

SENATE BILL NO. 73

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATOR KERTTULA

Introduced: 1/22/91
Referred: L&C and Finance

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to health insurance; and providing for an effective date."

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

3 * Section 1. LEGISLATIVE FINDINGS AND INTENT. (a) The legislature finds that

4 (1) access by residents to basic health care services is a natural, essential, and unalienable
5 right that is protected by art. VII, sec. 4, of the Constitution of the State of Alaska;

6 (2) many small employers in the state cannot afford to provide health insurance for their
7 employees;

8 (3) the state can improve the health care services available to employees and other
9 residents of the state who are uninsured or underinsured;

10 (4) many residents under 65 years of age lack access to basic health care services because
11 they are not able to purchase health care insurance at a reasonable price or because they are restricted
12 from purchasing health insurance by the practices of the insurance industry;

13 (5) lack of access to health care negatively affects the health status of the uninsured by
14 the delay or lack of medical treatment, thereby increasing the incidence of disease and illness in the

1 state;

2 (6) the cost of providing hospital care to the uninsured is a burden on all health care
3 consumers and certain businesses in the state.

4 (b) It is the intent of the legislature to promote the accessibility of health care services for all
5 of the state's citizens, a public purpose for which public money may be expended.

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

7 CHAPTER 55. STATE HEALTH INSURANCE.

8 ARTICLE 1. HEALTH INSURANCE AUTHORITY.

9 Sec. 21.55.010. CREATION AND PURPOSE. (a) The Health Insurance Authority is
10 established. The authority is a public corporation and an instrumentality of the state in the
11 Department of Commerce and Economic Development but has a legal existence independent of
12 and separate from the state.

13 (b) The purpose of the authority is to provide, on a basis calculated to reduce or contain
14 the costs of the program, a program of health insurance coverage for eligible residents of the state
15 who are not otherwise covered by a health insurance plan, a self-insurance health plan, a medical
16 assistance program, or another plan or program that provides for payment by a third-party payor
17 for health care services.

18 Sec. 21.55.020. BOARD OF DIRECTORS. (a) The authority is governed by a board
19 of seven directors. The directors are the commissioner of commerce and economic development,
20 the commissioner of health and social services, the director of the division of insurance, a rep-
21 resentative of the insurance industry, a representative of health care providers, and two
22 representatives of enrollees, appointed by the governor.

23 (b) Members of the board who represent the insurance industry, health care providers,
24 and enrollees serve staggered terms of four years. A vacancy in a directorship shall be filled for
25 the unexpired term in the same manner as the original appointment.

26 (c) The directors must be state residents and shall comply with the requirements of
27 AS 39.50 (Conflict of Interest). The directors of the authority serve without compensation, but
28 are entitled to travel and per diem expenses authorized by law for state boards and commissions
29 under AS 39.20.180.

30 Sec. 21.55.030. APPOINTMENT AND POWERS OF EXECUTIVE DIRECTOR. The
31 board shall appoint an executive director of the authority who serves at the pleasure of the board

1 and may be removed by the board at any time. The executive director must have educational
2 qualifications and administrative and other experience that the board determines to be necessary
3 for the performance of the duties of executive director. The executive director shall appoint and
4 may remove agents and subordinate officers that the executive director considers necessary and
5 may establish divisions and subdivisions within the authority. The position of executive director
6 is in the exempt service.

7 Sec. 21.55.040. DEPUTY EXECUTIVE DIRECTOR. The executive director shall
8 appoint a person to serve as deputy executive director of the authority. The deputy executive
9 director shall perform the duties that the executive director determines and shall, in the case of
10 a vacancy in the office of executive director and during the executive director's absence or
11 disability, exercise the powers and perform the duties of that office. The deputy executive
12 director must have educational qualifications and administrative and other experience that the
13 executive director determines to be necessary for the performance of the duties of deputy
14 executive director. The position of deputy executive director is in the exempt service.

15 Sec. 21.55.050. GENERAL POWERS. The authority may

- 16 (1) adopt regulations to implement this chapter;
- 17 (2) make contracts and execute all instruments necessary or convenient for
18 carrying out its business;
- 19 (3) acquire, own, hold, dispose of, and encumber personal property and lease real
20 property in the exercise of its powers;
- 21 (4) enter into agreements or transactions with a federal, state, or municipal
22 agency, or other public institution, or with a private individual, partnership, firm, corporation,
23 association, or other entity;
- 24 (5) procure insurance in connection with its duties in the amounts and from
25 insurers as may be necessary or desirable;
- 26 (6) provide a health insurance program through the purchase of health insurance
27 plans from the private sector, including managed health care plans; the financial assumptions
28 underlying these purchasing arrangements shall be made on an actuarially sound basis;
- 29 (7) design and revise a basic schedule of health care services that enrollees in the
30 health insurance program are entitled to receive, including those services that are typically
31 included in employer sponsored health benefit plans in the state; the authority may adopt

1 schedules of covered health care services that differ from the basic schedule and that apply to
2 specific classes of enrollees;

3 (8) provide a health insurance plan for individuals who are uninsured; the health
4 insurance shall emphasize preventative and primary care by requiring nominal copayments for
5 that coverage, and, shall deemphasize inpatient hospital care by requiring a large deductible and
6 copayment for that coverage;

7 (9) provide a group health insurance plan to employers who have at least one but
8 not more than 15 full-time employees and who have not offered a group health insurance plan
9 to their employees within the previous year;

10 (10) negotiate with hospitals in the state to obtain a discount on charges for
11 inpatient and outpatient care;

12 (11) maintain a prudent level of reserve funds to protect the solvency of the health
13 insurance fund established under AS 21.55.080; and

14 (12) conduct studies concerning the status of health care in the state, including
15 the effect on consumers and businesses of programs established under this chapter.

16 Sec. 21.55.060. TYPES OF INSURANCE PLANS. (a) The authority shall make
17 available health care insurance to all eligible residents who are not covered by a health insurance
18 plan, a self-insurance plan, or the medical assistance program under AS 47.07. The authority
19 may not operate as an insurance company but shall make health insurance plans available to
20 eligible residents of the state through the purchase of health insurance plans, including managed
21 health care plans, from private health insurance companies. The authority shall endeavor to
22 purchase health insurance plans in an economical manner and shall enroll individuals in managed
23 health care plans when practical.

24 (b) The authority shall make available group health insurance for employees and
25 dependents to an employer who has at least one but not more than 15 full-time employees, who
26 elects to participate, and whose employees have not participated in a group health insurance plan
27 in the previous year. Group health insurance shall be made available by the purchase of group
28 health insurance plans from private health insurers. The authority may require employers
29 participating in the group health insurance plan to contribute up to 50 percent of the premium
30 cost of the insurance. An employer who elects to participate must enroll at least 75 percent of
31 the full-time employees of the employer in the health insurance plan offered by the authority.

1 Sec. 21.55.070. PURCHASE OF INSURANCE. (a) The authority shall

2 (1) subject to appropriation, negotiate with and purchase, on the terms that it
3 considers to be in the best interest of the authority and its enrollees, from health insurance
4 companies licensed in this state, policies of group general or blanket insurance providing hospital,
5 surgical, medical, and other health insurance benefits covering all eligible residents and their
6 dependents not enrolled in a health insurance plan, self-insurance health plan, or the medical
7 assistance program;

8 (2) execute all agreements or contracts pertaining to the policies or amendments
9 to them for and on behalf and in the name of the authority; the authority may negotiate a contract
10 for a term not exceeding three years that it considers to be the most advantageous to the authority
11 and its enrollees;

12 (3) endeavor to contract with health insurance companies only for managed health
13 care plans or for health insurance plans that employ other methods to reduce costs of health care
14 services;

15 (4) offer an individual enrollee a choice of at least two plans providing health care
16 insurance benefits; not more than 30 percent of the enrollees may be enrolled in a health
17 insurance plan of a single health insurance company, unless the authority determines that it is in
18 the best interest of enrollees to enroll more than 30 percent of enrollees in a health insurance plan
19 of a single health insurance company;

20 (5) adopt regulations regarding eligibility criteria, enrollment, contribution, and
21 termination policies;

22 (6) establish procedures by which individuals who participate or are seeking to
23 participate in the health insurance program of the authority may appeal determinations of
24 noneligibility, enrollment, contribution, and termination;

25 (7) allow, on an annual basis, an opportunity for enrollees to transfer their
26 enrollments among participating health insurance plans;

27 (8) establish a schedule of premium contributions, copayments, deductibles, or
28 coinsurance amounts to be paid by individual enrollees and for group health insurance purchased
29 by the authority; the schedule must establish a sliding scale of payments for enrollees based on
30 family income and size and other factors determined to be appropriate by the authority; the
31 schedule must require enrollees to pay 100 percent of the premium contributions if their income

1 substantially exceeds the nonfarm poverty guidelines of the United States Office of Management
2 and Budget;

3 (9) in coordination with the Department of Revenue, allow an enrollee to annually
4 contribute the enrollee's permanent fund dividend towards the premium amount paid by the
5 individual enrollee; and

6 (10) require a health insurance company that provides health care benefits under
7 this chapter to establish grievance procedures that are approved by the authority.

8 (b) A health insurance plan provided by the authority to its enrollees through a contract
9 with a health insurance company shall provide a reasonable range of health care services to
10 enrollees, access to an adequate range of health care providers, and at a minimum, the following
11 benefits:

12 (1) inpatient and outpatient acute hospital services;

13 (2) inpatient and outpatient physician services;

14 (3) diagnostic and screening tests;

15 (4) preventive care;

16 (5) prenatal and well-baby care; and

17 (6) medically necessary emergency health services.

18 Sec. 21.55.075. PREMIUM SUBSIDY. An employer who elects to participate in the
19 group health insurance offered by the authority and who in the previous calendar year had a net
20 business income of less than \$20,000 as verified by federal income tax returns, shall receive a
21 premium subsidy of the employer's contribution equal to the following:

22 (1) in the first year of participation, 50 percent of the employer's contribution;

23 (2) in the second year of participation, 25 percent of the employer's contribution.

24 Sec. 21.55.080. HEALTH INSURANCE FUND. The health insurance fund is established
25 as a separate account in the general fund. The fund shall be administered by the authority and
26 used to purchase insurance under AS 21.55.070. The fund consists of appropriations by the
27 legislature and private grants or contributions.

28 Sec. 21.55.250. DEFINITIONS. In this chapter,

29 (1) "authority" means the Health Insurance Authority created in AS 21.55.010;

30 (2) "eligible resident" means a resident who is less than 65 years of age and
31 whose gross family income at the time of enrollment is less than twice the nonfarm poverty

1 guidelines of the United States Office of Management and Budget;

2 (3) "enrollee" means a person who becomes a member of an insurance program
3 of the authority either individually or as a member of a family;

4 (4) "full-time employee" means an employee who works more than 30 hours in
5 a week;

6 (5) "health care services" means supplies, care, and services of medical, surgical,
7 optometric, dental, podiatric, chiropractic, psychiatric, therapeutic, diagnostic, preventive,
8 rehabilitative, supportive, or geriatric nature, including inpatient and outpatient acute hospital care
9 and services, and services provided by a community health center, or by a health maintenance
10 organization;

11 (6) "health insurance" means an individual or group contract or other plan
12 providing coverage of health care services that is issued by a health insurance company, a
13 hospital service corporation, a medical service corporation, or a health maintenance organization;
14 "health insurance" includes disability insurance under AS 21.12.050;

15 (7) "health insurance company" means a company that engages in the business
16 of health insurance;

17 (8) "health maintenance organization" means a company that provides or arranges
18 for the provision of health care services to enrolled members in exchange primarily for a prepaid
19 per capita or aggregate fixed sum;

20 (9) "hospital service corporation" has the meaning given in AS 21.87.330;

21 (10) "managed health care plan" means a health insurance plan that provides or
22 arranges for, supervises and coordinates health care services to enrolled participants, including
23 plans administered by health maintenance organizations and preferred provider organizations;

24 (11) "medical service corporation" has the meaning given in AS 21.87.330;

25 (12) "resident" means a person living in the state as defined by the authority by
26 regulation; it does not include a person who moved to the state for the sole purpose of securing
27 health insurance under this chapter; confinement of a person in a nursing home, hospital, or other
28 medical institution in the state is not by itself sufficient to qualify the person as a resident.

29 * Sec. 3. AS 36.30.015(e) is amended to read:

30 (e) The board of directors of the Alaska Railroad Corporation and the Health Insurance
31 Authority shall adopt procedures to govern the procurement of supplies, services, professional

1 services, and construction. The procedures must be substantially equivalent to the procedures
2 prescribed in this chapter and in regulations adopted under this chapter.

3 * **Sec. 4.** AS 36.30.850(b) is amended by adding a new paragraph to read:

4 (23) contracts of the Health Insurance Authority (AS 21.55).

5 * **Sec. 5.** AS 39.25.110 is amended by adding a new paragraph to read:

6 (30) the executive director, deputy executive director, and other staff of the Health
7 Insurance Authority.

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

9 (52) Health Insurance Authority (AS 21.55)

10 * **Sec. 7. PHASE-IN COVERAGE.** (a) Notwithstanding AS 21.55.060, the Health Insurance
11 Authority shall, subject to appropriation, establish phase-in coverage for state health insurance required
12 by this Act on a regional, statewide, or population basis that is designed to test the relative advantages
13 and disadvantages of providing health insurance, particularly managed health care plans, to persons
14 lacking health insurance. Phase-in coverage shall be established through contracts with health insurance
15 companies, hospital service corporations, medical service corporations, or health maintenance
16 organizations. The authority shall use phase-in coverage as part of a plan to provide health insurance
17 to the uninsured on an orderly and gradual basis. Phase-in coverage shall be purchased for a period not
18 to exceed four years; coverage found by the authority to be an efficient and effective method of
19 providing health care services to the uninsured may be purchased by the authority on a permanent basis,
20 under the provisions of AS 21.55.

21 (b) The authority shall require that an insurer with which it contracts under this section submit
22 annually to the authority a report of the demographics and utilization patterns of the enrollees.

23 * **Sec. 8. COMMISSION CREATED.** (a) The Commission on Health Insurance Reform is
24 established to

25 (1) examine and determine what alternatives, if any, exist to provide citizens of the state
26 with an improved health care delivery and health care insurance system;

27 (2) recommend improvements to the competitive environment in the health insurance
28 system;

29 (3) review the affordability and availability of actuarially sound nongroup and Medicare
30 supplementary health insurance coverage; and

31 (4) study the implications of the provisions of this Act relative to preferred provider

1 arrangements and relative to the relationship between nonparticipating providers and hospital and medical
2 service corporations.

3 (b) The commission consists of a representative of a nonprofit hospital or medical service
4 corporation, a representative of the Department of Law, a representative of health care consumer groups,
5 a representative of health maintenance organizations, and a chair, to be appointed by the governor.

6 (c) The commission shall make its recommendations to the governor and the legislature before
7 October 1, 1992, and shall issue a final report before November 15, 1992.

8 * **Sec. 9. TRANSITION.** The initially appointed members of the board of the Health Insurance
9 Authority that are serving staggered terms, shall serve terms set by the governor under AS 39.05.055(2).

10 * **Sec. 10.** Section 8 of this Act is repealed January 1, 1993.

11 * **Sec. 11.** This Act takes effect July 1, 1991.