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FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB No. 73

Revision Date: _____ Department Affected: Health and Social Services
 Title: An Act Relating to Public Health Insurance BRU: Medicaid
and providing for an effective date Component: Medicaid Non-Facility
 Sponsor: Kertulla
 Requestor: _____ COMPONENT SERIAL NO 2-2-9

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	0.00	0.00	0.00	0.00	0.00	0.00

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	0.00	0.00	0.00	0.00	0.00	0.00

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.)

See attached note

Prepared By: Kimberly B. Busch Phone: 465-3355
 Division: Medical Assistance Date: 2-25-91

Approved by Commissioner: [Signature]
 Agency: Health and Social Services Date: _____

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

SB 73

Sec. 21.55.060 prohibits Medicaid recipients from participating in the insurance offered under SB 73. In our view, it would make little fiscal sense not to exclude the few Medicaid recipients who would qualify as plan eligibles, as each person who has, if even for a short period of time, overlapping dual coverage would result in the state plan making some payments in lieu of Medicaid payments. This would produce small Medicaid program savings, but would result in the loss of the 50% federal funds employed in the Medicaid program.

Even with this prohibition, there may be a small number of persons for whom the plan may pay for medical expenses which could have been paid for by Medicaid. Medicaid provides for coverage of unpaid medical bills for a period of up to three months prior to the month of application, provided that the recipient would have been eligible in any of those months and that unpaid bills exist for covered services provided in that month. Anyone who had bills paid by the plan during this retroactive Medicaid period would not have Medicaid payment for these bills.

The Medicaid application provides none of the information that is necessary to determine whether a recipient would be a plan eligible, and even if it did, we would be unable to accurately assess the average costs such potential dual eligibles might shift from Medicaid to the plan (and therefore the savings to the Medicaid program). Therefore, this fiscal note presents no calculation of potential savings from this cost shift.

For many years, staff in public assistance programs have seen applications being made by people who have had to quit their work in order to qualify for medical assistance when they or their dependents have become seriously ill. Similarly, we also see people who have left assistance for full employment having to return to the rolls to regain medical coverage. (This latter phenomenon occurs despite up to a 12-month post-employment coverage available to some Medicaid recipients under federal law.) While we cannot quantify this cost-avoidance effect SB 73 would have on Medicaid for these cases, there is no question that there SB 73 would produce some beneficial effects on some of our clients, past and future and on the program's expenditures.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 73

Revision Date: 1/22/91 Department Affected: Commerce & Economic Dev.
 Title: An Act relating to health insurance BRU: Insurance
 Component: Operations
 Sponsor: Senator Kerttula
 Requestor: Senator Kerttula COMPONENT SERIAL NO.

0	3	5	4
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	200.5	0	0	0	0	0
TRAVEL	21.3	0	0	0	0	0
CONTRACTUAL	50.6	0	0	0	0	0
SUPPLIES	5.0	0	0	0	0	0
EQUIPMENT	30.5	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	200.0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	507.9	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	507.9	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	507.9	0	0	0	0	0

POSITIONS:

FULL-TIME	3	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:

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared By: Don Koch, Chief of Market Surveillance *DK* Phone: 465-2572
 Division: Insurance Date: 3/4/91
 Approved by Commissioner: Glenn A. Olds *Glenn A. Olds* Spec. Asst. A
 Agency: Department of Commerce & Economic Development Date: _____

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

FISCAL NOTE - SB 73

ANALYSIS:

SB 73 would establish a one-year pilot health insurance project in a small Alaska community. The authority established in the legislation would monitor the pilot project for statewide applicability and feasibility. That pilot project would take place in a community where there is one resident hospital. The hospital and physicians would agree to offer a 20% discount to members of the plan. The pilot community would have a higher than average uninsured population.

The following assumptions have been used in arriving at the fiscal impact of this legislation:

- o The seven-member board would have five meetings in Juneau, each of two days' duration, including travel.
- o The three public employee members would be Juneau-based and, therefore, not subject to travel and per diem.
- o The insurance industry representative would be from Seattle.
- o The health care provider representative and enrollee representative would be based on Anchorage since the selected community is unknown.
- o The travel for the Executive Director is based on Anchorage since the selected community is unknown. Six trips for negotiation + monitoring are planned.
- o The subsidy amount would be \$200.0. Some of this may be recoverable, but there is no way to quantify the amount.
- o The authority administration is bare bones consisting of an Executive Director, Deputy Executive Director, and a Secretary.
- o The authority and its administrators will need assistance in establishing rates and plan. Travel to a representative state is planned for the Executive Director. Two trips of five days' duration to Denver, Colorado.
- o Three work stations at \$15.0 and a file cabinet at \$.6. Three PC's, software, and a letter quality printer at \$14.9.

MAY 1 1991



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Pearce, Chair
Senate Labor & Commerce Committee

FROM: Senator Kerttula *Jay*

SUBJ: Senate Bill 73 & 74 --
Health Insurance

DATE: April 26, 1991

Thank you for postponing the scheduled hearing on Senate Bill 74. I would appreciate it if you would reschedule both Senate Bill 73 and 74. Thank you.

JK:kh

Red - scheduling



Official Business

Alaska State Legislature

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Drue Pearce, Chair
Senate Labor and Commerce
Committee

FROM: Senator Jay Kerttula

SUBJ: Senate Bill 73 --
Health Insurance

DATE: January 30, 1991

I would appreciate your scheduling Senate Bill 73, relating to health insurance.

Senate Bill 73 provides for the creation of a state health insurance authority whose purpose is to provide a program of health insurance coverage for state residents who are not otherwise covered. The focus of Senate Bill 73 is to expand the availability of affordable health insurance to all Alaskans. Currently, consumers in Alaska are paying higher health care costs resulting from so many Alaskans being uninsured. The purpose of this bill is to reduce health care expenditures, by expanding health insurance coverage.

Three-quarters uninsured Alaskans live in families of employed workers, and more than half of this group live in families of full-year, full-time workers. This bill would provide low-cost employee and individual health insurance to people who are currently delaying health care until their health problems become severe. Uncompensated care of severe health problems then becomes an expensive proposition for all Alaskans, the insured as well as the uninsured. This bill has been modelled on several different approaches which have been used in other states and municipalities.

One major cost-containment provision contained in Senate Bill 73 is that the health insurance plan shall emphasize preventative and primary care by requiring nominal copayments for that coverage, and shall de-emphasize expensive hospital stays by requiring a large deductible and copayment for that coverage. Another cost-containment provision is that the entity is given the authority to negotiate with hospitals in the state to obtain a discount on charges for inpatient and outpatient care. A further cost-containment provision is that this insurance will only be available for low-risk individuals. I introduced a separate bill, Senate Bill 74, which will focus on high-risk health coverage.

The point of these cost-containment mechanisms in the bill, is that the cost of the premium will be lowered, and that any state subsidy will be minimal. Under this bill, the schedule of premium contributions, copayments, etc., must require enrollees to pay 100 percent of the premium contributions if their income substantially exceeds the nonfarm poverty guidelines of the United States Office of Management and Budget. Otherwise, the schedule of contributions will be based on a sliding scale depending upon family income, size, and other appropriate factors.

I have attached further information for your consideration.

JK:kh

Information provided by Senator Kerttula:

SENATE BILL 73 and SENATE BILL 74 BACKGROUND

The common goals of Senate Bill 73 and Senate Bill 74 is to expand insurance coverage among Alaskans through a combination of forming new large groups of insured, lowering insurance costs and public and private subsidization of a portion of premium costs for low income Alaskans. Other states' initiatives to expand health insurance coverage have focused on the same three approaches which are structured in SB 73 and SB 74.

1) Forming new large groups or including more people in existing groups, under the assumption that the same insurance product will be less costly and more accessible in a large group than in a small one. Some state insurance pools provide comprehensive coverage, some offer catastrophic protection only. Senate Bill 74 would establish a high-risk health insurance pool.

2) Public or private subsidies to further reduce costs for the individual employer or employee.

a) Private Subsidy: One very common form of private subsidy in state and local initiatives is substantial discounting by providers. For example, hospitals in Flint, Michigan have reportedly agreed to accept 20 percent less than the customary Medicaid reimbursement levels for their Health Care Access Project. Senate Bill 73 has a provision authorizing the Health Insurance Authority to contract with hospitals for lower rates.

b) Public Subsidy: While private subsidies and donations can lower premium costs somewhat, the sizeable gap between the cost of coverage and the available resources of currently-uncovered workers (and their employers) has led many developers of state and local initiatives to conclude that it will be impossible to make a real dent in the employed uninsured problem without using public subsidies. For example, in Maine's Robert Wood Johnson Foundation-funded program, the state will provide subsidies for small employers unable to meet the full cost of premiums, and will also subsidize the premiums of individual enrollees, using a

sliding fee scale based upon income and assets. SB 73 takes the sliding fee scale approach.

3) Changing the Product or its Delivery to design a special, less expensive, product or delivery mechanism in order to make coverage more accessible to employers and their workers. One approach is to focus on primary and preventative care, omitting or discouraging more expensive services such as inpatient care. The rationale is that providing preventative and primary care is less expensive, and will result in healthier patients. Plans in Alabama, Denver, and Utah emphasize preventative or primary care, but offer inpatient care as well. For example, the Denver plan is expected to provide broad primary care coverage. This is an approach taken in Senate Bill 73.

The major advantage of a plan which restricts coverage to special products is that it can be much less expensive than a traditional comprehensive package. For those who cannot afford the higher premiums associated with a richer package, a limited product plan with low cost premiums may be the answer.

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY

STATE OF ALASKA

P.O. Box Y, Juneau, Alaska 99811
(907) 465-3867 or 465-2450
FAX (907) 465-2029

Deliveries to: 240 Main Street
Court Plaza, Room 500
Mail Stop 3101

MEMORANDUM

January 24, 1991

SUBJECT: Health insurance - SB 73 (7-LS0009/A)

TO: Senator Jay Kerttula

FROM: Michael F. Ford *M.F.*
Legislative Counsel

The following is a sectional analysis of SB 73:

Section 1 - Findings and purpose.

Section 2

Sec. 21.55.010 - Establishes the health insurance authority and provides that the purpose of the authority is to provide health insurance to eligible residents of the state.

Sec. 21.55.020 - Establishes the board of directors of the health insurance authority, sets terms for board members, and requires compliance with the conflict of interest law (AS 39.50).

Sec. 21.55.030 - Establishes an executive director of the authority, qualifications for the position, and provides certain powers.

Sec. 21.55.040 - Establishes a deputy executive director of the authority, and the qualifications for and duties of the position.

Sec. 21.55.050 - Establishes the general powers of the authority.

Sec. 21.55.060 - Requires the authority to provide health care insurance by purchasing insurance from a private insurance company and making the insurance coverage available to eligible residents of the state. Requires the authority to provide group health insurance to certain employers. Establishes conditions for group health insurance premiums and enrollment.

Senator Jay Kerttula
January 24, 1991
Page 2

Sec. 21.55.070 - Requires the authority to purchase insurance and establishes specific criteria concerning the health insurance provided to eligible residents and employers. Establishes minimum benefits that must be provided.

Sec. 21.55.075 - Establishes a premium subsidy for certain employers.

Sec. 21.55.080 - Establishes the health insurance fund. Provides that the fund consists of appropriations by the legislature and is used to purchase state health insurance.

Sec. 21.55.090 - Definitions.

Section 3 - Requires the health insurance authority to establish certain procurement procedures.

Section 4 - Exempts contracts of the authority from the procurement code (AS 36.30).

Section 5 - Places employees of the authority in the exempt class.

Section 6 - Provides that the conflict of interest law (AS 39.50) applies to the authority.

Section 7 - Requires state health insurance coverage to be provided on a phase-in basis designed to test the relative advantages and disadvantages of different plans.

Section 8 - Creates a commission on health insurance reform and provides duties for the commission. Requires recommendations from the commission be made by October 1, 1992 and a final report by November 15, 1992.

Section 9 - A transition section regarding the terms of board members of the authority.

Section 10 - Repeals the law establishing the commission on health insurance reform.

Section 11 - Effective date.

MFF:mi
91-013.mai

February 2, 1991

Drue -

Met with Rick Union yesterday on SB73, SB74 & SB84.

His clients are not hot on any of these bills...

- *Called Health Containment Task Force a farce
- *Has problems with anyone setting provider rates
- *Thinks that Eliason opposes all three
- *Public employers need to control cost of HI benefits but should be through employee negotiation and cost sharing
- *Suggested that Duncan has Malek wired for exec director of HI Authority and so questions validity of Malek's opinion.

Reed

Rate setting w/ regard to private sector -

SB 73: "An Act relating to health insurance; and providing for an effective date."

SB 73 would create a Health Insurance Authority (HIA) in the Department of Commerce and Economic Development. The Authority is to provide a program of health insurance for eligible residents who are not covered by a health insurance plan or program.

SB 73 seeks to resolve the unavailability of adequate health care insurance by creating a state authority, HIA, to address the issue. It does this by utilizing economies of scale in the bulk purchase of insurance for individuals and small groups and by subsidizing the cost of coverage. It appears that this approach places the full faith and credit of the state behind the plan or program HIA develops. It also establishes a temporary commission to look at health insurance reform.

The Department of Commerce and Economic Development does not have demographic and actuarial information that would enable it to attempt an evaluation of the cost of this legislation. It is neither possible to forecast how many persons and groups would avail themselves of an available subsidy nor what kind of experience would arise from such a group.

The Department of Commerce and Economic Development cannot take a position on this legislation until more concrete pricing data can be developed and the following changes are made in the bill:

- * 1. Move Section 2 of the bill from Title 21 to another Title.

Moving Section 2 of the bill to another Title would avoid conflict with the content and purpose of Title 21. Title 21 is designed for the regulation of the business of insurance. Section 2, on the other hand, is designed as a provider or purchaser mechanism. These functions tend to be in conflict with each other. The regulator of provider/purchaser mechanisms should not be a part of the mechanism. It is recommended that these provisions be placed in Title 45.

2. Clarify the reserve fund mechanism.

It is not clear how HIA will be able to "maintain a prudent level of reserve funds to protect the solvency of the health insurance fund" as required in Sec. 21.55.050(11). Such action would necessarily cross fiscal years which would conflict with the constitutional prohibition for dedicated funds. We assume that monies remaining at the end of the fiscal year would be subject to reappropriation.

3. Expand composition of the Commission on Health Insurance Reform.

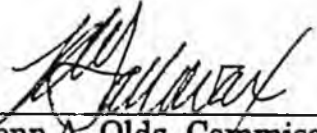
The Commission on Health Insurance Reform is comprised of the following interests appointed by the governor:

- A. a hospital or medical service corporation (the only one we have is Blue Cross of Washington and Alaska, a Washington corporation),
- B. a representative of the Department of Law,
- C. a representative of health care consumer groups,
- D. a representative of health maintenance organizations (we are aware of none currently in Alaska), and
- E. a chair.

The major portion of health insurance in this state is written by "commercial" insurers. Their interests should be included on the Commission.

4. Correct the definition of "health insurance."

Under the Alaska Insurance Law, the correct term of art for health insurance is disability insurance which is defined in AS 21.12.050. In Sec. 21.55.250(6) on page 7, line 14 the phrase "health insurance" includes disability insurance under AS 21.12.050" should read "disability insurance under AS 21.12.050 includes 'health insurance'."


Spec. Asst. II
Glenn A. Olds, Commissioner

Date: 2-25-91

APR 9 1991

Sharon Paige
Box 114
Gustavus, AK 99826-0114

Senator Pearce -

I am writing to express my support
for bill # SB-73 and ask that it be
scheduled for a hearing.

Thank you.

Sharon Paige

MAY 6 1991

Box 371865
Wasilla, Ak. 99687
May 2/91

Senator Drue Pearce, Chair
Senate Labor and Commerce Committee P.O. Box V
Juneau, Ak. 99811

To find a way to offer the most basic preventive health care for an uninsured adult in the Mat-Su Valley is often dependent on finding a compassionate provider, and even then the service is limited. A mammogram may mean waiting for the hospital to offer a sale price of \$25.00, which is still unaffordable to some. Compared to some states which have come up with some innovative ways to make these services available we lack the density of population to make some of these ideas cost effective. For example in Florida the University of Miami purchased a van and equipped it with a mammography unit and staffed it with licensed radiology technicians. This unit was then available to offer service to a target population. The mammograms were provided at low, or no cost with a maximum charge of \$25.00. I use this example of what other states are doing to respond to the need for improved methods of delivering health care to the uninsured but would not be economically feasible in our sparsely populated State.

Underwriting insurance for our uninsured population is much more feasible in Alaska. The uninsured in Alaska are most likely to go without any health care that is not an emergency - and if it is an emergency that is just the beginning of their troubles.

I would urge you to move SB 73 and SB 74 out of committee so that some action can be taken on this urgently needed health insurance legislation.

Sincerely,



Marjorie Campbell

cc: Senator Jay Kertula

**PROPOSAL BY SENATOR KERTTULA
FOR EXPANDED AVAILABILITY OF
HEALTH INSURANCE FOR ALASKANS**

**HIGH RISK POOL
SENATE BILL 74**

(Montana's plan is used to given an idea of potential impact in Alaska. Montana's plan is more restrictive than proposed in SB 74. Montana's 1990 population was 803,655 compared to Alaska's 1990 population of 551,947.

**EXISTING
PLAN**

\$1,000 Deductible

**SB 73/74
PLAN**

\$200, \$500 & \$1,000 deductibles. Premium Cap of 125%. \$1 million lifetime benefit.

**PROJECTED
STATE COST**

\$30,000 Admin. start-up costs

**PROJECTED
PREMIUMS**

{Montana's prem. schedule + 35 % added costs}

<17: 100.60
<24: 150.05
<29: 161.87
<34: 179.46
<39: 202.18
<44: 229.51
<49: 255.67
<54: 284.27

**PROJECTED
INS. IND. COST**

No more than 1 % of total health ins. premiums sold.

**PROJ.
HOSP/DR.**

0

SENATE BILL 73

{The SCOPE plan offered in Denver is used to give an idea of the potential impact in Alaska. The SCOPE plan does not have a public subsidy, the proposal in SB 73 would include a sliding scale for the low income. The cost projections are based on a pilot project in a community of 2,110 with 30% uninsured; an average premium cost of \$65 per month, an average state subsidy of \$20 per month, per participant.

\$250 Deductible for hospital care. 0 deductible for preventative care. 50% copay. of first \$5,000 for hospital care, 100% thereafter. \$15 copayment for Dr. visit, not a preventative visit. 0 copay. for Dr. preventative visit. Unlimited lifetime benefit for under 70, \$50,000 lifetime benefit for over 70.

Emphasize . prev. care/ nominal copay. deemphasize hosp. care with a large deductible & copayment.

\$200,000

{Premiums based SCOPE premiums + 35 percent}

<30: 44.31
<34: 55.37
<39: 65.58
<44: 78.66
<49: 94.58
<54: 114.47
<59: 139.39
<64: 171.95

0

20 % discount

SUBJECT LINE TO READ: TC NO.; PL/FS; SHORT SUBJECT; DATE

T/C NO: 91-02-151
DATE: MARCH 4, 1991
SPONSOR: SENATE LABOR AND COMMERCE
SUBJECT: SB70, SB83, SB73, SB74, SB76
MODERATOR: OFFNET: HOMER SENIOR CENTER
SITE: HOMER

PARTICIPANT LIST

TO TESTIFY

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. VELMA ELLYSON	SENIOR CENTER		SB 76
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

OBSERVED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1.			
2.			
3.			
4.			

T/C NO: 91-02-151
DATE: 03-04-91
SPONSOR: S LABOR & COMMERSECE
SUBJECT: SB70, SB83, SB73, SB74, SB76
MODERATOR: SUE
SITE: GLENNALLEN

TO TESTIFY

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. BOB NIEBRUGGE,	P.O. BOX 365 GLENNALLEN,	822-3356	SB74
2.			
3.			
4.			
5.			

*self employed diabetic
nothing out there for them.*

OBSERVED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1.			
2.			
3.			
4.			
5.			

TESTIFIED:

UNABLE:
OBSERVED:
TOTAL:

START TIME:

END TIME:

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*****
*
* DELIVER TO: LIOCACB
*
* ORIGINAL
* SENT: 03/04/91 TIME: 15:37
* FROM: LTCCMAT
* SUBJECT: 151 PL S LAB HEALTH INS 3/4/91
* PRINT DATE: 03/04/91 TIME: 15:37
*
*****

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SUBJECT LINE TO READ: TC NO., PL/FS, SHORT SUBJECT, DATE

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T/C NO: 91-02-151
DATE: 3/4/91
SPONSOR: S L&C
SUBJECT: S BILLS 70,83, 73, 74, 76
MODERATOR: MARY
SITE: MAT-SU LIO

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PARTICIPANT LIST NUM 1 FROM MAT-SU

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*****
TO TESTIFY
NAME ADDRESS PHONE BILL#

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1

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*****

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OBSERVING:
NAME/REPRESENTING ADDRESS PHONE BILL#
1 ROBERT W ROBINSON

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2
3

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TO TESTIFY:
UNABLE:
OBSERVING:
TOTAL:

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START TIME: 3 PM END TIME:

Dr. Stanley Jones

from Haines is now on line.

To Testify. ~~SB 73~~ SB 74 BUT
PERHAPS 73, 74 + 83

(Give him 5 minutes)

Rural practice