

SENATE BILL NO. 414

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY SENATOR HOFFMAN BY REQUEST

Introduced: 2/18/92
Referred: Labor and Commerce

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to payment of insurance claims; and providing for an effective date."

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

3 * Section 1. AS 21.51 is amended by adding a new section to read:

4 Sec. 21.51.125. DETERMINATION AND DISCLOSURE OF USUAL, CUSTOMARY,
5 AND REASONABLE FEES. A person who pays a claim under a disability policy on the basis
6 of a usual, customary, or reasonable fee shall

7 (1) maintain and use a statistically credible profile of fees of health care providers
8 in this state on which to base payment of the claim; the profile must (A) be updated at least once
9 every six months and may not contain fees for services performed more than one year before the
10 date of the most recent profile; and (B) contain fees for the geographic area in which a claimant
11 might receive treatment; if statistically credible data for a particular health care service in a
12 certain geographic area does not exist, the insurer may include in the profile a sufficient number
13 of fees for that service from another geographic area in order to establish a reliable data base;
14 however, the final basis for payment must be adjusted to reflect the general cost difference

1 between the geographic area where the service was performed and the other geographic area used
2 in establishing the statistically credible profile; the adjustment may be based upon the Consumer
3 Price Index, the medical care component of the Consumer Price Index, or a reasonable basis
4 stated in writing and determined acceptable by the director;

5 (2) respond within 15 working days after receiving a written request from a policy
6 or certificate holder, a health care provider with a valid assignment of payments, or a health care
7 provider engaged to provide services under a professional services contract, with a full written
8 disclosure of the methods employed under (1) of this section that resulted in the difference
9 between the amount paid on a claim for benefits and the actual charges submitted; and

10 (3) disclose in a proposal for insurance, a policy of insurance, or a professional
11 service contract between an insurer and a health care provider

12 (A) the frequency with which the person determines the usual, customary,
13 and reasonable fee;

14 (B) a general description of the methodology used to determine the usual,
15 customary, and reasonable fee;

16 (C) the percentile of usual, customary, and reasonable fees at which the
17 insurer will reimburse the insured, covered person, or the contract health care provider.

18 * Sec. 2. AS 21.54 is amended by adding a new section to read:

19 Sec. 21.54.055. DETERMINATION AND DISCLOSURE OF USUAL, CUSTOMARY
20 AND REASONABLE FEES. A person who pays indemnities under a group or blanket disability
21 insurance policy on the basis of a usual, customary, or reasonable fee shall

22 (1) maintain and use a statistically credible profile of fees of health care providers
23 in this state on which to base payment of the indemnity; the profile must (A) be updated at least
24 once every six months and may not contain fees for services performed more than one year
25 before the date of the most recent profile; and (B) contain fees for the geographic area in which
26 a claimant might receive treatment; if statistically credible data for a particular health care service
27 in a certain geographic area does not exist, the insurer may include in the profile a sufficient
28 number of fees for that service from another geographic area in order to establish a reliable data
29 base; however, the final basis for payment must be adjusted to reflect the general cost difference
30 between the geographic area where the service was performed and the other geographic area used
31 in establishing the statistically credible profile; the adjustment may be based upon the Consumer

1 Price Index, the medical care component of the Consumer Price Index, or a reasonable basis
2 stated in writing and determined acceptable by the director;

3 (2) respond within 15 working days after receiving a written request from a policy
4 or certificate holder, a health care provider with a valid assignment of payments, or a health care
5 provider engaged to provide services under a professional services contract, with a full written
6 disclosure of the methods employed under (1) of this section that resulted in the difference
7 between the amount paid on a claim for benefits and the actual charges submitted; and

8 (3) disclose in a proposal for insurance, a policy of insurance, or a professional
9 service contract between an insurer and a health care provider

10 (A) the frequency with which the person determines the usual, customary,
11 and reasonable fee;

12 (B) a general description of the methodology used to determine the usual,
13 customary, and reasonable fee;

14 (C) the percentile of usual, customary, and reasonable fees at which the
15 insurer will reimburse the insured, covered person, or the contract health care provider.

16 * Sec. 3. AS 21.86 is amended by adding a new section to read:

17 Sec. 21.86.075. DETERMINATION AND DISCLOSURE OF USUAL, CUSTOMARY,
18 AND REASONABLE CHARGES. An insurer, or hospital or medical service corporation that
19 adopts a schedule of charges on the basis of a usual, customary, or reasonable charge shall

20 (1) maintain and use a statistically credible profile of charges by health care
21 providers in this state on which to base payment of the claims; the profile must (A) be updated
22 at least once every six months and may not contain charges for services performed more than one
23 year before the date of the most recent profile; and (B) contain charges for the geographic area
24 in which a claimant might receive treatment; if statistically credible data for a particular health
25 care service in a certain geographic area does not exist, the insurer may include in the profile a
26 sufficient number of charges for that service from another geographic area in order to establish
27 a reliable data base; however, the final basis for payment must be adjusted to reflect the general
28 cost difference between the geographic area where the service was performed and the other
29 geographic area used in establishing the statistically credible profile; the adjustment may be based
30 upon the Consumer Price Index, the medical care component of the Consumer Price Index, or
31 a reasonable basis stated in writing and determined acceptable by the director;

1 (2) respond within 15 working days after receiving a written request from a policy
2 or certificate holder, a health care provider with a valid assignment of payments, or a health care
3 provider engaged to provide services under a professional services contract, with a full written
4 disclosure of the methods employed under (1) of this section that resulted in the difference
5 between the amount paid on a claim for benefits and the actual charges submitted; and

6 (3) disclose in a proposal for insurance, a policy of insurance, or a professional
7 service contract between an insurer and a health care provider

8 (A) the frequency with which the person determines the usual, customary,
9 and reasonable charge;

10 (B) a general description of the methodology used to determine the usual,
11 customary, and reasonable charge;

12 (C) the percentile of usual, customary, and reasonable charges at which
13 the insurer will reimburse the insured, covered person, or the contract health care
14 provider.

15 * Sec. 4. AS 21.87.340 is amended to read:

16 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to the provisions
17 contained or referred to previously in this chapter, the following chapters and provisions of this
18 title also apply with respect to service corporations to the extent applicable and not in conflict
19 with the express provisions of this chapter and the reasonable implications of the express
20 provisions, and for the purposes of the application the corporations shall be considered to be
21 mutual "insurers":

22 (1) AS 21.03

23 (2) AS 21.06

24 (3) AS 21.09, except AS 21.09.090

25 (4) AS 21.18.010

26 (5) AS 21.18.030

27 (6) AS 21.18.040

28 (7) AS 21.18.120

29 (8) AS 21.21.321

30 (9) AS 21.36

31 (10) AS 21.42.345 - 21.42.365, and 21.42.375

- 1 (11) AS 21.51.120
- 2 (12) AS 21.53
- 3 (13) AS 21.54.020 and 21.54.055
- 4 (14) AS 21.69.400
- 5 (15) AS 21.69.520
- 6 (16) AS 21.69.600, 21.69.620, and 21.69.630
- 7 (17) AS 21.78
- 8 (18) AS 21.89.040
- 9 (19) AS 21.89.060
- 10 (20) AS 21.90.

11 * **Sec. 5. APPLICABILITY.** This Act applies to a policy of insurance entered into or renewed on
12 or after July 1, 1992.

13 * **Sec. 6.** This Act takes effect July 1, 1992.