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Original sponsor(s): SEN. COGHILL

1 IN THE SENATE BY THE LABOR & COMMERCE COMMITTEE
2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 304 (L&C)
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 disability insurance; and provid-
7 ing for an effective date."

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

9 * Section 1. LEGISLATIVE INTENT. It is the intent of the legislature
10 to provide access to disability insurance coverage to all residents of the
11 state who are denied adequate disability insurance coverage for any reason
12 or who are otherwise considered uninsurable. It is the further intent of
13 the legislature that AS 21.55 provide a mechanism to ensure the availabil-
14 ity of comprehensive disability insurance to persons unable to obtain
15 disability insurance coverage on either an individual or a group basis
16 under any health plan.

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

18 CHAPTER 55. STATE DISABILITY INSURANCE.

19 ARTICLE 1. COMPREHENSIVE DISABILITY INSURANCE ASSOCIATION.

20 Sec. 21.55.010. CREATION; MEMBERSHIP. There is established a
21 nonprofit incorporated legal entity to be known as the Comprehensive
22 Disability Insurance Association. Membership consists of all licensed
23 hospital or medical service corporations in the state that offer
24 subscriber contracts for major medical coverage and all insurers
25 licensed to transact disability insurance in the state that offer
26 policies for major medical coverage on an expense incurred basis. All
27 members shall maintain membership in the association as a condition of
28 doing disability insurance business, or being able to offer subscriber
29 contracts for major medical coverage, in the state.

1 Sec. 21.55.020. BOARD OF DIRECTORS; ORGANIZATION. The board of
2 directors of the association consists of seven individuals selected by
3 participating members, subject to approval by the director of the
4 division of insurance. The director or the director's designee shall
5 serve as a nonvoting ex officio member of the board. In determining
6 voting rights at members' meetings, a member is entitled to vote in
7 person or proxy. The vote must be a weighted vote based upon the
8 member's premiums for disability insurance for major medical coverage
9 on an expense incurred basis, or the member's subscriber fees, derived
10 from or on behalf of state residents in the previous calendar year, as
11 determined by the director. In approving members of the board, the
12 director shall consider, among other things, whether all types of
13 participating members are fairly represented. Members of the board
14 other than the director or the director's designee may be reimbursed
15 from the association for expenses incurred by them as board members,
16 but may not otherwise be compensated by the association for their
17 services. The costs of conducting meetings of the association and its
18 board of directors shall be borne by members of the association.

19 Sec. 21.55.030. GENERAL POWERS. The association 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 with insurers, similar associa-
24 tions in other states, or with other persons for the performance of
25 administrative functions;
26 (4) establish administrative and accounting procedures for
27 the operation of the association.

28 Sec. 21.55.040. PLAN OF OPERATION. (a) The association shall
29 submit to the director a plan of operation and any amendments

1 necessary or suitable to assure the fair, reasonable, and equitable
2 administration of the association. The plan of operation and amend-
3 ments become effective upon approval in writing by the director. If
4 the plan submitted by the association has been twice disapproved by
5 the director, or the association fails to submit a suitable plan of
6 operation by a date that is 180 days after the effective date of this
7 Act, or if at any subsequent time the association fails to submit
8 suitable amendments to the plan, the director may, after notice and
9 hearing, adopt reasonable regulations necessary or advisable to
10 effectuate the provisions of this chapter. The regulations continue
11 in force until modified by the director or superseded by a plan sub-
12 mitted by the association and approved by the director.

13 (b) All members of the association shall comply with the plan of
14 operation.

15 (c) The plan of operation must

16 (1) establish procedures whereby all the powers and duties
17 of the association under this chapter will be performed;

18 (2) establish procedures for handling assets of the asso-
19 ciation;

20 (3) establish the amount and method of reimbursing members
21 of the board of directors under AS 21.55.020;

22 (4) establish regular places and times for meetings of the
23 board of directors;

24 (5) establish procedures for records to be kept of all
25 financial transactions of the association, its agents, and the board
26 of directors;

27 (6) provide that any member insurer aggrieved by a final
28 action or decision of the association may appeal to the director
29 within 30 days after the action or decision;

1 (7) establish procedures whereby selections for the board
2 of directors will be submitted to the director;

3 (8) contain additional provisions necessary or proper for
4 the execution of the powers and duties of the association.

5 Sec. 21.55.050. ADMINISTRATIVE PROCEDURE ACT. The association
6 is exempt from the Administrative Procedure Act (AS 44.62).

7 Sec. 21.55.060. TAX EXEMPTION. (a) The association is exempt
8 from the payment of fees and taxes levied by the state or any of its
9 political subdivisions except taxes levied on real or personal proper-
10 ty.

11 (b) A member of the association is entitled to receive a credit
12 against taxes levied by the state on disability insurance premiums as
13 provided in AS 21.09.210(j).

14 ARTICLE 2. STATE DISABILITY INSURANCE PLANS.

15 Sec. 21.55.100. TYPES OF INSURANCE PLANS. (a) The association
16 shall make available to residents eligible under AS 21.55.300 an
17 individual state plan of disability insurance. The association shall
18 offer two alternatives related to deductibles as described in AS 21.-
19 55.120.

20 (b) The association may not deny coverage under a state plan to
21 a resident who satisfies the requirements of AS 21.55.300 - 21.55.310.

22 Sec. 21.55.110. MINIMUM BENEFITS OF STATE DISABILITY INSURANCE
23 PLAN. Except as provided in AS 21.55.120 - 21.55.140, the minimum
24 standard benefits of a disability insurance plan offered under AS 21.-
25 55.100(a) must include benefits required under AS 21.42.345 and
26 21.42.365, and must be benefits with a lifetime maximum of \$500,000
27 per individual for usual, customary, reasonable, or prevailing charges
28 for the following medical services performed for an individual covered
29 by the plan for the diagnosis or treatment of nonoccupational disease

- 1 or nonoccupational injury:
- 2 (1) hospital services;
- 3 (2) subject to the limitations of AS 21.36.090(d), profes-
4 sional services that are rendered by a physician or by a registered
5 nurse at the physician's direction, other than services for mental or
6 dental conditions;
- 7 (3) the diagnosis or treatment of mental conditions, as
8 defined in regulations of the director, rendered during the year on
9 other than an inpatient basis, up to a yearly maximum benefit of
10 \$4,000;
- 11 (4) legend drugs requiring a physician's prescription;
- 12 (5) services of a skilled nursing facility for not more
13 than 120 days in a policy year;
- 14 (6) home health agency services up to a maximum of 270
15 visits in a calendar year if the services commence within seven days
16 following confinement in a hospital or skilled nursing facility of at
17 least three consecutive days for the same condition, except that in
18 the case of an individual diagnosed by a physician as terminally ill
19 with a prognosis of six months or less to live, the home health agency
20 services may commence irrespective of whether the covered person was
21 previously confined or, if the covered person was confined, irrespec-
22 tive of the seven-day period, and the yearly benefit for medical
23 social services may not exceed \$200;
- 24 (7) hospice services for up to six months in a calendar
25 year;
- 26 (8) use of radium or other radioactive materials;
- 27 (9) outpatient chemotherapy;
- 28 (10) oxygen;
- 29 (11) anesthetics;

1 (12) nondental prosthesis and maxillo-facial prosthesis used
2 to replace any anatomic structure lost during treatment for head and
3 neck tumors or additional appliances essential for the support of the
4 prosthesis;

5 (13) rental, or purchase if purchase is more cost effective
6 than rental, of durable medical equipment that has no personal use in
7 the absence of the condition for which it was prescribed;

8 (14) diagnostic x-rays and laboratory tests;

9 (15) oral surgery for excision of partially or completely
10 unerupted impacted teeth or excision of a tooth root without the
11 extraction of the entire tooth;

12 (16) services of a licensed physical therapist rendered
13 under the direction of a physician;

14 (17) transportation by a local ambulance operated by licen-
15 sed or certified personnel to the nearest health care institution for
16 treatment of a life-threatening illness or injury and round trip
17 transportation by air to the nearest health care institution for
18 treatment of a life-threatening illness or injury if the treatment is
19 not available locally; if the patient is a child under 12 years of
20 age, the transportation charges of a parent or legal guardian
21 accompanying the child may be paid if the attending physician
22 certifies the need for the accompaniment;

23 (18) confinement in a licensed or certified facility estab-
24 lished primarily for the treatment of alcohol or drug abuse or in a
25 part of a hospital used primarily for this treatment, for a period of
26 at least 45 days within any calendar year, up to a yearly maximum
27 benefit of \$7,000 and with a lifetime maximum benefit of \$14,000;

28 (19) alternatives to inpatient services as defined by the
29 association in the state plan benefits;

1 (20) second surgical opinions;

2 (21) other services that are medically necessary in the
3 treatment or diagnosis of an illness or injury as may be designated or
4 approved by the director.

5 Sec. 21.55.120. DEDUCTIBLES AND COPAYMENTS. (a) A state plan
6 may require deductibles of \$1,000 a person or \$5,000 a person. The
7 amount of the deductible may not be greater when a service is rendered
8 on an outpatient basis than when that service is offered on an inpa-
9 tient basis. Expenses incurred during the last three months of a
10 calendar year and actually applied to an individual's deductible for
11 that year shall also be applied to that individual's deductible in the
12 following calendar year. The \$1,000 maximum and the \$5,000 maximum
13 may be adjusted yearly to correspond with the change in the medical
14 care component of the consumer price index, as adjusted by the direc-
15 tor. The base year for the computation is the first full calendar
16 year of operation of the association.

17 (b) A state plan must require a maximum copayment of \$2,000 plus
18 the deductible for charges for all types of medical care.

19 (c) In this section, "consumer price index" means the consumer
20 price index for all urban consumers for the Anchorage Metropolitan
21 Area compiled by the Bureau of Labor Statistics, United States Depart-
22 ment of Labor.

23 Sec. 21.55.130. PREEXISTING CONDITIONS. (a) A state plan may
24 not exclude coverage for a loss due to a preexisting condition for a
25 period greater than 12 months following the effective date of cover-
26 age.

27 (b) A state plan issued to a person whose previous subscriber
28 contract or insurance policy was involuntarily terminated must credit
29 the time covered under the previous contract or policy toward an

1 exclusion for preexisting conditions under the state plan if the
2 previous contract or policy had a similar preexisting condition exclu-
3 sion and the person applies for a state plan within 31 days after
4 termination of the previous contract or policy. If a person covered
5 by this subsection is accepted by the writing carrier and pays a
6 specified premium for retroactive coverage, the state plan is effec-
7 tive retroactively to the date that the person's previous contract or
8 policy terminated.

9 Sec. 21.55.140. CARE AND SERVICES NOT COVERED. A state plan may
10 not provide benefits for charges for the following:

11 (1) care for an injury or disease either

12 (A) arising out of and in the course of an employment
13 subject to a workers' compensation or similar law or where the
14 benefit is required to be provided under a workers' compensation
15 policy to a sole proprietor, business partner, or corporation
16 officer; or

17 (B) to the extent benefits are payable without regard
18 to fault under a coverage statutorily required to be contained in
19 a motor vehicle or other liability insurance policy or equivalent
20 self-insurance;

21 (2) treatment for cosmetic purposes other than surgery for
22 the prompt repair of an accidental injury sustained while covered or
23 for replacement of an anatomic structure removed during treatment of
24 tumors;

25 (3) travel, other than transportation covered under AS 21.-
26 55.110(17);

27 (4) private room accommodations to the extent the charge is
28 in excess of the institution's most common charge for a semiprivate
29 room;

1 (5) services or articles to the extent that the charge
2 exceeds the reasonable charge in the locality for the service;

3 (6) services or articles that are determined not to be
4 medically necessary, except for the fabrication or placement of the
5 prosthesis as specified in AS 21.55.110(12) and (2) of this section;

6 (7) services or articles that are not within the scope of
7 the license or certificate of the institution or individual rendering
8 the services or articles;

9 (8) services or articles furnished, paid for or reimbursed
10 directly by or under any law of a government, except as otherwise
11 provided in this chapter;

12 (9) services or articles for custodial care or designed
13 primarily to assist an individual in the activities of daily living;

14 (10) service charges that would not have been made if no
15 insurance existed or that the covered individual is not legally ob-
16 ligated to pay;

17 (11) eyeglasses, contact lenses, or hearing aids or the
18 fitting of them;

19 (12) dental care not specifically covered by this chapter;

20 (13) services of a registered nurse who ordinarily resides
21 in the covered individual's home, or who is a member of the covered
22 individual's family or the family of the covered individual's spouse;

23 (14) experimental procedures; and

24 (15) services and supplies for which the patient was not
25 charged.

26 Sec. 21.55.150. STATE PLAN PREMIUMS. (a) Except as provided in
27 (c) of this section, the association may not charge a rate for cover-
28 age issued by or through the association that is excessive, inade-
29 quate, or unfairly discriminatory.

1 (b) The association shall use separate scales of premium rates
2 based on age and geographic location of the insured.

3 (c) The five members of the association that insure, or have
4 subscriber contracts with, the largest number of individuals in the
5 state under plans with benefits substantially equivalent to the state
6 plan benefits shall submit to the association an estimate of the rate
7 that would be actuarially sound for a person who is a standard risk
8 for coverage substantially equivalent to the state plan. The premium
9 for a state plan may not exceed 150 percent of the average of those
10 five estimates.

11 ARTICLE 3. ADMINISTRATION OF PLANS.

12 Sec. 21.55.200. SELECTION OF WRITING CARRIERS. The association
13 shall develop bid specifications for members that wish to be selected
14 as a writing carrier to administer a state plan. The selection of the
15 writing carrier shall be based upon criteria including the member's
16 proven ability to handle a large number of disability insurance cases
17 or subscriber contracts, efficient claim paying capacity, and the
18 estimate of total charges for administering the plan.

19 Sec. 21.55.210. DUTIES OF WRITING CARRIERS. (a) The writing
20 carrier shall perform the administrative and claims payment functions
21 required by this section. The writing carrier shall provide these
22 services for a period of three years, unless a request to terminate is
23 approved by the director. The director shall approve or deny a re-
24 quest to terminate within 90 days of its receipt. A failure to make a
25 final decision on a request to terminate within the specified period
26 is considered an approval. Six months before the expiration of each
27 three-year period, the association shall invite submissions of policy
28 forms from members of the association, including the writing carrier.
29 The association shall follow the provisions of AS 21.55.200 in select-

1 ing a writing carrier for the subsequent three-year period.

2 (b) The writing carrier shall provide to all eligible persons
3 enrolled in a state plan an individual policy or certificate, setting
4 out a statement of the insurance protection to which the person is
5 entitled, with whom claims are to be filed, and to whom benefits are
6 payable. The policy or certificate must indicate that coverage was
7 obtained through the association.

8 (c) The writing carrier shall submit to the association and the
9 director on a quarterly basis a report on the operation of the state
10 plans. Specific information to be contained in the report shall be
11 determined by the association.

12 (d) Claims shall be paid by the writing carrier. A claim pay-
13 ment must indicate that the claim was paid under a state plan and
14 include a telephone number that can be used for inquiries regarding
15 the claim.

16 (e) The writing carrier shall be reimbursed from the state plan
17 premiums received for its direct and indirect expenses for administer-
18 ing the plan. Direct and indirect expenses must include a pro rata
19 reimbursement for that portion of the writing carrier's administra-
20 tive, printing, claims administration, and management and building
21 overhead expenses that are assignable to the maintenance and adminis-
22 tration of the state plans. The association shall approve cost ac-
23 counting methods to substantiate the writing carrier's cost reports
24 consistent with generally accepted accounting principles. Direct and
25 indirect expenses may not include costs directly related to the origi-
26 nal submission of policy forms before selection as the writing carri-
27 er.

28 (f) The writing carrier shall at all times when carrying out its
29 duties under this chapter be considered an agent of the association.

1 (g) The writing carrier shall administer a billing system for
2 premium payments and may bill for premiums on a monthly or quarterly
3 basis.

4 Sec. 21.55.220. OPERATION OF THE PLAN. (a) Upon notification
5 of eligibility under AS 21.55.320, a person may enroll in a state plan
6 by payment of the appropriate state plan premium to the writing carrier.
7

8 (b) An employer that has in its employ one or more eligible
9 persons enrolled in a state plan may make all or a portion of a state
10 plan premium payment directly to the writing carrier.

11 (c) Each member of the association shall share the losses due to
12 claims expenses of the state plans issued or approved for issuance by
13 the association, and shall share in the operating and administrative
14 expenses incurred or estimated to be incurred by the association
15 incident to the conduct of its affairs. Claims expenses of the state
16 plan that exceed the premium payments allocated to the payment of
17 benefits shall be the liability of the members. Each member shall
18 share in the claims expense of the state plans and operating and
19 administrative expenses of the association in an amount equal to the
20 ratio of the member's total fees for subscriber contracts or total
21 disability insurance premiums, received from or on behalf of state
22 residents, as divided by the total subscriber fees and disability
23 insurance premiums received by all members from or on behalf of state
24 residents, as determined by the director.

25 (d) The association shall make an annual determination of each
26 member's liability, if any, and may make an annual fiscal year end
27 assessment if necessary. The association may also, subject to the
28 approval of the director, provide for interim assessments against the
29 members as may be necessary to assure the financial capability of the

1 association in meeting the incurred or estimated claims expenses of
2 the state plans and operating and administrative expenses of the
3 association until the association's next annual fiscal year end as-
4 sessment. Payment of an assessment is due within 30 days of receipt
5 by a member of written notice of a fiscal year end or interim assess-
6 ment. Failure by a member to tender to the association the assessment
7 within 30 days shall be grounds for revocation of a member's certifi-
8 cate of authority. A member that ceases to do disability insurance
9 business in the state, or ceases to offer subscriber contracts in the
10 state, due to revocation, suspension, or voluntary surrender of its
11 certificate of authority remains liable for assessments through the
12 calendar year that the disability insurance or subscriber contract
13 business ceased. The association may decline to levy an assessment
14 against a member if the assessment would not exceed \$10. Assessments
15 paid by a member are a general expense of the member.

16 (e) Net gains, if any, from the operation of the state plans
17 shall be held at interest and used by the association to offset future
18 losses due to claims expenses of a state plan or allocated to reduce
19 state plan premiums.

20 ARTICLE 4. ENROLLMENT IN THE STATE DISABILITY INSURANCE PLAN.

21 Sec. 21.55.300. ELIGIBILITY FOR STATE DISABILITY INSURANCE. (a)
22 Except as provided in (b) of this section, a person who is a resident
23 is eligible for coverage upon providing evidence of

24 (1) rejection for medical reasons, a requirement of re-
25 strictive riders, an up-rated premium, or a preexisting conditions
26 limitation on disability insurance, the effect of which is to substan-
27 tially reduce coverage from that received by a person considered a
28 standard risk, by at least one member within six months of the date of
29 application; or

1 (2) involuntary termination of disability insurance cover-
2 age for any reason other than nonpayment of premium.

3 (b) The following persons are not eligible for coverage:

4 (1) a person who is at the time of application eligible for
5 medical assistance;

6 (2) a person who terminated coverage under this chapter
7 unless

8 (A) 12 months have elapsed since termination; or

9 (B) that person can show other continuous coverage
10 that has been involuntarily terminated for any reason other than
11 nonpayment of premiums;

12 (3) a person on whose behalf the state has paid out
13 \$500,000 in benefits; and

14 (4) inmates of public institutions and persons whose bene-
15 fits are duplicated under public programs.

16 (c) Additional eligibility requirements may not be imposed by
17 the director, the association, or a writing carrier.

18 Sec. 21.55.310. ENROLLMENT BY AN ELIGIBLE PERSON. A person may
19 enroll in a state plan by applying to the writing carrier. The appli-
20 cation must include the following:

21 (1) name, address, age, and length of residency of the
22 applicant;

23 (2) a designation of the plan desired, including deductible
24 option chosen; and

25 (3) proof of eligibility under the criteria established in
26 AS 21.55.300.

27 Sec. 21.55.320. WRITING CARRIER'S RESPONSE. Within 30 days
28 after receiving the application described in AS 21.55.310, the writing
29 carrier shall either reject the application for failing to comply with

1 the requirements of AS 21.55.300 and 21.55.310 or forward the eligible
2 person a notice of acceptance and billing information.

3 Sec. 21.55.330. EFFECTIVE DATE OF POLICIES. (a) Except as
4 provided in (b) of this section and AS 21.55.130(b), insurance under a
5 state plan is effective immediately upon receipt of the first quar-
6 terly premium, and is retroactive to the date of the application, if
7 the applicant otherwise complies with the requirements of this chap-
8 ter.

9 (b) Insurance under a state plan is effective retroactively to
10 the date that the person's previous contract or policy was terminated
11 if the person

12 (1) applies for a state plan within 60 days after the
13 previous contract or policy terminated;

14 (2) is accepted by the writing carrier; and

15 (3) pays a specified premium for the period of retroactive
16 coverage.

17 Sec. 21.55.340. SOLICITATION OF ELIGIBLE PERSONS. (a) The
18 association, under a plan approved by the director, shall disseminate
19 appropriate information to residents regarding the existence of the
20 state plans and the means of enrollment. Means of communication may
21 include use of the press, radio, and television, as well as publica-
22 tion in appropriate state offices and publications.

23 (b) The association shall devise and implement means of main-
24 taining public awareness of the provisions of this chapter regarding
25 the state plans and shall administer this chapter in a manner that
26 facilitates public participation in the state plans. The association
27 shall prepare a brochure outlining the benefits and exclusions of the
28 state plan in plain language.

29 (c) Selling or marketing of qualified state plans is limited to

1 licensed disability insurance agents.

2 (d) An insurer or hospital or medical service corporation that
3 rejects or applies underwriting restrictions to an applicant for a
4 subscriber contract, a disability insurance policy, or a medicare
5 supplement plan in the state shall notify the applicant of the exis-
6 tence of the state plans, the requirements for being accepted, and the
7 procedure for applying.

8 ARTICLE 5. GENERAL PROVISIONS.

9 Sec. 21.55.400. DUTIES OF DIRECTOR. The director may

10 (1) approve the selection of the writing carrier by the
11 association and approve the association's contract with the writing
12 carrier including the coverages and premiums to be charged;

13 (2) contract with the federal government or another unit of
14 government to ensure coordination of the state plans with other gov-
15 ernmental assistance programs; and

16 (3) adopt regulations necessary to administer this chapter.

17 Sec. 21.55.410. STATE NOT LIABLE. The state is not liable for
18 acts or omissions of the association or a writing carrier under this
19 chapter, or for payment of a claim under a state plan issued by a
20 writing carrier.

21 Sec. 21.55.500. DEFINITIONS. In this chapter

22 (1) "association" means the Comprehensive Disability Insur-
23 ance Association created in AS 21.55.010;

24 (2) "copayment" means the portion of the eligible expenses,
25 in excess of the deductible, for which the insured is responsible;

26 (3) "deductible" means the portion of eligible expenses for
27 which the insured is responsible in each calendar year under AS 21.-
28 55.120(a);

29 (4) "disability insurance" means a group or individual

1 disability insurance policy, health care service contract, or health
2 maintenance agreement;

3 (5) "home health agency services" means any of the follow-
4 ing services provided upon recommendation of a licensed physician as
5 part of a treatment plan:

6 (A) intermittent or part-time nursing services of a
7 registered professional nurse or a licensed practical nurse, that
8 are provided to a person under the continued direction of the
9 person's physician and within the limitation of the nurse's
10 license;

11 (B) nursing services that are provided to a person at
12 the person's residence, including a residential care facility or
13 adult boarding home; a hospital, skilled nursing facility or
14 intermediate care facility is not considered a residence;

15 (C) home health aide services that are prescribed by
16 and under the continued direction of a physician and supervised
17 by a professional nurse;

18 (D) home health aide services that are provided to a
19 person at the person's residence, as described in (B) of this
20 paragraph;

21 (E) physical and occupational therapy services, speech
22 pathology, and audiology services that are prescribed by a physi-
23 cian and provided to a person by or under the supervision of a
24 qualified practitioner; these services may be provided to a
25 person who is a patient in an intermediate care facility or
26 skilled nursing facility;

27 (6) "hospice services" means services provided under a
28 coordinated comprehensive program of palliative and supportive care on
29 a 24-hour, seven days per week basis for persons who have been diag-

1 nosed as terminally ill and their families by an interdisciplinary
2 team of professionals or volunteers under an incorporated central
3 administration that has a physician as medical director;

4 (7) "major medical coverage" means a disability insurance
5 contract or subscriber contract that provides benefits for hospital
6 and medical care with potential lifetime maximum benefits per insured
7 of \$500,000;

8 (8) "medical social services" means services rendered the
9 patient under the direction of a physician by a qualified social
10 worker holding a master's degree from an accredited school of social
11 work, including assessment of the social, psychological and family
12 problems related to or arising out of the covered person's illness and
13 treatment, appropriate action and utilization of community resources
14 to assist in resolving the problems, and participation in the develop-
15 ment of treatment for the covered person;

16 (9) "resident" means a person who is physically present in
17 the state, has lived in the state for at least the six consecutive
18 months immediately preceding application for a state plan, and intends
19 to remain permanently in the state; "resident" also includes a person
20 who is not physically present in the state if the person lived in the
21 state for at least six of the nine months immediately preceding appli-
22 cation for a state plan and the person's absence from the state is for
23 medical treatment or education; a person ceases to be a resident if
24 the person is absent from the state for more than 90 consecutive days
25 for reasons other than for medical treatment or education;

26 (10) "state plan" means a policy of insurance offered by the
27 association through a writing carrier;

28 (11) "usual, customary, reasonable, or prevailing charge"
29 means a charge that has been approved by the director for a medical

1 care procedure, service, or supply item, and that is the lowest of the
2 following amounts:

3 (A) the billed amount for the medical service pro-
4 vider's actual charge;

5 (B) the charge usually made by that provider for
6 performing that procedure or service or for providing the supply
7 item; or

8 (C) the customary charge, based on a profile of char-
9 ges made for the same medical procedure, service, or supply item
10 in the same geographical area by other providers that have per-
11 formed the same procedure or service or can provide the same
12 supply item; the customary charge may not exceed the 75th
13 percentile of the profile of charges;

14 (12) "writing carrier" means the insurer or insurers select-
15 ed by the association and approved by the director to administer a
16 state plan.

17 * Sec. 3. AS 21.09.210 is amended by adding a new subsection to read:

18 (j) A member of the Comprehensive Disability Insurance Asso-
19 ciation created in AS 21.55.010 may credit against a premium tax
20 imposed against disability insurance premiums under this section, an
21 amount equal to an assessment against the member under AS 21.55.-
22 220(d). Any portion of the credit allowed in this subsection that
23 cannot be taken in a tax year without reducing taxable premiums below
24 zero may be carried forward and credited in successive years until the
25 credit is exhausted.

26 * Sec. 4. The association established by sec. 2 of this Act shall make
27 available to residents the plans required by AS 21.55.100, enacted in
28 sec. 2 of this Act, by January 1, 1991.

29 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).