

1 IN THE HOUSE

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2

SPONSOR SUBSTITUTE FOR 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 believes that the state should make adequate and affordable health
14 care available to all residents in meeting the state's constitutional duty
15 to promote and protect the public health. The legislature also finds that
16 catastrophic illness often results in substantial expenditures for health
17 care, and the use of catastrophic illness insurance has significant poten-
18 tial to reduce the growth of health care costs incurred by the people of
19 the state.

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

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

23 CHAPTER 56. STATE CATASTROPHIC ILLNESS INSURANCE.

24 Sec. 21.56.010. PROCUREMENT OF CATASTROPHIC ILLNESS INSURANCE.

25 (a) Under AS 36.30 (State Procurement Code), the director shall
26 obtain a policy or policies of catastrophic illness insurance that
27 would cover state residents, subject to transfer of sufficient funds
28 under AS 37.13.145 or legislative appropriations.

29 (b) The insurance required by (a) of this section shall be

1 7obtained from an insurer authorized to transact business in the state
2 under AS 21.09 and AS 21.90 unless the director determines that the
3 state should act as a self-insurer as provided under (c) of this
4 section. The director shall provide specifications for the insurance
5 coverage required by AS 21.56.030 to all insurers licensed in this
6 state and qualified to provide the insurance coverage.

7 (c) If the director determines that self-insurance is actuarially
8 preferable to obtaining insurance from a licensed insurer as
9 provided under (b) of this section, the director may provide the
10 benefits required by this chapter as a self-insurer. If the director
11 acts as a self-insurer, the director may also obtain reinsurance.

12 (d) At least once every three years the director shall solicit
13 new bids for the insurance required by this section.

14 Sec. 21.56.020. CATASTROPHIC ILLNESS ACCOUNT. There is estab-
15 lished as a separate account within the general fund the catastrophic
16 illness account. The account consists of money transferred to the
17 account under AS 37.13.145 or appropriated to the account by the
18 legislature. The account shall be used to provide catastrophic ill-
19 ness insurance under AS 21.56.010.

20 Sec. 21.56.030. REQUIRED INSURANCE BENEFITS. Except as provided
21 in AS 21.56.040 - 21.56.060, the minimum standard benefits of a cata-
22 strophic illness insurance policy selected under AS 21.56.010 are
23 benefits with a lifetime maximum of \$1,000,000 per person for usual,
24 customary, reasonable, or prevailing charges or, when applicable, the
25 allowance agreed upon between the insurer and the director for
26 charges, for the following medical services performed for a person
27 covered by the policy for the diagnosis or treatment of nonoccupational
28 disease or nonoccupational injury:

29 (1) hospital services;

- 1 (2) subject to the limitations of AS 21.36.090(d), profes-
2 sional services that are rendered by a physician or by a registered
3 nurse at the physician's direction;
- 4 (3) the diagnosis or treatment of mental conditions;
- 5 (4) legend drugs requiring a physician's prescription;
- 6 (5) services of a skilled nursing facility;
- 7 (6) home health agency services up to a maximum of 270
8 visits in a calendar year if the services begin within seven days
9 after confinement in a hospital or skilled nursing facility of at
10 least three consecutive days for the same condition, except that in
11 the case of a person diagnosed by a physician as terminally ill with a
12 prognosis of six months or less to live, the home health agency ser-
13 vices may begin irrespective of whether the covered person was previ-
14 ously confined or, if the covered person was confined, irrespective of
15 the seven-day period; the yearly benefit for medical social services
16 may not exceed \$200;
- 17 (7) hospice services for up to six months in a calendar
18 year;
- 19 (8) postnatal care for a newborn child of a covered person
20 for a period of one year;
- 21 (9) use of radium or other radioactive materials;
- 22 (10) outpatient chemotherapy;
- 23 (11) oxygen;
- 24 (12) anesthetics;
- 25 (13) nondental prosthesis and maxillo-facial prosthesis used
26 to replace any anatomic structure lost during treatment for head and
27 neck tumors or additional appliances essential for the support of the
28 prosthesis;
- 29 (14) rental, or purchase if purchase is more cost effective

1 than rental, of durable medical equipment that has no personal use in
2 the absence of the condition for which it was prescribed;

3 (15) diagnostic x-rays and laboratory tests;

4 (16) oral surgery for excision of partially or completely
5 unerupted impacted teeth or excision of a tooth root without the
6 extraction of the entire tooth;

7 (17) services of a licensed physical therapist rendered
8 under the direction of a physician;

9 (18) transportation by a local ambulance operated by licen-
10 sed or certified personnel to the nearest health care institution for
11 treatment of the illness or injury and round trip transportation by
12 air to the nearest health care institution for treatment of the ill-
13 ness or injury if the treatment is not available locally; if the
14 patient is a child under 12 years of age, the transportation charges
15 of a parent or legal guardian accompanying the child may be paid if
16 the attending physician certifies the need for the accompaniment;

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

21 (20) alternatives to inpatient services as defined by the
22 director;

23 (21) second surgical opinions;

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

27 Sec. 21.56.040. CARE AND SERVICES NOT COVERED. Insurance ob-
28 tained under AS 21.56.010 may not provide benefits for charges for the
29 following:

- 1 (1) care for an injury or disease either
2 (A) arising out of and in the course of an employment
3 subject to a workers' compensation or similar law or where the
4 benefit is required to be provided under a workers' compensation
5 policy to a sole proprietor, business partner, or corporation
6 officer; or
7 (B) to the extent benefits are payable without regard
8 to fault under a coverage statutorily required to be contained in
9 a motor vehicle or other liability insurance policy or equivalent
10 self-insurance;
11 (2) treatment for cosmetic purposes other than surgery for
12 the prompt repair of an accidental injury sustained while covered or
13 for replacement of an anatomic structure removed during treatment of
14 tumors;
15 (3) travel, other than transportation covered under AS 21.-
16 56.030(18);
17 (4) private room accommodations to the extent it is in
18 excess of the institution's most common charge for a semiprivate room;
19 (5) services or articles to the extent that the charge
20 exceeds the reasonable charge in the locality for the service;
21 (6) services or articles that are determined not to be
22 medically necessary, except for the fabrication or placement of the
23 prosthesis as specified in AS 21.56.030(13) and (2) of this section;
24 (7) services or articles that are not within the scope of
25 the license or certificate of the institution or individual rendering
26 the services or articles;
27 (8) services or articles furnished, paid for or reimbursed
28 directly by or under any law of a government, except as otherwise
29 provided in this chapter;

1 (9) services or articles for custodial care or designed
2 primarily to assist a person in the activities of daily living;

3 (10) service charges that would not have been made if no
4 insurance existed or that the covered person is not legally obligated
5 to pay;

6 (11) eyeglasses, contact lenses, or hearing aids or the
7 fitting of them;

8 (12) dental care not specifically covered by this chapter;

9 (13) experimental procedures; and

10 (14) services and supplies for which the patient was not
11 charged.

12 Sec. 21.56.050. MULTIPLE INSURANCE COVERAGE. If a person in-
13 sured under this chapter is entitled to coverage under more than one
14 policy of insurance, payment from the policy provided in this chapter
15 shall be made after payment from the other applicable policy or cover-
16 age.

17 Sec. 21.56.060. PREEXISTING CONDITIONS. Insurance obtained
18 under AS 21.56.010 may not exclude coverage of a preexisting condi-
19 tion.

20 Sec. 21.56.070. DEDUCTIBLES. (a) The insurance obtained under
21 AS 21.56.010 shall require a deductible of \$5,000 a person. The
22 amount of the deductible may not be greater when a service is rendered
23 on an outpatient basis than when that service is rendered on an inpa-
24 tient basis. Expenses incurred during the last three months of a
25 calendar year and actually applied to a person's deductible for that
26 year shall also be applied to that person's deductible in the follow-
27 ing calendar year.

28 (b) Covered expenses incurred after the deductible has been
29 reached shall be paid at the rate of 100 percent of usual, customary,

1 reasonable, or prevailing charges.

2 Sec. 21.56.080. ELIGIBILITY FOR STATE CATASTROPHIC ILLNESS
3 INSURANCE. (a) Except as provided in (b) of this section, a resident
4 of the state may enroll as an insured in a state catastrophic insur-
5 ance policy by applying to

6 (1) the insurance carrier if the insurance is obtained
7 under AS 21.56.010(a); or

8 (2) the director of the division of insurance if the insur-
9 ance is obtained under AS 21.56.010(c).

10 (b) Upon ceasing to be a resident, a person is not eligible for
11 coverage under this chapter. Additional eligibility requirements may
12 not be imposed by the director or the insurance carrier.

13 (c) The insurer shall promptly forward to each enrolled person a
14 notice of enrollment and policy coverage information.

15 Sec. 21.56.090. PAYMENT FOR INSURANCE. Unless the director acts
16 as a self-insurer, by March 1 of each year, the insurance carrier who
17 provides coverage under this chapter shall notify the director of the
18 insurance premium amount due to provide coverage for each insured for
19 the next state fiscal year. By May 15 of each year, the director
20 shall notify the commissioner of revenue of the amount required to be
21 transferred under AS 37.13.145 to provide for payment of the premium
22 or the amount required for self-insurance. Unless the director acts
23 as a self-insurer, by July 15 of each year, the director shall,
24 subject to transfer of sufficient funds under AS 37.13.145, pay the
25 cost of the insurance premium from the catastrophic illness account
26 under AS 21.56.020.

27 Sec. 21.56.100. SOLICITATION OF ELIGIBLE PERSONS. The director
28 shall disseminate appropriate information to the residents of the
29 state regarding the existence of state catastrophic illness insurance

1 and the means of enrollment. Means of communication may include use
2 of the press, radio, and television, as well as publication in appro-
3 priate state offices and publications.

4 Sec. 21.56.110. STATE NOT LIABLE. Except when the state acts as
5 a self-insurer, the state is not liable for acts or omissions of the
6 insurer under this chapter, nor is the state liable for payment of a
7 claim made to an insurance carrier under this chapter.

8 Sec. 21.56.900. DEFINITIONS. In this chapter

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

13 (2) "deductible" means the portion of eligible expenses for
14 which the insured is responsible in each calendar year under AS 21.-
15 56.060;

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

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

24 (B) nursing services that are provided to a person at
25 the person's residence, including a residential care facility or
26 adult boarding home; a hospital, skilled nursing facility or
27 intermediate care facility is not considered a residence;

28 (C) home health aide services that are prescribed by
29 and under the continued direction of a physician and supervised

1 by a professional nurse;

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

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

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

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

25 (6) "resident" means a person who is physically present in
26 the state, has lived in the state for at least the six consecutive
27 months immediately preceding application for a state plan, and intends
28 to remain permanently in the state; "resident" also includes a person
29 who is not physically present in the state if the person lived in the

1 state for at least six of the nine months immediately preceding appli-
2 cation for a state plan and the person's absence from the state is for
3 medical treatment or education; a person ceases to be a resident if
4 the person is absent from the state for more than 90 consecutive days
5 for reasons other than medical treatment or education;

6 (7) "self-insurance" means a contract between the state and
7 a resident whereby the state undertakes to provide catastrophic ill-
8 ness insurance directly to the resident and not through an insurer
9 licensed under AS 21.09 and AS 21.90;

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

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

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

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

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

24 (11) agreements with providers of services under AS 47.07;
25 [AS 47.08;] AS 47.10; AS 47.17; AS 47.24; AS 47.25.195, and 47.25.310;

26 * Sec. 4. AS 37.13.145 is amended to read:

27 Sec. 37.13.145. DISPOSITION OF INCOME. At the end of each
28 fiscal year income of the corporation shall be distributed as follows:

29 (1) [,] an amount sufficient to offset the effect of inflation on

1 principal of the Alaska permanent fund during that year, as measured
2 by the change in the calendar year average United States consumer
3 price index for all urban consumers shall be transferred from net
4 income as defined in AS 37.13.140, excluding income on the earnings
5 reserve account in the Alaska permanent fund, to the principal of the
6 Alaska permanent fund for reinvestment; (2) an amount sufficient to
7 provide catastrophic illness insurance under AS 21.56 shall be trans-
8 ferred to the catastrophic illness account under AS 21.56.020. The
9 balance of the income available for distribution under AS 37.13.140
10 shall be transferred to the earnings reserve account in the Alaska
11 permanent fund. Money in the earnings reserve account shall be in-
12 vested in investments authorized under AS 37.13.120. Income from the
13 investment of the earnings reserve account shall be treated as an
14 addition to that account.

15 * Sec. 5. The insurance required to be obtained under AS 21.56.010, as
16 enacted by sec. 2 of this Act, shall be made available to residents of the
17 state by January 1, 1989.

18 * Sec. 6. AS 47.08 is repealed.

19 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).