

SENATE BILL NO. 288

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY SENATORS DUNCAN, Ellis

Introduced: 2/9/96

Referred: L&C, STA, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing the Alaska Health Purchasing Alliance; relating to group
2 health insurance provided to employees of the University of Alaska, to employers
3 and employees, to uninsured residents of the state, to certain Medicaid enrollees,
4 and to persons in state custody; and providing for an effective date."

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

6 * **Section 1.** PURPOSE. It is the purpose of this Act to provide comprehensive group
7 health insurance to as many residents of the state as possible and to do so in a cost-effective
8 manner by pooling insured groups under a state group health insurance policy or policies. It
9 is also the purpose of this Act to allow the expansion of the existing state group health
10 insurance pool in a manner that does not affect the existing collective bargaining process
11 between the state and employee unions and only after the state has determined that pooling
12 insured groups will result in cost savings to the state.

13 * **Sec. 2.** AS 14.40.170(b) is amended to read:

14 (b) The Board of Regents may

1 (1) adopt reasonable rules, orders, and plans with reasonable penalties
2 for the good government of the university and for the regulation of the Board of
3 Regents;

4 (2) determine and regulate the course of instruction in the university
5 with the advice of the president;

6 (3) set student tuition and fees;

7 (4) receive and spend university receipts in accordance with AS 37.07
8 ([THE] Executive Budget Act);

9 **(5) provide group health insurance for employees of the university**
10 **by participation in a state group health insurance policy provided under AS 21.58**
11 **[(AS 37.07)].**

12 * **Sec. 3.** AS 21 is amended by adding a new chapter to read:

13 CHAPTER 58. ALASKA HEALTH PURCHASING ALLIANCE.

14 Sec. 21.58.010. CREATION AND PURPOSE. (a) The Alaska Health
15 Purchasing Alliance is established. The alliance is a public corporation and an
16 instrumentality of the state in the Department of Commerce and Economic
17 Development but has a legal existence independent of and separate from the state. The
18 exercise by the alliance of the powers conferred by this chapter is considered an
19 essential function of the state.

20 (b) The purposes of the alliance are to establish group health insurance pools,
21 to provide pooled group health insurance coverage to residents of the state, and to
22 administer pooled group health insurance coverage obtained by the alliance.

23 Sec. 21.58.020. BOARD OF DIRECTORS. The alliance is managed by a
24 board of five directors.

25 Sec. 21.58.030. APPOINTMENT AND REMOVAL OF DIRECTORS. (a)
26 The directors of the alliance are appointed by the governor, subject to confirmation by
27 the legislature. A director may be removed only for good cause.

28 (b) In appointing directors to the board, the governor shall ensure that

29 (1) a majority of the board are experts in health insurance and fairly
30 represent the interests of the enrollees in having access to quality and affordable group
31 health insurance;

1 (2) the interests of consumers and health care providers are fairly
2 represented;

3 (3) the director is a resident of the state; and

4 (4) the board has a gender and geographic composition that
5 approximates the population of the state.

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

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

15 Sec. 21.58.060. OFFICERS. At the first meeting of each year, the board of
16 the alliance shall elect a chair and a vice-chair from among its members. The alliance
17 shall prescribe their duties by regulation.

18 Sec. 21.58.070. MEETINGS AND QUORUM. The board of the alliance shall
19 meet at least once every three months. Four members of the board constitute a
20 quorum for the transaction of business and the exercise of the powers and duties of the
21 alliance.

22 Sec. 21.58.080. ADMINISTRATIVE PROCEDURE. Actions of the alliance
23 under this chapter are subject to AS 44.62 (Administrative Procedure Act).

24 Sec. 21.58.090. STAFF AND PROFESSIONAL SERVICES CONTRACTS.
25 The alliance shall employ an executive director who serves at the pleasure of the
26 alliance as its chief administrative officer. The executive director may, with the
27 approval of the alliance, select and employ additional staff as necessary. The
28 executive director is in the exempt service under AS 39.25.110. Employees of the
29 alliance other than the executive director are in the classified service under
30 AS 39.25.100. In addition to its staff of regular employees, the alliance may contract
31 for the services of consultants and professional, technical, and financial advisors the

1 alliance considers necessary for the purpose of developing information, conducting
2 hearings, studies, investigations, or other proceedings, or otherwise exercising its
3 powers.

4 Sec. 21.58.100. GENERAL POWERS. The alliance may

- 5 (1) sue or be sued;
- 6 (2) make contracts and execute all instruments necessary or convenient
7 for carrying out its business;
- 8 (3) establish administrative or accounting procedures;
- 9 (4) acquire, own, hold, dispose of, and encumber personal property and
10 lease real property in the exercise of its powers;
- 11 (5) establish appropriate levels of reserves to cover expenses of the
12 alliance;
- 13 (6) perform all other acts necessary and proper to carry out the duties
14 of the alliance.

15 Sec. 21.58.110. DUTIES. The alliance shall

- 16 (1) procure a policy or policies of group health insurance as required
17 under AS 21.58.130;
- 18 (2) adopt regulations to implement this chapter;
- 19 (3) develop a benefits package that includes different levels of group
20 health care services that enrollees in the state group health insurance policy are entitled
21 to receive and determine the eligibility requirements for enrollment;
- 22 (4) at least annually, review the group health care benefits package and
23 revise it as determined by the alliance, taking into consideration the health needs of
24 the state, available funding, and other relevant factors as determined by the alliance;
- 25 (5) with funds from the state group health fund, procure coverage
26 required under the state group health insurance plan; the alliance may procure coverage
27 from one or more companies licensed to transact group health insurance in the state
28 for all persons who are eligible to be enrollees of the state group health insurance plan;
29 and
- 30 (6) hold public meetings and annually report to enrollees, the governor,
31 and the legislature.

1 Sec. 21.58.120. GROUP HEALTH INSURANCE FUND. The state group
2 health insurance fund is established as a separate account in the general fund. The
3 fund shall be administered by the alliance and used to purchase group health or life
4 insurance under AS 21.58.110 or 21.58.130. The fund consists of appropriations by
5 the legislature, individual or employer contributions, and private or government grants.

6 Sec. 21.58.130. PROCUREMENT OF GROUP INSURANCE. (a) The
7 alliance

8 (1) shall solicit proposals from insurance companies that are licensed
9 to transact group health or life insurance in the state under the procurement procedures
10 adopted by the alliance under AS 36.30.015(e); and

11 (2) shall select one or more companies with which it will contract to
12 provide group health or life insurance, after considering the cost of the insurance, the
13 availability from the company of program features directed at reducing the cost of
14 providing the insurance, and other relevant factors as determined by the alliance.

15 (b) The alliance may contract for insurance coverage for enrollees for a term
16 that it considers to be the most advantageous to the alliance and its enrollees, for a
17 period not exceeding three years.

18 Sec. 21.58.140. ENROLLEES. (a) A person is eligible to be an enrollee in
19 the state group health or life insurance plan under this chapter in a given year if the
20 person is a resident of the state, has complied with the procedures established by the
21 alliance under (d) of this section, and the person is

22 (1) an employee of the state;

23 (2) an employee of a municipality;

24 (3) an employee of a school district;

25 (4) an employee of the University of Alaska;

26 (5) an employee of the North Pacific Management Council;

27 (6) a Medicaid enrollee;

28 (7) uninsured;

29 (8) an employer in this state or an employee of an employer in this
30 state;

31 (9) a person committed to the custody of the state; or

1 (10) a licensee holding a current operating agreement for a vending
2 facility under AS 23.15.110 - 23.15.210.

3 (b) For purposes of enrollment, the alliance shall by regulation define
4 residency in a manner that is consistent with AS 01.10.055 and with this chapter. A
5 person who is eligible to be an enrollee shall be enrolled by the alliance in the state
6 group health insurance plan and a spouse or unmarried children who are dependents
7 of the enrollee shall be enrolled in the state group health insurance plan.

8 (c) The alliance shall cancel an enrollee's coverage if, during the fiscal year,
9 the enrollee becomes ineligible to be an enrollee.

10 (d) The alliance shall establish by regulation appropriate procedures for
11 processing applications for enrollment, for determining the eligibility of enrollees, for
12 enrolling enrollees, for determining and collecting the applicable fees, for canceling
13 an enrollee's coverage, and for processing appeals by enrollees of adverse decisions
14 by the alliance regarding eligibility, enrollment, determination or collection of
15 applicable fees, or cancellation of coverage.

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

20 Sec. 21.58.160. CONFIDENTIALITY OF ENROLLEE INFORMATION.
21 Medical and financial information regarding applicants or current or former enrollees
22 is confidential and is not subject to public disclosure. The alliance by regulation may
23 establish reasonable standards for the release of limited information in specified
24 circumstances, including the release of reasonably necessary information to insurance
25 companies and the release of information with the written authorization of the
26 applicant or enrollee.

27 Sec. 21.58.170. GROUP HEALTH INSURANCE PLAN. (a) The alliance
28 shall adopt regulations specifying the group health care services required to be covered
29 by state group health insurance, taking into consideration the services requested by the
30 public, the needs and characteristics unique to state residents, the goal of prevention
31 of illness and promotion of wellness, the cost of providing the benefits package, the

1 cost of providing or procuring the group insurance coverage, and the funds available
2 in the state group health insurance fund.

3 (b) The alliance shall conduct a comprehensive public involvement process
4 designed to solicit information and opinions regarding the services required to be
5 covered under (a) of this section.

6 Sec. 21.58.180. PREMIUMS. A premium may be charged to an enrollee for
7 coverage as established by the alliance by regulation. In establishing a premium, the
8 alliance shall establish a standard fee and a sliding scale fee and shall consider the cost
9 of coverage, funding available, and other factors the alliance determines are relevant.

10 Sec. 21.58.190. SOLICITATION OF ELIGIBLE PERSONS. The alliance,
11 under a plan approved by the director, shall disseminate appropriate information to the
12 residents of the state regarding the existence of the state group health insurance plan
13 and the means of enrollment.

14 Sec. 21.58.200. REVIEW AND REPORT ON GROUP HEALTH CARE
15 EXPENDITURES. The alliance shall annually review and report to the legislature and
16 the governor on the total amount of group health care expenditures in the state and the
17 amount of increase or decrease in group health care expenditures in the state.

18 Sec. 21.58.400. DEFINITIONS. In this chapter,

19 (1) "alliance" means the Alaska Health Purchasing Alliance established
20 in AS 21.58.010;

21 (2) "enrollee" means a person whose application for coverage under the
22 state group health insurance plan has been accepted by the alliance, who has completed
23 applicable enrollment procedures, and who is covered by group health insurance;

24 (3) "group health insurance company" means an insurer that is
25 authorized to transact group health insurance and includes a hospital service
26 corporation, a medical service corporation, or a health maintenance organization;

27 (4) "health care services" means preventive, diagnostic, medical,
28 surgical, reproductive, psychiatric, psychologic, rehabilitative, health maintenance,
29 dental, podiatric, optometric, optical, audiologic, nutritive, and chiropractic care;
30 prescription drugs, laboratory and radiologic services, medical supplies, durable
31 medical equipment and devices; personal assistance services; inpatient and outpatient

1 care; home health care; hospice care; and long-term or institutional care;

2 (5) "health insurance" means a group contract or other plan providing
3 group coverage of health care services, accidental death and dismemberment insurance,
4 or indemnity insurance, that is issued by a health insurance company, a hospital service
5 corporation, a medical service corporation, or a health maintenance organization;
6 "health insurance" includes disability insurance under AS 21.12.050;

7 (6) "state group health insurance fund" is the fund established in
8 AS 21.58.120;

9 (7) "uninsured" means a person who is not covered by an individual
10 or group health insurance plan.

11 * **Sec. 4.** AS 23.15.136 is amended to read:

12 Sec. 23.15.136. GROUP INSURANCE FOR CERTAIN LICENSEES. The
13 agency shall purchase group insurance coverage under AS 21.58.130 [AS 39.30.090]
14 for licensees holding current operating agreements. The employer share of the
15 insurance premium shall be paid from the vocational rehabilitation small business
16 enterprise revolving fund.

17 * **Sec. 5.** AS 24.20.206 is amended to read:

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

19 (1) report to the legislature its recommendations relating to the
20 confirmation of appointees to the Board of Trustees of the Alaska Permanent Fund
21 Corporation;

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

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

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

30 (5) in conjunction with the finance committee of each house
31 recommend annually to the legislature the investment policy for the general fund

1 surplus and for the income from the permanent fund;

2 (6) provide for an annual post audit and annual operational and
3 performance evaluation of the Alaska Permanent Fund Corporation investments and
4 investment programs;

5 (7) provide for an annual operational and performance evaluation of the
6 Alaska Housing Finance Corporation and the Alaska Industrial Development and
7 Export Authority; the performance evaluation must include, but is not limited to, a
8 comparison of the effect on various sectors of the economy by public and private
9 lending, the effect on resident and nonresident employment, the effect on real wages,
10 and the effect on state and local operating and capital budgets of the programs of the
11 Alaska Housing Finance Corporation and the Alaska Industrial Development and
12 Export Authority;

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

15 **(9) provide for an annual post audit and annual operational and**
16 **performance evaluation of the Alaska Health Purchasing Alliance.**

17 * **Sec. 6.** AS 36.30.015(e) is amended to read:

18 (e) The board of directors of the Alaska Railroad Corporation, [AND] the
19 board of directors of the Alaska Aerospace Development Corporation, **and the board**
20 **of directors of the Alaska Health Purchasing Alliance** shall adopt procedures to
21 govern the procurement of supplies, services, professional services, and construction.
22 The procedures must be substantially equivalent to the procedures prescribed in this
23 chapter and in regulations adopted under this chapter.

24 * **Sec. 7.** AS 37.05.146(4)(R) is amended to read:

25 (R) receipts of the group insurance programs established under
26 **AS 21.58** [AS 39.30.090];

27 * **Sec. 8.** AS 37.07.030 is amended to read:

28 Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The
29 legislature shall

30 (1) provide for a budget review function;

31 (2) analyze the comprehensive operating and capital improvements

1 programs and financial plans recommended by the governor;

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

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

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

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

13 **(7) appropriate funds for the operation of the Alaska Health**
14 **Purchasing Alliance.**

15 * **Sec. 9.** AS 39.25.110 is amended by adding a new paragraph to read:

16 (31) the executive director of the Alaska Health Purchasing Alliance.

17 * **Sec. 10.** AS 44.62.330(a) is amended by adding a new paragraph to read:

18 (60) Alaska Health Purchasing Alliance.

19 * **Sec. 11.** AS 39.30.090, 39.30.091, and 39.30.095 are repealed.

20 * **Sec. 12.** PHASED TRANSITION PERIOD. Notwithstanding the provisions of AS 21.58,
21 the Alaska Health Purchasing Alliance shall implement the provisions of AS 21.58 on an
22 orderly and gradual basis as follows:

23 (1) by December 31, 1996, the alliance shall begin to provide coverage to a
24 person described under AS 21.58.140(a)(1), (4), (5), and (10), or a person eligible for coverage
25 under former AS 39.30.090;

26 (2) by December 31, 1997, the alliance shall begin to provide coverage to a
27 person described under AS 21.58.140(a)(2) and (3);

28 (3) by December 31, 1998, the alliance shall begin to provide coverage to a
29 person described under AS 21.58.140(a)(6) - (9) if the alliance determines that coverage can
30 be provided in a cost-effective manner.

31 * **Sec. 13.** TRANSITION OF COVERAGE. Notwithstanding the provisions of this Act,

1 insurance coverage provided by the Department of Administration under former AS 39.30.090
2 shall continue until the Alaska Health Purchasing Alliance provides group health or life
3 insurance in place of the coverage offered under former AS 39.30.090.

4 * **Sec. 14.** TRANSFER OF FUNDS. Money existing in the group health and life benefits
5 fund under AS 39.30.095 on the effective date of this Act shall be transferred by the
6 commissioner of administration into the group health insurance fund under AS 21.58.120.

7 * **Sec. 15.** The Alaska Health Purchasing Alliance shall conduct a study to determine if
8 pooling insured groups under one state group health insurance policy, as contemplated by this
9 Act, results in group health insurance cost savings to the state and to determine if voluntary
10 participation or mandatory participation in state group health insurance is required to make
11 the program cost effective. The study shall be completed by January 15, 1997, shall be
12 provided to the legislature and, upon request, to a member of the public.

13 * **Sec. 16.** This Act takes effect July 1, 1996.