

HOUSE BILL NO. 273

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE BY REQUEST

Introduced: 4/2/93

Referred: Health, Education & Social Services, Judiciary, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to health care benefits and to the Alaska Health Insurance
2 Corporation; relating to hospitals; relating to certain insurers; relating to duties
3 of the Department of Health and Social Services that are related to health care;
4 and providing for an effective date."

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

6 * Section 1. SHORT TITLE. This Act may be cited as the Comprehensive Health
7 Insurance and Payment Reform Act of 1993.

8 * Sec. 2. FINDINGS AND PURPOSE. (a) The legislature finds that

9 (1) health care services and health insurance in the state are becoming
10 prohibitively costly, and a growing number of our citizens are unable to obtain health
11 insurance or pay for needed care;

12 (2) the universe of reasons for increasing health care costs is complex and
13 includes the following: spiraling technology, aging of the population, increasing dereliction
14 of personal responsibility for health status, lack of incentives to obtain preventive care, costs

1 of defensive medicine, the use of experience rating for writing health insurance policies with
2 a concomitant rise in the exclusion of preexisting conditions from coverage, and cost shifting
3 as a result of this practice; provision of unnecessary services and procedures for whatever
4 reasons, a multiplicity of utilization review standards, a multiplicity of claims forms and
5 claims processing requirements of different insurance companies, delays in obtaining payment
6 for insurance companies, and the absence of market incentives for cost containment;

7 (3) primary responsibility for controlling health care costs in the state should
8 be borne by Alaska health care providers, particularly physicians, on whose orders and
9 recommendations the overwhelming majority of health care expenditures are incurred; at
10 present, federal and state antitrust laws effectively preclude health care providers from
11 engaging in voluntary self-regulation regarding fees and volume of services; this Act mandates
12 the participation by health care providers in the process of cost control and volume control
13 to assure that health care expenditures do not increase faster than the general inflation rate,
14 unless there is specific, verifiable justification based on clearly defined standards;

15 (4) in order to increase access to health care, by containing the rate of increase
16 of health care expenditures and by making basic health insurance available to the people in
17 the state, it is essential that the factors contributing to the increasing costs of health care and
18 the unavailability of health insurance be addressed comprehensively and consistently; this Act
19 constitutes a comprehensive approach to the accomplishment of the purpose of this Act, and
20 all matters addressed in this Act are related to and essential to the achievement of the purpose
21 of this Act.

22 (b) The purpose of this Act is to increase access to health care by containing the rate
23 of increase of health care expenditures and by making basic health insurance available to the
24 people in the state. The creation of the Alaska Health Insurance Corporation is essential to
25 the achievement of this purpose through the establishment of a state health insurance program,
26 the regulation of increases in health insurance rates, the regulation of increases in charges of
27 health care providers, the establishment of utilization review guidelines, and the establishment
28 of procedures assuring efficient and prompt processing and payment of insurance claims. The
29 requirement that participants in the state health insurance program and those who are not
30 insured contribute their permanent fund dividends to the state health insurance program fund
31 is essential to the achievement of the purpose of this Act. This requirement assists in funding

1 the procurement of insurance by the corporation, and it provides an incentive for otherwise
2 uninsured people to participate in the state health insurance program. The requirement that
3 employers offer basic health care benefits to their employees or contribute to the state health
4 insurance program fund is essential to the achievement of the purpose of this Act as a means
5 of significantly reducing the number of people who lack health insurance.

6 * Sec. 3. AS 08.64 is amended by adding a new section to article 3 read:

7 Sec. 08.64.363. COMPLIANCE WITH REQUIREMENTS OF STATE
8 HEALTH INSURANCE CORPORATION. A physician shall comply with the
9 provisions of AS 21.56 that are applicable to physicians including regulations adopted
10 by the Alaska Health Insurance Corporation.

11 * Sec. 4. AS 18.20 is amended by adding a new section to read:

12 Sec. 18.20.078. UTILIZATION REVIEW. A hospital shall implement the
13 utilization review guidelines established by the Alaska Health Insurance Corporation
14 under AS 21.56.110.

15 * Sec. 5. AS 21.39.020 is amended to read:

16 Sec. 21.39.020. APPLICABILITY. (a) This chapter applies to disability
17 insurance and to all forms of casualty insurance, including fidelity, surety, and
18 guaranty bonds, to all forms of fire, marine, and inland marine insurance, and to a
19 combination of any of them, or risks or operations in this state. Inland marine
20 insurance includes insurance defined by statute, or by interpretation of statute, or if not
21 defined or interpreted, by ruling of the director, or as established by general custom
22 of the business, as inland marine insurance.

23 (b) This chapter does not apply to

24 (1) reinsurance, other than joint reinsurance to the extent stated in
25 AS 21.39.110;

26 (2) [DISABILITY INSURANCE;

27 (3)] insurance of vessels or craft, their cargoes, marine builders' risks,
28 marine protection and indemnity, or other risks commonly insured under marine, as
29 distinguished from inland marine insurance policies;

30 (3) [(4)] insurance against loss of or damage to aircraft or against
31 liability, other than workers' compensation and employer's liability, arising out of the

1 ownership, maintenance, or use of aircraft; or, to insurance of hulls of aircraft,
2 including their accessories and equipment.

3 * Sec. 6. AS 21.39.030(a) is amended to read:

4 (a) Rates shall be made in accordance with the following provisions:

5 (1) rates may [SHALL] not be excessive, inadequate, or unfairly
6 discriminatory;

7 (2) consideration shall be given to past and prospective loss experience
8 inside and outside this state, to the conflagration and catastrophe hazards, to a
9 reasonable margin for underwriting profit and contingencies, to dividends, savings, or
10 unabsorbed premium deposits allowed or returned by insurers to their policyholders,
11 members, or subscribers, to past and prospective expenses both countrywide and those
12 specially applicable to this state, and to all other relevant factors inside and outside this
13 state;

14 (3) the systems of expense provisions included in the rates for use by
15 an insurer or group of insurers may differ from those of other insurers or group of
16 insurers to reflect the requirements of the operating methods of the insurer or group
17 of insurers with respect to any kind of insurance, or with respect to a subdivision or
18 combination of them [THEREOF] for which subdivision or combination separate
19 expense provisions are applicable;

20 (4) risks may be grouped by classifications for the establishment of
21 rates and minimum premiums; classification rates may be modified to produce rates
22 for individual risks in accordance with rating plans that establish standards for
23 measuring variations in hazards or expense provisions, or both; the standards may
24 measure any differences among risks that can be demonstrated to have a probable
25 effect upon losses or expenses;

26 (5) in the case of fire insurance rates, consideration may be given to
27 the experience of the fire insurance business during a period of not more than the most
28 recent five-year period for which experience is available;

29 (6) when there is an established program to inspect new and existing
30 dwellings and the program has been certified by the director as likely to reduce the
31 incidence of fires in inspected dwellings, then in any rate plan used in this state,

1 dwellings that have been found by the inspection to meet the standards established by
2 the program shall have credits applied to the rate in amounts approved by the director;

3 (7) in the case of disability insurance rates,

4 (A) rates shall be made on a statewide basis; rates may vary
5 depending on age, sex, family status, and other generic risk factors as may
6 be established under regulations of the Alaska Health Insurance
7 Corporation under AS 21.56.110;

8 (B) in addition to other relevant factors in determining
9 whether a proposed rate should be approved, the director shall consider
10 changes in the amount of utilization of covered services, changes in the
11 intensity of covered services provided, changes in medical technology or
12 health care delivery that may affect the cost of providing health care, and
13 changes in provider charges that have been approved under AS 21.56.350.

14 * Sec. 7. AS 21.39 is amended by adding a new section to read:

15 Sec. 21.39.035. PROHIBITED DISABILITY INSURANCE RATE
16 INCREASE. (a) Notwithstanding any other provisions of this chapter, a disability
17 insurance rate filing that would increase the rate by a percentage greater than the
18 percentage increase in the Consumer Price Index for the previous year may not be
19 approved by the director unless the director makes a written finding that the rate
20 increase is justified under the requirements of AS 21.39.030. Before authorizing a rate
21 increase in excess of percentage increase in the Consumer Price Index, the director
22 shall solicit and consider comments from the Alaska Health Insurance Corporation.

23 (b) In this section, "Consumer Price Index" means the Consumer Price Index
24 for all urban consumers for the Anchorage Metropolitan Area, compiled by the Bureau
25 of Labor Statistics, United States Department of Labor.

26 * Sec. 8. AS 21.51 is amended by adding a new section to read:

27 Sec. 21.51.015. CLAIMS PROCESSING REQUIREMENT. A policy subject
28 to this chapter is also subject to the requirements in AS 21.54.015 and 21.54.025.

29 * Sec. 9. AS 21.54 is amended by adding a new section to read:

30 Sec. 21.54.015. REQUIRED UNIFORM BENEFITS POLICY. An insurer that
31 is authorized to transact disability insurance in the state, in addition to any other form

1 of insurance that it may offer, shall offer coverage under a uniform benefits policy as
2 required under AS 21.56.

3 * **Sec. 10.** AS 21.54 is amended by adding a new section to read:

4 **Sec. 21.54.025. CLAIMS PROCESSING AND UTILIZATION REVIEW**
5 **REQUIREMENTS.** (a) An insurer authorized to transact disability insurance in the
6 state shall

7 (1) use the claims clearinghouse designated by the Alaska Health
8 Insurance Corporation under AS 21.56.260 for the processing of claims submitted for
9 health care services rendered in the state;

10 (2) require that all claims be submitted using the methods of
11 submission and the formats specified by the Alaska Health Insurance Corporation
12 under AS 21.56.260;

13 (3) pay each claim within 15 business days after a claim is received by
14 the claims clearinghouse designated by the Alaska Health Insurance Corporation under
15 AS 21.56.260 or, within that same time period, shall give the provider notice that the
16 claim is denied;

17 (4) adopt a claims grievance procedure and submit the procedure for
18 approval to the Alaska Health Insurance Corporation under AS 21.56.110; after the
19 procedure has been approved, the insurer shall follow the procedure; and

20 (5) use the utilization review guidelines that are adopted by the Alaska
21 Health Insurance Corporation under AS 21.56.110, and accept the utilization review
22 determinations of a hospital, in accordance with the corporation's guidelines.

23 (b) If a claim form is fully completed and an insurer fails to pay a claim or
24 give notice that the claim is denied within the time specified in (a) of this section, the
25 insurer shall pay interest at the rate specified under AS 45.45.010, from the 16th
26 business day after the claim was received until paid, on the amount finally determined
27 to be due.

28 (c) If an insurer denies a claim, the notice that the claim is denied must
29 include a statement of the reason for the denial. The statement must be sufficiently
30 clear to allow the provider to understand the reason for the denial and to take
31 corrective action, including resubmission of the claim, if appropriate.

1 (d) An insurer may deny a claim against a group or blanket disability
2 insurance policy only for a reason that has been specified as an acceptable reason for
3 denial in regulations of the Alaska Health Insurance Corporation under AS 21.56.110.

4 (e) An insurer providing disability insurance is not required to pay for health
5 care services or supplies covered under a disability policy that

6 (1) were provided in violation of the utilization review guidelines
7 adopted by the Alaska Health Insurance Corporation under AS 21.56.110; or

8 (2) exceed a mandatory expenditure limit adopted by the Alaska Health
9 Insurance Corporation under AS 21.56.350; an insurer shall receive a refund of an
10 amount paid in violation of this paragraph, but may not seek a refund from the insured.

11 * Sec. 11. AS 21 is amended by adding a new chapter to read:

12 CHAPTER 56. STATE HEALTH INSURANCE.

13 ARTICLE 1. ALASKA HEALTH INSURANCE CORPORATION.

14 Sec. 21.56.010. CREATION AND PURPOSE. (a) The Alaska Health
15 Insurance Corporation is established. The corporation is a public corporation and an
16 instrumentality of the state in the Department of Commerce and Economic
17 Development but has a legal existence independent of and separate from the state. The
18 exercise by the corporation of the powers conferred by this chapter is considered an
19 essential function of the state.

20 (b) The purpose of the corporation is to establish and maintain a program for
21 providing uniform health insurance coverage for eligible residents of the state and
22 employees in the state on a basis calculated to contain or reduce both the costs of the
23 program and the costs of obtaining health care in general in the state.

24 Sec. 21.56.020. BOARD OF DIRECTORS. (a) The corporation is governed
25 by a board of seven directors. The directors are

26 (1) the commissioner of commerce and economic development or the
27 designee of the commissioner;

28 (2) a person who, at the time of appointment, is an employee of a city,
29 borough, unified municipality, or school district and who is recommended by the
30 Alaska Municipal League;

31 (3) a person representing an insurance company that is licensed to

1 **transact disability insurance in the state and who is recommended by the**
2 **Comprehensive Health Insurance Association created under AS 21.55.010;**

3 **(4) the chief executive officer of a hospital or nursing home that is**
4 **licensed by the state but not owned or operated by the state or federal government and**
5 **who is recommended by the Alaska State Hospital and Nursing Home Association;**

6 **(5) a physician licensed to practice medicine in the state who is not**
7 **employed by the state or a political subdivision of the state and who is recommended**
8 **by the Alaska State Medical Association;**

9 **(6) a person who is actively engaged in private business in the state**
10 **who is recommended by the Alaska State Chamber of Commerce; and**

11 **(7) a person representing consumers of health services who does not**
12 **have a direct or indirect interest in an entity that provides health care services and who**
13 **has recognized competence and experience in health insurance, health care, or**
14 **employee benefits.**

15 **(b) An organization described in (a) of this section may submit a list of three**
16 **recommended directors to the governor.**

17 **Sec. 21.56.030. APPOINTMENT AND REMOVAL OF DIRECTORS.** The
18 **directors of the corporation, including the designee, if any, of a director under**
19 **AS 21.56.020(1), are appointed by the governor and serve at the pleasure of the**
20 **governor. A director may be removed only for good cause.**

21 **Sec. 21.56.040. TERM OF SERVICE.** The term of a director is three years.
22 **A director may not be appointed to more than two successive terms. A director**
23 **appointed to fill a vacancy serves for the unexpired term of the director. A term shall**
24 **be measured from January 1 of the year in which the term of the vacant position**
25 **begins, regardless of when the vacancy is filled.**

26 **Sec. 21.56.050. COMPENSATION AND EXPENSES.** (a) A director
27 **appointed under AS 21.56.020(2) - (7) shall receive compensation at a rate of \$400 for**
28 **each day the member is engaged in the actual performance of duties as a member of**
29 **the board. The corporation may provide by regulation for compensation for partial**
30 **days during which a member is engaged in actual performance of duties as a member**
31 **of the board.**

1 (b) In addition to compensation under (a) of this section, a director is entitled
2 to travel and per diem expenses authorized by law for boards and commissions under
3 AS 39.20.180.

4 Sec. 21.56.060. OFFICERS. At the first meeting of each year, the board of
5 the corporation shall elect a chair and a vice-chair from among its members. The
6 corporation shall prescribe their duties by regulation.

7 Sec. 21.56.070. MEETINGS AND QUORUM. The board of the corporation
8 shall meet at least once every three months. Four members of the board constitute a
9 quorum for the transaction of business and the exercise of the powers and duties of the
10 corporation.

11 Sec. 21.56.080. ADMINISTRATIVE PROCEDURE. (a) Actions of the
12 corporation under this chapter are subject to AS 44.62 (Administrative Procedure Act)
13 except as provided in (b) of this section and in AS 21.56.310(c).

14 (b) The corporation shall issue a decision within 30 days after the submission
15 to the corporation of the proposed decision of a hearing officer under AS 44.62.500.
16 The decision of the corporation, except a decision to refer the case to a hearing officer
17 under AS 44.62.500(c), is a final administrative order under AS 44.62.560.

18 Sec. 21.56.090. EMPLOYMENT OF PERSONNEL. The corporation shall
19 employ and determine the salary of an executive director who is responsible for the
20 day-to-day operations of the corporation and who serves at the pleasure of the board.
21 With the approval of the board, the executive director may select and employ
22 additional staff. The executive director and other employees are in the exempt service
23 under AS 39.25.

24 Sec. 21.56.100. GENERAL POWERS. The corporation may

25 (1) make contracts and execute all instruments necessary or convenient
26 for carrying out its business;

27 (2) acquire, own, hold, dispose of, and encumber personal property and
28 lease real property in the exercise of its powers;

29 (3) enter into agreements or transactions with a federal, state, or
30 municipal agent, or other public institution, or with a private individual, partnership,
31 firm, corporation, association, or other entity;

1 (4) perform all other acts necessary and proper to carry out the duties
2 of the corporation.

3 **Sec. 21.56.110. DUTIES. The corporation shall**

4 (1) adopt regulations to implement this chapter;

5 (2) implement a program to monitor and control expenditures in the
6 state for health care in compliance with this chapter;

7 (3) implement a state health insurance program in compliance with this
8 chapter;

9 (4) develop a schedule of uniform health care services that enrollees
10 in the state health insurance program are entitled to receive;

11 (5) at least annually, review the schedule of uniform health care
12 services developed under (4) of this section and revise it as determined by the
13 corporation, taking into consideration the health care needs of the state, available
14 funding, and other relevant factors as determined by the corporation;

15 (6) adopt a uniform claims form;

16 (7) designate a claims clearinghouse to perform the functions specified
17 in AS 21.56.260;

18 (8) with funds from the state health insurance program fund, procure
19 insurance coverage under the uniform benefits policy from one or more companies
20 licensed to transact health insurance in the state for all persons who are eligible to be
21 enrollees of the state health insurance program;

22 (9) contract with health care providers to perform cost control by peer
23 review and reduction of health care payments when target budget segments under
24 AS 21.56.350 are exceeded;

25 (10) establish for each fiscal year a standard fee and a sliding scale fee
26 schedule specifying the fee that must be paid by or on behalf of each enrollee, taking
27 into consideration the corporation's cost of procuring insurance, the funds available
28 from the state health insurance program fund, the income, assets, and financial
29 obligations of the enrollee, and other relevant factors as determined by the corporation;

30 (11) establish and publish, at least annually, comprehensive comparative
31 lists of charges for commonly provided health care services as described in

- 1 AS 21.56.290;
- 2 (12) establish uniform utilization review guidelines for hospitals;
- 3 (13) define acceptable reasons for the denial of claims under the
- 4 uniform benefits policy;
- 5 (14) establish generic risk factors that may be the basis for health
- 6 insurance premium rates in the state;
- 7 (15) monitor the utilization review activities of hospitals under
- 8 AS 18.20.077 to ensure compliance with the corporation's uniform utilization review
- 9 guidelines;
- 10 (16) review proposed grievance procedures that are submitted by health
- 11 insurance companies under AS 21.54.025 and approve the procedures if they comply
- 12 with criteria established by the corporation;
- 13 (17) monitor and enforce compliance by employers with
- 14 AS 23.10.600 - 23.10.620, under regulations adopted by the corporation;
- 15 (18) conduct studies concerning the status of health care in the state,
- 16 with an emphasis on monitoring and assuring appropriate patient outcomes, and
- 17 concerning the effect on consumers and businesses of programs established under this
- 18 chapter; publish the results of studies at least biennially.

19 Sec. 21.56.120. HEALTH INSURANCE FUND. The state health insurance

20 program fund is established as a separate account in the general fund. the fund shall

21 be administered by the corporation and used to purchase insurance under AS 21.56.110

22 and 21.56.130. The fund consists of fees paid by or on behalf of enrollees, penalties

23 paid by employers under AS 23.10.610, contributions of permanent fund dividends

24 under AS 43.23.021, appropriations by the legislature, and private or government

25 grants.

26 Sec. 21.56.130. PROCUREMENT OF INSURANCE. (a) In the procurement

27 of insurance required under AS 21.56.110, the corporation shall

- 28 (1) at least annually, solicit proposals from insurance companies that
- 29 are licensed to transact health insurance in the state and, periodically, contract with a
- 30 selected company, under the procurement procedures adopted by the corporation under
- 31 AS 36.30.015(e);

1 (2) select the company with which it will contract to procure insurance,
2 on the basis of the cost of the insurance, the availability from the company of program
3 features directed at reducing the cost of providing health care services, and other
4 relevant factors as determined by the corporation.

5 (b) The corporation may contract for insurance coverage for enrollees for a
6 term that it considers to be the most advantageous to the corporation and its enrollees,
7 for a period not exceeding three years.

8 Sec. 21.56.140. GOVERNMENT EMPLOYEE ENROLLEES. (a) A
9 government employee is eligible to be an enrollee in the state health insurance program
10 if the government employee is eligible for health insurance as an employment benefit
11 under the standards adopted by the employee's employer.

12 (b) An employer of a government employee who is eligible to be an enrollee
13 in the state health insurance program shall, under regulations of the corporation,

14 (1) enroll the employee in the program; and

15 (2) pay to the state health insurance program fund the applicable fee
16 established by the corporation under AS 21.56.110.

17 (c) An employer of a government employee may agree with the employee or
18 the employee's bargaining agent to provide additional health insurance benefits and to
19 provide health insurance on terms more favorable to the employee than the terms of
20 the uniform benefits policy. If an employer enters into an agreement described in this
21 subsection, the policy may be revised to reflect the agreement. The employer must
22 negotiate the amount of an additional premium with the insurance company, and the
23 employer shall pay the additional premium to the insurance company.

24 (d) The procedures established under AS 21.56.150(e) apply to government
25 employee enrollees.

26 Sec. 21.56.150. OTHER ENROLLEES. (a) A person who is not enrolled
27 under AS 21.56.140 is eligible to be an enrollee in the state health insurance program
28 under this chapter in a given year if the person

29 (1) has applied for and is eligible for a permanent fund dividend under
30 As 43.23.005 to be paid during that year;

31 (2) is not eligible to receive health care benefits under an employer

1 sponsored health insurance plan, an individually purchased health insurance policy, the
2 medical assistance program under AS 47.07 or AS 47.25, the medical assistance
3 program under 42 U.S.C. 1301 -1396, a health care benefits program of the Veterans
4 Benefits Administration, a health care benefits program for active or retired military,
5 a health care benefits program of the Indian Health Service of the United States Public
6 Health Service, a health care benefits program of an Alaska Native health corporation
7 receiving funds from the Indian Health Service, or a generally equivalent program as
8 determined by the corporation;

9 (3) has elected to contribute the person's permanent fund dividend to
10 be paid during that year to the state health insurance program fund by making the
11 election on the permanent fund dividend application as authorized in AS 43.23.021;

12 (4) has paid to the corporation the applicable fee for the first calendar
13 quarter of coverage, as established by the corporation under AS 21.56.110; and

14 (5) has complied with the procedures established by the corporation
15 under (e) of this section.

16 (b) Notwithstanding (a) of this section, a person who is eligible to receive
17 health care benefits as described in (a)(2) of this section is eligible to be an enrollee
18 in the state health insurance program under this chapter in a given year if

19 (1) the person has paid the full standard fee established by the
20 corporation under AS 21.56.110, without application of the sliding scale fee schedule;
21 and

22 (2) the person satisfies all other requirements of (a) of this section.

23 (c) A person who is eligible to be an enrollee shall be enrolled by the
24 corporation in the state health insurance program.

25 (d) The corporation shall cancel an enrollee's coverage if, during the fiscal
26 year, the enrollee becomes ineligible to be an enrollee.

27 (e) The corporation shall establish by regulation appropriate procedures for
28 processing applications for enrollment, for determining the eligibility of enrollees, for
29 enrolling enrollees, for determining and collecting the applicable fees, for canceling
30 an enrollee's coverage, and for processing appeals by enrollees of adverse decisions
31 by the corporation regarding eligibility, enrollment, determination or collection of

1 applicable fees, or cancellation of coverage.

2 **Sec. 21.56.160. DISCRIMINATION AGAINST ENROLLEES PROHIBITED.**

3 A provider of health care services may not discriminate against an enrollee with
4 respect to the availability, cost, or quality of health care services wholly or in part on
5 the basis of the person's status as an enrollee.

6 **Sec. 21.56.170. CONFIDENTIALITY OF ENROLLEE INFORMATION.**

7 Medical and financial information regarding applicants or current or former enrollees
8 is confidential and is not subject to public disclosure. The corporation by regulation
9 may establish reasonable standards for the release of limited information in specified
10 circumstances, including the release of reasonably necessary information to insurance
11 companies and the release of information with the written authorization of the
12 applicant or enrollee.

13 **Sec. 21.56.180. UNIFORM BENEFITS POLICY.** (a) The uniform benefits
14 policy form adopted by the corporation under AS 21.56.110 must include the required
15 terms of coverage in this chapter and other terms adopted under regulations of the
16 corporation.

17 (b) The corporation shall adopt regulations specifying the services required to
18 be covered by a uniform benefits policy, consistent with the general scope of services
19 in (c) of this section and with the required exclusions in (d) of this section, and taking
20 into consideration the cost of providing the services, the cost of procuring the
21 insurance coverage, the funds available in the state health insurance program fund, and
22 other relevant factors as determined by the corporation.

23 (c) A uniform benefits policy shall cover the following services as specified
24 by the corporation:

25 (1) health care services;

26 (2) preventive health care services for adults and children, including
27 prenatal, well-baby, and well-child care; deductibles and copayment amounts may not
28 apply to services described in this paragraph, subject to reasonable annual limits on
29 covered preventive services to be established by the corporation;

30 (3) limited periods of inpatient health care services for alcoholism,
31 chemical dependency, or drug addiction; services described in this paragraph shall be

1 subject to a copayment rate of not more than 50 percent;

2 (d) A uniform benefits policy may not cover the following:

3 (1) services that are not medically necessary;

4 (2) services that have been determined by the corporation to be
5 ineffective or of doubtful value for prevention or remediation of disease or injury;

6 (3) experimental treatments or procedures that are not covered by an
7 approved clinical research protocol;

8 (4) treatment of occupational disease or occupational injury.

9 Sec. 21.56.190. DEDUCTIBLES AND COPAYMENTS. Subject to
10 AS 21.56.180, the corporation shall establish the deductible and copayment amounts
11 applicable under a uniform benefits policy. Covered expenses incurred after the
12 applicable maximum limit has been reached shall be paid at the rate of 100 percent of
13 the lesser of the maximum rate of payment under AS 21.56.250, as periodically
14 adjusted, or the usual, customary, reasonable, or prevailing charges, except that
15 expenses incurred for specified limited periods of inpatient health care services for
16 alcoholism, chemical dependency, or drug addiction shall be paid at a rate of not less
17 than 50 percent of the lesser of the maximum rate of payment under AS 21.56.250, as
18 periodically adjusted, or the usual, customary, reasonable, or prevailing charges.

19 Sec. 21.56.200. PREEXISTING CONDITIONS. Preexisting conditions shall
20 be covered by a uniform benefits policy upon the terms and conditions established by
21 the corporation by regulation.

22 Sec. 21.56.210. EFFECTIVE DATE OF POLICIES. (a) Except as provided
23 in (b) of this section and subject to different policy terms that may be adopted under
24 AS 21.56.140(c), insurance provided under the state health insurance program is
25 effective immediately upon receipt by the corporation of the first quarterly fee and is
26 retroactive to the date of the application if the applicant otherwise complies with the
27 requirements of this chapter.

28 (b) Insurance provided under the state health insurance plan is effective
29 retroactively to the date that the person's previous contract or policy terminated if the
30 person

31 (1) applies for coverage under the state health insurance program within

1 the provider's charges for comparable services to the state Medicaid program under
2 AS 47.07 in fiscal year 1992, as adjusted under (c) and (d) of this section, subject to
3 applicable deductibles and copayments:

4 (1) 95 percent for hospitals and nursing facilities; and

5 (2) for physicians and other individual health care providers, varying
6 percentages depending on location and type of service, determined by the corporation,
7 amounting in the aggregate to 95 percent.

8 (b) The maximum rate of payment applicable to a health care provider that did
9 not participate in the state Medicaid program in 1992 is 95 percent of the median
10 charge in 1992 for each service by similar health care providers in the same
11 geographic area, as adjusted under (c) and (d) of this section, subject to applicable
12 deductibles and copayments.

13 (c) The maximum rate of payment established in (a) and (b) of this section
14 shall be adjusted annually to reflect the change in the Consumer Price Index after
15 1992, under regulations established by the corporation. The corporation may make
16 other adjustments in the maximum rate of payment based on the factors specified in
17 AS 21.56.310(b) and other criteria that may be established by the corporation by
18 regulation.

19 (d) A provider of health care services is not entitled to payment from any
20 source for any portion of the provider's charge for a covered health care service
21 rendered to an enrollee that exceeds the amount the provider is entitled to be paid
22 under this section, subject to different policy terms that may be adopted under
23 AS 21.56.140(c).

24 (e) The corporation shall by regulation specify limited exceptional
25 circumstances in which payment may be made under the insurance procured by the
26 corporation for covered services rendered to enrollees outside the state.

27 (f) In this section, "charges to the state medicaid program" means the amount
28 charged by the health care provider and does not mean the amount paid by the
29 Medicaid program.

30 Sec. 21.56.260. CLAIMS CLEARINGHOUSE. (a) A provider of health care
31 services shall submit all claims for payment under a health insurance policy to the

1 claims clearinghouse. The corporation may, by regulation, require providers to submit
2 specified additional information pertaining to the cost of providing health care services
3 in the state to the claims clearinghouse.

4 (b) Claims and other required information may be submitted to the claims
5 clearinghouse either electronically or on paper forms at the option of the provider.
6 Claims and other required information shall be submitted to the claims clearinghouse
7 in uniform formats to be established by the corporation by regulation.

8 (c) The claims clearinghouse shall process all claims expeditiously so that they
9 may be paid or denied within 15 business days after receipt as required by
10 AS 21.54.025.

11 (d) From the information submitted to the claims clearinghouse, the claims
12 clearinghouse shall abstract data pertaining to health care services in the state and
13 submit the data periodically to the corporation under regulations adopted by the
14 corporation.

15 (e) The claims clearinghouse's costs of operation in fulfilling the functions
16 required by this section shall be paid by the companies authorized to transact health
17 insurance in the state.

18 Sec. 21.56.270. SINGLE FEE SCHEDULE. (a) Except as provided in (b) of
19 this section, hospitals and physicians shall maintain a single fee schedule for their
20 services and supplies, and all services and supplies shall be charged as required by the
21 schedule.

22 (b) Hospitals and physicians may depart from the fee schedule specified under
23 (a) of this section, if

24 (1) they have entered into a preferred provider arrangement that
25 provides for a different schedule;

26 (2) they have negotiated a discount with an entity, that is not an
27 individual or a family, that is purchasing or contracting for health care services for a
28 group; or

29 (3) different fees are required by law.

30 (c) Subject to the requirements of AS 21.56.300 and 21.56.310, hospitals and
31 physicians may revise their fee schedules from time to time at their discretion.

1 **Sec. 21.56.280. REQUIRED AVAILABILITY OF SAMPLE FEE**
2 **SCHEDULE.** Hospitals and physicians shall make a sample fee schedule consisting
3 of at least 80 percent of the most frequent charges available for review during normal
4 business hours at the hospital or the physician's office. The sample fee schedule shall
5 be made available either by posting the fee schedule in a conspicuous public area in
6 the hospital or the physician's office or by similarly posting a notice that the fee
7 schedule is available for review upon request.

8 **Sec. 21.56.290. INFORMATION ON CHARGES FOR HEALTH CARE**
9 **SERVICES.** At least annually, a hospital and a physician shall submit to the
10 corporation copies of their current fee schedules and all fee schedules that have been
11 in effect during the past year. The corporation shall specify by regulation the methods
12 and formats for submitting the fee schedules. The corporation shall make the fee
13 schedules available to the public upon request.

14 **Sec. 21.56.300. LIMITATION ON INCREASES IN CHARGES FOR**
15 **HEALTH CARE SERVICES.** (a) Except as provided under (b) of this section, a
16 hospital or a physician may not increase a charge for a health care service if the
17 percentage increase is greater than the percentage increase in the Consumer Price Index
18 for the previous calendar year.

19 (b) The charge limitation imposed under (a) of this section does not apply to
20 an increase in a charge that is approved by the corporation under AS 21.56.310.

21 **Sec. 21.56.310. APPROVAL OF CHARGE INCREASES.** (a) If a hospital
22 or a physician wishes to increase a charge in excess of the increase authorized under
23 AS 21.56.300, the hospital or physician shall submit the proposed increase to the
24 corporation, and the corporation shall review the proposed increase. If the corporation
25 determines that the increase is not excessive, the corporation shall approve the
26 increase.

27 (b) In determining whether a proposed increase is excessive, the corporation
28 shall consider the following factors:

29 (1) changes in medical technology or health care delivery that may
30 affect the cost of health care;

31 (2) changes in the availability of adequate health care services;

1 (3) changes in the cost of professional liability insurance for health care
2 providers;

3 (4) changes in the amounts of awards, by judgment or settlement,
4 against a health care provider as the result of a professional liability claim;

5 (5) other factors affecting the cost of health care, as determined by the
6 corporation, including epidemics and disasters.

7 (c) The corporation shall establish by regulation procedures and may establish
8 additional criteria for the prompt and efficient review of proposed charge increases.
9 The procedures required under this subsection must require that a determination on a
10 proposed charge increase be made on the basis of written verified information
11 submitted by the provider, that the provider have an opportunity to review additional
12 information that may be considered by the corporation and to respond in writing to that
13 information, and that a determination be made within 90 days after the submission of
14 a proposed charge increase. The determination of the corporation is a final
15 administrative order under AS 44.62.560.

16 Sec. 21.56.320. APPLICATION TO OTHER HEALTH CARE PROVIDERS.

17 The corporation may specify by regulation other providers of health care services that
18 shall be subject to the requirements of AS 21.56.270 - 21.56.310.

19 Sec. 21.56.330. COMPARATIVE LISTS OF CHARGES. (a) At least
20 annually, the corporation shall compile comparative lists of charges for commonly
21 provided health care services based on abstracted data provided to the corporation by
22 the claims clearinghouse under AS 21.56.260, on the fee schedules submitted to the
23 corporation under AS 21.56.290, and on other relevant information as determined by
24 the corporation.

25 (b) The lists required under this section shall be prepared to allow
26 identification and comparison of charges made by individual providers for the listed
27 services. Hospital services may be compared on the basis of diagnosis related groups.

28 Sec. 21.56.340. HEALTH CARE EXPENDITURE DATA SYSTEM. (a) The
29 corporation shall develop and periodically update a data system that indicates the total
30 amount expended in the state for health care. To the extent practicable, the data
31 system base year for health care expenditures shall be calendar year 1992 and must

1 contain a separate expenditure breakdown for
2 (1) hospital services;
3 (2) physician services;
4 (3) laboratory services;
5 (4) pharmaceutical products;
6 (5) nursing and pioneers' home services;
7 (6) radiology services;
8 (7) home nursing services;
9 (8) durable medical equipment; and
10 (9) appropriate subcategories of the above listed services and products
11 and other health services or products that the corporation determines appropriate.

12 (b) In addition to the data collected under (a) of this section, the corporation
13 shall collect data on the following:

14 (1) aging of the population and other factors that may affect demand
15 for health care services in the future;

16 (2) general inflation factors and the costs related to inflation in labor
17 and other factors used to produce health care services;

18 (3) technological advances that may increase or decrease health care
19 costs;

20 (4) improvements in health care productivity;

21 (5) reductions in unnecessary health care services;

22 (6) need to assure that all sectors of the population have adequate
23 access to health care services;

24 (7) the effect of statewide expenditure goals on the quality of health
25 care; and

26 (8) other factors that may affect the cost of providing health care that
27 the corporation determines appropriate.

28 **Sec. 21.56.350. STATEWIDE HEALTH CARE EXPENDITURE LIMITS. (a)**
29 **The corporation shall prescribe by regulation statewide health care expenditure limits,**
30 **based on the data obtained under AS 21.56.340. To the extent practicable, the base**
31 **year for the statewide health care expenditure limits shall be calendar year 1992.**

1 (b) The corporation annually shall adjust the health care expenditure limits
2 established under this section to reflect changes in the Consumer Price Index, changes
3 in provider charges authorized by the corporation under AS 21.56.310 and other
4 appropriate factors.

5 Sec. 21.56.360. VOLUNTARY HEALTH CARE PROVIDER COMPLIANCE.
6 The health care expenditure limits adopted by the corporation under AS 21.56.350
7 shall constitute a recommended target for expenditures within each specified category
8 or subcategory of health care services or products. Health care providers may
9 voluntarily comply with the expenditure limits and may take all appropriate steps not
10 prohibited by law to attempt to ensure that annual expenditures for health care in the
11 state do not exceed the expenditure limit adopted by the corporation.

12 Sec. 21.56.370. MANDATORY HEALTH CARE PROVIDER COMPLIANCE.
13 (a) Based on the data compiled under AS 21.56.340, the corporation shall monitor the
14 success of voluntary compliance under AS 21.56.360. At any time beginning three
15 years after the voluntary expenditure limits have been in effect, if the corporation
16 concludes that voluntary compliance has failed substantially to achieve the adopted
17 expenditure limits, the corporation by regulation shall impose mandatory expenditure
18 limits. Mandatory expenditure limits may be imposed on one or more of the
19 categories or subcategories specified under AS 21.56.340(a).

20 (b) A health care provider shall comply with the mandatory expenditure limits
21 established by the corporation under (a) of this section. A person who receives a
22 charge that does not comply with the mandatory expenditure limits imposed under this
23 section is not required to pay that portion of the charge that exceeds the mandatory
24 expenditure limit. A health care provider shall refund an amount received that exceeds
25 the mandatory expenditure limit.

26 (c) The corporation by regulation shall establish procedures for monitoring
27 compliance with mandatory expenditure limits and for providing notice to a person
28 who is determined to have been overcharged.

29 Sec. 21.56.400. DEFINITIONS. In this chapter,

30 (1) "clearing house" means the claims clearing house designated by the
31 corporation under AS 21.56.110;

1 (2) "Consumer Price Index" means the Consumer Price Index for All
2 Urban Consumers, United States City Average, All Items Index, compiled by the
3 Bureau of Labor Statistics, United States Department of Labor;

4 (3) "corporation" means the Alaska Health Insurance Corporation
5 established in AS 21.56.010;

6 (4) "eligible resident" means a person who is eligible for a permanent
7 fund dividend under AS 43.23.005;

8 (5) "enrollee" means a person whose application for coverage under the
9 state health insurance program has been accepted by the corporation, who has
10 completed applicable enrollment procedures, and who is covered by insurance under
11 the program;

12 (6) "government employee" means an employee of the state, the
13 University of Alaska, a political subdivision of the state, or a school district, including
14 retired government employees or dependents of government employees;

15 (7) "health care services" means preventive, medical, surgical,
16 diagnostic, reproductive, psychiatric, psychologic, rehabilitative, dental, podiatric,
17 optometric, optical, audiologic, and chiropractic care; prescription drugs, laboratory and
18 radiologic services, medical supplies, durable medical equipment and devices; inpatient
19 and outpatient care; home health care; hospice care; and long-term or institutional care;

20 (8) "health insurance" means an individual or group contract or other
21 plan providing coverage of health care services that is issued by a health insurance
22 company, a hospital service corporation, a medical service corporation, or a health
23 maintenance organization; "health insurance" includes disability insurance under
24 AS 21.12.050;

25 (9) "health insurance company" means an insurer that is authorized to
26 transact health insurance;

27 (10) "hospital service corporation" has the meaning given in
28 AS 21.87.330;

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

31 (12) "state health insurance program fund" is the fund established in

1 AS 21.56.120.

2 * Sec. 12. AS 23.10 is amended by adding a new article to read:

3 ARTICLE 9. EMPLOYEE HEALTH INSURANCE.

4 Sec. 23.10.600. REQUIRED UNIFORM HEALTH BENEFITS POLICY. (a)

5 Subject to AS 23.10.610 and 23.10.615, an employer shall offer to its employees
6 enrollment in the state health insurance coverage for the employees and the employees'
7 dependents under either a uniform benefits policy as provided for in AS 21.56 or under
8 a policy with benefits equal to those of a uniform benefits policy or a policy with
9 benefits more favorable to the employee. As a condition of employment, an employer
10 may require that the employee pay the portion of the premium not required to be paid
11 by the employer.

12 (b) An employer who has provided other health insurance benefits to
13 employees may terminate that coverage and offer coverage under a uniform benefits
14 policy under (a) of this section.

15 (c) In this section, "offer" means to procure the required insurance and to pay
16 at least that portion of the premium that equals 50 percent of the standard fee for a
17 uniform benefits policy.

18 Sec. 23.10.610. PENALTY FOR FAILURE TO OFFER REQUIRED HEALTH
19 CARE COVERAGE. An employer that fails to offer at least the coverage under a
20 uniform benefits policy that is required by AS 23.10.600 shall pay a penalty to the
21 state in the amount equal to 50 percent of the standard fee for a uniform benefits
22 policy for coverage for the employee and the employee's dependents.

23 Sec. 23.10.615. DUPLICATE COVERAGE NOT REQUIRED. An employer
24 is not required to offer health care insurance coverage to an employee or to a
25 dependent of an employee who is covered by other insurance that provides at least the
26 benefits included in a uniform benefits policy.

27 Sec. 23.10.620. DEFINITIONS. In AS 23.10.600 - 23.10.620,

28 (1) "employee" means an employee engaged in commerce or other
29 business in the state, or the production of goods or materials in the state, or the
30 provision of services in the state;

31 (2) "employer" means an employer, wherever located, who employs

1 employees in the state;

2 (3) "standard fee for a uniform benefits policy" means the standard fee
3 established by the Alaska Health Insurance Corporation under AS 21.56.110;

4 (4) "uniform benefits policy" means a policy described in AS 21.56.

5 * Sec. 13. AS 36.30.015(e) is amended to read:

6 (e) The board of directors of the Alaska Railroad Corporation, [AND] the
7 board of directors of the Alaska Aerospace Development Corporation, and the board
8 of directors of the Alaska Health Insurance Corporation shall adopt procedures to
9 govern the procurement of supplies, services, professional services, and construction.
10 The procedures must be substantially equivalent to the procedures prescribed in this
11 chapter and in regulations adopted under this chapter.

12 * Sec. 14. AS 39.25.110(11) is amended to read:

13 (11) the officers and employees of the following boards, commissions,
14 and authorities:

15 (A) Alaska Gas Pipeline Financing Authority;

16 (B) Alaska Permanent Fund Corporation;

17 (C) Alaska Industrial Development and Export Authority;

18 (D) Alaska Commercial Fisheries Entry Commission;

19 (E) Alaska Commission on Postsecondary Education;

20 (F) Alaska Aerospace Development Corporation;

21 (G) Alaska Health Insurance Corporation;

22 * Sec. 15. AS 43.23.005(a) is amended to read:

23 (a) An individual is eligible to receive one permanent fund dividend each year
24 in an amount to be determined under AS 43.23.025 if

25 (1) the individual applies to the department;

26 (2) on the date of application the individual is a state resident;

27 (3) the individual was a state resident for at least the calendar year
28 immediately preceding January 1 of the current dividend year;

29 (4) the individual has been physically present in the state at some time
30 during the prior two calendar years before the current dividend year; [AND]

31 (5) the individual is

- 1 (A) a citizen of the United States;
2 (B) an alien lawfully admitted for permanent residence in the
3 United States;
4 (C) an alien with refugee status under federal law; or
5 (D) an alien that has been granted asylum under federal law;

6 **and**

7 **(6) the individual either**

8 **(A) is eligible to receive health care benefits under an**
9 **employer sponsored or other group health insurance plan, an individually**
10 **purchased health insurance policy, the medical assistance program under**
11 **AS 47.07 or AS 47.25, the medical assistance program under 42 U.S.C.**
12 **1301 - 1396, a health care benefits program of the Veterans Benefits**
13 **Administration, a health care benefit plan for active or retired military, a**
14 **health care benefits program of the Indian Health Service of the United**
15 **States Public Health Service, a health care benefits program of an Alaska**
16 **Native health corporation receiving funds from the Indian Health Service,**
17 **or a generally equivalent program as determined by the Alaska Health**
18 **Insurance Corporation under AS 21.56.140(a)(2); or**

19 **(B) on the application, makes the election authorized by**
20 **AS 43.23.021 to contribute the dividend to the state health insurance**
21 **program fund.**

22 * Sec. 16. AS 43.23 is amended by adding a new section to read:

23 Sec. 43.23.021. CONTRIBUTIONS TO STATE HEALTH INSURANCE
24 PROGRAM FUND. An individual may contribute the individual's permanent fund
25 dividend to the state health insurance program fund established under AS 21.56.120.
26 The permanent fund dividend application form must provide a place for the individual
27 to indicate that the individual wishes to make this contribution. Annually, after
28 calculating the amount of the permanent fund dividend under AS 43.23.025, the
29 commissioner shall transfer funds from the dividend fund under AS 43.23.045 to the
30 state health insurance program fund under AS 21.56.120 in an amount equal to the
31 dividends that individuals elected to contribute to the state health insurance program

1 fund.

2 * Sec. 17. AS 43.23.055 is amended to read:

3 Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall

4 (1) annually pay permanent fund dividends from the dividend fund;

5 (2) subject to AS 43.23.011 and [PARAGRAPH] (8) of this section,

6 adopt regulations under AS 44.62 (Administrative Procedure Act) that establish

7 procedures and time limits for claiming a permanent fund dividend; the department

8 shall determine the number of eligible applicants by October 1 of the year for which

9 the dividend is declared and pay the dividends by December 31 of that year;

10 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)

11 that establish procedures and time limits for an individual upon emancipation or upon

12 reaching majority to apply for permanent fund dividends not received during minority

13 because the parent, guardian, or other authorized representative did not apply on behalf

14 of the individual;

15 (4) assist residents of the state, particularly in rural areas, who because

16 of language, disability, or inaccessibility to public transportation need assistance to

17 establish eligibility and to apply for permanent fund dividends;

18 (5) annually determine, in cooperation with the Department of

19 Corrections, the number and identity of individuals ineligible for a permanent fund

20 dividend under AS 43.23.005(d);

21 (6) adopt regulations that are necessary to implement AS 43.23.005(d);

22 (7) adopt regulations that establish procedures for the parent, guardian,

23 or other authorized representative of a disabled individual to apply for prior year

24 permanent fund dividends not received by the disabled individual because no

25 application was submitted on behalf of the individual;

26 (8) adopt regulations that establish procedures for an individual to apply

27 to have a dividend warrant reissued if it is returned to the department as undeliverable

28 or it is not paid within two years of the date of its issuance; however, the department

29 may not establish a time limit within which an application to have a warrant reissued

30 must be filed;

31 (9) annually provide to the Alaska Health Insurance Corporation

1 established under AS 21.56.010 the identity of individuals who are eligible for a
2 permanent fund dividend under AS 43.23.005.

3 * Sec. 18. AS 44.62.330(a) is amended by adding a new paragraph to read:

4 (59) Alaska Health Insurance Corporation.

5 * Sec. 19. AS 47.05.010 is amended by adding a new paragraph to read:

6 (15) upon request by a hospital, deputize a qualified employee of each
7 hospital that has a capacity of 45 or more beds to determine eligibility for Medicaid
8 assistance under AS 47.07 and eligibility for general relief assistance under
9 AS 47.25.120, subject to subsequent review and disapproval by a state employee for
10 failure to comply with the applicable legal requirements; in this paragraph, "hospital"
11 has the meaning given in AS 18.20.130.

12 * Sec. 20. TRANSITION. (a) The Alaska Health Insurance Corporation established in
13 sec. 11 of this Act shall develop an implementation plan and begin the implementation of
14 AS 21.56 by July 1, 1994, and shall fully implement AS 21.56 before July 1, 1996.

15 (b) The director of the division of insurance, in consultation with representatives of
16 the insurance industry, shall develop a plan to implement the

17 (1) statewide rating of disability insurance required under AS 21.39.030(a), as
18 amended in sec. 6 of this Act; and

19 (2) preexisting conditions coverage required under AS 21.56.200, enacted in
20 sec. 11 of this Act.

21 (c) The plan required under (b) of this section shall be phased in over a three-year
22 period and shall be completed by July 1, 1997.

23 (d) The initially appointed members of the board of the Alaska Health Insurance
24 Corporation that are serving staggered terms shall serve terms set by the governor under
25 AS 39.05.055(2).

26 * Sec. 21. REPORT. By July 1, 1995, the Alaska Health Insurance Corporation shall
27 prepare and submit a report to the governor on the effectiveness, with respect to containing
28 the cost of health care, of the resource based relative value scale payment system adopted in
29 42 U.S.C. 1395(w) and implemented by 42 CFR part 415 (1992), published at 56 Fed.
30 Reg. 59, 501 (Nov. 25, 1991); in the report, the corporation shall recommend whether a
31 similar system should be adopted for the state health insurance program administered by the

1 corporation under AS 21.56.

2 * Sec. 22. This Act takes effect immediately under AS 01.10.070(c).