

Offered: 3/12/90
Referred: Finance

6-0623H

Original sponsor(s): SEN. DUNCAN

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR SENATE BILL NO. 254 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND 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) by February 1, 1992, create a statewide health care provider
11 payment system, rate schedules, and utilization standards;

12 (2) after February 1, 1992, provide comprehensive group health
13 insurance for the state, municipalities, school districts, and all eligible
14 employees of the state, a municipality, or a school district who elect to
15 participate in the group insurance offered by the Alaska State Group Health
16 Insurance Authority;

17 (3) expand the pool of subscribers and maximize the opportuni-
18 ties for cost containment when purchasing group health insurance;

19 (4) maintain an efficient provider payment system to reduce the
20 cost to providers who are serving employees of participants;

21 (5) maintain statewide utilization standards to control inappro-
22 priate or improper utilization practices and to reduce the rate of infla-
23 tion in the cost of health care in the state;

24 (6) create the most comprehensive, cost-effective, and efficient
25 method of providing a variety of types of health care insurance necessary
26 to meet the coverage requirements of a participant resulting from negoti-
27 ated employee contracts;

28 (7) realize the potential savings that will result if approxi-
29 mately 135,000 active and retired state, municipal, and school district

1 employees and their dependents participate in the group health insurance
2 program offered by the authority; and

3 (8) determine the need for mandatory participation in the group
4 health insurance offered by the authority.

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

6 CHAPTER 77. STATE INSURANCE.

7 Sec. 21.77.010. AUTHORITY CREATED; REQUIRED PAYMENT SYSTEM, RATE
8 SCHEDULE, AND UTILIZATION STANDARDS. (a) There is established within
9 the Department of Commerce and Economic Development a nonprofit incor-
10 porated legal entity known as the Alaska State Group Health Insurance
11 Authority.

12 (b) The authority shall, by February 1, 1992, establish and
13 maintain a health care provider payment system, rate schedule, and
14 utilization standards. The state, a municipality, or a district shall
15 use the health care provider payment system, rate schedule, and utili-
16 zation standards established by the authority.

17 (c) The authority shall, beginning February 1, 1992, provide
18 group health insurance to eligible employees of the state, a munici-
19 pality, or a school district if the employer has elected to partici-
20 pate in the group health insurance obtained by the authority.

21 Sec. 21.77.020. BOARD OF DIRECTORS; ORGANIZATION. (a) The
22 authority shall be managed by a board of directors composed of 15
23 members appointed by the governor as follows:

- 24 (1) one nonvoting member representing the legislative
25 branch;
- 26 (2) one nonvoting member representing the judicial branch;
- 27 (3) two members representing the executive branch;
- 28 (4) two members representing labor organizations;
- 29 (5) two members representing school districts;

- 1 (6) two members representing municipalities;
2 (7) two members representing the Department of Health and
3 Social Services;
4 (8) two members representing health care providers;
5 (9) one member representing the University of Alaska.

6 (b) A member of the board serves for a term of five years. The
7 board shall elect from its membership a president, vice-president, and
8 secretary. Members of the board serve without compensation but are
9 entitled to receive per diem and travel expenses authorized for boards
10 and commissions under AS 39.20.180. Members of the board are subject
11 to AS 39.50.

12 Sec. 21.77.030. GENERAL POWERS. (a) The authority may

13 (1) beginning February 1, 1992, exercise the powers granted
14 to insurers under the laws of the state; if the authority acts as an
15 insurer, the authority shall comply with the requirements applicable
16 to insurers under this title;

- 17 (2) sue or be sued;
18 (3) enter into contracts or agreements;
19 (4) establish administrative or accounting procedures;
20 (5) collect, invest, and disburse funds;
21 (6) adopt necessary regulations and procedures for imple-
22 mentation of this chapter.

23 (b) In exercising its powers under this chapter, the authority
24 may not participate directly or indirectly in a collective bargaining
25 agreement.

26 Sec. 21.77.040. DUTIES OF BOARD; ANNUAL REPORT. The board
27 shall, in obtaining group health insurance required under this chap-
28 ter, provide comprehensive coverage at the lowest possible cost per
29 eligible employee. The board shall provide to the governor and to the

1 legislature an annual report covering the previous fiscal year's
2 activities of the authority. Every third fiscal year the authority
3 shall include in the annual report a cost and benefit analysis of the
4 health insurance required under this chapter.

5 Sec. 21.77.050. STAFF AND PROFESSIONAL SERVICES CONTRACTS. The
6 authority shall employ an executive director who serves at the plea-
7 sure of the authority as its chief administrative officer. The execu-
8 tive director may, with the approval of the authority, select and
9 employ additional staff as necessary. Employees of the authority are
10 in the exempt service under AS 39.25.110. In addition to its staff of
11 regular employees, the authority may contract for the services of
12 consultants and professional, technical, and financial advisors the
13 authority considers necessary for the purpose of developing informa-
14 tion, conducting hearings, studies, investigations, or other proceed-
15 ings, or otherwise exercising its powers.

16 Sec. 21.77.060. PROCUREMENT OF INSURANCE. (a) The authority
17 shall, after February 1, 1992, obtain a policy or policies of group
18 health insurance covering eligible employees of the state, a munic-
19 ipality, or a district, if the employer has elected to participate,
20 from an insurer authorized to transact business in the state under
21 AS 21.09, or act as a self-insurer if the authority determines that
22 self-insurance can provide the desired insurance coverage and benefits
23 at a lower cost per eligible employee.

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

1 Sec. 21.77.070. STATE GROUP HEALTH INSURANCE FUND. The state
2 group health insurance fund is created in the general fund. The fund
3 consists of money appropriated by the legislature, and premiums col-
4 lected under AS 21.77.080. The fund shall be managed and invested by
5 the board. The board may expend money from the fund to carry out the
6 provisions of this chapter.

7 Sec. 21.77.080. INSURANCE PREMIUMS. (a) The authority shall
8 provide that sufficient premiums are collected to provide the re-
9 quired insurance coverage and to pay the expenses of the authority.
10 All premiums shall be deposited in the fund.

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

14 Sec. 21.77.090. PARTICIPATION; WAIVER. (a) The state, a munic-
15 ipality, or a district may participate in the group insurance coverage
16 provided by the authority. If the state, municipality, or district
17 elects to participate, the state, municipality, or district shall
18 continue to participate unless a waiver is granted by the board.

19 (b) In determining whether a waiver should be granted, the board
20 shall establish minimum benefit and financial standards for the de-
21 sired group health insurance coverage. The minimum benefit and finan-
22 cial standards and the proposed time schedule for responsive offers
23 shall be sent to all participants at the time the request for proposal
24 for the desired group health insurance coverage is issued. A partici-
25 pant seeking a waiver of coverage shall match the minimum benefit and
26 financial standards set out in the request for proposal for the de-
27 sired group health insurance coverage. Participants shall submit
28 documentation of their insurance coverage matching the board's minimum
29 benefit and financial requirements before the deadline established by

1 the board. The board may approve or disapprove a waiver of participa-
2 tion based on the documentation submitted by the participant regarding
3 the benefit and financial standards established by the board. Once
4 the board awards the insurance contract, a participant may not be
5 granted a waiver during the term of the contract.

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

9 Sec. 21.77.100. DEFINITIONS. In this chapter

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

12 (2) "board" means the board of directors of the Alaska
13 State Group Health Insurance Authority;

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

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

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

19 (6) "group health insurance" means coverage that may in-
20 clude life insurance, accidental death and dismemberment, workers'
21 compensation, medical care and treatment including Medicare and
22 Medicaid, dental care, eye care, and other group health coverage as
23 determined by the authority;

24 (7) "municipality" includes a public corporation estab-
25 lished by a municipality;

26 (8) "participant" means the state, a municipality, or a
27 district;

28 (9) "state" means the executive, legislative, and judicial
29 branches of state government, or an organizational unit of a branch.

1 and includes the University of Alaska, and a public corporation of the
2 state created within a principal executive department.

3 * Sec. 3. AS 39.25.110 is amended by adding a new paragraph to read:

4 (30) employees of the Alaska State Group Health Insurance
5 Authority.

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

7 (50) Alaska State Group Health Insurance Authority (AS 21.-
8 77).

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

10 (17) Alaska State Group Health Insurance Authority
11 (AS 21.77.010) -- June 30, 1995.

12 * Sec. 6. STAGGERED INITIAL TERMS. Notwithstanding AS 21.77.020(b),
13 enacted in sec. 2 of this Act, the terms of the initial members of the
14 board of directors of the Alaska State Group Health Insurance Authority who
15 are appointed under AS 21.77.020(a), enacted in sec. 2 of this Act, shall
16 be staggered by the governor. Three members shall serve for one year, four
17 members for two years, four members for three years, and four members for
18 four years.

19 * Sec. 7. REPORT. The Alaska State Group Health Insurance Authority
20 shall report to the Alaska State Legislature by March 1, 1991, on the
21 progress made by the authority in establishing a health care provider
22 payment system, rate schedule, and utilization standards.

23 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).