

1 IN THE HOUSE

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2

HOUSE BILL NO. 410

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to catastrophic illness insurance;
7 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 a substantial percentage of the population of the state does not
11 have catastrophic illness insurance and that this lack of insurance is
12 detrimental to individual health and to the public welfare. The legisla-
13 ture also finds that catastrophic illness often results in substantial
14 expenditures for health care, and the use of catastrophic illness insurance
15 has significant potential to reduce the growth of health care costs in-
16 curred by the people of the state.

17 (b) The purpose of this Act is to provide affordable catastrophic
18 illness insurance to the residents of the state.

19 * Sec. 2. AS 21 is amended by adding a new chapter to read:

20 CHAPTER 56. STATE CATASTROPHIC ILLNESS INSURANCE.

21 Sec. 21.56.010. PROCUREMENT OF CATASTROPHIC ILLNESS INSURANCE.

22 (a) Under AS 36.30 (State Procurement Code), the director shall
23 obtain a policy or policies of catastrophic illness insurance that
24 would cover state residents, subject to legislative appropriations.

25 (b) The insurance required by (a) of this section shall be
26 obtained from an insurer authorized to transact business in the state
27 under AS 21.09 and AS 21.90. The director shall provide specifica-
28 tions for the insurance coverage required by AS 21.56.020 to all
29 insurers licensed in this state and qualified to provide the insurance

1 coverage.

2 (c) At least once every three years the director shall solicit
3 new bids for the insurance required by this section.

4 Sec. 21.56.020. REQUIRED INSURANCE BENEFITS. Except as provided
5 in AS 21.56.030 - 21.56.050, the minimum standard benefits of a cata-
6 strophic illness insurance policy selected under AS 21.56.010 are
7 benefits with a lifetime maximum of \$1,000,000 per person for usual,
8 customary, reasonable, or prevailing charges or, when applicable, the
9 allowance agreed upon between the insurer and the director for
10 charges, for the following medical services performed for a person
11 covered by the policy for the diagnosis or treatment of nonoccupation-
12 al disease or nonoccupational injury:

13 (1) hospital services;

14 (2) subject to the limitations of AS 21.36.090(d), profes-
15 sional services that are rendered by a physician or by a registered
16 nurse at the physician's direction;

17 (3) the diagnosis or treatment of mental conditions;

18 (4) legend drugs requiring a physician's prescription;

19 (5) services of a skilled nursing facility;

20 (6) home health agency services up to a maximum of 270
21 visits in a calendar year if the services begin within seven days
22 after confinement in a hospital or skilled nursing facility of at
23 least three consecutive days for the same condition, except that in
24 the case of a person diagnosed by a physician as terminally ill with a
25 prognosis of six months or less to live, the home health agency ser-
26 vices may begin irrespective of whether the covered person was previ-
27 ously confined or, if the covered person was confined, irrespective of
28 the seven-day period; the yearly benefit for medical social services
29 may not exceed \$200;

- 1 (7) hospice services for up to six months in a calendar
2 year;
- 3 (8) postnatal care for a newborn child of a covered person
4 for a period of one year;
- 5 (9) use of radium or other radioactive materials;
- 6 (10) outpatient chemotherapy;
- 7 (11) oxygen;
- 8 (12) anesthetics;
- 9 (13) nondental prosthesis and maxillo-facial prosthesis used
10 to replace any anatomic structure lost during treatment for head and
11 neck tumors or additional appliances essential for the support of the
12 prosthesis;
- 13 (14) rental, or purchase if purchase is more cost effective
14 than rental, of durable medical equipment that has no personal use in
15 the absence of the condition for which it was prescribed;
- 16 (15) diagnostic x-rays and laboratory tests;
- 17 (16) oral surgery for excision of partially or completely
18 unerupted impacted teeth or excision of a tooth root without the
19 extraction of the entire tooth;
- 20 (17) services of a licensed physical therapist rendered
21 under the direction of a physician;
- 22 (18) transportation by a local ambulance operated by licen-
23 sed or certified personnel to the nearest health care institution for
24 treatment of the illness or injury and round trip transportation by
25 air to the nearest health care institution for treatment of the ill-
26 ness or injury if the treatment is not available locally; if the
27 patient is a child under 12 years of age, the transportation charges
28 of a parent or legal guardian accompanying the child may be paid if
29 the attending physician certifies the need for the accompaniment;

1 (19) confinement in a licensed or certified facility estab-
2 lished primarily for the treatment of alcohol or drug abuse or in a
3 part of a hospital used primarily for this treatment, for a period of
4 at least 45 days within any calendar year;

5 (20) alternatives to inpatient services as defined by the
6 director;

7 (21) second surgical opinions;

8 (22) other services that are medically necessary in the
9 treatment or diagnosis of an illness or injury as may be designated or
10 approved by the director.

11 Sec. 21.56.030. CARE AND SERVICES NOT COVERED. Insurance ob-
12 tained under AS 21.56.010 may not provide benefits for charges for the
13 following:

14 (1) care for an injury or disease either

15 (A) arising out of and in the course of an employment
16 subject to a workers' compensation or similar law or where the
17 benefit is required to be provided under a workers' compensation
18 policy to a sole proprietor, business partner, or corporation
19 officer; or

20 (B) to the extent benefits are payable without regard
21 to fault under a coverage statutorily required to be contained in
22 a motor vehicle or other liability insurance policy or equivalent
23 self-insurance;

24 (2) treatment for cosmetic purposes other than surgery for
25 the prompt repair of an accidental injury sustained while covered or
26 for replacement of an anatomic structure removed during treatment of
27 tumors;

28 (3) travel, other than transportation covered under AS 21.-
29 56.020(18);

- 1 (4) private room accommodations to the extent it is in
2 excess of the institution's most common charge for a semiprivate room;
- 3 (5) services or articles to the extent that the charge
4 exceeds the reasonable charge in the locality for the service;
- 5 (6) services or articles that are determined not to be
6 medically necessary, except for the fabrication or placement of the
7 prosthesis as specified in AS 21.56.020(13) and (2) of this section;
- 8 (7) services or articles that are not within the scope of
9 the license or certificate of the institution or individual rendering
10 the services or articles;
- 11 (8) services or articles furnished, paid for or reimbursed
12 directly by or under any law of a government, except as otherwise
13 provided in this chapter;
- 14 (9) services or articles for custodial care or designed
15 primarily to assist a person in the activities of daily living;
- 16 (10) service charges that would not have been made if no
17 insurance existed or that the covered person is not legally obligated
18 to pay;
- 19 (11) eyeglasses, contact lenses, or hearing aids or the
20 fitting of them;
- 21 (12) dental care not specifically covered by this chapter;
- 22 (13) experimental procedures; and
- 23 (14) services and supplies for which the patient was not
24 charged.

25 Sec. 21.56.040. MULTIPLE INSURANCE COVERAGE. If a person in-
26 sured under this chapter is entitled to coverage under more than one
27 policy of insurance, payment from the policy provided in this chapter
28 shall be made after payment from the other applicable policy or cover-
29 age.

1 Sec. 21.56.050. PREEXISTING CONDITIONS. Insurance obtained
2 under AS 21.56.010 may not exclude coverage of a preexisting condi-
3 tion.

4 Sec. 21.56.060. DEDUCTIBLES. (a) The insurance obtained under
5 AS 21.56.010 shall require a deductible of \$5,000 a person. The
6 amount of the deductible may not be greater when a service is rendered
7 on an outpatient basis than when that service is rendered on an inpa-
8 tient basis. Expenses incurred during the last three months of a
9 calendar year and actually applied to a person's deductible for that
10 year shall also be applied to that person's deductible in the follow-
11 ing calendar year.

12 (b) Covered expenses incurred after the deductible has been
13 reached shall be paid at the rate of 100 percent of usual, customary,
14 reasonable, or prevailing charges.

15 Sec. 21.56.070. ELIGIBILITY FOR STATE CATASTROPHIC ILLNESS
16 INSURANCE. (a) Except as provided in (b) of this section, a resident
17 of the state may enroll as an insured in a state catastrophic insur-
18 ance policy obtained under AS 21.56.010 if the resident applies to the
19 insurance carrier.

20 (b) Upon ceasing to be a resident, a person is not eligible for
21 coverage under the state policy. Additional eligibility requirements
22 may not be imposed by the director or the insurance carrier.

23 (c) The insurance carrier shall promptly forward to each en-
24 rolled person a notice of enrollment and policy coverage information.

25 Sec. 21.56.080. PAYMENT OF INSURANCE PREMIUM. By March 1 of
26 each year, the insurer who provides coverage under this chapter shall
27 notify the director of the insurance premium amount due to provide
28 coverage for each insured for the next state fiscal year. By July 15
29 of each year, the director shall, subject to appropriation by the

1 legislature, pay the cost of the insurance premium.

2 Sec. 21.56.090. SOLICITATION OF ELIGIBLE PERSONS. The director
3 shall disseminate appropriate information to the residents of the
4 state regarding the existence of state catastrophic illness insurance
5 and the means of enrollment. Means of communication may include use
6 of the press, radio, and television, as well as publication in appro-
7 priate state offices and publications.

8 Sec. 21.56.100. STATE NOT LIABLE. The state is not liable for
9 acts or omissions of the insurer under this chapter, nor is the state
10 liable for payment of a claim made to an insurer under this chapter.

11 Sec. 21.56.900. DEFINITIONS. In this chapter

12 (1) "catastrophic illness insurance" means a major medical
13 insurance contract, or a subscriber contract, that provides benefits
14 for hospital and medical care with potential lifetime maximum benefits
15 per insured of at least \$1,000,000;

16 (2) "deductible" means the portion of eligible expenses for
17 which the insured is responsible in each calendar year under AS 21.-
18 56.050;

19 (3) "home health agency services" means any of the follow-
20 ing services provided upon recommendation of a licensed physician as
21 part of a treatment plan:

22 (A) intermittent or part-time nursing services of a
23 registered professional nurse or a licensed practical nurse, that
24 are provided to a person under the continued direction of the
25 person's physician and within the limitation of the nurse's
26 license;

27 (B) nursing services that are provided to a person at
28 the person's residence, including a residential care facility or
29 adult boarding home; a hospital, skilled nursing facility or

1 intermediate care facility is not considered a residence;

2 (C) home health aide services that are prescribed by
3 and under the continued direction of a physician and supervised
4 by a professional nurse;

5 (D) home health aide services that are provided to a
6 person at the person's residence, as described in (B) of this
7 paragraph;

8 (E) physical and occupational therapy services, speech
9 pathology, and audiology services that are prescribed by a physi-
10 cian and provided to a person by or under the supervision of a
11 qualified practitioner; these services may be provided to a
12 person who is a patient in an intermediate care facility or
13 skilled nursing facility;

14 (4) "hospice services" means services provided under a
15 coordinated comprehensive program of palliative and supportive care on
16 a 24-hour, seven days per week basis for persons who have been diag-
17 nosed as terminally ill and their families by an interdisciplinary
18 team of professionals or volunteers under an incorporated central
19 administration that has a physician as medical director;

20 (5) "medical social services" means services rendered the
21 patient under the direction of a physician by a qualified social
22 worker holding a master's degree from an accredited school of social
23 work, including assessment of the social, psychological and family
24 problems related to or arising out of the covered person's illness and
25 treatment, appropriate action and utilization of community resources
26 to assist in resolving the problems, and participation in the develop-
27 ment of treatment for the covered person;

28 (6) "resident" means a person who is physically present in
29 the state, has lived in the state for at least the six consecutive

1 months immediately preceding application for a state plan, and intends
2 to remain permanently in the state; "resident" also includes a person
3 who is not physically present in the state if the person lived in the
4 state for at least six of the nine months immediately preceding appli-
5 cation for a state plan and the person's absence from the state is for
6 medical treatment or education; a person ceases to be a resident if
7 the person is absent from the state for more than 90 consecutive days
8 for reasons other than medical treatment or education;

9 (7) "usual, customary, reasonable, or prevailing charge"
10 means the charge for a medical care procedure, service, or supply item
11 that is the lowest of the following amounts:

12 (A) the billed amount for the medical service pro-
13 vider's actual charge;

14 (B) the charge usually made by that provider for
15 performing that procedure or service or for providing the supply
16 item; or

17 (C) the customary charge, based on a profile of char-
18 ges made for the same medical procedure, service, or supply item
19 in the same geographical area by other providers that have per-
20 formed the same procedure or service or can provide the same
21 supply item.

22 * Sec. 3. AS 36.30.850(b)(11) is amended to read:

23 (11) agreements with providers of services under AS 47.07;

24 [AS 47.08;] AS 47.10; AS 47.17; AS 47.24; AS 47.25.195, and 47.25.310;

25 * Sec. 4. The insurance required to be obtained under AS 21.56.010, as
26 enacted by sec. 2 of this Act, shall be made available to residents of the
27 state by January 1, 1989.

28 * Sec. 5. AS 47.08 is repealed.

29 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).