

HB

348

The Governor's transmittal letter, dated May 19, 1991, appears below:

"Dear Speaker Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would authorize the state to provide group life and health insurance for its employees by means of self-insurance.

Over the last several years, it has become clear that the state must act to contain the cost of its employee health benefits. The state has considered self-insurance, but the current statute, AS 39.30.090, does not authorize it. See 1989 Inf. Op. Att'y Gen. (March 14; 66J-89-230). This legislation is proposed to permit the state to self-insure, thereby increasing its flexibility in addressing the cost of group life and health insurance for its active employees.

The bill also authorizes self-insurance administrative costs to be paid from the group health and life benefits fund, and makes clear that the administrative costs of purchasing insurance are also to be paid from the fund.

Among the potential beneficial effects of self-insurance are (1) the reduction or elimination of insurance charges, (2) positive control of the medical plan by the state (including the use of incentive programs) rather than by the commercial insurance market, and (3) increased competition from medical benefits providers, which could result in decreased premiums and administrative costs.

We believe that this bill will significantly increase the ability of the state to keep the cost of employee benefits under control, and increase as well the state's bargaining power when it negotiates with its insurers. In view of its importance to approaching reviews of insurance policy renewal proposals, we urge your prompt and favorable action on this measure.

Sincerely,

/s/

Walter J. Hickel
Governor"

MEMORANDUM

State of Alaska
Department of Law

TO: Honorable John Andrews
Commissioner
Department of Administration

DATE: March 14, 1989
FILE NO: 663-89-0230
TEL NO: 465-3600
SUBJECT: Authority for self-
insurance and cafeteria
plan

FROM:

Virginia B. Ragle
Virginia B. Ragle
Assistant Attorney General
Governmental Affairs-Juneau

You have asked whether the Department of Administration (the department) has authority to provide group health insurance coverage for state employees by self-insuring or through cafeteria plan policies. There is no clear statutory authority for the department to provide the coverage by self-insuring. We recommend that legislation be introduced, or that a pending bill be amended, to establish authority for self-insurance, if the department chooses to pursue that method of providing group health coverage. We conclude that the department currently has authority to obtain a policy that provides insurance coverage through a cafeteria plan. However, depending upon how the cafeteria plan is implemented, regulatory and statutory changes may be required.

I. Self-insurance

The department is authorized by AS 19.30.090 to provide group insurance for employees. Under that statute, the department may obtain a policy or policies of group insurance for state employees, retirees, and employees of other participating governmental units. The statute sets out the kinds of coverage that may be provided in a policy, the persons who must be covered by a policy (unless exempt under regulations), and the manner in which the department must obtain the policy from insurance carriers.

The statute neither specifically prohibits nor specifically authorizes provision of group health coverage through self-insurance. However, the statute includes mandatory language such as, "The Department of Administration shall obtain the insurance policy from any insurer authorized to transact business in the state," and also requires that an opportunity to bid to provide the insurance benefits be made available to insurance carriers at least every five years. These provisions indicate that the legislature contemplated that liability for group coverage for state employees would be insured under policies obtained from insurance companies, with rates established competitively.

Hon. John Andrews, Commissioner
Department of Administration
663-89-0230

March 14, 1989
Page #2

AS 39.30.095 requires the commissioner of administration to establish a group health and life benefits fund. The language of AS 39.30.095 does not clearly authorize self-insurance. Although this statute provides that the department shall pay premiums and claims from the fund, the department is required to make the payments in accordance with insurance policies in effect under AS 39.35.090 and under the Supplemental Benefits System (SBS).

Legislative history does not shed much light on the purpose of AS 39.30.095. We have traced the origin of that section to "housekeeping" legislation requested by the department in 1980. Dept. of Law file no. J-77-054-81. The department explained that the fund would

eliminate the advantage the insurance company now has to the interest earned from the funds it holds. The language is permissive rather than mandatory; the state could still allow the insurance company to hold the funds. (1/)

The section-by-section analyses that accompanied the bills in which the provisions of AS 39.30.095 appeared during the 1981 and 1982 legislative sessions (HB 121, SB 121, and SB 827) explained that the section was

included at the urging of the State's benefits consultants. The existence of a fund will provide the flexibility needed to negotiate for and procure more favorable terms from insurance companies. Our consultants inform us that such added flexibility has led to substantial savings in other systems.

The private consultants have advised us that it was their intention that in recommending establishment of the fund, in addition to earning interest on the fund, the state would gain the flexibility to self-insure. The consultants' initial recommendation of language for the section included specific reference to self-insurance. However, no such specific reference was included in any draft of the bills that we have found. Furthermore, the section was not explained to the legislature as having the effect of authorizing self-insurance. In testimony to legislative committees, representatives of the division of retirement and benefits

1/ October 30, 1980 memorandum from Director of Administrative Services Crondahl to Commissioner Hudson.

included the section with provisions of the bills that were characterized as "strictly housekeeping." 2/

Because the statutes provide for provision of group health coverage through policies obtained from insurance companies and there is no specific authorization for provision of group health coverage by self-insurance, or even an indication that the legislature ever considered self-insurance as an option, we recommend that legislation be pursued to provide specific authority for alternatives to conventional insured plans, such as self-insurance. We note that last year the Washington legislature passed legislation, known as the Washington State Health Care Reform Act of 1988, which includes specific authority for self-insurance of state employee health benefits. A copy of the Washington statutes, RCW 41.05, is enclosed.

II. Cafeteria plan

There are no provisions in AS 39.30.090 that prescribe the level of health insurance coverage that must be provided in the policy or policies obtained by the department, the amount of deductible that a policy may require covered individuals to pay, or the manner in which premiums to insurance companies must be paid. The department has broad authority to determine the terms and structure of the insurance policies it obtains. 3/ Provision of health insurance coverage under a "cafeteria plan" qualified under 26 U.S.C. 125 would be within the scope of that authority, and would not conflict with any provision of AS 39.30.090. 4/

2/ March 18, 1982 testimony of Director Paul Arnoldt on SB 827 to Senate State Affairs Committee; May 12, 1982 testimony of Deputy Director Ken Humphreys on SB 121 to House Health, Education, and Social Services Committee.

3/ Of course, some issues regarding employee health benefits are subject to collective bargaining under the Public Employment Relations Act, AS 23.40.070 -- 23.40.260. See 1978 Op. Att'y Gen. No. 3 (Jan. 23); 1988 Inf. Op. Att'y Gen. (Jan. 1; 366-356-83).

4/ The advantage of such a plan is that, if any of the benefit options offered by the plan require payment of part of the premium by the employee, the employee's part of the premium could be paid by a voluntary reduction of pretax wages, which would reduce the employee's federal income taxes. Nothing in AS 39.30.090 precludes the department from offering insurance options that require employees to contribute to premiums.

Hon. John Andrews, Commissioner
Department of Administration
663-89-0230

March 14, 1989
Page #4

Depending upon how the department chooses to implement the cafeteria plan, regulatory and statutory changes may be needed. For example, since AS 30.30.090 requires the group policy to cover state employees, their spouses, and their dependent children unless exempt under regulation, if the plan allows an employer to elect individual or family coverage, a regulation must be adopted to permit exemption of coverage for family members upon election by the employee.

Some mention has been made of a plan that would allow employees to choose between receipt from the state of cash or of various levels of health insurance coverage. Cash received by employees from the state under the plan would constitute taxable income under the Internal Revenue Code. If this kind of provision is included in a cafeteria plan chosen by the department, statutory changes may be needed to clarify that cash received under the plan does not constitute "compensation" for purposes of determining employees' contributions to the state's retirement systems or SBS or determining the amount of employees' retirement benefits. Legislative authorization may also be needed to allow cash to be paid under the cafeteria plan to state employees who are subject to the state pay plan under AS 39.27.

Please let us know if we can provide further advice in this matter.

VBR/pjg

Enc.

cc: Sally Smith, Director
Division of Retirement and Benefits
Department of Administration

Department of Administration

HB 348 Sectional Analysis

February 14, 1992

"An Act relating to the provision of group life and health insurance for state employees by means of self-insurance; and to payment of administrative costs of providing group health and life insurance for state employees."

Section 1. Current law requires DOA to obtain health coverage from an insurance company or HMO licensed in Alaska.

The proposed language extends the "licensed in Alaska" requirement to the procurement of excess loss insurance. Excess loss insurance is commonly used in self-insurance situations.

Section 2. Current law requires the State to request bids from Alaska licensed insurance carriers for health coverage at least every five years and that the carrier with the lowest responsible bid shall be the winning bidder.

The proposed language would mandate the same five year bid cycle and "licensed in Alaska" requirement for excess loss coverage procured in the event of self insurance.

Section 3. Current law requires the health insurance benefits to be provided by insurance companies as outlined in Section 2.

The proposed language authorizes DOA to self-insure health insurance benefits as an alternative to using insurance companies. The language also requires that any excess loss coverage be procured the same as health insurance.

Section 4. AS 39.30.095

(a) Current law establishes the group health and life benefits fund as a special account in the general fund to provide carrier insured health and life coverage. Current language describes what money the fund shall consist of and requires the commissioner of administration to maintain accounts and records for the fund. Inasmuch as payment of premium has been made directly to insurance carriers, this fund has not been used. However, it would be necessary under a self-insurance arrangement.

Proposed language would expand the purposes of the fund to include self-insurance arrangements.

(b) Current law requires the commissioner to obtain an actuarial determination of the estimated cost of the insured coverages and to set the contribution rate to the fund for both employer and employee. The current language further requires that premiums and claims for carrier insured benefits be paid with money in this fund.

The proposed language broadens the kinds of payments that can be made from the fund to include self-insurance arrangements. The proposed language would also allow administrative costs of the health program to be paid from the fund.

(c) Current law allows the State to receive reimbursement of its administrative expenses from insurance carriers.

The proposed language would allow the department to contract with a third party administrator to pay claims and payments. A third party administrator is normally used in a self-insurance situation.

(d) Current law allows the commissioner to have the surplus of the fund or some part of it invested by the commissioner of revenue.

The proposed language would allow administrative costs to be included in the makeup of the fund when determining whether a surplus existed. This fund would become more relevant if the State were to implement self-insurance.

DEPARTMENT OF ADMINISTRATION
PROPOSED AMENDMENTS TO HB 348

1. Page 1, line 2. Delete the word, "and".

2. Amend page 1, line 3, to read:

health and life insurance for state employees; and
permitting the state to purchase group health and life
insurance from certain organizations".

3. Amend page 1, lines 6-10, to read:

(4) In procuring a policy of group life and health insurance as provided under this section or excess loss insurance as provided in AS 29.30.091, the [THE] Department of Administration shall comply with the dual choice requirements of AS 21.86.310, and shall obtain such [THE] insurance policies [POLICY] from any insurer authorized to transact business in the state under AS 21.09 and AS 21.90, a hospital and medical service corporation authorized to operate in this state under AS 21.87, or from a health maintenance organization authorized to operate in this state under AS 21.86. Notwithstanding other provisions of law, an excess loss insurance policy may be obtained from a hospital and medical service corporation authorized to operate in this state under AS 21.87 and a life and disability insurer authorized to operate in this state under AS 21.09 and AS 21.90.

4. Amend page 1, lines 12-14, page 2, lines 1-3, to read:

(5) The Department of Administration shall make available bid specifications for desired insurance benefits or administration of benefit claims and payments to all insurance carriers authorized [LICENSED]

to operate in this [THE] state and qualified to provide the desired benefits or insurance carriers and third party administrators licensed to operate in the state and qualified to provide administrative services. The specifications shall be made available on or before July 1, 1965 and at least once every succeeding five years. The lowest responsible bid submitted by an insurance carrier or third party administrator with adequate servicing facilities shall govern selection of a carrier or third party administrator under this section, or the selection of a carrier of excess loss insurance as provided in AS 39.30.091.

5. Amend page 2, lines 27-30, to read:

(1) any insurer authorized to transact business in the state under AS 21.09 and AS 21.90 or a hospital and medical service corporation authorized to operate in this state under AS 21.87 [AN INSURANCE CARRIER] to reimburse the state for the cost of administering group insurance provided under AS 39.30.090- and AS 39.30.160; and

(2) a life and disability insurer authorized to transact business in the state under AS 21.09 and AS 21.90, a hospital and medical service corporation authorized to operate in this state under AS 21.87, or a third party administrator licensed to operate in this state for the administration of benefit claims and payments under AS 39.30.091.

Post-It™ brand fax transmittal memo 7671		# of pages • 3
To Annie.	From Eileen	
of (H) STA	Co.	
Dept.	Phone #	
Fax # 228-72278	Fax # 2135	

7-GH0103D
 For
 3/19/92

CS FOR HOUSE BILL NO. 348 (STATE AFFAIRS)
 IN THE LEGISLATURE OF THE STATE OF ALASKA
 SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered:
 Referred:

Sponsors: HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the provision of group life ^{or group} and health insurance for sta. employees
 2 by means of self-insurance; to payment of the administrative costs of providing group
 3 health ^{or group} and life insurance for state employees; and permitting the state to purchase group
 4 health ^{or group} and life insurance from certain organizations."

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

6 • Section 1. AS 39.30.090(a)(4) is amended to read:

7 (4) In procuring a policy of group health ^{or group} and life insurance as provided
 8 under this section or excess loss insurance as provided in AS 39.30.091, the [THE]
 9 Department of Administration shall comply with the dual choice requirements of AS 21.56.310,
 10 and shall obtain the insurance policy from an [ANY] insurer authorized to transact business in
 11 the state under AS 21.05 a hospital or medical service corporation authorized ^{transact business} to operate in
 12 this state under AS 21.57 [AND AS 21.90], or [FROM] a health maintenance organization
 13 authorized to operate in this state under AS 21.56. ~~Notwithstanding any other provision of~~
 14 law, An excess loss insurance policy may be obtained from a hospital or medical service

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~~corporation authorized to operate in this state under AS 21.83 and a life or disability insurer authorized to operate in this state under AS 21.09.~~

• Sec. 2. AS 39.30.090(a) 5) is amended to read:

and medical service corporation: authorized to transact business under AS 21.87

(5) The Department of Administration shall make available bid specifications for desired insurance benefits or for administration of benefit claims and payments to all insurance carriers ^{transact business} authorized to operate ^{under AS 21.09} (LICENSED) in this (THE) state and qualified to provide the desired benefits ^{medical service corporations} and to insurance carriers and third-party administrators licensed to operate in this state and qualified to provide administrative services. The specifications shall be made available (ON OR BEFORE JULY 1, 1965, AND) at least once every (SUCCEEDING) five years. The lowest responsible bid submitted by an insurance carrier ^{medical service corporation} or third-party administrator with adequate servicing facilities shall govern selection of a carrier ^{an insurance} or third-party administrator under this section ^{to provide} or the selection of a carrier ^{excess loss} insurance as provided in AS 39.30.091.

• Sec. 3. AS 39.30 is amended by adding a new section to read:

Sec. 39.30.091. AUTHORIZATION FOR SELF-INSURANCE. Notwithstanding AS 21.86.310 or AS 39.30.090, the Department of Administration may provide, by means of self-insurance, one or more of the benefits listed in AS 39.30.090(a)(1) for state employees eligible for the benefits by law or under a collective bargaining agreement. The department shall procure any necessary excess loss insurance under AS 39.30.090.

• Sec. 4. AS 39.30.095(a) is amended to read:

(a) The commissioner of administration shall establish the group health and life benefits fund as a special account in the general fund to provide for group life and health insurance under AS 39.30.090 and 39.30.160 or for self-insurance arrangements under AS 39.30.091. The commissioner shall maintain accounts and records for the fund. The fund consists of employer contributions, employee contributions, appropriations from the legislature, and income earned on investment of the fund as provided in (d) of this section.

• Sec. 5. AS 39.30.095(b) is amended to read:

(b) After obtaining the advice of an actuary, the commissioner of administration shall determine the amount necessary to provide benefits under AS 39.30.090, 39.30.091, and 39.30.160 and shall set the rate of employer contribution and employee contribution, if any. With money in the fund, the (THE) commissioner of administration shall pay premiums, (AND)

1 claims, and administrative costs required under [IN ACCORDANCE WITH] the insurance
2 policies in effect under AS 39.30.090 and 39.30.160, or required under self-insurance
3 arrangements in effect under AS 39.30.091 [WITH MONEY IN THE FUND].

4 • Sec. 6. AS 39.30.095(c) is amended to read:

5 (c) The commissioner of administration or the designee of the commissioner is
6 administrator of the fund. The commissioner may contract with

7 (1) an insurer authorized to transact business in this state under AS 21.09,
8 or a hospital or medical service corporation authorized to ~~operate~~ ^{transact business} in this state under
9 AS 21.87 [INSURANCE CARRIER] to reimburse the state for the cost of administering group
10 insurance provided under AS 39.30.090 and 39.30.160; and

11 (2) a life or disability insurer authorized to transact business in the state
12 under AS 21.09, a hospital or medical service corporation authorized to operate in this state
13 under AS 21.87, or a third-party administrator licensed to ~~operate~~ ^{transact business} in this state for the
14 administration of benefit claims and payments under AS 39.30.091.

15 • Sec. 7. AS 39.30.095(d) is amended to read:

16 (d) If the commissioner of administration determines that there is more money in the
17 fund than the amount needed to pay premiums, [OR] benefits, and administrative costs for the
18 current fiscal year, the surplus, or so much of it as the commissioner of administration considers
19 advisable, may be invested by the commissioner of revenue in the same manner as retirement
20 funds are invested under AS 14.25.180.

CS FOR HOUSE BILL NO. 348 (STATE AFFAIRS)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the provision of group life or group health insurance for state
2 employees by means of self-insurance; to payment of the administrative costs of providing
3 group health or group life insurance for state employees; and permitting the state to
4 purchase group health or group life insurance from certain organizations."

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

6 • Section 1. AS 39.30.090(a)(4) is amended to read:

7 (4) In procuring a policy of group health or group life insurance as provided
8 under this section or excess loss insurance as provided in AS 39.30.091, the [THE]
9 Department of Administration shall comply with the dual choice requirements of AS 21.86.310,
10 and shall obtain the insurance policy from an [ANY] insurer authorized to transact business in
11 the state under AS 21.09, a hospital or medical service corporation authorized to transact
12 business in this state under AS 21.87 [AND AS 21.90], or [FROM] a health maintenance
13 organization authorized to operate in this state under AS 21.86. An excess loss insurance policy
14 may be obtained from a life or disability insurer authorized to transact business in this state

1 under AS 21.09.

2 * Sec. 2. AS 39.30.090(a)(5) is amended to read:

3 (5) The Department of Administration shall make available bid specifications for
4 desired insurance benefits or for administration of benefit claims and payments to (A) all
5 insurance carriers authorized to transact business [LICENSED] in this [THE] state under
6 AS 21.09 and all medical service corporations authorized to transact business under
7 AS 21.87 who are [AND] qualified to provide the desired benefits; and (B) to insurance
8 carriers, medical service corporations, and third-party administrators licensed to transact
9 business in this state and qualified to provide administrative services. The specifications
10 shall be made available [ON OR BEFORE JULY 1, 1965, AND] at least once every
11 [SUCCEEDING] five years. The lowest responsible bid submitted by an insurance carrier,
12 medical service corporation, or third-party administrator with adequate servicing facilities
13 shall govern selection of a carrier, medical service corporation, or third-party administrator
14 under this section or the selection of an insurance carrier to provide excess loss insurance
15 as provided in AS 39.30.091.

16 * Sec. 3. AS 39.30 is amended by adding a new section to read:

17 Sec. 39.30.091. AUTHORIZATION FOR SELF-INSURANCE. Notwithstanding
18 AS 21.86.310 or AS 39.30.090, the Department of Administration may provide, by means of self-
19 insurance, one or more of the benefits listed in AS 39.30.090(a)(1) for state employees eligible
20 for the benefits by law or under a collective bargaining agreement. The department shall procure
21 any necessary excess loss insurance under AS 39.30.090.

22 * Sec. 4. AS 39.30.095(a) is amended to read:

23 (a) The commissioner of administration shall establish the group health and life benefits
24 fund as a special account in the general fund to provide for group life and health insurance under
25 AS 39.30.090 and 39.30.160 or for self-insurance arrangements under AS 39.30.091. The
26 commissioner shall maintain accounts and records for the fund. The fund consists of employer
27 contributions, employee contributions, appropriations from the legislature, and income earned on
28 investment of the fund as provided in (d) of this section.

29 * Sec. 5. AS 39.30.095(b) is amended to read:

30 (b) After obtaining the advice of an actuary, the commissioner of administration shall
31 determine the amount necessary to provide benefits under AS 39.30.090, 39.30.091, and

1 39.30.160 and shall set the rate of employer contribution and employee contribution, if any.
2 With money in the fund, the [THE] commissioner of administration shall pay premiums, [AND]
3 claims, and administrative costs required under [IN ACCORDANCE WITH] the insurance
4 policies in effect under AS 39.30.090 and 39.30.160, or required under self-insurance
5 arrangements in effect under AS 39.30.091 [WITH MONEY IN THE FUND].

6 * Sec. 6. AS 39.30.095(c) is amended to read:

7 (c) The commissioner of administration or the designee of the commissioner is
8 administrator of the fund. The commissioner may contract with

9 (1) an insurer authorized to transact business in this state under AS 21.09,
10 or a hospital or medical service corporation authorized to transact business in this state
11 under AS 21.87 [INSURANCE CARRIER] to reimburse the state for the cost of administering
12 group insurance provided under AS 39.30.090 and 39.30.160; and

13 (2) a life or disability insurer authorized to transact business in the state
14 under AS 21.09, a hospital or medical service corporation authorized to transact business
15 in this state under AS 21.87, or a third-party administrator licensed to transact business in
16 this state for the administration of benefit claims and payments under AS 39.30.091.

17 * Sec. 7. AS 39.30.095(d) is amended to read:

18 (d) If the commissioner of administration determines that there is more money in the
19 fund than the amount needed to pay premiums, [OR] benefits, and administrative costs for the
20 current fiscal year, the surplus, or so much of it as the commissioner of administration considers
21 advisable, may be invested by the commissioner of revenue in the same manner as retirement
22 funds are invested under AS 14.25.180.

FISCAL NOTE

BILL NO. CSHB 348 (SA)

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: March 18, 1992
Title: An Act relating to the provision of group life and Health insurance by means of self-insurance

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: House Rules Committee
Requestor: House State Affairs Committee

Component: Retirement and Benefits
COMPONENT SERIAL NO. 61

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	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

Estimate of current year impact: none

ANALYSIS: (attach a separate page if necessary.) This bill would authorize the Department of Administration to utilize self-insurance in addition to the competitive bid process for insurance carriers. Self-insurance could then be undertaken assuming that savings or other advantages could be demonstrated.

Prepared By: Gary Bader
Division: Retirement and Benefits

Phone: 465-4470
Date: March 18, 1992

Approved by Commissioner: Nancy Bear Usher
Agency: Department of Administration

Date: 3/20/92

(7)

F. USE COMMITTEE REPORT

Date Referred: February 26, 1992

FURTHER REFERRALS:

Judiciary

Date of Committee Action: 3/23/92

The STATE AFFAIRS Committee considered:

HB 348

HOUSE BILL NO. 348

GROUP HEALTH & LIFE INS: STATE EMPLOYEES

"An Act relating to the provision of group life and health insurance for state employees by means of self-insurance; and to payment of administrative costs of providing group health and life insurance for state employees."

RECOMMENDATIONS:

be replaced with CS HB348 (STA) the same title a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dep:)

APPROVES PREVIOUS: (Dep/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) ADMIN

SIGNING <u>DO</u> PASS	DP	<u>OTHER</u> RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>			
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				

[Signature]
CHAIRMAN'S SIGNATURE

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465 2200
FAX: (907) 465 2135

March 20, 1992

The Honorable Gene Kubira
Chairman, House State Affairs
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

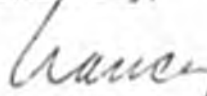
Dear Representative Kubina:

During the State Affairs Committee's consideration of HB 348, the department was asked to provide a compilation of the various risk exposures of the State and how these risks were insured.

Enclosed is a general listing of insurance coverages administered by the State. The amount of self-insurance on each of these areas, if any, is indicated.

I appreciate the committee's interest, and if additional clarification or information is needed, please let me know.

Sincerely,



Nancy Bear Ysera
Commissioner

NBU/nl

Enclosure

cc: Paul Fuhs
Legislative Liaison
Office of the Governor

STATE OF ALASKA

FY 92 Insurance Program

Coverage	Amount of Self-Insurance Per Occurrence	Limit of Insurance Coverage
PROPERTY (all risk)	\$1,000,000	\$100,000,000
(EARTHQUAKE & FLOOD)	\$1,000,000 minimum or 2%	\$100,000,000
BOILER & MACHINERY	\$10,000	\$10,000,000
LIABILITY - Per occurrence (including general liability, auto, professional liability, medical malpractice, directors & officers, etc.)	\$5,000,000	\$100,000,000 (excludes discrim., pollution, asbestos, punitive, etc.)
LIABILITY SIR AGGREGATE	\$10,000,000	\$100,000,000
FOREIGN LIABILITY	NONE	\$1,000,000
WORKERS' COMPENSATION	Full self insurance	None
MARINE LIABILITY	\$1,000,000	\$200,000,000
Marine Vessels	\$1,000,000	Specified values
FERRY DOCKS	\$250,000	Stated values \$5,000,000 Limit
AVIATION LIABILITY		
Airports	\$250,000	\$500,000,000
Aircraft	\$250,000	\$500,000,000
National Guard	\$250,000	\$500,000,000
MULTI-LINE AGGREGATE		
(Property & Marine)	\$1,000,000 SIR	\$5,000,000
(Aviation)	\$1,500,000 SIR	\$300,000,000
EMPLOYEE FIDELITY BOND	\$250,000	\$20,000,000
FOUR DAM POOL (AEA)	\$10,000,000 except quake & flood 2% - values at locations	\$50,000,000
SBS Employee Life Insurance	None	\$48,000/occurrence
SBS Acc. Death & Dismemberment	None	\$100,000/occurrence

Coverage	Amount of Self-Insurance Per Occurrence	Limit of Insurance Coverage
SBS Disability	None	Varies with salary
Basic Employee Life Insurance	None	\$2000/occurrence
Basic Employee Acc. D & D	None	\$5000/occurrence
Optional Employee Life	None	\$60,000/occurrence
Optional Employee Acc. D & D	None	\$120,000/occurrence
Employee Travel Accident	None	\$100,000/occurrence
Employee Health Insurance	None	\$250,000/lifetime
SBS Health Insurance II	None	\$250,000/lifetime
SBS Health Insurance I	None	\$1,000,000/lifetime

FISCAL NOTE

BILL NO. CSHB 348 (SA)

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: March 18, 1992
Title: An Act relating to the provision of group life and Health insurance by means of self-insurance

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: House Rules Committee
Requestor: House State Affairs Committee

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	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

Estimate of current year impact: none

ANALYSIS: (attach a separate page if necessary) This bill would authorize the Department of Administration to utilize self-insurance in addition to the competitive bid process for insurance carriers. Self-insurance could then be undertaken assuming that savings or other advantages could be demonstrated.

Prepared By: Gary Bader
Division: Retirement and Benefits

Phone: 465-4470
Date: March 18, 1992

Approved by Commissioner: Nancy Bear Usara
Agency: Department of Administration

Date: 3/21/92

FISCAL NOTE

BILL NO. CSHB 348 (SA)

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: March 18, 1992
Title: An Act relating to the provision of group life and Health insurance by means of self-insurance

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: House Rules Committee
Requestor: House State Affairs Committee

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	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

Estimate of current year impact: none

ANALYSIS: (attach a separate page if necessary.) This bill would authorize the Department of Administration to utilize self-insurance in addition to the competitive bid process for insurance carriers. Self-insurance could then be undertaken assuming that savings or other advantages could be demonstrated.

Prepared By: Cary Bader
Division: Retirement and Benefits

Phone: 465-4470
Date: March 18, 1992

Approved by Commissioner: Nancy Bear Usara
Agency: Department of Administration

Date: 3/2/92

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. HB 348

Revision Date: _____
Title: An Act relating to group life and health insurance for State employees by means of self-insurance.
Sponsor: Rules Committee
Requestor: Governor

Department Affected: Administration
BRU: Risk Management
Component: Risk Management

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

See attached.

Prepared by: Donald J. Hitchcock
Division: Risk Management

Phone: 465-2183
Date: 12.11.91

Approved by Commissioner: Nancy Bear Usara
Agency: Administration

Date: 1/22/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ctr., & Impacted Agency(ies).

CONTINUATION OF FISCAL NOTE ANALYSIS
House Bill No. 348

This bill is enabling legislation to allow the State to self insure state employee medical and/or life insurance benefits. It is anticipated that any possible increased state administrative costs for such a program should be more than offset through increased income from cash flow and other cost savings. In other words a self insurance program would be implemented only if cost savings is possible.

Potential benefits of a self insurance program would be elimination of certain insurance company charges; positive control of the insurance program which might include use of employee incentives to reduce costs; and increased competition from bidders for administration and/or aggregate loss (excess) insurance policies.

The present medical benefits program for active state employees costs the State approximately \$65,000,000. a year therefore cash flow and interest earnings may become an important fiscal consideration.

Possible problems due to a catastrophic increase in claims costs for any one year may be controlled through purchase of aggregate loss policies to pay excess costs either on an individual claim basis or in the aggregate.

Passage of this enabling legislation is fundamental to making all options available to the State in the administration and implementation of a cost effective group health and life benefits plan for its employees.

FISCAL NOTE

BILL NO. HB 348

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act relating to the provision of group life and

Department Affected: Administration
BRU: Retirement & Benefits

health insurance for state employees by means of self-insurance

Component: Retirement & Benefits

Sponsor: House Rules Committee
Requestor: Governor

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	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

Estimate of current year impact: None

ANALYSIS: (attach a separate page if necessary) This bill would authorize the Department of Administration to utilize self funding for health insurance in addition to the competitive bid process for insurance carriers. Self-insurance could then be undertaken assuming that savings or other advantages could be demonstrated.

Prepared By: Gary Bader
Division: Retirement and Benefits

Phone: 465-4470
Date: 12-12-91

Approved by Commissioner: Nancy Bear Ukena
Agency: Department of Administration

Date: 1/27/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

Rev 10/90

Page 1 of 1



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: March 23, 1992

PLACE: Capital Room 102

SUBJECT OF MEETING:

- HB 348-Relating to Grp Health & Life Insur.: State Empl
- HB 507-Relating to LBC Annexation Proposals
- *HB 565-Relating to Approp: Contr. Settlement Contr
- HJR 3 -Relating to Change Term of Represen.to 4 Yrs
- *HJR 72-Relating to Compensation for Legislators
- SB 337-Relating to Retirement Incentive Programs
- HJR 63-Relating to Support Military at Ft Richardson

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Sandra Wicks	DCRA				4750	<input checked="" type="radio"/>	<input type="radio"/>	if needed on HB 507
Jerry Burnett	R. Phillips			4949	4949	<input checked="" type="radio"/>	<input type="radio"/>	if needed HJR 63
Wilma	DOA				2208	<input type="radio"/>	<input checked="" type="radio"/>	HB 348 / SB 337
DON KOCH	DN OF INSURANCE	PO Box 110805 JUN	99511		2577	<input checked="" type="radio"/>	<input type="radio"/>	HB 348
Sally Saly	DNB				3508	<input checked="" type="radio"/>	<input type="radio"/>	SB 337
Cheryl Isaacs	OMB					<input checked="" type="radio"/>	<input type="radio"/>	HB 565
Mike Mc Miller	Admin					<input type="radio"/>	<input checked="" type="radio"/>	HB 565
Joan Coon	Admin				4404	<input type="radio"/>	<input checked="" type="radio"/>	
Ben Jim Duncan						<input type="radio"/>	<input type="radio"/>	
Rep Randy Phillips						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: March 18, 1992

PLACE: Capital Room 102

SUBJECT OF MEETING:
 HJR 69 - Relating to Statehood for Wash. D.C.
 *HJR 3 - Relating to Change Terms of Representatives to four Years
 HB 348 - Relating to Grp Health & Life Insurance State Employees
 SB 146 - Relating to Limited Privileges for Revoked Licenses

SJR 37 - Relating to Source Tax

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Gene Kubina	DIA			5-2300		<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	HB 348
MIKE MILLER Mike Miller	Rep	Juneau		516-3007		<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	HJR 69
Juanita Hensley	DPS/Dmv	Juneau		465- 6335		<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	SB 146
Fay Dufany	DMV	5700 E Tudor Anch 99507			264-5539	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	SB 146
Rich Veltford	Senator	Capital Rm 103		4158		<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	SJR 37
						<input type="checkbox"/> Y <input type="checkbox"/> N	
						<input type="checkbox"/> Y <input type="checkbox"/> N	
						<input type="checkbox"/> Y <input type="checkbox"/> N	
						<input type="checkbox"/> Y <input type="checkbox"/> N	
						<input type="checkbox"/> Y <input type="checkbox"/> N	
						<input type="checkbox"/> Y <input type="checkbox"/> N	
						<input type="checkbox"/> Y <input type="checkbox"/> N	