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Referred: Health, Education &
Social Services and Finance

BY KOPONEN, CLOCKSIN AND
HURLEY

1 IN THE HOUSE

2

HOUSE BILL NO. 675

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 care for low-income per-
7 sons; and providing for an effective date."

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

9 * Section 1. LEGISLATIVE FINDINGS AND PURPOSE. (a) The legislature
10 finds that

11 (1) a substantial percentage of the population of the state does
12 not have reasonably available insurance or other coverage of the costs of
13 necessary basic health care services; low-income pregnant women are an
14 especially vulnerable population, along with their children, who need
15 greater access to managed health care;

16 (2) this lack of basic health care coverage is detrimental to
17 the health of the individuals lacking coverage and to the public welfare,
18 and often results in substantial expenditures for emergency and remedial
19 health care, often at the expense of health care providers, health care
20 facilities, and all purchasers of health care, including the state;

21 (3) health care is a right of the people and one of the primary
22 purposes for which governments are established; and

23 (4) the use of managed health care systems, as described in this
24 Act, has significant potential to reduce the growth of health care costs
25 incurred by the people of the state.

26 (b) The purpose of this Act is to establish a program providing
27 access to affordable basic health care for low-income persons through the
28 use of managed health care systems. This Act is intended to establish an
29 appropriate mechanism that will foster the entrepreneurial abilities of

1 health care providers in many communities to join together to address a
2 significant portion of that unmet need for access to affordable health care
3 that exists among the residents of the state and in almost every community.
4 The legislature intends that the program be designed and operated in a
5 fiscally prudent manner within the funds appropriated to the basic health
6 plan account established in this Act, and that the program emphasize pri-
7 mary and preventive health care services while also covering necessary
8 hospitalization.

9 * Sec. 2. AS 47 is amended by adding a new chapter to read:

10 CHAPTER 27. SUBSIDIZED BASIC HEALTH CARE.

11 ARTICLE 1. BASIC HEALTH PLAN BOARD.

12 Sec. 47.27.010. MEMBERSHIP. (a) There is created in the De-
13 partment of Health and Social Services a Basic Health Plan Board. The
14 board is a public corporation and an instrumentality of the state, but
15 with a separate and independent legal existence. The board is com-
16 posed of nine members appointed by the governor, as follows:

17 (1) one member representing hospitals;

18 (2) two members representing individual health care provid-
19 ers, at least one of whom must be a physician;

20 (3) two members representing the health care insurance
21 industry and possessing actuarial experience or expertise or experi-
22 ence in health care financing or benefit design, who may be associated
23 with health care service contractors or commercial health insurers
24 registered and doing business in the state under AS 21;

25 (4) one member representing labor who is an active trustee
26 of a union-sponsored health care fund;

27 (5) one representative of private employers who provide or
28 purchase health care benefits for employees;

29 (6) two representatives of health care consumers, at least

1 one of whom represents the interests of low-income persons.

2 (b) The governor shall designate one of the members appointed
3 under (a)(5) or (6) of this section to serve as chairperson. At least
4 two of the three members appointed under (a)(1) and (2) of this sec-
5 tion must be persons actively engaged in rendering health care ser-
6 vices through a managed health care system. A member appointed under
7 (a)(3), (4), (5), or (6) of this section may not have a fiduciary
8 obligation to a health care provider or facility, or a material finan-
9 cial interest in the provision of health care services.

10 (c) Members of the board serve for staggered four-year terms. A
11 member of the board may not serve for more than two consecutive terms.
12 A vacancy shall be filled by appointment for the remainder of the
13 unexpired term.

14 Sec. 47.27.020. MEETINGS; COMPENSATION. (a) Meetings of the
15 board shall be held as frequently as its duties require. The board
16 shall keep minutes of its meetings and adopt procedures governing its
17 meetings, minutes, and transactions. Five members of the board con-
18 stitute a quorum, but a vacancy on the board does not impair its power
19 to act. An action of the board is not effective unless five members
20 concur. The board may, consistent with the procedural requirements of
21 AS 44.62.310, meet in executive session with representatives of pro-
22 spective or participating managed health care systems to discuss
23 matters of a proprietary or sensitive nature.

24 (b) The members of the board shall be compensated in accordance
25 with AS 39.20.180.

26 Sec. 47.27.030. STAFF. (a) The board shall employ a full-time
27 executive director, who shall be the chief administrative officer of
28 the board and shall be subject to its direction. The executive direc-
29 tor, medical director, and up to three other employees of the board

1 are in the exempt service under AS 39.25.110.

2 (b) The board shall employ other staff necessary to fulfill the
3 responsibilities and duties of the board.

4 (c) The board may contract with third parties for services
5 necessary to carry out its activities if contracting promotes economy,
6 avoids duplication of effort, and make best use of available exper-
7 tise. A contractor or consultant may not release, publish, or other-
8 wise use information made available to it under its contractual re-
9 sponsibility without specific permission of the board.

10 Sec. 47.27.040. INTERAGENCY COOPERATION. The board may call
11 upon other agencies of the state to provide available information
12 necessary to assist the board in meeting its responsibilities under
13 this chapter. The information shall be supplied as promptly as cir-
14 cumstances permit.

15 Sec. 47.27.050. COMMITTEES. The board may create committees
16 from its membership, and may appoint ad hoc advisory committees it
17 considers necessary.

18 Sec. 47.27.060. GRANTS; GIFTS. The board may apply for and
19 receive and accept grants, gifts, and other payments, including prop-
20 erty and service, from any governmental or other public or private
21 entity or person.

22 Sec. 47.27.070. STUDIES. The board may undertake special
23 studies and other projects relating to health care costs and access to
24 health care.

25 Sec. 47.27.080. FISCAL PROCEDURES. The board shall receive
26 periodic payments from enrollees, deposit the payments in the general
27 fund, keep records of enrollee payments and status, and authorize
28 periodic payments to managed health care systems on the basis of the
29 number of enrollees participating in the respective managed health

1 care systems.

2 Sec. 47.27.085. REGULATIONS. The board may adopt regulations
3 consistent with this chapter to carry out the purposes of this chap-
4 ter.

5 ARTICLE 2. BASIC HEALTH CARE SERVICES.

6 Sec. 47.27.090. SCHEDULE OF SERVICES. The board shall adopt and
7 from time to time revise a schedule of covered basic health care
8 services, including physician services, inpatient and outpatient
9 hospital services, and other services that may be necessary for basic
10 health care, which enrollees in a participating managed health care
11 system under the basic health plan shall be entitled to receive in
12 return for periodic payments to the board. The schedule of services
13 must emphasize preventive and primary health care and must include

14 (1) services necessary for prenatal, postnatal, and well-
15 child care;

16 (2) a separate schedule of basic health care services for
17 children, 18 years of age and younger, for enrollees who choose to
18 secure basic coverage through the plan only for their dependent chil-
19 dren.

20 Sec. 47.27.100. PAYMENT STRUCTURE. The board shall adopt and
21 implement a structure of periodic payments due from enrollees. The
22 payment structure must be based upon enrollee family size and shall
23 include a sliding scale whereby payments vary according to enrollee
24 family income. The structure shall be designed to include payment
25 amounts for enrollment of children without requiring enrollment of
26 their parents.

27 Sec. 47.27.110. LIMITS ON ENROLLMENT. The board may not enroll
28 members who qualify for subsidies if their enrollment is reasonably
29 expected to result in an overexpenditure of appropriations available

1 under this chapter. When the board finds that there is danger of an
2 overexpenditure, the board shall close enrollment in the plan until
3 the board finds the danger no longer exists.

4 Sec. 47.27.120. SOLICITATION OF PROVIDERS. The board shall
5 solicit and accept applications from managed health care systems for
6 inclusion as eligible basic health care providers under the plan. The
7 board shall endeavor to assure that covered basic health care services
8 are available through the plan to prospective enrollees living in all
9 areas of the state and, where possible, from among a selection of
10 participating managed health care systems. In adopting regulations
11 applicable to managed health care systems, and in its dealings with
12 the systems, the board shall consider and make suitable allowance for
13 the need for health care services and the differences in local avail-
14 ability of health care resources, along with other resources, within
15 and among the regions of the state.

16 Sec. 47.27.140. APPLICATIONS FOR BASIC COVERAGE. The board
17 shall accept applications from individuals, on behalf of the individ-
18 uals and their spouses and dependent children, for enrollment in the
19 basic health plan. The board may establish appropriate minimum-enrol-
20 lment periods for enrollees as may be necessary. The board shall,
21 upon application and at least annually thereafter, or at the request
22 of an enrollee, determine eligibility due to current gross family
23 income for reduced sliding scale payments that will be the respon-
24 sibility of the enrollee. An enrollee who remains current in making
25 periodic sliding-scale payments, as determined by the board under
26 AS 47.27.100, may continue enrollment if the enrollee's gross family
27 income rises above twice the federal nonfarm poverty level, but shall
28 then make payment at the maximum rate established in the sliding fee
29 schedule. A subsidy may not be paid with respect to an enrollee whose

1 current gross family income exceeds 200 percent of the federal nonfarm
2 poverty level.

3 Sec. 47.27.150. AMOUNT OF SUBSIDY. The board shall determine,
4 on a community rating basis, the amount of each periodic per capita or
5 per family payment to a participating managed health care system in
6 return for the provision of covered basic health care services to
7 enrollees in the system. The schedule of covered basic health care
8 services must be the same for all enrollees, but the periodic per
9 capita or per family payments to participating managed health care
10 systems may vary among the systems. In negotiating payment levels
11 with participating systems the board shall consider the characteris-
12 tics of the populations served by the respective systems, economic
13 circumstances of the local area or community, and other factors the
14 board finds relevant.

15 Sec. 47.27.160. REPORTS FROM PROVIDERS. The board shall monitor
16 the provision of covered services to enrollees by participating
17 managed health care systems in order to ensure enrollee access to good
18 quality basic health care. The board shall require periodic reports
19 on health care services rendered to enrollees and inspect the books
20 and records of participating managed health care systems to assure
21 compliance with the purposes of this chapter. In requiring reports
22 from participating managed health care systems, including data on
23 services rendered enrollees, the board shall endeavor to minimize
24 costs, both to the managed health care systems and to the board. The
25 board shall coordinate reporting requirements with other state agen-
26 cies to minimize duplication of effort.

27 Sec. 47.27.170. PATIENT ACCESS. The board shall monitor the
28 access that state residents have to adequate and necessary health care
29 services, determine the extent of unmet needs for the services or lack

1 of access that may exist from time to time, and make reports and
2 recommendations to the legislature it considers appropriate concerning
3 the availability and affordability of basic health care in the state.

4 Sec. 47.27.180. COORDINATION WITH OTHER PROGRAMS. (a) The
5 board may require that prospective enrollees who may be eligible for
6 other medical coverage under this title apply for the coverage.

7 (b) An enrollee who, after enrollment in the plan, becomes
8 eligible for medical assistance or medical care services under AS 47.-
9 07 or AS 47.25 may continue as a plan enrollee, and shall continue if
10 the enrollee's minimum enrollment period, if any, has not expired. If
11 the enrollee continues enrollment in the plan under this section, the
12 Department of Health and Social Services shall make periodic payments
13 to the plan on the enrollee's behalf, at the maximum rate established
14 in the sliding fee scale, for the services covered by the plan. With
15 respect to enrollees eligible for medical assistance under AS 47.07,
16 the periodic amount payable to the plan may not be greater than the
17 amount with respect to which full federal financial participation is
18 available under 42 U.S.C. 1396-1396p (Title XIX, Social Security Act).
19 An enrollee on whose behalf the department makes payments to the plan
20 under this section and AS 47.07 may continue as an enrollee, making
21 periodic payments based on income as determined under the sliding
22 scale, after eligibility for coverage under AS 47.07 has ended.

23 (c) This section does not affect the right of a person eligible
24 for coverage under AS 47.07 and AS 47.25 to receive the services
25 offered to persons under those chapters that are not included in the
26 schedule of basic health care services covered by the plan.

27 (d) The board and the department shall cooperatively adopt
28 procedures to facilitate the transition of plan enrollees and payments
29 on their behalf between the plan and the programs established under

1 AS 47.07 and AS 47.25.

2 Sec. 47.27.190. COORDINATION WITH INSURANCE. The benefits
3 available under the plan shall be in addition to the benefits payable
4 under the terms of an insurance policy issued to or on the behalf of
5 an enrollee that provides payments toward medical expenses without a
6 determination of liability for the injury.

7 Sec. 47.27.200. TERMINATION OF ENROLLMENT. An enrollee whose
8 payments to the board are delinquent may be dropped from enrollment
9 status. The board shall make reasonable efforts to notify delinquent
10 enrollees of their removal from the plan and shall provide for a
11 hearing under the Administrative Procedure Act (AS 44.62) for an
12 enrollee who contests the board's decision to drop the enrollee from
13 the plan. Upon removal of an enrollee from the plan, the board shall
14 promptly notify the managed health care system in which the enrollee
15 has been enrolled, and is not responsible for payment for health care
16 services provided to the enrollee, including, when applicable, members
17 of the enrollee's family, after the date of notification. A managed
18 health care system may contest the denial of payment for coverage of
19 an enrollee through a hearing under the Administrative Procedure Act.

20 Sec. 47.27.210. MANAGED HEALTH CARE SYSTEMS. (a) Managed
21 health care systems participating in the plan shall do so by contract
22 with the board and shall provide, directly or by contract with other
23 health care providers, covered basic health care services to each
24 enrollee as long as payments from the board on behalf of the enrollee
25 are current.

26 (b) Subject to board approval and with full disclosure to en-
27 rollees and prospective enrollees, a managed health care system may
28 impose nominal copayments upon enrollees as an incentive for proper
29 utilization of services. The board may receive and act upon

1 complaints from enrollees regarding failure to provide covered ser-
2 vices or efforts to obtain payment, other than copayments authorized
3 under this section, for covered services directly from enrollees, but
4 nothing in this chapter empowers the board to impose sanctions under
5 AS 08 or another professional or facility licensing statute.

6 (c) The plan shall allow, at least annually, an opportunity for
7 enrollees to transfer their enrollments among participating managed
8 health care systems. The board shall establish a period of at least
9 20 days a year when this opportunity is afforded enrollees, and in
10 areas served by more than one participating managed health care system
11 the board shall endeavor to establish a uniform period for this oppor-
12 tunity.

13 (d) Before negotiating with a managed health care system the
14 board shall determine, on an actuarially sound basis, the reasonable
15 cost of providing the schedule of basic health care services, ex-
16 pressed in terms of upper and lower limits, and recognizing variations
17 in the cost of providing the services through the various systems and
18 in different areas of the state. In negotiating with managed health
19 care systems for participation in the plan, the board shall adopt a
20 uniform procedure that includes at least the following:

21 (1) issuing a request for proposals, including standards
22 regarding the quality of services to be provided, financial integrity
23 of the responding systems, and responsiveness to the unmet health care
24 needs of the local communities or populations that may be served;

25 (2) reviewing responsive proposals and negotiating with
26 respondents to the extent necessary to refine the proposals;

27 (3) selecting one and preferably more than one system to
28 provide the covered services under the plan within a specific geo-
29 graphic area; and

1 (4) adopting a policy that gives preference to systems
2 substantially supported by public revenue or involving public
3 agencies.

4 ARTICLE 3. BASIC HEALTH PLAN TRUST ACCOUNT.

5 Sec. 47.27.250. BASIC HEALTH PLAN TRUST ACCOUNT. The basic
6 health plan trust account is established in the general fund. The
7 fund consists of appropriations made to it by law. Money in the
8 account may be used for the purposes of this chapter, including pay-
9 ments to participating managed health care systems on behalf of
10 enrollees in the plan and payment of costs of administering the plan.
11 The earnings on surplus balances in the basic health plan trust
12 account shall be deposited in the general fund.

13 ARTICLE 4. MISCELLANEOUS PROVISIONS.

14 Sec. 47.27.300. CONTRACTING. The board may enter into contracts
15 for the following functions and services:

16 (1) with public or private agencies, to assist the board in
17 its duties to design or revise the schedule of covered basic health
18 care services, and to monitor the performance of participating managed
19 health care systems;

20 (2) with public or private agencies, to provide technical
21 or professional assistance to health care providers, particularly
22 public or private nonprofit organizations and providers serving rural
23 areas, who show serious intent and apparent capability to participate
24 in the plan as managed health care systems;

25 (3) with health care service contractors doing business in
26 the state, for marketing and administrative services in connection
27 with participation of managed health care systems, enrollment of
28 enrollees, billing and collection services to the board, and other
29 administrative functions ordinarily performed by health care service

1 contractors, other than insurance;

2 (4) with a health unit established under AS 18.10 or with a
3 municipality, to administer the plan as the board's agent with respect
4 to enrollees residing and managed health care systems serving the
5 geographic area within the boundaries of the area; the unit or munici-
6 pality shall share with the board, on a dollar for dollar matching
7 basis, the cost of payments to participating managed health care
8 systems for coverage of enrollees residing within the boundaries of
9 the unit or municipality less the amounts payable by enrollees to the
10 unit or municipality as agent for the board; if a health unit or
11 municipality provides the board with adequate assurances of its abil-
12 ity to administer the plan for potential enrollees residing within its
13 jurisdiction and agrees to share in the cost of a subsidy required for
14 enrollees under the schedule for sliding scale payments, and the board
15 has agreements for participation with a managed health care system or
16 systems within the boundaries of the unit or municipality, and with
17 the approval of the legislature, the plan may commence operations in
18 that jurisdiction on or after March 30, 1987;

19 (5) with a community health center or other public or
20 private nonprofit health care provider participating in a managed
21 health care system under the plan and demonstrating financial need, to
22 furnish direct financial assistance in meeting the start-up costs of
23 providing covered basic health care services under the plan, for a
24 period not exceeding one year after the managed health care system
25 commences coverage of enrollees.

26 Sec. 47.27.310. COORDINATION WITH INSURANCE CODE. The activi-
27 ties and operations of the basic health plan under this chapter,
28 including those of managed health care systems to the extent of their
29 participation in the plan, are exempt from the provisions and

1 requirements of AS 21.

2 ARTICLE 5. GENERAL PROVISIONS.

3 Sec. 47.27.900. DEFINITIONS. In this chapter

4 (1) "basic health plan" or "plan" means the system of
5 enrollment and payment on a prepaid capitated basis for basic health
6 care services, administered by the board through participating managed
7 health care systems;

8 (2) "board" means the Basic Health Plan Board created in
9 AS 47.27.010;

10 (3) "department" means the Department of Health and Social
11 Services;

12 (4) "enrollee" means an individual, or an individual plus
13 the individual's spouse and dependent children, all under the age of
14 65, who resides in the state, whose gross family income at the time of
15 enrollment does not exceed twice the federal nonfarm poverty level as
16 adjusted for family size and determined annually by the federal office
17 of management and budget, who chooses to obtain basic health care
18 coverage from a particular managed health care system in return for
19 periodic payments to the board, and who, at the time of enrollment,
20 is not eligible for medical coverage under AS 47.07 or AS 47.25 and
21 does not have access to employer-sponsored health care coverage;

22 (5) "health care provider" means a chiropractor licensed
23 under AS 08.20; a dental hygienist licensed under AS 08.32; and den-
24 tist licensed under AS 08.36; a nurse licensed under AS 08.68; a
25 dispensing optician licensed under AS 08.71; an optometrist licensed
26 under AS 08.72; a pharmacist licensed under AS 08.80; a physical
27 therapist licensed under AS 08.84; a physician licensed under AS 08.-
28 64; a podiatrist; a psychologist and a psychological associate li-
29 censed under AS 08.86;

1 (6) "hospital" has the meaning given in AS 18.20.130;

2 (7) "managed health care system" means a health care organ-
3 ization, including health care providers, insurers, health care ser-
4 vice contractors, health maintenance organizations, or a combination
5 of them, that provides directly or by contract basic health care
6 services, as defined by the board and rendered by duly licensed pro-
7 viders, to a defined patient population by enrollment in the plan and
8 in the managed health care system;

9 (8) "subsidy" means the difference between the amount of
10 periodic payment the board makes from funds appropriated to it to a
11 managed health care system on behalf of an enrollee and the amount the
12 board determines to be the enrollee's responsibility under AS 47.27.-
13 100.

14 * Sec. 3. AS 23.20 is amended by adding a new section to read:

15 Sec. 23.20.102. NOTIFICATION OF STATE HEALTH PLAN. The commis-
16 sioner shall notify in writing a person filing a claim under this
17 chapter of the availability of basic health care coverage to qualified
18 enrollees in the basic health plan under AS 47.27. The commissioner
19 shall maintain a supply of basic health plan enrollment application
20 forms, which shall be provided in reasonably necessary quantities by
21 the Basic Health Plan Board, in each employment service office for the
22 use of persons wishing to apply for enrollment in the basic health
23 plan.

24 * Sec. 4. AS 39.25.110 is amended by adding a new paragraph to read:

25 (24) the executive director, medical director, and up to
26 three other employees of the Basic Health Plan Board employed under
27 AS 47.27.030(a).

28 * Sec. 5. AS 44.66.010(a) is amended by adding a new paragraph to read:

29 (13) Basic Health Plan Board (AS 47.27) -- June 30, 1991.

1 * Sec. 6. AS 47.05 is amended by adding a new section to read:

2 Sec. 47.05.070. NOTIFICATION OF STATE HEALTH PLAN. The depart-
3 ment shall notify in writing a person found ineligible for public
4 assistance under AS 47.07, AS 47.08, or AS 47.25 of the availability
5 of basic health care coverage to qualified enrollees in the basic
6 health plan under AS 47.27. The department shall maintain a supply of
7 basic health plan enrollment application forms, which shall be pro-
8 vided in reasonably necessary quantities by the Basic Health Plan
9 Board, in each community service office for the use of persons wishing
10 to apply for enrollment in the basic health plan.

11 * Sec. 7. If any provision of this Act or its application to any person
12 or circumstance is held invalid, the remainder of the Act or the applica-
13 tion of the provision to other persons or circumstances is not affected.

14 * Sec. 8. The Basic Health Plan Board shall be appointed, hire an
15 executive director, and commence operations as promptly as practicable
16 after the effective date of this Act. Not later than January 15, 1987, the
17 board shall submit to the legislature a progress report including:

18 (1) the schedule of covered basic health care services adopted
19 under AS 47.27.090;

20 (2) a proposal for legislation imposing, effective July 1, 1987,
21 a tax or other assessment upon any class of health care providers or prac-
22 titioners providing major professional services included in the schedule of
23 basic health care services adopted under AS 47.27.090, designed to raise
24 sufficient revenue to cover the anticipated cost to participating managed
25 health care systems of the professional services of providers or practi-
26 tioners within the class;

27 (3) a descriptive listing of managed health care systems expect-
28 ed to participate in the basic health plan, along with an identification of
29 geographical areas within the state where no managed health care system is

1 expected to be participating in the plan by July 1, 1987, together with any
2 proposals that might assist or stimulate the development of managed health
3 care systems in these areas;

4 (4) a description of the sliding fee schedule for periodic
5 enrollee payments adopted by the board under AS 47.27.100;

6 (5) proposals for statutory changes that the board considers
7 necessary to implement the purposes of AS 47.27; and

8 (6) other information the board considers appropriate.

9 * Sec. 9. Not later than January 15, 1988, the Basic Health Plan Board
10 shall submit to the legislature a progress report, updating the report
11 required by sec. 8 of this Act, and covering the same items provided for in
12 it with projections based upon implementation of the plan to date.

13 * Sec. 10. This Act takes effect July 1, 1986.