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May 7, 1986

Senator Fred F. Zharoff, Chairman
Senate Labor and Commerce Committee
Room 121, Capital Building
Juneau, Alaska 99801

RE: CSHB 589 (Finance) am; An Act relating to
disability insurance; and providing for an
effective date.

Dear Senator Zharoff:

I am the registered lobbyist for the Alaska Nurses Association. The Association has some concerns about the impact of HB 589 on the practice of nursing. Nurses constitute the largest group of health care providers in the State and are deeply involved in all aspects of health care delivery. Nurses do not practice medicine, they practice nursing. Insurance coverage should be provided for nursing services without regard to whether those services are provided under the continued direction of a physician. Specifically, the Association recommends:

1. Page 4, line 28, delete "at the physician's direction";
2. Page 16, line 29, delete "upon recommendation of a licensed physician";
3. Page 17, lines 4-5, delete "under the continued direction of the person's physician and".

Additionally, we believe that Section 21.55.140 (13) found on page 10, lines 3-5, should be deleted. We believe it is poor policy to exclude services of a registered nurse from coverage simply because she resides in the covered individual's home - this makes no more sense than excluding the services of a physician who treats a member of his family.

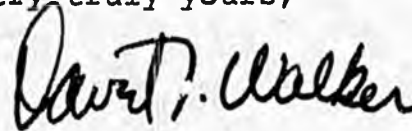
Please do not hesitate to contact me if you have a question about the Association's position on this bill,

Senator Fred F. Zharoff, Chairman
Senate Labor and Commerce Committee

May 7, 1986
Page 2

nurses, the practice of nursing, or any other matter.

Very truly yours,

A handwritten signature in cursive script that reads "David T. Walker". The signature is written in dark ink and is positioned directly below the typed phrase "Very truly yours,".

David T. Walker

DTW/dsm

cc: Members of the Senate Labor
and Commerce Committee

METROPOLITAN LIFE INSURANCE
ONE MADISON AVE 2Y
NEW YORK NY 10010 02AM



Mailgram®



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AHGB

THE HONORABLE ZHAROFF FRED
ALASKA SENATE RM 121
STATE CAPITOL
P O BOX V
JUNEAU AK 99811

MAY 6 1986

METROPOLITAN LIFE RESPECTFULLY URGES THE ALASKA SENATE NOT TO ACT
FAVORABLY ON HOUSE BILL 589. THERE IS NO DEMONSTRATED NEED FOR SUCH
WIDE RANGING LEGISLATION IN ALASKA. ALTERNATIVE SOLUTIONS MERIT
FURTHER STUDY. THE LEVEL OF BENEFITS MANDATED COUPLED WITH
LIMITATIONS ON PREMIUMS COULD RESULT IN SOME INSURERS CEASING THE
WRITING OF HEALTH INSURANCE IN ALASKA.

ROBERT O. FLECKENSTEIN METROPOLITAN LIFE INSURANCE CO

50085
1619 EST

MGMCOMP MGM

Form L-01342 1601557

TO REPLY BY MAILGRAM, SEE INSTRUCTIONS ON REVERSE SIDE.

CS HB 589 (Finance)

An Act relating to disability insurance;
and providing for an effective date.

OVERVIEW

Prepared by Rep. John Sund's office; May 3, 1986

Objective

The primary purpose of HB 589 is to ensure medical insurance availability to those Alaskan residents who are considered too high of a health risk for standard insurance in the open marketplace.

What This Bill Does

HB 589 would establish a nonprofit, statewide association of all disability insurers in the state. Participation in the association would be mandatory in order to do business in the state.

The association would offer major medical insurance and medicare supplement insurance as described in the bill to any Alaskan who cannot get standard coverage or has excessive restrictions placed on his or her insurance. Certain eligibility requirements would be set.

If the association's claim payments exceed the premiums collected, the association members would be assessed to make up the differences. Any premiums that exceed losses would be held at interest to offset future losses. The association would administer the plan under the monitoring of the director of the Division of Insurance.

For the first year of the plan, premium rates would be capped at 150% of the average rate of the plan if it were offered to standard risk people by the five largest disability insurers in the state. Based on that year's experience, the association will set actuarially sound rates but the rates cannot exceed 250% of standard rates for a comparable plan.

Why This Bill Is Needed

Standard disability insurance is often denied people who are considered high risks, such as older individuals and those who are suffering or have suffered from serious illnesses. Comprehensive insurance should be available to these people. Moreover, providing them insurance should eventually decrease costs to society.

CS HB 589 (Judiciary)

An Act relating to disability insurance;
and providing for an effective date.

SECTIONAL ANALYSIS

Prepared by Rep. John Sund's office; May 3, 1986

Section 1

ARTICLE 1

Sec. 21.55.010. Page 1, line 12: creates the Comprehensive Disability Insurance Association, a nonprofit corporation with membership consisting of all licensed disability insurers and licensed hospital or medical service corporations in the state that write on an expense incurred basis. Insurers must be members of the association in order to do business in the state.

Sec. 21.55.020. Page 1, line 22: sets a seven-member board of directors selected by association members and approved by the director of the state Division of Insurance. The director or a designee will be a nonvoting, ex officio member of the board.

Sec. 21.55.030. Page 2, line 12: describes the association's general powers.

Sec. 21.55.040. Page 2, line 21: subjects association articles, bylaws and operating rules to the approval of the director of the Division of Insurance.

Sec. 21.55.050. Page 3, line 26: exempts the association from the Administrative Procedure Act.

Sec. 21.55.060. Page 3, line 28: exempts the association from taxes.

ARTICLE 2

Sec. 21.55.100. Page 4, line 4: offers the state plan, including the medicare supplement plan, on an individual basis to high-risk residents. The association may not deny coverage to any eligible resident.

Sec. 21.55.110. Page 4, line 16: explains the minimum benefits of the state plan, which is a basic major medical plan. Lifetime maximum benefit is \$1 million.

Sec. 21.55.120. Page 6, line 26: offers deductibles of \$200, \$500 or \$1,000 per person. The maximum copayment by enrollees would be 20% once the deductible is met for all health care and 50% for mental health care. Maximum annual payments of

deductible and copayments cannot exceed \$2,000 per insured. The plan would pay 100% once that limit is reached.

Sec. 21.55.130. Page 7, line 27: excludes coverage for preexisting conditions if the condition began within the three months just preceding the effective date of coverage. Preexisting conditions would not be covered for the first six months of a plan. The limitation can be waived if the insured's previous insurance was terminated and the state plan application is made within 31 days following termination.

Sec. 21.55.140. Page 8, line 22: describes care and services that are not covered by the plan.

Sec. 21.55.150. Page 10, line 9: sets separate scales of premium rates based on age and geographic location of the insured.

Premium rates for the first year of the plan are capped at 150% of the average rate of the plan if it were offered to standard risk people as determined by the five largest disability insurers in the state. Thereafter, the rates will be determined using sound actuarial methods based on plan experience. But the rates may never exceed 250% of standard rates for a comparable plan.

ARTICLE 3

Sec. 21.55.200. Page 10, line 29: sets guidelines for the association's selection of a writing carrier through a bidding process.

Sec. 21.55.210. Page 11, line 7: explains the duties of the writing carrier who will be contracted for three-year terms unless earlier termination is approved by the director.

The carrier will perform the administrative and claims payment functions of the plan and report quarterly to the association. The carrier will be reimbursed for direct and indirect expenses of administering the plan.

Sec. 21.55.220. Page 12, line 17: requires that association members be assessed to share the claim losses and administrative expenses that exceed premium payments. Each member will contribute to the association an amount based on that member's share of all disability insurance premiums paid in the state. Assessments will be made yearly, unless interim assessments are desired.

A member's failure to pay an assessment within 30 days could cease that member's certification to operate in the state.

Net gains will be held at interest to offset future losses.

ARTICLE 4

Sec. 21.55.300. Page 14, line 5: states that all high-risk residents are eligible for the state plan unless covered by another disability insurance policy. A person loses eligibility upon ceasing residency.

Sec. 21.55.310. Page 14, line 16: explains the enrollment procedure.

Sec. 21.55.320. Page 14, line 25: requires the state plan writer to respond to the applicant within 30 days of receiving the application.

Sec. 21.55.330. Page 15, line 1: sets the policy effective date at the day of application once the first premium is paid. It also permits 60 day retroactive coverage for those individuals whose previous insurance terminated, if premiums are paid for the retroactive period.

Sec. 21.55.340. Page 15, line 15: requires that the association advertise the state plan to the public. An insurer who rejects or restricts a policy must tell the applicant about the state plan.

ARTICLE 5

Sec. 21.55.400. Page 16, line 5: explains the duties of the director of the Division of Insurance in regard to the state plan.

Sec. 21.55.410. Page 16, line 16: states the state is not liable for association actions.

Sec. 21.55.500. Page 16, line 20: offers chapter definitions.

Resident is defined as a person who has lived in the state at least six consecutive months prior to application and intends to remain. Absence from the state is permitted for medical and educational reasons.

A high risk resident is defined as someone who has been rejected for disability coverage by at least two association members or has had a restrictive rider placed on a policy.

Section 2. Page 19, line 20: requires that the state plan be available by July 1, 1987.

Section 3. Page 19, line 23: sets an immediate effective date.