

**SPONSOR SUBSTITUTE FOR SENATE BILL NO. 414**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY SENATOR HOFFMAN BY REQUEST**

**Introduced: 3/4/92**  
**Referred: Labor and Commerce**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to payment of insurance claims; relating to coordination of benefits under  
2 group or blanket disability insurance policies; and providing for an effective date."

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

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

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

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

1 however, the final basis for payment must be adjusted to reflect the general cost difference  
2 between the geographic area where the service was performed and the other geographic area used  
3 in establishing the statistically credible profile; the adjustment may be based upon the Consumer  
4 Price Index, the medical care component of the Consumer Price Index, or a reasonable basis  
5 stated in writing and determined acceptable by the director;

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

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

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

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

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

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

20 Sec. 21.54.035. REQUIRED PROVISIONS REGARDING COORDINATION OF  
21 BENEFITS. (a) A group or blanket disability policy that provides for coordination of benefits  
22 must contain a provision that

23 (1) discloses that coordination of benefits applies when the insured or covered  
24 person has health care coverage under more than one insurance policy;

25 (2) states what benefits from the policy and other sources are recognized under  
26 the coordinating provision and that indicates if one or more policy benefits are exempt from the  
27 coordinating provision;

28 (3) states what health care expenses are allowable and what expenses are excluded  
29 under the coordinating provision;

30 (4) states the period to be used in applying the coordinating benefits provision;  
31 a claim period may not be less than 12 months, but may exclude a period before coverage starts

1 or after coverage ends;

2 (5) indicates the manner in which benefits are reduced by coordination; a  
3 reduction in benefits is subject to the following order of benefit provisions:

4 (A) policy benefits applicable to a person as an employee, member, or  
5 subscriber, and also as a dependent, are first determined as benefits applicable to the  
6 person as employee, member, or subscriber;

7 (B) if a minor is eligible for benefits as a dependent of more than one  
8 person, the policy of the person whose date of birth is earlier is applied first, unless a  
9 different order of application is required by a court;

10 (C) benefits not determined under this paragraph that are applicable under  
11 more than one policy, are determined under that policy applicable to the person for the  
12 longer period of time;

13 (D) if under the provisions of (A) - (C) of this paragraph the policy is  
14 secondary to another source of benefits, the benefits of the policy may not be reduced  
15 unless the sum of benefits payable for allowable expenses and the benefits payable for  
16 allowable expenses under the other source exceed the allowable expenses in a claim  
17 determination period;

18 (6) provides that the insurer has the right to receive and to release information  
19 necessary to expedite a claim payment when coordinating benefits;

20 (7) allows the insurer to make a payment necessary to repay another insurer for  
21 a payment that should have been made under the policy applicable to the insured or covered  
22 person; and

23 (8) gives the insurer the right to recover excess payments from the person paid  
24 or another insurer providing benefits to the insured or covered person.

25 (b) A certificate indicating group or blanket disability coverage must contain a summary  
26 of the provisions in this section regarding coordination of benefits.

27 \* Sec. 3. AS 21.54 is amended by adding a new section to read:

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

31 (1) maintain and use a statistically credible profile of fees of health care providers

1 in this state on which to base payment of the indemnity; the profile must (A) be updated at least  
2 once every six months and may not contain fees for services performed more than one year  
3 before the date of the most recent profile; and (B) contain fees for the geographic area in which  
4 a claimant might receive treatment; if statistically credible data for a particular health care service  
5 in a certain geographic area does not exist, the insurer may include in the profile a sufficient  
6 number of fees for that service from another geographic area in order to establish a reliable data  
7 base; however, the final basis for payment must be adjusted to reflect the general cost difference  
8 between the geographic area where the service was performed and the other geographic area used  
9 in establishing the statistically credible profile; the adjustment may be based upon the Consumer  
10 Price Index, the medical care component of the Consumer Price Index, or a reasonable basis  
11 stated in writing and determined acceptable by the director;

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

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

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

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

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

25 \* Sec. 4. AS 21.86 is amended by adding a new section to read:

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

29 (1) maintain and use a statistically credible profile of charges by health care  
30 providers in this state on which to base payment of the claims; the profile must (A) be updated  
31 at least once every six months and may not contain charges for services performed more than one

1 year before the date of the most recent profile; and (B) contain charges for the geographic area  
2 in which a claimant might receive treatment; if statistically credible data for a particular health  
3 care service in a certain geographic area does not exist, the insurer may include in the profile a  
4 sufficient number of charges for that service from another geographic area in order to establish  
5 a reliable data base; however, the final basis for payment must be adjusted to reflect the general  
6 cost difference between the geographic area where the service was performed and the other  
7 geographic area used in establishing the statistically credible profile; the adjustment may be based  
8 upon the Consumer Price Index, the medical care component of the Consumer Price Index, or  
9 a reasonable basis stated in writing and determined acceptable by the director;

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

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

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

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

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

24 \* Sec. 5. AS 21.87.340 is amended to read:

25 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to the provisions  
26 contained or referred to previously in this chapter, the following chapters and provisions of this  
27 title also apply with respect to service corporations to the extent applicable and not in conflict  
28 with the express provisions of this chapter and the reasonable implications of the express  
29 provisions, and for the purposes of the application the corporations shall be considered to be  
30 mutual "insurers":

31 (1) AS 21.03

- 1 (2) AS 21.06
- 2 (3) AS 21.09, except AS 21.09.090
- 3 (4) AS 21.18.010
- 4 (5) AS 21.18.030
- 5 (6) AS 21.18.040
- 6 (7) AS 21.18.120
- 7 (8) AS 21.21.321
- 8 (9) AS 21.36
- 9 (10) AS 21.42.345 - 21.42.365, and 21.42.375
- 10 (11) AS 21.51.120
- 11 (12) AS 21.53
- 12 (13) AS 21.54.020 and 21.54.055
- 13 (14) AS 21.69.400
- 14 (15) AS 21.69.520
- 15 (16) AS 21.69.600, 21.69.620, and 21.69.630
- 16 (17) AS 21.78
- 17 (18) AS 21.89.040
- 18 (19) AS 21.89.060
- 19 (20) AS 21.90.

20 \* Sec. 6. APPLICABILITY. This Act applies to a policy of insurance entered into or renewed on  
21 or after July 1, 1992.

22 \* Sec. 7. This Act takes effect July 1, 1992.