# HB 315

# HOUSE COMMITTEE REPORT

(11)
**Date Referred to Committee: April 23, 2002** **FURTHER REFERRALS:**

**Date of Committee Action:** 4/30/02

**The FINANCE Committee considered:** **SSHB 315**

**HOUSE BILL NO. 315** **STATE HEALTH INS FOR BUSINESS/NONPROFITS**

**"An Act requiring a single insurance provider for all state employees and allowing small employers to join as a group; and providing for an effective date."**

**Recommends it be replaced with** _____**CS** SSHB 315 (FIN **[ ] Same Title [✓] New Title**
*For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR*_____

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent _____Committee

*List of Abbrev. for Depts.:*
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LAA
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

| ***NEW*** **FISCAL NOTES** *For Chief Clerk's Office Use Only | | | | |
|---|---|---|---|---|
| List by Dept(s): | *FN# | Fiscal | Indet. | Zero |
| ADM | | ✓ | | |
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| ***PREVIOUS*** **FISCAL NOTES** | | | | |
|---|---|---|---|---|
| List by Dept(s): | FN# | Fiscal | Indet. | Zero |
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| Signing with recommendations | Printed Last Name | DP | DNP | NR | AM |
|---|---|---|---|---|---|
| Bunde | Bunde | ✓ | | | |
| | Whitaker | ✓ | | | |
| | Harris | ✓ | | | |
| | DAVIS | ✓ | | | |
| | MOSES | ✓ | | | |
| | Lancaster | ✓ | | | |
| Bill Hudson | Hudson | | | ✓ | |
| | | | | | |
| | | | | | |
| Chair: | Mulder | ✓ | | | |
| Chair: | Williams | ✓ | | | |

# FISCAL NOTE

**STATE OF ALASKA**
**2002 LEGISLATIVE SESSION**

Fiscal Note Number:
Bill Version: CS for SS HB 315(STA)
() Publish Date:

Revision Date/Time (Correct Fund Source 4/25/02)
Dept. Affected: Administration
Title: An Act allowing small business, small nonprofits to join state insurance...
BRU: Centralized Administration Service
Component: Retirement & Benefits
Sponsor: Rep. Rokeberg
Requester: House Finance
Component No.: 64

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 |
|---|---|---|---|---|---|---|
| Personal Services | 57.9 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 |
| Travel | | | | | | |
| Contractual | 74.9 | 49.5 | 49.5 | 49.5 | 49.5 | 49.5 |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| **TOTAL OPERATING** | **132.8** | **95.7** | **95.7** | **95.7** | **95.7** | **95.7** |
| **CAPITAL EXPENDITURES** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **CHANGE IN REVENUES ( )** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |

**FUND SOURCE** (Thousands of Dollars)

| | | | | | | |
|---|---|---|---|---|---|---|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 42.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1005 GF/Program Receipts | | | | | | |
| 1092 MHTAAR | 89.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1017 Benefit System Receipts | 0.0 | 95.7 | 95.7 | 95.7 | 95.7 | 63.5 |
| **TOTAL** | **132.8** | **95.7** | **95.7** | **95.7** | **95.7** | **95.7** |

**Estimate of any current year (FY2002) cost:** 0.0
**Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:**

**POSITIONS**

| | | | | | | |
|---|---|---|---|---|---|---|
| Full-time | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Part-time | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

**ANALYSIS:** *(Attach a separate page if necessary)*

This bill gives authority to the Commissioner of Administration to procure a health insurance policy or policies for employees of small businesses, small nonprofit organizations, and other small associations.

Start up costs in the first year include surveying the potential participants, developing a plan or plans to meet the needs, writing a request for proposals to obtain an insurer or insurers to administer the plan and a mass mail-out to invite those eligible to participate in the plan.

We anticipate the need for a permanent Retirement & Benefits Tech II, and a half-time clerical employee the first year to assist with the survey and the initial enrollment. The Mental Health Trust Authority has agreed to provide funding for $89.9 of the start-up costs and the following years would be funded by Benefit System Receipts from the participants in the plans.

Prepared by: Guy Bell, Director
Phone 465-2292
Division: Retirement and Benefits
Date/Time 4/25/02 9:41 AM
Approved by: Jim Duncan, Commissioner
Date 4/25/2002
Agency: Department of Administration

# FISCAL NOTE

**STATE OF ALASKA**
**2002 LEGISLATIVE SESSION**

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| Grants & Claims | | | | | | |
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| **CHANGE IN REVENUES ( )** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |

**FUND SOURCE** (Thousands of Dollars)

| | | | | | | |
|---|---|---|---|---|---|---|
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| | | | | | | |
|---|---|---|---|---|---|---|
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| Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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Prepared by: Guy Bell, Director — Phone 465-2292
Division: Retirement and Benefits — Date/Time 4/25/02 9:41 AM
Approved by: Jim Duncan, Commissioner — Date 4/25/2002
Agency: Department of Administration

(Revised 9/2001 OMB)

Amended pg 5
Adopted 4/30/02

22-LS1177\X
Craver
4/25/02

**CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 315( )**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

**BY**

**Offered:**
**Referred:**

**Sponsor(s): REPRESENTATIVES ROKEBERG, Wilson, Scalzi, Dyson, Cissna, Crawford**

**A BILL**

**FOR AN ACT ENTITLED**

**"An Act amending the definition of group health insurance, and allowing the Department of Administration to obtain a policy or policies of group health care insurance for employers that are small businesses, nonprofit organizations, special services organizations, or small associations for insurance purposes; and providing for an effective date."**

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

FINDINGS AND INTENT. (a) The legislature has made the following findings regarding the facts that support a group insurance policy for qualified entities:

(1) the latest United States Census data indicate that 19 percent of Alaskans are uninsured;

(2) in 2000, about 700 companies were licensed to offer health insurance in

the state, about 250 companies wrote some form of health insurance in the state, and fewer than 114,000 Alaskans were covered under individual and group comprehensive health insurance policies written in the state;

(3) in 2000, 18 insurers wrote small employer health insurance in the state; 80 percent of small group policies are written by three health insurers;

(4) small businesses are having problems finding and keeping adequate insurance coverage for employees;

(5) nonprofit and special services organizations are having problems finding and keeping adequate insurance coverage for employees;

(6) nonprofit and special services organizations provide many services that government cannot supply; and

(7) adequate and stable health insurance is important to Alaskans;

(b) It is the intent of the legislature that this Act assist in providing access to adequate and stable health insurance for small businesses, nonprofit organizations, and special services organizations.

(c) The Department of Administration, in procuring the policy or policies permitted by this Act, should explore all options, including preferred provider organizations and lower cost options such as limited benefit and high deductible coverage.

* **Sec. 2.** AS 21.54.060 is amended by adding a new paragraph to read:

(7) under a policy or policies issued under AS 39.30.097.

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

**Sec. 39.30.097. Procurement of group health care insurance policies for qualified entities.** (a) The department may obtain a health care insurance policy or policies to cover a group of qualified entities.

(b) In procuring a health care insurance policy or policies under this section, the commissioner of administration shall comply with the procedure for obtaining policies of insurance under AS 39.30.090(a)(4) and (5).

(c) A qualified entity is eligible for coverage under (a) of this section if the qualified entity

(1) submits a written request for registration to the department; and

(2) receives written confirmation from the commissioner of

administration that the qualified entity is registered to participate.

(c) The request for registration submitted by a qualified entity under (c) of this section must contain a statement certifying that the entity meets the definition of a qualified entity under this section and that the entity agrees to pay the required premiums to the insurance company. The owner, a principal, or another legally qualified representative of the entity shall sign the statement under penalty of unsworn falsification and fraud. The department shall register an entity that submits a request for registration and meets the requirements of this subsection. The department shall maintain a list of entities registered to participate under this section and shall make the list available for public inspection.

(e) The department may not procure benefits under this section by means of self-insurance.

(f) In this section,

(1) "association for insurance purposes" means an association

(A) composed of businesses or nonprofit organizations or both; and

(B) organized and operating in Alaska;

(2) "business" means a business

(A) located in Alaska;

(B) organized under the relevant provisions of the Alaska Statutes; if the form of business is not required to be organized under a statute, then the sole proprietor or joint venturers who own the business must be Alaska residents; and

(C) that employed an average of at least two but not more than 50 eligible employees on the business days during the preceding calendar year and employs at least two eligible employees on the first day of a health benefit plan;

(3) "department" means the Department of Administration;

(4) "employee" has the meaning given in AS 21.54.500;

(5) "health care insurance" has the meaning given in AS 21.12.050;

(6) "nonprofit organization" means a nonprofit corporation,

association, club, or society organized and operating in Alaska exclusively for charitable, religious, scientific, or educational purposes or for the promotion of social welfare and that has received an exemption from the payment of federal income tax;

(7) "policy" has the meaning given in AS 21.90.900;

(8) "qualified entity" means a business, nonprofit organization, association for insurance purposes, or special services organization;

(9) "special services organization" means an entity, corporation, or nonprofit organization organized and operating in Alaska that is

(A) an entity, including a sole proprietorship and a corporation solely owned by one person,

(i) operating a child care facility that is licensed under AS 14.37;

(ii) operating a residential child care facility, child placement agency, foster home, or maternity home that is licensed under AS 47.35;

(iii) operating an assisted living home that is licensed under AS 47.33;

(iv) operating a community-based center for adult day care as that term is defined in AS 47.65.290; or

(v) providing home care services as defined in AS 47.65.290;

(B) a corporation incorporated under AS 10.20 that

(i) receives state grants to provide services; or

(ii) makes grants to other corporations incorporated under AS 10.20 that receive state grants to provide services; or

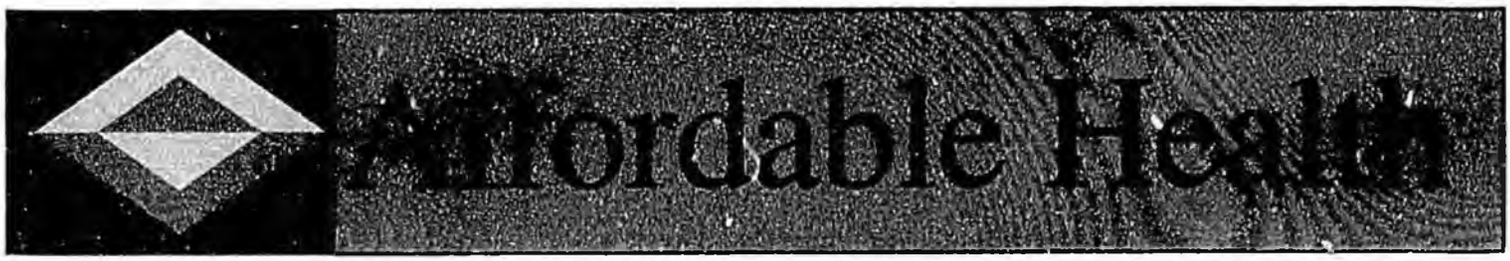
(C) a nonprofit organization, regardless of whether incorporated, whose primary purpose is to provide assistance to disadvantaged classes or groups;

*** Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INITIAL COST RECOVERY. The commissioner of administration shall recover the

initial administrative costs of procuring group health care insurance policies as provided in AS 39.30.097, added by sec. 3 of this Act, over a period of ~~three~~ 5 years. The commissioner shall fairly allocate the administrative costs among the qualified entities seeking coverage under AS 39.30.097 based on the numbers of persons covered. The commissioner shall distribute the administrative costs recovered pro rata to the funds from which initial funding was made.

*** Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).




# Common questions regarding HB 315
# Health Insurance for Business/Nonprofits

***Will HB 315 limit competition and drive some insurers out of business?***
HB 315 actually supports the tenants of market competition by opening the process up to bid. Insurance agencies would have to compete for the group.

***Would HB 315 put the State in direct competition with private industry?***
No. As stated above, the State would be required to open the process up for bid. A private company, not the state, would be providing the insurance.

***Would HB 315 adversely affect the State health plan?***
No. The newly created group would be separate from the State Health Plan and would, therefore, not have any impact on the state plan. HB 315 proposes to create a *new* group, not to pool small employers into the state health plan.

***Would HB 315 allow those eligible to purchase health insurance through the State department of Administration?***
No. HB 315 would authorize the Commissioner of Administration to procure group private health insurance for those listed. The potential buyers would purchase their insurance from the private insurance agency offering coverage. The department would open up the process for bids from the private sector, allowing insurance companies to compete for the new group. The plan, not a part of the state plan, would also contain a number of coverage options, similar to the various optioned offered under the state plan.

***Would HB 315 have a negative impact small employer insurance market?***
The insurance market in Alaska is already very limited, specifically for those who are included in the new insurance pools provided in this bill. Furthermore, small employers as defined by this bill by and large cannot afford covered today.

***Have other states have tried this?***
One common example of a "similar" proposal is the state of Kentucky's "Alliance". This is a poor comparison because "The Alliance" pooled small employers into the state plan. As stated above, HB 315 would create a new and separate group that would not be tied to the state health plan. "The Alliance" is not a similar pool to the proposal before us today. We are currently unaware of any similar attempts that have resulted in negative effects.

***Will there be significant cost to the state?***
No. There is a fiscal note attached to the bill that clearly outlines the cost to the State. HB 315 will require an initial investment of around 130 thousand dollars in order to cover the cost of set-up. After the first year any state involvement will be funded by Benefit receipts from the participants, therefore not resulting in continued cost to the State.

*From Representative Peggy Wilson and Representative Sharon Cissna*

April 29, 2002

Re: HB315

To Whom It May Concern:

Although we (Alaska Independent Agents & Brokers) certainly commend the sponsors of this bill for seeking a means of providing affordable health insurance access to small employers, we have serious concerns about whether or not this bill, as written, will actually provide a measurable benefit to the small employer. We also have concerns that the methodology proposed in the bill may actually have a negative impact on health insurance rates for the small employer and the State of Alaska both in the short and long term.

Specifically, larger groups of employees do not necessarily experience lower premiums for comparable coverage. The rates for larger groups with high losses may in fact experience higher rates than a small group with low losses. The experience of the insurance industry would suggest that the majority of the non-profit organizations, for whom this bill seems to be targeted, traditionally have high loss ratios. It is very likely that the pool being proposed will actually generate higher premiums than the plans the targeted employers are currently experiencing.

In the long term our concern would be that those insurance companies offering group benefits to the small employer might withdraw from our State due to a significantly reduced market place. Some of the small employer's in the State plan may very well find that their rates have increased if the loss ratios have driven them up. These employers will be left with very limited options, if any, to return to the private market place. Other small employers may find that the level of benefits and premium associated with those benefits in the State plan are simply more than they wish to provide or can afford to offer. In these instances, they may be left with limited or no options in the private market place.

The bill puts the State in direct competition with the private sector in designing products to meet the customer needs and in marketing and selling those products, which may be in conflict with AS2156. We have watched the private sector health insurance market for the small employer dwindle significantly over the years in Alaska. We are concerned that this bill would definitely contribute to further depletion of options. At best, the existing carriers will have fewer incentives to try innovative solutions to meet their customers' needs.

We believe there will be significant costs to the State to develop the new product, register the qualified entities and complete the procurement process. We do not see that there is any assurance that the product will be successful enough to justify the costs to Alaska taxpayers.

In conclusion, we urge you to vote NO on HB315.

Sincerely yours,

John Grummett
Alaska Independent Insurance Agents & Brokers

17521 Steamboat Drive
Anchorage, AK 99516
April 29, 2002

VIA FACSIMILE: 907) 465- 3793
Page 1 of 2

Representative Bill Williams
State Capitol, Room 511
Juneau, AK 99801-1182
(
Dear Mr. Williams:

I am writing regarding H.B. 315, a measure that would allow small employers to purchase health insurance through the state Department of Administration, along with state employees. The House Finance Committee is currently considering this bill. Although it is well intentioned, I am concerned that it will increase state spending by having a negative impact on the State of Alaska's employee health plan. I think that increased state spending on its employees is the opposite of what we need at this time.

The bill also will have a negative impact on both the small-group employer health insurance market. Other states that have established similar pools have found that they did not reduce costs over time, but that they did lead to adverse selection. I am concerned that H.B. 315 will cause similar problems in Alaska when unhealthy small employer groups with bad medical experience and high claims flock to a state plan with low rates. These groups might initially benefit from lower rates, but eventually the state pool will be forced to react to the bad claims experience from these groups and increase premiums. This will hurt not only the small businesses that have joined the pool, but also the state employees who have no other group health insurance options available to them. Also, even though the pool might initially eliminate some administrative costs for small businesses, these are relative small and would be one-time savings. Small-employer premiums will still be subject to factors that drive health insurance premiums today—provider costs, pharmaceutical costs, mandates, technology, increased utilization and an aging population.

Other states have tried to implement measures similar to H.B. 315, with limited success. We can look at the state of Kentucky as an example of why the state employee option may be inadvisable. Kentucky had a program called "The Alliance" which opened the state employee's health plan up to individual purchasers. Independent purchasers did not mix well with the state employee group due to adverse selection and other financial considerations. The ultimate result was the failure of the pool because the state had ignored basic tenets of risk assessment. But before the pool failed, all of the members of the pool, including the state employees who had selected this option, experienced an increase in their rates due to the addition of risk.

H.B. 315 will also have long-term consequences for the private small group health insurance market. Some insurance carriers currently offering products to small employers will likely cease to operate in Alaska due to a significantly reduced marketplace. This measure puts the State in direct competition with the private sector health insurance market. The number of private health insurance options for small employers has dwindled significantly over the years in Alaska; I am concerned that this measure will lead to a further depletion of options.

If H.B. 315 were implemented, it would be critical to maintain a competitive small group health insurance market in the state. Many small groups with low loss ratios will likely decide that joining the State's purchasing pool would not be a preferable option, and a lack of plan choices would hurt these small businesses. Also, small employers who experience higher rates in the State pool due to the adverse selection factor, or employers who would like to provide their employees with a different level of benefits than what is available through the State pool, would suffer if only a limited number of private sector options were available. The adverse affects of H.B. 315 on private small group market competition would likely hurt many Alaska small businesses in the long run.

Finally, in addition to directly increasing employee benefit costs to our state, I am concerned that H.B. 315 will result in significant costs to develop new health insurance products, register the qualified entities and complete the procurement process. We do not see any evidence that this product will be successful enough to justify the costs to Alaska taxpayers.

Due to the negative impact that H.B. 315 will eventually have on state spending, Alaska small businesses, the state's private small group insurance market and the state employee's plan, I urge you to vote against this measure. I appreciate the opportunity to share our views with you, and look forward to hearing about your decision on this important issue.

Respectfully,

Robert F. Hagen

Blue Cross
Blue Shield of Alaska
A PREMERA HEALTH PLAN

7001 220th St. S.W., Mountlake Terrace, WA 98043-2124
Post Office Box 327, Seattle, WA 98111-0327
425/670-5757 Fax 425/670-5635

Jack C. McRae
*Senior Vice President*

April 29, 2002

Alaska State Legislature
House Finance Committee
Representative Eldon Mulder, Co-Chair
Representative Bill Williams, Co-Chair

BY FAX: 907/465-3793

Dear Co-Chairs Mulder and Williams and members of the Committee:

I am writing in reference to HB 315, which authorizes the Department of Administration to procure group health care insurance policies for small business and non-profit entities that register with the Department. Blue Cross Blue Shield of Alaska opposes HB 315 because of the significant concerns described below.

The bill is based on assumptions that create potentially unrealistic expectations. It proposes that the state develop a new insurance product for small business and non-profit organizations and pool those entities together for rating purposes. The bill assumes that the process will result in rates that are more attractive than those available from commercial carriers for similar benefits. There is no reason to believe that pooling alone will produce this result. Insurance rates are driven by the cost of health care and the demographics of the insured group. There is nothing to indicate that the process proposed by HB 315 will produce anything more attractive to purchasers in terms of rates and benefits than choices currently available in the commercial market.

Even if the process itself is successful, the bill could do unintended damage to the Alaska business environment. The increased state presence in the business of health insurance, which puts the state in direct competition with the private sector, will result in Alaska becoming less attractive as a place for commercial insurers to do business. The incentives for healthy competition and innovation will diminish, and the state will have difficulty attracting new market entrants.

As a final point, the Legislature must give serious consideration to the greatly expanded role of state government in health insurance under HB 315. The bill would have the state assume functions commonly performed by the private sector in designing, marketing and purchasing health insurance products. Instead of taking this unprecedented step in expanding the role of government, the Legislature needs to consider the future consequences for all Alaskans and pursue an in-depth understanding of health care cost drivers and the appropriate role of state government in addressing them.

I greatly appreciate your consideration of these comments and will be glad to provide any additional information you may require.

Sincerely,

Jack C. McRae
Senior Vice President

# ALASKA STATE LEGISLATURE
## House of Representatives

COMMITTEE ASSIGNMENTS

JUDICIARY COMMITTEE CHAIRMAN
LABOR & COMMERCE COMMITTEE MEMBER
LEGISLATIVE COUNCIL MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT & TOURISM MEMBER

website: http://www.akrepublicans.org/Rokeberg.htm

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SESSION
ALASKA STATE CAPITOL
JUNEAU, AK 99801-1182
PHONE (907) 465-4923
FAX (907) 465-[illegible]

## Representative Norman Rokeberg

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

**SPONSOR STATEMENT**

**COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR HOUSE BILL 315(L&C)**
**AN ACT AMENDING THE DEFINITION OF GROUP HEALTH INSURANCE, AND ALLOWING THE DEPARTMENT OF ADMINISTRATION TO OBTAIN A POLICY OR POLICIES OF GROUP HEALTH CARE INSURANCE FOR EMPLOYERS THAT ARE SMALL BUSINESSES, NONPROFIT ORGANIZATIONS, SPECIAL SERVICES ORGANIZATIONS, OR SMALL ASSOCIATIONS FOR INSURANCE PURPOSES AS A GROUP; AND PROVIDING FOR AN EFFECTIVE DATE.**
**By Representative Norman Rokeberg**

CSSSHB 315(L&C) would allow small businesses, small nonprofit organizations, special services organization or small associations for insurance purposes to join a group health insurance plan arranged by the State and thus provide coverage for their employees. The small business, nonprofit, or association would be responsible for the premiums due for the coverage of its employees.

In this legislation, small businesses are defined as entities with at least two and no more than fifty employees. The small business must be located in Alaska and organized under the relevant Alaska Statutes. An association for insurance purposes may be composed of Alaskan businesses and/or non-profits organized and operating in Alaska and are not limited in size. Non profit organizations are not limited in size by this legislation but they must be organized and operating in Alaska exclusively for charitable, religious, scientific, or educational purposes or for the promotion of social welfare and must have received an exemption from the payment of federal income tax. A special services organization is defined as an entity organized and operating in Alaska, including a sole proprietorship and a corporation solely owned by one person, that operates a licensed child care facility, residential child care facility, child placement agency, foster home, maternity home, assisted living home, community-based center for adult day care or an entity providing home care services as defined in statutes.

According to the Division of Insurance, one health insurance provider writes one-half of the private health insurance policies and three providers write a large percentage of small employer policies. The intent of this bill is to provide quality health insurance by creating a large pool of covered lives.

I urge your support of this legislation.

ED 04:04/23/02

# ALASKA STATE LEGISLATURE
## House of Representatives

COMMITTEE ASSIGNMENTS

JUDICIARY COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT & TOURISM, MEMBER

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# Representative Norman Rokeberg

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

**SECTIONAL ANALYSIS**
**COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR HOUSE BILL 315(L&C)**
**AN ACT AMENDING THE DEFINITION OF GROUP HEALTH INSURANCE, AND ALLOWING THE DEPARTMENT OF ADMINISTRATION TO OBTAIN A POLICY OR POLICIES OF GROUP HEALTH CARE INSURANCE FOR EMPLOYERS THAT ARE SMALL BUSINESSES, NONPROFIT ORGANIZATIONS, SPECIAL SERVICES ORGANIZATIONS, OR SMALL ASSOCIATIONS FOR INSURANCE PURPOSES AS A GROUP; AND PROVIDING FOR AN EFFECTIVE DATE.**
**By Representative Norman Rokeberg**

| | |
|---|---|
| **Section 1:** | **Legislative Findings and Intent** |
| **Section 2:** | **Adds reference to new section in this bill to the definition of group health insurance contained in AS 21.54.060 [Group health insurance defined].** |
| **Section 3:** | **Adds to Section to Title 39 concerning procurement of group health insurance policies for qualified entities. Defines registration procedures. Eliminates self-insurance as an option for this group. Definitions included in this section.** |
| **Section 4:** | **Effective date: Immediate.** |

**ED 02:04/23/02**

# STATE OF ALASKA

## Department of Community and Economic Development

# DIVISION OF INSURANCE
# 63rd ANNUAL REPORT

Calendar Year 2000 ◆ Fiscal Year 2001

# IX

# Statistical & Financial Data

# 2000 ALASKA HOSPITAL AND MEDICAL SERVICE CORPORATIONS ($000)

## PREMIUMS WRITTEN

| INSURER | GROUP REMITTANCE | | GROUP CONVERSION | MEDICARE SUPPLEMENT | INDIVIDUAL | EXPERIENCE RATED | TOTAL |
|---|---|---|---|---|---|---|---|
| | Community Rated | Family | | | | | |
| PREMERA/ BLUE CROSS | 44,354 | 0 | 68 | 1,475 | 14,706 | 131,877 | 192,480 |
| ALASKA VISION | 0 | 1,250 | 0 | 0 | 0 | 0 | 1,250 |

## PREMIUMS EARNED

| INSURER | GROUP REMITTANCE | | GROUP CONVERSION | MEDICARE SUPPLEMENT | INDIVIDUAL | EXPERIENCE RATED | TOTAL |
|---|---|---|---|---|---|---|---|
| | Community Rated | Family | | | | | |
| PREMERA/ BLUE CROSS | 44,135 | 0 | 67 | 1,462 | 14,558 | 131,443 | 191,665 |
| ALASKA VISION | 0 | 1,248 | 0 | 0 | 0 | 0 | 1,248 |

## CLAIMS INCURRED

| INSURER | ALL MEDICAL SURGICAL HOSPITAL | DENTAL | VISION | OTHER | TOTAL | NUMBER OF SUBSCRIBERS* |
|---|---|---|---|---|---|---|
| PREMERA/ BLUE CROSS | 156,711 | 0 | 0 | 0 | 156,711 | 92,616 |
| ALASKA VISION | 0 | 0 | 1,072 | 0 | 1,072 | 9,499 |

*Numbers not rounded to the nearest thousand.

# 2000 ALASKA ACCIDENT & HEALTH/LIFE INSURANCE MARKET SHARE

## 01 - GROUP ($000)

| COMPANY NAME | PERCENT OF MARKET | DIRECT PREMIUMS WRITTEN |
|---|---|---|
| Principal Life Ins Co | 14.45 | 18,034 |
| Aetna Life Ins Co | 14.33 | 17,879 |
| Employers Health Ins Co | 9.84 | 12,275 |
| United Healthcare Ins Co | 7.84 | 9,783 |
| Great West Life & Annuity Ins Co | 5.62 | 7,011 |
| Guardian Life Ins Co of Amer | 5.39 | 6,730 |
| United of Omaha Life Ins Co | 4.09 | 5,098 |
| Golden Rule Ins Co | 4.02 | 5,017 |
| Unum Life Ins Co of Amer | 3.43 | 4,285 |
| Mega Life & Health Ins Co The | 3.15 | 3,932 |
| John Alden Life Ins Co | 2.37 | 2,954 |
| Hartford Life & Accident Ins Co | 1.81 | 2,258 |
| JC Penney Life Ins Co | 1.81 | 2,253 |
| Standard Ins Co | 1.59 | 1,989 |
| Mutual of Omaha Ins Co | 1.26 | 1,572 |
| Fortis Benefits Ins Co | 1.11 | 1,389 |
| Life Ins Co of North Amer | 1.07 | 1,335 |
| TransAmerica Life Ins Co | 1.04 | 1,293 |
| States West Life Ins Co | 1.02 | 1,278 |
| Allianz Life Ins Co of North Amer | 1.02 | 1,270 |
| TOTAL FOR TOP 20 RANKED INSURERS | 86.25 | 107,639 |
| TOTAL FOR ALL 142 INSURERS WRITING THIS LINE | 100.00 | 124,792 |

## 02 - CREDIT ($000)

| COMPANY NAME | PERCENT OF MARKET | DIRECT PREMIUMS WRITTEN |
|---|---|---|
| American Natl Ins Co | 21.42 | 993 |
| Cuna Mut Ins Society | 20.41 | 946 |
| American Bankers Life Assur Co of FL | 15.98 | 740 |
| North Central Life Ins Co | 12.21 | 566 |
| Union Security Life Ins Co | 11.78 | 546 |
| Minnesota Life Ins Co | 10.29 | 477 |
| Resource Life Ins Co | 5.46 | 253 |
| Centurion Life Ins Co | 3.69 | 171 |
| JC Penney Life Ins Co | 0.91 | 42 |
| Household Life Ins Co | 0.88 | 41 |
| Protective Life Ins Co | 0.37 | 17 |
| Life Investors Ins Co of Amer | 0.30 | 14 |
| Associates Financial Life Ins Co | 0.29 | 14 |
| American Gen Assur Co | 0.28 | 13 |
| Allstate Life Ins Co | 0.23 | 11 |
| Balboa Life Ins Co | 0.17 | 8 |
| USAA Life Ins Co | 0.04 | 2 |
| Central States H & L Co of Omaha | 0.00 | 0 |
| Old Republic Life Ins Co | 0.00 | 0 |
| MIC Life Ins Corp | -0.01 | 0 |
| TOTAL FOR TOP 20 RANKED INSURERS | 104.72 | 4,863 |
| TOTAL FOR ALL 28 INSURERS WRITING THIS LINE | 100.00 | 4,636 |

# 2000 ALASKA ACCIDENT & HEALTH/LIFE INSURANCE MARKET SHARE

## 9 - ALL OTHER ($000)

| COMPANY NAME | DIRECT PERCENT OF MARKET | PREMIUMS WRITTEN |
|---|---|---|
| Fortis Benefits Ins Co | 33.58 | 7,144 |
| American Family Life Asr Co Columbus | 20.25 | 4,309 |
| New York Life Ins Co | 4.44 | 946 |
| Physicians Mut Ins Co | 3.70 | 786 |
| Northwestern Mut Life Ins Co | 2.39 | 509 |
| Unum Life Ins Co of Amer | 2.38 | 506 |
| Golden Rule Ins Co | 2.31 | 491 |
| Colonial Life & Accident Ins Co | 2.18 | 464 |
| Paul Revere Life Ins Co | 2.15 | 458 |
| Provident Life & Accident Ins Co | 2.11 | 448 |
| Mutual of Omaha Ins Co | 1.94 | 413 |
| Equitable Life Assr Soc of The US | 1.51 | 320 |
| Mony Life Ins Co | 1.40 | 298 |
| Bankers United Life Assur Co | 1.37 | 291 |
| John Hancock Life Ins Co | 1.23 | 262 |
| Conseco Senior Health Ins Co | 1.14 | 242 |
| Continental General Ins Co | 1.10 | 234 |
| General Electric Capital Assur Co | 0.87 | 185 |
| Berkshire Life Ins Co | 0.85 | 181 |
| USAA Life Ins Co | 0.78 | 166 |
| TOTAL FOR TOP 20 RANKED INSURERS | 87.68 | 18,652 |
| TOTAL FOR ALL 163 INSURERS WRITING THIS LINE | 100.00 | 21,274 |

## 10 - TOTAL ($000)

| COMPANY NAME | DIRECT PERCENT OF MARKET | PREMIUMS WRITTEN |
|---|---|---|
| Principal Life Ins Co | 11.58 | 18,136 |
| Aetna Life Ins Co | 11.45 | 17,923 |
| Employers Health Ins Co | 7.84 | 12,275 |
| United Healthcare Ins Co | 6.25 | 9,783 |
| Fortis Benefits Ins Co | 5.45 | 8,533 |
| Great West Life & Annuity Ins Co | 4.48 | 7,018 |
| Guardian Life Ins Co of Amer | 4.35 | 6,819 |
| Continental Assur Co | 3.76 | 5,884 |
| Golden Rule Ins Co | 3.52 | 5,508 |
| United Of Omaha Life Ins Co | 3.26 | 5,099 |
| Unum Life Ins Co of Amer | 3.08 | 4,820 |
| American Family Life Asr Co Columbus | 2.75 | 4,312 |
| Mega Life & Health Ins Co The | 2.51 | 3,932 |
| John Alden Life Ins Co | 1.89 | 2,962 |
| JC Penney Life Ins Co | 1.50 | 2,352 |
| Hartford Life & Accident Ins Co | 1.44 | 2,259 |
| Mutual of Omaha Ins Co | 1.35 | 2,120 |
| Standard Ins Co | 1.27 | 1,994 |
| New York Life Ins Co | 1.12 | 1,749 |
| Life Ins Co of North Amer | 0.85 | 1,339 |
| TOTAL FOR TOP 20 RANKED INSURERS | 79.71 | 124,819 |
| TOTAL FOR ALL 218 INSURERS WRITING THIS LINE | 100.00 | 156,598 |

# HEALTH INSURANCE BY PRODUCT LINE

## INDIVIDUAL – CALENDAR YEAR 2000

| PRODUCT | # POLICIES BEG OF YEAR | # INDIVIDUALS COVERED BEG OF YEAR | # NEW POLICIES ISSUED DURING THE YEAR | # INDIVIDUALS NEWLY ISSUED COVERAGE DURING THE YEAR | # POLICIES TERMINATED DURING THE YEAR | # COVERED INDIVIDUALS TERMINATED DURING THE YEAR | # POLICIES IN FORCE END OF YEAR | # INDIVIDUALS COVERED END OF YEAR | EARNED PREMIUM | INCURRED CLAIMS |
|---|---|---|---|---|---|---|---|---|---|---|
| ACCIDENT | 7,608 | 15,627 | 5,089 | 7,770 | 2,555 | 4,210 | 10,116 | 16,988 | 2,289,313 | 1,040,894 |
| COMP MED PPO | 5,782 | 16,686 | 49 | 368 | 548 | 5,163 | 5,177 | 9,330 | 25,000,363 | 17,600,996 |
| NON-PPO | 615 | 1,253 | 184 | 350 | 237 | 327 | 536 | 1,253 | 2,337,425 | 1,190,693 |
| DENTAL PPO | | | | | | | | | | |
| NON-PPO | 125 | 247 | 86 | 164 | 85 | 164 | 126 | 247 | 80,313 | 26,623 |
| DISABILITY INCOME | 4,636 | 4,763 | 1,368 | 1,309 | 936 | 1,004 | 5,217 | 4,872 | 3,921,924 | 995,920 |
| HOSPITAL EXPENSE | 773 | 1,164 | 265 | 463 | 204 | 313 | 865 | 1,314 | 1,284,847 | 1,473,652 |
| HOSPITAL INDEMNITY | 4,367 | 7,095 | 1,182 | 2,019 | 1,068 | 1,766 | 4,481 | 7,322 | 3,996,155 | 1,551,086 |
| LIMITED BENEFIT | 4 | 4 | | | 1 | 1 | 3 | 3 | 3,651 | |
| LONG TERM CARE | 848 | 868 | 638 | 662 | 80 | 85 | 1,409 | 1,436 | 2,011,828 | 427,751 |
| MEDICAL EXPENSE | 31 | 35 | | | 8 | 9 | 23 | 27 | 18,882 | 27,269 |
| MEDICAL SUPPLEMENT | 1,595 | 1,625 | 192 | 141 | 88 | 92 | 1,701 | 1,580 | 2,485,946 | 1,713,079 |
| SPECIFIED DISEASE | 4,477 | 8,743 | 2,256 | 3,973 | 1,146 | 1,834 | 5,585 | 10,880 | 1,563,894 | 559,795 |
| VISION PPO | 205 | 397 | 102 | 219 | 90 | 175 | 217 | 441 | 11,790 | 6,791 |
| NON-PPO | | | | | | | | | | |
| OTHER | 285 | 305 | 10 | 10 | 21 | 35 | 275 | 282 | 200,028 | 256,477 |
| OTHER: INTENSIVE CARE | 2,342 | 5,100 | 1,124 | 2,288 | 781 | 1,618 | 2,685 | 5,770 | 357,756 | 107,472 |
| OTHER: GROUP CONVERSI | 72 | 85 | 1 | 1 | 7 | 9 | 72 | 84 | 111,497 | 318,095 |
| OTHER: CHAMPUS | | | | | | | | | | |
| OTHER: SHORT TERM | 39 | 80 | 163 | 258 | 161 | 277 | 57 | 92 | 57,419 | 4,199 |
| OTHER: GUAR RENEWAH | 2 | 2 | | | 1 | 1 | 1 | 1 | 5,846 | 349 |
| OTHER: CREDIT INS | | | | | | | | | | |
| TOTAL | 33,798 | 64,049 | 12,720 | 20,005 | 8,016 | 17,083 | 36,536 | 63,924 | 45,773,678 | 27,330,131 |

This report was compiled from data provided by the companies. The Division of Insurance does not warrant the accuracy of this information.

# HEALTH INSURANCE BY PRODUCT LINE

## SMALL EMPLOYER (2-50) GROUP – CALENDAR YEAR 2000

| PRODUCT | # POLICIES BEG OF YEAR | # INDIVIDUALS COVERED BEG OF YEAR | # NEW POLICIES ISSUED DURING THE YEAR | # INDIVIDUALS NEWLY ISSUED COVERAGE DURING THE YEAR | # POLICIES TERMINATED DURING THE YEAR | # COVERED INDIVIDUALS TERMINATED DURING THE YEAR | # POLICIES IN FORCE END OF YEAR | # INDIVIDUALS COVERED END OF YEAR | EARNED PREMIUM | INCURRED CLAIMS |
|---|---|---|---|---|---|---|---|---|---|---|
| ACCIDENT | 185 | 2,524 | 43 | 791 | 34 | 649 | 194 | 25,167 | 591,842 | 588,225 |
| COMP MED PPO | 9,292 | 25,476 | 147 | 2,509 | 542 | 5,595 | 11,165 | 23,356 | 60,704,541 | 42,133,840 |
| NON-PPO | 735 | 6,997 | 311 | 1,563 | 169 | 1,944 | 655 | 6,892 | 21,243,738 | 14,935,480 |
| DENTAL PPO | 4 | 105 | | | | | 4 | 102 | 86,146 | |
| NON-PPO | 513 | 9,423 | 74 | 2,548 | 134 | 2,221 | 471 | 9,443 | 3,760,795 | 2,266,508 |
| DISABILITY INCOME | 124 | 2,234 | 16 | 705 | 33 | 400 | 108 | 2,568 | 653,578 | 601,803 |
| HOSPITAL EXPENSE | 24 | 151 | | | 13 | 33 | 11 | 118 | 214,808 | 209,865 |
| HOSPITAL INDEMNITY | | 148 | | | | 3 | | 69 | 7,274 | 3,769 |
| LONG TERM CARE | | 8 | | | | | | 8 | 8,369 | 902 |
| MEDICAL EXPENSE | | | | | | | | | 34,593 | 87,876 |
| MEDICAL SUPPLEMENT | | | | | | | | | | |
| SPECIFIED DISEASE | 12 | 16 | | | | 1 | 12 | 17 | 3,666 | |
| STOP LOSS | 3 | 15 | | 1 | 1 | 5 | 2 | 11 | 895 | |
| VISION PPO | 13 | 662 | | | | | 13 | 730 | 34,960 | 26,812 |
| NON-PPO | | | | | | | | | | |
| OTHER: LONG TERM CARE | | | | | | | | | | |
| OTHER: HOURLY | | | | | | | | | | |
| OTHER | 1 | 835 | | | | | 1 | 835 | 98 | 13,810 |
| TOTAL | 10,896 | 73,097 | 591 | 8,118 | 926 | 10,851 | 12,639 | 71,117 | 87,345,288 | 60,871,891 |

# HEALTH INSURANCE BY PRODUCT LINE

## ALL OTHER GROUP – CALENDAR YEAR 2000

| PRODUCT | # POLICIES BEG OF YEAR | # INDIVIDUALS COVERED BEG OF YEAR | # NEW POLICIES ISSUED DURING THE YEAR | # INDIVIDUALS NEWLY ISSUED COVERAGE DURING THE YEAR | # POLICIES TERMINATED DURING THE YEAR | # COVERED INDIVIDUALS TERMINATED DURING THE YEAR | # POLICIES IN FORCE END OF YEAR | # INDIVIDUALS COVERED END OF YEAR | EARNED PREMIUM | INCURRED CLAIMS |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident | 3,035 | 162,367 | 192 | 30,028 | 542 | 33,121 | 2,757 | 162,218 | 5,215,961 | 3,712,815 |
| Comp Med PPO | 25,082 | 69,816 | 12 | 140 | 12 | 5,556 | 27,133 | 66,008 | 135,751,231 | 126,172,330 |
| Non-PPO | 1,830 | 16,051 | 853 | 4,128 | 403 | 3,000 | 2,124 | 15,784 | 19,105,699 | 11,796,818 |
| Dental PPO | 5 | 926 | | 110 | 1 | 336 | 4 | 695 | 324,216 | 120,971 |
| Non-PPO | 35 | 13,209 | 7 | 633 | 23 | 6,752 | 25 | 6,755 | 1,637,498 | 1,049,898 |
| Disability Income | 476 | 33,426 | 34 | 13,860 | 34 | 2,235 | 480 | 41,126 | 9,794,608 | 9,460,220 |
| Hospital Expense | 8 | 421 | | | | | 8 | 419 | 826,603 | 1,024,805 |
| Hospital Indemnity | 229 | 4,414 | 19 | 121 | 28 | 126 | 206 | 4411 | 703,653 | 512,672 |
| Long Term Care | 15 | 290 | 120 | 422 | 20 | 38 | 320 | 674 | 473,273 | 325,244 |
| Medical Expense | 49 | 111 | 7 | 7 | | 2 | 55 | 116 | 133,652 | 73,550 |
| Medical Supplement | 273 | 4,312 | 19 | 145 | 51 | 55 | 257 | 4,401 | 5,375,167 | 4,216,320 |
| Specified Disease | 537 | 1,250 | 64 | 2,540 | 42 | 1,521 | 560 | 2,260 | 316,937 | 11,838 |
| Stop-Loss | 18 | 9,511 | 13 | 13,315 | 6 | 1,458 | 18 | 20,282 | 3,445,408 | 30,058,078 |
| Vision PPO | 19 | 19,402 | 1 | 511 | | | 20 | 21,249 | 1,242,753 | 1,071,703 |
| Non-PPO | 3 | 5,115 | | | 2 | 1,800 | 2 | 13,162 | 134,777 | 71,747 |
| Other: | 139 | 1,637 | 19 | 1,276 | 25 | 1,341 | 133 | 1,729 | 1,505,911 | 800,754 |
| Other: Special Risk | 35 | 22,531 | 1 | 2 | 2 | 22 | 34 | 22,511 | 2,971,135 | 612,536 |
| Other: Credit | 24 | 331 | 122 | 180 | 65 | 84 | 320 | 397 | 81,759 | 39,326 |
| Other: Short Term | 1 | 28 | 1 | 63 | 1 | 79 | 1 | 13 | 15,086 | 623 |
| Other: Global Acc/sick | 1 | 2 | | | 1 | 2 | | | 368 | 20,697 |
| Other: Champus | 22 | 107 | | | 3 | 8 | 19 | 99 | 16,075 | 10,705 |
| Other: Airflight Ins | | | | | | | 5 | | 567,179 | 204,450 |
| Other: A-H | 1 | 755 | | 263 | | 352 | 1 | 606 | 9,864 | -7,591 |
| Other: Tricare | | 12 | | | | | 12 | 18,505 | 3,561 | |
| Total | 31,841 | 366,024 | 1,485 | 67,744 | 1,263 | 57,699 | 34,474 | 386,988 | 189,999,319 | 164,311,576 |

# Alaska Insurance Consumer Guide

## Health Insurance

Everyone runs the risk of becoming ill or suffering an accident that results in doctor or hospital bills, and sometimes in loss of income. Most Alaskans need protection from unexpected and sometimes devastating expenses associated with an illness or accident.

How do you choose from the hundreds of medical plans available? To wisely purchase medical care protection you must:

- Determine your family's needs
- Know the different types of protection available
- Choose a plan on the basis of coverage, costs, and services

Before buying a health insurance policy, know what insurance or other benefits you already have. This will help prevent duplicating coverage and will help you determine if you have enough coverage, inadequate coverage, or no coverage at all. Make sure you have up-to-date information on medical insurance, disability benefits, and sick leave benefits provided by your employer. Your first priority should be assuring that you have either a comprehensive major medical insurance policy or both basic medical insurance and supplemental major medical insurance.

## How Health Insurance Policies are Sold

### Individual Insurance

An individual insurance policy provides coverage to a specific individual or to an individual and their family under a policy issued to that individual. In order to be considered for individual insurance coverage, you will be asked to provide evidence of insurability that may require you to undergo a medical examination. This is called medical underwriting. The same requirements would apply to any dependents you may insure under the policy.

### Group Insurance

A group insurance policy provides coverage to individuals under a single master policy issued to the group policy owner. Certificates of insurance are provided to the individuals. The policy owner may be an employer, an association, a labor union, or other entity. Unless the group is small, no individual medical underwriting is performed. Instead, insurers require minimum employee or member participation levels and minimum employer contribution levels in order to assure that there are sufficient individuals in the group in good health to balance those in the group in poor health.

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# Alaska Insurance Consumer Guide

## Types of Health Insurance Plans

Following is a summary of several types of health insurance plans sold as group and individual health insurance. The actual health insurance benefits will vary from policy to policy. Therefore, it is important to read and understand your insurance contract. The term **provider** is commonly used in health insurance and in this guide to refer to physicians and other providers of medical care.

### Basic Medical

A basic medical insurance policy provides coverage for basic hospital, provider and other services. There are limits placed on the benefits for covered services such as a limited number of hospital days, a maximum payment for each day of hospital confinement, or a surgical schedule where a specific payment maximum is established for each procedure. These benefits are provided without deductibles or coinsurance.

### Supplemental Major Medical

Under a supplemental major medical policy, benefits are structured to supplement a basic medical insurance policy. The policy would pay for any covered services and supplies not covered by the basic medical insurance policy after the required deductible has been paid and subject to the coinsurance requirements. A basic medical policy in combination with a supplemental major medical policy results in coverage similar to a comprehensive major medical policy.

### Comprehensive Major Medical

A comprehensive major medical policy provides coverage for almost all types of medical care services and supplies and has high benefit limits. These policies cover hospital, provider, and other services subject only to the required deductible, coinsurance, and benefit maximums. Unlike basic medical, individuals are required to share in the cost of their medical expenses. These policies have replaced most of the basic medical insurance policies.

### Limited Benefit

Limited benefit plans are offered as independent, noncoordinated benefits provided under a separate policy and paid without regard to any other insurance plan. Examples of these types of plans include **hospital indemnity policies** that pay a fixed amount for each day of hospital confinement, and **specified or dread disease policies** that only pay for medical expenses associated with a specified disease (such as cancer or heart disease).

### Long-Term Care

Long-term care insurance policies provide nursing home or home health care benefits for individuals with a prolonged physical illness, disability or mental disorder, medical condition, or a deficiency affecting activities of daily living or lifestyle. Benefits are provided as a reimbursement for services, but subject to a fixed dollar maximum per day. Usually a waiting period called an **elimination period** of 0, 30, 90, 180, or 360 days is required before the plan will pay benefits. Long-term care insurance may be available as a rider to a life insurance or annuity policy, as well as a separate health insurance policy.

### Medicare Supplement

Medicare supplement (also called Medigap) insurance is sold to people age 65 and older and helps

pay for medical costs that Medicare Parts A & B do not pay, such as the deductible and coinsurance amounts. Medicare supplement insurance is regulated by both state and federal laws. This coverage can only be provided through ten standard health plans that vary in the amount and type of coverage provided. Coverage is available to individuals without medical underwriting for six months following the date the individual first becomes eligible for Medicare Part B. The Division of Insurance produces, on an annual basis, a rate comparison guide that outlines the basic characteristics of Medicare supplement insurance, describes the ten standard health insurance plans, and shows the current premium rates charged by the insurers selling this insurance in Alaska. There is also a pamphlet entitled "Health Insurance for People with Medicare" produced by the 50 states and the federal government that summarizes the Medicare and Medicare supplement programs. Both publications are available from the Division of Senior Services, 3601 C Street, Suite 310, Anchorage, Alaska 99503, telephone number (907) 269-3680 or (800) 478-6065.

**Dental Insurance**

Dental insurance covers costs associated with the care of teeth. Benefits for preventive services, such as cleanings and exams are generally limited to once every six months. Most plans contain coinsurance and deductible cost-sharing requirements. The coinsurance provisions will vary based on the type of procedure.

**Vision Coverage**

Vision coverage provides benefits for glasses, contact lenses, and eye examinations up to a specified amount per year. Vision benefits are often subject to a set schedule of benefits and limits on the frequency of services. A typical vision plan covers the cost for one examination per year, with coverage for glasses and contact lenses limited to once every two years.

Back to Consumer Guide Index of Topics


# Alaska Insurance Consumer Guide

## Things to be Aware of Regarding Health Insurance Policies

### Benefit Limits

- Most health insurance plans set a maximum benefit amount that will be provided for all covered services and supplies over the lifetime of the covered individual. This is called a **lifetime maximum**. This maximum is often set at $1,000,000.
- Most health insurance plans set a maximum benefit amount that provides for particular services and supplies, such as a maximum benefit of $250,000 for organ transplants.
- Some health insurance plans limit the benefit that will be provided per day for a covered service. This is called a **daily maximum**. They may also limit the number of days that a service will be covered. These types of limits are generally used for services including mental and nervous disorders, skilled nursing facilities, and home health care.
- Many health insurance plans limit the total benefit that will be provided per year for covered services. This is called an **annual maximum**. These limits are generally used for those services where it is difficult to assess whether the service is medically necessary.
- Most health insurance plans exclude or limit coverage for a period of time for medical conditions that existed within a certain period, commonly six months, prior to the date coverage began for which medical advice, diagnosis, care or treatment was recommended or received. This is called a **preexisting condition waiting period**. The waiting period is commonly 12 months. In most cases, insurance companies must reduce this waiting period by the number of days you were covered under prior health insurance plans, as long as you had no more than a 90-day break in your health insurance coverage.

### Deductibles, Coinsurance, and Other Charges

- A **deductible** is a specified dollar amount an individual must pay in each policy period before reimbursement for expenses begin. The primary purpose of the deductible is to encourage individuals to use health care services only when necessary. A separate deductible may be required for specified services such as hospital admissions or prescription drugs. Some health plans may include a provision that allows any claims incurred in the last quarter of the policy period to be carried over and applied to meet the deductible in the next quarter.
- **Coinsurance** is that per-centage of covered services and supplies the insurer will pay for after the individual pays the de-ductible. The individual is responsible for the amount the insurer does not pay. A common coinsurance arrangement is for the insurer to pay 80% of charges for covered services and the individual 20%.
- **Out-of-pocket maximum** is the maximum dollar amount the individual pays for covered services and supplies during a specified period, generally a calendar year. This maximum may be defined to include or exclude the deductible. Once the out-of-pocket maximum is paid, benefits are paid at 100% of the costs incurred after that time.
- A **copayment** is the fixed dollar amount that the individual is required to pay at the time each covered service takes place. Copayments vary by type of service. They are commonly used with emergency services and prescription drugs.
- A **usual, customary and reasonable** (UCR) charge is an established maximum amount that an insurance company will reimburse for a medical expense covered under your health insurance policy. UCR charges are generally determined based on charges that are actually billed by providers for each medical procedure or service in a geographical area. In order to

determine a reasonable charge, UCR charges are commonly calculated as a percentile of the charges billed by providers. The percentile is generally set so that a large percentage, such as 80% or 90%, of charges actually billed by providers are reimbursable in full. Note that UCR charges are determined by each insurer and will vary.

- Under most health insurance plans, you will be responsible for paying any amount billed by a hospital or physician that is larger than the insurer's established UCR charges for the service or procedure. However, service corporations, such as Blue Cross, contract with various hospitals and providers who agree to accept the service corporation's payment as payment in full. Therefore you would not be responsible for paying any amount that exceeds their UCR charges, unless you chose to use a hospital or provider that does not have a contract with the service corporation.
- The following is an example of how the various charges described above impact the amount you may be responsible for paying for medical services:

The limits specified by your insurance policy:

| | |
|---|---|
| Deductible | $ 500 |
| Coinsurance | 80% |
| Out-of-pocket maximum | $1,000 |

*Amount Insurer Owes:*

| | |
|---|---|
| Charges billed by provider | $4,200 |
| Amount greater than the UCR for the procedure | -$ 550 |
| Amount you owe for your deductible | -$ 500 |
| Charges eligible for reimbursement by insurer | $3,150 |
| Insurer's coinsurance | 80% |
| Amount insurer owes before out-of-pocket limit applied | $2,520 |
| Amount that is greater than your out-of-pocket limit | $ 130 |
| **Total amount insurer owes after out-of-pocket limit applied** | **$2,650** |

*Amount You Owe:*

| | |
|---|---|
| Deductible | $ 500 |
| Coinsurance amount (20% of $3,150) | $ 630 |
| Amount of eligible charges before out-of-pocket limit applied | $1,130 |
| Amount greater than your out-of-pocket limit | -$ 130 |
| Amount of eligible charges after out-of-pocket limit applied | $1,000 |
| Amount greater than the UCR for the procedure | $ 550 |
| **Total amount you owe** | **$1,550** |

**Covered Services and Supplies**

There are two basic categories of services and supplies covered by health insurance policies.

- **Hospital Benefits** include expenses associated with stays at hospitals and other covered facilities, such as skilled nursing facilities, nursing homes and outpatient surgery centers. Benefits for hospital services often require that the individual or their physician contact the insurer or the employer to obtain prior approval for the number of days of hospital stay. Without this approval the benefits may be reduced.
- **Physician or Provider Benefits** include services provided by licensed physicians and other medical providers.

There are a number of other charges and services generally excluded from coverage under most health insurance plans. Following are examples of common exclusions:

- Services determined by the insurer to be medically unnecessary
- Services considered experimental by an accepted medical authority
- Services related to cosmetic surgery
- Services for mental or nervous disorders, vision, hearing
- Services that are provided without charge
- Services provided due to war
- Services provided as a result of a work-related injury
- Services provided by a relative
- Services related to normal pregnancy and routine well-baby care (these are generally excluded from individual policies and included in group policies).

Alaska law mandates that the following specific charges or services be covered in health insurance plans sold in Alaska. These requirements do not apply to employers with self-insured health plans.

- Coverage for newly born or adopted children for at least 30 days, if coverage includes dependents
- Coverage for treatment of alcoholism or drug abuse
- Low-dose mammography screening if the contract covers mastectomies and prosthetic devices and reconstructive surgery
- Treatment of phenylketonuria
- Coverage for not less than 48 hours after vaginal birth and 96 hours after a cesarean birth, if the contract covers the costs of childbirth
- Coverage for prostate cancer screening and cervical cancer screening

**Coordination of Benefits**

This provision applies to the situation where an individual is covered under two different health insurance plans. It is included in almost all group insurance plans. It requires that payments made under the two plans be coordinated so that the individual does not receive duplicate payments for a service, thereby being reimbursed more than what was spent. Duplicate coverage frequently occurs when an individual is covered under both their own and their spouse's insurance plans. Most coordination of benefits provisions require that the individual's own plan pay first on a claim, and the other plan only pay the amounts not covered by the first plan. It is important that this provision be reviewed so that misunderstandings can be avoided regarding the benefit payments each insurer will make.

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# Alaska Insurance Consumer Guide

## Alaska Health Insurance Laws

### Small Employer Health Insurance

Alaska Statute requires insurers who offer health insurance coverage to small employers in the state to offer each small employer (defined as those with 2-50 employees) all the health insurance plans that they offer to other small employers in the state regardless of the health or claims experience of the group. They must offer coverage to all eligible employees and not deny coverage to an employee. This law does not require an employer to purchase coverage for their employees. Alaska law also requires that insurance companies providing coverage to small employers adhere to certain rating restrictions including a maximum annual rate increase of 15% for poor group claims experience.

### Large and Small Employer Health Insurance

According to Alaska law, insurance companies that offer health insurance coverage to large and small employer groups:

- May not base eligibility for coverage on health status, claims experience, medical history or condition, disability, receipt of health care, genetic information or any evidence of insurability.
- Must continue to renew the coverage, except in certain specified circumstances such as a failure to pay premiums
- May not require a preexisting condition waiting period that is longer than 12 months for a health condition that existed prior to the effective date of coverage which is called a preexisting condition waiting period. Pregnancy and genetic information cannot be considered preexisting conditions and therefore no waiting period may be applied.
- Must reduce any preexisting condition waiting period by the amount of time an individual was covered under prior health insurance coverage. However, the insurer is not required to reduce such a waiting period by any periods of health insurance coverage before a 90 day or more break in health insurance coverage. For example:
- An individual is covered under employer A's health insurance plan for 6 months before terminating coverage. The individual then terminates employment and is not covered under any health insurance plan for 100 days. The individual then becomes covered under employer B's health plan and remains covered for 5 months. The individual terminates employment and is not covered under any health insurance plan for 45 days. The individual then enrolls in employer C's health insurance plan which has a 12 month preexisting condition waiting period. Since the individual had a break in coverage of more than 90 days between employer A and employer B, the 6 months covered under employer A's health insurance plan are not used to reduce the 12 month preexisting condition waiting period. Therefore, only 5 months of coverage with employer B will be used to reduce the 12 month preexisting condition waiting period. Employer C's health insurance plan may only apply a 7-month waiting period (12 months – 5 months).

### Comprehensive Health Insurance Association (CHIA)

In 1992, the Alaska legislature established a health insurance program for high-risk individuals. This law allows all individuals who have been refused coverage by at least two insurers, who have a specified medical condition, or who meet certain other criteria, to purchase coverage through the CHIA. Individuals who meet the state definition of a federally defined eligible individual can receive coverage through the CHIA without a waiting period. A federally defined eligible individual is an individual whose most recent coverage was under a group health plan; who had at least 18 months of

health insurance coverage; who has exhausted any available COBRA coverage; whose most recent coverage was not terminated due to nonpayment of premiums or fraud; who does not have other health insurance coverage; and who is not eligible for other coverage.

The premium rates for the program are set at 175% of the average standard risk rate for health insurance plans sold in Alaska with similar benefits.

For information on this program, contact the Division of Insurance in Anchorage at 1-800-467-8725 (in Alaska only) or 907-269-7900.

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# Alaska Insurance Consumer Guide

## Federal Laws Affecting Health Insurance

### COBRA

COBRA is the federal law that requires employers to continue to provide their health insurance coverage to employees who have been laid off or terminated. The coverage may extend from 18 to 36 months. To obtain coverage under COBRA, the employee or their dependent must apply to the employer within 60 days of termination of their employment. The U.S. Department of Labor handles all inquiries regarding COBRA coverage. Inquiries should be sent to:

Office of Program Services
Pension and Welfare
Benefits Administration
U.S. Department of Labor
200 Constitution Ave., N.W.
Washington, DC 20210
(202) 219-8776

### ERISA (Employee Retirement Income Security Act)

Many people who believe that they have a health insurance policy through their employer are actually covered under what is called a self-insured health plan. A **self-insured health plan** exists when an employer chooses to pay for medical bills directly, instead of purchasing insurance for that purpose. Most self-insured plans are regulated by the federal government through the Department of Labor under the authority of ERISA and are exempt from state regulation. Most large employers have self-insured health plans. The State of Alaska changed to a self-insured health plan for employees and retirees effective July 1, 1997.

Employers choosing to self-insure their health plans are not subject to state insurance laws such as benefit mandates, state premium taxes, capital and surplus requirements, and reserve requirements. They are also able to gain more control over their cash flow and have more freedom in determining benefits to be provided to their employees. Most employers with self-insured health plans purchase stop-loss insurance from insurance companies to protect themselves against large losses.

Employees who receive health coverage under a self-insured plan are not afforded the protections of state insurance laws and regulations. These protections include financial solvency requirements as well as requirements applying to the payment of claims. If a self-insured plan fails, Alaska benefits and managed care protections, such as standards for grievance procedures, fair disclosure of plan provisions, fair claims settlement practices and consumer services, are not available to employees. The federal laws governing these self-insured plans limit damages to actual costs and may not even cover attorney fees. Individuals covered under a self-insured plan must assume responsibility for all claims if the plan fails. Also, individual employees are required to obtain their own legal counsel to settle disputes, since the U.S. Department of Labor will not become involved in individual disputes over coverage. One other important consideration is that a self-insured employer may make material changes to the health plan (such as reducing or eliminating benefits) without providing advance notice.

### HIPAA (Health Insurance Portability and Accountability Act of 1996)

This Act establishes federal standards for group and individual health insurance plans. The Act sets minimum standards for guaranteed renewability, preexisting condition waiting periods, and crediting for prior health insurance coverage. Alaska has enacted into law these federal standards which are

discussed in the health insurance sections of this guide.

**Medical Savings Accounts**

Under this federal law a bank, insurance company, or other federally approved entity may set up an individual savings account called a Medical Savings Account (MSA) where you can set money aside to pay for qualified medical expenses. The deposits (called contributions) in the account are tax deductible. Qualified medical expenses are those expenses paid by you for medical care including any deductible and coinsurance payments. Medical Savings Accounts are regulated by the federal government, not the Alaska Division of Insurance. One advantage to establishing an MSA is that contributions are not subject to tax and qualified medical expenses paid out of the account are not included in gross income for federal income tax purposes.

In order for a savings account to qualify as an MSA, you must be covered by a high deductible health plan offered by a small employer (2-50 employees) or be self-employed and have purchased a high deductible health plan. A high deductible health plan is an individual health insurance policy with deductibles between $1,500 and $2,250 and out-of-pocket limit of $3,000, or a family health insurance policy with deductibles between $3,000 and $4,500 and out-of-pocket limit of $5,500. These high deductible health plans are regulated by the Division of Insurance in the same manner as other health insurance policies.

If you are seeking information on setting up an MSA account, the best place to start is by contacting your financial advisor or producers selling health insurance in Alaska. Producers should have knowledge of the high deductible plans that are available in Alaska and any MSAs that may be offered in conjunction with those plans.

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Clark James Mishler

# He ptions Limited in Alaska

## Health insurance costs are rising, but employers benefit from providing quality insurance to employees.

By Deborah J. Myers

No matter what the economic situation is, employee retention helps your business save money. Considering the cost of attracting, screening and interviewing applicants, plus the expensive downtime and potential mistakes while training, you'll save money if you keep the people you have.

Naturally, it helps to offer employees pleasant working conditions and adequate pay. However, benefits play an important role in keeping the grass lush on your side of the fence, so your employees don't seek other, greener pastures.

According to the 2000 Health Confidence Survey conducted by the Employee Benefit Research Institute (www.ebri.org), only 12 percent of people surveyed who have employer-provided health insurance said that they were extremely satisfied with their health insurance. The other 88 percent of people surveyed apparently feel they could do a little better elsewhere.

As an employer, it's in your best interest to offer a good health insurance package. As for insurance companies, their numbers have dwindled considerably, narrowing options.

"We generally have dealt with a number of companies," said Rick Johnson, a broker with Baldwin Financial Concepts in Anchorage and a board member of the National Association of Health Underwriters. "Anthem Health and Life has left the state, as has Humana Employer's Health and Guardian. Aetna has closed its marketing office (in Alaska).

"Other carriers have come in and undercut everyone else and then left the market. That leaves a sour taste with brokers and employers," he said.

At present, Blue Cross/Blue Shield of Alaska, Aetna, Principal, Starmark, United Healthcare and Great West Life offer coverage within the state.

"Blue Cross/Blue Shield of Alaska has the biggest network," Johnson said, "and they boast a pretty wide variety of physicians. We have a couple of carriers doing an outstanding job up here, but I also see employers frustrated at paying a lot for insurance."

Some employers are going online in search of discount health care benefits, but the promised deals aren't always a bargain.

"There are some internet companies that do (provide insurance) from out of state," Johnson said. "I've been told by folks who have made inquiries that they're the same price or higher."

The basic plans available now are preferred provider options (PPOs) and indemnity plans.

### Preferred Provider Options

PPOs are usually pretty inflexible. "(With PPOs), you're a little bit restricted on where you can go for care," Johnson said.

Employees must visit a care provider on a network list to receive full benefits. Depending upon the plan, visiting a doctor not on the list may reduce or eliminate the amount of coverage, leaving the employee to pay the difference out of pocket.

PPOs also offer advantages over the indemnity plan. A few PPOs require no deductible to pay before receiving coverage. The plan is less expensive for employers, according to Johnson.

"Generally, you can get a PPO plan and it's a reduction in premium for the employer," he said.

This also means a smaller premium for the employees, too. The cost of

Aaron Weaver

*Johnson*

care is less as well. Employees pay only a small co-payment for each doctor or hospital visit, and/or they meet a small deductible.

"People with young employees like those plans," said Jim Dunlap, owner of the Dunlap Agency in Fairbanks. "Employees only pay a $10 to $15 co-pay."

The quality of care is also an important factor for employees who need frequent medical care.

"Some of the chronic care and disease management programs are starting to move into PPOs," said Jeff Davis, executive director and general manager of Blue Cross/Blue Shield of Alaska.

"In the long run, quality care is cost-effective care," he said. "Cost and quality have been the perennial challenges of health care. Simply having a low premium isn't helpful if it doesn't provide the coverage you need."

Another type of PPO is a "hospital-preferred-provider network," Davis said.

These plans provide emergency room and planned inpatient and outpatient coverage once the deductible has been paid.

Like indemnity plans, the deductible is usually about $300 to $500 with 80 percent paid after the deductible has been met, according to Davis.

### Indemnity Plans

Indemnity plans are about as popular as PPOs, according to Johnson of Baldwin Financial Concepts. "Fifty percent of my clients are on indemnity plans," he said.

Indemnity plans require employees to pay a deductible before receiving care. Employees who seldom require care may feel like they are paying for something they never use; however, if they do get seriously ill or injured, at least they have coverage. The benefits are more like fire insurance. You may never use it, but it's good to know it's there for you.

Indemnity plans also usually require employees to answer health questions, such as the occurrence of high blood pressure, cancer or diabetes in their family health history.

The good news is that indemnity plans are very flexible.

Indemnity plans let employees pick where they receive care and coverage is usually at a certain percentage once the deductible has been paid.

"There is a tremendous contingent of employers and employees who say they want to go where they want," Johnson said.

### A Third Choice

Sometimes PPOs or indemnity plans don't fit into employers' budgets.

Photo courtesy of Dunlap Agency

*Dunlap*

"For businesses that don't offer group insurance, there is another option for employees," Davis said. "Namely, individual coverage."

Many make this decision because of rate increases, according to Johnson.

"They feel like they're being pressed," he said. "They don't feel like they can afford to pick up the rate increases."

Although rate increases are getting smaller (some are less than one percent, Johnson said), many smaller employers still feel the pinch.

Some employers who cancel company plans are still helping their employees with the cost of health insurance. They offer stipends to be applied toward individual coverage. Known loosely as cafeteria plans, employers pay a certain amount directly to the employees for their own use.

"There's a trend toward providing a basic benefit of so many dollars you can spend," Johnson said. "That's the trend of the future."

This leaves the decision and plan management up to the employees. Plans can include health, dental, life, vision or prescription drug coverage from various insurance companies. Like a mess hall, employees can pick and choose from a variety of options. In this way, the stipend scenario is like a formal cafeteria plan.

Unfortunately, employees don't always appropriate the funds that way and the cost to employees is higher.

"Most employers (who end their group plans) give their employees a couple hundred dollars and say, 'You can spend it on insurance,'" said Johnson, "but most (employees) spend it elsewhere."

One reason for this may be out-of-pocket expense.

"The cost (to employees) is higher for individual insurance," Davis said. "There's no employer contribution to the premium and typically premiums are not tax-deductible."

Formal cafeteria plans, officially known as Section 125 plans, are offered through insurance agencies and allow employers to pay the employees' portion of the premium tax-exempt. Most insurance companies give this option to only sizable groups.

### Association Plans

Some employers have tried to form larger groups by associating with other employers in the same field.

"We have a couple association plans," Johnson said, "such as the Alaska Bar Association."

By mixing employees from different firms into one group, the employees, employers and insurance companies can

Aaron Weaver

*Davis*

benefit by better service, lower rates and more dependable payments, respectively.

It sounds like a dream come true for many small employers; however, Johnson warns that it can get tricky to form associations.

"The insurance companies tend to shy away from (association plans)," he said. "The Alaska State Medical Association (stipulates) that if we get together a certain number of employees, there are no restrictions, regardless of medical conditions."

In other words, for groups of fewer than 100, age and health questions can affect rates. If a company with 30 employees has a disproportionate number of employees over age 50, rates would be higher than a same-sized company comprised of 20 year olds.

Large employers with 100 or more receive a flat rate that does not vary because of the age and health conditions of the group. No matter who is added to or taken from the group, the rate remains the same as long as the group is large enough.

"The pool (of employees) in Alaska tends to be so small that if you want to come in with a guaranteed issue, the rates they initially set may not be correct because of medical conditions. Folks drop out of the plan because it's not cost effective."

There's no easy solution to the state's health care problems.

"If I had a crystal ball, I'd like to be able to solve this thing," Johnson said. "We need competition up here. There's almost a monopolistic situation with the carriers up here. They're overpriced and noncompetitive.

"There is a market here, if we had some insurance carriers who would come up and do business. We're so small compared to other states and it makes it awfully tough."

To cut costs, many carriers limit the types of plans available.

"We're 10 to 15 years behind the Lower 48 regarding network situations and managed care," Johnson said. "A lot of folks are leery about being restricted."

### New Choices?

Although Health Maintenance Organizations (HMOs) are nonexistent and unpopular in Alaska, promising changes are dawning on the health care horizon that will include some of their best qualities without the unattractive parts.

"Some of the most progressive companies nationwide are realizing that some services are linked with HMOs that don't have to be," Davis said. "You're starting to see clinical quality

improvement programs. It makes it better for patients and improves the quality of care."

Preventative care and screenings are becoming more popular, according to Davis.

"This is becoming available to some of the more progressive plans without the referrals and expense traditional to HMOs," he said.

Preventative care includes cancer screening and diabetes testing, for example.

The type of health insurance plan you select can impact employees' decision to remain with the company or go elsewhere.

"Employers need to think about what employees value," Davis said. "The value of a local company makes a difference as does the access to and size of physicians' facilities. (Employees) need peace of mind from their health care coverage."

There's a simple way to find out what employees want: ask them. Objectively compare the plans you're considering

on paper, and ask employees to vote on the plan they prefer. Select the plan the majority chooses.

Obtaining good health care coverage for employees will probably not be easy for the near future; however, by listening to employees' needs, you can select a plan that will keep them happy and working for your company. ❑

315

JAN 17 2002

**Subject:** HB 315
**Date:** Thu, 17 Jan 2002 08:43:39 -0900
**From:** "Ronald Jordan" <akrljordan@hotmail.com>
**To:** Representative_Norman_Rokeberg@legis.state.ak.us

I read HB 315 and a small business owner this sounds great. I believe that this bill would allow many small business owners to cover the many insurance gaps with employees.

Thank You
Ronald Jordan
8170 Woodgreen Cir.
Anchorage, AK. 99518
907-345-2755
or: akrljordan@hotmail.com .

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# SeaView Community Services

SeaView Community Services (SeaView) is a not-for-profit multi-service agency in existence for 30 years. SeaView is unique in the state, providing centralized management and co-location for 12 distinct state-grant funded programs*. SeaView operates an assisted living home for adults with serious mental illness, a 4-plex apartment and provides a broad continuum of outpatient services. SeaView's mission is to *provide community-based services that strengthen families, foster self-sufficiency, and enhance quality of life.* SeaView has an annual budget of $2.4 million, employing 40 people.

Issues

- Agency insurance rates increased 150% causing agency to reduce coverage to basic medical, increase deductibles, and increase employee copay. Agency is now at risk of not having enough employees taking the insurance and loosing our eligibility to provide group coverage.
- There is no reimbursement mechanism for people with mental health diagnoses in long-term care. In addition, Alaska is one of the only states in the US that does not include Alzheimer's disease and Related Dementias (ADRD) as a covered service under Medicaid. With the rapidly growing population of elders in Alaska, increased longevity and increasing tendency for elders to remain in Alaska, these problems need to be resolved.
- Grant funding and restrictions on revenue production do not keep pace with unfunded state mandates, changes in technology, cost-of living, etc. putting the agency's ability to recruit and retain staff and ultimate survival at constant risk.

Action

- Insurance relief for non-profit, small businesses
- Change State of Alaska Medicaid Regulations to included ADRD as covered problems.
- Develop a mechanism for reimbursement of mental health services for people in Long Term Care
- Support grant reform; increase base grants to keep up with cost of living and grant mandates
- Maintain Denali Kid Care and Medicaid at current level

*Community Mental Health, Outpatient Substance Abuse Program, ASPECTS, Alcohol Safety Action Program, Rural Human Services, Domestic Violence and Sexual Assault, Incest Awareness Campaign, Infant Learning Program, Disability Services, Family Support, Day Care Assistance, Emergency Food and Shelter

Melissa Witzler Stone, Executive Director
mstone@seward.net

Po Box 1045
Seward AK 99664

*Alaska Association for the Education of Young Children*

February 27, 2002

Representative Rokeberg
State Capitol
Juneau AK 99801-1182

FEB 2 8 2002

Greetings,

We know that until long range fiscal solutions are in place, legislators and policy makers are facing increasing pressure to reduce spending. It is also true that investing in the care and education of young children is critical to a strong economic future for our state. We ask for your support in two creative solutions with little or no increase in state funds.

**Lift the cap on the child care grant program.** This program administered by the Department of Education and Early Development, provides federal quality initiative funds as direct support to licensed child care programs for educational supplies, materials, equipment and staff support. It also serves as an incentive for programs to accept families receiving child care assistance who have irregular schedules; facilitating many families in finding the care that enables them to move from welfare into work.

Lifting this cap will allow the Department of Education and Early Development to allocate these federal quality initiative funds as an incentive to achieving higher quality standards.

**Support a health insurance buy-in program for child care workers.** This solution to the high turnover rate of child care workers has broad support across the state. In the initial stages of a public awareness campaign, the Alaska Association for the Education of Young Children has received over 100 signed resolutions from 30 communities across the state; from Craig to Barrow. These include resolutions from the City and Borough of Juneau, United Way of Anchorage, the Anchorage School District, NASW Alaska Chapter, Chugiak Children's Services, Success By Six, Fairbanks Child Care Coalition, the Alaska Family Child Care Association, along with numerous businesses and children's programs.

Attached is a sample of the resolution in support of health insurance for child care workers. Please take a moment to review this and consider how your office can support efforts to improve the education of young children in our state.

Joy Lyon
President

• *Alaska AEYC • 570 Seater, Juneau AK 99801 • e-mail: jlyon@naeycsea.org • 907-789-1235•*

## Resolutions in support of Child Care Workers

**JUNEAU**
City and Burough of Juneau
February 11th, 2002 Assembly meeting

Bridget Smith
Southeast Regional Resource Center
210 Ferry Way, Suite 200
Juneau AK 99801

Linda Squibb
Tlingit and Haida Head Start
320 W. Willoughby Ave. Suite 300
Juneau, AK 99801

Nancy Filkin
St Vincent de Paul Society
8617 Teal Street
Juneau, AK 99801

Krista Bertholl
Auke Bay Co-op Preschool

Jim Scholl
Juneau Co-op Preschool
401 W 12th Street

Tracy Moulton
Rain Forest Child Care
PO Box 33274
Juneau, AK 99803

Jennifer Hamilton
Juneau AK 99801

Eunicee Aulizio
Little Dreamer Child Care

**KETCHIKAN**

Gina & Brad Palmer
3450 Hawkins
Ketchikan, AK 99901

Stacie Haslett
Ketchikan General Hospital Child Care
3100 Tongass Ave
Ketchikan, AK 99901

Gianna Mason
Dolly's Preschool
PO Box 23134
Ketchikan AK 99901

**HOONAH**
Kathie Dictering
The Bromley Center
PO Box 191
Hoonah AK 99829

**SKAGWAY**

Skagway Child Care Council
Mary McCaffrey, President
PO Box 1134
Skagway AK 99840

**HAINES**
Jacklynn Ruggirello
Box 1628
Haines AK 99827

Irene Echeniave
Canal Marine Company
PO Box 1569
Haines AK 99827

James Alborough
TLC Child Care
PO Box 552
Haines, AK 99827

Edna Buttram
TLC Child Care
PO Box 552
Haines AK 99827

**GUSTAVUS**
Ellie Sharman
Rookery Preschool
PO Box 21
Gustavus, AK 99826

**CRAIG**
Hannah Fitch
PO Box 938
Craig, AK 99921

**WRANGELL**
Donna McKay
P.O. Box 1637
Wrangell AK 99929

**PETERSBURG**
Petersburg Childrens Center
Mary Clemens, President
PO Box 138

Petersburg AK 99929

Erin Willis
Vickie Franklin
Good Beginnings Preschool
PO Box 709
Petersburg AK 99833

**SITKA**
Michelle Kennedy
109 Bahrt Circle
Sitka, AK 99835

Patricia Lehmann
116 Anna Dr.
Sitka AK 99835

**ANCHORAGE**

NASW Alaska Chapter
Marie Lavigne, Director
4161 Patterson Circle
Anchorage AK 99504

Carol Cameau
Superintendant
Anchorage School District
Anchorage AK 99504

Alaska Family Child Care Association
Robbie Brawner, President
2221 E Northern Lights #201
Anchorage AK 99508

United Way of Anchorage
Dean McMath

Mitcheal Donah
Nursing Director of Childrens Services
Alaska Regional Hospital
Anchorage AK 99504

Rolland Bumls
President
City Market
Anchorage Ak 99508

Kathe Boucha
Director, Telemedicine
Providence Health System

Jim Stroh
General Manager
Peterkin Distributors

Anchorage AK 99508

Sheila Gaddis
Executive Director
Alaska Youth and Parent Foundation

ImPACT Family Literacy
Lori Hessim Anderson
1345 Rudakof Circle #104
Anchorage AK 99508

Kathleen Shoop
PO Box 24491
Anchorage AK 99524

**WASILLA**
Turning Point Child Care Center
Judy Barnhard, Manager
PO Box 875752
Wasilla AK 99687

**SEWARD**
Brenda Ross-Watkinson
Roo's Rascals
PO Box 1905
Seward AK 99664

**EAGLE RIVER**
Chugiak Childrens Services
Scott Torrison, President
16515 Centerfield Dr. Suite 200
Eagel River AK 99577

Michelle Jaeger
22846 Myrtle Drice
Eagle River Ak 99577

Sarah Sherwood
PO Box 770751
Eagle River AK 99577

Bonnie James
PO Box 5531
Ketchikan, AK 99901

**SCAMMON BAY**
Laura Dobbins
PO Box 197
Scammon Bay AK 99662

**KASIGLUK**
Sassa Brink
PO Box 36
Kasigluk, AK 99607

**FAIRBANKS**
Fairbanks Environmental Services
Craig Martin, President
Fairbanks, AK 99701

C.A.R.E.S.
Resource and Referral
Kelly Doughty, Director

Fairbanks Child Care Coalition
Cheryl Keepers, Chair

Educare
Jackie Haskins, Director
1414 23rd Avenue
Fairbanks, AK 99701

Suellen Nelles
Fairbanks Regional Director
CampFire USA

Juanita Frazier
Child Care Referral
Fairbanks North Star Burough

A Ungalles
Associate Director
Early Heat Start
Fairbanks AK

Gara Bridwell
Executive Director
Play N Learn

Joyce Billups
Education Coordinator
Golden Heart Head Start

Colleen Hasirouch
Margarita Olverion
Carmen Del Solar
Gari Bystedt
Laura Wieghat
Christine Merrill
Katheryn Steadham
Kim Edwards
Lynda Page
Karen Juilianna
Catherine Laurence
Marco Balducci
Teachers
Golden Heart Head Start
Fairbanks AK 99701

Open Arms Child Development Center
Bonnie Rogers, Director
Fairbanks Ak 99701

CareBears Day Care
Shenaqui Caldwell
Fairbanks Ak 9970

Cindy Rucker
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Fairbanks AK 99701

Nancy Davidisin
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Fairbanks AK 99701

**NORTH POLE**
Joan Mangruno
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North Pole AK 99705

Nanette Britten
2393 Greer Rd
North Pole AK 99705

**ATQASUK**
Robanne Stading
Mead River School
Atqasuk, AK

**BARROW**
Rosemary Millarich
Community Child Care & Learning Center
PO Box 976
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**WASILLA**
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CORDOVA
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Cordova AK 99574

**DILLINGHAM**
Rachel Muir
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**STERLING**
Cynthia Sawyer
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**SEWARD**
Lois Saubney
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**SUTTON**
Charleen Pitta
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**KENAI**
Nancy Schrag
312 Princess
Kenai AK 99611

**SOLDOTNA**
Patricia Morrison
PO Box 1615
Soldotna AK 99669

Bargain!

*A United Way Community Partnership* SUCCESS BY 6

P.O. Box 141689 Anchorage, AK 99514-1689
3350 Commercial Drive, Second Floor
Phone: (907) 563-1923 Fax: (907) 563-1959
Email: probinso@childcareconnection.org

**Resolution in Support of Health Insurance for Child Care Workers**
2002 – 3

Whereas, the care and education of young children is a major economic sector in the state of Alaska; and

Whereas, the profession of child care employs more Alaskans than VECO, Alaska Airlines, BP, and GCI combined, with approximately 5000 workers; and

Whereas, less than one third of these workers have health insurance, and the average cost of purchased health insurance for small businesses (1-9 employees) for employee-only coverage is $400 per month.[1] This is over one quarter of the average monthly income $1456 for a child care worker.

Whereas, the lack of health insurance benefits and an average wage of $8.40 per hour for child care workers in Alaska is the leading cause of the 40% turnover rate in the profession; and

Whereas, it is well known that stability and consistency in caregiver relationships is critical to a child's healthy development and the quality of care; and

Whereas, a strong system of high quality, affordable, and accessible child care is critical to the economic success of families, to the economy, and most importantly to the healthy development of Alaskan children; and

Whereas, the State of Alaska has an extensive group health plan that could be expanded to allow participation by Alaskan child care workers through a buy-in provision; and

Whereas, offering a buy-in program for health insurance to child care workers will contribute to the stabilization of the child care workforce, decrease the employee turnover rate, and attract professional and well trained caregiver and educators to this important field;

Therefore, be it resolved that the Success By 6 Board strongly urges the Alaska State Departments of Administration, Health and Social Services, Education and Early Development, the Office of the Governor, and the Alaska State Legislature to work together with child care professionals to develop and implement a health care buy-in program for child care workers.

Approved at the regular meeting of the Success By 6 Governance Board on January 31, 2002.

_____
Ernie Hall, Chair

[1] Anchorage Access to Health Care Coalition Health Insurance Benefits Survey – September 2001. Dr. Catherine Schumacher 907-272-7778.

*A resolution in support of*

# Health Insurance for Child Care Workers

**Whereas...**the profession of child care employs more Alaskans then VECO, Alaska Airlines, British Petroleum and GCI combined, with approximately 5000 workers, the care and education of young children is a major economic sector in the state,

**Whereas...**less than one third of these workers have health insurance, and the cost for privately purchased health insurance for a full time child care worker would be over one third of their income in many cases,

**Whereas**...the lack of health insurance benefits and an average wage of $8.40 per hour for child care workers in Alaska is the leading cause of the 40% turnover rate in the profession,

**Whereas...**It is well known that stability and consistency in caregiver relationships is critical to a child's healthy development and the quality of care,

**Whereas...** a strong system of high quality, affordable and accessible child care is critical to the economic success of families, to the state economy, and most importantly to the healthy development of Alaskan children,

**Whereas....** offering a buy in program for health insurance to child care workers will contribute to the stabilization of the child care workforce, decrease the employee turnover rate, and attract professional and well trained caregiver and educators to this important field,

Now be it resolved that we strongly urge the Alaska State Department of Administration, the Department of Health and Social Services, the Department of Education and Early Development, The Office of the Governor, and the Alaska State Legislature to work together with child care professionals to develop and implement a health care buy in program for child care workers.

Dena D McMullin
Name

President
Title

United Way of Anchorage
Organization

12/12/01
Date

**Chugiak Children's Services, Inc.**
**Board of Directors**

**Resolution 02-01**

**A Resolution in support of Health Insurance for Child Care Workers**

Whereas, the profession of child care employs approximately 5,000 workers, making the care and education of young children a major economic sector in the state; and

Whereas, less than one third of these workers have health insurance, and the costs for privately purchased health insurance for a full time child care work would be over one third of their income in many cases; and

Whereas, the lack of health insurance benefits and an average wage of $8.40 per hour for child care workers in Alaska in the leading cause of the 40% turnover rate in the profession; and

Whereas, it is well known that stability and consistency in caregiver relationships is critical to a child's healthy development and the quality of care; and

Whereas, a strong system of high quality, affordable, and accessible child care is critical to the economic success of families, to the state economy, and most importantly to the healthy development of Alaskan children; and

Whereas, offering a buy in program for health insurance to child care workers will contribute to the stabilization of the child care workforce, decrease the employee turnover rate, and attract professional and well trained caregivers and educators to this important field:

Now, be it resolved, that the Board of Directors of Chugiak Children's Services, Inc. urges the Alaska Department of Administration , the Department of Health and Social Services, the Office of the Governor, and the Alaska State Legislature to work together with child care professionals to develop and implement a health care buy in program for child care workers.

Dated this 5th day of February, 2002

Scott Torrison
President, Board of Directors

*A resolution in support of*

# Health Insurance for Child Care Workers

**Whereas...**the profession of child care employs more Alaskans then VECO, Alaska Airlines, British Petroleum and GCI combined, with approximately 5000 workers, the care and education of young children is a major economic sector in the state,

**Whereas...**less than one third of these workers have health insurance, and the cost for privately purchased health insurance for a full time child care worker would be over one third of their income in many cases,

**Whereas**...the lack of health insurance benefits and an average wage of $8.40 per hour for child care workers in Alaska is the leading cause of the 40% turnover rate in the profession,

**Whereas...**It is well known that stability and consistency in caregiver relationships is critical to a child's healthy development and the quality of care,

**Whereas...** a strong system of high quality, affordable and accessible child care is critical to the economic success of families, to the state economy, and most importantly to the healthy development of Alaskan children,

**Whereas....** offering a buy in program for health insurance to child care workers will contribute to the stabilization of the child care workforce, decrease the employee turnover rate, and attract professional and well trained caregiver and educators to this important field,

Now be it resolved that we strongly urge the Alaska State Department of Administration, the Department of Health and Social Services, the Department of Education and Early Development, The Office of the Governor, and the Alaska State Legislature to work together with child care professionals to develop and implement a health care buy in program for child care workers.

Marie J. Laverne, LMSW, LMSW
Name

Executive Director
Title

National Association of Social Workers (NASW )Alaska Chapter
Organization

December 14, 2001
Date

# ALASKA MENTAL HEALTH BOARD

TONY KNOWLES, GOVERNOR
STATE OF ALASKA

*431 N. Franklin, Suite 200*
*Juneau, Alaska 99801*
*Office: (907) 465-3071*
*Fax: (907) 465-3079*

February 28, 2002

MAR 0 1 2002

The Honorable Norm Rokeberg
Alaska House of Representatives
State Capitol, Room 118
Juneau, AK 99801-1182

Dear Representative Rokeberg:

As the entity tasked by state law with planning, evaluation, and advocacy for public mental health services in Alaska, the Alaska Mental Health Board (AMHB) works regularly and closely with a wide range of stakeholders in that system. For some time now, the AMHB has heard from the non-profit organizations that provide public mental health services in Alaska that the availability and cost of employee health insurance coverage have become serious issues. Most of these organizations are relatively small by national standards and funding sources have been generally flat for some time. Increases to any component of business expenses are significant under such conditions, but in this case the impact is twofold and inter-related:

- Rapidly rising costs directly impact the ability of providers to provide mental health services. If grantees seek to maintain current insurance packages (or often even lesser ones), funds must be diverted from providing direct services to insurance bills.
- If, on the other hand, higher costs are passed on to employees or coverage reduced, the ability to recruit and retain qualified staff suffers. In many cases, Alaskan mental health providers already find it difficult to compete with lower 48 agencies on the basis of salary alone. Reduced employee benefits only exacerbate the situation.

The AMHB has made addressing this question one of its priorities and is pleased to see more than one bill on the subject in the hopper. The Board applauds your initiative in seeking a solution to the dilemma. Please let us know if we can assist in any way. Thank you for this opportunity to comment.

Respectfully,

Richard Rainery
Executive Director

ACMHSA
Alaska Community Mental Health Services Association
3050 Fifth Avenue
Ketchikan, Alaska 99901

February 28, 2002

Representative John Coghill, Chair
House State Affairs Committee
Capitol Room 102
Juneau, AK 99801

Dear Representative Coghill:

We urge you to schedule a hearing at your earliest convenience for SSHB 315, regarding state health insurance for business/non-profits, sponsored by Representative Rokeberg. Our association, ACMHSA, strongly supports this legislation.

ACMHSA is a statewide association of non-profit mental health providers. Many of our members have endured three-fold increases in insurance premiums in the past few years. With our income sources remaining flat, demand for our services rising, and regulatory constraints increasing, our escalating insurance premiums need some creative remedy which we may find with passage of this legislation. We hope that a pooling structure, as would be established in the above legislation, would help us gain some control of this indispensable cost on services we provide.

We thank you in advance for your consideration of the above.

Sincerely,

Ron Adler, Chair
Alaska Community Mental Health Services Association

RA/kdw

cc: Representative Rokeberg

Aetna U.S. Healthcare

**Michael D. Wiggins**

Vice President
National Accounts

Tel: (206) 701-8106

**Aetna U.S. Healthcare**

600 University, Suite 1400
Seattle, WA 98101

Fax: (206) 701-8175

April 10, 2002

Representative Norm Rokeberg
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg:

This is a letter in support for CS HB 315 as it moved out of the House State Affairs Committee. Aetna has the second largest share of the Alaska health insurance market. We primarily act as third party administrators or insurers of large and medium size groups. While there will be a number of challenges in working out the details of pooling nonprofits and small businesses, we encourage giving the Administration the opportunity to try to make it work.

Depending on how a pool is structured, it may bring the advantages of size and risk spreading in obtaining premium rates. The rules of entry and exit will be important in obtaining competitive bids on the pool. The structure of the benefit package will also be a critical component of a successful pool.

Passage of HB 315 will give the State the ability to work on these issues while meeting with or surveying the entities that hope to use this mechanism for health insurance.
If HB 315 becomes law, we will be pleased to work with the Division of Retirement and Benefits to find a way to make this effort successful.

Sincerely,

Mike Wiggins
Vice President National Accounts - Seattle
Aetna U.S. Healthcare

cc. Commissioner Jim Duncan
Guy Bell

The TRUST

The Alaska Mental Health Trust Authority

April 23, 2002

Dear Representative Rokeberg,

The Trust is very interested in supporting your effort to address the issue of affordable health insurance for the employees of non-profit agencies. The skyrocketing cost of health insurance has dramatically affected the ability of many agencies serving our beneficiaries to continue to maintain the level and quality of service they are currently providing. Together with the specter of further budget cuts to grant programs, we view this problem as an emergency.

We understand that the fiscal note for HB 315 is approximately $132,000 and that the portion relating to non-profits is approximately $90,000. We also understand that in the current fiscal climate, legislation with positive fiscal notes will be difficult to pass. While many of the non-profit agencies covered by the bill serve our beneficiaries, some do not. Nevertheless, it is crucial that this or similar legislation pass this session. Therefore, the Trust is committed to seeing that this non-profit portion of the fiscal note be funded from sources other than the general fund.

The Trust is prepared to commit to ensuring that up to $90,000 of Mental Health Trust Authorized Receipts (MHTAAR) would be available to meet the non-profit portion of the fiscal note on two conditions. First, every effort must be made to attempt to recover these funds from charge back provisions incorporated into the program. In our view there is no reason that set up costs should not be able to be recovered from the program over time. Second, we will make every effort to secure the support of other funders who also have an interest in seeing that these non-profits have access to affordable health insurance.

Realizing, however, that time is of the essence, we are willing to have the fiscal note reflect that the source for $90,000 of the fiscal note will be MHTAAR. Thank your for your support of this legislation and please let me know if we can be of further assistance.

Sincerely,

Jeff Jessee
Executive Director

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