

**SENATE BILL NO. 61**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY SENATORS FRENCH, Ellis

Introduced: 1/21/09

Referred: Health and Social Services, Labor and Commerce, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act establishing an Alaska health care program to ensure insurance coverage for  
2 essential health services for residents of the state, the Alaska Health Care Board to  
3 administer the Alaska health care program and the Alaska health care fund, the Alaska  
4 health care clearinghouse to administer the Alaska health care program under the  
5 direction of the Alaska Health Care Board, and eligibility standards and premium  
6 assistance for health care coverage of persons with low incomes; creating the Alaska  
7 health care fund; providing for review of actions and reporting requirements related to  
8 the health care program; and providing for an effective date."

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

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

12 FINDINGS; PURPOSE. (a) The legislature finds that

- 1 (1) the current health care system is unsustainable;
- 2 (2) improving and protecting the health of Alaskans must be a primary goal of  
3 the state;
- 4 (3) all Alaskans should have access to essential health care services that are  
5 affordable, that are based on publicly debated criteria, and that consider the well-being of  
6 individuals across their life spans;
- 7 (4) Alaska has an economic interest in ensuring equitable financing of  
8 essential health care for Alaskans who do not have access to basic health care;
- 9 (5) health care policies should emphasize public health and encourage the use  
10 of quality service and evidence-based treatment that are appropriate and safe and that  
11 discourage over-treatment;
- 12 (6) health care providers and informed patients must be the primary decision  
13 makers who are accountable for an individual's health;
- 14 (7) health care funding should be explicit, predictable, and economically  
15 sustainable;
- 16 (8) an economically sustainable health care system requires that providers  
17 receive fair and adequate compensation;
- 18 (9) health care must be balanced with other programs that also affect health;  
19 and
- 20 (10) health care must account for the allocation of resources and the human  
21 consequences of funding decisions.

22 (b) The purpose of this Act is to address the findings and concerns listed in (a) of this  
23 section by creating the Alaska health care program.

24 \* **Sec. 2.** AS 21.54 is amended by adding new sections to read:

25 **Article 2A. Alaska Health Care Program.**

26 **Sec. 21.54.200. Alaska health care program.** The Alaska health care program  
27 is established to

- 28 (1) ensure that residents of the state have access to affordable health  
29 care insurance;
- 30 (2) require that residents of the state have, at a minimum, insurance  
31 covering essential health care services;

1 (3) reduce unsustainable health care cost increases;

2 (4) establish a system of health care insurance that integrates public  
3 involvement and oversight, consumer choice, and competition within the private  
4 health care insurance market;

5 (5) use models of health care insurance benefits, service delivery, and  
6 payments that control costs and overuse, emphasizing preventative care and chronic  
7 disease management within a primary care environment; and

8 (6) provide services for humane and dignified end-of-life care.

9 **Sec. 21.54.210. Alaska Health Care Board.** (a) The Alaska Health Care  
10 Board is established in the division to manage the Alaska health care program.

11 (b) The board shall consist of 13 members, including 12 members appointed  
12 by the governor, subject to confirmation by the legislature, and the commissioner of  
13 health and social services or the commissioner's designee, serving ex officio. The  
14 members of the board appointed by the governor must include

15 (1) one representative who is a licensed insurance producer;

16 (2) one representative from a health insurance company licensed to  
17 transact health care insurance in the state;

18 (3) two representatives of the business community other than health  
19 care insurers, one representing large businesses, and one representing small  
20 businesses;

21 (4) one representative each from two Alaska hospitals;

22 (5) one representative of a labor organization;

23 (6) two physicians licensed in Alaska;

24 (7) two health care consumer advocates; and

25 (8) one registered nurse.

26 (c) Except for the commissioner or the commissioner's designee, who serves  
27 ex officio, each board member serves for a term of three years beginning on January 1  
28 and until a successor has been appointed. A member is eligible for reappointment.

29 (d) If there is a vacancy, the governor shall make an appointment, effective  
30 immediately, for the balance of the unexpired term.

31 (e) Members of the board are entitled to per diem and transportation costs

1 under AS 39.20.180.

2 (f) The board shall select a member to serve as chair and a member to serve as  
3 vice-chair for a term and with duties and powers necessary to perform their functions.

4 (g) A majority of the board constitutes a quorum for transacting business.

5 **Sec. 21.54.220. Powers and duties of the Alaska Health Care Board.** (a)  
6 The Alaska Health Care Board shall

7 (1) administer, as a fiduciary, the Alaska health care fund established  
8 under AS 21.54.280 in accordance with the Alaska health care program established by  
9 AS 21.54.200 - 21.54.310;

10 (2) establish types or categories of health care insurance plans offered  
11 through the Alaska health care clearinghouse;

12 (3) classify each plan offered through the clearinghouse as a  
13 comprehensive or basic health care insurance plan, based on criteria including the  
14 financial cost of the plan, including premium cost, deductible costs, and co-pay  
15 provisions;

16 (4) establish criteria for participation by residents and insurers in the  
17 Alaska health care program;

18 (5) establish an Alaska health care voucher system that provides health  
19 care insurance to each individual who meets the needs-based participation criteria set  
20 out in AS 21.54.240 or who is the beneficiary of contributions made to the fund that  
21 specify the individual as the beneficiary under AS 21.54.280(b);

22 (6) ensure that eligible individuals are enrolled in a health care  
23 insurance plan that provides essential health care services;

24 (7) prescribe the method for determining individual income for the  
25 purpose of the Alaska health care program;

26 (8) establish procedures for enrolling a participant in the Alaska health  
27 care program, including enrollment procedures describing when an individual may  
28 enroll or select a different health insurance plan offered through the Alaska health care  
29 clearinghouse; the procedures established under this paragraph must allow an  
30 individual insured by a health care insurance plan offered through the Alaska health  
31 care clearinghouse to select a different health care insurance plan from the plans

1 offered through the clearinghouse and to make that selection at least annually;

2 (9) require that participants receive complete information regarding the  
3 cost of obtaining health care insurance;

4 (10) establish procedures for notice and hearings for a person  
5 aggrieved by a decision of the board or the Alaska health care clearinghouse; and

6 (11) ensure that every Alaskan who is required to participate in the  
7 Alaska health care program is offered health care insurance that protects the insured  
8 from severe financial hardship caused by the cost of receiving medical care.

9 (b) The board may hold regular and special meetings as the board considers  
10 necessary; board meetings may be held by teleconference; meetings shall be recorded  
11 and made available on request.

12 **Sec. 21.54.230. Alaska health care clearinghouse.** (a) The Alaska health care  
13 clearinghouse is established in the division.

14 (b) The clearinghouse shall be administered by the director.

15 (c) The clearinghouse shall

16 (1) administer the Alaska health care program under the direction of  
17 the Alaska Health Care Board;

18 (2) disseminate information about health care insurance products  
19 available through the clearinghouse; and

20 (3) provide assistance in the enrollment process for a small business or  
21 an individual.

22 **Sec. 21.54.240. Essential health care services; eligibility.** (a) Every resident  
23 of the state shall participate in the Alaska health care program except a resident who

24 (1) is a beneficiary of a health care plan that provides health care  
25 benefits that meet or exceed the benefits for essential health care services;

26 (2) is enrolled in a publicly funded medical assistance program  
27 providing services that meet or exceed the benefits required as essential health care  
28 services;

29 (3) is enrolled in Medicaid or Medicare;

30 (4) is receiving health care benefits under a health benefit plan  
31 regulated by 29 U.S.C. 1001 - 1461 (Employee Retirement Income Security Act of

1 1974) that meet or exceed the benefits for essential health care services;

2 (5) is an individual insured under an individual state plan of health  
3 insurance under the Comprehensive Health Insurance Association under AS 21.55;

4 (6) is receiving health care benefits under a medical care program of  
5 the Indian Health Service; however, a person receiving health care benefits under a  
6 medical care plan of the Indian Health Service may elect to participate in the Alaska  
7 health care program;

8 (7) has resided in the state for less than one year; however, a person  
9 who has resided in the state for less than one year may receive services provided by  
10 the Alaska health care clearinghouse under AS 21.54.230; or

11 (8) demonstrates satisfactorily to the board, under criteria established  
12 by the board, that the person has deeply held religious beliefs contrary to the Alaska  
13 health care program and the requirement to purchase health care insurance for  
14 essential health care services.

15 (b) Except as provided in (g) of this section, the Alaska Health Care Board  
16 shall provide a voucher to a resident with an income that is not more than 450 percent  
17 of the most recent federal poverty guidelines, updated periodically in the Federal  
18 Register by the United States Department of Health and Human Services under the  
19 authority of 42 U.S.C. 9902(2), and who is only eligible for coverage through the  
20 Comprehensive Health Insurance Association (AS 21.55). A voucher authorized by  
21 this subsection must equalize the cost of insurance under the Comprehensive Health  
22 Insurance Association with the cost of purchasing a health care insurance plan that  
23 provides substantially equivalent benefits through the Alaska health care  
24 clearinghouse. For purposes of cost comparison under this subsection, the board shall  
25 determine whether a plan provided under the Comprehensive Health Insurance  
26 Association provides substantially equivalent benefits to a health care insurance plan  
27 offered through the clearinghouse.

28 (c) Except as provided in (g) of this section, a resident with an income that is  
29 not more than the most recent federal poverty guidelines, updated periodically in the  
30 Federal Register by the United States Department of Health and Human Services  
31 under the authority of 42 U.S.C. 9902(2), who is required to participate in the Alaska

1 health care program shall receive private health care insurance coverage for essential  
2 health care services at no cost, paid from the fund.

3 (d) Except as provided in (g) of this section, a resident with an income  
4 between 100 percent and not more than 300 percent of the most recent federal poverty  
5 guidelines, updated periodically in the Federal Register by the United States  
6 Department of Health and Human Services under the authority of 42 U.S.C. 9902(2),  
7 who is required to participate in the Alaska health care program shall pay premiums  
8 for health care insurance for essential health care services on a sliding scale  
9 established by the board.

10 (e) A resident with an income of 300 percent or more of the most recent  
11 federal poverty guidelines, updated periodically in the Federal Register by the United  
12 States Department of Health and Human Services under the authority of 42 U.S.C.  
13 9902(2), who is required to participate in the Alaska health care program shall pay the  
14 premium for health care insurance for essential health care services.

15 (f) A person who is an alien is not eligible for assistance under AS 21.54.200 -  
16 21.54.310 unless the person is a qualified alien, as defined under 8 U.S.C. 1641, or an  
17 alien excepted under 8 U.S.C. 1612(b). However, a qualified alien may only be  
18 eligible for assistance under AS 21.54.200 - 21.54.310 if the person is not precluded  
19 by the limited eligibility provision of 8 U.S.C. 1613.

20 (g) A person who is exempt from being required to participate in the Alaska  
21 health care program under

22 (1) (a)(1) - (5) of this section, but who is eligible to participate in a  
23 program identified in (a)(1) - (5) of this section, may not receive benefits under (b) -  
24 (d) of this section.

25 (2) (a)(7) of this section may not receive benefits under (b) - (d) of this  
26 section until the person has resided in the state for one year or more.

27 **Sec. 21.54.250. Essential health care services.** For purposes of AS 21.54.200  
28 - 21.54.310, essential health care services means medical services performed for an  
29 individual covered by a health care plan for the diagnosis or treatment of  
30 nonoccupational disease or nonoccupational injury. The medical services that must be  
31 performed for an individual covered by a health care plan include, as a minimum,

- 1 (1) preventative and primary care;
- 2 (2) emergency services;
- 3 (3) inpatient services and hospital treatment;
- 4 (4) ambulatory patient services;
- 5 (5) prescription drug coverage; and
- 6 (6) mental health services.

7 **Sec. 21.54.260. Alternative or additional health care services.** (a) An  
8 employer may offer health insurance coverage that meets or exceeds coverage for  
9 essential health care services.

10 (b) An individual or employer may purchase health care insurance for health  
11 care services in addition to the essential health care services required under  
12 AS 21.54.200 - 21.54.310.

13 (c) If an employer does not provide a health care insurance plan for all  
14 employees or provides a health care insurance plan that meets or exceeds coverage for  
15 essential health care services but does not enroll at least 25 percent of the employer's  
16 employees in the plan or does not offer to pay at least 33 percent of the premium for  
17 health care insurance under the plan, the employer shall pay the department as  
18 follows:

19 (1) if an employer's annual gross payroll paid to employees who are  
20 required to participate in the Alaska health care plan under AS 21.54.240 is \$500,000  
21 or less, no payment is required;

22 (2) if an employer's annual gross payroll paid to employees who are  
23 required to participate in the Alaska health care plan under AS 21.54.240 is greater  
24 than \$500,000 but less than \$1,000,000, the employer shall pay one percent of the  
25 gross payroll; or

26 (3) if an employer's annual gross payroll paid to employees who are  
27 required to participate in the Alaska health care program under AS 21.54.240 is  
28 \$1,000,000 or greater, the employer shall pay two percent of the gross payroll.

29 (d) An employer that establishes a cafeteria plan under 26 U.S.C. 125 (Internal  
30 Revenue Code) that offers employees the option to elect health care insurance  
31 coverage that meets or exceeds essential health care services is not subject to the

1 payment requirements under (c) of this section, regardless of whether an employee  
2 elects to receive the offered health care insurance.

3 (e) In this section, "essential health care services" means those services set out  
4 in AS 21.54.250.

5 **Sec. 21.54.270. Health care insurance plan; children's coverage.** (a) A  
6 health care insurance plan that is approved by the director that provides coverage for  
7 essential health care services under AS 21.54.200 - 21.54.310 and meets the other  
8 requirements established under this title may be offered through the Alaska health care  
9 clearinghouse.

10 (b) A health care insurance plan offered through the Alaska health care  
11 clearinghouse may not deny enrollment to an eligible individual.

12 (c) A health care insurance plan offered through the Alaska health care  
13 clearinghouse may include

14 (1) different benefits for network or out-of-network providers;

15 (2) varied levels of copayment, coinsurance, deductible amounts, out-  
16 of-pocket maximums;

17 (3) high deductible health plans as defined by 26 U.S.C. 223(c)(2)  
18 (Internal Revenue Code); and

19 (4) special insurance terms applicable only to individuals between 18  
20 and 30 years of age.

21 (d) A health care insurance plan offered through the Alaska health care  
22 clearinghouse that covers children must provide that the coverage will continue until  
23 the earlier of the child's reaching 25 years of age or two years after the child no longer  
24 resides with the family.

25 (e) Notwithstanding AS 21.54.110(a), a health care insurance plan offered  
26 through the Alaska health care clearinghouse may not exclude coverage for a  
27 preexisting condition that

28 (1) relates to a condition, regardless of cause, for which medical  
29 advice, diagnosis, care, or treatment was recommended or received more than two  
30 years before the enrollment date;

31 (2) considers genetic information as a condition for which a

1 preexisting exclusion may be imposed in the absence of a diagnosis of the condition  
2 related to the genetic information;

3 (3) extends more than 12 months after the enrollment date; or

4 (4) excludes a condition relating to pregnancy.

5 (f) A period of a preexisting condition exclusion permissible under (e) of this  
6 section must be reduced by the aggregate periods of creditable coverage, if any, as  
7 determined under AS 21.54.120, including creditable coverage resulting from  
8 participation in a plan offered through the Alaska health care clearinghouse, or a plan  
9 described in AS 21.54.240(a)(1) - (6). The aggregate of periods of creditable coverage  
10 is determined by adding all periods of creditable coverage before the enrollment date,  
11 excluding periods of creditable coverage before a continuous break in coverage of  
12 more than 90 days. This subsection does not apply if an individual's most recent  
13 period of creditable coverage ended on a date more than 90 days before the enrollment  
14 date. This subsection does not preclude application of a waiting period to all new  
15 enrollees under a health care insurance plan.

16 **Sec. 21.54.280. Alaska health care fund.** (a) The Alaska health care fund is  
17 established as a separate trust fund of the state. The fund consists of

18 (1) state money appropriated to the fund;

19 (2) federal money appropriated to the fund;

20 (3) private employer and employee health care contributions or fees  
21 received by the department and appropriated to the fund;

22 (4) health care premiums received by the department and appropriated  
23 to the fund;

24 (5) other appropriations by the legislature;

25 (6) contributions appropriated to the fund from the United States  
26 government and its agencies or from any other source, public or private, provided for  
27 purposes that are consistent with the goals of the Alaska health care program; and

28 (7) interest earnings from investments of the fund appropriated to the  
29 fund.

30 (b) Contributions may be made to the fund by an employer, employers, or an  
31 individual that is specified for a particular beneficiary. If a contribution is made to the

1 fund for the benefit of a particular beneficiary, the beneficiary shall receive a health  
 2 care voucher in the amount of the contribution that may be used to purchase a health  
 3 care insurance plan. Money collected under AS 21.54.260(c) is not considered made  
 4 for the benefit of a particular beneficiary.

5 (c) The board may use the fund for the purpose of administering the Alaska  
 6 health care program consistent with AS 21.54.200 - 21.54.310.

7 **Sec. 21.54.290. Disputes and appeals.** A person is entitled to notice and an  
 8 opportunity for a hearing under regulations adopted by the Alaska Health Care Board  
 9 if

10 (1) the board or the Alaska health care clearinghouse denies enrollment  
 11 to the person;

12 (2) an accountable health care plan refuses to enroll an individual or  
 13 fails to provide essential health care services; or

14 (3) the person is adversely affected or aggrieved by a decision of the  
 15 board or the clearinghouse.

16 **Sec. 21.54.300. Reporting.** The Alaska Health Care Board shall submit a  
 17 written report on the operation of the Alaska health care program to the commissioner  
 18 and to the legislature by January 1 of each year. The report must include

19 (1) the number of individuals enrolled in the Alaska health care  
 20 program;

21 (2) the cost savings to the state, to employers, and to health care  
 22 providers;

23 (3) a measure of patient satisfaction;

24 (4) an assessment of patient access to essential health care services;

25 (5) a description of the changes or adjustments made to the program  
 26 during the period covered by the report;

27 (6) a discussion of the state agencies delivering redundant services, if  
 28 any, relating to health care benefits;

29 (7) an evaluation of state programs that regulate or deliver health care  
 30 benefits;

31 (8) recommendations for legislative changes necessary to meet the

1 goals of the program;

2 (9) an evaluation of and recommendations on the following topics:

3 (A) the use of electronic health records;

4 (B) children's health insurance programs;

5 (C) the effectiveness of Medicaid and the potential expansion  
6 of the Alaska Medicaid program, including a comparison between the costs of  
7 expanding the Alaska Medicaid program and the cost of providing benefits  
8 through the Alaska health care program;

9 (D) the effect of mandated benefits;

10 (E) prescription drug bargaining;

11 (F) evidence-based treatment procedures including a  
12 comparison of the use of evidence-based treatment in other states;

13 (G) the recruitment and retention of medical professionals in  
14 the state;

15 (H) expanding offerings of the University of Alaska in medical  
16 fields;

17 (I) maximizing federal funding to implement the program;

18 (J) innovations that could produce health care cost savings,  
19 including waivers under 42 U.S.C. 1315 (sec. 1115, Social Security Act),  
20 which allows experimental, pilot, or demonstration projects likely to assist in  
21 promoting the objectives of the Medicaid statute.

22 **Sec. 21.54.310. Regulations.** The Alaska Health Care Board shall adopt  
23 regulations under AS 44.62 (Administrative Procedure Act) consistent with  
24 AS 21.54.200 - 21.54.310.

25 \* **Sec. 3.** AS 21.54.500 is amended by adding new paragraphs to read:

26 (30) "alien" means a person who is not a citizen or national of the  
27 United States;

28 (31) "board" means the Alaska Health Care Board;

29 (32) "fund" means the Alaska health care fund;

30 (33) "resident" has the meaning given in AS 01.10.055.

31 \* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 TRANSITIONAL PROVISIONS. Notwithstanding AS 21.54.210, enacted by sec. 2  
3 of this Act, the initial terms for members of the Alaska Health Care Board, except for the  
4 commissioner of health of social services who serves ex officio, are as follows:

5 (1) four members shall be appointed to serve for a term ending December 31,  
6 2010;

7 (2) four members shall be appointed to serve for a term ending December 31,  
8 2011; and

9 (3) the remaining members shall be appointed to serve for a term ending  
10 December 31, 2012.

11 \* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 TRANSITIONAL PROVISIONS: REGULATIONS. The Alaska Health Care Board  
14 established under AS 21.54.210, enacted by sec. 2 of this Act, may proceed to adopt  
15 regulations necessary to implement this Act under AS 21.54.310, enacted by sec. 2 of this  
16 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not  
17 before the effective date of the statutory changes.

18 \* **Sec. 6.** AS 21.54.210, 21.54.220, and 21.54.230, enacted by sec. 2 of this Act, and sec. 5  
19 of this Act take effect immediately under AS 01.10.070(c).

20 \* **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect January 1, 2010.