

HB 792

"An Act relating to required benefits in individual, group, and blanket disability insurance policies."

COMMITTEE REPORT

HOUSE

2/17/76

Mr. Speaker:

Date 4/15/76

The Committee on COMMERCE has had HB 792

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

(X) recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

S. Roddy - No Pass _____

Joe McKinnon _____

Members NOT concurring in the Majority report:

Freeman recommends: No Pass

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

S. Roddy Chairman

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99801

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 19, 1976

SUBJECT: Changes made by Legislative Affairs Agency Staff
to CS HB 792

TO: House Commerce Committee

FROM: Joe Guthrie, Staff Attorney

Substantial Changes

The most substantial change was effected to Section 3 of the bill. The version of CS HB 792 approved by the committee reads as follows: (page 2, lines 24-29) "A medical or hospital service corporation which offers for sale contracts in the state which provide for a definite or determinable payment intended to recompense a person for costs that a person incurs should that person receive hospital services for more than seven consecutive days or which indemnifies a person against costs so incurred must also offer to its holders of such policies in the state the option to purchase at an additional premium supplemental benefits which provide payment for..." I understand the intent of the sponsor of this bill was to require entities which offer hospital services to also offer the consumer less costly alternatives to hospital care, i.e., nursing homes, etc. A hospital service corporation may offer its subscribers hospital services directly, under AS 21.87.130 in addition to indemnifying the subscriber against hospital costs incurred by the subscriber utilizing hospitals which have not entered into a hospital service agreement with the hospital service corporation (see AS 21.87.130(2)). The language of the version of the bill approved by the committee could be construed as requiring service corporations offering the services enumerated in AS 21.87.120(3) (indemnity for hospital services while under the care of a medical service corporation physician) and also under AS 21.87.130(2) (indemnity for hospital services provided the subscriber in non-participant hospitals) to also offer less costly alternatives to hospital care, but the language would seem to preclude an interpretation that hospital service corporations which only provide hospital services to subscribers through participant hospitals be required to offer the consumer less costly alternatives to hospital care.

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Due to the aforementioned problems, the bill as rewritten makes specific reference to the powers of the service corporations to provide or indemnify the provision of hospital services (AS 21.87.120(3) and AS 21.87.130(1) and (2)) and specifies that when those powers are exercised, the service corporation must offer less costly alternatives of hospital care to the consumer. Section 4 adds to the powers of the service corporations the power to indemnify the consumer against costs incurred by the receipt of less costly alternatives to hospital care, specified in Section 135(a)(1) and (2) in the bill.

Non-substantial Changes

The following changes were made in the interest of form and clarity. It is not thought that they are of a substantial nature. Lines 13 through 21 on page 1 are deleted for the reason that they would have no effect in the real world. The title is changed in line 23 on page 1 and line 24 on page 2 to read REQUIRED OFFERINGS, since the bill is not requiring that certain benefits be furnished to consumers if any benefits at all are to be furnished to consumers. On lines 5 and 10, page 2, and on lines 6 and 11 on page 3, "and if the services are in response to the same illness or injury which cause the confinement in the hospital" is substituted for "for the same condition" in the interests of clarity. On page 1, line 25, the words "recompense a person for" has been removed and "pay" substituted in the interests of clarity.

JG:smh

cc: Terry Burman

Brian - you

MEMORANDUM

February 27, 1976

SUBJECT: Analysis of HB 792 (W.O. #1691)

TO: Honorable Kathryn Ostrosky

FROM: Brian Saylor
Research Analyst
(Dictated but not read)

The Long Term Care Task Force recommended that health insurance contracts written within the state should offer coverage for less costly alternatives to institutional health care. Mentioned within the recommendation were home health care and outpatient long term care services (see LTC recommendation #15.). This concept is called "progressive patient care" in the literature. If, for example, a patient no longer requires the intensity of care offered in an acute care institution, skilled nursing services might be both more appropriate and less costly. (The cost of one acute care patient day is about \$130 while the cost per day of skilled care is approximately half that amount.) Similar savings could be realized by offering home health care as a substitute for skilled nursing care. The progressive patient care concept can be seen graphically in Figure 1.

HB 792 attempts to address this problem. The bill requires most health insurance carriers within the state to offer a variety of benefits to policy holders which would allow reimbursement for services other than those provided by an institution. Medical service corporations and hospital service corporations such as Blue Cross and Blue Shield, were omitted, probably by oversight.

Section 1 requires that all companies writing disability policies include less costly alternatives to hospital care in the benefit package. Section 2 does the same with group policies. Under the bill as now written, no company would be able to offer anything less than a comprehensive benefit package to subscribers.

This requirement is not acceptable to either the director of Insurance or the representative for the Life Insurance Association (LIAA). Both can suggest a better approach would be to require companies to offer the coverage to those who want to buy it, but not make such comprehensive

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benefits a mandatory component of every policy sold in the state. This position is taken for two reasons:

1. the cost of the policy might become prohibitively high and may have the effect of driving some insurance companies out of the state.
2. a mandatory benefit package does not allow for individual freedom of choice in purchasing policies.

Language which would be close to accomplishing the intended objective of encouraging progressive patient care might be:

Section 21.51.335. REQUIRED BENEFITS. (a) A disability insurance carrier which offers for sale policies within the state which provide for a definite payment to recompense a person for costs incurred should that person be hospitalized for more than seven consecutive days or which indemnified a person against costs so incurred must also offer for sale within that state insurance favorable to the person insured which recompense or indemnify that person against costs incurred by less costly alternatives to care in a hospital, skilled nursing home, or other type of health care facility, including outpatient long-term care services and home care services.

The language for Section 2 addressing group policies would be similar.

It was noted that the definitions section also needs some work to separate out the various types of facilities and services required of health insurance policies. The specific language is currently being considered by the LIAA representative.

An additional consideration suggested by the LIAA representative was the requirement for admitting physicians to place patients in less costly types of health care whenever medically appropriate. He said that it would be a very tricky piece of drafting.

The suggestion was also made to include hospital and medical service corporations (AS 21.87.) in this bill.

More information regarding the actuarial data and suggested substitute language are being developed by the LIAA representative and the director of insurance:

Mr. Mike Thomas, Attorney
Representative for LIAA
586-3340

Mr. Richard Block
Director of Insurance
465-2515

There should be more information on this soon. As it becomes available I'll pass it on to you.

BS:jm
Attachment