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Original sponsor(s): SEN. DUNCAN, Kerttula

1 IN THE SENATE BY THE HESS COMMITTEE  
2 HOUSE CS FOR CS FOR SENATE BILL NO. 254 (HESS)  
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 for  
17 eligible employees of the state, municipality, or a school district.

18 (c) The authority shall, beginning February 1, 1992, provide  
19 group health insurance to eligible employees of the state, a munici-  
20 pality, or a school district if the employer has elected to partici-  
21 pate in the group health insurance obtained by the authority and may  
22 provide group health insurance to employees of other groups that elect  
23 to participate in the group health insurance obtained by the author-  
24 ity.

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

28 Sec. 21.77.015. REQUIRED COOPERATION BY STATE AGENCIES. An  
29 agency of the state that provides health care or that provides funds

1 to purchase health care shall, to the maximum extent possible, cooper-  
2 ate in the development of the use of the health care provider payment  
3 system, rate schedules, and utilization standards established by the  
4 authority, including sharing relevant information.

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

- 8 (1) one nonvoting member representing the legislative  
9 branch;
- 10 (2) one nonvoting member representing the judicial branch;
- 11 (3) two members representing the executive branch;
- 12 (4) two members representing labor organizations;
- 13 (5) two members representing school districts;
- 14 (6) two members representing municipalities;
- 15 (7) two members representing the Department of Health and  
16 Social Services;
- 17 (8) two members representing health care providers;
- 18 (9) one member representing the University of Alaska.

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

25 (c) Members appointed under (a)(5) of this section shall be  
26 employees of a school district that has elected to participate in the  
27 group health insurance obtained by the authority. Members appointed  
28 under (a)(6) of this section shall be employees of a municipality that  
29 has elected to participate in the group health insurance obtained by

1 the authority.

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

3 (1) beginning February 1, 1992, exercise the powers granted  
4 to insurers under the laws of the state; if the authority acts as an  
5 insurer, the authority shall comply with the requirements applicable  
6 to insurers under this title;

7 (2) sue or be sued;

8 (3) enter into contracts or agreements;

9 (4) establish administrative or accounting procedures;

10 (5) collect, invest, and disburse funds;

11 (6) adopt necessary regulations and procedures for imple-  
12 mentation of this chapter.

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

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

24 Sec. 21.77.050. STAFF AND PROFESSIONAL SERVICES CONTRACTS. The  
25 authority shall employ an executive director who serves at the plea-  
26 sure of the authority as its chief administrative officer. The execu-  
27 tive director may, with the approval of the authority, select and  
28 employ additional staff as necessary. Employees of the authority are  
29 in the exempt service under AS 39.25.110. In addition to its staff of

1 regular employees, the authority may contract for the services of  
2 consultants and professional, technical, and financial advisors the  
3 authority considers necessary for the purpose of developing informa-  
4 tion, conducting hearings, studies, investigations, or other proceed-  
5 ings, or otherwise exercising its powers.

6 Sec. 21.77.060. PROCUREMENT OF INSURANCE. (a, The authority  
7 shall, after February 1, 1992, obtain a policy or policies of group  
8 health insurance covering eligible employees of the state, a munic-  
9 ipality, or a district, if the employer has elected to participate,  
10 from an insurer authorized to transact business in the state under  
11 AS 21.09, or act as a self-insurer if the authority determines that  
12 self-insurance can provide the desired insurance coverage and benefits  
13 at a lower cost per eligible employee.

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

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

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

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

4 Sec. 21.77.090. PARTICIPATION; WAIVER. (a) The state, a munic-  
5 ipality, or a district may participate in the group insurance coverage  
6 provided by the authority. If the state, municipality, or district  
7 elects to participate, the state, municipality, or district shall  
8 continue to participate unless a waiver is granted by the board.

9 (b) In determining whether a waiver should be granted, the board  
10 shall establish minimum benefit and financial standards for the de-  
11 sired group health insurance coverage. The minimum benefit and finan-  
12 cial standards and the proposed time schedule for responsive offers  
13 shall be sent to all participants at the time the request for proposal  
14 for the desired group health insurance coverage is issued. Except as  
15 provided in (d) of this section, a participant seeking a waiver of  
16 coverage shall match the minimum benefit and financial standards set  
17 out in the request for proposal for the desired group health insurance  
18 coverage. Participants shall submit documentation of their insurance  
19 coverage matching the board's minimum benefit and financial require-  
20 ments before the deadline established by the board. The board may  
21 approve or disapprove a waiver of participation based on the documen-  
22 tation submitted by the participant regarding the benefit and finan-  
23 cial standards established by the board.

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

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

1 health insurance coverage.

2 Sec. 21.77.100. DEFINITIONS. In this chapter

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

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

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

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

11 (5) "eligible state program" means a program in which an  
12 agency of the state provides health care or provides funds to purchase  
13 health care for persons who are not employees of the state;

14 (6) "employer" means the state, a municipality, a district,  
15 a collective bargaining unit, or the board of a public corporation of  
16 the state created within a principal executive department;

17 (7) "fund" means the state group health insurance fund;

18 (8) "group health insurance" means coverage that may in-  
19 clude life insurance, accidental death and dismemberment, medical care  
20 and treatment, dental care, eye care, and other group health coverage  
21 as determined by the authority;

22 (9) "municipality" includes a public corporation estab-  
23 lished by a municipality;

24 (10) "participant" means the state, a municipality, or a  
25 district;

26 (11) "payment system" means a system or method that stream-  
27 lines or results in cost efficient payments to health care providers;

28 (12) "rate schedules" means schedules of allowable payments  
29 for health care related services based on geographic regions, actual

1 provider costs, and availability of services;

2 (13) "state" means the executive, legislative, and judicial  
3 branches of state government, or an organizational unit of a branch,  
4 and includes the University of Alaska and a public corporation of the  
5 state created within a principal executive department;

6 (14) "utilization standards" means a system to monitor,  
7 track, and verify patterns of treatment by health care providers that  
8 assures that cost efficient and cost effective care is provided within  
9 accepted medical standards without reducing the quality of care.

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

11 (30) employees of the Alaska State Group Health Insurance  
12 Authority.

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; INITIAL APPOINTMENTS. Notwithstand-  
17 ing AS 21.77.020(b), enacted in sec. 2 of this Act, the terms of the ini-  
18 tial members of the board of directors of the Alaska State Group Health  
19 Insurance Authority who are appointed under AS 21.77.020(a), enacted in  
20 sec. 2 of this Act, shall be staggered by the governor. Three members  
21 shall serve for one year, four members for two years, four members for  
22 three years, and four members for four years. AS 21.77.020(c), enacted in  
23 sec. 2 of this Act, does not apply to members appointed to the initial  
24 board of directors of the Alaska State Group Health Insurance Authority.

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

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