

CS FOR HOUSE BILL NO. 218(L&C) am S

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Amended: 4/15/12

Offered: 3/28/12

Sponsor(s): HOUSE HEALTH AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act prohibiting an insurer from using a drug formulary system of specialty tiers**
2 **under certain circumstances; relating to a reinsurance program reinsuring residents**
3 **who are high risks; and providing for an effective date."**

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

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

7 LEGISLATIVE FINDINGS FOR SECTION 3. The legislature finds that

8 (1) cost sharing, deductibles, and coinsurance obligations for certain drugs are
9 becoming prohibitively expensive for persons trying to overcome serious and often life-
10 threatening diseases and conditions, such as cancer, multiple sclerosis, rheumatoid arthritis,
11 hepatitis C, hemophilia, and psoriasis, and that drugs for treatment of those illnesses and
12 conditions are typically new, produced in lesser quantities than other drugs, and not available
13 as less expensive brand-name or generic prescription drugs;

14 (2) some health insurance plans and policies in other states have established

1 unique categories or specialty tiers for certain drugs, under which patients are required to pay
 2 a higher percentage of the cost of high-priced prescription drugs rather than the traditional
 3 copayment amounts for generic, preferred brand, and nonpreferred brand prescription drugs;
 4 as a result, patients covered under plans in states that allow specialty tiers pay excessively
 5 high amounts for drugs that are critical for their treatment;

6 (3) helping to ensure that patients are well informed about potential expenses
 7 resulting from cost sharing, deductibles, and coinsurance obligations that exceed insurance
 8 coverage for prescription drugs or equivalents is in the public interest;

9 (4) the extraordinary disparity in cost sharing, deductible, and coinsurance
 10 burdens imposed by an insurer's use of unique categories or specialty tiers for patients whose
 11 life and health depend on certain prescription drugs can place serious hardships on individuals
 12 based on their diseases or conditions.

13 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
 14 read:

15 **LEGISLATIVE INTENT.** Section 3 of this Act intends to provide patients timely
 16 information relating to the cost of prescription drugs essential for the treatment of cancer,
 17 multiple sclerosis, rheumatoid arthritis, hepatitis C, hemophilia, psoriasis, and other diseases
 18 or conditions.

19 * **Sec. 3.** AS 21.42 is amended by adding a new section to read:

20 **Sec. 21.42.420. Coverage for prescription drugs; specialty drug tiers**
 21 **prohibited.** A health care insurer that offers, issues, delivers, or renews a health care
 22 insurance plan in the individual or group market in the state that provides coverage for
 23 prescription drugs for which cost sharing, deductibles, or copayment obligations are
 24 determined by unique categories or specialty tiers may impose cost sharing,
 25 deductibles, or copayment obligations for a unique category or specialty tier
 26 prescription drug that exceed the dollar amount of cost sharing, deductibles, or
 27 copayment obligations, as applicable, for a nonpreferred brand drug or the drug's
 28 equivalent, but only if the insurer notifies the insured of the cost sharing, deductible,
 29 or copayment terms applicable to unique categories or specialty tiers at least 90 days
 30 before the terms apply.

31 * **Sec. 4.** AS 21.55.220(c) is amended to read:

1 (c) Each member of the association shall share the losses due to claims
 2 expenses of the state plans issued or approved for issuance by the association; **each**
 3 **member of the association shall share the losses of a reinsurance program**
 4 **established by regulations adopted under AS 21.55.400 reinsuring residents who**
 5 **are high risks;** [,] and **each member of the association** shall share in the operating
 6 and administrative expenses incurred or estimated to be incurred by the association
 7 incident to the conduct of its affairs. Claims expenses of the state plan that exceed the
 8 premium payments allocated to the payment of benefits shall be the liability of the
 9 members. Each member shall share in the claims expense of the state plans, **the**
 10 **[AND] operating and administrative expenses of the association, and the losses of a**
 11 **reinsurance program established by regulations adopted under AS 21.55.400**
 12 **reinsuring residents who are high risks,** in an amount equal to the ratio of the
 13 member's total major medical premiums, received from or on behalf of state residents,
 14 as divided by the total major medical premiums received by all members from or on
 15 behalf of state residents, as determined by the director.

16 * **Sec. 5.** AS 21.55.400 is amended to read:

17 **Sec. 21.55.400. Duties of director.** The director may

18 (1) approve the selection of the plan administrator by the association
 19 and approve the association's contract with the plan administrator, including the
 20 coverages and premiums to be charged;

21 (2) contract with the federal government or another unit of government
 22 to ensure coordination of the state plans with other governmental assistance programs;

23 (3) undertake, directly or through contracts with other persons, studies
 24 or demonstration programs to develop awareness of the benefits of this chapter; and

25 (4) formulate general policy and adopt regulations, **including**
 26 **regulations establishing a reinsurance program reinsuring residents who are high**
 27 **risks,** that are reasonably necessary to administer this chapter.

28 * **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
 29 read:

30 APPLICABILITY. AS 21.42.420, added by sec. 3 of this Act, applies to a health
 31 insurance plan offered, issued for delivery, delivered, or renewed on or after the effective date

1 of this Act.

2 * **Sec. 7.** This Act takes effect January 1, 2013.