

**SENATE BILL NO. 165**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY SENATORS DUNCAN, Ellis

Introduced: 4/10/97

Referred: HESS, 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 health insurance claims processing and to  
4 approval of rates for health insurance; and providing for an effective date."

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

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

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

10 (2) the reasons that health care expenditures are increasing are complex and  
11 are accounted for by general inflation; by inflation specific to the health care industry or  
12 changes in the cost of labor, capital, and other industry factors; by population growth; by use  
13 or the number of times people use health care services; by increasingly complex and costly  
14 technology and other resources; by the aging of the population; and by the practice of

1 defensive medicine;

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

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

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

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

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

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

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

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

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

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

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

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

11 (b) The purpose of this Act is to

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

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

18 (3) provide a structure for addressing the health care needs of the state,  
19 including

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

22 (B) use of preventive and wellness programs to reduce health care  
23 costs; and

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

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

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

29 **Sec. 08.02.035. Compliance with requirements of Alaska Health Insurance**  
30 **Corporation.** A health care provider shall comply with the required price list  
31 availability provisions of AS 21.58.230 and the health care data system provisions of

1 AS 21.58.260 that are applicable to health care providers, including regulations adopted  
 2 by the Alaska Health Insurance Corporation under those provisions. Notwithstanding  
 3 another provision of law, the license of a health care provider is not valid unless the  
 4 health care provider complies with this section. In this section, "health care provider"  
 5 has the meaning given in AS 21.58.400.

6 \* **Sec. 3.** AS 21.39.020 is amended to read:

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

14 (b) This chapter does not apply to

15 (1) reinsurance, other than joint reinsurance to the extent stated in AS  
 16 21.39.110;

17 (2) [HEALTH INSURANCE;

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

21 **(3)** [(4)] insurance against loss of or damage to aircraft or against  
 22 liability, other than workers' compensation and employer's liability, arising out of the  
 23 ownership, maintenance, or use of aircraft; or, to insurance of hulls of aircraft,  
 24 including their accessories and equipment.

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

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

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

29 (2) consideration shall be given to past and prospective loss experience  
 30 inside and outside this state, to the conflagration and catastrophe hazards, to a  
 31 reasonable margin for underwriting profit and contingencies, to dividends, savings, or

1 unabsorbed premium deposits allowed or returned by insurers to their policyholders,  
 2 members, or subscribers, to past and prospective expenses both countrywide and those  
 3 specially applicable to this state, and to all other relevant factors inside and outside this  
 4 state;

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

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

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

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

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

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

28 **Sec. 21.54.025. Claims processing.** (a) An insurer authorized to transact  
 29 health insurance in the state shall

30 (1) pay each claim within 15 business days after a claim is received or,  
 31 within that same time period, give the person that submitted the claim notice that the

1 claim is denied; and

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

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

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

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

15 **Chapter 58. Alaska Health Insurance Corporation.**

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

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

25 **Sec. 21.58.020. Board of directors.** The corporation is managed by a board  
26 of seven directors.

27 **Sec. 21.58.030. Appointment and removal of directors.** (a) The directors  
28 of the corporation are appointed by the governor, subject to confirmation by the  
29 legislature. A director may be removed only for good cause.

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

31 (1) a majority of the board are experts in health care issues and fairly

1 represent the interests of the general public in having access to quality and affordable  
2 health care;

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

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

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

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

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

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

20 **Sec. 21.58.070. Meetings and quorum.** The board of the corporation shall  
21 meet at least once every three months. Four members of the board constitute a  
22 quorum for the transaction of business and the exercise of the powers and duties of the  
23 corporation.

24 **Sec. 21.58.080. Administrative procedure.** Actions of the corporation under  
25 this chapter are subject to AS 44.62 (Administrative Procedure Act).

26 **Sec. 21.58.090. Staff and professional services contracts.** The corporation  
27 shall employ an executive director who serves at the pleasure of the corporation as its  
28 chief administrative officer. The executive director may, with the approval of the  
29 corporation, select and employ additional staff as necessary. The executive director  
30 is in the exempt service under AS 39.25.110. Employees of the corporation other than  
31 the executive director are in the classified service under AS 39.25.100. In addition to

1 its staff of regular employees, the corporation may contract for the services of  
2 consultants and professional, technical, and financial advisors the corporation considers  
3 necessary for the purpose of developing information, conducting hearings, studies,  
4 investigations, or other proceedings, or otherwise exercising its powers.

5 **Sec. 21.58.100. General powers.** The corporation may

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

9 (2) sue or be sued;

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

12 (4) establish administrative or accounting procedures;

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

15 (6) establish appropriate levels of reserves to cover expenses of the  
16 corporation;

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

19 **Sec. 21.58.110. Duties.** The corporation shall

20 (1) adopt regulations to implement this chapter;

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

25 (3) establish the comprehensive health care data system required under  
26 AS 21.58.260;

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

28 (5) develop and update the public health improvement plan for the state  
29 required under AS 21.58.310;

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

31 (7) develop a benefits package of health care services that enrollees in

1 the state health insurance plan are entitled to receive and determine the eligibility  
2 requirements for enrollment;

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

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

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

12 (11) establish the cost control system required under AS 21.58.180,  
13 21.58.230, 21.58.250, 21.58.270, 21.58.290, and 21.58.330, and the voluntary cost  
14 control system required under AS 21.58.240 and 21.58.280;

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

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

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

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

28 (16) design a program to give incentives to primary care providers to  
29 practice in the state, especially in rural and underserved areas of the state; incentives  
30 may include added premiums on prices for primary care providers, a student loan  
31 forgiveness program, an in-state family practice residency program, training and

1 rotations for midlevel practitioners, and other appropriate incentives;

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

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

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

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

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

19 **Sec. 21.58.130. Procurement or provision of insurance.** (a) The corporation  
20 shall

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

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

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

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

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

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

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

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

21 **Sec. 21.58.150. Discrimination against enrollees prohibited.** A health care  
 22 provider may not discriminate against an enrollee with respect to the availability, cost,  
 23 or quality of health care services wholly or in part on the basis of the person's status  
 24 as an enrollee.

25 **Sec. 21.58.160. Confidentiality of enrollee information.** Medical and  
 26 financial information regarding applicants or current or former enrollees is confidential  
 27 and is not subject to public disclosure. The corporation by regulation may establish  
 28 reasonable standards for the release of limited information in specified circumstances,  
 29 including the release of reasonably necessary information to insurance companies and  
 30 the release of information with the written authorization of the applicant or enrollee.

31 **Sec. 21.58.170. Health insurance plan.** (a) The corporation shall adopt

1 regulations specifying the health care services required to be covered by the state  
2 health insurance plan, taking into consideration the services requested by the public,  
3 the needs and characteristics unique to state residents, the goal of prevention of illness  
4 and promotion of wellness, the cost of providing the benefits package, the cost of  
5 providing or procuring the insurance coverage, and the funds available in the state  
6 health insurance fund.

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

10 **Sec. 21.58.180. Deductibles and copayments.** Subject to AS 21.58.170, the  
11 corporation shall establish the deductible and copayment amounts applicable under the  
12 state health insurance plan.

13 **Sec. 21.58.190. Premiums.** A premium may be charged to an enrollee for  
14 coverage as established by the corporation by regulation. In establishing a premium,  
15 the corporation shall establish a standard fee and a sliding scale fee and shall consider  
16 the cost of coverage, funding available, and other factors the corporation determines  
17 are relevant.

18 **Sec. 21.58.200. Prohibited discrimination between health care providers.**  
19 The corporation may not discriminate between health care providers who are licensed  
20 to perform a covered health care service unless the type of health care service provided  
21 is not included under the state health insurance plan.

22 **Sec. 21.58.210. Solicitation of eligible persons.** (a) The corporation, under  
23 a plan approved by the director, shall disseminate appropriate information to the  
24 residents of the state regarding the existence of the state health insurance plan and the  
25 means of enrollment.

26 (b) The corporation shall devise and implement a means of maintaining public  
27 awareness of the provisions of this chapter regarding the state health insurance plan  
28 and shall administer this chapter in a manner that facilitates public participation in the  
29 state health insurance plan.

30 **Sec. 21.58.220. Claims clearinghouse.** (a) The corporation shall establish  
31 a claims clearinghouse in the state. A provider of health care services shall submit all

1 claims for payment under the state health insurance plan to the claims clearinghouse.  
2 The corporation may, by regulation, require providers to submit specified additional  
3 information pertaining to providing health care services in the state to the claims  
4 clearinghouse.

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

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

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

13 **Sec. 21.58.230. Required availability of price list.** (a) A health care  
14 provider shall prepare a list of the provider's prices that includes the dates during  
15 which the prices will be applicable. The price list shall be made available either by  
16 posting the price list in a conspicuous location in the health care provider's office or  
17 by similarly posting a notice that the price list is available for review upon request.  
18 The corporation shall determine by regulation the contents of the price list required  
19 under this section.

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

23 **Sec. 21.58.240. Information on prices for health care services.** The  
24 corporation shall at least annually publish a description of types of health care  
25 providers licensed to provide covered services and a comparative list of provider  
26 prices. The corporation shall make the publications available to the public upon  
27 request.

28 **Sec. 21.58.250. Comparative lists of prices.** (a) At least annually, the  
29 corporation shall compile comparative lists of prices for commonly provided health  
30 care services based on abstracted data provided by the claims clearinghouse under  
31 AS 21.58.220, on the price lists submitted to the corporation under AS 21.58.230, and

1 on other relevant information as determined by the corporation.

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

5 **Sec. 21.58.260. Health care data system.** (a) The corporation shall develop  
6 and periodically update a health care data system. To the extent practicable, the data  
7 system base year shall be calendar year 1996, and the system must include

8 (1) health care expenditures, including capital expenditures associated  
9 with receiving health care;

10 (2) demographic data;

11 (3) clinical information, including patient diagnosis, type of provider,  
12 type of service, location and length of care, referral patterns, quality of care, and result  
13 of care;

14 (4) billing and payment data; and

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

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

20 **Sec. 21.58.270. Statewide health care expenditure target.** (a) The  
21 corporation shall prescribe by regulation a statewide health care expenditure target  
22 based on the data obtained under AS 21.58.260. To the extent practicable, the base  
23 year for the statewide health care expenditure target shall be calendar year 1996.

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

27 (1) changes in the size and demographic characteristics of the state's  
28 population, including aging;

29 (2) changes in medical technology;

30 (3) changes that improve access to health care services;

31 (4) changes in the burden of disease resulting from epidemics, disasters,

1 and reduction or elimination of disease;

2 (5) elimination of unnecessary care;

3 (6) changes in costs associated with professional liability insurance;

4 (7) changes in administrative costs;

5 (8) changes in patterns of use.

6 **Sec. 21.58.280. Voluntary health care provider compliance.** The health care  
7 expenditure target adopted by the corporation under AS 21.58.270 shall constitute a  
8 recommended target for expenditures within each specified category or subcategory of  
9 health care services or products. Health care providers may voluntarily comply with  
10 the expenditure target and may take all appropriate steps not prohibited by law to  
11 attempt to ensure that annual expenditures for health care in the state do not exceed  
12 the expenditure target adopted by the corporation.

13 **Sec. 21.58.290. Review and report on health care expenditures.** The  
14 corporation shall annually review and report to the legislature and the governor on

15 (1) the total amount of health care expenditures in the state;

16 (2) the amount of increase or decrease in health care and capital  
17 medical expenditures in the state;

18 (3) changes in health care provider prices;

19 (4) changes in patterns of use or expenditures; and

20 (5) factors that are responsible for changes in patterns of use or  
21 expenditures.

22 **Sec. 21.58.300. Mandatory health care provider compliance.** (a) Based on  
23 the data compiled under AS 21.58.260, the corporation shall monitor the success of  
24 voluntary compliance under AS 21.58.280. At any time beginning three years after  
25 the voluntary expenditure target has been in effect, if the corporation concludes that  
26 voluntary compliance has failed substantially to achieve the adopted expenditure target,  
27 the corporation shall impose by regulation a mandatory expenditure limit as provided  
28 under (b) of this section.

29 (b) The corporation may, by regulation,

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

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

3 (3) establish mandatory price and use controls or guidelines;

4 (4) annually monitor health care expenditures, patterns of use, and  
5 factors contributing to changes in expenditures or use;

6 (5) establish cost sharing recommendations relevant to the mandatory  
7 expenditure limit.

8 (c) A health care provider shall comply with the mandatory cost control  
9 provisions that may be established by the corporation under (a) and (b) of this section.  
10 An enrollee who receives a charge that does not comply with the mandatory cost  
11 control provisions that are imposed under this section is not required to pay the portion  
12 of the charge that exceeds the mandatory cost control provisions. A health care  
13 provider shall refund an amount received that exceeds the mandatory cost control  
14 provisions.

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

18 **Sec. 21.58.310. Public health improvement plan.** (a) The corporation shall  
19 develop and annually update a public health improvement plan for the state. The plan  
20 required under this section must recognize the need for

21 (1) community involvement in health care planning and delivery;  
22 (2) attention to local needs that may vary from place to place;  
23 (3) accountability for the use of public funds;  
24 (4) equity and stability in the distribution of public funds;  
25 (5) shared responsibility of all levels of government for administering  
26 and financing public health care delivery; and

27 (6) coordination of basic public health care services.

28 (b) The plan required under this section must include

29 (1) an analysis of the health status of the residents of the state;  
30 (2) an assessment of the most appropriate role for various levels of  
31 government to play in addressing the health care needs of the residents of the state;

1 (3) a delineation of the standards that should be used in performing  
2 assessment, policy development, and quality assurance in the delivery of public health  
3 care services;

4 (4) documentation of the extent to which the current public health care  
5 system implements or achieves the standards identified under (3) of this subsection;

6 (5) identification of interjurisdictional issues involved in health care  
7 access and delivery;

8 (6) recommendations, including recommendations for specific  
9 legislative action when necessary, pertaining to the following:

10 (A) strategies, timelines, financial needs, and specific sources  
11 of stable revenue for bringing the state public health care system up to  
12 standards identified by the corporation;

13 (B) appropriate sharing of the responsibility of local, regional,  
14 state, and federal government entities to deliver public health care services  
15 efficiently and effectively, including recommendations for organization within  
16 state government;

17 (C) integration of the public health care system with state and  
18 national health care reform efforts;

19 (D) the corporation's estimate of the optimal share that public  
20 health should represent in the total health care delivery system of the state,  
21 expressed in terms of a percentage of health care expenditures in the state.

22 **Sec. 21.58.320. Required public involvement process.** The corporation shall  
23 design, implement, and maintain an extensive community-based public involvement  
24 process for the purpose of providing residents with an ongoing opportunity to  
25 participate in decisions made by the corporation's board of directors regarding

26 (1) health care services residents want included in the benefit package;

27 (2) financing options;

28 (3) revenue sources that should be used to finance the health plan;

29 (4) cost-sharing options; and

30 (5) administration of the health care plan.

31 **Sec. 21.58.330. Peer review of use and quality.** The corporation shall

1 contract with health care providers in the state to develop use and quality controls.  
 2 The contract must include the use of peer specialty groups that are given the goal of  
 3 controlling use within a specialty. The corporation shall ensure that the contract  
 4 stresses the development of the use of incentives to control costs.

5 **Sec. 21.58.400. Definitions.** In this chapter,

6 (1) "clearinghouse" means the claims clearinghouse designated by the  
 7 corporation under AS 21.58.220;

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

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

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

16 (5) "health care provider" means an acupuncturist licensed under  
 17 AS 08.06; an audiologist licensed under AS 08.11; a chiropractor licensed under  
 18 AS 08.20; a dental hygienist licensed under AS 08.32; a dentist licensed under  
 19 AS 08.36; a marital and family therapist licensed under AS 08.63; a direct-entry  
 20 midwife licensed under AS 08.65; a nurse licensed under AS 08.68; a dispensing  
 21 optician licensed under AS 08.71; a naturopath licensed under AS 08.45; an  
 22 optometrist licensed under AS 08.72; a pharmacist licensed under AS 08.80; a physical  
 23 therapist or occupational therapist licensed under AS 08.84; a physician assistant  
 24 certified under AS 08.64; a physician licensed under AS 08.64; a podiatrist licensed  
 25 under AS 08.64; a psychologist and a psychological associate licensed under AS 08.86;  
 26 a clinical social worker licensed under AS 08.95; an emergency medical technician  
 27 certified under AS 18.08.082; a mobile intensive care paramedic trained as required  
 28 under AS 18.08.082; a hospital as defined in AS 18.20.130, including a governmentally  
 29 owned or operated hospital; and an employee of a health care provider acting within  
 30 the course and scope of employment;

31 (6) "health care services" means preventive, diagnostic, medical,

1 surgical, reproductive, psychiatric, psychological, rehabilitative, health maintenance,  
 2 dental, podiatric, optometric, optical, audiologic, nutritive, and chiropractic care;  
 3 prescription drugs, laboratory and radiologic services, medical supplies, durable  
 4 medical equipment and devices; personal assistance services; inpatient and outpatient  
 5 care; home health care; hospice care; and long-term or institutional care;

6 (7) "health insurance" means an individual or group contract or other  
 7 plan providing coverage of health care services that is issued by the corporation or by  
 8 a health insurance company, a hospital service corporation, a medical service  
 9 corporation, or a health maintenance organization, and includes health insurance under  
 10 AS 21.12.050;

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

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

22 (10) "state health insurance fund" is the fund established in  
 23 AS 21.58.120.

24 \* **Sec. 7.** AS 24.20.206 is amended to read:

25 **Sec. 24.20.206. Duties.** The Legislative Budget and Audit Committee shall

26 (1) report to the legislature its recommendations relating to the  
 27 confirmation of appointees to the Board of Trustees of the Alaska Permanent Fund  
 28 Corporation;

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

31 (3) review periodic reports from all agencies of the state that perform

1 lending or investment functions;

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

6 (5) in conjunction with the finance committee of each house,  
7 recommend annually to the legislature the investment policy for the general fund  
8 surplus and for the income from the permanent fund;

9 (6) provide for an annual post audit and annual operational and  
10 performance evaluation of the Alaska Permanent Fund Corporation investments and  
11 investment programs;

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

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

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

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

25 (e) The board of directors of the Alaska Railroad Corporation, [AND] the  
26 board of directors of the Alaska Aerospace Development Corporation, **and the board**  
27 **of directors of the Alaska Health Insurance Corporation** shall adopt procedures to  
28 govern the procurement of supplies, services, professional services, and construction.  
29 The procedures must be substantially equivalent to the procedures prescribed in this  
30 chapter and in regulations adopted under this chapter. Notwithstanding the other  
31 provisions of this subsection, the Alaska Railroad Corporation and the Alaska

1 Aerospace Development Corporation shall comply with AS 36.30.170(b).

2 \* **Sec. 9.** AS 37.07.030 is amended to read:

3 **Sec. 37.07.030. Responsibilities of the legislature.** The legislature shall

4 (1) provide for a budget review function;

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

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

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

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

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

18 **(7) appropriate funds for the operation of the Alaska Health**  
19 **Insurance Corporation.**

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

21 (33) the executive director of the Alaska Health Insurance Corporation.

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

23 (60) Alaska Health Insurance Corporation.

24 \* **Sec. 12. PHASED TRANSITION PERIOD.** Notwithstanding the provisions of AS 21.58,  
25 the Alaska Health Insurance Corporation shall implement the provisions of AS 21.58 on an  
26 orderly and gradual basis as follows:

27 (1) by December 31, 1997, the corporation shall begin to implement the public  
28 involvement process required under AS 21.58.320, establish the data system required under  
29 AS 21.58.260 and begin collecting data, begin the first public health improvement plan  
30 required under AS 21.58.310, determine the federal waivers necessary to implement AS 21.58,  
31 and begin to develop incentives to attract health care providers required under

1 AS 21.58.110(16);

2 (2) by June 30, 1998, the corporation shall complete the uniform claims form  
3 required under AS 21.58.110(4);

4 (3) by December 30, 1998, the corporation shall establish the claims  
5 clearinghouse required under AS 21.58.220, determine the health care services required under  
6 AS 21.58.170, begin monitoring health care expenditures and use patterns, and begin  
7 collecting fee information required under AS 21.58.230;

8 (4) by January 1, 1999, the corporation shall implement the peer review system  
9 for utilization and quality required under AS 21.58.330 and shall adopt regulations that  
10 establish eligibility criteria for enrollment in the state health insurance plan, including a  
11 definition of the term "resident" that is consistent with AS 01.10.055 and the purposes of this  
12 Act;

13 (5) by December 31, 1999, the corporation shall establish the voluntary cost  
14 control system required under AS 21.58.280;

15 (6) by January 1, 2000, the corporation shall develop a long-term health care  
16 plan required under AS 21.58.110(19), and establish the deductible and copayment amounts  
17 required under AS 21.58.180 and present options to the governor and the legislature on how  
18 to finance a state health insurance plan under a market based single payer system; in  
19 considering options on financing a state health insurance plan the corporation shall strive to  
20 structure the options in a manner that provides protection for benefits provided to retired  
21 employees through public or private retirement systems;

22 (7) by January 1, 2001, the corporation shall establish the statewide health care  
23 expenditure target required under AS 21.58.270, and, subject to appropriation, begin to provide  
24 health insurance coverage for state residents as required under AS 21.58.

25 \* **Sec. 13.** Notwithstanding AS 21.58.270(b), enacted in sec. 6 of this Act, the corporation  
26 shall increase the health care expenditure target by the following percentages of the target  
27 established under AS 21.58.270:

28 (1) in 2001, 1.5 percent;

29 (2) in 2002, 1.0 percent; and

30 (3) in 2003, 0.5 percent.

31 \* **Sec. 14.** This Act takes effect July 1, 1997.