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COMMITTEE REPORT

HOUSE

LABOR & COMMERCE

(7)

FURTHER:

3/11/83

Date: 4/13/83

Mr. Speaker:

The Committee on HEALTH, EDUCATION AND SOCIAL SERVICES has had HB 257

An Act relating to certain limitations and exclusions in health insurance policies; and providing for an effective date.

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 257 same title
- and recommends _____ new title
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

M. W. MILLER

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

CHAIRMAN

1 IN THE HOUSE

BY WARD

Comm

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 257

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain limitations and exclu-
7 sions in health insurance policies; and providing for
8 an effective date."

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

10 * Section 1. AS 21.42 is amended by adding a new section to read:

11 Sec. 21.42.347. COVERAGE WHEN ALASKA AREA NATIVE HEALTH SERVICE
12 BENEFITS AVAILABLE. An individual or group health insurance policy
13 that provides coverage on an expense incurred basis or an individual
14 or group service or indemnity type contract issued by a nonprofit
15 corporation may not exclude or limit coverage for the reason that the
16 covered person is eligible to receive health care benefits provided by
17 the Alaska Area Native Health Service.

18 * Sec. 2. This Act takes effect January 1, 1984, *and applies to all*
19 *policies issued or renewed on or after that date.*

alaska
state
hospital
association

319 Seward St., Juneau, Alaska 99801 • (907) 586-1790
REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

Chairman of the Board
Ronald A. Pavellas
Humana Hospital Alaska
Anchorage

Chairman-Elect
Mark Hawkins
Sitka Community Hospital
Sitka

Immediate Past Chairman
Tom Mingen
Fairbanks Memorial
Hospital
Fairbanks

Secretary/Treasurer
Edward Zelma
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Providence Hospital
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Alternate Delegate to the
American Hospital Assoc.
Michael Lockwood
Central Peninsula Hospital
Soldotna

Delegate to the American
Health Care Association
Jack Buck
St. Ann's Nursing Home
Juneau

Alternate Delegate to the
American Health Care
Association
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Alternate Trustee Delegate
to American Hospital
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Robert Jensen
Central Peninsula Hospital
Soldotna

Physician Member of
the Board
Keith Brownsberger, M.D.
Anchorage

President
Dennis L. DeWitt
Juneau

April 1, 1983

The Honorable Jerry Ward
House of Representatives
Pouch V
Juneau, Alaska 99811

Subject: HJR 35.


Dear Representative Ward:

The Alaska State Hospital Association wishes to indicate our support for House Joint Resolution 35.

We believe that the use of health insurance by those who are entitled to services provided by the Alaska Native Health Service would be in the public's best interest. That additional influx of funds would allow the Alaska Native Health Service to continue to provide needed services in the face of federal budget reductions.

The Alaska State Hospital Association believes that the concepts in HJR 35 are necessary if an adequate health care delivery system is to continue in Alaska. We believe it merits legislative support.

Sincerely,


Dennis L. DeWitt
President

DLD:hb

cc: House HESS Committee ✓
John Dumbolton
Frank Sutton
Richard E. Zitzow

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Juneau

April 1, 1983

The Honorable Jerry Ward
House of Representatives
Pouch V
Juneau, Alaska 99811

Subject: HB 257.

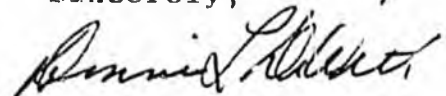
Dear Representative Ward:

The Alaska State Hospital Association wishes to offer our support to the concepts found in House Bill 257.

We believe that it is imperative that the Alaska Native Hospitals be able to collect third party payments for services they provide. With the impending reductions in federal funds, all potential sources of revenue must be pursued by the ANS facilities if they are to remain viable and up to the standard of quality Alaskans have the right to demand. While some may scoff at HB 257, we suggest that is how most forward looking proposals are treated. Without this gradual movement away from depending on federal funding, health services to Alaskan Natives will soon only be a memory.

The Alaska State Hospital Association commends your willingness to address this critical issue in such a meaningful fashion.

Sincerely,



Dennis L. DeWitt
President

DLD:hb

cc: House HESS Comm.
John Dumbolton
Richard E. Zitzow
Frank Sutton

To: Rep. Ward
From: Dave Palmer, House HESS
Re. HB 257

I have talked with Don Koch, Chief of Market Surveillance in the Department of Commerce about this bill. He, in turn talked with Dr. Rabeau at the Dept of Health and Social Services, Public Health division. Dr. Rabeau has extensive experience with the Alaska Area Native Health Service. Mr. Koch explained so problems with HB 257, as written and suggested as substitute that will accomplish your goal without adversely affecting several insurance programs.

The bill as written would require primary payments by insurance companies even though the insured person is covered by another policy. Problems arise with worker's compensation, medicare, the U.S. Longshoremen's Act, to name a few. A person with coverage under, say worker's compensation, would be paid once by his private coverage, and again by the worker's compensation. This double payment has been upheld by a New York court when an exclusion to double payment was omitted.

The question is whether a person has incurred a "legal obligation to pay" for care. If there is a legal obligation to pay, then the insurance company may not discriminate in its payment. Although this is the case now, Mr. Koch suggests that your bill could be changed to make that policy clearer than present statute. It is the "legal obligation to pay" that must control, and that is the topic of HJR 35.

Another problem with the bill as written is that it will jeopardize a group insurance program developed by the North Slope Borough to provide supplemental coverage for all of the Borough residents. To supplement the coverage accorded the Natives there, the Borough bought a group policy to cover costs of services not provided by the AANHS. If this policy is required to pay for costs provided by the Federal government on a primary basis, the liability will increase dramatically, as will the premium. The city of Kake is proposing to develop a similar program.

The argument that employers or persons are paying for coverage that they do not receive does not hold if the premium is based on actuarial studies. The increase in liability by adding primary coverage for those covered by any state or federal program will surely increase rates.

There are some insurance contracts that are guaranteed renewable, which will not be affected by this bill. There will be inequities in coverage between those policies and others that are affected.

STAFF REPORT

HB 257, LIMITATIONS AND EXCLUSIONS IN HEALTH INSURANCE POLICIES

HOUSE HESS COMMITTEE

MARCH 24, 1983

Dave Palmer

HB 257 provides that health insurers may not exclude or limit coverage for persons who receive benefits under a state or federal act, including the Alaska Area Native Health Service.

This has the effect of making health insurers the primary party responsible to pay for costs that are covered by both a private insurance policy and a state or federal program.

The purpose of the bill is to prevent insurance companies from refusing payments to persons who receive care from a government program if that person has paid for insurance that duplicated the coverage afforded by the government program.

The effect of this bill reaches far beyond the intent, in the opinion of Don Koch, Chief of Market Surveillance in the Department of Commerce. By including all state and federal programs, health insurance companies are now made to become the primary party responsible to pay for costs incurred through programs like Worker's compensation, social security, the Longshoremen's Act, and medicare. A New York case held that double payments were not prevented when an exclusion such as would be eliminated by HB 257 was not present.

If a person incurs a legal obligation to pay for services, an insurance company may not refuse to pay for costs that are covered in a valid policy, regardless of the agency providing the care. The Department suggests that HB 257 could be changed to make that existing policy very clear in the statute. It is the question of whether a person should be reimbursed for costs that they have no obligation to pay that creates confusion.

As written, HB 257 may jeopardize a group insurance program developed by the North Slope Borough to provide supplemental coverage for all of the Borough residents. To supplement coverage accorded to the Natives there, the Borough bought a group policy to cover the cost of care not provided by the Alaska Area Native Health Service. HB 257 would make that policy the primary policy, not the supplemental policy that could cover just those costs not covered by the Federal program. Adding that liability to the program would cause significant premium changes.

Some insurance contracts are written to guarantee renewal. These contracts will not be covered by HB 257, if passed. b

An individual or group health insurance policy that provides coverage on an expense incurred basis or an individual or group service or indemnity type contract issued by a nonprofit corporation may not limit or exclude coverage provided in or by a state or federal facility if the person covered is legally obligated to pay for those services and the policy or contract would provide coverage if ^{those} services were rendered in other than a state or federal facility.



Alaska State Legislature

House of Representatives

REPRESENTATIVE JERRY WARD
DISTRICT 13

MEMBER FINANCE COMMITTEE
CHAIRMAN OF SUBCOMMITTEE ON
COMMERCE, ECONOMIC DEVELOPMENT
CHAIRMAN OF SUBCOMMITTEE ON LABOR

P.O. BOX 2716
ANCHORAGE, ALASKA 99510

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811

MEMORANDUM

DATE: March 11, 1983

TO: All Legislators

FROM: Representative Jerry Ward *JW*

SUBJ: Measures Relating to Native Health Care Insurance

I have attached for your information copies of a bill and a resolution I have filed today. Each deals with a problem arising from the way that insurance companies deal with our Native Health system.

Many of the Natives eligible for care in the Alaska Area Native Health Service are also covered by a health insurance policy of some kind. At this time, the Federal Government will not accept payment for services rendered to covered Natives. The effect of this is to increase the cost of Native health care to the public while reducing the cost to the insurers. Since this is a policy of the Federal Government, the resolution introduced today requests that the U.S. Congress adopt legislation requiring payment for health services to the extent covered by insurance policies. At the same time, the resolution requests that any money collected from Alaska patients be dedicated to the Alaska Area Native Health Service.

A second problem is dealt with by the bill introduced today. Most insurance policies written today contain a clause preventing payment of benefits if State or Federal benefits are available. The policy covering us as legislators contains this provision. This is a great arrangement for the insurance company but a disservice to the Alaska Native who pays just as much for his or her policy but does not receive the same benefits. The bill before you will prevent this practice.

In view of the crisis we currently face in Native health care, these two measures should be passed as quickly as possible to provide an infusion of cash payments into the system to help replace Federal money being withdrawn.

Attachment

Mental and Nervous Disorders

Physician's services for Mental and Nervous Disorders will be covered as follows:

- 50 percent of eligible Physician's expenses, received in the Hospital or Physician's office. The maximum amount is \$2,500 for each covered Member in any one Benefit Year. Services must be provided by a physician or licensed psychologist; and
- if you are confined to a Hospital the benefit paid will be the same as those stated on page 6 under COVERED MEDICAL EXPENSES.

MEDICAL EXPENSES NOT COVERED

Limitations and Exclusions

The State's Medical Plan does not cover any condition, ailment or injury for which you receive:

- benefits from your employer's liability plan or federal or state Workers' Compensation or similar law;
- benefits available under any federal or state act, even though you or your dependents waive rights to such benefits.

Services provided in the following facilities are not covered:

- an institution which is primarily a rest home, home for the aged, nursing home, skilled nursing facility, convalescent home or any facility of like character;

MIKE COUGHLIN - Dept of Admin
Retirement & benefits

WARD -

JEFF BUSH - DEPT of LAW

PAYS TAXES TO FED -

RECEIVES HEALTH CARE FROM AANHS

Don Koek

CONFLICTS:

WORKERS COMP, Longshoremen, Admiralty-Jones
ACT, SOCIAL SECURITY MEDICARE TEFRA
individual may elect to have medicare
PRIMARY.

Destructive of cost containment Rubin v Empire
mutual life.

1981 17 million workers comp medical payments
"Legal obligation to pay"
A.A.H.S MAY be able to bill for services

North Slope Borough

Medicare - is SECONDARY unless patient opts to
have it primary.

No Review of RATES for health ins except Blue Cross

Martin TIRADOR =

STATE OF ALASKA
FISCAL NOTE

Revision Date , 1983

I. REQUEST

Bill/Resolution No.: HB 257
Title: Limitations-health insurance
Sponsor: Ward
Requestor: House HESS

II. FISCAL DETAIL

Agency Affected: Dept. Commerce & Ec De
Program Category Affected: Public protecti
BRU, Program of Subprogram(s) Affected:
Div. of Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	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. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Kenneth C. Moore, Director Phone: 465-2515
Division: Insurance *Kenneth C. Moore* Date: 3/22/83
Approved by Commissioner: Richard A. Lyon *Richard A. Lyon* Date: 3/23/83
Department: Commerce & Economic Development

Distribution:

Original to Legislative Finance
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Copy to Department (for Governor introduced bills)
Copy to Sponsor
Copy to Requestor (if different from Sponsor)

3/8/83

Introduced: 3/11/83
Referred: Health, Education &
Social Services and Labor &
Commerce

1 IN THE HOUSE

BY WARD

2

HOUSE BILL NO. 257

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to certain limitations and exclu-
7 sions in health insurance policies; and providing for
8 an effective date."

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

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* Section 1. AS 21.42 is amended by adding a new section to read:

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Sec. 21.42.347. COVERAGE WHEN STATE OR FEDERAL BENEFITS AVAIL-

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ABLE. An individual or group health insurance policy that provides

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not exclude or limit coverage for the reason that the covered person

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is eligible to receive benefits under a state or federal act, includ-

17

ing benefits provided by the Alaska Area Native Health Service.

18

* Sec. 2. This Act takes effect January 1, 1984.

*needs to put in
will be the primary
Cameron*