

HOUSE BILL NO. 470

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE B.DAVIS

Introduced: 2/5/96

Referred: Health, Education and Social Services, State Affairs, Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing the Alaska Health Insurance Corporation and requiring**
2 **licensed health care providers to comply with certain statutes and regulations**
3 **relating to the corporation; relating to disability insurance claims processing and**
4 **to approval of rates for disability insurance, including health insurance; and**
5 **providing for an effective date."**

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

7 *** Section 1. FINDINGS AND PURPOSE.** (a) The legislature finds that

8 (1) health care services and health insurance in the state are becoming
9 prohibitively costly, and a growing number of our citizens are unable to obtain health
10 insurance or pay for needed care;

11 (2) the reasons that health care expenditures are increasing are complex and
12 are accounted for by general inflation; by inflation specific to the health care industry or
13 changes in the cost of labor, capital, and other industry factors; by population growth; by

1 utilization or the number of times people use health care services; by increasingly complex
2 and costly technology and other resources; by the aging of the population; and the practice
3 of defensive medicine;

4 (3) the primary responsibility for controlling health care expenditures in the
5 state should be borne by Alaska health care providers, particularly physicians, on whose orders
6 and recommendations most health care expenditures are incurred; at present, federal and state
7 antitrust laws effectively preclude health care providers from engaging in voluntary self-
8 regulation regarding fees and volume of services; this Act mandates the participation by health
9 care providers in the peer review process of cost control and volume control to assure that
10 health care expenditures do not increase faster than the general inflation rate; if voluntary self-
11 regulation fails to control health care costs, mandatory cost controls should be imposed;

12 (4) in order to increase access to health care by containing the rate of increase
13 of health care expenditures and by making basic health insurance available to the people in
14 the state, it is essential that the factors contributing to the increasing costs of health care and
15 the unavailability of health insurance be addressed comprehensively and consistently;

16 (5) there is a compelling need for a strong, clear focus on public health issues
17 in the interest of protecting and promoting the public health of the residents of the state;

18 (6) there are inherent problems in our health system infrastructure, including
19 the lack of physical access to services in many areas of the state;

20 (7) the state should immediately begin to create a system that will provide
21 health insurance to all residents of the state, control health care expenditures, preserve the high
22 quality of care that residents demand, and preserve the individual's choice of health care
23 provider;

24 (8) a market based single payer system is preferable to a managed care system
25 because managed care creates inherent conflicts between the goals of profitability and quality
26 patient care, restricts access to health care providers, provides no relief for uninsured residents,
27 and creates an expensive health care bureaucracy that is responsible for limiting health care
28 services;

29 (9) because the state constitution's single subject rule precludes the
30 consideration of comprehensive tort reform in the same legislative enactment as health care
31 reform, tort reform should be addressed in a separate legislative enactment;

1 (10) a market based single payer system is preferable to either an employer
2 mandate or a "pay or play" approach because

3 (A) both of the employer mandate approaches are based on the current
4 mix of public, employer, and individual financing that inevitably creates coverage gaps
5 for some people, particularly when their employment status changes;

6 (B) health care financing approaches that require all businesses to
7 provide health care benefits or that levy additional taxes on those businesses threaten
8 the economic viability of many small businesses in the state;

9 (C) multiple payer systems would not necessarily address the problems
10 of cost shifting that exist in our current system; and

11 (D) systems that are built upon the existing public and private financing
12 arrangements can be expected to inherit the inefficiencies in those arrangements.

13 (b) The purpose of this Act is to

14 (1) increase access to health care by containing the rate of increase of health
15 care expenditures and by making health insurance available to the people in the state;

16 (2) create a market based single payer state health insurance system that
17 provides health insurance to all residents of the state, that utilizes market forces to make
18 consumers more aware of the actual costs of health services, and that provides consumers with
19 information enabling them to make more informed purchasing decisions;

20 (3) provide a structure for addressing the health care needs of the state
21 including

22 (A) developing a comprehensive long-term care plan that integrates
23 support services and that promotes human dignity;

24 (B) use of preventive and wellness programs to reduce health care
25 costs; and

26 (C) the different health care needs of urban and rural areas of the state.

27 (c) It is not the purpose of this Act to change the existing agreements between
28 employers and employees, including retirees, in a manner that would diminish health care
29 benefits.

30 * **Sec. 2.** AS 08.02 is amended by adding a new section to read:

31 Sec. 08.02.035. COMPLIANCE WITH REQUIREMENTS OF STATE

1 HEALTH INSURANCE CORPORATION. A health care provider shall comply with
2 the required price list availability provisions of AS 21.58.230 and the health care data
3 system provisions of AS 21.58.260 that are applicable to health care providers
4 including regulations adopted by the Alaska Health Insurance Corporation under those
5 provisions. Notwithstanding another provision of law, the license of a health care
6 provider is not valid unless the health care provider complies with this section. In this
7 section, "health care provider" has the meaning given in AS 21.58.400.

8 * **Sec. 3.** AS 21.39.020 is amended to read:

9 Sec. 21.39.020. **APPLICABILITY.** (a) This chapter applies to **disability**
10 **insurance, to** all forms of casualty insurance, including fidelity, surety, and guaranty
11 bonds, to all forms of fire, marine, and inland marine insurance, and to a combination
12 of any of them, or risks or operations in this state. Inland marine insurance includes
13 insurance defined by statute, or by interpretation of statute, or if not defined or
14 interpreted, by ruling of the director, or as established by general custom of the
15 business, as inland marine insurance.

16 (b) This chapter does not apply to

17 (1) reinsurance, other than joint reinsurance to the extent stated in
18 AS 21.39.110;

19 (2) [DISABILITY INSURANCE;

20 (3)] insurance of vessels or craft, their cargoes, marine builders' risks,
21 marine protection and indemnity, or other risks commonly insured under marine, as
22 distinguished from inland marine insurance policies;

23 **(3)** [(4)] insurance against loss of or damage to aircraft or against
24 liability, other than workers' compensation and employer's liability, arising out of the
25 ownership, maintenance, or use of aircraft; or, to insurance of hulls of aircraft,
26 including their accessories and equipment.

27 * **Sec. 4.** AS 21.39.030(a) is amended to read:

28 (a) Rates shall be made in accordance with the following provisions:

29 (1) rates **may** [SHALL] not be excessive, inadequate, or unfairly
30 discriminatory;

31 (2) consideration shall be given to past and prospective loss experience

1 inside and outside this state, to the conflagration and catastrophe hazards, to a
2 reasonable margin for underwriting profit and contingencies, to dividends, savings, or
3 unabsorbed premium deposits allowed or returned by insurers to their policyholders,
4 members, or subscribers, to past and prospective expenses both countrywide and those
5 specially applicable to this state, and to all other relevant factors inside and outside this
6 state;

7 (3) the systems of expense provisions included in the rates for use by
8 an insurer or group of insurers may differ from those of other insurers or group of
9 insurers to reflect the requirements of the operating methods of the insurer or group
10 of insurers with respect to any kind of insurance, or with respect to a subdivision or
11 combination **of them** [THEREOF] for which subdivision or combination separate
12 expense provisions are applicable;

13 (4) risks may be grouped by classifications for the establishment of
14 rates and minimum premiums; classification rates may be modified to produce rates
15 for individual risks in accordance with rating plans that establish standards for
16 measuring variations in hazards or expense provisions, or both; the standards may
17 measure any differences among risks that can be demonstrated to have a probable
18 effect upon losses or expenses;

19 (5) in the case of fire insurance rates, consideration may be given to
20 the experience of the fire insurance business during a period of not more than the most
21 recent five-year period for which experience is available;

22 (6) when there is an established program to inspect new and existing
23 dwellings and the program has been certified by the director as likely to reduce the
24 incidence of fires in inspected dwellings, then in any rate plan used in this state,
25 dwellings that have been found by the inspection to meet the standards established by
26 the program shall have credits applied to the rate in amounts approved by the director;

27 **(7) in the case of disability insurance rates, rates shall be made on**
28 **a statewide basis; rates may vary depending on age and family status.**

29 * **Sec. 5.** AS 21.54 is amended by adding a new section to read:

30 Sec. 21.54.025. CLAIMS PROCESSING. (a) An insurer authorized to
31 transact disability insurance in the state shall

1 (1) pay each claim within 15 business days after a claim is received or,
2 within that same time period, give the person that submitted the claim notice that the
3 claim is denied; and

4 (2) adopt a claims grievance procedure and submit the procedure to the
5 division for approval; after the procedure has been approved, the insurer shall follow
6 the procedure.

7 (b) If a claim form is fully completed and an insurer fails to pay a claim or
8 give notice that the claim is denied within the time specified in (a) of this section, the
9 insurer shall pay interest at the rate specified in AS 45.45.010, from the 16th business
10 day after the claim was received until paid, on the amount finally determined to be
11 due.

12 (c) If an insurer denies a claim, the notice that the claim is denied must
13 include a statement of the reason for the denial. The statement must be sufficiently
14 clear to allow the provider to understand the reason for the denial and to take
15 corrective action, including resubmission of the claim, if appropriate.

16 * **Sec. 6.** AS 21 is amended by adding a new chapter to read:

17 **CHAPTER 58. ALASKA HEALTH INSURANCE CORPORATION.**

18 **Sec. 21.58.010. CREATION AND PURPOSE.** (a) The Alaska Health
19 Insurance Corporation is established. The corporation is a public corporation and an
20 instrumentality of the state in the Department of Commerce and Economic
21 Development but has a legal existence independent of and separate from the state. The
22 exercise by the corporation of the powers conferred by this chapter is considered an
23 essential function of the state.

24 (b) The purposes of the corporation are to establish and provide uniform health
25 insurance coverage for all residents of the state and to monitor and control all health
26 care expenditures in the state.

27 **Sec. 21.58.020. BOARD OF DIRECTORS.** The corporation is managed by
28 a board of seven directors.

29 **Sec. 21.58.030. APPOINTMENT AND REMOVAL OF DIRECTORS.** (a)
30 The directors of the corporation are appointed by the governor, subject to confirmation
31 by the legislature. A director may be removed only for good cause.

- 1 (b) In appointing directors to the board, the governor shall ensure that
2 (1) a majority of the board are experts in health care issues and fairly
3 represent the interests of the general public in having access to quality and affordable
4 health care;
5 (2) the interests of consumers and health care providers are fairly
6 represented;
7 (3) the director is a resident of the state; and
8 (4) the board has a gender and geographic composition that
9 approximates the population of the state.

10 Sec. 21.58.040. TERM OF SERVICE. The term of a director is four years.
11 Terms of directors shall be staggered. A director may be appointed to successive
12 terms. A director appointed to fill a vacancy serves for the unexpired term of the
13 director. A term shall be measured from January 1 of the year in which the term of
14 the vacant position begins, regardless of when the vacancy is filled.

15 Sec. 21.58.050. COMPENSATION AND EXPENSES. A director is entitled
16 to receive compensation at the rate of \$400 for each day spent in performing duties
17 as a board member and to travel and per diem expenses authorized by law for boards
18 and commissions under AS 39.20.180.

19 Sec. 21.58.060. OFFICERS. At the first meeting of each year, the board of
20 the corporation shall elect a chair and a vice-chair from among its members. The
21 corporation shall prescribe their duties by regulation.

22 Sec. 21.58.070. MEETINGS AND QUORUM. The board of the corporation
23 shall meet at least once every three months. Four members of the board constitute a
24 quorum for the transaction of business and the exercise of the powers and duties of the
25 corporation.

26 Sec. 21.58.080. ADMINISTRATIVE PROCEDURE. Actions of the
27 corporation under this chapter are subject to AS 44.62 (Administrative Procedure Act).

28 Sec. 21.58.090. STAFF AND PROFESSIONAL SERVICES CONTRACTS.
29 The corporation shall employ an executive director who serves at the pleasure of the
30 corporation as its chief administrative officer. The executive director may, with the
31 approval of the corporation, select and employ additional staff as necessary. The

1 executive director is in the exempt service under AS 39.25.110. Employees of the
2 corporation other than the executive director are in the classified service under
3 AS 39.25.100. In addition to its staff of regular employees, the corporation may
4 contract for the services of consultants and professional, technical, and financial
5 advisors the corporation considers necessary for the purpose of developing information,
6 conducting hearings, studies, investigations, or other proceedings, or otherwise
7 exercising its powers.

8 Sec. 21.58.100. GENERAL POWERS. The corporation may

9 (1) exercise the powers granted to insurers under the laws of the state
10 when allowed under AS 21.58.130(c); if the corporation acts as an insurer, the
11 corporation shall comply with the requirements applicable to insurers under this title;

12 (2) sue or be sued;

13 (3) make contracts and execute all instruments necessary or convenient
14 for carrying out its business;

15 (4) establish administrative or accounting procedures;

16 (5) acquire, own, hold, dispose of, and encumber personal property and
17 lease real property in the exercise of its powers;

18 (6) establish appropriate levels of reserves to cover expenses of the
19 corporation;

20 (7) perform all other acts necessary and proper to carry out the duties
21 of the corporation.

22 Sec. 21.58.110. DUTIES. The corporation shall

23 (1) adopt regulations to implement this chapter;

24 (2) create and implement the formal public involvement process
25 required under AS 21.58.320, for the purpose of gathering broad input on the state
26 health insurance plan, options for financing the cost of coverage, cost-sharing of the
27 health insurance plan, and the cost of plan administration;

28 (3) establish the comprehensive health care data system required under
29 AS 21.58.260;

30 (4) monitor the use of uniform claims forms;

31 (5) develop and update the public health improvement plan for the state

1 required under AS 21.58.310;

2 (6) establish the claims clearinghouse required under AS 21.58.220;

3 (7) develop a benefits package of health care services that enrollees in
4 the state health insurance plan are entitled to receive and determine the eligibility
5 requirements for enrollment;

6 (8) annually determine the appropriate fee to be paid by an enrollee,
7 after considering the enrollee's income, assets, financial obligations, or other criteria,
8 as determined by the corporation;

9 (9) define acceptable reasons for denial of claims under the state health
10 insurance plan;

11 (10) at least annually, review the health care benefits package and
12 revise it as determined by the corporation, taking into consideration the health needs
13 of the state, available funding, and other relevant factors as determined by the
14 corporation;

15 (11) establish the cost control system required under AS 21.58.180,
16 21.58.230, 21.58.250, 21.58.270, 21.58.290, and 21.58.330, and the voluntary cost
17 control system required under AS 21.58.240 and 21.58.280;

18 (12) periodically review options to finance the state health insurance
19 plan and present options to the legislature;

20 (13) with funds from the state health fund, provide or procure coverage
21 required under the state health insurance plan; as provided under AS 21.58.130, the
22 corporation may act as an insurer or procure coverage from one or more companies
23 licensed to transact health insurance in the state for all persons who are eligible to be
24 enrollees of the state health insurance plan;

25 (14) pursue necessary federal waivers from applicable federal law or
26 other federal health care payers in order to incorporate both claims data and revenue
27 streams into the corporation's data system and additional revenue into the state health
28 insurance fund;

29 (15) implement the state health insurance plan as a market based single
30 payer system;

31 (16) design a program to give incentives to primary care providers to

1 practice in the state, especially in rural and under served areas of the state; incentives
2 may include added premiums on prices for primary care providers, a student loan
3 forgiveness program, an in-state family practice residency program, training and
4 rotations for midlevel practitioners, and other appropriate incentives;

5 (17) impose a mandatory cost control system in part or overall if the
6 corporation determines that the voluntary cost control system described under
7 AS 21.58.280 has failed to substantially achieve the adopted expenditure target;

8 (18) establish committees of experts and others as needed to make
9 recommendations to the corporation regarding how to contain the cost of health care,
10 including incorporating a greater emphasis on healthful lifestyles, prevention of disease
11 and injury, promoting effective medical treatments, identifying the optimal provider
12 mix within the state, or other matters determined by the corporation;

13 (19) develop a plan that comprehensively addresses the needs of
14 residents of the state for long-term care; and

15 (20) hold public meetings and annually report to enrollees, the
16 governor, and the legislature.

17 Sec. 21.58.120. HEALTH INSURANCE FUND. The state health insurance
18 fund is established as a separate account in the general fund. The fund shall be
19 administered by the corporation and used to provide or to purchase insurance under
20 AS 21.58.110 or 21.58.130. The fund consists of appropriations by the legislature,
21 individual or employer contributions, and private or government grants.

22 Sec. 21.58.130. PROCUREMENT OR PROVISION OF INSURANCE. (a)
23 The corporation shall

24 (1) solicit proposals from insurance companies that are licensed to
25 transact health insurance in the state under the procurement procedures adopted by the
26 corporation under AS 36.30.015(e); and

27 (2) if the corporation does not act as an insurer as provided under (c)
28 of this section, select one or more companies with which it will contract to provide
29 insurance, after considering the cost of the insurance, the availability from the
30 company of program features directed at reducing the cost of providing health care
31 services, and other relevant factors as determined by the corporation.

1 (b) The corporation may contract for insurance coverage for enrollees for a
2 term that it considers to be the most advantageous to the corporation and its enrollees,
3 for a period not exceeding three years.

4 (c) If, after the proposal process under (a) of this section has been completed,
5 the corporation determines that the desired coverage or benefits are not available from
6 insurers licensed in this state or the corporation can provide the desired coverage and
7 benefits at a lower cost per eligible person, the corporation may act as an insurer.

8 Sec. 21.58.140. ENROLLEES. (a) A person is eligible to be an enrollee in
9 the state health insurance plan under this chapter in a given year if the person is a
10 resident of the state and has complied with the procedures established by the
11 corporation under (d) of this section. For purposes of enrollment, the corporation shall
12 by regulation define residency in a manner that is consistent with AS 01.10.055 and
13 with this chapter.

14 (b) A person who is eligible to be an enrollee shall be enrolled by the
15 corporation in the state health insurance plan.

16 (c) The corporation shall cancel an enrollee's coverage if, during the fiscal
17 year, the enrollee becomes ineligible to be an enrollee.

18 (d) The corporation shall establish by regulation appropriate procedures for
19 processing applications for enrollment, for determining the eligibility of enrollees, for
20 enrolling enrollees, for determining and collecting the applicable fees, for canceling
21 an enrollee's coverage, and for processing appeals by enrollees of adverse decisions
22 by the corporation regarding eligibility, enrollment, determination or collection of
23 applicable fees, or cancellation of coverage.

24 Sec. 21.58.150. DISCRIMINATION AGAINST ENROLLEES PROHIBITED.
25 A health care provider may not discriminate against an enrollee with respect to the
26 availability, cost, or quality of health care services wholly or in part on the basis of
27 the person's status as an enrollee.

28 Sec. 21.58.160. CONFIDENTIALITY OF ENROLLEE INFORMATION.
29 Medical and financial information regarding applicants or current or former enrollees
30 is confidential and is not subject to public disclosure. The corporation by regulation
31 may establish reasonable standards for the release of limited information in specified

1 circumstances, including the release of reasonably necessary information to insurance
2 companies and the release of information with the written authorization of the
3 applicant or enrollee.

4 Sec. 21.58.170. HEALTH INSURANCE PLAN. (a) The corporation shall
5 adopt regulations specifying the health care services required to be covered by the state
6 health insurance plan, taking into consideration the services requested by the public,
7 the needs and characteristics unique to state residents, the goal of prevention of illness
8 and promotion of wellness, the cost of providing the benefits package, the cost of
9 providing or procuring the insurance coverage, and the funds available in the state
10 health insurance fund.

11 (b) The corporation shall conduct a comprehensive public involvement process
12 designed to solicit information and opinions regarding the services required to be
13 covered under (a) of this section.

14 Sec. 21.58.180. DEDUCTIBLES AND COPAYMENTS. Subject to
15 AS 21.58.170, the corporation shall establish the deductible and copayment amounts
16 applicable under the state health insurance plan.

17 Sec. 21.58.190. PREMIUMS. A premium may be charged to an enrollee for
18 coverage as established by the corporation by regulation. In establishing a premium,
19 the corporation shall establish a standard fee and a sliding scale fee and shall consider
20 the cost of coverage, funding available, and other factors the corporation determines
21 are relevant.

22 Sec. 21.58.200. PROHIBITED DISCRIMINATION BETWEEN HEALTH
23 CARE PROVIDERS. The corporation may not discriminate between health care
24 providers who are licensed to perform a covered health care service unless the type of
25 health care service provided is not included under the state health insurance plan.

26 Sec. 21.58.210. SOLICITATION OF ELIGIBLE PERSONS. (a) The
27 corporation, under a plan approved by the director, shall disseminate appropriate
28 information to the residents of the state regarding the existence of the state health
29 insurance plan and the means of enrollment.

30 (b) The corporation shall devise and implement a means of maintaining public
31 awareness of the provisions of this chapter regarding the state health insurance plan

1 and shall administer this chapter in a manner that facilitates public participation in the
2 state health insurance plan.

3 Sec. 21.58.220. CLAIMS CLEARINGHOUSE. (a) The corporation shall
4 establish a claims clearinghouse in the state. A provider of health care services shall
5 submit all claims for payment under the state health insurance plan to the claims
6 clearinghouse. The corporation may, by regulation, require providers to submit
7 specified additional information pertaining to providing health care services in the state
8 to the claims clearinghouse.

9 (b) Subject to appropriation, the claims clearinghouse shall pay claims
10 approved for payment by the corporation under the state health insurance plan.

11 (c) The claims clearinghouse shall comply with the provisions of
12 AS 21.54.025, except that the claims grievance procedure required by
13 AS 21.54.025(a)(2) shall be submitted to the board of directors of the corporation for
14 approval.

15 (d) The claims clearinghouse may deny a claim only for a reason that has been
16 specified as an acceptable reason by the corporation under AS 21.58.110(9).

17 Sec. 21.58.230. REQUIRED AVAILABILITY OF PRICE LIST. (a) A health
18 care provider shall prepare a list of the provider's prices that includes the dates during
19 which the prices will be applicable. The price list shall be made available either by
20 posting the price list in a conspicuous location in the health care provider's office or
21 by similarly posting a notice that the price list is available for review upon request.
22 The corporation shall determine by regulation the contents of the price list required
23 under this section.

24 (b) At least annually, a health care provider shall submit to the corporation
25 copies of the provider's current price list. The corporation shall specify by regulation
26 the date for submitting the price lists.

27 Sec. 21.58.240. INFORMATION ON PRICES FOR HEALTH CARE
28 SERVICES. The corporation shall at least annually publish a description of types of
29 health care providers licensed to provide covered services and a comparative list of
30 provider prices. The corporation shall make the publications available to the public
31 upon request.

1 Sec. 21.58.250. COMPARATIVE LISTS OF PRICES. (a) At least annually,
2 the corporation shall compile comparative lists of prices for commonly provided health
3 care services based on abstracted data provided by the claims clearinghouse under
4 AS 21.58.220, on the price lists submitted to the corporation under AS 21.58.230, and
5 on other relevant information as determined by the corporation.

6 (b) The lists required under this section shall be prepared to allow
7 identification and comparison of prices made by individual providers for the listed
8 services. Hospital services may be compared on the basis of diagnosis related groups.

9 Sec. 21.58.260. HEALTH CARE DATA SYSTEM. (a) The corporation shall
10 develop and periodically update a health care data system. To the extent practicable,
11 the data system base year shall be calendar year 1995 and the system must include

12 (1) health care expenditures, including capital expenditures associated
13 with receiving health care;

14 (2) demographic data;

15 (3) clinical information, including patient diagnosis, type of provider,
16 type of service, location and length of care, referral patterns, quality of care, and result
17 of care;

18 (4) billing and payment data; and

19 (5) public health data, including vital statistics and health status.

20 (b) The corporation may, by regulation, require health care providers, including
21 providers not being reimbursed by the corporation, to submit claims data and
22 additional information necessary to develop or update the data system required under
23 (a) of this section.

24 Sec. 21.58.270. STATEWIDE HEALTH CARE EXPENDITURE TARGET.

25 (a) The corporation shall prescribe by regulation a statewide health care expenditure
26 target, based on the data obtained under AS 21.58.260. To the extent practicable, the
27 base year for the statewide health care expenditure target shall be calendar year 1995.

28 (b) The corporation annually shall adjust the health care expenditure target
29 established under this section to reflect changes in the Consumer Price Index and the
30 following factors:

31 (1) changes in the size and demographic characteristics of the state's

- 1 population including aging;
- 2 (2) changes in medical technology;
- 3 (3) changes that improve access to health care services;
- 4 (4) changes in the burden of disease resulting from epidemics, disasters,
- 5 and reduction or elimination of disease;
- 6 (5) elimination of unnecessary care;
- 7 (6) changes in costs associated with professional liability insurance;
- 8 (7) changes in administrative costs;
- 9 (8) changes in patterns of utilization.

10 Sec. 21.58.280. VOLUNTARY HEALTH CARE PROVIDER COMPLIANCE.

11 The health care expenditure target adopted by the corporation under AS 21.58.270
12 shall constitute a recommended target for expenditures within each specified category
13 or subcategory of health care services or products. Health care providers may
14 voluntarily comply with the expenditure target and may take all appropriate steps not
15 prohibited by law to attempt to ensure that annual expenditures for health care in the
16 state do not exceed the expenditure target adopted by the corporation.

17 Sec. 21.58.290. REVIEW AND REPORT ON HEALTH CARE
18 EXPENDITURES. The corporation shall annually review and report to the legislature
19 and the governor on

- 20 (1) the total amount of health care expenditures in the state;
- 21 (2) the amount of increase or decrease in health care and capital
22 medical expenditures in the state;
- 23 (3) changes in health care provider prices;
- 24 (4) changes in patterns of utilization or expenditures; and
- 25 (5) factors that are responsible for changes in patterns of utilization or
26 expenditures.

27 Sec. 21.58.300. MANDATORY HEALTH CARE PROVIDER COMPLIANCE.

28 (a) Based on the data compiled under AS 21.58.260, the corporation shall monitor the
29 success of voluntary compliance under AS 21.58.280. At any time beginning three
30 years after the voluntary expenditure target has been in effect, if the corporation
31 concludes that voluntary compliance has failed substantially to achieve the adopted

1 expenditure target, the corporation shall impose by regulation a mandatory expenditure
2 limit as provided under (b) of this section.

3 (b) The corporation may, by regulation,

4 (1) impose a mandatory expenditure limit on one or more subcategories
5 or on specific items within the expenditure limit;

6 (2) directly assume all or part of the cost control functions specified
7 under AS 21.58.110(11);

8 (3) establish mandatory price and utilization controls or guidelines;

9 (4) annually monitor health care expenditures, patterns of utilization,
10 and factors contributing to changes in expenditures or utilization;

11 (5) establish cost sharing recommendations relevant to the mandatory
12 expenditure limit.

13 (c) A health care provider shall comply with the mandatory cost control
14 provisions that may be established by the corporation under (a) and (b) of this section.

15 An enrollee who receives a charge that does not comply with the mandatory cost
16 control provisions that are imposed under this section is not required to pay the portion
17 of the charge that exceeds the mandatory cost control provisions. A health care
18 provider shall refund an amount received that exceeds the mandatory cost control
19 provisions.

20 (d) The corporation shall establish by regulation procedures for monitoring
21 compliance with the mandatory cost control provisions and for providing notice to a
22 person who is determined to have been overcharged.

23 Sec. 21.58.310. PUBLIC HEALTH IMPROVEMENT PLAN. (a) The
24 corporation shall develop and annually update a public health improvement plan for
25 the state. The plan required under this section must recognize the need for

26 (1) community involvement in health care planning and delivery;

27 (2) attention to local needs that may vary from place to place;

28 (3) accountability for the use of public funds;

29 (4) equity and stability in the distribution of public funds;

30 (5) shared responsibility of all levels of government for administering
31 and financing public health care delivery; and

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- (6) coordination of basic public health services.
 - (b) The plan required under this section must include
 - (1) an analysis of the health status of the residents of the state;
 - (2) an assessment of the most appropriate role for various levels of government to play in addressing the health care needs of the residents of the state;
 - (3) a delineation of the standards that should be used in performing assessment, policy development, and quality assurance in the delivery of public health services;
 - (4) documentation of the extent to which the current public health system implements or achieves the standards identified under (3) of this subsection;
 - (5) identification of interjurisdictional issues involved in health care access and delivery;
 - (6) recommendations, including recommendations for specific legislative action when necessary, pertaining to the following:
 - (A) strategies, time lines, financial needs, and specific sources of stable revenue for bringing the state public health care system up to standards identified by the corporation;
 - (B) appropriate sharing of the responsibility of local, regional, state, and federal government entities to deliver public health care services efficiently and effectively, including recommendations for organization within state government;
 - (C) integration of the public health care system with state and national health care reform efforts;
 - (D) the corporation's estimate of the optimal share that public health should represent in the total health care delivery system of the state, expressed in terms of a percentage of health care expenditures in the state.
- Sec. 21.58.320. **REQUIRED PUBLIC INVOLVEMENT PROCESS.** The corporation shall design, implement, and maintain an extensive community based public involvement process for the purpose of providing residents with an ongoing opportunity to participate in decisions made by the corporation's board of directors regarding

- 1 (1) health care services residents want included in the benefit package;
- 2 (2) financing options;
- 3 (3) revenue sources that should be used to finance the health plan;
- 4 (4) cost-sharing options; and
- 5 (5) administration of the health care plan.

6 Sec. 21.58.330. PEER REVIEW OF UTILIZATION AND QUALITY. The
7 corporation shall contract with health care providers in the state to develop utilization
8 and quality controls. The contract must include the use of peer specialty groups that
9 are given the goal of controlling utilization within a specialty. The corporation shall
10 ensure that the contract stresses the development of the use of incentives to control
11 costs.

12 Sec. 21.58.400. DEFINITIONS. In this chapter,

13 (1) "clearinghouse" means the claims clearinghouse designated by the
14 corporation under AS 21.58.220;

15 (2) "Consumer Price Index" means the Consumer Price Index for
16 Anchorage, All Items Index, compiled by the Bureau of Labor Statistics, United States
17 Department of Labor;

18 (3) "corporation" means the Alaska Health Insurance Corporation
19 established in AS 21.58.010;

20 (4) "enrollee" means a person whose application for coverage under the
21 state health insurance plan has been accepted by the corporation, who has completed
22 applicable enrollment procedures, who is covered by insurance under the program;

23 (5) "health care provider" means an acupuncturist licensed under
24 AS 08.06; an audiologist licensed under AS 08.11; a chiropractor licensed under
25 AS 08.20; a dental hygienist licensed under AS 08.32; a dentist licensed under
26 AS 08.36; a marital or family therapist licensed under AS 08.63; a direct-entry
27 midwife licensed under AS 08.65; a nurse licensed under AS 08.68; a dispensing
28 optician licensed under AS 08.71; a naturopath licensed under AS 08.45; an
29 optometrist licensed under AS 08.72; a pharmacist licensed under AS 08.80; a physical
30 therapist or occupational therapist licensed under AS 08.84; a physician's assistant
31 certified under AS 08.64; a physician licensed under AS 08.64; a podiatrist licensed

1 under AS 08.64; a psychologist and a psychological associate licensed under AS 08.86;
2 a clinical social worker licensed under AS 08.95; an emergency medical technician
3 certified under AS 18.08.082; a mobile intensive care paramedic trained as required
4 under AS 18.08.082; a hospital as defined in AS 18.20.130, including a governmentally
5 owned or operated hospital; and an employee of a health care provider acting within
6 the course and scope of employment;

7 (6) "health care services" means preventive, diagnostic, medical,
8 surgical, reproductive, psychiatric, psychologic, rehabilitative, health maintenance,
9 dental, podiatric, optometric, optical, audiologic, nutritive, and chiropractic care;
10 prescription drugs, laboratory and radiologic services, medical supplies, durable
11 medical equipment and devices; personal assistance services; inpatient and outpatient
12 care; home health care; hospice care; and long-term or institutional care;

13 (7) "health insurance" means an individual or group contract or other
14 plan providing coverage of health care services that is issued by the corporation or by
15 a health insurance company, a hospital service corporation, a medical service
16 corporation, or a health maintenance organization; "health insurance" includes disability
17 insurance under AS 21.12.050;

18 (8) "health insurance company" means an insurer that is authorized to
19 transact health insurance;

20 (9) "market based single payer system" means a system in which a
21 single entity provides health insurance to all residents of the state and the insurance
22 is based on market forces, including provider defined fees, defined patient copayments,
23 sliding scale copayments for the indigent, provider fees that are posted or made
24 otherwise available at the point of services, published or disseminated fees in
25 comparative lists that allow fee comparison by consumers, voluntary expenditure
26 targets, provider peer review and control of volume, utilization, and quality of health
27 services, and a regularly published description of the various types of providers
28 licensed to provide services in the benefit package;

29 (10) "state health insurance fund" is the fund established in
30 AS 21.58.120.

31 * **Sec. 7.** AS 24.20.206 is amended to read:

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

2 (1) report to the legislature its recommendations relating to the
3 confirmation of appointees to the Board of Trustees of the Alaska Permanent Fund
4 Corporation;

5 (2) annually review the long-range operating plans of all agencies of
6 the state that perform lending or investment functions;

7 (3) review periodic reports from all agencies of the state that perform
8 lending or investment functions;

9 (4) prepare a complete report of investment programs, plans,
10 performance, and policies of all agencies of the state that perform lending or
11 investment functions and notify the legislature within 30 days after the convening of
12 each regular session that the report is available;

13 (5) in conjunction with the finance committee of each house
14 recommend annually to the legislature the investment policy for the general fund
15 surplus and for the income from the permanent fund;

16 (6) provide for an annual post audit and annual operational and
17 performance evaluation of the Alaska Permanent Fund Corporation investments and
18 investment programs;

19 (7) provide for an annual operational and performance evaluation of the
20 Alaska Housing Finance Corporation and the Alaska Industrial Development and
21 Export Authority; the performance evaluation must include, but is not limited to, a
22 comparison of the effect on various sectors of the economy by public and private
23 lending, the effect on resident and nonresident employment, the effect on real wages,
24 and the effect on state and local operating and capital budgets of the programs of the
25 Alaska Housing Finance Corporation and the Alaska Industrial Development and
26 Export Authority;

27 (8) provide assistance to the trustees of the trust established in
28 AS 37.14.400 - 37.14.450 in carrying out their duties under AS 37.14.415;

29 **(9) provide for an annual post audit and annual operational and**
30 **performance evaluation of the Alaska Health Insurance Corporation.**

31 * **Sec. 8.** AS 36.30.015(e) is amended to read:

1 (e) The board of directors of the Alaska Railroad Corporation, [AND] the
2 board of directors of the Alaska Aerospace Development Corporation, **and the board**
3 **of directors of the Alaska Health Insurance Corporation** shall adopt procedures to
4 govern the procurement of supplies, services, professional services, and construction.
5 The procedures must be substantially equivalent to the procedures prescribed in this
6 chapter and in regulations adopted under this chapter.

7 * **Sec. 9.** AS 37.07.030 is amended to read:

8 Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The
9 legislature shall

10 (1) provide for a budget review function;

11 (2) analyze the comprehensive operating and capital improvements
12 programs and financial plans recommended by the governor;

13 (3) adopt legislation to authorize implementation of the governor's
14 comprehensive operating and capital improvements programs and financial plans or
15 appropriate alternatives to those plans;

16 (4) provide for a post-audit function to cover financial transactions,
17 program accomplishment, and compliance with legislative intent;

18 (5) adopt or revise the estimate of receipts required to balance the
19 succeeding fiscal year's budget in order that proposed expenditures do not exceed
20 estimated receipts for that fiscal year;

21 (6) adopt, revise, or initiate revenue measures in order to balance the
22 succeeding fiscal year's budget and the capital improvements section of the budget for
23 the succeeding six years;

24 **(7) appropriate funds for the operation of the Alaska Health**
25 **Insurance Corporation.**

26 * **Sec. 10.** AS 39.25.110 is amended by adding a new paragraph to read:

27 (31) the executive director of the Alaska Health Insurance Corporation.

28 * **Sec. 11.** AS 44.62.330(a) is amended by adding a new paragraph to read:

29 (60) Alaska Health Insurance Corporation.

30 * **Sec. 12.** PHASED TRANSITION PERIOD. Notwithstanding the provisions of AS 21.58,
31 the Alaska Health Insurance Corporation shall implement the provisions of AS 21.58 on an

1 orderly and gradual basis as follows:

2 (1) by December 31, 1996, the corporation shall begin to implement the public
3 involvement process required under AS 21.58.320, establish the data system required under
4 AS 21.58.260 and begin collecting data, begin the first public health improvement plan
5 required under AS 21.58.310, determine the federal waivers necessary to implement AS 21.58,
6 and begin to develop incentives to attract health care providers required under
7 AS 21.58.110(16);

8 (2) by June 30, 1997, the corporation shall complete the uniform claims form
9 required under AS 21.58.110(4);

10 (3) by December 30, 1997, the corporation shall establish the claims
11 clearinghouse required under AS 21.58.220, determine the health care services required under
12 AS 21.58.170, begin monitoring health care expenditures and utilization patterns, and begin
13 collecting fee information required under AS 21.58.230;

14 (4) by January 1, 1998, the corporation shall implement the peer review system
15 for utilization and quality required under AS 21.58.330 and shall adopt regulations that
16 establish eligibility criteria for enrollment in the state health insurance plan, including a
17 definition of the term "resident" that is consistent with AS 01.10.055 and the purposes of this
18 Act;

19 (5) by December 31, 1998, the corporation shall establish the voluntary cost
20 control system required under AS 21.58.280;

21 (6) by January 1, 1999, the corporation shall develop a long-term health care
22 plan required under AS 21.58.110(19), and establish the deductible and copayment amounts
23 required under AS 21.58.180 and present options to the governor and the legislature on how
24 to finance a state health insurance plan under a market based single payer system; in
25 considering options on financing a state health insurance plan the corporation shall strive to
26 structure the options in a manner that provides protection for benefits provided to retired
27 employees through public or private retirement systems;

28 (7) by January 1, 2000, the corporation shall establish the statewide health care
29 expenditure target required under AS 21.58.270, and, subject to appropriation, begin to provide
30 health insurance coverage for state residents as required under AS 21.58.

31 * **Sec. 13.** Notwithstanding AS 21.58.270(b), enacted in sec. 6 of this Act, the corporation

1 shall increase the health care expenditure target by the following percentages of the target
2 established under AS 21.58.270:

3 (1) in 2000, 1.5 percent;

4 (2) in 2001, 1.0 percent; and

5 (3) in 2002, 0.5 percent.

6 * **Sec. 14.** This Act takes effect July 1, 1996.