, the College of Arts and Sciences at UAA, and the Alaska Science and Technology Foundation raise the issues of telecommunications and economic and social development in Alaska. Interest in telemedicine is expressed by State leaders;
2. Sept. 6, 1994: telemedicine workshop at UAA sponsored by the Applied Sciences Laboratory and the College of Arts of Sciences. Guest speakers include Mr. John Evans of Medical Defense Performance Review (MDPR) and MITRE/ESC and Dr. Paul Zinnick of U. S. Air Force and PROMED;
3. Oct. 6-9, 1994: site visit of MITRE/ESC and Harvard Teaching Hospitals sponsored by the Applied Sciences Laboratory and MITRE/ESC;
4. Nov. 5, 1994: a professional Internet forum for support and education of rural health care providers, Rural-Care of InterPsych (Rural-Care@netcom.com), is developed and implemented by members of the Alaska Telemedicine workgroup;
5. Dec. 5-7, 1994: Members of the Alaska Telemedicine workgroup address the Alaska Native Health Information Conference. Dr. Beth Stamm and Mr. John Hoban develop and implement an Internet forum, the Alaska Citizen's Health Network (AK-Health@netcom.com). Alaska Health Network discussions will include guest such as Dr. Ellen Cole, a child psychologist (June, 1995) and Dr. Louis Tennin of the West Virginia School of Medicine (July, 1995);
6. Dec. 15, 1994: preliminary telemedicine meeting between invitees at UAA and ESC/MITRE in Boston; discussion among invitees regarding the possibility and plausibility of the Alaska Telemedicine Project;

7. Dec. 19, 1994: pre-proposal grant for the Alaska Telemedicine Project submitted by the Applied Sciences Laboratory at the University of Alaska Anchorage to Alaska Science and Technology Foundation;
8. Jan. 6, 1995: follow-up communication with interested participants to discuss ASTF grant proposal; planning for Jan. 27, 1995 teleconference;
9. Jan. 16, 1995: Alaska Science and Technology Foundation approves the pre-proposal for the Alaska Telemedicine Project;
10. Jan. 27, 1995: multi-site teleconference telemedicine meeting between Alaskan sites, the Russian Far East, and ESC/MITRE to discuss the nature of telemedicine and projects in Boston, Texas, Georgia, and Kansas. On-line participants include Dr. Jay Sanders (Georgia Telemedicine Project), Dr. Ace Allen (Kansas Telemedicine Project), and Dr. Jane Preston (Texas Telemedicine Project);
11. Feb. 10, 1995: telemedicine teleconference between Alaska sites and the Medical College of Georgia: demonstration project research and planning continue;
12. Feb. 13, 1995: a letter of agreement is signed between the Applied Sciences Laboratory of UAA and Elmendorf AFB to assess the Air Force's telemedical applications in Alaska. This 18 month project will provide a prototype for assessment, demonstration, and evaluation of telemedicine practices in Alaska;
13. Feb. 27-8, 1995: members of the ATP workgroup attend telemedicine workshops sponsored by American Telemedicine Association in Dallas;
14. March 7, 1995: Members of the ATP workgroup meet with Yukon-Kuskokwim Health Corporation in Bethel to establish a working agreement for telemedicine applications;
15. April 3, 1995: a letter of agreement is signed between the Applied Sciences Laboratory of UAA and the Alaska Department of Emergency Services to conduct a Health Aid Communications Review. This project, conducted by Dr. Beth Stamm of the Psychology Department at UAA, is contacting each Health Aid Clinic to determine telecommunications capacity in rural Alaska;
16. March 15-8, 1995: Members of the ATP workgroup meet with physicians and health care providers in Magadan and Kharaborsk, the Russian Far East to establish a working agreement for telemedicine applications;
17. March 17, 1995: Members of the ATP workgroup meet with Norton Sound Health Corporation in Nome to establish a working agreement for telemedicine applications;
18. April 17-19, 1995: members of the ATP workgroup attend telemedicine workshops sponsored by American Telemedicine Association at the Mayo Clinic in Rochester, Minnesota;

19. April 24, 1995: members of the Alaska Telemedicine workgroup hold teleconference with Dr. Rhett Drugge, of the Internet Dermatology Society to discuss applications of the Global Dermatology Grand rounds Project in Alaska;
20. May 5, 1995: remote diagnosis and medical education demonstration sponsored by ATP from Anchorage to Bethel, Fairbanks, Juneau, and Khabarovsk, the Russian Far East;
21. June 15-17, 1995: members of the Alaska Telemedicine Project attend "Telemedicine 2000 Conference" at Lake Tahoe as respondents to a panel discussion by the Medical Defense Performance Review regarding promising initiatives attempting to improve the delivery of health care to civilian, military, and native constituencies;
22. June 16, 1995: members of the Alaska Telemedicine Project present "Health Resources on the Internet" at Providence Hospital in conjunction with the National Network of Libraries of Medicine Pacific Northwest Region;
23. July 4 - 6, 1995: Members of the Alaska Telemedicine Project meet with Gen. James Hasting and representatives from Tripler Medical Center to discuss the Akamai Project and points of cooperation regarding telemedicine initiatives in the Pacific rim; Lori Eussen travels to Nome to discuss AT&T "Picasso" picturephone demonstration project with Tripler;
24. July 13 - 14, 1995: Members of the Alaska Telemedicine Project meet with representatives from the National Institute of Drugs and Alcohol and various State of Alaska groups to form the Alaska State Epidemiological Work group;
25. July 25, 1994: Members of the Alaska Telemedicine Project meet with Mr. Dan Johnson, Director of the Alaska Rural Health Board, to discuss joint efforts to sponsor and schedule two telemedicine educational forums for the State Division of Health and Social Services;
26. Aug. 1, 1995: Ms. Kathe Boucha-Roberts continues participation in Steering Committee work for "Alaska 2001;" members of the Alaska Telemedicine Project continue committee participation on economic development and universal service committees;
27. Aug. 2, 1995: Members of the Alaska Telemedicine Project meet with Mr. Marty Robinson, General Manager of Prime Cable of Alaska, to discuss the uses of broadband connectivity for urban telemedicine applications;
28. Aug. 11, 1995: Members of the Project meet with Mr. Don Johnstone, Director of the East Aleutians Borough Health Corporation, to discuss cooperation regarding telemedicine activities. Work begins on cooperation for system buildout and on a grant submitted by Johnstone;

29. Aug. 16, 1995: Members of the Project meet with Dr. John Ingram, Medical Director, Providence Alaska Medical Center Emergency Department, to test the applicability of FirstClass e-mail for emergency operations;
30. Aug. 17, 1995: Members of the Project meet with Dan Moller, Administrator, and medical staff of Valdez Community Hospital to discuss Valdez as a demonstration site for project activities;
31. Aug. 23, 1995: Members of the Project meet with Prof. Don May, Alaska Pacific University, to discuss the Project and the economics of telecommunications;
32. Aug. 30, 1995: Members of the Project meet with Dan Johnson, Center for Rural Health, and Ms. Debra Erickson, DHSS, to plan Oct. 26 education workshop on telemedicine for DHSS; Members meet with Ms. Barbara Sokolov, Dir., University Consortium Library, to plan for medical library access privileges for demonstration projects;
33. Aug. 31, 1995: Members of the Project meet with Mr. Sean O'Shea, Dir. of Marketing, AT&T/Alascom, to discuss continuing support of the project by AT&T/Alascom.
34. Sept. 6, 1995: Members of the Project meet with Mr. Thomas Edrington, General Manager of Anchorage Telephone Utility, to discuss continuing support for the project by ATU;
35. Sept. 7/8, 1995: Members of the Project meet with members of the Elmendorf AFB telemedicine staff for training on reporting processes and evaluation demonstration; members present information regarding joint operations demonstrating patient medical records applications;
36. Sept. 9, 1995: Members of the Project meet with the Southwest Alaska Municipal Conference in Kodiak, to discuss health care delivery systems and the selection of Kodiak as a Project demonstration site;
37. Sept. 21, 1995: Members of the Project participate in a Providence system video teleconference to Portland, Or. The meeting is a failure because system incompatibilities between GCI and AT&T teleconferencing systems;
38. Sept. 23: Ms. Kathie Boucha-Roberts presents the Telemedicine Project to Medical Transcriptionists of Alaska to discuss the implications of changes in health care delivery and electronic medical records;
39. Sept. 29, 1995: Members of the Project meet with representatives of Rural Development Corporation, Indian Health Services, ANMC, ATU, GCI, AT&T/Alascom to plan a two hour presentation on current telemedicine technology and applications in Alaska; members of the Project review draft of "Alaska 2001" document for attention to telecommunications systems and telemedicine applications;

40. Oct. 1, 1995: the teleradiology demonstration project begins to collect data. Teleradiology sites include Providence Alaska Medical Center, Cordova Hospital, Unalaska Family Clinic, Homer Hospital

41. Oct. 4, 1995: Ms. Kathe Boucha-Roberts meets with Home Health Care directors and supervisors to discuss the implications of telemedicine initiatives for home health care;

42. Oct. 6, 1995: Members of the Alaska Telemedicine Project attend the Russian Peace Conference, sponsored by Rotary International, and discuss health care systems and delivery problems in the Russian Far East.

Telemedicine: will it serve rural Alaska?

X-ray fax machines? Diagnosis and treatment of injuries and illness via video from one Rural Alaska community to Anchorage?

These are just two concepts of "telemedicine" that members of Providence Alaska Medical Center and the University of Alaska Anchorage (UAA) are researching.

Telemedicine is the practice of health care delivery, diagnosis, consultation, treatment, transfer of medical data and education using interactive audio, visual and data communications.

The Alaska Telemedicine Project is assessing the current medical delivery systems to determine the appropriate telemedicine applications for Alaska,

says Fred Pearce, of the UAA Dept. of Journalism and Telecommunications.

Telemedicine is the practice of health care delivery, diagnosis, consultation, treatment, transfer of medical data and education using interactive audio, visual and data communications. The use of telemedicine can help eliminate the constraints of towns spread far apart and the ever-present factor of weather.

Telemedicine empowers local providers and consumers by providing them with "instant" feedback on health problems as well as ongoing treatment such as pregnancy.

Specifically, the Alaska Telemedicine Project is attempting to determine whether telemedicine is cost effective. For example, would it be cheaper to set up an x-ray fax machine in a rural community and send an x-ray into Providence Alaska Medical Center, rather than send the injured softball player into Anchorage on the next plane?

The answer to that is a qualified, "that depends," say Pearce and Kathie Boucha-Roberts, Director of Affiliations, Telemedicine and Teleconferencing for Providence.

Expanding further, it takes dedicated

telephone lines to transfer the x-ray by fax and it takes a qualified medical staff person in the community to take the x-ray first. Keeping that equipment and a trained medical person in each community will cost dollars. If there are significant number of hurt knees, then there is a cost savings of the transportation. But the unknown is the total cost to keep the equipment up-to-date and the personnel trained.

Another problem, Pearce says, is that Alaska's satellite telecommunications infrastructure is not capable of the bandwidth needed to handle x-ray transfer or video teleconferencing. Lines are only available between Anchorage, Fairbanks and Juneau, and not between other communities where the service is most needed.

But even with all the complications, the Alaska Telemedicine Project is working with others to set up systems. Providence is working on setting up a system currently including Homer, Cordova and Dutch Harbor. The Elmendorf Hospital has a two-way video system with Fort Wainwright in Fairbanks, Adak and Kodiak. The UAA WAMI program has a project in

Petersburg and Juneau's Bartlett Memorial Hospital is connected with Seattle, Virginia Mason. Even an E-mail system is being suggested.

All of these programs will be evaluated for effectiveness. Questions to be answered include:

- What are the current local capabilities of rural and bush systems in Alaska?
 - How much will it cost to upgrade the systems to accommodate telemedicine?
 - What are the current technical capabilities of Alaska's health care providers?
 - What sort of training will be needed and at what cost?
 - Will clients like the new delivery systems? What steps need to be taken to educate clients about telemedicine?
 - How much will hardware and computer software cost?
 - What policies need to be developed in order to maintain quality care, protect patient confidentiality and provide liability?
- Boucha-Roberts believes that the only way telemedicine will work is when the equipment will be so easy to use, it'll be like common sense. ■

NBA opens new Ketchikan Shoreline Branch

On Monday, July 17, National Bank of Alaska opened its newest branch, the Ketchikan Shoreline Branch located at 4966 North Tongass Highway. The branch is a full-service bank offering the convenience of drive-up windows, an automated teller machine, safe deposit boxes and all of the bank's personal and business services.

The Shoreline Branch is open Monday through Friday with lobby hours from 10 a.m. to 5 p.m. and drive-up banking from 9 a.m. to 6 p.m. ■

National Bank of Alaska Ketchikan Shoreline Branch Ribbon cutting, July 17, 1995. Pictured are (l to r): Jim Carlton, Ketchikan Gateway Borough Mayor; Pete Crandall, NEIA Senior Vice President; Pierre Kaplaran, Shoreline Branch Manager; and Forrest DeWitt, Suzman Mayor.



Rural businesses well represented in Alaska's

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ALASKA REPORT: STATE CONSORTIUM SEEKS SUSTAINABLE TELEMEDICINE

Now a year underway, the Alaska Telemedicine Project (ATP) appears to be on the verge of bearing fruit.

The ATP has kept a low profile to date, but after a number of interviews conducted by GTR, we can tell you that won't be the case for much longer. ATP is worth taking notes on for two reasons: 1) the diverse technologies it employs; and 2) the cooperation across a wide variety of stakeholders to make the project work.

(cont'd. page 1)

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ALASKA (cont'd. from page 1)

The ATP is basically an Alaskan state initiative to build a low-cost and sustainable telemedical/health delivery infrastructure. It is sponsored by all major sectors: the telcos, the DoD, the Indian Health Service, the providers and the state government. The technical strategy is to create an online service-style community health information network (CHIN) that anybody can hook into — whether nurses serving remote villages, or physicians across the waters in the Russian Far East.

The plan is for all parties to work together on needs assessment and needs evaluation. Different members of the consortium have different levels of technical sophistication. The military, for example, already has a five-site videoconferencing system connecting its hub at Elmendorf Air Force Base with clinics and stations stretching across the Aleutian Islands. "Each individual member has complete autonomy over their project," says Univ. Alaska-Anchorage's Fred Pearce, one of the ATP's initiators. Still, with only two tertiary-level care centers in Anchorage, it makes sense that they and the military have agreements to share facilities for remote consulting.

As of today, the CHIN — based on "First Class" software put out by a Toronto-based vendor SoftArc — is just being installed. (First Class, already the basis of the state's emergency medical system, incorporates bulletin board and e-mail features.) In a related project, data from over 250 teleradiology cases remote "undriveable" locations and big-city providers is being collated. Over time teleradiology will be integrated within the First Class suite and be carried out over the local Internet.

Alaska has history as technology testing ground

Given its geography and location and strategic importance, Alaska has long been a site for both commercial and military technology testing, especially for satellites. The people we spoke to all make the point that in Alaska — once you get away from the "big" coastal cities — you are dealing with essentially third-world conditions obtaining in the interior — a frozen white wasteland that is as large as

the U.S. east of the Mississippi.

Much of the interior is a long way from anything, let alone health care providers; in fact, there are many sites that are only accessible by plane. The natural appeal is to get some kind of cheap technical setup in place in these villages to eliminate medical transports which can easily run upwards of \$25,000, according to Kathy Brucha-Roberts of Providence Medical Center, a tertiary care provider in Anchorage (part of the Sisters of Providence chain). Brucha-Roberts, along with Fred Pearce at the University of Alaska (also in Anchorage), is the founder of the ATP initiative.

But one thing Alaskans are a bit sensitive towards is outsiders from the lower 48 coming in and putting, as they say, a Native face on their grant applications. That is, doing TM projects with their own interests at heart in projects ostensibly intended to improve Alaskan health care. Thus the emphasis in this project on the non-flashy side of telemedicine: e-mail, phone links, slow teleradiology. The general feeling is that something cheap and low-tech will be practical and can be built on, but something high-tech and flashy like expensive videoconferencing is better left to the future.

"Today it's safe to say that almost everyone in the state at any level of dealing with TM issues — whether planning or fullblown — is in collaboration with the Alaska Telemedicine Project," says Roberts, adding: "The uniqueness of this particular project is that we are spending a tremendous amount of energy trying to figure out how we can do this together and not in competition. I think it is the only TM project where all the health care providers in the state have come together."

Since the inception of the ATP idea in August 1994, the group is now set — at the outset of 1996 — to formalize as a not-for-profit corporation and kick off an 18-24 month period of demonstrations. Some demonstrations — more informal — have already been performed by the group over the course of 1995. ATP will apply for grants from the state science and technology foundation.

The principal communications technology employed will be satellites. "Some areas up here will never have fiber," says Fred Pearce, Ph.D., of the

University of Alaska - Anchorage. "Therefore we have to look at narrow bandwidth applications." Services will be supplied by the local provider, which has gone through a number of name changes, eventually to emerge as AT&T Alaska. The hope is to get from \$250,000 to \$1 million from the state, but as Roberts told us, "The attitude in Alaska is about collaboration — not money. What we are doing is spending our health care dollars smarter."

Demos come to an end: future unclear

In the second half of 1995, coming to an end at the start of 1996, Alaska has been testing teleradiology over T1 bandwidth satellite links to three remote villages. These expensive links have been subsidized by the phone company but that subsidization will end shortly. Over a three month period, 258 TR cases were carried out. Although the technology proved successful, the related costs and personnel issues are still being sorted out to determine further deployment.

Providence Medical Center itself is considering a range of connectivities, including home telemedicine via partnerships with cable providers or through home health agencies equipping its nurses with personal digital assistants (PDAs). According to Boucha-Roberts, the vendor and carrier community will be ready when Providence makes up its mind which way to go.

On the other hand, the University is laying the ground work for links to the Russian Far East through visits by Pearce and other experts. A number of people are interested in these talks — including the military and potential exporters, he told GTR. A couple of teleconferencing meetings have been held with major healthcare facilities in Vladivostok, Magadan, Andyr and Kharabosk.

Although satellite is the primary means of coverage, beams can still be "iffy." The major bird is the Aurora II, owned by GTE and Pacific Telecom Inc. (PTI), which in the last year sold off Alascam to AT&T. You can get all the bandwidth you want over the satellite, but a T1 connection will run \$10-\$12,000 per month in many cases. Switched services such as ISDN are not available.

One common Alaskan communications prob-

ELMENDORF'S FIVE-SITE SYSTEM OFFERS LOW-TECH WAY TO CUT COSTS

Here are some notes on the Elmendorf five-site video system that will link, in part, to the ATP project:

- Col. Emma Forkner is the TM project director (and nurse executive).

- it uses S-56 lines supplied under the feds' FTS 2000 telecom contract.

- operators are exploring opportunities for real-time videoconferencing with a variety of clinical specialties. (Forkner) To date tested have been: internal medicine, physical therapy, dentistry, oral surgery, orthodontics, EMT, dermatology. Mental health and allergies are to be.

- system runs over 28.8 modems; doing real-time is "tough," so store-and-forward capabilities will be added soon to the md/tv-supplied system (Case and Forward and Housecall).

- has been running since Labor Day

- sites include: Kodiak Coast Guard Station, Adak Naval Air Station (in Aleutians) and the community hospital at Ft. Wainwright in Fairbanks.

- equipment per site cost around \$28K (\$3k per switch, \$25K per VCU)

- Alaska does NOT fit into the military's 12-region worldwide system from the medical point of view; it is under the Pacific Command in military terms.

- Forkner is "exploring" possible low-cost connection to Project Seahawk in Seattle.

- Anticipates getting ISDN to run full-scale Housecall by June or July.

- Lesson of Elmendorf: "Low-bandwidth technology really does work as an alternative to full-motion video." (Forkner)

- Elmendorf pays about \$1-12 per minute communications costs, removing the need in some cases for \$600 to \$700 — or even \$20,000 Life Flights — patient transfers. "It's cost-avoidance we're keying on," she says.

lem is that to reach many rural sites you have to make a "double satellite hop," in many cases fooling the modem into thinking the connection is terminated. "Until the middle of July there were only four voice-grade circuits licensed from Alaska to the [Russian Near East]," says Pearce. Typically, calls place there travel the reverse way around the world: From

Alaska to Seattle, New York, London, Leningrad, Moscow and then, finally, to Magadan. Yet Magadan by air is but as far away from Anchorage as Seattle. AT&T and the ATP are working to try to upgrade the infrastructure.

Development in Russia will take twenty years, estimates Pearce, adding that the way to get started is to get the Russians hooked into the Alaska network through AT&T so that they can start taking advantage of simple e-mail.

The rollout for ATP has occurred in three stages: 1) bringing together the consortium (completed in 1995); 2) doing teleradiology because it can be done (mostly completed, but probably to be expanded in this year); and, 3) rolling out an e-mail system that meshes with the systems at the university. "We have a beta version of [First Class] out," says Pearce, who particularly praises the conferencing and file-attaching features of the product along with its "robustness" (handling down to speeds of 1200 baud).

"It comes out to around a buck a client, so I use the analogy that we are building a system like Compuserve or America Online," he told us. Users will be able to access the National Library of Medicine's Grateful Med and make other use of the Internet. Alascom will provide the 1-800 dial-in service free of charge for the first 18 months, with the local exchange carrier picking up dial-in costs on its end. (There is a SNET ring in Anchorage.)

Right now the parties are testing out the Internet and First Class for use in teleradiology to remote sites. "[First Class] works superbly," says Pearce, adding, "We are playing around with video capture capabilities, again using First Class." After all, even if it takes four hours to transfer a 2K x 2K file over Internet, so what? It's still cost effective versus a three-week travel turnaround time.

The global game

It is important to keep a broad focus to make sense of what is going on. Health care is only one aspect of a bigger picture. Basically, says Pearce, the goal is to make Anchorage into a major hub of healthcare informatics, telecommunications and transportation and to be an incubator for new tech-

nologies and techniques. It is definitely in a good position to be a gateway to the Russian coast. Over time you can expect to see new telecom partnerships between Alaska and the Russians: Sen. Stevens from Alaska is a key player in this emerging world.

The Russian Far East is one of the few not totally picked-over portions of the earth in terms of mining, timber and other natural resources, and the big oil companies are now attempting to extend their presence. This is difficult without infrastructure, both telecom and otherwise. Medical care — occupational health — also gets pushed to the forefront. Health care aid is a good way for some of these firms to get a foot in the door in this section of Asia.

Activity is brewing around linking the so-called Atlantic Rim effort (headed up by the Electronic Systems Command at Hanscom Air Force Base in Massachusetts, whose John Evans has been in to give a talk to the Alaskan consortium), which aims to connect East Coast American providers to peers in Norway and England, to military and civilian TM practitioners in Alaska and — one day — the Russian Far East.

These ideas are pushed through talks and small meetings, plus a couple of big conferences coming up later in 1996: 1) a global telemedicine and federal technologies meeting to be held in Williamsburg, Va., July 17-20; and, a congress on circum-polar health in Anchorage in May, bringing together Russians, Japanese, Norwegians and others to discuss economic and health care infrastructure as well as telemedicine. (For information on the polar conference, refer to the numbers for Pearce and Boucha-Roberts below.)

Concludes Pearce, "There's a history in this state of grant money coming in and drying up, and [our goal with the ATP] is to build the foundation first, and then, as switched services become available, migrate to [higher bandwidth] applications." We'll keep you posted...(Kathy Boucha-Roberts, Providence Alaska Med. Ctr., 907-261-3195; Fred Pearce, Ph.D., Univ. Alaska - Anchorage, 907-786-4183; Denver Lodge, Indian Health Service, 907-271-4700; Lori Eussen, ATT Alascom, 907-264-7380; Soft Arc (vendor of First Class) — Alaska contact: John Shepherd, 907-694-5141; Sen. Ted Stevens, 202-224-3004.)

Alaska Telemedicine Project Member Organizations

University of Alaska Anchorage, Anchorage
Providence Health System in Alaska, Anchorage
AT&T Alascom, Anchorage
Academy of General Dentistry, Anchorage
Alaska Area Native Health Service, Anchorage
Alaska Center for Rural Health, Fairbanks
Alaska Division of Emergency Services, Anchorage
Alaska Federal Healthcare Partnership, Anchorage
Alaska Native Health Board, Anchorage
Alaska Primary Care Association, Anchorage
Alaska Rural Development Council, Anchorage
Alaska State Department of Health & Social Services, Juneau
Alaska State Division of Emergency Services, Juneau
Alaska State Hospital and Nursing Home Association, Juneau
Anchorage Diagnostic Imaging Center, Inc.
ATU Telecommunications, Anchorage
Bartlett Regional Hospital, Juneau
Bristol Bay Area Health Corporation, Dillingham
Chugachmiut Health Care Program, Seward
Columbia Regional Hospital, Anchorage
Commonwealth North, Anchorage
Copper River Economic Development Council, Glennallen
Eastern Aleutian Tribes, Anchorage
Electronic Systems Command, Hanscom AFB
Fairweather, Inc., Anchorage
GCI, Anchorage
Geneva Woods, Anchorage
GTE, Anchorage
International Union for Circumpolar Health, Anchorage
KAKM, Anchorage
Kodiak Area Native Association, Kodiak
Manilaq Association, Kotzebue
Medical Defense Performance Review, Hanscom AFB

Ministry of Health, Romania, Bucharest
MITRE Corporation, Boston
North Slope Borough Department of Health, Barrow
Norton Sound Health Corporation, Nome
PTI, Anchorage
SEARCH, Sitka
SG&A, Dallas
SouthCentral, Anchorage
Troika Technologies, Anchorage
United Utilities, Anchorage
US Department of Veteran's Affairs, Anchorage
Valley Hospital, Palmer
WAMI Rural Telemedicine Network, Anchorage
Yukon-Kuskokwim Health Corporation, Bethel