

SENATE BILL NO. 284

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

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

Introduced: 2/9/94
Referred: HES, L&C, JUD, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing the Alaska Health Insurance Corporation and requiring
2 licensed health care providers to comply with certain statutes and regulations
3 relating to the corporation; relating to disability insurance claims processing and
4 to approval of rates for disability insurance, including health insurance; and
5 providing for an effective date."

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

7 * Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that
8 (1) health care services and health insurance in the state are becoming
9 prohibitively costly, and a growing number of our citizens are unable to obtain health
10 insurance or pay for needed care;
11 (2) the reasons that health care expenditures are increasing are complex and
12 are accounted for by general inflation; by inflation specific to the health care industry or
13 changes in the cost of labor, capital, and other industry factors; by population growth; by

1 utilization or the number of times people use health care services; by increasingly complex
2 and costly technology and other resources; by the aging of the population; and the practice
3 of defensive medicine;

4 (3) the primary responsibility for controlling health care expenditures in the
5 state should be borne by Alaska health care providers, particularly physicians, on whose orders
6 and recommendations most health care expenditures are incurred; at present, federal and state
7 antitrust laws effectively preclude health care providers from engaging in voluntary self-
8 regulation regarding fees and volume of services; this Act mandates the participation by health
9 care providers in the peer review process of cost control and volume control to assure that
10 health care expenditures do not increase faster than the general inflation rate; if voluntary self-
11 regulation fails to control health care costs, mandatory cost controls should be imposed;

12 (4) in order to increase access to health care by containing the rate of increase
13 of health care expenditures and by making basic health insurance available to the people in
14 the state, it is essential that the factors contributing to the increasing costs of health care and
15 the unavailability of health insurance be addressed comprehensively and consistently;

16 (5) there is a compelling need for a strong, clear focus on public health issues
17 in the interest of protecting and promoting the public health of the residents of the state;

18 (6) there are inherent problems in our health system infrastructure, including
19 the lack of physical access to services in many areas of the state;

20 (7) the state should immediately begin to create a system that will provide
21 health insurance to all residents of the state, control health care expenditures, preserve the high
22 quality of care that residents demand, preserve the individual's choice of health care provider,
23 and, by doing so, avoid the imposition of a federally mandated health care reform system on
24 the state;

25 (8) because the state constitution's single subject rule precludes the
26 consideration of comprehensive tort reform in the same legislative enactment as health care
27 reform, tort reform should be addressed in a separate legislative enactment;

28 (9) a market based single payer system is preferable to either an employer
29 mandate or a "pay or play" approach because

30 (A) both of the employer mandate approaches are based on the current
31 mix of public, employer, and individual financing that inevitably creates coverage gaps

1 for some people, particularly when their employment status changes;

2 (B) health care financing approaches that require all businesses to
3 provide health care benefits or that levy additional taxes on those businesses threaten
4 the economic viability of many small businesses in the state;

5 (C) multiple payer systems would not necessarily address the problems
6 of cost shifting that exist in our current system; and

7 (D) systems that are built upon the existing public and private financing
8 arrangements can be expected to inherit the inefficiencies in those arrangements.

9 (b) The purpose of this Act is to

10 (1) increase access to health care by containing the rate of increase of health
11 care expenditures and by making health insurance available to the people in the state;

12 (2) create a market based single payer state health insurance system that
13 provides health insurance to all residents of the state, that utilizes market forces to make
14 consumers more aware of the actual costs of health services, and that provides consumers with
15 information enabling them to make more informed purchasing decisions;

16 (3) provide a structure for addressing the health care needs of the state
17 including

18 (A) developing a comprehensive long-term care plan that integrates
19 support services and that promotes human dignity;

20 (B) use of preventive and wellness programs to reduce health care
21 costs; and

22 (C) the different health care needs of urban and rural areas of the state.

23 (c) It is not the purpose of this Act to change the existing agreements between
24 employers and employees, including retirees, in a manner that would diminish health care
25 benefits.

26 * Sec. 2. AS 08.02 is amended by adding a new section to read:

27 Sec. 08.02.025. COMPLIANCE WITH REQUIREMENTS OF STATE
28 HEALTH INSURANCE CORPORATION. A health care provider shall comply with
29 the required price list availability provisions of AS 21.58.230 and the health care data
30 system provisions of AS 21.58.260 that are applicable to health care providers
31 including regulations adopted by the Alaska Health Insurance Corporation under those

1 provisions. Notwithstanding another provision of law, the license of a health care
2 provider is not valid unless the health care provider complies with this section. In this
3 section, "health care provider" has the meaning given in AS 21.58.400.

4 * Sec. 3. AS 21.39.020 is amended to read:

5 Sec. 21.39.020. APPLICABILITY. (a) This chapter applies to disability
6 insurance, to all forms of casualty insurance, including fidelity, surety, and guaranty
7 bonds, to all forms of fire, marine, and inland marine insurance, and to a combination
8 of any of them, or risks or operations in this state. Inland marine insurance includes
9 insurance defined by statute, or by interpretation of statute, or if not defined or
10 interpreted, by ruling of the director, or as established by general custom of the
11 business, as inland marine insurance.

12 (b) This chapter does not apply to

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

15 (2) [DISABILITY INSURANCE;

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

19 (3) [(4)] insurance against loss of or damage to aircraft or against
20 liability, other than workers' compensation and employer's liability, arising out of the
21 ownership, maintenance, or use of aircraft; or, to insurance of hulls of aircraft,
22 including their accessories and equipment.

23 * Sec. 4. AS 21.39.030(a) is amended to read:

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

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

27 (2) consideration shall be given to past and prospective loss experience
28 inside and outside this state, to the conflagration and catastrophe hazards, to a
29 reasonable margin for underwriting profit and contingencies, to dividends, savings, or
30 unabsorbed premium deposits allowed or returned by insurers to their policyholders,
31 members, or subscribers, to past and prospective expenses both countrywide and those

1 specially applicable to this state, and to all other relevant factors inside and outside this
2 state;

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

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

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

18 (6) when there is an established program to inspect new and existing
19 dwellings and the program has been certified by the director as likely to reduce the
20 incidence of fires in inspected dwellings, then in any rate plan used in this state,
21 dwellings that have been found by the inspection to meet the standards established by
22 the program shall have credits applied to the rate in amounts approved by the director;

23 (7) in the case of disability insurance rates, rates shall be made on
24 a statewide basis; rates may vary depending on age and family status.

25 * Sec. 5. AS 21.54 is amended by adding a new section to read:

26 Sec. 21.54.025. CLAIMS PROCESSING. (a) An insurer authorized to
27 transact disability insurance in the state shall

28 (1) pay each claim within 15 business days after a claim is received or,
29 within that same time period, give the person that submitted the claim notice that the
30 claim is denied; and

31 (2) adopt a claims grievance procedure and submit the procedure to the

1 division for approval; after the procedure has been approved, the insurer shall follow
2 the procedure.

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

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

12 * Sec. 6. AS 21 is amended by adding a new chapter to read:

13 CHAPTER 58. ALASKA HEALTH INSURANCE CORPORATION.

14 Sec. 21.58.010. 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 purposes of the corporation are to establish and provide uniform health
21 insurance coverage for all residents of the state and to monitor and control all health
22 care expenditures in the state.

23 Sec. 21.58.020. BOARD OF DIRECTORS. The corporation is managed by
24 a board of seven directors.

25 Sec. 21.58.030. APPOINTMENT AND REMOVAL OF DIRECTORS. (a)
26 The directors of the corporation are appointed by the governor, subject to confirmation
27 by the legislature. A director may be removed only for good cause.

28 (b) In appointing directors to the board, the governor shall ensure that
29 (1) a majority of the board are experts in health care issues and fairly
30 represent the interests of the general public in having access to quality and affordable
31 health care;

- 1 (2) the interests of consumers and health care providers are fairly
2 represented;
- 3 (3) the director is a resident of the state; and
- 4 (4) the board has a gender and geographic composition that
5 approximates the population of the state.

6 Sec. 21.58.040. TERM OF SERVICE. The term of a director is four years.
7 Terms of directors shall be staggered. A director may be appointed to successive
8 terms. A director appointed to fill a vacancy serves for the unexpired term of the
9 director. A term shall be measured from January 1 of the year in which the term of
10 the vacant position begins, regardless of when the vacancy is filled.

11 Sec. 21.58.050. COMPENSATION AND EXPENSES. A director is entitled
12 to receive compensation at the rate of \$400 for each day spent in performing duties
13 as a board member and to travel and per diem expenses authorized by law for boards
14 and commissions under AS 39.20.180.

15 Sec. 21.58.060. OFFICERS. At the first meeting of each year, the board of
16 the corporation shall elect a chair and a vice-chair from among its members. The
17 corporation shall prescribe their duties by regulation.

18 Sec. 21.58.070. MEETINGS AND QUORUM. The board of the corporation
19 shall meet at least once every three months. Four members of the board constitute a
20 quorum for the transaction of business and the exercise of the powers and duties of the
21 corporation.

22 Sec. 21.58.080. ADMINISTRATIVE PROCEDURE. Actions of the
23 corporation under this chapter are subject to AS 44.62 (Administrative Procedure Act).

24 Sec. 21.58.090. STAFF AND PROFESSIONAL SERVICES CONTRACTS.
25 The corporation shall employ an executive director who serves at the pleasure of the
26 corporation as its chief administrative officer. The executive director may, with the
27 approval of the corporation, select and employ additional staff as necessary. The
28 executive director is in the exempt service under AS 39.25.110. Employees of the
29 corporation other than the executive director are in the classified service under
30 AS 39.25.100. In addition to its staff of regular employees, the corporation may
31 contract for the services of consultants and professional, technical, and financial

1 advisors the corporation considers necessary for the purpose of developing information,
2 conducting hearings, studies, investigations, or other proceedings, or otherwise
3 exercising its powers.

4 Sec. 21.58.100. GENERAL POWERS. The corporation may

5 (1) exercise the powers granted to insurers under the laws of the state
6 when allowed under AS 21.58.130(c); if the corporation acts as an insurer, the
7 corporation shall comply with the requirements applicable to insurers under this title;

8 (2) sue or be sued;

9 (3) make contracts and execute all instruments necessary or convenient
10 for carrying out its business;

11 (4) establish administrative or accounting procedures;

12 (5) acquire, own, hold, dispose of, and encumber personal property and
13 lease real property in the exercise of its powers;

14 (6) establish appropriate levels of reserves to cover expenses of the
15 corporation;

16 (7) perform all other acts necessary and proper to carry out the duties
17 of the corporation.

18 Sec. 21.58.110. DUTIES. The corporation shall

19 (1) adopt regulations to implement this chapter;

20 (2) create and implement the formal public involvement process
21 required under AS 21.58.320, for the purpose of gathering broad input on the state
22 health insurance plan, options for financing the cost of coverage, cost-sharing of the
23 health insurance plan, and the cost of plan administration;

24 (3) establish the comprehensive health care data system required under
25 AS 21.58.260;

26 (4) create and implement a uniform claims form;

27 (5) develop and update the public health improvement plan for the state
28 required under AS 21.58.310;

29 (6) establish the claims clearinghouse required under AS 21.58.220;

30 (7) develop a benefits package of health care services that enrollees in
31 the state health insurance plan are entitled to receive and determine the eligibility

1 requirements for enrollment;

2 (8) annually determine the appropriate fee to be paid by an enrollee,
3 after considering the enrollee's income, assets, financial obligations, or other criteria,
4 as determined by the corporation;

5 (9) define acceptable reasons for denial of claims under the state health
6 insurance plan;

7 (10) at least annually, review the health care benefits package and
8 revise it as determined by the corporation, taking into consideration the health needs
9 of the state, available funding, and other relevant factors as determined by the
10 corporation;

11 (11) establish the cost control system required under AS 21.58.180,
12 21.58.230, 21.58.250, 21.58.270, 21.58.290, and 21.58.330, and the voluntary cost
13 control system required under AS 21.58.240 and 21.58.280;

14 (12) periodically review options to finance the state health insurance
15 plan and present options to the legislature;

16 (13) with funds from the state health fund, provide or procure coverage
17 required under the state health insurance plan; as provided under AS 21.58.130, the
18 corporation may act as an insurer or procure coverage from one or more companies
19 licensed to transact health insurance in the state for all persons who are eligible to be
20 enrollees of the state health insurance plan;

21 (14) pursue necessary federal waivers from applicable federal law or
22 other federal health care payers in order to incorporate both claims data and revenue
23 streams into the corporation's data system and additional revenue into the state health
24 insurance fund;

25 (15) implement the state health insurance plan as a market based single
26 payer system;

27 (16) design a program to give incentives to primary care providers to
28 practice in the state, especially in rural and under served areas of the state; incentives
29 may include added premiums on prices for primary care providers, a student loan
30 forgiveness program, an in-state family practice residency program, training and
31 rotations for midlevel practitioners, and other appropriate incentives;

1 (17) impose a mandatory cost control system in part or overall if the
2 corporation determines that the voluntary cost control system described under
3 AS 21.58.280 has failed to substantially achieve the adopted expenditure target;

4 (18) establish committees of experts and others as needed to make
5 recommendations to the corporation regarding how to contain the cost of health care,
6 including incorporating a greater emphasis on healthful lifestyles, prevention of disease
7 and injury, promoting effective medical treatments, identifying the optimal provider
8 mix within the state, or other matters determined by the corporation;

9 (19) develop a plan that comprehensively addresses the needs of
10 residents of the state for long-term care; and

11 (20) hold public meetings and annually report to enrollees, the
12 governor, and the legislature.

13 Sec. 21.58.120. HEALTH INSURANCE FUND. The state health insurance
14 fund is established as a separate account in the general fund. The fund shall be
15 administered by the corporation and used to provide or to purchase insurance under
16 AS 21.58.110 or 21.58.130. The fund consists of appropriations by the legislature,
17 individual or employer contributions, and private or government grants.

18 Sec. 21.58.130. PROCUREMENT OR PROVISION OF INSURANCE. (a)
19 The corporation shall

20 (1) solicit proposals from insurance companies that are licensed to
21 transact health insurance in the state under the procurement procedures adopted by the
22 corporation under AS 36.30.015(e); and

23 (2) if the corporation does not act as an insurer as provided under (c)
24 of this section, select one or more companies with which it will contract to provide
25 insurance, after considering the cost of the insurance, the availability from the
26 company of program features directed at reducing the cost of providing health care
27 services, and other relevant factors as determined by the corporation.

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

31 (c) If, after the proposal process under (a) of this section has been completed,

1 the corporation determines that the desired coverage or benefits are not available from
2 insurers licensed in this state or the corporation can provide the desired coverage and
3 benefits at a lower cost per eligible person, the corporation may act as an insurer.

4 Sec. 21.58.140. ENROLLEES. (a) A person is eligible to be an enrollee in
5 the state health insurance plan under this chapter in a given year if the person is a
6 resident of the state and has complied with the procedures established by the
7 corporation under (d) of this section. For purposes of enrollment, the corporation shall
8 by regulation define residency in a manner that is consistent with AS 01.10.055 and
9 with this chapter.

10 (b) A person who is eligible to be an enrollee shall be enrolled by the
11 corporation in the state health insurance plan.

12 (c) The corporation shall cancel an enrollee's coverage if, during the fiscal
13 year, the enrollee becomes ineligible to be an enrollee.

14 (d) The corporation shall establish by regulation appropriate procedures for
15 processing applications for enrollment, for determining the eligibility of enrollees, for
16 enrolling enrollees, for determining and collecting the applicable fees, for canceling
17 an enrollee's coverage, and for processing appeals by enrollees of adverse decisions
18 by the corporation regarding eligibility, enrollment, determination or collection of
19 applicable fees, or cancellation of coverage.

20 Sec. 21.58.150. DISCRIMINATION AGAINST ENROLLEES PROHIBITED.
21 A health care provider may not discriminate against an enrollee with respect to the
22 availability, cost, or quality of health care services wholly or in part on the basis of
23 the person's status as an enrollee.

24 Sec. 21.58.160. CONFIDENTIALITY OF ENROLLEE INFORMATION.
25 Medical and financial information regarding applicants or current or former enrollees
26 is confidential and is not subject to public disclosure. The corporation by regulation
27 may establish reasonable standards for the release of limited information in specified
28 circumstances, including the release of reasonably necessary information to insurance
29 companies and the release of information with the written authorization of the
30 applicant or enrollee.

31 Sec. 21.58.170. HEALTH INSURANCE PLAN. (a) The corporation shall

1 adopt regulations specifying the health care services required to be covered by the state
2 health insurance plan, taking into consideration the services requested by the public,
3 the needs and characteristics unique to state residents, the goal of prevention of illness
4 and promotion of wellness, the cost of providing the benefits package, the cost of
5 providing or procuring the insurance coverage, and the funds available in the state
6 health insurance fund.

7 (b) The corporation shall conduct a comprehensive public involvement process
8 designed to solicit information and opinions regarding the services required to be
9 covered under (a) of this section.

10 Sec. 21.58.180. DEDUCTIBLES AND COPAYMENTS. Subject to
11 AS 21.58.170, the corporation shall establish the deductible and copayment amounts
12 applicable under the state health insurance plan.

13 Sec. 21.58.190. PREMIUMS. A premium may be charged to an enrollee for
14 coverage as established by the corporation by regulation. In establishing a premium,
15 the corporation shall establish a standard fee and a sliding scale fee and shall consider
16 the cost of coverage, funding available, and other factors the corporation determines
17 are relevant.

18 Sec. 21.58.200. PROHIBITED DISCRIMINATION BETWEEN HEALTH
19 CARE PROVIDERS. The corporation may not discriminate between health care
20 providers who are licensed to perform a covered health care service unless the type of
21 health care service provided is not included under the state health insurance plan.

22 Sec. 21.58.210. SOLICITATION OF ELIGIBLE PERSONS. (a) The
23 corporation, under a plan approved by the director, shall disseminate appropriate
24 information to the residents of the state regarding the existence of the state health
25 insurance plan and the means of enrollment.

26 (b) The corporation shall devise and implement a means of maintaining public
27 awareness of the provisions of this chapter regarding the state health insurance plan
28 and shall administer this chapter in a manner that facilitates public participation in the
29 state health insurance plan.

30 Sec. 21.58.220. CLAIMS CLEARINGHOUSE. (a) The corporation shall
31 establish a claims clearinghouse in the state. A provider of health care services shall

1 submit all claims for payment under the state health insurance plan to the claims
2 clearinghouse. The corporation may, by regulation, require providers to submit
3 specified additional information pertaining to providing health care services in the state
4 to the claims clearinghouse.

5 (b) Subject to appropriation, the claims clearinghouse shall pay claims
6 approved for payment by the corporation under the state health insurance plan.

7 (c) The claims clearinghouse shall comply with the provisions of
8 AS 21.54.025, except that the claims grievance procedure required by
9 AS 21.54.025(a)(2) shall be submitted to the board of directors of the corporation for
10 approval.

11 (d) The claims clearinghouse may deny a claim only for a reason that has been
12 specified as an acceptable reason by the corporation under AS 21.58.110(9).

13 Sec. 21.58.230. REQUIRED AVAILABILITY OF PRICE LIST. (a) A health
14 care provider shall prepare a list of the provider's prices that includes the dates during
15 which the prices will be applicable. The price list shall be made available either by
16 posting the price list in a conspicuous location in the health care provider's office or
17 by similarly posting a notice that the price list is available for review upon request.
18 The corporation shall determine by regulation the contents of the price list required
19 under this section.

20 (b) At least annually, a health care provider shall submit to the corporation
21 copies of the provider's current price list. The corporation shall specify by regulation
22 the date for submitting the price lists.

23 Sec. 21.58.240. INFORMATION ON PRICES FOR HEALTH CARE
24 SERVICES. The corporation shall at least annually publish a description of types of
25 health care providers licensed to provide covered services and a comparative list of
26 provider prices. The corporation shall make the publications available to the public
27 upon request.

28 Sec. 21.58.250. COMPARATIVE LISTS OF PRICES. (a) At least annually,
29 the corporation shall compile comparative lists of prices for commonly provided health
30 care services based on abstracted data provided by the claims clearinghouse under
31 AS 21.58.220, on the price lists submitted to the corporation under AS 21.58.230, and

1 on other relevant information as determined by the corporation.

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

5 Sec. 21.58.260. HEALTH CARE DATA SYSTEM. (a) The corporation shall
6 develop and periodically update a health care data system. To the extent practicable,
7 the data system base year shall be calendar year 1993 and the system must include

8 (1) health care expenditures, including capital expenditures associated
9 with receiving health care;

10 (2) demographic data;

11 (3) clinical information, including patient diagnosis, type of provider,
12 type of service, location and length of care, referral patterns, quality of care, and result
13 of care;

14 (4) billing and payment data; and

15 (5) public health data, including vital statistics and health status.

16 (b) The corporation may, by regulation, require health care providers, including
17 providers not being reimbursed by the corporation, to submit claims data and
18 additional information necessary to develop or update the data system required under
19 (a) of this section.

20 Sec. 21.58.270. STATEWIDE HEALTH CARE EXPENDITURE TARGET.

21 (a) The corporation shall prescribe by regulation a statewide health care expenditure
22 target, based on the data obtained under AS 21.58.260. To the extent practicable, the
23 base year for the statewide health care expenditure target shall be calendar year 1993.

24 (b) The corporation annually shall adjust the health care expenditure target
25 established under this section to reflect changes in the Consumer Price Index and the
26 following factors:

27 (1) changes in the size and demographic characteristics of the state's
28 population including aging;

29 (2) changes in medical technology;

30 (3) changes that improve access to health care services;

31 (4) changes in the burden of disease resulting from epidemics, disasters,

1 and reduction or elimination of disease;

2 (5) elimination of unnecessary care;

3 (6) changes in costs associated with professional liability insurance;

4 (7) changes in administrative costs;

5 (8) changes in patterns of utilization.

6 Sec. 21.58.280. VOLUNTARY HEALTH CARE PROVIDER COMPLIANCE.

7 The health care expenditure target adopted by the corporation under AS 21.58.270
8 shall constitute a recommended target for expenditures within each specified category
9 or subcategory of health care services or products. Health care providers may
10 voluntarily comply with the expenditure target and may take all appropriate steps not
11 prohibited by law to attempt to ensure that annual expenditures for health care in the
12 state do not exceed the expenditure target adopted by the corporation.

13 Sec. 21.58.290. REVIEW AND REPORT ON HEALTH CARE
14 EXPENDITURES. The corporation shall annually review and report to the legislature
15 and the governor on

16 (1) the total amount of health care expenditures in the state;

17 (2) the amount of increase or decrease in health care and capital
18 medical expenditures in the state;

19 (3) changes in health care provider prices;

20 (4) changes in patterns of utilization or expenditures; and

21 (5) factors that are responsible for changes in patterns of utilization or
22 expenditures.

23 Sec. 21.58.300. MANDATORY HEALTH CARE PROVIDER COMPLIANCE.

24 (a) Based on the data compiled under AS 21.58.260, the corporation shall monitor the
25 success of voluntary compliance under AS 21.58.280. At any time beginning three
26 years after the voluntary expenditure target has been in effect, if the corporation
27 concludes that voluntary compliance has failed substantially to achieve the adopted
28 expenditure target, the corporation shall impose by regulation a mandatory expenditure
29 limit as provided under (b) of this section.

30 (b) The corporation may, by regulation,

31 (1) impose a mandatory expenditure limit on one or more subcategories

1 or on specific items within the expenditure limit;

2 (2) directly assume all or part of the cost control functions specified
3 under AS 21.58.110(11);

4 (3) establish mandatory price and utilization controls or guidelines;

5 (4) annually monitor health care expenditures, patterns of utilization,
6 and factors contributing to changes in expenditures or utilization;

7 (5) establish cost sharing recommendations relevant to the mandatory
8 expenditure limit.

9 (c) A health care provider shall comply with the mandatory cost control
10 provisions that may be established by the corporation under (a) and (b) of this section.
11 An enrollee who receives a charge that does not comply with the mandatory cost
12 control provisions that are imposed under this section is not required to pay the portion
13 of the charge that exceeds the mandatory cost control provisions. A health care
14 provider shall refund an amount received that exceeds the mandatory cost control
15 provisions.

16 (d) The corporation shall establish by regulation procedures for monitoring
17 compliance with the mandatory cost control provisions and for providing notice to a
18 person who is determined to have been overcharged.

19 Sec. 21.58.310. PUBLIC HEALTH IMPROVEMENT PLAN. (a) The
20 corporation shall develop and annually update a public health improvement plan for
21 the state. The plan required under this section must recognize the need for

22 (1) community involvement in health care planning and delivery;

23 (2) attention to local needs that may vary from place to place;

24 (3) accountability for the use of public funds;

25 (4) equity and stability in the distribution of public funds;

26 (5) shared responsibility of all levels of government for administering
27 and financing public health care delivery; and

28 (6) coordination of basic public health services.

29 (b) The plan required under this section must include

30 (1) an analysis of the health status of the residents of the state;

31 (2) an assessment of the most appropriate role for various levels of

1 government to play in addressing the health care needs of the residents of the state;

2 (3) a delineation of the standards that should be used in performing
3 assessment, policy development, and quality assurance in the delivery of public health
4 services;

5 (4) documentation of the extent to which the current public health
6 system implements or achieves the standards identified under (3) of this subsection;

7 (5) identification of interjurisdictional issues involved in health care
8 access and delivery;

9 (6) recommendations, including recommendations for specific
10 legislative action when necessary, pertaining to the following:

11 (A) strategies, time lines, financial needs, and specific sources
12 of stable revenue for bringing the state public health care system up to
13 standards identified by the corporation;

14 (B) appropriate sharing of the responsibility of local, regional,
15 state, and federal government entities to deliver public health care services
16 efficiently and effectively, including recommendations for organization within
17 state government;

18 (C) integration of the public health care system with state and
19 national health care reform efforts;

20 (D) the corporation's estimate of the optimal share that public
21 health should represent in the total health care delivery system of the state,
22 expressed in terms of a percentage of health care expenditures in the state.

23 Sec. 21.58.320. **REQUIRED PUBLIC INVOLVEMENT PROCESS.** The
24 corporation shall design, implement, and maintain an extensive community based
25 public involvement process for the purpose of providing residents with an ongoing
26 opportunity to participate in decisions made by the corporation's board of directors
27 regarding

28 (1) health care services residents want included in the benefit package;

29 (2) financing options;

30 (3) revenue sources that should be used to finance the health plan;

31 (4) cost-sharing options; and

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(5) administration of the health care plan.

Sec. 21.58.330. PEER REVIEW OF UTILIZATION AND QUALITY. The corporation shall contract with health care providers in the state to develop utilization and quality controls. The contract must include the use of peer specialty groups that are given the goal of controlling utilization within a specialty. The corporation shall ensure that the contract stresses the development of the use of incentives to control costs.

Sec. 21.58.400. DEFINITIONS. In this chapter,

(1) "clearinghouse" means the claims clearinghouse designated by the corporation under AS 21.58.220;

(2) "Consumer Price Index" means the Consumer Price Index for Anchorage, All Items Index, compiled by the Bureau of Labor Statistics, United States Department of Labor;

(3) "corporation" means the Alaska Health Insurance Corporation established in AS 21.58.010;

(4) "enrollee" means a person whose application for coverage under the state health insurance plan has been accepted by the corporation, who has completed applicable enrollment procedures, who is covered by insurance under the program;

(5) "health care provider" means an acupuncturist licensed under AS 08.06; an audiologist licensed under AS 08.11; a chiropractor licensed under AS 08.20; a dental hygienist licensed under AS 08.32; a dentist licensed under AS 08.36; a nurse licensed under AS 08.68; a dispensing optician licensed under AS 08.71; a naturopath licensed under AS 08.45; an optometrist licensed under AS 08.72; a pharmacist licensed under AS 08.80; a physical therapist or occupational therapist licensed under AS 08.84; a physician licensed under AS 08.64; a podiatrist; a psychologist and a psychological associate licensed under AS 08.86; a hospital as defined in AS 18.20.130, including a governmentally owned or operated hospital; and an employee of a health care provider acting within the course and scope of employment;

(6) "health care services" means preventive, diagnostic, medical, surgical, reproductive, psychiatric, psychologic, rehabilitative, health maintenance,

1 dental, podiatric, optometric, optical, audiologic, nutritive, and chiropractic care;
2 prescription drugs, laboratory and radiologic services, medical supplies, durable
3 medical equipment and devices; personal assistance services; inpatient and outpatient
4 care; home health care; hospice care; and long-term or institutional care;

5 (7) "health insurance" means an individual or group contract or other
6 plan providing coverage of health care services that is issued by the corporation or by
7 a health insurance company, a hospital service corporation, a medical service
8 corporation, or a health maintenance organization; "health insurance" includes disability
9 insurance under AS 21.12.050;

10 (8) "health insurance company" means an insurer that is authorized to
11 transact health insurance;

12 (9) "market based single payer system" means a system in which a
13 single entity provides health insurance to all residents of the state and the insurance
14 is based on market forces, including provider defined fees, defined patient copayments,
15 sliding scale copayments for the indigent, provider fees that are posted or made
16 otherwise available at the point of services, published or disseminated fees in
17 comparative lists that allow fee comparison by consumers, voluntary expenditure
18 targets, provider peer review and control of volume, utilization, and quality of health
19 services, and a regularly published description of the various types of providers
20 licensed to provide services in the benefit package;

21 (10) "state health insurance fund" is the fund established in
22 AS 21.58.120.

23 * Sec. 7. AS 24.20.206 is amended to read:

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

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

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

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

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

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

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

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

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

22 (9) provide assistance to the trustees of the trust established in
23 AS 37.14.400 - 37.14.450 in carrying out their duties under AS 37.14.415;

24 (10) provide for an annual post audit and annual operational and
25 performance evaluation of the Alaska Health Insurance Corporation.

26 * Sec. 8. AS 36.30.015(e) is amended to read:

27 (e) The board of directors of the Alaska Railroad Corporation, [AND] the
28 board of directors of the Alaska Aerospace Development Corporation, and the board
29 of directors of the Alaska Health Insurance Corporation shall adopt procedures to
30 govern the procurement of supplies, services, professional services, and construction.

31 The procedures must be substantially equivalent to the procedures prescribed in this

1 chapter and in regulations adopted under this chapter.

2 * Sec. 9. AS 37.07.030 is amended to read:

3 Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The
4 legislature shall

5 (1) provide for a budget review function;

6 (2) analyze the comprehensive operating and capital improvements
7 programs and financial plans recommended by the governor;

8 (3) adopt legislation to authorize implementation of the governor's
9 comprehensive operating and capital improvements programs and financial plans or
10 appropriate alternatives to those plans;

11 (4) provide for a post-audit function to cover financial transactions,
12 program accomplishment, and compliance with legislative intent;

13 (5) adopt or revise the estimate of receipts required to balance the
14 succeeding fiscal year's budget in order that proposed expenditures do not exceed
15 estimated receipts for that fiscal year;

16 (6) adopt, revise, or initiate revenue measures in order to balance the
17 succeeding fiscal year's budget and the capital improvements section of the budget for
18 the succeeding six years;

19 (7) appropriate funds for the operation of the Alaska Health
20 Insurance Corporation.

21 * Sec. 10. AS 39.25.110 is amended by adding a new paragraph to read:

22 (30) the executive director of the Alaska Health Insurance Corporation.

23 * Sec. 11. AS 44.62.330(a) is amended by adding a new paragraph to read:

24 (59) Alaska Health Insurance Corporation.

25 * Sec. 12. PHASED TRANSITION PERIOD. Notwithstanding the provisions of AS 21.58,
26 the Alaska Health Insurance Corporation shall implement the provisions of AS 21.58 on an
27 orderly and gradual basis as follows:

28 (1) by December 31, 1994, the corporation shall begin to implement the public
29 involvement process required under AS 21.58.320, establish the data system required under
30 AS 21.58.260 and begin collecting data, begin the first public health improvement plan
31 required under AS 21.58.310, determine the federal waivers necessary to implement AS 21.58,

1 and begin to develop incentives to attract health care providers required under
2 AS 21.58.110(16);

3 (2) by June 31, 1995, the corporation shall complete the uniform claims form
4 required under AS 21.58.110(4);

5 (3) by December 31, 1995, the corporation shall establish the claims
6 clearinghouse required under AS 21.58.220, determine the health care services required under
7 AS 21.58.170, begin monitoring health care expenditures and utilization patterns, and begin
8 collecting fee information required under AS 21.58.230;

9 (4) by January 1, 1996, the corporation shall implement the peer review system
10 for utilization and quality required under AS 21.58.330 and shall adopt regulations that
11 establish eligibility criteria for enrollment in the state health insurance plan, including a
12 definition of the term "resident" that is consistent with AS 01.10.055 and the purposes of this
13 Act;

14 (5) by December 31, 1996, the corporation shall establish the voluntary cost
15 control system required under AS 21.58.280;

16 (6) by January 1, 1997, the corporation shall develop a long-term health care
17 plan required under AS 21.58.110(19), and establish the deductible and copayment amounts
18 required under AS 21.58.180 and present options to the governor and the legislature on how
19 to finance a state health insurance plan under a market based single payer system; in
20 considering options on financing a state health insurance plan the corporation shall strive to
21 structure the options in a manner that provides protection for benefits provided to retired
22 employees through public or private retirement systems;

23 (7) by January 1, 1998, the corporation shall establish the statewide health care
24 expenditure target required under AS 21.58.270, and, subject to appropriation, begin to provide
25 health insurance coverage for state residents as required under AS 21.58.

26 * Sec. 13. Notwithstanding AS 21.58.270(b), enacted in sec. 6 of this Act, the corporation
27 shall increase the health care expenditure target by the following percentages of the target
28 established under AS 21.58.270:

29 (1) in 1998, 1.5 percent;

30 (2) in 1999, 1.0 percent; and

31 (3) in 2000, 0.5 percent.

1 * Sec. 14. This Act takes effect July 1, 1994.