

CS FOR SENATE BILL NO. 121()

IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): SENATORS GIESSEL BY REQUEST, Gray-Jackson

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to insurance; establishing standards for health insurance provider**
2 **networks; relating to settlement of health insurance claims; relating to allowable charges**
3 **for health care services or supplies; and providing for an effective date."**

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

5 * **Section 1.** AS 21.07 is amended by adding a new section to read:

6 **Sec. 21.07.035. Minimum provider network standards.** (a) A health care
7 insurer shall take the network requirements of this section into account when
8 calculating the benefits of, or other contractual requirements applicable to, a covered
9 person's health care insurance policy that, as determined by the director,

10 (1) requires the covered person to use a limited network of health care
11 providers, as defined in regulation by the director; or

12 (2) creates a substantial financial or other incentive or disincentive for
13 the covered person to use a limited network of health care providers.

14 (b) A health care insurer's provider network must include each hospital,

1 skilled nursing facility, or mental health or substance abuse facility licensed in the
2 state and each physician, physician assistant, or advanced practice registered nurse
3 licensed in this state who is employed or contracted by one of these hospitals or
4 facilities to provide medical care at the hospital or facility. A health care insurer's
5 provider network must include each health care facility operated by an Alaska tribal
6 health organization and each physician, physician assistant, or advanced practice
7 registered nurse employed or contracted by the organization to provide medical care at
8 that location. A physician, physician assistant, or advanced practice registered nurse
9 who is employed or contracted by a hospital, skilled nursing facility, mental health or
10 substance abuse facility, or Alaska tribal health organization to provide medical care is
11 not included when calculating the health care insurer's minimum network standards set
12 out in (d) of this section.

13 (c) A health care insurer's provider network must include a sufficient number
14 of physicians, physician assistants, and advanced practice registered nurses in each
15 contracting region in which the insurer provides coverage to meet the minimum
16 network standards set out in (d) of this section. Only a physician, physician assistant,
17 or advanced practice registered nurse who is licensed in this state, meets the
18 credentialing standards of the health care insurer, and whose principal practice
19 location is physically located in the applicable contracting region may be included
20 when determining whether a health care insurer meets the minimum network standards
21 set out in (d) of this section. If an insurer treats the physician, physician assistant, or
22 advanced practice registered nurse as contracted for the purposes of all insurance
23 benefit determinations, a health care insurer may include in the provider network a
24 physician, physician assistant, or advanced practice registered nurse who is not a
25 contracted network health care provider to meet the standards set out in (d) of this
26 section. Each physician, physician assistant, or advanced practice registered nurse
27 included in the health care insurer's provider network, including a physician, physician
28 assistant, or advanced practice registered nurse that is not a contracted network health
29 care provider, must be shown as an in-network provider in the insurer's directory of
30 network providers.

31 (d) For purposes of this section, the state is divided into six contracting

1 regions: the Municipality of Anchorage; the Matanuska-Susitna Borough; the
2 Fairbanks North Star Borough and Southeast Fairbanks Census Area; the Kenai
3 Peninsula Borough; the City and Borough of Juneau, Ketchikan Gateway Borough,
4 and City and Borough of Sitka; and the remainder of the state. A health care insurer
5 that provides coverage in the Municipality of Anchorage contracting region must
6 include in the insurer's provider network at least 70 percent of the total number of
7 actively practicing physicians, physician assistants, and advanced practice registered
8 nurses in each specialty recognized for a Medicare advantage plan network adequacy
9 requirement for the Centers for Medicare and Medicaid Services physically located in
10 the region and at least 70 percent of the provider groups in each specialty. A health
11 care insurer that provides coverage in the Matanuska-Susitna Borough contracting
12 region or the Fairbanks North Star Borough and Southeast Fairbanks Census Area
13 contracting region must include in the insurer's provider network at least 75 percent of
14 the total number of actively practicing physicians, physician assistants, and advanced
15 practice registered nurses in each specialty recognized for a Medicare advantage plan
16 network adequacy requirement for the Centers for Medicare and Medicaid Services
17 physically located in those regions and at least 75 percent of the provider groups in
18 each specialty. A health care insurer that provides coverage in the Kenai Peninsula
19 Borough contracting region, the City and Borough of Juneau, Ketchikan Gateway
20 Borough, and City and Borough of Sitka contracting region, or the contracting region
21 covering the remainder of the state must include in the insurer's provider network at
22 least 80 percent of the total number of actively practicing physicians, physician
23 assistants, and advanced practice registered nurses in each specialty recognized for a
24 Medicare advantage plan network adequacy requirement for the Centers for Medicare
25 and Medicaid Services physically located in those regions and at least 80 percent of
26 the provider groups in each specialty.

27 (e) A health care insurer may make a written request to the director for an
28 exception to the minimum provider network standards set out under this section. The
29 director may grant an exception only for a specified limited period not to exceed 36
30 months. The director shall adopt regulations specifying the procedure for requesting
31 an exception and the standards for granting an exception. The director shall require the

1 health care insurer to submit a plan to achieve the minimum network standards within
2 the time frame of the exception granted by the director and submit annual progress
3 reports to the director.

4 (f) A health care insurer shall annually attest whether the insurer meets or
5 exceeds the minimum provider network standards in this section for each contracting
6 region in which the insurer provides coverage and provide to the director supporting
7 documentation to demonstrate compliance as part of the insurer's required rate filings.
8 If a health care insurer does not meet a specific standard, the insurer shall submit a
9 plan for corrective action for consideration by the director.

10 (g) The director may adopt regulations necessary to implement this section.
11 The director may adopt in regulation minimum provider network standards by
12 contracting region that exceed the minimum network standards set out in (d) of this
13 section.

14 * **Sec. 2.** AS 21.36 is amended by adding a new section to read:

15 **Sec. 21.36.497. Standards for settlement of health insurance claims.** (a) In
16 the absence of a contract between a health care insurer and a health care provider that
17 sets allowable charges for health care services and supplies furnished to a covered
18 person, the director shall set by regulation the standards that a health care insurer must
19 use to set allowable charges for health care services or supplies furnished to a covered
20 person by a health care provider in the state. The director shall require a health care
21 insurer to use a statistically credible methodology to set allowable charges. Allowable
22 charges must be based on the most current data available that shows amounts charged
23 by health care providers in the state for the service or supply over a 12-month period,
24 must be the same across the state, and must be at least 345 percent of the federal
25 Centers for Medicare and Medicaid Services physician fee schedule for the state in
26 effect at the time of delivery of the health care service or supply.

27 (b) The director shall periodically audit and validate the methodology used by
28 a health care insurer under (a) of this section to ensure that the insurer is setting
29 allowable charges in accordance with this section. Unless otherwise required by the
30 director, a health care insurer shall review and update allowable charges at least every
31 five years, but not more often than every three years.

1 (c) A health care insurer shall uniformly and equally apply reimbursement
 2 rates for an allowable charge under (a) of this section for the same type of health care
 3 service or supply and for health care providers who are practicing within the scope of
 4 the provider's license and who are authorized to bill for health care services or supplies
 5 under the Current Procedural Terminology code adopted by the American Medical
 6 Association or other industry standard method of coding.

7 (d) In this section,

8 (1) "allowable charge" means the minimum amount that a health care
 9 insurer may use to set reimbursement rates for health care providers and to calculate
 10 benefits and pay health insurance claims on behalf of a covered person;

11 (2) "health care insurer" has the meaning given in AS 21.54.500;

12 (3) "health care provider" means a physician or other medical
 13 professional licensed in this state.

14 * **Sec. 3.** AS 21.07.020(3) is repealed.

15 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
 16 read:

17 **TRANSITION: CALCULATION OF ALLOWABLE CHARGES.** Notwithstanding
 18 AS 21.36.497, added by sec. 2 of this Act, a health care insurer shall set allowable charges for
 19 services and supplies for calendar year 2027 based on the most current data available that
 20 shows the amounts charged by health care providers in the state for the services and supplies
 21 over a 12-month period beginning in 2024 or earlier. Beginning in calendar year 2030,
 22 allowable charges must be based on the most current data available at that time that shows the
 23 amounts charged by health care providers in the state for the services and supplies over a 12-
 24 month period.

25 * **Sec. 5.** This Act takes effect January 1, 2027.