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STATE OF ALASKA THE LEGISLATURE

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JUNEAU, ALASKA 99811
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LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

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Mary Van Nimwegen

N HESS	5/24/90
H HESS	5/20/90
H HESS	4/1/90
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Commerce & Econ. Dev.	DIVISION Insurance	BILL NUMBER HB 533	SPONSOR Representative Finkelstein
SHORT TITLE OF BILL Use of Permanent Fund Dividends for the Purchase of Group Health Insurance			
DEPARTMENT POSITION Neutral			
PREPARED BY <i>J. M. Miller</i>	DATE	COMMISSIONER'S SIGNATURE <i>J. M. Miller</i>	DATE 3/30/90

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Administration Department of Revenue	CONSTITUENT GROUP(S) AFFECTED BY BILL Unknown
ORGANIZATIONAL SUPPORT FOR BILL Unknown	ORGANIZATIONAL OPPOSITION TO BILL Unknown

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND LEGISLATIVE INTENT

ANALYSIS OF BILL PROGRAM EFFECTS

Would provide that an applicant for the Permanent Fund Dividend could elect to have the Commissioner of Revenue deposit the Permanent Fund Dividend into a group health insurance fund. If sufficient funds are transferred to provide for the purchase of a group health insurance policy, the Commissioner of Administration will place the coverage through the competitive bid process with insurers licensed in Alaska. If insufficient funds exist, the funds will be refunded to the program participants.

Assuming a Permanent Fund Dividend of \$1,000, it is unlikely that sufficient money will be available for a comprehensive group health insurance policy.

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS

Administrative difficulties would include effective dates of coverage varying significantly because of the process dates of the Permanent Fund Dividend program. The process of coverage renewal would be complicated by the fact that program participants must requalify for the Permanent Fund Dividend each year.

Since the Permanent Fund Dividend is taxable income, the state may incur exposure if Permanent Fund Dividend participants do not pay taxes on the Permanent Fund Dividend used to purchase health insurance. At the very least, future dividends may be attached for prior nonpayment of taxes.

March 30, 1990

Suggestion: Substitute the following or similar as a bill or resolution for HB 533 (using permanent fund dividends to purchase group health insurance).

The director of the division of insurance is directed to study the feasibility of offering individuals group health insurance in lieu of permanent fund dividends if they meet standard insurance industry underwriting criteria. The group health insurance will have suitable deductibles and co-payments.

If, by December 31, 1990, it is found to be actuarially feasible to offer such insurance, the commissioner of revenue is directed to prepare the 1991 permanent fund dividend application to allow an individual to elect to take the permanent fund dividend in the form of a group health insurance policy.

The director of the division of insurance shall establish whatever mechanism is necessary for the operation of the group health insurance program and shall submit to the Seventeenth Legislature whatever enabling acts are necessary for this purpose.

Group health insurance will be effective for qualifying individuals no later than January 1, 1992.

6-1830E
Ford
4/3/90

Original sponsor(s): REP. FINKELSTEIN

1 IN THE HOUSE

BY THE HESS COMMITTEE

2 CS FOR HOUSE BILL NO. 533 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the use of permanent fund divi-
7 dends for the purchase of group health insurance; and
8 providing for an effective date."

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

10 * Section 1. AS 44.21 is amended by adding a new section to read:

11 Sec. 44.21.035. GROUP HEALTH INSURANCE FUND; TRANSFER OF DIVI-
12 DENDS. (a) There is established the group health insurance fund.
13 The commissioner of revenue shall prepare the permanent dividend
14 application to allow an individual to elect to take the permanent fund
15 dividend in the form of a group health insurance policy. The commis-
16 sioner of revenue shall annually transfer from the dividend fund
17 established under AS 43.23.045 to the group health insurance fund an
18 amount equal to the value of the permanent fund dividend for the
19 current year times the number of individuals who elect in the current
20 year to take the dividend in the form of group health insurance. An
21 individual may not elect to take the dividend in the form of group
22 health insurance if the dividend has been reduced for the collection
23 of debt.

24 (b) Subject to the transfer of sufficient funds under (a) of
25 this section, the commissioner shall use the group health insurance
26 fund to purchase a group health insurance policy for individuals who
27 elect to take the permanent fund dividend in this form. The costs of
28 administering the group health insurance program shall be paid out of
29 the group health insurance fund.

1 (c) The commissioner shall make available bid specifications for
2 desired group health insurance to all insurance carriers licensed in
3 the state and qualified to provide the desired benefits. The speci-
4 fications shall be made available on or before July 1, 1990, and at
5 least once every succeeding five years. The lowest responsible bid
6 submitted by an insurance carrier with adequate servicing facilities
7 shall govern selection of carrier under this section.

8 (d) If the commissioner determines that the annual amount trans-
9 ferred from the dividend fund to the group health insurance fund is
10 insufficient to provide the desired group health insurance and to pay
11 the costs of administering the group health insurance program, the
12 commissioner shall refund to each individual who elected to partici-
13 pate in the program in that year the value of the permanent fund
14 dividend in that year.

15 (e) In this section, "commissioner" means the commissioner of
16 administration.

17 * Sec. 2. AS 43.23.015 is amended by adding a new subsection to read:

18 (i) If an individual elects to take a permanent fund dividend in
19 the form of a group health insurance policy, the commissioner shall
20 transfer the dividend to the group health insurance fund under AS 44.-
21 21.035.

22 * Sec. 3. This Act applies to permanent fund dividends for 1990 and
23 subsequent years.

24 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).
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