

**SENATE CS FOR CS FOR HOUSE BILL NO. 10(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/5/04

Referred: Rules

Sponsor(s): REPRESENTATIVES HEINZE AND ROKEBERG, Gara, McGuire, Hawker, Foster, Stevens, Wilson, Seaton, Weyhrauch, Moses, Kerttula, Gruenberg, Anderson, Wolf, Cissna, Crawford, Dahlstrom, Meyer, Lynn, Berkowitz

SENATORS Dyson, Bunde, Cowdery, Olson, Guess, Davis, Seekins, Ellis

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to pooling by employers and self-employed individuals for purposes of  
2 group health insurance; and providing for an effective date."

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

4 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
5 to read:

6 INTENT. It is the intent of this Act to allow small and large employers, including  
7 nonprofit employers, as well as self-employed individuals, to form an association for group  
8 health insurance purposes.

9 \* **Sec. 2.** AS 21.54.015 is amended by adding a new subsection to read:

10 (b) A health care insurer may decline to cover or may restrict the coverage  
11 offered to a self-employed individual under an association plan authorized under  
12 AS 21.54.060(7).

13 \* **Sec. 3.** AS 21.54.060 is amended to read:

14 **Sec. 21.54.060. Group health insurance defined.** Group health insurance is

1 that form of health insurance covering groups of persons as defined below, with or  
2 without one or more members of their families or one or more of their dependents, or  
3 covering one or more members of the families or one or more dependents of the  
4 groups of persons and issued upon the following basis:

5 (1) under a policy issued to an employer or trustees of a fund  
6 established by an employer, who shall be considered the policyholder, insuring  
7 employees of the employer for the benefit of persons other than the employer; in this  
8 paragraph the term "employees" includes the officers, managers, and employees of the  
9 employer, the individual proprietor or partner if the employer is an individual  
10 proprietor or partnership, the officers, managers, and employees of subsidiary or  
11 affiliated corporations, the individual proprietors, partners, and employees of  
12 individuals and firms if the business of the employer and the individual or firm is  
13 under common control through stock ownership, contract, or otherwise; in this  
14 paragraph, "employees" may include retired employees; a policy issued to insure  
15 employees of a public body may provide that the term "employees" includes elected or  
16 appointed officials; the policy may provide that the term "employees" includes the  
17 trustees or their employees, or both, if their duties are principally connected with the  
18 trusteeship; a policy issued to insure employees of a corporation may provide that the  
19 term "employees" includes directors of the corporation, whether or not the directors  
20 receive compensation;

21 (2) under a policy issued to an association, including a labor union,  
22 that has a constitution and bylaws and that has been organized and is maintained in  
23 good faith for purposes other than that of obtaining insurance, insuring members,  
24 employees, or employees of members of the association for the benefit of persons  
25 other than the association or its officers or trustees; in this paragraph, the term  
26 "employees" may include retired employees;

27 (3) under a policy issued to the trustees of a fund established by two or  
28 more employers in the same or related industry or by one or more labor unions or by  
29 one or more employers and one or more labor unions or by an association as defined  
30 in (2) of this section, which trustees shall be considered the policyholder, to insure  
31 employees of the employers or members of the unions or of the association, or

1 employees of members of the association, for the benefit of persons other than the  
 2 employers or the unions or the association; in this paragraph, the term "employees"  
 3 may include the officers, managers, and employees of the employer, and the individual  
 4 proprietor or partners if the employer is an individual proprietor or partnership; in this  
 5 paragraph, the term "employees" may include retired employees; the policy may  
 6 provide that the term "employees" includes the trustees or their employees, or both, if  
 7 their duties are principally connected with the trusteeship;

8 (4) under a policy issued to a person or organization to which a policy  
 9 of group life insurance may be issued or delivered in this state to insure a class or  
 10 classes of individuals that could be insured under the group life policy;

11 (5) under a policy issued to cover any other substantially similar group  
 12 that, in the discretion of the director, may be subject to the issuance of a group health  
 13 insurance policy or contract;

14 (6) a group health insurance policy that contains provisions for the  
 15 payment by the insurer of benefits for expenses incurred on account of hospital,  
 16 nursing, medical, or surgical services for members of the family or dependents of a  
 17 person in the insured group may provide for the continuation of the benefit provisions,  
 18 or a part or parts of them, after the death of the person in the insured group;

19 **(7) under a policy issued to an association of employers covering**  
 20 **the employees and dependents of the employees, or issued to an association of**  
 21 **self-employed individuals covering self-employed individuals and dependents of**  
 22 **the self-employed individuals, or issued to an association that includes a**  
 23 **combination of employers and self-employed individuals; for purposes of this**  
 24 **paragraph,**

25 **(A) an association described under this paragraph shall**  
 26 **comply with the following requirements:**

27 **(i) the association shall have a constitution and**  
 28 **bylaws;**

29 **(ii) the association shall be maintained in good faith**  
 30 **for the benefit of persons other than the association or its officers**  
 31 **or trustees;**

1                    **(iii) membership in the association shall be restricted**  
 2                    **to large or small employers, or self-employed individuals, who are**  
 3                    **residents of the state; however, an employer domiciled in another**  
 4                    **state may become a member of the association for purposes of**  
 5                    **obtaining coverage through the association only for the employees**  
 6                    **and dependents of the employees of that employer who are**  
 7                    **residents of this state;**

8                    **(iv) except as provided under AS 21.54.015, the**  
 9                    **association may not condition membership in the association or**  
 10                   **coverage under a health insurance policy issued to the association**  
 11                   **on any of the factors listed under AS 21.54.100(a);**

12                   **(B) "self-employed individual" means an individual who**  
 13                   **derives a substantial portion of the individual's income from a trade or**  
 14                   **business through which the individual has attempted to earn taxable**  
 15                   **income and for which the individual has filed the appropriate Internal**  
 16                   **Revenue Service form and schedule for the previous taxable year.**

17 \* **Sec. 4.** AS 21.56.120 is amended by adding a new subsection to read:

18                   (e) In determining the premium rates for a small employer covered under an  
 19                   association health insurance policy authorized under AS 21.54.060(7), a small  
 20                   employer insurer may not use the claims experience of the small employer while the  
 21                   employer was covered under another health insurance policy and may use only that  
 22                   underwriting information obtained through the insurer's normal application process for  
 23                   new small employer groups that are not written under the association plan.

24 \* **Sec. 5.** This Act takes effect July 1, 2004.