

Introduced: 2/5/86
Referred: Labor & Commerce,
Health, Education & Social
Services and Finance

BY SUND, HURLEY
AND KOPONEN

1 IN THE HOUSE

2 HOUSE BILL NO. 547

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to health insurance."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 21 is amended by adding a new chapter to read:

9 CHAPTER 55. STATE HEALTH INSURANCE.

10 ARTICLE 1. COMPREHENSIVE HEALTH INSURANCE ASSOCIATION.

11 Sec. 21.55.010. CREATION; MEMBERSHIP. There is established a
12 nonprofit incorporated legal entity to be known as the Comprehensive
13 Health Insurance Association. Membership consists of all insurers,
14 self-insurers, and health maintenance organizations licensed or au-
15 thorized to do business in the state. All members shall maintain
16 membership in the association as a condition of doing accident and
17 health insurance, self-insurance, or health maintenance organization
18 business in the state.

19 Sec. 21.55.020. BOARD OF DIRECTORS; ORGANIZATION. The board of
20 directors of the association shall be made up of seven individuals
21 selected by participating members, subject to approval by the director
22 of the division of insurance. In determining voting rights at mem-
23 bers' meetings, a member is entitled to vote in person or proxy. The
24 vote shall be a weighted vote based upon the member's cost of self-
25 insurance, accident and health insurance premium, subscriber contract
26 charges, or health maintenance contract payment derived from or on
27 behalf of state residents in the previous calendar year, as determined
28 by the director. In approving members of the board, the director
29 shall consider, among other things, whether all types of participating

1 members are fairly represented. Members of the board may be reim-
2 bursed from the association for expenses incurred by them as members,
3 but may not otherwise be compensated by the association for their
4 services. The costs of conducting meetings of the association and its
5 board of directors shall be borne by members of the association.

6 Sec. 21.55.030. GENERAL POWERS. The association may

7 (1) exercise the powers granted to insurers under the laws
8 of the state;

9 (2) sue or be sued;

10 (3) enter into contracts with insurers, similar associa-
11 tions in other states, or with other persons for the performance of
12 administrative functions;

13 (4) establish administrative and accounting procedures for
14 the operation of the association.

15 Sec. 21.55.040. OVERSIGHT BY DIRECTOR. The association shall
16 submit its articles, bylaws, and operating rules to the director for
17 approval.

18 Sec. 21.55.050. ADMINISTRATIVE PROCEDURE ACT. The association
19 is exempt from the Administrative Procedure Act (AS 44.62).

20 Sec. 21.55.060. TAX EXEMPTION. The association is exempt from
21 the payment of fees and taxes levied by the state or any of its
22 political subdivisions except taxes levied on real or personal proper-
23 ty.

24 ARTICLE 2. STATE HEALTH INSURANCE PLAN.

25 Sec. 21.55.100. MINIMUM BENEFITS OF STATE HEALTH INSURANCE PLAN.
26 The association shall offer a state plan of accident and health insur-
27 ance that provides the coverage required by the director. It shall
28 offer health maintenance organization contracts in those areas of the
29 state where a health maintenance organization has agreed to make the

1 coverage available and has been selected as a writing carrier.

2 Sec. 21.55.110. ADMINISTRATION OF PLAN. (a) A member of the
3 association may submit to the director for approval a policy of acci-
4 dent and health insurance or the health maintenance organization
5 contracts that are being proposed to serve in the state plan. The
6 time and manner of the submission and approval shall be prescribed by
7 regulation of the director.

8 (b) The association may select policies and contracts, or parts
9 of them, submitted by a member of the association, or by the associa-
10 tion or others, to develop specifications for bids from a member that
11 wishes to be selected as a writing carrier to administer the state
12 plan. The selection of the writing carrier shall be based upon crite-
13 ria including the member's proven ability to handle large group acci-
14 dent and health insurance cases, efficient claim paying capacity, and
15 the estimate of total charges for administering the plan.

16 (c) The writing carrier shall perform the administrative and
17 claims payment functions required by this section. The writing car-
18 rier shall provide these services for a period of three years, unless
19 a request to terminate is approved by the director. The director
20 shall approve or deny a request to terminate within 90 days of its
21 receipt. A failure to make a final decision on a request to terminate
22 within the specified period shall be considered an approval. Six
23 months before the expiration of each three-year period, the asso-
24 ciation shall invite submissions of policy forms from members of the
25 association, including the writing carrier. The association shall
26 follow the provisions of (b) of this section in selecting a writing
27 carrier for the subsequent three-year period.

28 (d) The writing carrier shall provide to all eligible persons
29 enrolled in the plan an individual policy or certificate, setting out

1 a statement as to the insurance protection to which the person is
2 entitled, with whom claims are to be filed, and to whom benefits are
3 payable. The policy or certificate must indicate that coverage was
4 obtained through the association.

5 (e) The writing carrier shall submit to the association and the
6 director on a monthly basis a report on the operation of the state
7 plan. Specific information to be contained in the report shall be
8 determined by the association before the effective date of the state
9 plan.

10 (f) Claims shall be paid by the writing carrier and shall indi-
11 cate that the claim was paid by the state plan. A claim payment shall
12 include information specifying the procedure to be followed in the
13 event of a dispute over the amount of payment.

14 (g) The writing carrier shall be reimbursed from the state plan
15 premiums received for its direct and indirect expenses. Direct and
16 indirect expenses shall include a pro rata reimbursement for that
17 portion of the writing carrier's administrative, printing, claims
18 administration, management and building overhead expenses that are
19 assignable to the maintenance and administration of the state plan.
20 The association shall approve cost accounting methods to substantiate
21 the writing carrier's cost reports consistent with generally accepted
22 accounting principles. Direct and indirect expenses shall not include
23 costs directly related to the original submission of policy forms
24 before selection as the writing carrier.

25 (h) The writing carrier shall at all times when carrying out its
26 duties under this chapter be considered an agent of the association
27 and the director.

28 Sec. 21.55.120. OPERATION OF THE PLAN. (a) Upon certification
29 as an eligible person under this chapter, a person may enroll in the

1 state plan by payment of the state plan premium to the writing
2 carrier.

3 (b) An employer that has in its employ one or more eligible
4 persons enrolled in the state plan may make all or a portion of the
5 state plan premium payment directly to the writing carrier.

6 (c) At least 85 percent of the state plan premium paid to the
7 writing carrier shall be used to pay claims, and not more than 15
8 percent shall be used for the payment of agent referral fees under
9 this chapter and for payment of the writing carrier's direct and
10 indirect expenses under this chapter.

11 (d) Each contributing member of the association shall share the
12 losses due to claims expenses of the state plan for plans issued or
13 approved for issuance by the association, and shall share in the
14 operating and administrative expenses incurred or estimated to be
15 incurred by the association incident to the conduct of its affairs.
16 Claims expenses of the state plan that exceed the premium payments
17 allocated to the payment of benefits shall be the liability of the
18 contributing members. Contributing members shall share in the claims
19 expense of the state plan and operating and administrative expenses of
20 the association in an amount equal to the ratio of the contributing
21 member's total accident and health insurance premium, received from or
22 on behalf of state residents as divided by the total accident and
23 health insurance premium, received by all contributing members from or
24 on behalf of state residents, as determined by the director.

25 (e) The association shall make an annual determination of each
26 contributing member's liability, if any, and may make an annual fiscal
27 year end assessment if necessary. The association may also, subject
28 to the approval of the director, provide for interim assessments
29 against the contributing members as may be necessary to assure the

1 financial capability of the association in meeting the incurred or
2 estimated claims expenses of the state plan and operating and adminis-
3 trative expenses of the association until the association's next
4 annual fiscal year end assessment. Payment of an assessment is due
5 within 30 days of receipt by a contributing member of a written notice
6 of a fiscal year end or interim assessment. Failure by a contributing
7 member to tender to the association the assessment within 30 days
8 shall be grounds for termination of the contributing member's
9 membership. A contributing member that ceases to do accident and
10 health insurance business in the state remains liable for assessments
11 through the calendar year during which accident and health insurance
12 business ceased. The association may decline to levy an assessment
13 against a contributing member if the assessment would not exceed \$10.

14 (f) Net gains, if any, from the operation of the state plan
15 shall be held at interest and used by the association to offset future
16 losses due to claims expenses of the state plan or allocated to reduce
17 state plan premiums.

18 ARTICLE 3. ENROLLMENT IN THE STATE HEALTH INSURANCE PLAN.

19 Sec. 21.55.200. ELIGIBILITY FOR STATE HEALTH INSURANCE. (a) A
20 person is eligible to enroll in the state plan if the person is unable
21 to obtain from another source coverage substantially similar to that
22 which may be obtained by a person who is considered a standard risk.

23 (b) Evidence of eligibility under (a) of this section includes
24 any one of the following:

25 (1) evidence of rejection after applying for a policy of
26 accident and health insurance by at least one association member
27 within the six months immediately preceding the date of application
28 for the state plan;

29 (2) evidence of a requirement of a restrictive rider, a

1 rate up, or a preexisting conditions limitation, the effect of which
2 is to substantially reduce coverage from that received by a person
3 considered a standard risk; or

4 (3) other evidence required by regulations of the director
5 to show that the person meets the requirements of (a) of this section.

6 Sec. 21.55.210. ENROLLMENT BY AN ELIGIBLE PERSON. (a) A person
7 may enroll in the state plan by submission of a certificate of
8 eligibility to the writing carrier. The certificate must include the
9 following:

10 (1) name, address, age, and length of time at residence of
11 the applicant;

12 (2) name, address, and age of spouse and children if any,
13 if they are to be insured;

14 (3) evidence of eligibility required by AS 21.55.200; and

15 (4) a designation of the coverage desired.

16 (b) A person may not purchase more than one policy from the
17 state plan. Upon ceasing to be a resident of the state a person is
18 not eligible to purchase or renew coverage under the state plan.

19 Sec. 21.55.220. WRITING CARRIER'S RESPONSE. Within 30 days of
20 receiving the certificate described in AS 21.55.210, the writing
21 carrier shall either reject the application for failing to comply with
22 the requirements of AS 21.55.200 and 21.55.210 or forward the eligible
23 person a notice of acceptance and billing information. Insurance is
24 effective immediately upon receipt of the first month's state plan
25 premium, and is retroactive to the date of the application, if the
26 applicant otherwise complies with the requirements of this chapter.

27 Sec. 21.55.230. PREEXISTING CONDITIONS. A person who obtains
28 coverage under this chapter is not covered for a preexisting condition
29 during the first six months of coverage under the state plan if the

1 person was diagnosed or treated for that condition during the 90 days
2 immediately preceding the filing of an application.

3 Sec. 21.55.240. SOLICITATION OF ELIGIBLE PERSONS. (a) The
4 association, under a plan approved by the director, shall disseminate
5 appropriate information to the residents of the state regarding the
6 existence of the state health insurance plan and the means of enroll-
7 ment. Means of communication may include use of the press, radio, and
8 television, as well as publication in appropriate state offices and
9 publications.

10 (b) The association shall devise and implement means of main-
11 taining public awareness of the provisions of this chapter and shall
12 administer this chapter in a manner that facilitates public participa-
13 tion in the state plan.

14 (c) The writing carrier shall pay an agent's referral fee of \$50
15 to each insurance agent who refers an applicant to the state plan, if
16 the application is accepted. Selling or marketing of qualified state
17 plans is not limited to the writing carrier or its agents. The refer-
18 ral fees shall be paid by the writing carrier from money received as
19 premiums for the state plan.

20 (d) An insurer that rejects or applies underwriting restrictions
21 to an applicant for accident and health insurance in the state shall
22 notify the applicant of the existence of the state plan, the require-
23 ments for being accepted in it, and the procedure for applying to it.

24 Sec. 21.55.250. STATE PLAN PREMIUM. (a) The maximum premium
25 for the state plan shall be up to a maximum of 125 percent of the
26 average of rates charged by the five insurers with the largest number
27 of individuals in an equivalent plan of insurance in force in the
28 state.

29 (b) The charge for health maintenance organization coverage

1 shall be based on generally accepted actuarial principles.

2 (c) The five insurers whose rates are used to establish the
3 premium for the state plan shall be determined by the director on the
4 basis of information provided by all insurers annually at the direc-
5 tor's request, concerning the number of individual plans offered by
6 the insurer and rates charged by the insurer. In determining the
7 insurers whose rates are used in establishing the premium, the direc-
8 tor shall utilize generally accepted actuarial principles and struc-
9 turally compatible rates. In establishing premiums under this sec-
10 tion, the association shall utilize generally accepted actuarial
11 principles.

12 (d) Subject to (a) - (c) of this section, the schedule of premi-
13 ums for coverage under the state health insurance plan shall be de-
14 signed to be self-supporting and based on generally accepted actuarial
15 principles.

16 ARTICLE 4. GENERAL PROVISIONS.

17 Sec. 21.55.300. DUTIES OF DIRECTOR. The director may

18 (1) formulate general policies to advance the purposes of
19 this chapter;

20 (2) supervise the creation of the state comprehensive
21 health association;

22 (3) approve the selection of the writing carrier by the
23 association and approve the association's contract with the writing
24 carrier including the state plan coverage and premiums to be charged;

25 (4) appoint advisory committees;

26 (5) conduct periodic audits to assure the general accuracy
27 of the financial data submitted by the writing carrier and the asso-
28 ciation;

29 (6) contract with the federal government or another unit of

1 government to ensure coordination of the state plan with other govern-
2 mental assistance programs;

3 (7) undertake directly or through contracts with other
4 persons studies or demonstration programs to develop awareness of the
5 benefits of this chapter;

6 (8) contract with insurers and others for administrative
7 services; and

8 (9) adopt regulations necessary to administer this chapter.

9 Sec. 21.55.350. DEFINITIONS. In this chapter

10 (1) "association" means the Comprehensive Health Insurance
11 Association created in AS 21.55.010;

12 (2) "state plan" means the policies of insurance and con-
13 tracts of health maintenance organization coverage offered by the
14 association through the writing carrier;

15 (3) "writing carrier" means the insurer or insurers and
16 health maintenance organization or organizations selected by the
17 association and approved by the director to administer the state plan.