

Introduced: 3/31/89
Referred: State Affairs and
Finance

6-0623A

1 IN THE SENATE

BY DUNCAN

2

SENATE BILL NO. 254

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 group health insurance; and
7 providing for an effective date."

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

9 * Section 1. PURPOSE. The purpose of this Act is to

10 (1) provide comprehensive group health insurance for the state,
11 municipalities, school districts, and all eligible employees of the state,
12 a municipality, or a school district; and

13 (2) expand the pool of subscribers and maximize the opportuni-
14 ties for cost containment when purchasing group health insurance.

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

16 CHAPTER 77. STATE INSURANCE.

17 Sec. 21.77.010. AUTHORITY CREATED. There is established within
18 the Department of Commerce and Economic Development a nonprofit incor-
19 porated legal entity known as the Alaska State Group Health Insurance
20 Authority. The authority shall provide group health insurance to
21 eligible state, municipal, and school district employees.

22 Sec. 21.77.020. BOARD OF DIRECTORS; ORGANIZATION. (a) The
23 authority shall be managed by a board of directors composed of 16
24 members as follows:

25 (1) the commissioner of administration;

26 (2) the commissioner of health and social services;

27 (3) the director of the division of insurance;

28 (4) 13 members appointed by the governor as follows:

29 (A) one member representing local governments;

- 1 (B) one member representing school boards;
2 (C) two members representing public school teachers;
3 (D) one member representing the public who is not a
4 state or municipal employee;
5 (E) two members from the permanent public employees in
6 the classified service of the state;
7 (F) one member from the permanent employees of the
8 University of Alaska;
9 (G) two members from the permanent employees of school
10 districts;
11 (H) two members from the permanent employees of munic-
12 ipalities; and
13 (I) one member representing health care providers.

14 (b) A member of the board appointed under (a)(4) of this section
15 serves for a term of five years. The board shall elect from its
16 membership a president, vice-president, and secretary. Members of the
17 board may receive per diem and traveling expenses, but may not other-
18 wise be compensated by the authority for their services.

19 Sec. 21.77.030. GENERAL POWERS. The authority may

- 20 (1) exercise the powers granted to insurers under the laws
21 of the state;
22 (2) sue or be sued;
23 (3) enter into contracts or agreements;
24 (4) establish administrative or accounting procedures;
25 (5) collect, invest, and disburse funds;
26 (6) adopt necessary regulations and procedures for imple-
27 mentation of this chapter.

28 Sec. 21.77.040. FIDUCIARY DUTY OF BOARD. In obtaining group
29 health insurance required under this chapter, the board shall provide

1 comprehensive coverage at the lowest possible cost to eligible employ-
2 ees.

3 Sec. 21.77.050. PROCUREMENT OF INSURANCE. (a) The authority
4 shall obtain a policy or policies of group health insurance covering
5 eligible employees of participants, from an insurer authorized to
6 transact business in the state under AS 21.09, or act as a self-
7 insurer if the authority determines that self-insurance can provide
8 the desired insurance coverage and benefits at a lower cost to eligi-
9 ble employees.

10 (b) Except when acting as a self-insurer, the authority shall
11 obtain group health insurance in compliance with the provisions of
12 AS 36.30 and shall make available bid specifications for desired group
13 health insurance benefits to all insurance carriers licensed in the
14 state and qualified to provide the desired benefits. The specifica-
15 tions shall be made available at least once every five years.

16 Sec. 21.77.060. STATE GROUP HEALTH INSURANCE FUND. The state
17 group health insurance fund is created in the general fund. The fund
18 consists of money appropriated by the legislature, and premiums col-
19 lected under AS 21.77.070. The fund shall be managed and invested by
20 the board. The board may expend money from the fund to carry out the
21 provisions of this chapter.

22 Sec. 21.77.070. INSURANCE PREMIUMS. (a) The authority shall
23 provide that sufficient premiums are collected to provide the re-
24 quired insurance coverage and to pay the expenses of the authority.
25 All premiums shall be deposited in the fund.

26 (b) Reserves remaining at the termination of an insurance con-
27 tract shall be invested by the authority in the same manner as retire-
28 ment funds are invested under AS 14.25.180.

29 Sec. 21.77.080. REQUIRED PARTICIPATION; WAIVER. (a) The state,

1 each municipality, and each district shall participate in the group
2 health insurance coverage provided by the authority unless a waiver is
3 granted by the board.

4 (b) In determining whether a waiver should be granted, the board
5 shall establish minimum benefit and financial standards for the de-
6 sired group health insurance coverage. The minimum benefit and finan-
7 cial standards and the proposed time schedule for responsive offers
8 shall be sent to all participants at the time the request for proposal
9 for the desired group health insurance coverage is issued. A partici-
10 pant seeking a waiver of coverage shall match the minimum benefit and
11 financial standards set out in the request for proposal for the de-
12 sired group health insurance coverage. Participants shall submit
13 documentation of their insurance coverage matching the board's minimum
14 benefit and financial requirements before the deadline established by
15 the board. The board may approve or disapprove a waiver of participa-
16 tion based on the documentation submitted by the participant regarding
17 the benefit and financial standards established by the board. The
18 board shall grant a waiver to a participant that requests a waiver and
19 that has met the minimum benefit and financial standards within the
20 time schedule established by the board. Once the board awards the
21 insurance contract, a participant may not be granted a waiver during
22 the term of the contract.

23 (c) A participant may separately provide for health insurance
24 coverage additional to that offered by the authority, and may provide
25 for marketing and servicing to be done by licensed insurance agents.

26 Sec. 21.77.090. DEFINITIONS. In this chapter

27 (1) "authority" means the Alaska State Group Health Insur-
28 ance Authority;

29 (2) "board" means the board of directors of the Alaska

1 State Group Health Insurance Authority;

2 (3) "district" has the meaning given in AS 14.17.250;

3 (4) "eligible employee" means an employee of a participant
4 who qualifies for group health insurance benefits as determined by the
5 participant;

6 (5) "fund" means the state group health insurance fund;

7 (6) "group health insurance" means coverage that includes
8 life insurance, accidental death and dismemberment, medical care and
9 treatment, dental care, eye care, and other group health coverage as
10 determined by the authority;

11 (7) "municipality" includes a public corporation estab-
12 lished by a municipality;

13 (8) "participant" means the state, a municipality, or a
14 district;

15 (9) "state" means the executive, legislative, and judicial
16 branches of state government, or an organizational unit of a branch,
17 and includes the University of Alaska, the Alaska State Building
18 Authority, and the Alaska Railroad Corporation.

19 * Sec. 3. AS 39.30.090 is amended to read:

20 Sec. 39.30.090. PROCUREMENT OF GROUP INSURANCE. (a) The De-
21 partment of Administration may obtain a policy or policies of group
22 insurance covering state employees, persons entitled to coverage under
23 AS 14.25.168, AS 22.25.090, AS 39.35.535 or former AS 39.37.145, [OR
24 EMPLOYEES OF OTHER PARTICIPATING GOVERNMENTAL UNITS,] subject to the
25 following conditions:

26 (1) A group insurance policy shall provide one or more of
27 the following benefits: life insurance, accidental death and dismem-
28 berment insurance, weekly indemnity insurance, hospital expense insur-
29 ance, surgical expense insurance, dental expense insurance, audio-

1 visual insurance, or other medical care insurance.

2 (2) Each eligible employee of the state, the spouse and the
3 unmarried children chiefly dependent on the eligible employee for
4 support, and each eligible employee of another participating govern-
5 mental unit shall be covered by the group policy, unless exempt under
6 regulations adopted by the commissioner of administration.

7 (3) [A GOVERNMENTAL UNIT MAY PARTICIPATE UNDER A GROUP
8 POLICY IF

9 (A) ITS GOVERNING BODY ADOPTS A RESOLUTION AUTHORIZING
10 PARTICIPATION, AND PAYMENT OF REQUIRED PREMIUMS;

11 (B) A CERTIFIED COPY OF THE RESOLUTION IS FILED WITH
12 THE DEPARTMENT OF ADMINISTRATION; AND

13 (C) THE COMMISSIONER OF ADMINISTRATION APPROVES THE
14 PARTICIPATION IN WRITING.

15 (4)] The Department of Administration shall obtain the
16 group health insurance policy from the Alaska State Group Health
17 Insurance Authority under AS 21.77 [ANY INSURER AUTHORIZED TO TRANSACT
18 BUSINESS IN THE STATE UNDER AS 21.09 AND AS 21.90].

19 (4) [(5) THE DEPARTMENT OF ADMINISTRATION SHALL MAKE AVAIL-
20 ABLE BID SPECIFICATIONS FOR DESIRED INSURANCE BENEFITS TO ALL INSUR-
21 ANCE CARRIERS LICENSED IN THE STATE AND QUALIFIED TO PROVIDE THE
22 DESIRED BENEFITS. THE SPECIFICATIONS SHALL BE MADE AVAILABLE ON OR
23 BEFORE JULY 1, 1965, AND AT LEAST ONCE EVERY SUCCEEDING FIVE YEARS.
24 THE LOWEST RESPONSIBLE BID SUBMITTED BY AN INSURANCE CARRIER WITH
25 ADEQUATE SERVICING FACILITIES SHALL GOVERN SELECTION OF A CARRIER
26 UNDER THIS SECTION.

27 (6) IF THE AGGREGATE OF DIVIDENDS PAYABLE UNDER THE GROUP
28 INSURANCE POLICY EXCEEDS THE GOVERNMENTAL UNIT'S SHARE OF THE PREMIUM,
29 THE EXCESS SHALL BE APPLIED BY THE GOVERNMENTAL UNIT FOR THE SOLE

1 BENEFIT OF THE EMPLOYEES.

2 (7)] A person receiving benefits under AS 14.25.110,
3 AS 22.25, AS 39.35, or former AS 39.37 may continue the life insurance
4 coverage that was in effect under this section at the time of termina-
5 tion of employment with the state [OR PARTICIPATING GOVERNMENTAL
6 UNIT].

7 (5) [(8)] A person electing to have insurance under (4)
8 [(7)] of this subsection shall pay the cost of this insurance.

9 (6) [(9)] For each permanent part-time employee electing
10 coverage under this section, the state shall contribute one-half the
11 state contribution rate for permanent full-time state employees, and
12 the permanent part-time employee shall contribute the other one-half.

13 (7) [(10)] A person receiving benefits under AS 14.25,
14 AS 22.25, AS 39.35, or former AS 39.37 may obtain auditory, visual,
15 and dental insurance for that person and eligible dependents under
16 this section. The level of coverage for persons over 65 shall be the
17 same as that available before reaching age 65 except that the benefits
18 payable shall be supplemental to any benefits provided under the
19 federal old age, survivors, and disability insurance program. A
20 person electing to have insurance under this paragraph shall pay the
21 cost of the insurance. The commissioner of administration shall adopt
22 regulations implementing this paragraph.

23 (8) [(11)] A person receiving benefits under AS 14.25,
24 AS 22.25, AS 39.35, or former AS 39.37 may obtain long-term care
25 insurance for that person and eligible dependents under this section.
26 A person who elects insurance under this paragraph shall pay the cost
27 of the insurance premium. The commissioner of administration shall
28 adopt regulations implementing [TO IMPLEMENT] this paragraph.

29 (b) In this section

1 (1) "eligible employee" means

2 (A) an employee who has served in permanent full-time
3 or part-time employment with the same governmental unit for 30
4 days or more, except an emergency or temporary employee, and

5 (B) an elected or appointed official of a governmental
6 unit, effective upon taking the oath of office;

7 (2) ["GOVERNMENTAL UNIT" MEANS THE STATE, A MUNICIPALITY,
8 SCHOOL DISTRICT, OR OTHER POLITICAL SUBDIVISION OF THE STATE, AND THE
9 NORTH PACIFIC FISHERY MANAGEMENT COUNCIL;

10 (3)] "insurance", "insurance carrier", and "insurance
11 policy" include health care services, health care service contractors
12 and contracts.

13 * Sec. 4. AS 39.50.200(b) is amended by adding a new paragraph to read:

14 (50) Alaska State Group Health Insurance Authority (AS 21.-
15 77).

16 * Sec. 5. STAGGERED INITIAL TERMS. Notwithstanding AS 21.77.020(b),
17 enacted in sec. 2 of this Act, the terms of the initial members of the
18 board of directors of the Alaska State Group Health Insurance Authority who
19 are appointed under AS 21.77.020(a)(4), enacted in sec. 2 of this Act,
20 shall be staggered by the governor. Two members shall serve for one year,
21 three members for two years, four members for three years, and four members
22 for four years.

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