

**CS FOR SENATE BILL NO. 83 (L&C)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE LABOR AND COMMERCE COMMITTEE**

**Offered: 4/22/81**  
**Referred: HES, Finance**

**Sponsor(s): SENATORS DUNCAN, Zharoff, Rodey**

**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 a phased implementation of geographic specific  
 7 health care provider reimbursement systems and utilization standards;

8 (2) after July 1, 1992, begin the procurement or provision of a comprehensive group  
 9 health insurance program for individuals, groups of individuals, or employers that the authority  
 10 determines do not have health insurance or for employers who elect to have the authority procure or  
 11 provide insurance on the employer's behalf; employer group health insurance may include coverage for  
 12 eligible employees and dependents;

13 (3) assure financial protection for participants and beneficiaries, provide equitable  
 14 payment to health care providers, and slow the increase in health care expenditures;

1 (4) expand the pool of subscribers and maximize the opportunities for health care cost  
2 management and economies of scale when purchasing group health insurance;

3 (5) maintain efficient provider reimbursement systems to reduce the administrative cost  
4 to providers who are serving employees of participants;

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

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

11 (8) realize the potential savings that will result if approximately 135,000 active and  
12 retired state, municipal, and school district employees and their dependents participate in the  
13 reimbursement systems and utilization standards offered by the authority; and

14 (9) continue to evaluate and where feasible offer a health insurance program for those  
15 sectors of the state that remain uninsured or underinsured.

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

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

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

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

1 **certificate of need on the cost of group health insurance.**

2 \* Sec. 4. AS 24.20.206 is amended to read:

3 Sec. 24.20.206. DUTIES. The Legislative Budget and Audit Committee shall

4 (1) report to the legislature its recommendations relating to the confirmation of  
5 appointees to the Board of Trustees of the Alaska Permanent Fund Corporation;

6 (2) annually review the long-range operating plans of all agencies of the state  
7 which perform lending or investment functions;

8 (3) review periodic reports from all agencies of the state which perform lending  
9 or investment functions;

10 (4) present a complete report of investment programs, plans, performance, and  
11 policies of all agencies of the state which perform lending or investment functions to the  
12 legislature within 30 days after the convening of each regular session;

13 (5) present to the legislature within 30 days after the convening of each regular  
14 session a review of the report of the governor under AS 37.07.020(d) with recommendations for  
15 needed legislation;

16 (6) in conjunction with the finance committee of each house recommend annually  
17 to the legislature the investment policy for the general fund surplus and for the income from the  
18 permanent fund;

19 (7) provide for an annual post audit and annual operational and performance  
20 evaluation of the Alaska Permanent Fund Corporation investments and investment programs;

21 (8) provide for an annual operational and performance evaluation of the Alaska  
22 Housing Finance Corporation and the Alaska Industrial Development and Export Authority; the  
23 performance evaluation shall include, but is not limited to, a comparison of the effect on various  
24 sectors of the economy by public and private lending, the effect on resident and nonresident  
25 employment, the effect on real wages, and the effect on state and local operating and capital  
26 budgets of the programs of the Alaska Housing Finance Corporation and the Alaska Industrial  
27 Development and Export Authority;

28 **(9) provide for an annual post audit and annual operational and performance**  
29 **evaluation of the Alaska State Health Resources Authority.**

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

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

- 1 (1) provide for a budget review function;
- 2 (2) analyze the comprehensive operating and capital improvements programs and  
3 financial plans recommended by the governor;
- 4 (3) adopt legislation to authorize implementation of the governor's comprehensive  
5 operating and capital improvements programs and financial plans or appropriate alternatives to  
6 those plans;
- 7 (4) provide for a post-audit function to cover financial transactions, program  
8 accomplishment, and compliance with legislative intent;
- 9 (5) adopt or revise the estimate of receipts required to balance the succeeding  
10 fiscal year's budget in order that proposed expenditures do not exceed estimated receipts for that  
11 fiscal year;
- 12 (6) adopt, revise, or initiate revenue measures in order to balance the succeeding  
13 fiscal year's budget and the capital improvements section of the budget for the succeeding six  
14 years;
- 15 (7) appropriate funds for the operation of the Alaska State Health Resources

16 Authority.

17 \* Sec. 6. AS 39.25.110 is amended by adding a new paragraph to read:

18 (30) employees of the Alaska State Health Resources Authority.

19 \* Sec. 7. AS 39.50.200(b) is amended by adding a new paragraph to read:

20 (52) Alaska State Health Resources Authority (AS 44.87).

21 \* Sec. 8. AS 44 is amended by adding a new chapter to read:

22 CHAPTER 87. STATE INSURANCE AUTHORITY.

23 Sec. 44.87.010. AUTHORITY CREATED; REQUIRED REIMBURSEMENT SYSTEMS  
24 AND UTILIZATION STANDARDS. (a) There is established within the Department of  
25 Administration a nonprofit incorporated legal entity known as the Alaska State Health Resources  
26 Authority.

27 (b) The authority shall

28 (1) by July 1, 1992, create and begin a phased implementation of geographic  
29 specific health care provider reimbursement systems and utilization standards within the  
30 boundaries of municipalities that have a population of 20,000 or more as reflected by the 1990  
31 United States census; the health care provider reimbursement systems and utilization standards

1 required under this paragraph shall be in operation by December 31, 1993;

2 (2) create and begin a phased implementation of geographic specific health care  
3 provider reimbursement systems and utilization standards within the boundaries of communities  
4 that have a population of less than 20,000 as reflected by the 1990 United States census; the  
5 health care provider reimbursement systems and utilization standards required under this  
6 paragraph shall be in operation by July 1, 1995;

7 (3) establish the reimbursement systems and utilization standards prospectively  
8 utilizing the most accurate information available to the authority regarding defined reliable  
9 components of the reimbursement systems and utilization standards; components for the  
10 reimbursement systems must include but are not limited to

11 (A) effort and time by provider;

12 (B) technological advances resulting in new equipment, staff, or training;

13 (C) facilities and practice expense;

14 (D) training as a specialist that expands or improves service;

15 (E) professional liability insurance;

16 (F) resolution of rate disputes and associated expenses;

17 (G) geographic modifier;

18 (H) uncollectible debt expenses;

19 (I) availability of services modifier;

20 (J) charity caseload modifier;

21 (K) uncompensated care net cost;

22 (L) long-term elder care expenses;

23 (M) employee expenses resulting from competition with state employee

24 salaries;

25 (N) specialist recruitment expenses;

26 (O) capital costs;

27 (P) Medicaid rates;

28 (Q) actual provider charges as of January 1, 1991;

29 (4) assign relative weight to each component specified in (3) of this subsection  
30 and may further define each component;

31 (5) publish, not later than July 1, 1992, a guide for health care providers, insurers,

1 and participants that describes and explains how to use the reimbursement systems and utilization  
2 standards;

3 (6) establish health care information and data reporting procedures; the procedures  
4 shall be established in cooperation with health care providers and insurers.

5 (c) A health care provider and a person paying a claim shall use the health care provider  
6 reimbursement systems and utilization standards established by the authority when billing for  
7 services provided to a public employer or a public employee. Other employers may elect to use  
8 the reimbursement systems and utilization standards, if the use is approved by the authority.

9 (d) Upon application by an employer or an eligible state program, the authority may,  
10 beginning July 1, 1992, allow the employer or the eligible state program to participate in a group  
11 health insurance pool established by the authority.

12 (e) Not later than July 1, 1992, the authority shall design and procure or provide a basic  
13 health insurance program for employers who elect to participate and who have

14 (1) 50 or fewer full-time employees;

15 (2) been refused coverage by two or more health insurance carriers in the last 12  
16 months; or

17 (3) not provided health insurance coverage to their employees in the last 12  
18 months.

19 (f) A plan required under (e) of this section

20 (1) must emphasize preventative and protective health services;

21 (2) must include provisions to streamline marketing and payment of claims to  
22 providers and participants;

23 (3) must include the reimbursement systems and utilization standards described  
24 in (b) of this section;

25 (4) may utilize insurance agents or brokers licensed in this state to assist in the  
26 marketing and servicing of the plan.

27 (g) The authority shall submit recommendations to the legislature for providing financial  
28 incentives for employers to provide health protection for their employees and dependents.

29 (h) At least 60 days before implementing a phase of the reimbursement systems and  
30 utilization standards, the authority shall provide public notice and accept public comments on that  
31 phase of the reimbursement systems and utilization standards.

1           Sec. 44.87.015. **REQUIRED COOPERATION BY STATE AGENCIES.** An agency of  
2 the state that provides health care or that provides funds to purchase health care shall, to the  
3 maximum extent possible, cooperate in the development of the use of the health care provider  
4 reimbursement systems and utilization standards established by the authority, including sharing  
5 relevant information.

6           Sec. 44.87.020. **BOARD OF DIRECTORS; ORGANIZATION.** (a) The authority shall  
7 be managed by a board of directors composed of nine members appointed by the governor. The  
8 governor shall appoint at least one but not more than two members as representatives from each  
9 of the following:

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

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

20           Sec. 44.87.030. **GENERAL POWERS.** The authority may

- 21                   (1) beginning July 1, 1992, exercise the powers granted to insurers under the laws  
22 of the state; if the authority acts as an insurer, the authority shall comply with the requirements  
23 applicable to insurers under AS 21;
- 24                   (2) sue or be sued;
- 25                   (3) enter into contracts or agreements;
- 26                   (4) establish administrative or accounting procedures;
- 27                   (5) collect, invest, and disburse funds;
- 28                   (6) charge fees for providing administrative services;
- 29                   (7) establish appropriate levels of reserves to cover the expenses of the authority;
- 30                   (8) adopt necessary regulations and procedures for implementation of this chapter.

31           Sec. 44.87.040. **DUTIES OF BOARD; ANNUAL REPORT.** The board shall

1 (1) in providing group health insurance required under this chapter, provide  
2 comprehensive coverage at the lowest possible cost per eligible employee;

3 (2) provide to the governor and to the legislature an annual report covering the  
4 previous fiscal year's activities of the authority;

5 (3) review each application for a certificate of need under AS 18.07.041 and  
6 within 60 days after receiving a copy of the application determine the effect of issuing the  
7 certificate on the cost of the group health insurance required under this chapter; a copy of the  
8 determination shall be provided to the office of planning and research in the Department of  
9 Health and Social Services;

10 (4) establish a grievance procedure to resolve disputes between the authority and  
11 participants;

12 (5) every third fiscal year, include in the annual report a cost and benefit analysis  
13 of the activities of the authority;

14 (6) analyze the health care needs of the state population that is uninsured or  
15 underinsured;

16 (7) provide recommendations to the legislature not later than February 15, 1992,  
17 for a systematic approach or plan with alternatives including liabilities and financing alternatives  
18 that may be considered to assure access to affordable quality health insurance for all state  
19 residents; the recommendations must be updated each year;

20 (8) provide recommendations to the legislature not later than February 15, 1993,  
21 for the design of a program with alternatives including liability and financing alternatives to  
22 provide health care insurance to state residents who

23 (A) are not covered by health insurance;

24 (B) have been refused health insurance coverage by two or more health  
25 insurance carriers in the last 12 months;

26 (C) have been considered uninsurable for health coverage; or

27 (D) are unable to pay for basic health care protection and do not qualify  
28 for any other health care protection program or plan;

29 (9) beginning January 1, 1994, periodically review and update the reimbursement  
30 systems and utilization standards established by the authority, and evaluate the need for  
31 reimbursement systems and utilization standards in other areas of the state.

1           Sec. 44.87.050. STAFF AND PROFESSIONAL SERVICES CONTRACTS. The  
2 authority shall employ an executive director who serves at the pleasure of the authority as its  
3 chief administrative officer. The executive director may, with the approval of the authority,  
4 select and employ additional staff as necessary. Employees of the authority are in the exempt  
5 service under AS 39.25.110. In addition to its staff of regular employees, the authority may  
6 contract for the services of consultants and professional, technical, and financial advisors the  
7 authority considers necessary for the purpose of developing information, conducting hearings,  
8 studies, investigations, or other proceedings, or otherwise exercising its powers.

9           Sec. 44.87.060. PROCUREMENT OF INSURANCE. (a) The authority may, after  
10 July 1, 1992, begin to procure a policy or policies of comprehensive group health insurance  
11 covering an individual or an employer that the authority determines does not have health  
12 insurance or for whom health insurance could be more cost effective if procured by the authority.  
13 The authority may procure or, if procurement of insurance is not economically feasible, provide  
14 group health insurance to employers who elect to participate. Group health insurance may  
15 include coverage for eligible employees and dependents. The authority shall procure the  
16 insurance from an insurer authorized to transact business in the state under AS 21.09, or the  
17 authority may elect to act as a self-insurer if the authority determines that self-insurance can  
18 provide the desired insurance coverage and benefits at a lower cost per eligible employee and the  
19 authority complies with (c) of this section.

20           (b) The authority, no earlier than July 1, 1992, may establish a group health insurance  
21 pool or pools of eligible employers that elect to participate in the group health insurance obtained  
22 by the authority. Coverage provided under this subsection must include eligible employees and  
23 dependents. Employers that elect to participate shall use the reimbursement systems and  
24 utilization standards established by the authority.

25           (c) Except when acting as a self-insurer, the authority shall procure or provide group  
26 health insurance in compliance with the provisions of AS 36.30 and shall make available bid  
27 specifications for desired group health insurance benefits to all insurance carriers licensed in the  
28 state and qualified to provide the desired benefits. The specifications shall be made available at  
29 least once every five years.

30           (d) Before the authority elects to act as a self-insurer, the authority shall solicit proposals  
31 for the required coverage from insurers licensed in this state to offer health insurance. If after

1 the proposal process has been completed, the authority determines that the desired coverage or  
2 benefits are not available from insurers licensed in this state or the authority can provide the  
3 desired coverage and benefits at a lower cost per eligible person, the authority may submit a plan  
4 of the intended self-insurance coverage and benefits to the legislature. The authority may not  
5 begin acting as a self-insurer until the legislature has approved the self-insurance plan submitted  
6 by the authority.

7 (e) The authority, when procuring or providing insurance, may create pools or subpools  
8 of participants to accurately track premium, experience, and exposure by category. The authority  
9 may employ risk sharing mechanisms to limit the total exposure and premium claim volatility  
10 of the authority or a participant.

11 Sec. 44.87.070. ALASKA STATE HEALTH RESOURCES FUND. The Alaska state  
12 health resources fund is created in the general fund. The fund consists of money appropriated  
13 by the legislature. The fund shall be managed and invested by the board. The board may expend  
14 money from the fund to carry out the provisions of this chapter.

15 Sec. 44.87.080. INSURANCE PREMIUMS. The authority shall provide that sufficient  
16 funds are collected to provide authorized benefits, reserves, and to pay the expenses of the  
17 authority. Reserves remaining at the termination of an insurance contract shall be invested by  
18 the authority in the same manner as retirement funds are invested under AS 14.25.180.

19 Sec. 44.87.090. PARTICIPATION; WAIVER. (a) The state, a municipality, a district,  
20 or other employer in the state may participate in the group insurance coverage provided by the  
21 authority. If the state, municipality, district, or other employer elects to participate, the state,  
22 municipality, district, or other employer shall continue to participate unless a waiver is granted  
23 by the board.

24 (b) In determining whether a waiver should be granted, the board shall establish  
25 minimum benefit and financial standards for the desired group health insurance coverage. The  
26 minimum benefit and financial standards and the proposed time schedule for responsive offers  
27 shall be sent to all participants at the time the request for proposal for the desired group health  
28 insurance coverage is issued. A participant seeking a waiver of coverage shall match the  
29 minimum benefit and financial standards set out in the request for proposal for the desired group  
30 health insurance coverage. Participants shall submit documentation of their insurance coverage  
31 matching the board's minimum benefit and financial requirements before the deadline established

1 by the board. The board may approve or disapprove a waiver of participation based on the  
2 documentation submitted by the participant regarding the benefit and financial standards  
3 established by the board.

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

6 Sec. 44.87.900. DEFINITIONS. In this chapter,

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

8 (2) "board" means the board of directors of the Alaska State Health Resources  
9 Authority;

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

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

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

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

20 (7) "full-time employee" means a person who works 30 or more hours in a week;

21 (8) "fund" means the Alaska state health resources fund;

22 (9) "group health insurance" means coverage that may include medical care and  
23 treatment, dental care, eye care, and other group health coverage as determined by the authority;

24 (10) "health care provider" has the meaning given in AS 21.88.900;

25 (11) "municipality" includes a public corporation established by a municipality;

26 (12) "participant" means a person who participates in the group health insurance  
27 procured or provided by the authority;

28 (13) "reimbursement systems" means systems or methods that streamline or result  
29 in cost efficient payments to health care providers, and includes schedules of maximum allowable  
30 reimbursement for health care related services based on geographic regions, actual provider costs,  
31 and availability of services;

1                   (14) "state" means the executive, legislative, and judicial branches of state  
2 government, and includes the University of Alaska and a public corporation of the state created  
3 within a principal executive department;

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

7 \* **Sec. 9. 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 systems and utilization standards.

10 \* **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).