

**SENATE BILL NO. 9**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**EIGHTEENTH LEGISLATURE - FIRST SESSION**

**BY SENATORS KERTTULA, Lincoln**

**Introduced: 1/11/93**  
**Referred: HES, L&C, FIN**

**A BILL**  
**FOR AN ACT ENTITLED**

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

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

3 \* **Section 1. LEGISLATIVE FINDINGS AND INTENT. (a) The legislature finds that**  
4 (1) **access by residents to basic health care services is a natural, essential, and**  
5 **unalienable right that is protected by art. VII, sec. 4, of the Constitution of the State of**  
6 **Alaska;**  
7 (2) **many small employers in the state cannot afford to provide health insurance**  
8 **for their employees;**  
9 (3) **the state can improve the health care services available to employees and**  
10 **other residents of the state who are uninsured or underinsured;**  
11 (4) **many residents under 65 years of age lack access to basic health care**  
12 **services because they are not able to purchase health care insurance at a reasonable price or**  
13 **because they are restricted from purchasing health insurance by the practices of the insurance**  
14 **industry;**



1 without compensation, but are entitled to travel and per diem expenses authorized by  
2 law for state boards and commissions under AS 39.20.180.

3 **Sec. 21.56.030. APPOINTMENT AND POWERS OF EXECUTIVE**  
4 **DIRECTOR.** The board shall appoint an executive director of the authority who serves  
5 at the pleasure of the board and may be removed by the board at any time. The  
6 executive director must have educational qualifications and administrative and other  
7 experience that the board determines to be necessary for the performance of the duties  
8 of executive director. The executive director shall appoint and may remove agents and  
9 subordinate officers that the executive director considers necessary and may establish  
10 divisions and subdivisions within the authority. The position of executive director is  
11 in the exempt service.

12 **Sec. 21.56.040. DEPUTY EXECUTIVE DIRECTOR.** The executive director  
13 shall appoint a person to serve as deputy executive director of the authority. The  
14 deputy executive director shall perform the duties that the executive director  
15 determines and shall, in the case of a vacancy in the office of executive director and  
16 during the executive director's absence or disability, exercise the powers and perform  
17 the duties of that office. The deputy executive director must have educational  
18 qualifications and administrative and other experience that the executive director  
19 determines to be necessary for the performance of the duties of deputy executive  
20 director. The position of deputy executive director is in the exempt service.

21 **Sec. 21.56.050. GENERAL POWERS.** The authority may

- 22 (1) adopt regulations to implement this chapter;  
23 (2) make contracts and execute all instruments necessary or convenient  
24 for carrying out its business;  
25 (3) acquire, own, hold, dispose of, and encumber personal property and  
26 lease real property in the exercise of its powers;  
27 (4) enter into agreements or transactions with a federal, state, or  
28 municipal agency, or other public institution, or with a private individual, partnership,  
29 firm, corporation, association, or other entity;  
30 (5) procure insurance in connection with its duties in the amounts and  
31 from insurers as may be necessary or desirable;

1 (6) provide a health insurance program through the purchase of health  
2 insurance plans from the private sector, including managed health care plans; the  
3 financial assumptions underlying these purchasing arrangements shall be made on an  
4 actuarially sound basis;

5 (7) design and revise a basic schedule of health care services that  
6 enrollees in the health insurance program are entitled to receive, including those  
7 services that are typically included in employer sponsored health benefit plans in the  
8 state; the authority may adopt schedules of covered health care services that differ  
9 from the basic schedule and that apply to specific classes of enrollees;

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

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

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

19 (11) maintain a prudent level of reserve funds to protect the solvency  
20 of the health insurance fund established under AS 21.56.080; and

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

24 Sec. 21.56.060. TYPES OF INSURANCE PLANS. (a) The authority shall  
25 make available health care insurance to all eligible residents who are not covered by  
26 a health insurance plan, a self-insurance plan, or the medical assistance program under  
27 AS 47.07. The authority may not operate as an insurance company but shall make  
28 health insurance plans available to eligible residents of the state through the purchase  
29 of health insurance plans, including managed health care plans, from private health  
30 insurance companies. The authority shall endeavor to purchase health insurance plans  
31 in an economical manner and shall enroll individuals in managed health care plans

1 when practical.

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

11 Sec. 21.56.070. PURCHASE OF INSURANCE. (a) The authority shall

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

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

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

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

30 (5) adopt regulations regarding eligibility criteria, enrollment,  
31 contribution, and termination policies;

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

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

6 (8) establish a schedule of premium contributions, copayments,  
7 deductibles, or coinsurance amounts to be paid by individual enrollees and for group  
8 health insurance purchased by the authority; the schedule must establish a sliding scale  
9 of payments for enrollees based on family income and size and other factors  
10 determined to be appropriate by the authority; the schedule must require enrollees to  
11 pay 100 percent of the premium contributions if their income substantially exceeds the  
12 nonfarm poverty guidelines of the United States Office of Management and Budget;

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

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

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

23 (1) inpatient and outpatient acute hospital services;

24 (2) inpatient and outpatient physician services;

25 (3) diagnostic and screening tests;

26 (4) preventive care;

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

28 (6) medically necessary emergency health services.

29 **Sec. 21.56.075. PREMIUM SUBSIDY.** An employer who elects to participate  
30 in the group health insurance offered by the authority and who in the previous calendar  
31 year had a net business income of less than \$20,000 as verified by federal income tax

1 returns, shall receive a premium subsidy of the employer's contribution equal to the  
2 following:

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

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

7 Sec. 21.56.080. HEALTH INSURANCE FUND. The health insurance fund  
8 is established as a separate account in the general fund. The fund shall be  
9 administered by the authority and used to purchase insurance under AS 21.56.070.  
10 The fund consists of appropriations by the legislature and private grants or  
11 contributions.

12 Sec. 21.56.250. DEFINITIONS. In this chapter,

13 (1) "authority" means the Health Insurance Authority created in  
14 AS 21.56.010;

15 (2) "eligible resident" means a resident who is less than 65 years of age  
16 and whose gross family income at the time of enrollment is less than twice the  
17 nonfarm poverty guidelines of the United States Office of Management and Budget;

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

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

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

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

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

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

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

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

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

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

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

20 (e) The board of directors of the Alaska Railroad Corporation, [AND THE  
21 BOARD OF DIRECTORS OF] the Alaska Aerospace Development Corporation, and  
22 the Health Insurance Authority shall adopt procedures to govern the procurement of  
23 supplies, services, professional services, and construction. The procedures must be  
24 substantially equivalent to the procedures prescribed in this chapter and in regulations  
25 adopted under this chapter.

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

27 (30) contracts of the Health Insurance Authority (AS 21.56).

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

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

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

1 (55) Health Insurance Authority (AS 21.56)

2 \* **Sec. 7. PHASE-IN COVERAGE.** (a) Notwithstanding AS 21.56.060, the Health  
3 Insurance Authority shall, subject to appropriation, establish phase-in coverage for state health  
4 insurance required by this Act on a regional, statewide, or population basis that is designed  
5 to test the relative advantages and disadvantages of providing health insurance, particularly  
6 managed health care plans, to persons lacking health insurance. Phase-in coverage shall be  
7 established through contracts with health insurance companies, hospital service corporations,  
8 medical service corporations, or health maintenance organizations. The authority shall use  
9 phase-in coverage as part of a plan to provide health insurance to the uninsured on an orderly  
10 and gradual basis. Phase-in coverage shall be purchased for a period not to exceed four years;  
11 coverage found by the authority to be an efficient and effective method of providing health  
12 care services to the uninsured may be purchased by the authority on a permanent basis, under  
13 the provisions of AS 21.56.

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

17 \* **Sec. 8. COMMISSION CREATED.** (a) The Commission on Health Insurance Reform  
18 is established to

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

21 (2) recommend improvements to the competitive environment in the health  
22 insurance system;

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

25 (4) study the implications of the provisions of this Act relative to preferred  
26 provider arrangements and relative to the relationship between nonparticipating providers and  
27 hospital and medical service corporations.

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

1 (c) The commission shall make its recommendations to the governor and the  
2 legislature before October 1, 1994, and shall issue a final report before November 15, 1994.

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

6 • **Sec. 10.** Section 8 of this Act is repealed January 1, 1995.

7 • **Sec. 11.** This Act takes effect July 1, 1993.