

**HOUSE BILL NO. 71**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY REPRESENTATIVES BOYER, Navarre**

**Introduced: 1/24/91**

**Referred: Labor and Commerce, Health, Education and Social Services, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the Alaska State Health Resources Authority; relating to the delivery,  
2 quality, and financing of health care for residents of the state, and to the issuance of  
3 certificates of need; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

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

6 (1) by July 1, 1992, create and begin implementation of a statewide health care provider  
7 reimbursement system and utilization standards;

8 (2) after July 1, 1992, provide comprehensive group health insurance for the state,  
9 municipalities, school districts, other employers in the state who elect to participate, and all eligible  
10 employees of the state, a municipality, a school district, or other employer in the state who elect to  
11 participate in the group insurance offered by the Alaska State Health Resources Authority;

12 (3) expand the pool of subscribers and maximize the opportunities for health care cost  
13 management and economies of scale when purchasing group health insurance;

14 (4) maintain an efficient provider reimbursement system to reduce the administrative cost

1 to providers who are serving employees of participants;

2 (5) maintain a statewide health care data base and utilization standards to control  
3 inappropriate or improper utilization practices and to reduce the rate of inflation in the cost of health care  
4 in the state;

5 (6) create the most comprehensive, cost-effective, and efficient method of providing a  
6 variety of types of health care insurance necessary to meet the coverage requirements of a participant  
7 resulting from negotiated employee contracts;

8 (7) realize the potential savings that will result if approximately 135,000 active and  
9 retired state, municipal, and school district employees and their dependents participate in the group health  
10 insurance program offered by the authority;

11 (8) evaluate the need for mandatory participation in the group health insurance offered  
12 by the authority; and

13 (9) evaluate the need for group health insurance for residents of the state who are  
14 uninsured or underinsured.

15 \* Sec. 2. AS 18.07.035 is amended to read:

16 Sec. 18.07.035. APPLICATION AND FEES. Application for a certificate of need shall  
17 be made to the department upon a form provided by the department and must contain the  
18 information the department requires to reach a decision under AS 18.07.041 - 18.07.111. Each  
19 application for a certificate of need must be accompanied by an application fee established by  
20 the department by regulation. A copy of each application for a certificate of need, except an  
21 application for a temporary or emergency certificate issued under AS 18.07.071, shall be  
22 provided to the Alaska State Health Resources Authority.

23 \* Sec. 3. AS 18.07.041 is amended to read:

24 Sec. 18.07.041. STANDARD OF REVIEW FOR APPLICATIONS FOR CERTIFICATES  
25 OF NEED. The office shall grant a sponsor a certificate of need or modify a certificate of need  
26 if the availability and quality of existing health care resources or the accessibility to those  
27 resources is less than the current or projected requirement for health services required to maintain  
28 the good health of Alaska citizens. A certificate of need may not be issued, except for a  
29 temporary or emergency certificate under AS 18.07.071, unless the office has received a  
30 determination from the Alaska State Health Resources Authority regarding the effect of the  
31 certificate of need on the cost of group health insurance.

1 \* Sec. 4. AS 21 is amended by adding a new chapter to read:

2 CHAPTER 77. STATE INSURANCE.

3 Sec. 21.77.010. AUTHORITY CREATED; REQUIRED REIMBURSEMENT SYSTEM  
4 AND UTILIZATION STANDARDS. (a) There is established within the Department of  
5 Administration a nonprofit incorporated legal entity known as the Alaska State Health Resources  
6 Authority.

7 (b) The authority shall, by July 1, 1992, establish and begin implementation of a health  
8 care provider reimbursement system and utilization standards. The state, a municipality, or a  
9 school district shall use the health care provider reimbursement system and utilization standards  
10 established by the authority for eligible employees of the state, a municipality, or a school  
11 district. With the approval of the authority, other employers in the state may use the health care  
12 provider reimbursement system and utilization standards established by the authority.

13 (c) The authority shall, no earlier than July 1, 1992, establish a group health insurance  
14 pool or pools of eligible employees of the state, a municipality, or a school district if the  
15 employer has elected to participate in the group health insurance obtained by the authority and  
16 may provide group health insurance to employees of other groups that elect to participate in the  
17 group health insurance pool provided by the authority. Employees of other groups that elect to  
18 participate shall use the reimbursement system and utilization standards established by the  
19 authority.

20 (d) Upon application by an eligible state program, the authority may, beginning July 1,  
21 1992, allow the eligible state program to participate in the group health insurance pool provided  
22 by the authority.

23 Sec. 21.77.015. REQUIRED COOPERATION BY STATE AGENCIES. An agency of  
24 the state that provides health care or that provides funds to purchase health care shall, to the  
25 maximum extent possible, cooperate in the development of the use of the health care provider  
26 reimbursement system and utilization standards established by the authority, including sharing  
27 relevant information.

28 Sec. 21.77.020. BOARD OF DIRECTORS; ORGANIZATION. (a) The authority shall  
29 be managed by a board of directors composed of nine members appointed by the governor. The  
30 governor shall appoint at least one but not more than two members as representatives from each  
31 of the following:

- 1 (1) the executive branch;
- 2 (2) labor organizations;
- 3 (3) school districts;
- 4 (4) municipalities;
- 5 (5) private sector employers;
- 6 (6) health care providers.

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

11 Sec. 21.77.030. GENERAL POWERS. The authority may

- 12 (1) beginning July 1, 1992, exercise the powers granted to insurers under the laws  
13 of the state; if the authority acts as an insurer, the authority shall comply with the requirements  
14 applicable to insurers under this title;
- 15 (2) sue or be sued;
- 16 (3) enter into contracts or agreements;
- 17 (4) establish administrative or accounting procedures;
- 18 (5) collect, invest, and disburse funds;
- 19 (6) charge fees for providing administrative services;
- 20 (7) establish appropriate levels of reserves to cover the expenses of the authority;
- 21 (8) adopt necessary regulations and procedures for implementation of this chapter.

22 Sec. 21.77.040. DUTIES OF BOARD; ANNUAL REPORT. The board shall

- 23 (1) in providing group health insurance required under this chapter, provide  
24 comprehensive coverage at the lowest possible cost per eligible employee;
- 25 (2) provide to the governor and to the legislature an annual report covering the  
26 previous fiscal year's activities of the authority;
- 27 (3) review each application for a certificate of need under AS 18.07.041 and  
28 within 60 days after receiving a copy of the application determine the effect of issuing the  
29 certificate on the cost of the group health insurance required under this chapter; a copy of the  
30 determination shall be provided to the office of planning and research in the Department of  
31 Health and Social Services;

1 (4) every third fiscal year, include in the annual report a cost and benefit analysis  
2 of the activities of the authority.

3 Sec. 21.77.050. STAFF AND PROFESSIONAL SERVICES CONTRACTS. The  
4 authority shall employ an executive director who serves at the pleasure of the authority as its  
5 chief administrative officer. The executive director may, with the approval of the authority,  
6 select and employ additional staff as necessary. Employees of the authority are in the exempt  
7 service under AS 39.25.110. In addition to its staff of regular employees, the authority may  
8 contract for the services of consultants and professional, technical, and financial advisors the  
9 authority considers necessary for the purpose of developing information, conducting hearings,  
10 studies, investigations, or other proceedings, or otherwise exercising its powers.

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

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

21 Sec. 21.77.070. ALASKA STATE HEALTH RESOURCES FUND. The Alaska state  
22 health resources fund is created in the general fund. The fund consists of money appropriated  
23 by the legislature. The fund shall be managed and invested by the board. The board may expend  
24 money from the fund to carry out the provisions of this chapter.

25 Sec. 21.77.080. INSURANCE PREMIUMS. The authority shall provide that sufficient  
26 funds are collected to provide authorized benefits, reserves, and to pay the expenses of the  
27 authority. Reserves remaining at the termination of an insurance contract shall be invested by  
28 the authority in the same manner as retirement funds are invested under AS 14.25.180.

29 Sec. 21.77.090. PARTICIPATION; WAIVER. (a) The state, a municipality, a district,  
30 or other employer in the state may participate in the group insurance coverage provided by the  
31 authority. If the state, municipality, district, or other employer elects to participate, the state,

1 municipality, district, or other employer shall continue to participate unless a waiver is granted  
2 by the board.

3 (b) In determining whether a waiver should be granted, the board shall establish  
4 minimum benefit and financial standards for the desired group health insurance coverage. The  
5 minimum benefit and financial standards and the proposed time schedule for responsive offers  
6 shall be sent to all participants at the time the request for proposal for the desired group health  
7 insurance coverage is issued. A participant seeking a waiver of coverage shall match the  
8 minimum benefit and financial standards set out in the request for proposal for the desired group  
9 health insurance coverage. Participants shall submit documentation of their insurance coverage  
10 matching the board's minimum benefit and financial requirements before the deadline established  
11 by the board. The board may approve or disapprove a waiver of participation based on the  
12 documentation submitted by the participant regarding the benefit and financial standards  
13 established by the board.

14 (c) A participant may separately provide for health insurance coverage additional to that  
15 offered by the authority.

16 Sec. 21.77.100. DEFINITIONS. In this chapter,

17 (1) "authority" means the Alaska State Health Resources Authority;

18 (2) "board" means the board of directors of the Alaska State Health Resources  
19 Authority;

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

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

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

26 (6) "employer" means the state, a municipality, a district, a collective bargaining  
27 unit, the board of a public corporation of the state created within a principal executive  
28 department, a self-employed person, or a person employing one or more persons in a business  
29 or industry;

30 (7) "fund" means the Alaska state health resources fund;

31 (8) "group health insurance" means coverage that may include life insurance,

1 accidental death and dismemberment, medical care and treatment, dental care, eye care, and other  
2 group health coverage as determined by the authority;

3 (9) "municipality" includes a public corporation established by a municipality;

4 (10) "participant" means the state, a municipality, a district, or other employer in  
5 the state;

6 (11) "reimbursement system" means a system or method that streamlines or results  
7 in cost efficient payments to health care providers, and includes schedules of maximum allowable  
8 reimbursement for health care related services based on geographic regions, actual provider costs,  
9 and availability of services;

10 (12) "state" means the executive, legislative, and judicial branches of state  
11 government, and includes the University of Alaska and a public corporation of the state created  
12 within a principal executive department;

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

16 \* Sec. 5. AS 37.07.030 is amended to read:

17 Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The legislature shall

18 (1) provide for a budget review function;

19 (2) analyze the comprehensive operating and capital improvements programs and  
20 financial plans recommended by the governor;

21 (3) adopt legislation to authorize implementation of the governor's comprehensive  
22 operating and capital improvements programs and financial plans or appropriate alternatives to  
23 those plans;

24 (4) provide for a post-audit function to cover financial transactions, program  
25 accomplishment, and compliance with legislative intent;

26 (5) adopt or revise the estimate of receipts required to balance the succeeding  
27 fiscal year's budget in order that proposed expenditures do not exceed estimated receipts for that  
28 fiscal year;

29 (6) adopt, revise, or initiate revenue measures in order to balance the succeeding  
30 fiscal year's budget and the capital improvements section of the budget for the succeeding six  
31 years;

- 1                                   **(7) appropriate funds for the operation of the Alaska State Health Resources**  
2                   **Authority.**
- 3    \* Sec. 6. AS 39.25.110 is amended by adding a new paragraph to read:  
4                                   (30) employees of the Alaska State Health Resources Authority.
- 5    \* Sec. 7. AS 39.50.200(b) is amended by adding a new paragraph to read:  
6                                   (52) Alaska State Health Resources Authority (AS 21.77).
- 7    \* Sec. 8. REPORT. The Alaska State Health Resources Authority shall report to the Alaska State  
8 Legislature by March 1, 1992, on the progress made by the authority in establishing a health care  
9 provider reimbursement system and utilization standards.
- 10 \* Sec. 9. This Act takes effect immediately under AS 01.10.070(c).