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STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

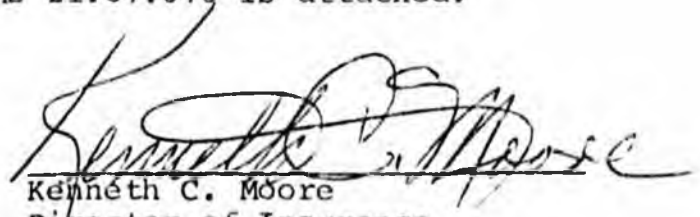
LEGISLATIVE POSITION PAPER
SB 656
April 1, 1982


The Department of Commerce and Economic Development is opposed to SB 656.

We view the proposed change in law as anticompetitive and will likely prevent new entrants. AS 21.87.070 provides that the Director of Insurance may not issue or permit to exist a certificate of authority for a medical service corporation or a hospital service corporation which does not meet the qualifications contained in the section. When the current language in 070(4) is read in context with the entire section it is reasonable and adequate.

Under the present language, the Director has the flexibility to determine an appropriate percentage for the particular operation depending on the needs of the subscribers in the particular locale. By turning to a fixed percentage we make the assumption that the needs of all locations in the state are identical. We do not subscribe to that assumption. The fixed percentage could conceivably result in the involuntary dissolution of an otherwise viable corporation.

The proposal would reduce the flexibility the Director now has in considering the operation of a medical service corporation. It would suggest a kind of monitoring not now used and not needed. The Director needs to be concerned with the quality of a particular operation not be involved in a number counting situation. A copy of the complete AS 21.87.070 is attached.


Kenneth C. Moore
Director of Insurance


Edward W. Eboch
Deputy Commissioner

Sec. 21.87.070. Qualifications for certificate of authority. The director may not issue or permit to exist a certificate of authority to be or act as a service corporation to a corporation which does not fulfill the following qualifications:

(1) it must be incorporated as provided in § 50 of this chapter, as either a medical service corporation, or as a hospital service corporation, or as a combined medical and hospital service corporation;

(2) it must intend to and actually conduct its business in good faith as a nonprofit corporation;

(3) if a hospital service corporation, it must have in force at all times while so authorized, service agreements with participant hospitals located in the areas of the subscribers' residences, convenient as to location and sufficient as to capacity and facilities reasonably to furnish the hospital services provided or proposed to be provided by the corporation to its subscribers;

(4) if a medical service corporation, it must have in force service agreements with participant physicians located in the areas of the subscribers' residences convenient as to location and sufficient in numbers and facilities reasonably to furnish the medical and surgical services provided or proposed to be provided by the corporation to its subscribers;

(5) if a newly formed corporation, it must possess sufficient available working funds to pay all reasonably anticipated cost of acquisition of new business and operating expenses, other than payment for hospital or medical services, for a period of not less than the six months following the date of issuance of the certificate of authority, if issued, or \$100,000 whichever amount is greater;

(6) it must fulfill all other applicable requirements of this chapter.

POSITION PAPER

SENATE BILL NO. 656

"An Act relating to the percentage of participation in a medical hospital or dental services corporation and providing for an effective date."

Senate Bill No. 656 amends the "Hospital and Medical Services Corporations" Act to provide a requirement that fifty percent of the participant providers located in the areas of subscribers residences have in force service agreements with the medical services corporation.

It is recommended that on Page 1 Line 12 the word "participant" be deleted. The term "participant providers" is defined in AS 21.87.330(8) "1.... means a provider who has entered into a service agreement with a service corporation." This action would make the sentence more clear.

Passage of this Bill as proposed could inadvertently restrict the development of health maintenance organizations in both urban and rural areas much to the detriment of Alaska residents. This could happen should more than 50% of the medical providers in an area not wish to participate with the proposed medical service corporations. In an urban area with a large number of medical providers, it is possible less than 50% of these providers could provide adequate service. Conversely in a rural situation with only one medical provider residing in the area who declines to participate a medical services corporation could be prevented from bringing in needed services.

Inasmuch as this proposed Bill could cause a lessening of available medical and dental services, the Department of Health and Social Services cannot endorse its passage.

Recommended by: E. S. Rabeau
E. S. Rabeau, M.D., Director
Division of Public Health

Date: Jan 22, 1982

Approved by: Helen D. Beirne
Helen D. Beirne, Commissioner
Department of Health and
Social Services

Date: 1-25-82

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill No 656
Title "An Act relating to the percentage of participation in a medical hospital
Requested by Commissioner's Office Date _____

of dental services corporation....."

II. FISCAL DETAIL

Agency Affected Department of Health and Social Services
Program Category Affected Health/Public Health
BRU, Program, Or Subprogram(s) Affected _____
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER (Specify Source)	0	0	0	0	0	0

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE 1-1-22

PREPARED BY David Bruce

AGENCY Health & Social Services

PHONE 465-3090

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

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REVISED POSITION PAPER

SENATE BILL NO. 656

"An Act relating to the percentage of participation in a medical hospital or dental services corporation and providing for an effective date."

Senate Bill No. 656 amends the "Hospital and Medical Services Corporations" Act to provide a requirement that fifty percent of the participant providers located in the areas of subscribers residences have in force service agreements with the medical services corporation.

It is recommended that on Page 1 Line 12 the word "participant" be deleted. The term "participant providers" is defined in AS 21.87.330(8) "1. . . means a provider who has entered into a service agreement with a service corporation." This action would make the sentence more clear.

The Department is reversing its negative position as further information has shown that there will not be an impact on health maintenance organizations. Information provided has clearly demonstrated the need to prevent further abuses that have occurred under the existing statutes. Without this stipulation, subscribers in rural areas may end up without services and participant providers without reimbursement.

The Department supports the passage of this bill.

Recommended by: E. S. Rabeau
E. S. Rabeau, M.D., Director
Division of Public Health

Date: March 16, 1982

Approved by: Helen D. Beirne
Helen D. Beirne, Commissioner
Department of Health and
Social Services

Date: 3-16-82

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill No 656
 Title "An Act relating to the percentage of participation in a medical hospital
 Requested by Commissioner's Office Date _____

of dental services corporation....."

II. FISCAL DETAIL

Agency Affected Department of Health and Social Services
 Program Category Affected Health/Public Health
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER (Specify Source)	0	0	0	0	0	0

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE 1-1-22 PREPARED BY David Bruce
 AGENCY Health & Social Services
 Original: Legislative Finance PHONE 465-3090
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

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As to the development corporations only. in service corpora' would attempt to be prevented by statute.

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re. S.B. 656

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fare organizations which funds as a profit insurance carriers as their benefits. The services and thus the major underwriting participants for whom the service corporation markets. In other words the service corporation says to the provider groups interested in purchasing dental care and I will pay a certain dollar amount for providing agreed upon services to those groups who pay me a premium or dues which hopefully will cover your charges for services and my costs for administration." " If I do not have the money to pay you, you must provide the services anyway for a minimum of one year as stated in our governing statutes." As I am able I will reimburse you for the services you have rendered." You can see the full risk and responsibility of providing the services agreed to by the corporation is on the shoulders of the signed participant provider. The provider is free to sign participating agreements with any number of service corporations and takes the same responsibility with each.

If a corporation markets or sells a program to a group with employees across the state that corporation in order to fulfill its agreement with the purchasing company must have enough signed participant providers to supply the agreed upon services, for the agreed upon fee, in the agreed upon mechanism and location in which it was sold. In this way the beneficiary will have a certain freedom of choice of individuals who will provide the services. More important, however, if the corporation does not have enough participants in all areas to provide services it will not hurt the corporation, it will hurt the public. The corporation will keep collecting dues but will not have to pay for as many services and thus it will reap a greater harvest. But the patient cannot get served.

With the geographic distribution of providers in this state resulting in heavy concentrations in certain areas providers often travel to more remote areas to offer services. Thus we need a goodly concentration of providers in all areas to assure the beneficiary an adequate access to care.

An example of an inadequate corporation is the now defunct Fairbanks group which among other things could not provide the services marketed because of too few provider participants. This failure occurred despite a hefty subsidy of \$75,000 to complete the states required dollar underwriting for the corporation from Blue Cross of Washington and Alaska. In urban areas with a large total number of providers there are a larger total number of consumers and when statewide benefits are offered these participants are needed to provide benefits throughout the state bringing in needed services to the rural areas.

Geraldine T. MORROW
2835 Redwood Place
Anchorage, Alaska
99504

Senator Charles Parr
Chair, Health, Education, and Social Services
Pouch V
Juneau, Alaska 99811

re. S.B. 656

Dear Sir,

Service corporations are nonprofit service welfare organizations which are not required to have as much underwriting funds as a profit insurance company because they offer services not dollars as their benefits. The responsibility for providing those services and thus the major underwriting is provided by signed participants for whom the service corporation markets benefit packages. In other words the service corporation says to the provider " I will find groups interested in purchasing dental care and I will pay you a certain dollar amount for providing agreed upon services to these groups who pay me a premium or dues which hopefully will cover your charges for services and my costs for administration." " If I do not have the money to pay you, you must provide the services anyway for a minimum of one year as stated in our governing statutes." As I am able I will reimburse you for the services you have rendered." You can see the full risk and responsibility of providing the services agreed to by the corporation is on the shoulders of the signed participant provider. The provider is free to sign participating agreements with any number of service corporations and takes the same responsibility with each.

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An example of an inadequate corporation is the now defunct Fairbanks group which among other things could not provide the services marketed because of too few provider participants. This failure occurred despite a hefty subsidy of \$7,000 to complete the states required dollar underwriting for the corporation from Blue Cross of Washington and Alaska. In urban areas with a large total number of providers there are a larger total number of consumers and when statewide benefits are offered these participants are needed to provide benefits throughout the state bringing in needed services to the rural areas.

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- As to the development of HMO's this suggested change relates to services corporations only. HMO's provide for a definitive population. Improvement in service corporation law to protect the public from organizations who would attempt to sell their services and not be able to produce should not be prevented because HMO's are considered part of the service corporation statute.

The 50% participant requirement by regional distribution can only assure the availability of services. Without it the corporations get richer and the consumer gets stuck again.

Sincerely,


G.T. MORROW D.M.D.

Introduced: 1/13/82
Referred: Health, Education &
Social Services and Finance

1 IN THE SENATE

BY FERGUSON

2 SENATE BILL NO. 656

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the percentage of participation in
7 a medical hospital or dental services corporation; and
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA

10 * Section 1. AS 21.87.070(4) is amended to read:

11 (4) if a medical services corporation, it must have in force ser-
12 vice agreements with fifty percent of the participant providers actively
13 engaged in practice and located in the areas of the subscribers' residences
14 convenient as to location and sufficient in [numbers and] facilities reason-
15 ably to furnish the medical and surgical services provided or proposed by the
16 corporation to its subscribers.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

19
20 *Dr. Rabreau -*
21 *a medical corp. or service*
22 *would include 50% of other*
23 *service from practice 19 50%*
24 *one service.*
25
26
27
28

29
X

Depart.

recommend:

delete provider

position against

bill - would possibly

create monopolies.