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1 IN THE SENATE

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2

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 6

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to health insurance; and providing  
7 for an effective date."

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

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

11 (1) access by residents to basic health care services is a  
12 natural, essential, and unalienable right that is protected by art. VII,  
13 sec. 4, of the Constitution of the State of Alaska;

14 (2) many residents under 65 years of age lack access to basic  
15 health care services because they are not able to purchase health care  
16 insurance at a reasonable price or because they are restricted from pur-  
17 chasing health insurance by the practices of the insurance industry;

18 (3) lack of access to health care negatively affects the health  
19 status of the uninsured by the delay or lack of medical treatment, thereby  
20 increasing the incidence of disease and illness in the state;

21 (4) the cost of providing hospital care to the uninsured is a  
22 burden on the taxpayers and certain businesses in the state.

23 (b) It is the intent of the legislature to promote the accessibility  
24 of health care services for all of the state's citizens, a public purpose  
25 for which public money may be expended.

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

27 CHAPTER 55. STATE HEALTH INSURANCE.

28 ARTICLE 1. HEALTH INSURANCE AUTHORITY.

29 Sec. 21.55.010. CREATION AND PURPOSE. (a) The Health Insurance

1 Authority is established. The authority is a public corporation and  
2 an instrumentality of the state in the Department of Commerce and  
3 Economic Development but has a legal existence independent of and  
4 separate from the state.

5 (b) The purpose of the authority is to provide, on a basis  
6 calculated to reduce or contain the costs of the program, a program of  
7 health insurance coverage for eligible residents of the state who are  
8 not otherwise covered by a health insurance plan, a self-insurance  
9 health plan, a medical assistance program, or another plan or program  
10 that provides for payment by a third-party payor for health care  
11 services.

12 Sec. 21.55.020. BOARD OF DIRECTORS. (a) The authority is  
13 governed by a board of five directors. The directors are the com-  
14 missioner of commerce and economic development, the commissioner of  
15 health and social services, the director of the division of insurance,  
16 a representative of the insurance industry, and a representative of  
17 health care providers, appointed by the governor.

18 (b) The term of the directors who represent the insurance indus-  
19 try and health care providers is three years. A vacancy in a di-  
20 rectorship shall be filled for the unexpired term in the same manner  
21 as the original appointment.

22 (c) The directors must be state residents and shall comply with  
23 the requirements of AS 39.50 (Conflict of Interest). The directors of  
24 the authority serve without compensation, but are entitled to travel  
25 and per diem expenses authorized by law for state boards and com-  
26 missions under AS 39.20.180.

27 Sec. 21.55.030. APPOINTMENT AND POWERS OF EXECUTIVE DIRECTOR.  
28 The board shall appoint an executive director of the authority who  
29 serves at the pleasure of the board and may be removed by the board at

1 any time. The executive director must have educational qualifications  
2 and administrative and other experience that the board determines to  
3 be necessary for the performance of the duties of executive director.  
4 The executive director shall appoint and may remove agents and subor-  
5 dinate officers that the executive director considers necessary and  
6 may establish divisions and subdivisions within the authority. The  
7 position of executive director is in the exempt service.

8 Sec. 21.55.040. DEPUTY EXECUTIVE DIRECTOR. The executive direc-  
9 tor shall appoint a person to serve as deputy executive director of  
10 the authority. The deputy executive director shall perform the duties  
11 that the executive director determines and shall, in the case of a  
12 vacancy in the office of executive director and during the executive  
13 director's absence or disability, exercise the powers and perform the  
14 duties of that office. The deputy executive director must have educa-  
15 tional qualifications and administrative and other experience that the  
16 executive director determines to be necessary for the performance of  
17 the duties of deputy executive director. The position of deputy  
18 executive director is in the exempt service.

19 Sec. 21.55.050. GENERAL POWERS. The authority may

- 20 (1) adopt regulations to implement this chapter;
- 21 (2) make contracts and execute all instruments necessary or  
22 convenient for carrying out its business;
- 23 (3) acquire, own, hold, dispose of, and encumber personal  
24 property and lease real property in the exercise of its powers;
- 25 (4) enter into agreements or transactions with a federal,  
26 state, or municipal agency, or other public institution, or with a  
27 private individual, partnership, firm, corporation, association, or  
28 other entity;
- 29 (5) procure insurance in connection with its duties in the

1 amounts and from insurers as may be necessary or desirable;

2 (6) provide a health insurance program through the purchase  
3 of health insurance plans from the private sector, including managed  
4 health care plans; the financial assumptions underlying these purchas-  
5 ing arrangements shall be made on an actuarially sound basis;

6 (7) design and revise a basic schedule of health care  
7 services that enrollees in the health insurance program are entitled  
8 to receive, including those services that are typically included in  
9 employer sponsored health benefit plans in the state; the authority  
10 may adopt schedules of covered health care services that differ from  
11 the basic schedule and that apply to specific classes of enrollees;

12 (8) maintain a prudent level of reserve funds to protect  
13 the solvency of the health insurance fund established under AS 21.-  
14 55.080; and

15 (9) conduct studies concerning the status of health care in  
16 the state, including the effect on consumers and businesses of pro-  
17 grams established under this chapter.

18 Sec. 21.55.060. TYPES OF INSURANCE PLANS. The authority shall  
19 provide health care insurance to all eligible residents who are not  
20 covered by a health insurance plan, a self-insurance plan, or the  
21 medical assistance program under AS 47.07. The authority may not  
22 operate as an insurance company but shall make health insurance plans  
23 available to eligible residents of the state through the purchase of  
24 health insurance plans, including managed health care plans, from  
25 private health insurance companies. The authority shall endeavor to  
26 purchase health insurance plans in an economical manner and shall  
27 enroll individuals in managed health care plans when practical.

28 Sec. 21.55.070. PURCHASE OF INSURANCE. (a) The authority shall

29 (1) subject to appropriation, negotiate with and purchase,

1 on the terms that it considers to be in the best interest of the  
2 authority and its enrollees, from one or more health insurance com-  
3 panies, a policy or policies of group general or blanket insurance  
4 providing hospital, surgical, medical, and other health insurance  
5 benefits covering all eligible residents and their dependents not  
6 enrolled in a health insurance plan, self-insurance health plan, or  
7 the medical assistance program;

8 (2) execute all agreements or contracts pertaining to the  
9 policies or amendments to them for and on behalf and in the name of  
10 the authority; the authority may negotiate a contract for a term not  
11 exceeding three years that it considers to be the most advantageous to  
12 the authority and its enrollees;

13 (3) endeavor to contract with health insurance companies  
14 only for managed health care plans or for health insurance plans that  
15 employ other methods to reduce costs of health care services;

16 (4) offer an enrollee a choice of at least two plans pro-  
17 viding health care insurance benefits; not more than 30 percent of the  
18 enrollees may be enrolled in a health insurance plan of a single  
19 health insurance company;

20 (5) adopt regulations regarding eligibility criteria,  
21 enrollment, contribution, and termination policies;

22 (6) establish procedures by which individuals who partici-  
23 pate or are seeking to participate in the health insurance program of  
24 the authority may appeal determinations of noneligibility, enrollment,  
25 contribution, and termination;

26 (7) allow, on an annual basis, an opportunity for enrollees  
27 to transfer their enrollments among participating health insurance  
28 plans;

29 (8) establish a schedule of premium contributions,

1 copayments, deductibles, or coinsurance amounts to be paid by  
2 individual enrollees for a policy purchased by the authority;  
3 the schedule must establish a sliding scale of payments for en-  
4 rollees based on family income and size and other factors  
5 determined to be appropriate by the authority; the schedule  
6 must require enrollees to pay 100 percent of the premium contri-  
7 butions if their income substantially exceeds the nonfarm poverty  
8 guidelines of the United States Office of Management and Budget;  
9 and

10 (9) require a health insurance company that provides health  
11 care benefits under this chapter to establish grievance procedures  
12 that are approved by the authority.

13 (b) A health insurance plan provided by the authority to its  
14 enrollees through a contract with a health insurance company shall  
15 provide a reasonable range of health care services to enrollees,  
16 access to an adequate range of health care providers, and at a mini-  
17 mum, the following benefits:

- 18 (1) inpatient and outpatient acute hospital services;
- 19 (2) inpatient and outpatient physician services;
- 20 (3) diagnostic and screening tests;
- 21 (4) preventive care;
- 22 (5) prenatal and well-baby care; and
- 23 (6) medically necessary emergency health services.

24 Sec. 21.55.080. HEALTH INSURANCE FUND. The health insurance  
25 fund is established as a separate account in the general fund. The  
26 fund shall be administered by the authority and used to purchase  
27 insurance under AS 21.55.070. The fund consists of appropriations by  
28 the legislature.

29 Sec. 21.55.250. DEFINITIONS. In this chapter

1 (1) "authority" means the Health Insurance Authority cre-  
2 ated in AS 21.55.010;

3 (2) "eligible resident" means a resident who is less than  
4 65 years of age and whose gross family income at the time of enroll-  
5 ment is less than twice the nonfarm poverty guidelines of the United  
6 States Office of Management and Budget;

7 (3) "enrollee" means a person who becomes a member of an  
8 insurance program of the authority either individually or as a member  
9 of a family;

10 (4) "health care services" means supplies, care, and ser-  
11 vices of medical, surgical, optometric, dental, podiatric, chiro-  
12 practic, psychiatric, therapeutic, diagnostic, preventive, rehabilita-  
13 tive, supportive, or geriatric nature, including inpatient and outpa-  
14 tient acute hospital care and services, and services provided by a  
15 community health center, or by a health maintenance organization;

16 (5) "health insurance" means an individual or group con-  
17 tract or other plan providing coverage of health care services that is  
18 issued by a health insurance company, a hospital service corporation,  
19 a medical service corporation, or a health maintenance organization;  
20 "health insurance" includes disability insurance under AS 21.12.050;

21 (6) "health insurance company" means a company that engages  
22 in the business of health insurance;

23 (7) "health maintenance organization" means a company that  
24 provides or arranges for the provision of health care services to  
25 enrolled members in exchange primarily for a prepaid per capita or  
26 aggregate fixed sum;

27 (8) "hospital service corporation" has the meaning given in  
28 AS 21.87.330;

29 (9) "managed health care plan" means a health insurance

1 plan that provides or arranges for, supervises and coordinates health  
2 care services to enrolled participants, including plans administered  
3 by health maintenance organizations and preferred provider organiza-  
4 tions;

5 (10) "medical service corporation" has the meaning given in  
6 AS 21.87.330;

7 (11) "resident" means a person living in the state as de-  
8 fined by the authority by regulation; it does not include a person who  
9 moved to the state for the sole purpose of securing health insurance  
10 under this chapter; confinement of a person in a nursing home, hospi-  
11 tal, or other medical institution in the state is not by itself suffi-  
12 cient to qualify the person as a resident.

13 \* Sec. 3. AS 36.30.015(e) is amended to read:

14 (e) The boards of directors of the Alaska Railroad Corporation,  
15 the Health Insurance Authority, and the Alaska State Building Author-  
16 ity shall adopt procedures to govern the procurement of supplies,  
17 services, professional services, and construction by the corporation.  
18 The procedures must be substantially equivalent to the procedures  
19 prescribed in this chapter and in regulations adopted under this  
20 chapter.

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

22 (28) the executive director, deputy executive director, and  
23 other staff of the Health Insurance Authority.

24 \* Sec. 5. AS 39.50.200(b) is amended by adding a new paragraph to read:

25 (50) Health Insurance Authority (AS 21.55)

26 \* Sec. 6. PHASE-IN COVERAGE. (a) The Health Insurance Authority  
27 shall, subject to appropriation, establish phase-in coverage for state  
28 health insurance required by this Act on a regional, statewide, or popula-  
29 tion basis that is designed to test the relative advantages and

1 disadvantages of providing health insurance, particularly managed health  
2 care plans, to persons lacking health insurance. Phase-in coverage shall  
3 be established through contracts with health insurance companies, hospital  
4 service corporations, medical service corporations, or health maintenance  
5 organizations. The authority shall use phase-in coverage as part of a plan  
6 to provide health insurance to the uninsured on an orderly and gradual  
7 basis. Phase-in coverage shall be purchased for a period not to exceed two  
8 years; coverage found by the authority to be an efficient and effective  
9 method of providing health care services to the uninsured may be purchased  
10 by the authority on a permanent basis, under the provisions of AS 21.55.

11 (b) The authority shall require that an insurer with which it con-  
12 tracts under this section submit annually to the authority a report of the  
13 demographics and utilization patterns of the enrollees.

14 \* Sec. 7. COMMISSION CREATED. (a) The Commission on Health Insurance  
15 Reform is established to

16 (1) examine and determine what alternatives, if any, exist to  
17 provide citizens of the state with an improved health care delivery and  
18 health care insurance system;

19 (2) recommend improvements to the competitive environment in the  
20 health insurance system;

21 (3) review the affordability and availability of actuarially  
22 sound nongroup and Medicare supplementary health insurance coverage; and

23 (4) study the implications of the provisions of this Act rela-  
24 tive to preferred provider arrangements and relative to the relationship  
25 between nonparticipating providers and hospital and medical service corpo-  
26 rations.

27 (b) The commission consists of a representative of a nonprofit hospi-  
28 tal or medical service corporation, a representative of the Department of  
29 Law, a representative of health care consumer groups, a representative of

1 health maintenance organizations, and a chair, to be appointed by the  
2 governor.

3 (c) The commission shall make its recommendations to the governor and  
4 the legislature before October 1, 1990, and shall issue a final report  
5 before November 15, 1990.

6 \* Sec. 8. Section 7 of this Act is repealed January 1, 1991.

7 \* Sec. 9. This Act takes effect July 1, 1989.