

SB308

SENATE FINANCE COMMITTEE REPORT

DATE: 3/6/92

FURTHER:

DATE TURNED INTO OFFICE: _____

The Finance Committee considered

SENATE BILL NO. 308

"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."

DIED

and recommends:

replace with _____ CS _____ (FINANCE)

or adopt previous _____ CS _____ (_____)

attaches amendment(s)

same title
 new title
 technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

appropriation--no fiscal note

DO PASS:

1. _____
Co-Chair: Signature/Recommendation

PREVIOUS FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

OTHER RECOMMENDATIONS:

2. _____
Co-Chair: Signature/Recommendation

FISCAL NOTE

No. 1

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: SB 308

(S) Publish Date: 5/19/91

Revision Date: _____ Department Affected: Administration
Title: State Medical Self Insurance BRU: Risk Management
Component: Risk Management

Sponsor: Dept. of Administration
Requestor: Governor's Office COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
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	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	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 Phone: 465-2180
Division: Risk Management Date: 5-16-91

Approved by Commissioner: Millett Keller
Agency: Department of Administration Date: 5/16/91

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

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Bill Version: SB 308
(S) Publish Date: 3-6-92

Revision Date: _____
Title: An Act relating to the provision of group life and health insurance for state employees by means of self-insurance

Department Affected: Administration
BRU: Retirement & Benefits

Component: Retirement & Benefits

Sponsor: Senate 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: _____

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

Date: 1/24/92

CONTINUATION OF FISCAL NOTE ANALYSIS

For Law Log 91-0103

This bill is enabling legislation to allow the State to self insure state employee medical and life benefits. It is anticipated that any possible increased state administrative costs for such a program would 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 charges; positive control of the insurance program which might include use of employee incentives to reduce costs; and increased competition from bidders for administration 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 also become an important fiscal benefit.

Possible problems due to increased claims costs in 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

No. 2

Bill Version: SB 308

(S) Publish Date: 3-6-92

STATE OF ALASKA
1992 LEGISLATIVE SESSION

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: 465-2180
 Date: 12-11-91

Approved by Commissioner: Nancy Bear Usery
 Agency: Administration

Date: 1/24/92

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

CONTINUATION OF FISCAL NOTE ANALYSIS
Senate Bill No. 308

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.

SENATE BILL NO. 308

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 5/19/91
 Referred: L&C, Finance

A BILL

FOR AN ACT ENTITLED

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

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

5 * Section 1. AS 39.30.090(a)(4) is amended to read:

6 (4) In procuring a policy of insurance under this section or excess loss
 7 insurance as provided in AS 39.30.091, the [THE] Department of Administration shall comply
 8 with the dual choice requirements of AS 21.86.310, and shall obtain the insurance policy from
 9 any insurer authorized to transact business in the state under AS 21.09 and AS 21.90, or from
 10 a health maintenance organization authorized to operate in this state under AS 21.86.

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

12 (5) The Department of Administration shall make available bid specifications for
 13 desired insurance benefits to all insurance carriers licensed in the state and qualified to provide
 14 the desired benefits. The specifications shall be made available on or before July 1, 1965, and

1 at least once every succeeding five years. The lowest responsible bid submitted by an insurance
2 carrier with adequate servicing facilities shall govern selection of a carrier under this section, or
3 the selection of a carrier of excess loss insurance as provided in AS 39.30.091.

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

5 Sec. 39.30.091. AUTHORIZATION FOR SELF-INSURANCE. Notwithstanding AS
6 39.30.090, the Department of Administration may provide, by means of self-insurance, one or
7 more of the benefits listed in AS 39.30.090(a)(1) for state employees eligible for such benefits
8 by law or under a collective bargaining agreement. Any excess loss insurance purchased in
9 conjunction with the self-insurance must be procured in accordance with AS 39.30.090.

10 * Sec. 4. AS 39.30.095 is amended to read:

11 Sec. 39.30.095. GROUP HEALTH AND LIFE BENEFITS FUND. (a) The
12 commissioner of administration shall establish the group health and life benefits fund as a special
13 account in the general fund to provide for group life and health insurance under AS 39.30.090
14 and 39.30.160 or for self-insurance arrangements under AS 39.30.091. The commissioner
15 shall maintain accounts and records for the fund. The fund consists of employer contributions,
16 employee contributions, appropriations from the legislature, and income earned on investment of
17 the fund as provided in (d) of this section.

18 (b) After obtaining the advice of an actuary, the commissioner of administration shall
19 determine the amount necessary to provide benefits under AS 39.30.090, 39.30.091, and
20 39.30.160 and shall set the rate of employer contribution and employee contribution, if any.
21 With money in the fund, the [THE] commissioner of administration shall pay premiums, [AND]
22 claims, and administrative costs in accordance with the insurance policies in effect under AS
23 39.30.090 and 39.30.160, or in accordance with self-insurance arrangements in effect under
24 AS 39.30.091 [WITH MONEY IN THE FUND].

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

27 (1) an insurance carrier to reimburse the state for the cost of administering group
28 insurance provided under AS 39.30.090 and 39.30.160; and

29 (2) a third-party administrator for the administration of benefit claims and
30 payments under AS 39.30.091.

31 (d) If the commissioner of administration determines that there is more money in the

1 fund than the amount needed to pay premiums, [OR] benefits, and administrative costs for the
2 current fiscal year, the surplus, or so much of it as the commissioner of administration considers
3 advisable, may be invested by the commissioner of revenue in the same manner as retirement
4 funds are invested under AS 14.25.180.

5 (e) In this section, "fund" means the group health and life benefits fund.

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 19, 1991

The Honorable Richard I. Eliason
President of the Senate
P.O. Box V
Juneau, AK 99811

300

Dear President Eliason:

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; 663-89-230). 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,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel
Governor