

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 11, 2003

3:25 p.m.

MEMBERS PRESENT

Representative Tom Anderson, Chair
Representative Bob Lynn, Vice Chair
Representative Nancy Dahlstrom
Representative Carl Gatto
Representative Norman Rokeberg
Representative Harry Crawford
Representative David Guttenberg

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 169

"An Act increasing the amount of revenue received by the state from charitable gaming activities; and providing for an effective date."

- MOVED HB 169 OUT OF COMMITTEE

HOUSE BILL NO. 234

"An Act relating to brewpubs, and continuing the existence of the Alcoholic Beverage Control Board; and providing for an effective date."

- MOVED CSHB 234(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 195

"An Act relating to coverage offered under an individual policy of health care insurance; and providing for an effective date."

- MOVED CSHB 195(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 10

"An Act amending the definition of group health insurance, and allowing the Department of Administration to obtain a policy or policies of group health care insurance for employers that are small businesses, nonprofit organizations, special services

organizations, or small associations for insurance purposes; and providing for an effective date."

- MOVED CSHB 10(L&C) OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 169

SHORT TITLE: CHARITABLE GAMING REVENUE

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/05/03	0442	(H)	READ THE FIRST TIME - REFERRALS
03/05/03	0442	(H)	L&C, FIN
03/05/03	0442	(H)	FN1: (REV)
03/05/03	0442	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/31/03		(H)	L&C AT 3:15 PM CAPITOL 17
03/31/03		(H)	Heard & Held MINUTE(L&C)
04/11/03		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 234

SHORT TITLE: BREWPUBS; ABC BOARD

SPONSOR(S): REPRESENTATIVE(S) MCGUIRE

Jrn-Date	Jrn-Page		Action
04/02/03	0739	(H)	READ THE FIRST TIME - REFERRALS
04/02/03	0739	(H)	L&C, FIN
04/09/03		(H)	L&C AT 3:15 PM CAPITOL 17
04/09/03		(H)	Heard & Held MINUTE(L&C)
04/11/03		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 195

SHORT TITLE: INDIVIDUAL HEALTH CARE INSURANCE

SPONSOR(S): REPRESENTATIVE(S) ROKEBERG

Jrn-Date	Jrn-Page		Action
03/14/03	0541	(H)	READ THE FIRST TIME - REFERRALS
03/14/03	0541	(H)	L&C, HES
04/09/03		(H)	L&C AT 3:15 PM CAPITOL 17
04/09/03		(H)	Scheduled But Not Heard
04/11/03		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 10

SHORT TITLE:GROUP HEALTH INSURANCE FOR PRIVATE GROUPS

SPONSOR(S): REPRESENTATIVE(S)HEINZE, ROKEBERG

Jrn-Date	Jrn-Page		Action
01/21/03	0033	(H)	PREFILE RELEASED (1/10/03)
01/21/03	0033	(H)	READ THE FIRST TIME - REFERRALS
01/21/03	0033	(H)	L&C, HES
01/29/03	0088	(H)	COSPONSOR(S): HAWKER
02/07/03	0152	(H)	COSPONSOR(S): FOSTER, STEVENS
02/07/03	0152	(H)	WILSON, SEATON
02/10/03	0172	(H)	COSPONSOR(S): WEYHRAUCH
02/14/03	0218	(H)	COSPONSOR(S): MOSES
02/18/03	0231	(H)	COSPONSOR(S): KERTTULA
02/24/03		(H)	L&C AT 3:15 PM CAPITOL 17
02/24/03		(H)	Heard & Held MINUTE(L&C)
03/10/03	0497	(H)	COSPONSOR(S): GRUENBERG
04/11/03		(H)	L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

REPRESENTATIVE LESIL McGUIRE

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented changes in the proposed committee substitute (CS) for HB 234.

KATIE CAMPBELL, Life and Health Actuary

Division of Insurance

Department of Community and Economic Development

Juneau, Alaska

POSITION STATEMENT: Answered questions about HB 195 and explained the department's proposed amendment; answered questions on HB 10, Version Q.

PAULA SCAVERA, Special Assistant

Office of the Commissioner

Department of Labor & Workforce Development

Juneau, Alaska

POSITION STATEMENT: Described the department's work on the Trade Adjustment Assistance Act (TAA) as it affects HB 195.

SHAUNA HARPER, TAA Program Coordinator

Division of Employment Security

Department of Labor & Workforce Development

Juneau, Alaska

POSITION STATEMENT: During testimony on HB 195, described the TAA program.

ACTION NARRATIVE

TAPE 03-33, SIDE A

Number 0001

CHAIR TOM ANDERSON called the House Labor and Commerce Standing Committee meeting to order at 3:25 p.m. Representatives Anderson, Lynn, Dahlstrom, Gatto, Rokeberg, Crawford, and Guttenberg were present at the call to order.

HB 169-CHARITABLE GAMING REVENUE

Number 0056

CHAIR ANDERSON announced that the first order of business would be HOUSE BILL NO. 169, "An Act increasing the amount of revenue received by the state from charitable gaming activities; and providing for an effective date."

Number 0073

REPRESENTATIVE ROKEBERG moved to report HB 169 out of committee with individual recommendations and the accompanying fiscal notes.

Number 0090

REPRESENTATIVE CRAWFORD objected.

Number 0101

A roll call vote was taken. Representatives Gatto, Rokeberg, Lynn, and Anderson voted in favor of HB 169. Representatives Guttenberg, Crawford, and Dahlstrom voted against it. Therefore, HB 169 was reported out of the House Labor and Commerce Standing Committee by a vote of 4-3.

HB 234-BREW PUBS; ABC BOARD

Number 0164

CHAIR ANDERSON announced that the next order of business would be HOUSE BILL NO. 234, "An Act relating to brewpubs, and continuing the existence of the Alcoholic Beverage Control Board; and providing for an effective date."

Number 0168

REPRESENTATIVE LESIL McGUIRE, Alaska State Legislature, spoke as the sponsor of HB 285 and informed the committee that she met with the parties who testified at the last hearing on HB 234, and they have worked out an agreement in the form of a committee substitute (CS). The earlier bill adopted the recommendation by the Legislative Audit Division to limit the scope of the ABC [Alcoholic Beverage Control] Board's power to investigate prostitution and gambling. She said there are compelling arguments that ABC officials are the most likely to discover prostitution and gambling. So that limitation is removed from the proposed CS, she said.

Number 0280

REPRESENTATIVE McGUIRE stated that the proposed CS also changes the bill's earlier provisions on brewpubs. After conversations with various business people in the industry, she said they agreed that increasing the allowable number of gallons sold by brewpubs is a major policy change and might blur the line between retailing and manufacturing. She said that she will work with Representatives Rokeberg and Crawford, CHARR [Cabaret Hotel Restaurant & Retailers Association] people, and the various interests during the interim and discuss the whole concept of the three-tiered system - where it is working and where it isn't. She said that it's not just brewpubs and breweries that have issues; there are other areas of the Alaska statute that need to be examined. She thanked the president of CHARR for his hard work; she relayed that he will support the growler issue, [the sale by brewpubs of 5 gallon amounts to customers]. In developing the proposed CS, she and the other interested parties agreed that brewpubs' clients are their patrons, whereas a manufacturer's clients are found all over the state and potentially in other states.

REPRESENTATIVE McGUIRE mentioned that an amendment suggested by Representative Rokeberg would extend the sunset date [one year beyond that proposed in the CS] to June 30, 2007.

Number 0484

REPRESENTATIVE ROKEBERG moved to adopt CS for HB 234, Version 23-LS0862\S, Ford, 4/10/03, as the working document. There being no objections, Version S was before the committee.

Number 0530

REPRESENTATIVE ROKEBERG moved to adopt Conceptual Amendment 1, on page 2, line 13, deleting "2006" and replacing it with "2007".

Number 0579

REPRESENTATIVE CRAWFORD objected. He asked for an explanation for continuing the board for one more year.

REPRESENTATIVE ROKEBERG said the legislative audit recommended the three-year term so legislators could check on the progress of the board during the many suggested statutory changes. He warned about the "Christmas Tree" of amendments that tend to accumulate on legislation when the lawmakers consider major changes to the ABC board. He noted that HB 234 does not adopt the changes proposed by the legislative audit. The four-year extension of a board by the legislature is standard. He replied to Representative Crawford's question about the changes the bill's sponsor has promised to consider during the interim, saying those are separate from a straightforward extension of the board.

Number 0651

REPRESENTATIVE CRAWFORD withdrew his objection.

CHAIR ANDERSON, hearing no further objections, stated that Conceptual Amendment 1 was adopted.

REPRESENTATIVE MCGUIRE stated for the record that Chris Anderson, owner of the Orso Ristorante and Glacier Brewhouse in Anchorage, was not involved in the original bill, although some testimony in the first hearing suggested otherwise. She said Mr. Anderson had told her that he agreed not to be an advocate on the bill. [Mr. Anderson had made an agreement with the ABC Board not to lobby for legislation.]

Number 0658

REPRESENTATIVE ROKEBERG moved to report the CS for HB 234, Version 23-LS0862\S, Ford, 4/10/03, as amended, out of committee

with individual recommendations and the accompanying fiscal notes. There being no objections, CSHB 234(L&C) was reported out of House Labor and Commerce Standing Committee

HB 195-INDIVIDUAL HEALTH CARE INSURANCE

CHAIR ANDERSON announced that the next order of business would be HOUSE BILL NO. 195, "An Act relating to coverage offered under an individual policy of health care insurance; and providing for an effective date."

Number 0793

REPRESENTATIVE LYNN moved to adopt committee substitute (CS) for HB 195, Version 23-LS0690\Q, Ford, 4/9/03, as the working document. There being no objection, Version Q was before the committee.

Number 0828

REPRESENTATIVE ROKEBERG, as sponsor of HB 195, presented the bill. He explained that an official of the Division of Insurance will address the changes in the CS. Alaska and the nation are in the midst of a health care financial crisis, he said. People are contributing a greater percentage of their disposable income to the increasing cost of health insurance. This committee has been working to contain those costs, and HB 195 is a small tool the insurance industry can use to lower the cost of insurance for individuals who don't participate in a health insurance plan. The section of the bill relating to the insurance mandates is only for individual policies, which covers individuals and their families. The bill does not affect the insurance mandates for group plans. Insurance statutes differentiate between individual and group policies and has different rules for each.

Number 0923

REPRESENTATIVE ROKEBERG explained that legislatures across the country have mandated coverage of certain types of services in [group] insurance policies. The result has been a continuous rise in the cost of insurance. Certain underwriting policies apply to group policies, but they don't apply to individual plans. Therefore, there's more flexibility in writing individual plans, he said. Many people in a group plan have employer contributions that help offset the costs. If HB 195 can help lower the cost of an individual insurance plan, more

people will be apt to buy insurance. Allowing products to be underwritten by the insurance business that would enable people to afford a [health insurance] policy is a good thing, he said. He predicted that this bill may generate some controversy because all these mandated services [in group policies] are good requirements.

Number 1025

REPRESENTATIVE ROKEBERG listed the health care services mandated by state law [for group policies], which include acupuncture, midwives services, eye care, substance abuse treatment, mammography, PKU (phenylketonuria), dental and vision, diabetes, and prostate and cervical cancer screening. Federal mandates cover newly born children, postpartum hospital coverage, and reconstructive surgery following mastectomies. He explained that the legislature cannot change the federal mandates.

REPRESENTATIVE ROKEBERG stated that HB 195 allows an underwriter to write a policy that doesn't contain the state-mandated services. For example, he said, he doesn't need to buy a health plan for himself that includes mammogram coverage.

REPRESENTATIVE LYNN noted that men do need mammography coverage; he said a good [male] friend of his died of breast cancer.

Number 1135

REPRESENTATIVE ROKEBERG said HB 195 allows the insurance community to write a product that is cheaper.

REPRESENTATIVE ROKEBERG described the ACHIA program (Alaska Comprehensive Health Insurance Association), which is the insurance of last resort in Alaska. This program is required under the federal HIPAA (Health Insurance Portability and Accountability Act of 1996). He said Alaska provides health coverage for anyone who cannot buy it elsewhere. The ACHIA insurance has a relatively high premium, but it is subsidized by all the health insurance underwriters in the state. He said that the other health insurance [companies] had to contribute \$2 million to help pay the premiums of people who couldn't buy insurance elsewhere. He explained that it is a very good program for those people who can afford the premiums but can't get insurance otherwise because of pre-existing conditions. He alerted committee members that they may be able to refer constituents to this program.

Number 1221

REPRESENTATIVE ROKEBERG explained that the federal Trade Adjustment Assistance Reform Act of 2002 (TAA), PL 207-210, provides a subsidy for health insurance. He used the example of a person in the fishing industry who loses a job because of foreign trade activity - for example, when Chileans dump fish [in US markets at below-market prices]. The person qualifies for [health] insurance from Alaska's ACHIA program, and the federal government will pick up 65 percent of the premium.

Number 1326

REPRESENTATIVE LYNN clarified his earlier remark about men needing mammograms. He said about 5 percent of the people who die of breast cancer are males. He said the problem is that men do not typically have breast exams; therefore by the time breast cancer is discovered, it's very far advanced. He also asked about phenylketonuria, which is on the list of state-mandated coverage for group policies.

Number 1414

REPRESENTATIVE DAHLSTROM explained that phenylketonuria is a very rare condition in a small number of newborns that prevents the normal use of protein in the body. One timely shot takes care of the condition.

REPRESENTATIVE LYNN asked about the list of state-mandated health insurance services. He asked if these are elective procedures.

REPRESENTATIVE ROKEBERG replied that HB 195 allows insurance underwriters to design a policy [for an individual] and exclude those mandates. The idea is to lower the cost of the policy. For example, a customer may not need or want the option of substance abuse treatment, which can be extremely expensive. Premera Blue Cross sent a letter of support for HB 195. He said he has asked Premera Blue Cross to calculate an approximate savings for a policy [without these mandates]. The State of Washington is also considering a similar bill.

Number 1489

REPRESENTATIVE GATTO asked if the goal of this bill is to save money.

REPRESENTATIVE ROKEBERG replied that this is part of the goal; the idea is to entice somebody to obtain insurance coverage. An individual could still ask for some of the mandated services in the policy.

REPRESENTATIVE GATTO noted that if he is able to select components of his policy, he will pay less and that helps him. But, he stated, the insurance companies will be disadvantaged because their policies are priced to cover these mandated items. He asked if the insurance companies will make up the lost revenue on other policies.

Number 1541

REPRESENTATIVE ROKEBERG said that cost shifting among insurance companies is a common practice. Most people with health care insurance in Alaska are covered under group plans. According to the Division of Insurance's 2001 Health Insurance Survey, there were 5,843 individual policies in force at the end of 2001; 14,946 people, including dependents, were covered by those policies. The premiums on those policies cost \$24 million. He said the vast majority of the policies that are underwritten in Alaska are either group or self-insured plans, and they must include the state-mandated services. This [exception from state mandates] is intended for individual policies. In his own case, as a self-employed independent contractor, he said he was on his own seeking insurance, and it was a constant problem. He couldn't join an HMO (health maintenance organization), which are not present in Alaska. If he had had the opportunity to buy a major medical policy with no mandates that he could afford, he would have done that. He said he wants to do more than just save costs; he wants to make an affordable policy available and allow that product to be on the market. He said he wants people to buy a product they can afford.

Number 1636

REPRESENTATIVE GATTO asked why insurance companies have not already [taken this step].

REPRESENTATIVE ROKEBERG replied that insurance companies could not offer this type of health coverage [minus the mandated service]; the state forced them to offer the mandated coverages. He said he thinks insurance companies will offer these new types of policies because they are looking for new products to sell. They want to make a profit, but they can't if they are required to include all these services and underwrite for them.

Number 1739

REPRESENTATIVE GUTTENBERG said health care should be available to everyone; what people pay for it is another issue. He stated that he favors the idea of allowing the industry to offer looser coverage because more people are getting covered. But he questioned who would be left out. He said he wants to see where this approach goes.

Number 1822

KATIE CAMPBELL, Life and Health Actuary, Division of Insurance, Department of Community and Economic Development, discussed the federal Trade Adjustment Assistance Reform Act (TAA) in 2002. She said that it gives people who have become unemployed because of international trade the option to purchase qualified health insurance coverage; the federal government will pay 65 percent of their premium. The program is administered by the U.S. Department of Treasury and the Alaska Department of Labor & Workforce Development. A qualified person has four options for health coverage for a two-year period. The federal government will cover 65 percent of the premiums for any of the following four options: 1) continued health coverage from the person's former employer through COBRA (Comprehensive Omnibus Budget Reform Act); 2) continued coverage through a current health insurance plan; 3) continued coverage by a spouse's plan that paid less than 50 percent of the premium; and 4) coverage under a state's high risk pool.

Number 1888

MS. CAMPBELL explained that the fourth option is added to state law through HB 195. If a person who is eligible under TAA applies for the state's high risk ACHIA pool, then the federal government will pay 65 percent of that premium. She explained that in order for these individuals to purchase coverage through the high risk pool, state law needed to be changed so that they didn't have to be high risk or eligible under the Health Insurance Portability and Accountability Act (HIPAA).

MS. CAMPBELL explained proposed Amendment 1. Drafted by the department, it will allow those people into the high-risk pool and not subject them to some of the requirements that would disqualify it as a qualified health plan. Amendment 1 reads as follows [original punctuation provided]:

Page 2, after line 7 add a new section 4 to read:

***Sec.4.** AS 21.55.300(a) is amended to read:

(a) Except as provided in this section, a state resident who is a high risk, **a TAA eligible individual**, or a federally defined eligible individual is eligible to enroll in a state plan described in AS 21.55.100.

Page 3, lines 14-15 amend to read:

(23) "qualified TAA eligible individual" means a qualifying individual as defined under 26 U.S.C. 35 (**Internal Revenue Code, as enacted by sec. 201(a) of the Trade Adjustment Assistance Reform Act of 2002**).

MS. CAMPBELL explained that Section 4(a) in the proposed Amendment 1 adds a TAA-eligible individual to the ACHIA program. The second part of the amendment makes a consistent reference to the Trade Adjustment Assistance Reform Act of 2002. Ms. Campbell confirmed that the department supports this amendment.

Number 2002

REPRESENTATIVE CRAWFORD asked about the individual cost to get into the ACHIA program.

MS. CAMPBELL replied that a plan with a \$1,000 deductible for a 45-year-old has a \$692 premium. If the person were eligible through the TAA, the person's portion would be \$242 after the federal tax credit. The state sets the premium at 150 percent of the individual health insurance rate on the open market.

REPRESENTATIVE CRAWFORD said the whole idea of spreading the risk in insurance means enrolling as many healthy people as possible to help pay for the mandated services [in group plans]. The problem is that people are self-selecting out of these pools and signing up with cheaper plans, he said.

MS. CAMPBELL said in the group market, the employer decides what items to cover. For individual health insurance policies, the insurance companies design a plan that they think is a good plan that will sell; some are lower benefit plans; others are higher benefit plans. For example, an individual policy may only cover hospital admissions, which is valuable coverage because hospitals are generally a person's greatest expense, she said. If HB 195 passed, the insurance companies would presumably design a plan that would not include the mandates. A person would have a choice of an individual plan that includes mandates, which would be a little more expensive, or one that

doesn't. It would be the consumer's choice. She reiterated that Premera Blue Cross would be doing some estimates on the impact of removing those mandates [from individual policies].

Number 2185

REPRESENTATIVE ROKEBERG said that the committee can assume that by allowing insurance companies to design products without the mandates, the resulting policies will be cheaper. Right now, he said, companies don't do much designing like they do in group policies with their menu selections. He has requested Blue Cross and Aetna to show what kind of savings these policies can generate for the consumer.

REPRESENTATIVE ROKEBERG asked Ms. Campbell to explain why individual plans generally are cheaper than group plans because of the guarantee issue.

Number 2260

MS. CAMPBELL explained that in the large group market, companies generally guarantee [coverage of every policyholder] because it's a larger market, and insurance companies want to sell these policies. She said that is also true in the small group insurance market; an insurance company that writes in that market cannot refuse to cover someone, regardless of the risk. So if there are a number of unhealthy employees in a small group policy, the insurance company can't refuse to cover an individual; therefore, it's more costly insurance. However, in the individual market, insurance companies ask a lot of medical questions. For example, if a customer has had cancer in the last five years, they're not going to issue a policy to the person. Or if the person has had a back problem, they may put a rider excluding coverage for back treatments. So if customers have those kinds of conditions, they go to the high-risk [ACHIA] pool where they are guaranteed coverage.

Number 2311

REPRESENTATIVE ROKEBERG stated that in group plans, the large majority of employers pay a portion of the premium, so the policyholder tends to pay less out of pocket than a person with an individual plan. He said it's ironic that individual plans may be cheaper than group plans, but because there's no employer contribution, the out-of-pocket cost may be higher for the individual. He pointed out that in individual plans, the insurance company doesn't cover preexisting conditions, unless

it is a very expensive policy. He said HB 195 doesn't address that issue.

TAPE 03-33, SIDE B

Number 2368

REPRESENTATIVE GATTO asked about the insurance options available to a young college graduate with a degree, a \$40,000 school loan debt, and no job.

MS. CAMPBELL said the person would go to an insurance agent or a broker and get some quotes on policies. One company offers a policy for a \$186 monthly premium, with a \$1,000 deductible. She answered a question from Representative Gatto about coverage of successive cancers. She said the company probably wouldn't have covered the first cancer, and if the second cancer was related to the first cancer, the company would not cover that one either.

Number 2265

REPRESENTATIVE GUTTENBERG asked several questions about the details of the federal subsidy of health insurance under the Trade Adjustment Assistance Reform Act.

MS. CAMPBELL said the federal subsidy takes the form of a tax credit. The person [who lost a job because of international trade] applies to become eligible, and starting in August 2003, the U.S. Department of Treasury will issue tax credits on a monthly basis, instead of waiting till the end of the year. The person is covered for two years then is no longer eligible. The trade scene may shift, and the person may return to the previous job or find a new one.

Number 2193

REPRESENTATIVE ROKEBERG reviewed the four types of health insurance premiums that can be partially subsidized through federal tax credits. He emphasized that HB 195 only covers federal subsidies for access to ACHIA coverage.

Number 2152

PAULA SCAVERA, Special Assistant, Office of the Commissioner, Department of Labor & Workforce Development, explained that the Trade Adjustment Assistance Reform Act is for people who have lost their jobs due to competition from foreign imports. In the

last few years, timber and oil industry workers [in Alaska] have been qualified for assistance under this law. Most recently, fishing industry workers have become eligible. In the late 1990's, there were hundreds of people eligible, but recently, displaced workers have numbered in the thousands. There's money for training, retraining, and this health care tax credit.

MS. SCAVERA said she would provide the number of workers from the oil and other industries who have qualified for these federal benefits. She noted that the department is publicizing the program through its job centers. The information is available on the department's web site, and the department is contacting companies directly. Because the department was recently added to HB 195, she is developing additional materials for legislators.

Number 1986

SHAUNA HARPER, TAA Program Coordinator, Division of Employment Security, Department of Labor & Workforce Development, responded to a question from Representative Guttenberg about the history of the Trade Adjustment Assistance Reform Act. She testified that the TAA was established in 1974; it was reformed on August 6, 2002, when the health care tax provision was added. The law sunsets in 2007 but has been reauthorized every three or four years since 1974. Other benefits include retraining, job search allowances, relocation allowances, and weekly benefits that are similar to unemployment insurance.

Number 1920

REPRESENTATIVE ROKEBERG moved to adopt Amendment 1 [text provided previously]. There being no objection, it was so ordered.

Number 1890

REPRESENTATIVE DAHLSTROM moved to report CSHB 195, Version 23-LS0690\Q, Ford, 4/9/03, as amended, from committee with individual recommendations and the accompanying committee zero fiscal note. There being no objection, CSHB 195(L&C) was reported out of the House Labor and Commerce Standing Committee.

HB 10-GROUP HEALTH INSURANCE FOR PRIVATE GROUPS

Number 1853

CHAIR ANDERSON announced that the final order of business would be HOUSE BILL NO. 10, "An Act amending the definition of group health insurance, and allowing the Department of Administration to obtain a policy or policies of group health care insurance for employers that are small businesses, nonprofit organizations, special services organizations, or small associations for insurance purposes; and providing for an effective date."

Number 1847

REPRESENTATIVE ROKEBERG moved to adopt the proposed committee substitute (CS), Version 23-LS0030\Q, Ford, 4/11/03, as a work draft. There being no objection, Version Q was before the committee.

CHAIR ANDERSON said this is a great bill and announced that he would cosponsor it.

REPRESENTATIVE ROKEBERG, prime sponsor along with Representative Heinze, told members the bill allows nonprofit organizations and others who qualify to pool together for group insurance. Explaining reasons for the changes in Version Q, he said this had the [Alaska Mental Health Trust Authority ("Mental Health Trust")] provide some \$91,000 to help "organize the state, which would go out with an RFP [request for proposals] to the private sector to get the private sector involved to try to put that group together." He also pointed out that the Division of Retirement & Benefits, Department of Administration, had provided a fiscal note [for the original bill] for some \$40,000 [for 2004] to participate in this. He said the bill was generating some negative reaction in the insurance community, including major underwriter and independent companies; concern about the growing fiscal note; and concern that people's expectations [wouldn't be met].

REPRESENTATIVE ROKEBERG explained that he and Representative Heinze want to allow people to group together without restrictions to form "critical-mass, larger pools," which could drive down the cost of insurance and would allow people to get together [for insurance purposes] who are currently restricted from doing so under state law. Therefore, he explained, it had dawned on him to "break down the barriers to getting affiliated affinity groups together" by making it a more open process, changing state law to allow even insurance underwriters to form their own groups, rather than have the state involved in the process of forming groups.

REPRESENTATIVE ROKEBERG reported that he'd discussed this with the Mental Health Trust, which is very supportive of the concept, particularly on behalf of nonprofit organizations; he said Mr. Jessee [executive director of the Mental Health Trust] had expressed concern early on, but thought it was a great idea to open the process up and make it nonspecific, allowing nonprofits to work on their own together. He said [the Mental Health Trust] still would do the financing, and offered his understanding that the private insurance industry currently is working with the Foraker Group in Anchorage, through the Rasmuson Foundation, on trying to form a nonprofit group. He added that [the Mental Health Trust] is willing to put up at least \$45,000 to underwrite this activity, and it wouldn't have to go through the state budget.

Number 1631

REPRESENTATIVE ROKEBERG, calling Version Q the "light version of the bill," specified that the intention is to allow groups to come together, break these barriers down, and form pools or groups basically on their own, in conjunction with underwriters. He pointed out that there are plans in the state that allow associations to self-insure, but explained that he hadn't wanted to do that with this bill because it requires the Division of Insurance to address issues of solvency and managing the group. This bill, instead, keeps it simple and lets the private sector "group together and do what they want."

REPRESENTATIVE ROKEBERG pointed out that Version Q "comes up slightly short" because it doesn't include individuals. Noting that there are some technical issues, he said he'd keep working on it to try to allow individuals to join the group. He requested that members get some clarification from Ms. Campbell [of the Division of Insurance] and then move the bill from committee. He characterized it as a "breakthrough kind of thing" and questioned the need for artificial barriers. In response to a member with regard to whether any barriers remain, he said there are some in the bill right now; he mentioned the need for constitutional bylaws and said he wasn't happy about that. He asked Ms. Campbell to address that.

Number 1544

CHAIR ANDERSON observed that there are a lot of cosponsors.

REPRESENTATIVE ROKEBERG concurred, saying he'd circulate a memorandum to inform them that the nature of the bill has been changed. He surmised that people who didn't like the bill before would like it now, and that those who liked before still should. He said he didn't see any downside.

Number 1519

REPRESENTATIVE GATTO recalled earlier committee discussion and his own question about what business the state has getting involved in this; he mentioned potential lawsuits and so forth. He said that as he reads Version Q, however, it appears the question no longer needs to be asked. He sought assurance that the state is out of the picture.

REPRESENTATIVE ROKEBERG responded:

Representative Gatto's concerns, while I don't 100 percent agree with, totally, his concerns from the prior version, I think they had a lot of validity. And by trying to make this bill simpler, with more general applicability, ... and doing it totally outside the bounds of state government and just lowering barriers to pooling and aggregation, I think that's the intention of the bill, and I think I can ... answer in the affirmative.

Number 1421

REPRESENTATIVE CRAWFORD remarked that one reason he believes what Representative Rokeberg is doing [with the new concept in Version Q] is so laudable is that it wasn't being done before. Agreeing with the need to remove barriers, he said he hadn't had a chance to read through [Version Q] yet, but indicated he wholeheartedly agreed with the concept and offered to help get it moving in any way he could.

Number 1360

REPRESENTATIVE GUTTENBERG highlighted the idea of removing the obstacles as a new approach and letting the market take over, suggesting it might just do it. He indicated the desire to hear from people about it.

REPRESENTATIVE ROKEBERG emphasized that he doesn't want nonprofit organizations to feel "we're turning our back on them"; on the contrary, the desire is to put something workable

together. He suggested this bill is a prototype allowing [nonprofits] to do things they weren't able to do before, in conjunction with the private sector and groups like [the Mental Health Trust] and the Foraker Group that will step up and be the conduit, which the state would have been under the former bill version.

Number 1203

REPRESENTATIVE CRAWFORD asked Representative Rokeberg how he envisions this happening. For example, will nonprofits call a 1-800 phone number and express the desire to be part of this, get together a group of nonprofits and small businesses, and then ask for bids?

REPRESENTATIVE ROKEBERG replied:

Well, frankly, there's already the move underway ... with the Foraker Group for nonprofits, ... working with a specific underwriter. And unfortunately, because of ... the timing and everything else, I would have them to testify today, but ... this bill has got two other referrals, so I wanted to get it moving. And I will be getting further backup and getting them involved. I just want to make sure that the nonprofit community understands that, and that this process is already underway, because I think we've got at least two organizations, the Foraker Group and [the Mental Health Trust], willing to take up ... this issue.

REPRESENTATIVE ROKEBERG noted the presence of Ms. LaBolle of the Alaska State Chamber of Commerce, and suggested that other groups which might have been restricted by law before would now be able to move forward along these lines.

Number 1100

REPRESENTATIVE ROKEBERG asked Ms. Campbell to explain why individuals couldn't be included. He also referred to the Alaska State Chamber of Commerce and asked why the barriers for group affiliation existed before and yet can be lowered now. He indicated he would be working with Ms. Campbell on these issues.

Number 1069

KATIE CAMPBELL, Life and Health Actuary, Division of Insurance, Department of Community and Economic Development, with regard to adding individuals to the plan, explained:

It's because ... of the way that our market in Alaska is set up. Right now, there is no "guarantee issue" in our individual market unless you go to [a] high-risk pool. So if you allow an individual now who is, ... say, less than healthy to come into this association - and remember, it's formed for insurance purposes, so if it's to their advantage and they think they can get a better rate there, obviously they will, as opposed to going into the high-risk pool - you end up with a lot of high-risk people in your association plan, and ... that causes the association plan to fail. The rates ... will skyrocket, and it won't serve the purpose that was intended.

REPRESENTATIVE ROKEBERG asked whether a combination of the prior bill and this one could serve the individual market better, and whether there is any way to finesse that [guarantee] issue program for this new category.

MS. CAMPBELL answered, "I think that if you try to combine them into this association plan on a guarantee basis - so if they come in and they're guaranteed coverage - you're going to run into the problem where that association plan won't be viable."

REPRESENTATIVE ROKEBERG asked, "What if you don't guarantee the coverage for individuals - could you do that?"

MS. CAMPBELL responded:

You could certainly set it up so that they could become part of the association and be underwritten much like they underwrite in the market, and then you end up back in the same place where, well, they could just buy the coverage out in the market. ... I think the individual rates are generally a little bit less expensive because they'd be paying 100 percent of their premium, whether they buy through the association or through the individual market.

REPRESENTATIVE ROKEBERG suggested that it is a matter of public education, then, with regard to what is available.

Number 0935

MS. CAMPBELL responded to Representative Rokeberg's earlier question relating to barriers for group affiliation:

I think primarily that the reason that they have been excluded ... can be summed up, I think, in the conditions that are placed around this ... in this particular version of the draft, that you have this problem in a voluntary market where people are going to select against one or the other, depending on what their risk is. And so, what happens right now is, the insurance companies ... are very cautious about writing association plans if they cannot, in some way, predict the risk of that group. And so, you really look for stability in the association. If everybody can move in and out and ... they're allowing a lot more unhealthy people in or -- you know, it's really about being able ... to predict the risk ... and to offer the coverage at a reasonable rate.

MS. CAMPBELL offered her understanding with respect to the Alaska State Chamber of Commerce that it is a legitimate association that could get bids from insurance companies. She said that wasn't restricted before, as long as the association was formed for a purpose other than insurance, had a constitution and bylaws, and was a bona fide association. She reiterated that insurance companies are very hesitant when they don't feel that the rules surrounding the membership and so forth allow them to predict the cost.

Number 0790

REPRESENTATIVE GUTTENBERG recalled that one concern with the former bill version related to the possibility, if someone didn't get the bid, then other people would move out of the market. He asked Ms. Campbell to explain how that wouldn't happen under [Version Q].

MS. CAMPBELL replied:

This is allowing ... groups of people to form. It's not one great big, huge pool. So, presumably, if you're going to form an association, ... you could be in a community and you could say, "Oh, I want to provide insurance coverage to my employees," and you could be all different businesses, and you could say, "OK, well, all of us in this area want to form an

association." And you could do that. It's just a portion of the market. ... I think the way that it was set up before, it was ... more global.

REPRESENTATIVE GUTTENBERG suggested there would be a tendency to form as large a pool as possible for a single group.

MS. CAMPBELL said it would certainly be allowed, and agreed that the larger the group, probably the better.

Number 0735

MS. CAMPBELL, in response to a question from Representative Crawford, explained that under the small-employer laws, "issue" is guaranteed if a firm has 2-50 employees. On the other hand, insurance companies can require that full-time employees participate [as a condition of providing coverage]. For example, a person may be covered under a spouse's plan and therefore not want coverage, but if that person didn't participate, the company wouldn't meet the insurer's rules that say a certain percentage of employees must participate. That is to avoid the selection problem, she noted, where higher-risk people are the only ones who end up insured in an employer plan.

Number 0650

REPRESENTATIVE DAHLSTROM moved [to report from committee] CSHB 10 [Version 23-LS0030\Q, Ford, 4/11/03] with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 10(L&C) was reported from the House Labor and Commerce Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:50 p.m.