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# Alaska State Legislature



Sen. Jay Kerttula, Co-Chairman  
Sen. At Pourchot, Co-Chairman

Sen. Al Adams  
Sen. Jim Duncan  
Sen. Lyman F. Hoffman  
Sen. Dick Shultz  
Sen. Rick Uehling

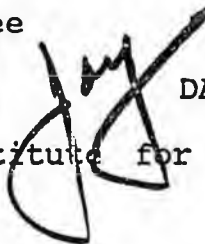
## Senate Finance Committee

State Capitol  
Juneau, AK 99801-1182  
(907) 465-1200  
(907) 463-3066 Fax

Box 1009  
Palmer, AK 99645  
(907) 376-2675  
(907) 376-0315 Fax

### M E M O R A N D U M

TO: Senator Pearce, Chair and Members of the Senate Labor and Commerce Committee

FROM: Senator Jay Kerttula  DATE: April 14, 1992

SUBJ: Proposed Draft Substitute for Senate Bill 404 Dated 4/23/92

Significant changes suggested by the Division of Insurance have been made to the proposed draft substitute for SB 404. These changes were made in response to concerns expressed by members of the committee, the division of insurance, and the insurance industry.

First, in response to concerns expressed by Senator Halford, an insurer is now only required to offer hearing, dental and vision insurance to those who are already customers, that is, on page 1 line 9, those who are policy holders or have a subscriber contract. The words "each policy holder or subscriber" has replaced "individuals of all ages or groups".

This language change, as well as language added to Section 21.42.385 page 2 line 12 in a new section (e), clarifies a concern expressed by Aetna and HIAA that those writing only for groups should be required to offer the hearing, dental and vision insurance to the group purchaser and not to individuals.

The concern of the HIAA and the Division of Insurance that this bill could conflict with Federal limits on Medicare Supplement policies is clarified by the language on page 2 line 10. This states that this bill applies to insurers offering Medicare supplement policies to the extent not prohibited by 1990 OBRA the Federal law in 42 U.S.C. 1395. A legal opinion by the lead attorney providing counsel on medicare supplement insurance for the National Association of Insurance Commissioners, as well as by Legislative

Legal Counsel Mike Ford was that the requirements of SB 404 to provide a limited benefit policy is not prohibited by the Omnibus Reconciliation Act of 1990. There is no conflict. Should there be a challenge, this would be resolved by the courts or HICFA, the Federal regulatory agency with jurisdiction over this matter.

Other technical concerns of the Division of Insurance were also incorporated. The changes are detailed in the attached technical amendments offered by the Division of Insurance.

The concerns that insurers offering individual policies will experience adverse selection, are already dealt with in the bill because the insurer is free to price the coverage to take this into account. Also, the increase in administrative overhead for insurers to contract with another insurer should they not want to design and offer their own package could be incorporated into the price of the policy.

I believe we have addressed the main concerns of those who testified at the last hearing. Thank you for your consideration of this proposed committee substitute. I urge that it be passed out of committee quickly.

# Alaska State Legislature



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Sen. Pat Pourchot, Co-Chairman

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### Sponsor Statement

#### Senate Bill 404

#### The Offering of Hearing, Dental and Vision Insurance

There is a new proposed Committee Substitute for Senate Bill 404 before you for your consideration. It addresses the issues brought up at the last hearing. The purpose of this bill is to make insurance for hearing, dental and vision more widely available. Currently those who are self employed, retired, and those whose employer does not offer health insurance can not obtain hearing, dental and vision insurance. Only those on medicaid, or covered by a group policy can get such coverage.

This proposed Committee Substitute for Senate Bill 404 will allow Alaskans to better ensure their own health. Dental health affects one's ability to get proper nourishment. This bill will also help those who may need glasses or a hearing aid in the future, to ensure that they will be able to communicate and be productive. Children as well as the elderly are likely to benefit most from the prevention of more serious problems. Children do not develop

normally unless they can see, hear, and eat properly. The elderly lose their ability to interact with the world when they do not have glasses or hearing aids which are properly adapted to their current limitations. This results in mental deterioration and loss of the ability to live independently.

As before, the purchaser is free to accept or reject the policy. This is not a mandated benefit.

The insurer is free to design the benefits of the policy as long as the benefits are as good as those offered to retired State employees. The language specifies that the minimum benefits were those provided on January 1, 1992. These minimum benefits are a minimal standard package. Most insurers will probably want to offer better benefits.

Dental coverage is limited to \$1,500 per year and requires a \$50 deductible for everything but prevention. There is also a 50% copayment for dentures and prosthetics, and a 20% copayment for all other services except prevention.

Vision coverage covers one pair of lenses and an eye exam per year. One set of frames would be purchased every two years.

Auditory coverage pays a maximum of \$800 every three years. There is a 20% copayment.

I would have liked to set higher minimum benefit levels, but I wanted to use a benefit structure already available in the state.

Should there be inflation or a need to offer better benefits the insurer is free to offer higher maximums because the minimum benefits are low, there is room for variation in the package.

Currently the package available to State retirees costs less than \$25 per month and is paid for by employees should they opt for this coverage. I believe that others in the State should have access to this coverage even if the product must be priced higher for those who are not members of groups.

I urge your favorable consideration of this bill.

CS FOR SENATE BILL NO. 404 ( )

IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): SENATOR KERTTULA

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring an offer of certain dental, vision, and hearing insurance coverage; and  
2 providing for an effective date."

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

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

5       Sec. 21.42.385. DENTAL, VISION, AND HEARING COVERAGE. (a) An insurer  
6 authorized under AS 21.09 to offer, issue for delivery, deliver, or renew an individual or group  
7 disability insurance policy for medical coverage on an expense incurred basis in the state or a  
8 hospital or medical service corporation authorized under AS 21.87 to offer or renew a  
9 subscriber's contract, shall offer to each policyholder or subscriber for acceptance or rejection  
10 minimum dental, vision, and hearing coverage described in (b) of this section. Coverage required  
11 under this subsection may be offered as a rider or in the form of a limited benefit policy.

12       (b) The minimum coverage required under (a) of this section may  
13             (1) be provided under contract with another insurer or another hospital or medical  
14 service corporation; and

1 (2) not be less than the dental, vision, and hearing coverage provided on  
2 January 1, 1992, to a person entitled to medical benefits under AS 39.35.535 (public employees'  
3 retirement system of Alaska).

4 (c) This section does not apply to an insurer or a hospital or medical service corporation  
5 that has written less than \$300,000 in premiums in the previous calendar year. An insurer or a  
6 hospital or medical service corporation exempt under this subsection shall disclose the exemption  
7 when issuing or renewing a disability insurance policy or subscriber's contract, and shall advise  
8 the policyholder or subscriber that insurers that have written more than \$300,000 in premiums  
9 in the previous calendar year are required to offer coverage under (a) and (b) of this section.

10 (d) This section applies to an insurer or a hospital or medical service corporation writing  
11 a Medicare supplement policy to the extent not prohibited under 42 U.S.C. 1395.

12 (e) This section does not require an insurer who offers only group coverage to offer  
13 dental, vision, and hearing coverage to an individual.

14 \* Sec. 2. AS 21.87.340 is amended to read:

15 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to the provisions  
16 contained or referred to previously in this chapter, the following chapters and provisions of this  
17 title also apply with respect to service corporations to the extent applicable and not in conflict  
18 with the express provisions of this chapter and the reasonable implications of the express  
19 provisions, and for the purposes of the application the corporations shall be considered to be  
20 mutual "insurers":

21 (1) AS 21.03

22 (2) AS 21.06

23 (3) AS 21.09, except AS 21.09.090

24 (4) AS 21.18.010

25 (5) AS 21.18.030

26 (6) AS 21.18.040

27 (7) AS 21.18.120

28 (8) AS 21.21.321

29 (9) AS 21.36

30 (10) AS 21.42.345 - 21.42.365, [AND] 21.42.375, and 21.42.385

31 (11) AS 21.51.120

- 1 (12) AS 21.53
- 2 (13) AS 21.54.020
- 3 (14) AS 21.69.400
- 4 (15) AS 21.69.520
- 5 (16) AS 21.69.600, 21.69.620, and 21.69.630
- 6 (17) AS 21.78
- 7 (18) AS 21.89.040
- 8 (19) AS 21.89.060
- 9 (20) AS 21.90.
- 10 \* Sec. 3. This Act takes effect July 1, 1993.

**DIVISION OF LEGAL SERVICES**

**LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA**

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

240 Main Street, Suite 500  
Juneau, Alaska 99801-2101

**MEMORANDUM**

April 23, 1992

**SUBJECT:** Required dental, vision and hearing insurance - (CSSB 404( ))  
**TO:** Senator Jay Kerttula  
**FROM:** Michael F. Ford *M.F.*  
Legislative Counsel

You have asked if the provisions of 42 U.S.C. 1395ss, relating to medicare supplement insurance, would conflict with the required insurance provisions of CSSB 404( ), dated 4/23/92. I have reviewed 42 U.S.C. 1395ss and can find no provisions that appear to conflict with CSSB 404( ).

Please contact me if you have further questions.

MFF:pl  
92-286.plm

# ALASKA

**DEPARTMENT OF COMMERCE  
AND ECONOMIC DEVELOPMENT**  
**DIVISION OF INSURANCE**

Division of Insurance  
P.O. Box 110805 (9th Floor State Office Bldg.)  
Juneau, AK 99811-0805

Fax No. (907) 465-3422

## TELECOPIER TRANSMITTAL SHEET

DELIVER TO: DR THORN FROM: DON KOCH  
463-3130

Number of pages INCLUDING transmittal sheet: 4

DATE: 4/11/92 TIME: \_\_\_\_\_

OPERATOR: \_\_\_\_\_

IF TELECOPY DOES NOT TRANSMIT PROPERLY,  
PLEASE CALL (907) 465-2515 IMMEDIATELY.



STATE OF ALASKA  
DEPARTMENT OF COMMERCE  
& ECONOMIC DEVELOPMENT

**DONALD P. KOCH, CIE**  
CHIEF OF MARKET SURVEILLANCE

DIVISION OF INSURANCE  
P.O. BOX 110805  
JUNEAU, ALASKA 99811-0805  
PHONE: (907) 465-2577

NINTH FLOOR  
STATE OFFICE BUILDING  
333 WILLOUGHBY AVENUE  
FAX: (907) 465-3422

Suggested changes to CSSB 404 (Work Draft 7-LS2009\D Ford 2/26/92)

**Amendment #1**

CSSB 404 Work Draft 7-LS2009\D Ford 2/26/92 Page 1, Lines 5-11.	CSSB 404 Suggested Revision DOI 4/8/92
<p>Sec. 21.42.385. DENTAL, VISION, AND HEARING COVERAGE. (a) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver, or renew an individual or group disability insurance policy for medical coverage on an expense incurred basis in the state or a hospital or medical service corporation authorized under AS 21.87 to offer or renew a subscriber's contract, shall offer to individuals of all ages or groups for acceptance or rejection minimum dental, vision, and hearing coverage described in (b) of this section. Coverage required under this subsection may be offered as a rider or in a the form of a limited benefit policy.</p>	<p>Sec. 21.42.385. DENTAL, VISION, AND HEARING COVERAGE. (a) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver, or renew an individual or group disability insurance policy for medical coverage on an expense incurred basis in the state or a hospital or medical service corporation authorized under AS 21.87 to offer or renew a subscriber's contract, shall offer to <u>each policyholder or subscriber</u> <del>individuals of all ages or groups</del> for acceptance or rejection minimum dental, vision, and hearing coverage described in (b) of this section. Coverage required under this subsection may be offered as a rider or in a the form of a limited benefit policy.</p>

This change would shift the mandatory offer from all comers to only the policyholders of the insurer or subscribers of a hospital or medical service corporation.

**Amendment #2**

CSSB 404 Work Draft 7-LS2009\D Ford 2/26/92 Page 1, Lines 12-14 and Page 2, Lines 1-2.	CSSB 404 Suggested Revision DOI 4/8/92
<p>(b) The minimum coverage required under (a) of this section may</p> <p>(1) be provided under contract with another insurer; and</p> <p>(2) not be less than the dental, vision, and hearing coverage provided on January 1, 1992, to a person entitled to medical benefits under AS 39.35.535 (public employees' retirement system of Alaska).</p>	<p>(b) The minimum coverage required under (a) of this section may</p> <p>(1) be provided under contract with another insurer <u>or another hospital or medical service corporation;</u> and</p> <p>(2) not be less than the dental, vision, and hearing coverage provided on January 1, 1992, to a person entitled to medical benefits under AS 39.35.535 (public employees' retirement system of Alaska).</p>

This suggested change would maintain consistency with subsection (a) by naming the kinds of insuring entities affected by the section.

**Amendment #3**

<p><b>CSSB 404 Work Draft 7-LS2009\ D Ford 2/26/92 Page 2, Lines 3-7</b></p>	<p><b>CSSB 404 Suggested Revision DOI 4/8/92</b></p>
<p>(c) This section does not apply to an insurer who has written less than \$300,000 in premiums in the previous calendar year. An insurer exempt under this subsection shall disclose the exemption when issuing or renewing a disability insurance policy or subscriber's contract and shall provide the policyholder or subscriber with a list of insurers who are required to offer coverage described under (a) of this section.</p>	<p>(c) This section does not apply to an insurer or a hospital or medical service corporation who has written less than \$300,000 in premiums in the previous calendar year. An insurer or a hospital or medical service corporation exempt under this subsection shall disclose the exemption when issuing or renewing a disability insurance policy or subscriber's contract and shall advise provide the policyholder or subscriber with a list of insurers who are required to that insurers with premium writings in excess of \$300,000 for the previous calendar year must offer coverage described under (a) in (b) of this section.</p>

This suggested change would maintain consistency with subsection (a) by naming the kinds of insuring entities affected by the section. It would also remove the requirement that an exempt carrier must provide the policyholder or subscriber with a list of insurers who are required to offer coverage. This is unworkable and has been replaced with a requirement to advise that other carriers are required to offer the coverage.

**Amendment #4**

<p><b>CSSB 404 Work Draft 7-LS2009\ D Ford 2/26/92 Page 2, After Line 7</b></p>	<p><b>CSSB 404 Suggested Revision DOI 4/8/92</b></p>
<p></p>	<p>(d) <u>To the extent not in conflict with other state or federal law, this section applies to an insurer or a hospital or medical service corporation writing a Medicare supplement policy.</u></p>

This suggested change would maintain consistency with subsection (a) by naming the kinds of insuring entities affected by the subsection. It avoids potential conflict with Federal law concerning Medicare supplements by applying the required offer if it is not in conflict with other state or federal law.

**Amendment #5**

<p><b>CSSB 404 Work Draft 7-LS2009\D Ford 2/26/92 Page 2, After Line 7</b></p>	<p><b>CSSB 404 Suggested Revision DOI 4/8/92</b></p>
	<p>*Sec.2. AS 21.87.340(10) is amended to read:                  (10) AS 21.42.345 -                  21.42.365, [AND] 21.42.375, and  <u>21.42.385.</u>"</p>

This suggested change is necessary if hospital or medical service corporations are to be included in this bill. AS 21.87 is an exclusive chapter and can only have other statutes in AS 21 apply if an internal reference is provided in AS 21.87.340. This is the internal reference.

**Amendment #6**

<p><b>CSSB 404 Work Draft 7-LS2009\D Ford 2/26/92 Page 2, Line 8</b></p>	<p><b>CSSB 404 Suggested Revision DOI 4/8/92</b></p>
<p>*Sec.2. This Act takes effect July 1, 1993</p>	<p>*Sec.3-3 This Act takes effect July 1, 1993</p>

This suggested change merely renumbers Section 2 of the bill.

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. SB 404

Revision Date: 2/14/92

Department Affected: Commerce & Econ. Dev.

Title: An Act relating to dental, vision,  
and hearing insurance coverage

BRU: Insurance

Component: Operations

Sponsor: Sen. Kerttula

Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 

0	3	5	4
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE FUND RESOURCE:</b>	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
<b>TOTAL</b>	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS (Attach a separate page if necessary.)  
  
No fiscal impact.

Prepared By: Joan Brown, Administrative Officer

Phone: 465-2597

Division: Insurance

Date: 2/20/92

Approved by Commissioner: Glenn A. Olds

Agency: Department of Commerce & Economic Development

Date: \_\_\_\_\_

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

## FISCAL NOTE

**STATE OF ALASKA  
1992 LEGISLATIVE SESSION**

**BILL NO. CSSB404 ( ) WORK DRAFT**  
7-LS20091D  
Ford  
2/28/92

Revised: 2/28/92  
Title: Dental, vision and hearing insurance coverage  
Sponsor: Sen Kerttula  
Requestor: Sen Kerttula

Department Affected: UNIVERSITY OF ALASKA  
BRU: SW Programs and Services  
Component: Statewide Services

Component Serial No: 730

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY93	FY94	FY95	FY96	FY97	FY98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FD SOURCE						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER FUNDS						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year Impact: -0-

**ANALYSIS (Attach additional pages as necessary)**

This Fiscal Note supercedes the one issued on April 3, 1992 for SB404 and is based upon the revised text contained in CSSB404 Work Draft.

Prepared by: Marsha Hubbard, Director  
Division: Statewide Budget Office

Phone: 474-7593  
Date: April 6, 1992

Approved by: Brian Rogers, Vice President for Finance  
Agency: University of Alaska

Date: April 6, 1992

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



**Alaska Dental Society**

6400 Stearns Road, Suite 10  
Anchorage, Alaska 99503  
907/277-4675

April 1, 1992


Senator Drue Pearce  
Alaska State Legislature  
P.O. Box V (MS 3100)  
Juneau, AK 99811

Dear Senator Pearce:

The Alaska Dental Society supports CS for SB 404. Please schedule SB 404 for hearing.

If you have any questions please feel free to contact me at 907 376-3884, FAX 907-273-7300. Thank you.

Sincerely,

  
Robert Wade Robinson II, D.M.D.  
President  
Alaska Dental Society

## MINIMUM BENEFITS

### DENTAL PLAN HIGHLIGHTS

- Pays 80 percent of the usual, customary and reasonable charges for most preventive (X-rays, exams, etc.) services with no deductible.
- Pays 80 percent of the usual, customary and reasonable charges for most restorative (fillings, extractions, etc.) services after the annual deductible is met.
- Pays 50 percent of the usual, customary and reasonable charges for most prosthetic (crowns, dentures, etc.) services after the annual deductible is met.
- Pays up to \$1,500 of covered expenses per person per year.

### VISION PLAN HIGHLIGHTS

- Requires no deductible.
- Covers one complete eye examination, including a required refraction, during any calendar year.
- Pays 80 percent for two lenses during each calendar year.
- Pays 80 percent for one set of frames every two years.

### AUDIO PLAN HIGHLIGHTS

- Pays 80 percent of the usual, customary and reasonable charges.
- Requires no deductibles.
- Allows a maximum benefit of \$800 in a three-year period.

**Section 3. Applicability and Scope**

- A. Except as otherwise specifically provided in Sections 7, 12, 13 and 21, this regulation shall apply to:
- (1) All Medicare supplement policies delivered or issued for delivery in this State on or after the effective date hereof, and
  - (2) All certificates issued under group Medicare supplement policies which certificates have been delivered or issued for delivery in this State.
- B. This regulation shall not apply to a policy or contract of one or more employers or labor organizations, or of the trustee of a fund established by one or more employers or labor organizations, or combination thereof, for employees or former employees, or a combination thereof, or for members or former members, or a combination thereof, of the labor organizations.

**Section 4. Definitions**

For purposes of this regulation:

- A. "Applicant" means:
- (1) In the case of an individual Medicare supplement policy, the person who seeks to contract for insurance benefits, and
  - (2) In the case of a group Medicare supplement policy, the proposed certificateholder.
- B. "Certificate" means any certificate delivered or issued for delivery in this State under a group Medicare supplement policy.
- C. "Certificate Form" means the form on which the certificate is delivered or issued for delivery by the issuer.
- D. "Issuer" includes insurance companies, fraternal benefit societies, health care service plans, health maintenance organizations, and any other entity delivering or issuing for delivery in this state Medicare supplement policies or certificates.
- E. "Medicare" means the "Health Insurance for the Aged Act," Title XVIII of the Social Security Amendments of 1965, as then constituted or later amended.
- F. "Medicare Supplement Policy" means a group or individual policy of (accident and sickness) insurance or a subscriber contract (of hospital and medical service associations or health maintenance organizations), other than a policy issued pursuant to a contract under Section 1876 or Section 1833 of the federal Social Security Act (42 U.S.C. Section 1395 et. seq.) or an issued policy under a demonstration project authorized pursuant to amendments to the federal Social Security Act, which is advertised, marketed or designed primarily as a supplement to reimbursements under Medicare for the hospital, medical or surgical expenses of persons eligible for Medicare.
- G. "Policy Form" means the form on which the policy is delivered or issued for delivery by the issuer.

**Section 5. Policy Definitions and Terms**

No policy or certificate may be advertised, solicited or issued for delivery in this State as a Medicare supplement policy or certificate unless such policy or certificate contains definitions or terms which conform to the requirements of this section.

the date specified in this subparagraph is the first day of the first calendar quarter beginning after the close of the first legislative session of the State legislature that begins on or after January 1, 1992. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

"(D) In promulgating standards under this paragraph, the Association or Secretary shall consult with a working group composed of representatives of issuers of medicare supplemental policies, consumer groups, medicare beneficiaries, and other qualified individuals. Such representatives shall be selected in a manner so as to assure balanced representation among the interested groups.

"(E) If benefits (including deductibles and coinsurance) under this title are changed and the Secretary determines, in consultation with the Association, that changes in the NAIC or Federal standards are needed to reflect such changes, the preceding provisions of this paragraph shall apply to the modification of standards previously established in the same manner as they applied to the original establishment of such standards.

"(2) The benefits under the NAIC or Federal standards shall provide—

"(A) for such groups or packages of benefits as may be appropriate taking into account the considerations specified in paragraph (3) and the requirements of the succeeding subparagraphs;

"(B) for identification of a core group of basic benefits common to all policies, and

"(C) that, subject to paragraph (5)(B), the total number of different benefit packages (counting the core group of basic benefits described in subparagraph (B) and each other combination of benefits that may be offered as a separate benefit package) that may be established in all the States and by all issuers shall not exceed 10.

"(3) The benefits under paragraph (2) shall, to the extent possible—

"(A) provide for benefits that offer consumers the ability to purchase the benefits that are available in the market as of the date of the enactment of this subsection; and

"(B) balance the objectives of (i) simplifying the market to facilitate comparisons among policies, (ii) avoiding adverse selection, (iii) providing consumer choice, (iv) providing market stability, and (v) promoting competition.

"(4)(A)(i) Except as provided in subparagraph (B), no State with a regulatory program approved under subsection (b)(1) may provide for or permit the grouping of benefits (or language or format with respect to such benefits) under a medicare supplemental policy unless such grouping meets the applicable standards.

"(ii) Except as provided in subparagraph (B), the Secretary may not provide for or permit the grouping of benefits (or language or format with respect to such benefits) under a medicare supplemental policy seeking approval by the Secretary unless such grouping meets the applicable standards.

"(B) With the approval of the State (in the case of a policy issued in a State with an approved regulatory program) or the Secretary (in the case of any other policy), the issuer of a medicare supplemental policy may offer new or innovative benefits in addition to the benefits provided in a policy that otherwise complies with the

applicable standards. Any such new or innovative benefits may include benefits that are not otherwise available and are cost-effective and shall be offered in a manner which is consistent with the goal of simplification of medicare supplemental policies.

"(5XA) Except as provided in subparagraph (B), this subsection shall not be construed as preventing a State from restricting the groups of benefits that may be offered in medicare supplemental policies in the State.

"(B) A State with a regulatory program approved under subsection (b)(1) may not restrict under subparagraph (A) the offering of a medicare supplemental policy consisting only of the core group of benefits described in paragraph (2)(B).

"(6) The Secretary may waive the application of standards in regard to the limitation of benefits described in paragraph (4) in those States that on the date of enactment of this subsection had in place an alternative simplification program.

"(7) This subsection shall not be construed as preventing an issuer of a medicare supplemental policy who otherwise meets the requirements of this section from providing, through an arrangement with a vendor, for discounts from that vendor to policyholders or certificateholders for the purchase of items or services not covered under its medicare supplemental policies.

"(8) Any person who sells or issues a medicare supplemental policy, after the effective date of the NAIC or Federal standards with respect to the policy, in violation of the previous requirements of this subsection is subject to a civil money penalty of not to exceed \$25,000 (or \$15,000 in the case of a seller who is not an issuer of a policy) for each such violation. The provisions of section 1128A (other than the first sentence of subsection (a) and other than subsection (b)) shall apply to a civil money penalty under the previous sentence in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).

"(9)(A) Anyone who sells a medicare supplemental policy to an individual shall make available for sale to the individual a medicare supplemental policy with only the core group of basic benefits (described in paragraph (2)(B)).

"(B) Anyone who sells a medicare supplemental policy to an individual shall provide the individual, before the sale of the policy, an outline of coverage which describes the benefits under the policy. Such outline shall be on a standard form approved by the State regulatory program or the Secretary (as the case may be) consistent with the NAIC or Federal standards under this subsection.

"(C) Whoever sells a medicare supplemental policy in violation of this paragraph is subject to a civil money penalty of not to exceed \$25,000 (or \$15,000 in the case of a seller who is not the issuer of the policy) for each such violation. The provisions of section 1128A (other than the first sentence of subsection (a) and other than subsection (b)) shall apply to a civil money penalty under the previous sentence in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).

"(10) No penalty may be imposed under paragraph (8) or (9) in the case of a seller who is not the issuer of a policy until the Secretary has published a list of the groups of benefit packages that may be sold or issued consistent with this subsection."

COMMENTS BY GORDON E. EVANS  
ON BEHALF OF HEALTH INSURANCE ASSOCIATION OF AMERICA  
at  
Senate Labor and Commerce Committee  
Hearing on Senate Bill 404  
April 8, 1992

My name is Gordon Evans and I represent the Health Insurance Association of America ("HIAA"), which is a national, voluntary trade association of 300 private health insurance companies which provide health insurance for over 95 million Americans. Blue Cross and Blue Shield are not HIAA members.

HIAA is opposed to Senate Bill 404 and the proposed committee substitute as currently drafted. The requirement that an insurer authorized under AS 21.09 is required to offer, issue for delivery, deliver or renew an individual or group disability insurance policy on an expense-incurred basis to individuals of all ages or groups for acceptance or rejection, minimum dental, vision and hearing coverage is not only a problem of adverse selection and high administrative costs, but may also be in violation of federal law.

First, the requirement that regardless of age every individual must be offered this coverage is very troublesome. To my knowledge, and that of HIAA's member company who is the largest individual writer in Alaska, no carrier in any state writes such stand alone individual business for vision care or hearing. Yet the bill proposes that it should be offered either as a limited benefit policy or as a rider to other policies.

Our concern with the requirement to offer the coverage to individuals involves the problem of "adverse selection" -- only those persons wanting dentures, hearing aids, or new glasses or contacts will take the coverage, while the requirement to offer in a group setting allows the policyholder, who is looking at the needs of more than one person, to determine whether or not to purchase the product. In a group offering the risk is spread across those who need and those who don't need the service, so adverse selection is greatly minimized.

In insurance there must be some who don't need the service or product to help defray the costs of those who do need it. As you know, insurance is based on the law of large numbers, which prevents the adverse selection which results when it is required to offer to an individual this type of coverage.

Secondly, if the author is attempting to provide coverage for senior citizens, the recent congressional enactment of Omnibus Budget Reconciliation Act of 1990 (better known as "OBRA") explicitly prohibits any insurer to sell or issue a health policy to an individual entitled to benefits under Medicare that are not included in one of ten authorized Medicare Supplemental policies. Any state that does not comply with the OBRA requirements is in jeopardy of losing the state jurisdiction over Medicare supplemental policies, and HCFA would take over that jurisdiction.

The Division of Insurance has just held hearings on proposed regulations governing the practices and Medicare supplemental policies permitted to be sold in Alaska.

We believe there would be extremely high administrative costs involved with this proposal. What if a carrier does not normally offer or sell dental, vision, or hearing benefits? Not all carriers write all lines of business. If these carriers are then going to be required to subcontract with other carriers for a provision that is a "rider" to another product, i.e., major medical, this type of arrangement will increase the administration of the policy which in turn will be reflected in higher premiums to the insured. Are the carriers going to be required to prove that they offered the product each time and keep a file of the number of rejections and acceptances? This, too, is an administrative cost.

Finally, the requirement that the minimum benefits are to be not less than those included in a large group policy -- the state employees retirement program -- is also very objectionable. Those benefits are determined by negotiations on behalf of the state employees and the state. A carrier must be allowed to design the products they are marketing, rather than have one product dictated based on a group whose benefits are negotiated for that specific group.

HIAA would not oppose the bill if it is amended in two ways:

First, by requiring that the offer must be made only to groups, and deleting the requirement to offer to individuals regardless of age; and

Second, if the minimum benefits coverage were not tied to the state employees retirement program.

Thank you for the opportunity to present HIAA's views.

1. Amend subsection on page 2, lines 3-7 to read:

“(c) This section does not apply to an insurer or a hospital or medical service corporation who has written less than \$300,000 in premiums in the previous calendar year. An insurer or a hospital or medical service corporation exempt under this subsection shall disclose the exemption when issuing or renewing a disability insurance policy or subscriber’s contract and shall advise the policyholder or subscriber that insurers with premium writings in excess of \$300,000 for the previous calendar year must offer coverage described in (b) of this section.”

This language clarifies that the exemption applies to insurers and hospital or medical service corporations. It also strikes the requirement on lines 6 and 7 as this is unworkable.

2. Following Line 7 on page 2, add a new subsection to read:

“(d) This section does not apply to  
(1) an insurer writing only medicare supplement policies, or  
(2) a medicare supplement policy.

3. Following Line 7 on page 2, add a new section to read

“Sec.2. AS 21.87.340(10) is amended to read:

(10) AS 21.42.345 - 21.42.365, [AND] 21.42.375, and  
21.42.385.”

4. On Page 2, line 8, renumber Sec.2 to read Sec.3.

# Alaska State Legislature



Sen. Jay Kerttula, Co-Chairman  
Sen. Pat Pourchot, Co-Chairman

Sen. Al Adams  
Sen. Jim Duncan  
Sen. Lyman F. Hoffman  
Sen. Dick Shultz  
Sen. Rick Uehling

## Senate Finance Committee

State Capitol  
Juneau, AK 99801-1182  
(907) 465-1200  
(907) 463-3066 Fax

Box 1009  
Palmer, AK 99645  
(907) 376-2675  
(907) 376-0315 Fax

### M E M O R A N D U M

TO: Senator Pearce, Chair  
Senate Labor and  
Commerce Committee

SUBJ: Senate Bill 404  
Hearing, Dental  
and Vision  
Insurance

FROM: Senator  Kerttula

DATE: March 17, 1992

I would appreciate your scheduling Senate Bill 404, relating to the offering of a limited benefit health insurance policy for dental, vision, and hearing to individuals of all ages.

This bill will have no fiscal impact on the State. Senate Bill 404 requires only that dental, hearing, and vision insurance be offered for acceptance or rejection as a rider or a separate limited benefit policy. It is not a mandated benefit, so it will not contribute to rising premium costs for health insurance. The health insurance industry will be free to set the price of the policies as they see fit.

I appreciate your consideration of this request.



## Alaska Dental Society

3400 Spenard Road, Suite 10

Anchorage, Alaska 99503

(907) 277-4675

April 1, 1992

Senator Drue Pearce  
Alaska State Legislature  
P.O. Box V (MS 3100)  
Juneau, AK 99811

Dear Senator Pearce:

The Alaska Dental Society supports CS for SB 404. Please schedule SB 404 for hearing.

If you have any questions please feel free to contact me at 907 376-3884, FAX 907 373-7500. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Robert Wade Robinson II".

Robert Wade Robinson II, D.M.D.  
President  
Alaska Dental Society