

S B

173

Rep. Brian Porter, Chairman

House Judiciary Committee

Date: April 23, 1993

Place: Capitol Room 120

SB 173 Group Health Insurance for Small Employers
SCR 4 Request Change in Rule 82 Fees

Subject of Meeting: SB 76 Charitable Gaming
Restrictions; SB 149 Revision of Banking Code

Please Print Name	Representing	Business/Personal Mailing Address	Zip	(H) Phone	(W) Phone	Do you Want to Testify?	Which Subject/ Which Bill?
✓ JAMIE PARSONS	AK STATE CHAMBER	217 - 2ND # 201	99801	7899261	586 2323	(Y) N	173
✓ Jay Frank	State Farm Allstate	431 N. Franklin	99801		6-5777	(Y) N	SB 173
Ken Erickson	Sponsor @ Sen Pearce	Room 508 Cap	99801	4993		(Y) N	to answer questions if need
✓ Gordon Evans	HIAA	318 4th St, Juneau	99801	586-3210		IF NEEDED (Y) N	SB 173
✓ Alan Jensen	NFIB	9159 Skywood	99801		9-4278	If Needed (Y) N	SB 173
Willis Kirkpatrick	DCED	Division of Banking			2521	(Y) N	SB 149
John Hansen	DCED	Gaming			2581	Y N	IF Needed SB-76
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 15, 1993

FURTHER REFERRALS:

Finance

Date of Committee Action: 4-23-93

The JUDICIARY Committee considered:

CSSB 173(FIN)

CS FOR SENATE BILL NO. 173(FIN)

GROUP HEALTH INS. FOR SMALL EMPLOYERS

"An Act relating to health insurance for small employers; and providing for an effective date."

- RECOMMENDATIONS: the same title
 be replaced with _____ 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): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) DCEB (3-31-93)

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	✓	<i>Cliff Davidson</i>		✓	
<i>[Signature]</i>	✓				
<i>Janette James</i>	✓				
<i>Brian Porter</i>	✓				
<i>Tom Donaldson</i>	✓				
<i>Gail Phillips</i>	✓				

Brian Porter

 CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Bill Version: SB 173 No. 1
(S) Publish Date: 3-31-93

Revision Date: _____

Department Affected: Commerce and Economic Development

Title: Group Health Ins. for Small Employers

BRU: Insurance

Component: Operations

Sponsor: Senators Rieger, Pearce, Salo, Kelly, Phillips

Requestor: _____

COMPONENT SERIAL NO. 354

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
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:	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
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 (FY 93) impact: 0

Changes in CSB 173 (Fix) have no fiscal impact. This fiscal note is appropriate.

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact.

Prepared by: Joan Brown, Administrative Officer

Phone: 465-4331 date 4-8-93 Comte Aide (initial) bl

Division: Insurance

Date: 3/26/93

Approved by Commissioner: Paul Fuhs

Agency: Commerce and Economic Development

Date: _____

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Alaska State Senate

SENATOR STEVE RIEGER
District 1

State Capitol
Room 516
Juneau, Alaska 99801
(907) 465-3879

Senate Finance Committee
Chair, Senate Health, Education
and Social Services Committee
Vice Chair, Senate Rules Committee
Vice Chair, Senate Labor and
Commerce Committee

TO: Representative Brian Porter
Chair, House Judiciary Committee

FROM: Senator Steve Rieger *SR*

DATE: April 15, 1993

RE: CSSB 173 (Fin) - "An Act relating to health insurance for small employers; and providing for an effective date."

I respectfully request that you waive the referral to Judiciary for the above referenced legislation. It passed the Senate yesterday on reconsideration by a vote of 19-1. (It is identical to CSHB 12(L&C) with the exception of two small technical amendments.)

In the alternative, I request that you calendar CSSB 173 (Fin) for a hearing in the House Judiciary Committee at your earliest convenience.

As you are aware, this legislation is pro-business legislation. It reforms the small business health insurance market in the State of Alaska and guarantees accessibility to small employers in the State of Alaska.

Thank you for your consideration of this bill.

Alaska State Senate

SENATOR STEVE RIEGER
District 1

State Capitol
Room 516
Juneau, Alaska 99801
(907) 465-3879

Senate Finance Committee
Chair, Senate Health, Education
and Social Services Committee
Vice Chair, Senate Rules Committee
Vice Chair, Senate Labor and
Commerce Committee

SENATE BILL 173 SMALL EMPLOYER HEALTH INSURANCE REFORM

Senate Bill 173 is pro-business legislation. Based on a model drafted by the National Association of Insurance Commissioners (NAIC), it reforms the small business health insurance market in the State of Alaska and guarantees the availability of private health insurance, regardless of any "high risk" factors of clients.

Coverage must be granted to whole groups, rather than excluding those considered "high risk" by insurance companies and coverage is renewable, regardless of the "risk" associated with each person in the group being covered. The insurance is "portable" as well.

According to the Alaska Department of Labor, more than 90% of all businesses in the State of Alaska employ up to 25 employees. These are the groups that are being addressed in this legislation.

Currently, there are approximately 15 companies in the State who issue small business health insurance. Insurance companies who wish to continue to do business in the state must participate in the Small Employer Health Reinsurance Association, a reinsurance pool. If more small businesses are able to secure health insurance for all of their employees, the insurance companies will cover more low risk clients, thereby decreasing the effects of taking on any high risk individuals. As the number of insured individuals grows, the insurance pool takes on more of a group risk profile.

This legislation does not require additional state expenditures.

The Health Care Task Force, established to review and recommend changes in the Alaska health care insurance industry, recommends the enactment of legislation establishing regulatory reform measures in the small group health insurance market "by enacting the NAIC model statute" as part of an overall plan. To date, this legislation has been adopted by 24 states.

This legislation is supported by the Health Insurance Association of America, (HIAA), the National Federation of Independent Businesses, (NFIB), the Alaska State Chamber of Commerce, the Alaska State Hospital and Nursing Home Association, and other organizations.

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

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

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

April 14, 1993

SUBJECT: Small employer health insurance (CSSB 173(FIN))
TO: Senator Steve Riege¹nsel
FROM: Michael F. Ford
Legislative Counsel

The following is a section by section analysis of CSSB 173(FIN):

Section 1 - Purpose.

Section 2 - Makes a violation of insurance marketing practices under AS 21.56.180 an unfair trade practice.

Section 3 - Establishes the provisions of AS 21.56 as an exception to the requirement that an insurer may not discriminate between health care providers.

Section 4 - Sunset section that repeals changes in sec. 3.

Section 5 -

Sec. 21.56.010 - Establishes the Small Employer Health Reinsurance Association and requires certain insurers to be members.

Sec. 21.56.020 - Establishes the board of directors of the association and provides for specific board representation and organization.

Sec. 21.56.030 - Establishes the general powers of the association.

Sec. 21.56.040 - Requires the association to submit a plan of operation to the director of the division of insurance. Requires members to comply with the plan and establishes specific components of the plan.

Sec. 21.56.050 - Establishes specific provisions that apply to reinsurance provided by a member to employees or dependents of employees of a small employer. Imposes

Senator Steve Rieger

April 14, 1993

Page 2

certain restrictions on reinsurance of group plans other than small employer health benefit plans and establishes limits for premiums charged for reinsured coverage and for coverage provided by a health maintenance organization. Provides for member assessments, by the administering insurer.

Sec. 21.56.060 - Establishes the health benefit plan committee. Requires the committee to design a basic and a standard health benefit plan.

Sec. 21.56.070 - Requires the board to report on the effectiveness of the chapter.

Sec. 21.56.080 - Exempts the association from the Administrative Procedure Act.

Sec. 21.56.090 - Exempts the association from payment of taxes, except for real or personal property taxes.

Sec. 21.56.100 - Provides immunity from civil actions filed against a member of the association for a negligent act on behalf of the association.

Sec. 21.56.110 - Establishes when an individual or group health benefit plan is subject to AS 21.56 and provides that other laws requiring coverage, reimbursement, utilization, or consideration of a specific health care provider do not apply to a health benefit plan provided to a small employer. Exempts a health benefit plan offered to a small employer from certain restrictions contained in other laws.

Sec. 21.56.120 - Establishes underwriting and rating requirements applicable to health benefits plans covering small employers.

Sec. 21.56.130 - Establishes when a health benefit plan is required to be renewed.

Sec. 21.56.140 - Requires a guaranteed issue insurer to offer at least two small employer health benefit plans and that the plans provide certain coverage. Allows a guaranteed issue insurer to reinsure, make special premium arrangements, or appeal unfair administrative or credit risk.

Sec. 21.56.150 - Establishes certain provisions that must be included in a health benefit plan.

Sec. 21.56.160 - Exempts certain small employer insurers from being required to offer health insurance coverage.

Sec. 21.56.170 - Establishes certain conditions that must be met before an insurer or welfare arrangement may cease doing business in the small employer market.

Sec. 21.56.180 - Establishes fair marketing requirements for health benefit plans.

Senator Steve Rieger
April 14, 1993
Page 3

Sec. 21.56.190 - Allows the director of the Division of Insurance to require small employer insurers to reissue a health benefit plan to certain small employers.

Sec. 21.56.250 - Definitions.

Section 6 - Provides that a health maintenance organization is subject to the small employer health insurance provisions contained in AS 21.56.

Section 7 - Sunset provision that repeals changes in sec. 6.

Section 8 - Provides that a hospital or medical service corporation is subject to the small employer health insurance provisions contained in AS 21.56.

Section 9 - Sunset provision that repeals changes in sec. 8.

Section 10 - Provision that allows premium rates to exceed the limits under 21.56.120(a) for a period of three years. Establishes limits on the percentage increase in premium rates.

Section 11 - Transition section. Requires the small employer Health Reinsurance Association to submit a health insurance plan to the Director of the Division of Insurance.

Section 12 - Sunset repeal provisions.

Sections 13 & 14 - Effective dates.

MFF:lmb
93-117.lmb

March 25, 1993

SENATE JOURNAL

p. 946

SB 173

SENATE BILL NO. 173 by SENATORS RIEGER, Pearce, Salo, Kelly, Phillips, entitled:

"An Act relating to health insurance for small employers; and providing for an effective date."

was read the first time and referred to the Labor and Commerce and Finance Committees.

March 31, 1993

SENATE JOURNAL

p. 1003

SB 173

The Labor and Commerce Committee considered SENATE BILL NO. 173 "An Act relating to health insurance for small employers; and providing for an effective date." Signing do pass: Senator Kelly, Chair, Senators Sharp, Rieger, Salo. Signing to amend: Senator Lincoln.

Zero fiscal note published today from Department of Commerce and Economic Development.

March 31, 1993

SENATE JOURNAL

p. 1004

SB 173

SENATE BILL NO. 173 was referred to the Finance Committee.

April 8, 1993

SENATE JOURNAL

p. 1269

SB 173

The Finance Committee considered SENATE BILL NO. 173 "An Act relating to health insurance for small employers; and providing for an effective date" and recommended it be replaced with

CS FOR SENATE BILL NO. 173(FIN)

Signing do pass: Senator Pearce, Cochair, Senators Kelly, Rieger, Jacko, Sharp.

Previous zero fiscal note applies to the Committee Substitute.

SENATE BILL NO. 173 was referred to the Rules Committee.



HOW REINSURANCE WORKS

For more than two years, the Health Insurance Association of America (HIAA) has been developing the components of a reform package designed to address the unique requirements of the small employer market. These reforms, when taken as a whole, will ensure fair access to and continuation of coverage for small employers and their employees. These reforms constitute a meaningful basis for enhancing and expanding health care coverage.

Small employers, unlike their larger counterparts, are likely to go into and out of business frequently. Similarly, their employees tend to move from job to job frequently. Finally, small employers change insurance carriers more often in an attempt to obtain more favorable rates. All of these factors, combined with growing health care cost pressures, make it exceedingly difficult for insurance carriers to provide coverage to the small employer and they also make it more likely that individuals within this market will lose health care coverage at some point. HIAA's small employer market reforms tackle these problems in a reasonable and workable manner.

The HIAA proposal would ensure that any small employer may obtain coverage (regardless of the health condition of its employees or the inherent administrative burdens they pose). The following examples illustrate how this would work.

SITUATION: Tom's Tree Trimmers opens for business with a full-time work force of five employees. With workers engaged in dangerous work, where statistics suggest that personal injury is far more likely to occur than in, say, a computer sales and repair outlet, obtaining affordable health insurance may be difficult. Let us suppose that two employees, Harry and Sam, have serious health problems, which insurance companies term **pre-existing conditions**. To obtain coverage, the president of Tom's Tree Trimmers could face the following options: terminate Harry's and Sam's employment, insure everyone except Harry and Sam, or provide no insurance for any of the employees.

SOLUTION: Under the HIAA reform proposal, Tom's Tree Trimmers would not be excluded from coverage because it is engaged in dangerous work or because two of its employees, Harry and Sam, have pre-existing conditions. Also, the carrier selling insurance to the company would be permitted to reinsure Harry and Sam, the high risk employees (unbeknownst to Harry, Sam, and their employer), by paying a reinsurance premium. In exchange for the reinsurance premium, the reinsurer would agree to reimburse the insurer for Harry's and Sam's costs.

SITUATION: During the course of the year a third employee at Tom's Tree Trimmers, George, becomes seriously ill. Will his condition threaten coverage for himself or his coworkers?

Health Insurance Association of America

1025 Connecticut Avenue N.W., Washington, DC 20036 ☐ 202-223-7780 ☐ FAX 202-223-7897

SOLUTION: Under HIAA's reform proposal, insurance coverage would be maintained for all employees, regardless of any of the employees' conditions. Tom's Tree Trimmers' insurance carrier would be obligated to renew the contract (unless the company failed to pay its premiums in a timely fashion or was dishonest with the carrier).

SITUATION: George, who has had several months of poor health, is on the road to recovery. He decides to leave Tom's Tree Trimmers to gain experience at a small computer sales and repair outlet, the Corner Computer Company. He is concerned that he will not be able to obtain coverage with his new employer because of his health record with Tom's Tree Trimmers. He is aware that, prior to the reforms in the small employer market, employees who changed jobs or employers that changed carriers could face recurring pre-existing condition limitations. George realizes that this could leave him without health care coverage.

SOLUTION: Under the HIAA proposal, George would be guaranteed continuity of coverage and would not be subject to any new pre-existing condition limitations if he changes jobs or his employer switches carriers, since he satisfied those while employed by Tom's Tree Trimmers (this assumes that George did not allow his coverage to lapse for a sustained period of time).

SITUATION: Both Tom's Tree Trimmers and the Corner Computer Company are concerned that their health premiums will rise inordinately if one or more employees is found to be seriously ill.

SOLUTION: Under the HIAA proposal, an insurance carrier would have to limit how much its rates, based upon the group's health history, varied. Carriers could vary their rates for similar small employer groups (those with similar demographics, plan type, and geographic area) by no more than 35 percent above or below their midpoint rate (the midpoint rate is halfway between the carriers lowest and highest rate). Carriers would also have to limit their industry rating adjustment to 15 percent. Finally, the year-to-year premium increase for a group could be no more than 15 percent above the carriers "trend" (defined as the increase in the lowest new business rate). To reflect cost differentials between managed care and non-managed care products, carriers could establish separate trends.

SITUATION: A new firm, Tree Doctors, Inc., opens for business in the same community as Tom's Tree Trimmers. Like its competitor, Tree Doctors employs five employees. At the time it opens for business, all of its employees are healthy. The president of Tree Doctors, Inc. knows that he is in stiff competition with Tom's Tree Trimmers. He is concerned that he may be at a competitive disadvantage if any of his costs are higher than those of Tom's Tree Trimmers. Since Tom's Tree Trimmers has been in business for some time, the owner of Tree Doctors, Inc. is concerned that he may not be able to purchase health insurance coverage at a rate that will be similar to the rates charged to his competitor.

SOLUTION: Under the HIAA proposal, the availability of reinsurance combined with the premium rate limits would moderate the premium difference between groups. The HIAA plan would ensure that Tree Doctors, Inc. did not incur inordinately high premiums relative to demographically similar firms.

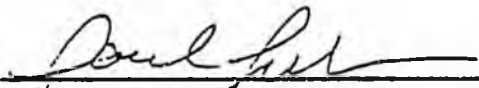
SB 173: "An Act relating to health insurance for small employers and providing for an effective date."

The department is neutral on this legislation.

One of the more challenging issues facing this country and Alaska is the ever-increasing number of small employers unable to afford health care insurance. This bill would address small employers who have been unable to purchase health care.

The bill sets up a reinsurance pool for insurers writing small employers health insurance in the state. In order for the bill to be effective, certain provisions have to be met. The authority of the director should be for approval of members only. The pool and coverages they provide should be exempt from the mandatory coverages in Title 21. The pool shall be subject to the marketing and financial sections of Title 21. The pool should not be subject to a subsidy from the legislature or exempt from taxation. The bill adequately addresses these items as written.

Health is not a term defined in Title 21; the appropriate term is disability. Additionally, 21.56.010 should clarify if hospital and medical service corporations and health maintenance organizations, as defined in 21.87 and 21.86, respectively, are included in membership. They are included on the board.



Paul Fuhs, Commissioner
3-29-93

Date

dgl175pp.ins

**THE STATE OF ALASKA
HEALTH RESOURCES AND ACCESS TASK FORCE**

FINAL REPORT

to

the Governor and Legislature

January 1993

**Alaska State Legislature
Health Resources and Access Task Force
State Capitol
Juneau, Alaska 99801-1182**

Given this situation, the Task Force felt that, in spite of its commitment to a single payer system, it should also put forth recommendations for making incremental improvements to the existing financing system that have already been adopted in many other states and that could be enacted immediately by the Alaska State Legislature. The first four of the Task Force's access-related recommendations (Recommendations 4 through 7) focus on this short term strategy. Our final recommendation describes the Task Force's rationale for proposing a single payer system as the preferred approach for providing universal coverage.

RECOMMENDATION # 4:

The Task Force recommends the enactment of legislation establishing regulatory reform measures in the small group health insurance market.

As described in Chapter Two (see Finding #6), a significant proportion of uninsured Alaskans are either employees in small firms or dependents of these employees. As was also noted, a number of serious problems in the current small group health insurance market are likely to make health care coverage unattractive to many small businesses. These problems include:

- The refusal by some insurers to provide coverage to certain small businesses because of the type of work in which they are involved or the health status of their employees or their dependents;
- Premium levels charged by the same insurer that may vary widely across firms with similar employee characteristics;
- Premium setting practices that result in many small businesses being offered very attractive first year rates, but then being hit by double--or even triple--digit increases in their premium costs in the following years. These staggering increases cause many businesses not to enter the market in the first place, to drop their coverage, or to switch to another carrier;
- High administrative costs due to medical underwriting activities and the frequent switching of insurers that is promoted by insurer practices; and
- The dropping of some small businesses without notice or refusing to renew their coverage because of their claims experience.

A number of organizations, including the National Association of Insurance Commissioners (NAIC) have worked to develop a package of regulatory reform proposals that would enable states to address these problems. The NAIC has drafted a Small Employer Health Insurance Availability Model Act that incorporates desired reform provisions. These provisions, which would apply to policies sold to employers with fewer than twenty-five employees, include:

Guaranteed Issue and Renewability: All small group insurers must provide coverage to all eligible firms applying for coverage and may not terminate such coverage for other than good cause, such as non-payment of premiums.

Whole Group Coverage: Insurance policies sold to small groups must provide coverage to all eligible employees and their dependents and cannot exclude certain individuals based upon their health status.

Elimination of Multiple Waiting Periods for Pre-existing Conditions: Waiting periods for individuals with pre-existing conditions are to be waived if these individuals have previously fulfilled a waiting period and maintain continuous coverage.

Development of Standardized Plans: To allow comparison shopping by small employers, each small group insurer must offer two standardized plans, one of which is to be a "bare bones" plan.

Premium Rating Restrictions: Premium rate "bands" or restrictions would be established to limit variation in:

- annual premium increases faced by individual small businesses; and
- premium rates charged to different types or classes of small businesses.

Reinsurance Pool: A statewide reinsurance pool should be established to spread the risk associated with the guaranteed issue requirements in the small group market.

Data and Disclosure: Small group insurers must disclose their premium rating practices and renewability provisions to small businesses. Insurers must also maintain their records in proper order and submit an annual statement certifying that the rates they charge small businesses are actuarially sound and comply with all the above requirements.

SMALL EMPLOYER MARKET REFORMS

Pre-1991

Comprehensive Package

states which have enacted a comprehensive, or near-comprehensive small employer package

Connecticut (1990)†
Hawaii (1974)

Partial Package

*states which have enacted select precepts of small employer market reform**

Georgia (1990)

1991

Comprehensive Package

passed in 1991

Massachusetts
North Carolina†
Oregon
South Carolina‡
Vermont

Partial Package

effective 1991

Colorado
Nebraska
New Mexico
North Dakota
West Virginia

1992

Comprehensive Package

passed in 1992

California
Delaware†
Florida†
Iowa†
Kansas†
Maine
Minnesota
Missouri†

New Hampshire‡
New York
Rhode Island†
Tennessee†
Virginia‡
Wisconsin
Wyoming†

Partial Package

effective 1992

Arkansas
Indiana
Louisiana
South Dakota

Comprehensive Package Proposals

strong prospects for passage in this session

New Jersey
Ohio
Pennsylvania

Other

passed at least one chamber prior to adjournment

Alaska
Arizona
Colorado
Georgia
Idaho
Maryland
Washington

* For listing of specific precepts, refer to following chart
‡ Does not require insurers to guarantee issue coverage

† Generally follows HIAA/NAIC model
** Awaiting Governor's signature

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

March 26, 1993

Senator Tim Kelly, Chairman
Labor & Commerce Committee
Alaska State Senate
Capitol Building
Juneau AK 99801

Re: Support SB 173 (Small Employer
Health Insurance Reform)

Dear Senator Kelly:

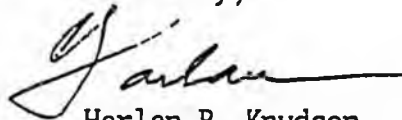
The Association would like to be on record in support of SB 173, providing health insurance for small employers. We understand this is former SB 40 under new sponsorship.

We listened in on the hearing on SB 40 March 23 and would be supportive of amendments offered by Jan Meisels, representative of the Health Insurance Association of America.

Meaningful health reform by the U.S. Congress is at least one to three years before it will be implemented. SB 173 should compliment Congressional efforts as it provides a state option for helping small employers to purchase a health insurance program for themselves and their employees.

We urge the support of the Senate Labor & Commerce Committee.

Sincerely,



Harlan R. Knudson
President/CEO

319 SEWARD ST

LETTER OF SUPPORT FROM THE
HOSPITAL & NURSING HOME

TELEPHONE: (907) 463-3573

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

April 15, 1993

Representative Brian Porter, Chair
House Judiciary Committee
State Capitol
Juneau, AK 99801-1182

Re: Support ~~SB 173~~; ~~1~~
Small Employer Health Ins.

Dear Representative Porter:

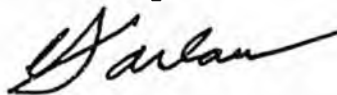
ASHNHA, representing community hospitals and nursing homes across the state, asks your support for SB 173, the small employer health insurance bill.

SB 173 is a very constructive step towards correcting one part of our health care cost and access problem. It opens up the small employer insurance market at no cost to the state.

People need health insurance now, and should not have to wait another two or three years before Congressional or State health reform is enacted and implemented.

Please support SB 173.

Sincerely,



Harlan R. Knudson
President/CEO

cc: Senator Reiger

217 Second Street, Suite 201
Juneau, Alaska 99801
(907) 586-2323
FAX (907) 463-5515



STATEMENT OF SUPPORT

CS for Senate Bill 173 (FIN) - "Insurance for Small Business"

The Alaska State Chamber of Commerce supports CS for Senate Bill 173 (FIN) "Insurance for Small Business".

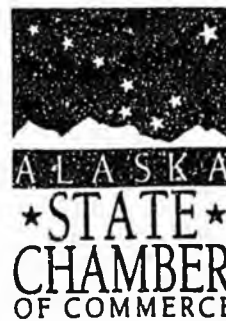
CS for SB 173 (FIN) promotes the availability of health insurance coverage for small employers and reforms the small employer health insurance market.

Without requiring additional state expenditures, it provides that all small employer groups would be able to obtain private health insurance regardless of the health risk they represent.

Individuals in employer groups and employer groups themselves would be assured at the time of renewal that their coverage would not be cancelled because of deteriorating health.

CS for SB 173 (FIN) would improve the overall fairness and efficiency of the small employer health insurance market. For that reason, the Alaska State Chamber of Commerce requests your support of this legislation.

217 Second Street, Suite 201
Juneau, Alaska 99801
(907) 586-7323
FAX (907) 463-5515



March 30, 1993

The Honorable Tim Kelly
Chairman, Senate Labor and
Commerce Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Senator Kelly:

There is no problem as troublesome to the business community in Alaska and throughout the nation, as the concern for providing affordable health insurance for employees and employers. As is recognized in SB 173, the problem is particularly acute for the very small employer.

The Alaska State Chamber of Commerce continues to be on record in support of the intent of SB 173. We have reviewed the bill and it seems to be very straightforward and reasonable in terms of its content. While the technical issues in insurance are beyond our scope, we feel that the structure as proposed in SB 173 would solve the problem of availability of insurance and we are very supportive.

Thank you for your concern and your willingness to initiate a positive approach to solving a portion of the insurance problems facing the private sector, especially small business.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jamie Parsons".

Jamie Parsons
President

NFIB Alaska

National Federation of
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
NFIB/ALASKA

IN
SUPPORT
OF

SB 173 HEALTH INSURANCE FOR SMALL EMPLOYERS

9159 Skywood Lane
Juneau, AK 99801



The Guardian of
Small Business

Chairman, members of the Committee, my name is Rosa Jerrel, and I am the State Director for the National Federation of Independent Business - NFIB/Alaska. I am happy to be here today in support of SB 173.

BACKGROUND

NFIB/Alaska is comprised of 5,000 small and independent business owners. The legislative agenda of NFIB/Alaska is determined by our ballot. The ballot is our annual poll of our members on a series of issues deemed critical to small business. A majority vote, of the members in response to the poll, sets our policy and position on legislative issues.

For the record the following are the results of the 1991 NFIB/Alaska ballot questions regarding health insurance:

Should legislation be passed in order to create a voluntary health insurance plan which would be administered by private insurance companies and which would pool small businesses together so they could purchase employee health insurance at group rates?

Yes 72% No 17% Undecided 11%

If this pooling of employers in order to purchase health insurance was available, would you participate?

Yes 50% No 19% Undecided 31%

Should employers be allowed the option of having their employees pay part of the premium cost of health insurance purchased through the above pooling plan?

Yes 90% No 5% Undecided 5%

The NFIB Foundation Survey nationwide first found health insurance listed as a key concern for small business in 1986 when it was cited as the number one problem for small business owners out of 75 potential problems. Again in 1990, 92% of small business owners characterized health insurance as a "serious problem". The NFIB Foundation recently released Survey, Problems and Priorities, it listed the cost of health insurance as still the number one problem. No other difficulty was close. Sixty-one (61) percent ranked the problem "critical," the most extreme assessment it could be given.

On 1992 ballot we asked our members in Alaska to choose from eleven (11) problem areas - the most costly or burdensome problem they faced

and the top two were: #1 workers compensation cost and, #2 health insurance for employees.

Further surveys have found that small business owners want to offer health insurance as a fringe benefit out of both a sense of family obligation and competitive necessity.

The ability of the small business owner to provide insurance is greatly influenced by the high costs of premiums and profitability of the business. For many small business the skyrocketing annual premium increases, small profit margins, struggling regional economies, and restricted cash flow all contribute to the increasing difficulty small business owners have in purchasing health insurance. If the cost of purchasing or continuing to provide health insurance continues increasing, small business owners will be forced to increase employee contributions, cut benefits, raise deductibles or in some cases drop coverage altogether.

Small business are most severely impacted by adverse selection, the demographics of the work force (such as, age and gender of employees and the hours they work), higher employee turnover resulting in unpredictable participation rates, and a lack of expertise and clout in purchasing plans. By virtue of their size, small businesses have very little access to cost containment mechanisms available to large firms such as self-insurance. Being unable to obtain the benefits of self-insurance they must comply with expensive state mandates, pay state premium taxes and shoulder a larger portion of the carrier's administrative expenses.

SMALL BUSINESS MARKET REFORM

Small business owners desire to build on the existing health care system. SB 173 is a voluntary health insurance program to provide more accessibility, renewability, predictability and stability for small businesses. It is a viable means of providing health insurance to the uninsured population in Alaska.

State mandates cumulatively can raise the cost of health insurance for small businesses. SB 173 has a provision that state mandates do not apply to health benefit plans provided to small employers. This will allow the insurance industry to design basic health insurance policies.

It also, requires the small employer insurers to disclose information relating to premium rates and health benefit plans. It requires insurers to describe in detail their rating practices and renewal underwriting practices. Providing this information will help small

business owners to be better informed. The Congressional Budget Office believes that "giving consumers the information they need to make more informed decisions might enhance both the quality and cost-effectiveness of care."

Thank you for the opportunity to comment on this legislation. NFIB/Alaska has and will continue to support this and other legislation that will help make privately administered health insurance more accessible, renewable, predictable and stable for small businesses.

BILL: SB 173

SHORT TITLE: GROUP HEALTH INS. FOR SMALL EMPLOYERS

BILL VERSION: CSSB 173(FIN)

SPONSOR(S): SENATOR(S) RIEGER, Pearce, Salo, Kelly, Phillips

CURRENT STATUS: PASSD(S) RECON NTCE

STATUS DATE: 04/13/93

TITLE: "An Act relating to health insurance for small employers; and providing for an effective date."

1	03/25/93	946	(S)	READ THE FIRST TIME - REFERRAL(S)
2	03/25/93	946	(S)	LABOR & COMMERCE, FINANCE
3	03/31/93	1003	(S)	L&C RPT 4DP 1AM
4	03/31/93	1003	(S)	ZERO FISCAL NOTE (DCED)
5	04/08/93	1269	(S)	FIN RPT CS 5DP SAME TITLE
6	04/08/93	1269	(S)	PREVIOUS ZERO FN APPLIES TO CS
7	04/12/93	1307	(S)	RULES TO CALENDAR 4/12/93
8	04/12/93	1309	(S)	READ THE SECOND TIME
9	04/12/93	1309	(S)	FIN CS ADOPTED UNAN CONSENT
10	04/12/93	1310	(S)	AM NO 1 FAILED Y5 N11 E3 A1
11	04/12/93	1311	(S)	AM NO 2 FAILED Y5 N11 E3 A1
12	04/12/93	1311	(S)	AM NO 3 FAILED Y6 N11 E3
13	04/12/93	1312	(S)	AM NO 4 WITHDRAWN
14	04/12/93	1313	(S)	AM NO 5 FAILED Y5 N11 E3 A1
15	04/12/93	1313	(S)	FAILED TO ADVANCE TO 3RD RDG Y11 N6 E3
16	04/12/93	1313	(S)	THIRD READING 4/13 CALENDAR
17	04/13/93	1338	(S)	READ THE THIRD TIME CSSB 173(FIN)
18	04/13/93	1338	(S)	RET TO SECOND FOR AM 6 FAILED Y10 N10
1	04/13/93	1339	(S)	PASSED Y19 N1
2	04/13/93	1339	(S)	EFFECTIVE DATE CLAUSE VOTE SAME AS PSG
3	04/13/93	1339	(S)	Adams NOTICE OF RECONSIDERATION
4	04/14/93	1393	(S)	RECON TAKEN UP - IN THIRD READING
5	04/14/93	1394	(S)	PASSED ON RECONSIDERATION Y19 N1
6	04/14/93	1394	(S)	EFFECTIVE DATES VOTE SAME AS PASSAGE
7	04/14/93	1396	(S)	TRANSMITTED TO (H)



April 20, 1993

To: House Finance Committee Co-Chairs, Eileen McLean & Ron Larson & House
Judiciary Chair, Brian Porter and Anchorage Legislators
From: Carol Heyman, President, Anchorage Chamber of Commerce

The Anchorage Chamber of Commerce passed a resolution supporting SB 173 on Small Business Health Insurance. We would like to make a correction. We are delighted to find out that there is a \$0 fiscal note. We think its an even better bill than before , now that we know there is no cost attached. We urge your support in passing it as quickly as possible..

Thank You.



Anchorage - Star of the North
Chamber of Commerce

**Anchorage Chamber of Commerce
Resolution 5-92/93
Support SB 173
An Act Relating To Health Insurance For Small Business**

Whereas, small business/private industry employers are restricted in their ability to provide adequate health insurance for their employees and;

Whereas, the inability to provide adequate health insurance puts small business/private industry and its employees at a disadvantage and;

Whereas, the Anchorage Chamber of Commerce supports legislation that enables small business/private industry to self organize health insurance for its employees and;

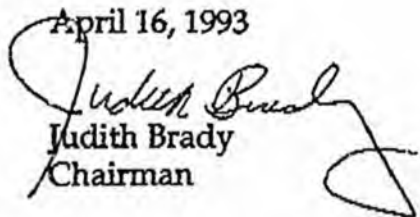
Whereas, the chamber believes in reduced state spending and no further expansion of state government and;

Whereas, SB 173 has a small fiscal note (\$1,600) and no additional personnel to the State Division of Insurance and;

Whereas, SB 173 will be an interim relief package for small business employers until a federal health care plan is mandated and put into effect;

Be it resolved that the Anchorage Chamber of Commerce supports passage of SB 173 in its present form.

April 16, 1993


Judith Brady
Chairman


Carol Heyman
President

Provided by
Rosa Terrel
Nat'l Federation
of Independent
Businesses

Committee Substitute for Senate Bill 173 (Finance), if enacted into law, will reform the small employer health insurance market in Alaska. In a nutshell, it would make certain changes in the market to provide more accessibility, renewability, predictability, and stability in health insurance coverage for small employers -- those with 2 to 25 employees.

The bill would have no fiscal impact on the state budget since no state funds are involved. CSSB 173 (Fin) has five major highlights:

-- **Guaranteed Availability.** All small employer groups would be able to obtain private health insurance regardless of the health risk they present.

-- **Coverage of Whole Groups.** Coverage would be made available to entire employer groups. Neither employers nor insurers could exclude from a group's coverage individuals who present high medical risks.

-- **Renewability of Coverage.** At renewal time, employer groups and/or individuals within these groups would be assured that their coverage would not be cancelled because their health had deteriorated or because of claims made.

-- **Continuity of Coverage (or Portability).** Once a person is covered in the small employer market and has satisfied a plan's initial pre-existing condition restrictions, he or she would not be faced with meeting those restrictions again in the event that they change jobs, or their employer changes carriers.

-- **Premium Pricing Limits.** There would be specific limits on how much an insurance carrier's rates could vary for employer groups of similar composition -- similar demography, geography, and benefit plan design. Insurers would retain the right to medically underwrite for purposes of assessing risk and setting rates, but not to exclude individuals from coverage in a group plan.

What makes it work? To give effect to these reforms, CSSB 173 (Fin) authorizes creation of a private not-for-profit Small Employer Health Reinsurance Association. Reinsurance means to insure again. Under reinsurance, the primary insurer -- the one which writes the policy -- can elect to purchase insurance from a reinsurer to cover all or part of the loss which the group policyholder is protected against. Reinsurance enables an insurer to accept a greater variety of risks -- to treat all individuals in a group the same way -- all members of a group would have the same benefits. The reinsurer stands behind the insurer and simply reimburses for claims associated with certain reinsured individuals. This allows the insurer to spread high risks broadly through the private market rather than concentrated in one small employer group.

April 18, 1993

News from Jamie Parsons, President

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BUSINESS LEGISLATION ALERT

Your Testimony Will Make a Difference for Alaska Business.

As you are aware, The Alaska State Chamber of Commerce staff has been working on the Chamber's 1993 legislative priorities that you helped determine last fall. Listed below are 5 legislative bills where your testimony is needed **NOW**.

1. EMPLOYEE REFERENCE - (Senate Bill 122)

The purpose of this bill is to protect employers from being held liable when they disclose, in good faith, information regarding an employee or former employee to another employer. Employers should expect to be able to share all pertinent employee information without the fear of repercussion and to be able to hire employees without subsequently discovering character flaws.

2. REGULATORY REFORM - (House Joint Resolution 11)

The private sector continues to assert that reform is needed for State regulations. HJR 11 would place on the 1994 ballot a Constitutional Amendment which would permit the Legislature to take action on regulations written by State agencies which go far beyond the intent of the law as passed by the Legislature. For the Legislature to annul a poorly considered regulation, a majority vote of the House and Senate would still be required.

3. HEALTH INSURANCE FOR SMALL BUSINESS - (CS for Senate Bill 173 FIN)

This Senate Bill would reform the small business health insurance market (25 employees or less) in Alaska to provide (1) guaranteed availability for all employees of a group regardless of individual health risks; (2) renewability of coverage regardless of cases of health deterioration and the number and size of submitted claims; (3) continuation of coverage so that individuals who initially satisfy a plan's pre-existing conditional restrictions won't be faced with meeting those restrictions again if the employee changes jobs or the employer switches insurance carriers; (4) specific limitations on policy rates within employer groups or similar composition; (5) stability and predictability. CSSB 173 (FIN) would create a private not-for-profit Small Employer Health Reinsurance Association which would have no financial impact on the state budget.

4. NUISANCE BILL - (Senate Bill 178)

This bill is designed to greatly reduce nuisance lawsuits and litigation by narrowing the definition of the term "nuisance" to mean "a substantial and unreasonable interference in the use of an enjoyment of real property including water". SB 178 is designed to limit frivolous lawsuits against any firm complying with terms of an existing development permit issued and monitored by an authorized agency.

5. SENATE CONCURRENT RESOLUTION NO.4 - (SCR 4)

SCR 4 requests the Alaska Supreme Court to re-evaluate its interpretation of Alaska Civil Rule 82 to permit **ALL** prevailing parties to recover attorney fees and costs including those who prevail over special interest groups opposed to natural resource development. Currently public interest litigants are encouraged to sue because full attorneys fees are paid to the public interest group if it prevails and nothing is paid if it loses.

Contact Your Legislator(s) by:

- o Call your legislator direct- telephone numbers enclosed
- o Send a 50 word personal opinion message (POM) through your local Legislative Information Office - telephone numbers enclosed.