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6-0623J

Original sponsor(s): SEN. DUNCAN

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 254 (Finance)
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 to
7 health care provided by the state; and providing for
8 an effective date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. PURPOSE. The purpose of this Act is to
11 (1) by February 1, 1992, create a statewide health care provider
12 payment system, rate schedules, and utilization standards;
13 (2) after February 1, 1992, provide comprehensive group health
14 insurance for the state, municipalities, school districts, and all eligible
15 employees of the state, a municipality, or a school district who elect to
16 participate in the group insurance offered by the Alaska State Group Health
17 Insurance Authority;
18 (3) expand the pool of subscribers and maximize the opportuni-
19 ties for cost containment when purchasing group health insurance;
20 (4) maintain an efficient provider payment system to reduce the
21 cost to providers who are serving employees of participants;
22 (5) maintain statewide utilization standards to control inappro-
23 priate or improper utilization practices and to reduce the rate of infla-
24 tion in the cost of health care in the state;
25 (6) create the most comprehensive, cost-effective, and efficient
26 method of providing a variety of types of health care insurance necessary
27 to meet the coverage requirements of a participant resulting from negoti-
28 ated employee contracts;
29 (7) realize the potential savings that will result if

1 approximately 135,000 active and retired state, municipal, and school
2 district employees and their dependents participate in the group health
3 insurance program offered by the authority; and

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

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

7 CHAPTER 77. STATE INSURANCE.

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

12 (b) The authority shall, by February 1, 1992, establish and
13 maintain a health care provider payment system, rate schedules, and
14 utilization standards. The state, a municipality, or a school dis-
15 trict shall use the health care provider payment system, rate sched-
16 ules, and utilization 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 and may
21 provide group health insurance to employees of other groups that elect
22 to participate in the group health insurance obtained by the author-
23 ity.

24 (d) Upon application by an eligible state program, the authority
25 may, beginning February 1, 1992, allow the eligible state program to
26 participate in the group health insurance obtained by the authority.

27 Sec. 21.77.015. REQUIRED COOPERATION BY STATE AGENCIES. An
28 agency of the state that provides health care or that provides funds
29 to purchase health care shall, to the maximum extent possible,

1 cooperate in the development of the use of the health care provider
2 payment system, rate schedules, and utilization standards established
3 by the authority, including sharing relevant information.

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

7 (1) one nonvoting member representing the legislative
8 branch;

9 (2) one nonvoting member representing the judicial branch;

10 (3) two members representing the executive branch;

11 (4) two members representing labor organizations;

12 (5) two members representing school districts;

13 (6) two members representing municipalities;

14 (7) two members representing the Department of Health and
15 Social Services;

16 (8) two members representing health care providers;

17 (9) one member representing the University of Alaska.

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

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

25 (1) beginning February 1, 1992, exercise the powers granted
26 to insurers under the laws of the state; if the authority acts as an
27 insurer, the authority shall comply with the requirements applicable
28 to insurers under this title;

29 (2) sue or be sued;

1 (3) enter into contracts or agreements;
2 (4) establish administrative or accounting procedures;
3 (5) collect, invest, and disburse funds;
4 (6) adopt necessary regulations and procedures for imple-
5 mentation of this chapter.

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

9 Sec. 21.77.040. DUTIES OF BOARD; ANNUAL REPORT. The board
10 shall, in obtaining group health insurance required under this chap-
11 ter, provide comprehensive coverage at the lowest possible cost per
12 eligible employee. The board shall provide to the governor and to the
13 legislature an annual report covering the previous fiscal year's
14 activities of the authority. Every third fiscal year the authority
15 shall include in the annual report a cost and benefit analysis of the
16 health insurance required under this chapter.

17 Sec. 21.77.050. STAFF AND PROFESSIONAL SERVICES CONTRACTS. The
18 authority shall employ an executive director who serves at the plea-
19 sure of the authority as its chief administrative officer. The execu-
20 tive director may, with the approval of the authority, select and
21 employ additional staff as necessary. Employees of the authority are
22 in the exempt service under AS 39.25.110. In addition to its staff of
23 regular employees, the authority may contract for the services of
24 consultants and professional, technical, and financial advisors the
25 authority considers necessary for the purpose of developing informa-
26 tion, conducting hearings, studies, investigations, or other proceed-
27 ings, or otherwise exercising its powers.

28 Sec. 21.77.060. PROCUREMENT OF INSURANCE. (a) The authority
29 shall, after February 1, 1992, obtain a policy or policies of group

1 health insurance covering eligible employees of the state, a munic-
2 ipality, or a district, if the employer has elected to participate,
3 from an insurer authorized to transact business in the state under
4 AS 21.09, or act as a self-insurer if the authority determines that
5 self-insurance can provide the desired insurance coverage and benefits
6 at a lower cost per eligible employee.

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

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

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

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

26 Sec. 21.77.090. PARTICIPATION; WAIVER. (a) The state, a munic-
27 ipality, or a district may participate in the group insurance coverage
28 provided by the authority. If the state, municipality, or district
29 elects to participate, the state, municipality, or district shall

1 continue to participate unless a waiver is granted by the board.

2 (b) In determining whether a waiver should be granted, the board
3 shall establish minimum benefit and financial standards for the de-
4 sired group health insurance coverage. The minimum benefit and finan-
5 cial standards and the proposed time schedule for responsive offers
6 shall be sent to all participants at the time the request for proposal
7 for the desired group health insurance coverage is issued. Except as
8 provided in (d) of this section, a participant seeking a waiver of
9 coverage shall match the minimum benefit and financial standards set
10 out in the request for proposal for the desired group health insurance
11 coverage. Participants shall submit documentation of their insurance
12 coverage matching the board's minimum benefit and financial require-
13 ments before the deadline established by the board. The board may
14 approve or disapprove a waiver of participation based on the documen-
15 tation submitted by the participant regarding the benefit and finan-
16 cial standards established by the board. Once the board awards the
17 insurance contract, a participant may not be granted a waiver during
18 the term of the contract.

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

22 (d) The board shall grant a waiver to a participant who elects
23 not to provide group health insurance to employees. A waiver granted
24 under this subsection takes effect at the expiration of the existing
25 health insurance coverage.

26 Sec. 21.77.100. 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) "eligible state program" means a program in which an
7 agency of the state provides health care or provides funds to purchase
8 health care;

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

10 (7) "group health insurance" means coverage that may in-
11 clude life insurance, accidental death and dismemberment, medical care
12 and treatment, dental care, eye care, and other group health coverage
13 as determined by the authority;

14 (8) "municipality" includes a public corporation estab-
15 lished by a municipality;

16 (9) "participant" means the state, a municipality, or a
17 district;

18 (10) "payment system" means a system or method that stream-
19 lines or results in cost efficient payments to health care providers;

20 (11) "rate schedules" means schedules of allowable payments
21 for health care related services based on geographic regions, actual
22 provider costs, and availability of services;

23 (12) "state" means the executive, legislative, and judicial
24 branches of state government, or an organizational unit of a branch,
25 and includes the University of Alaska and a public corporation of the
26 state created within a principal executive department;

27 (13) "utilization standards" means a system to monitor,
28 track, and verify patterns of treatment by health care providers that
29 assures that cost efficient and cost effective care is provided within

1 accepted medical standards without reducing the quality of care.

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

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

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

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

8 * Sec. 5. STAGGERED INITIAL TERMS, Notwithstanding AS 21.77.020(b),
9 enacted in sec. 2 of this Act, the terms of the initial members of the
10 board of directors of the Alaska State Group Health Insurance Authority who
11 are appointed under AS 21.77.020(a), enacted in sec. 2 of this Act, shall
12 be staggered by the governor. Three members shall serve for one year, four
13 members for two years, four members for three years, and four members for
14 four years.

15 * Sec. 6. REPORT. The Alaska State Group Health Insurance Authority
16 shall report to the Alaska State Legislature by March 1, 1991, on the
17 progress made by the authority in establishing a health care provider
18 payment system, rate schedules, and utilization standards.

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