

**HB**

**315**



# ALASKA STATE HOUSE OF REPRESENTATIVES

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Room 102

## REPRESENTATIVE JOHN COGHILL

### Memorandum

Date: March 26, 2002  
To: Barbara Craver, Leg Legal  
From: Rynnieva Moss, Legislative Aide *Rynnieva Moss*  
Re: HB 315 Work Order#1177J

The House State Affairs Committee is requesting a CS for SSHB 315 with the following amendments:

Title Change:

Delete: "join state employee insurance coverage as"

Insert: "be"

Page 4, line 21:

Page 4, line 28:

Page 5, line 2:

Delete: "300"

Insert: "50"

Page 5, line 5:

Delete: "July 1, 2003"

Insert: "January 1, 2003"

Page 4, line 16:

Insert a new section:

AS 39.30.090(b)(1) is amended to read:

(1) "eligible employee" means

(A) an employee who has served in permanent full-time or part-time employment with the same governmental unit or special services organization for 30 days or more, including the sole proprietor or the sole shareholder of a proprietorship or corporation described in (4)(A) of this subsection; "eligible employee" does not include [EXCEPT] an emergency or temporary employee;

(B) an elected or appointed official of a governmental unit, effective upon taking the oath of office; and

(C) a contractual employee of the legislative branch of state government under AS 24.10.060(f) if the employee's personal services contract provides that the employee is entitled to coverage;

*You may have to expand the Title to accommodate redefining eligible employee. Feel free to do so.*

Thanks for your assistance.



# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 323

## MEMORANDUM

March 27, 2002

**SUBJECT:** Special Service Organizations and HB 315  
(Work Order No. 22-LS1177\O)

**TO:** Representative John Coghill  
House State Affairs Committee  
Attn: Rynniva Moss

**FROM:** Barbara R. Craver   
Legislative Counsel

After considering the most recent change to HB 315, that of adding special services organizations, I have come to think that this group would be covered under the existing classifications already added by HB 315. There is thus no need to add this group.

The size limits apply (minimum of two eligible employees and maximum of 50 eligible employees) to each of the groups below. Here is how the three groups break down:

**Businesses:** These are any form of business.

**Non-profit organizations:** These must be tax exempt non-profit organizations.

**Associations for insurance purposes:** These associations are the catch all for individuals in business for themselves (and therefore not anyone's employee), small businesses or non-profit corporations that have less than two employees, and any other small group that does not want to have to apply as its own group. The only limitation is that these associations are limited in size based on the combined number of employees of all those in their association.

I'll show how all the different kinds of "special services organizations" can fit within the three categories above.

A sole proprietorship or a corporation solely owned by one person, no matter what they did, child care, assisted living or whatever could either join as a small business if it had at least two and less than 50 eligible employees. If it had only one employee, the business could join an association for insurance purposes and be part of their group.

Representative John Coghill

March 27, 2002

Page 2

Any other form of business operating child care, maternity homes, etc. could join as a small business or small nonprofit organization.

A corporation that receives or redistributes state grants can fit under the small business definition.

A nonprofit organization, regardless of its purpose can join under the nonprofit organization definition.

BRC:lmb  
02-050.lmb

Enclosure

# LEGAL SERVICES

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STATE OF ALASKA

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Juneau, Alaska 99801-1182  
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## MEMORANDUM

March 26, 2002

**SUBJECT:** Draft CSSS HB 315(STA) (Work Order No. 22-LS1177L)

**TO:** Representative John Coghill, Jr., Chair  
House State Affairs Committee  
Attn: Rynniva Moss

**FROM:** Barbara R. Craver   
Legislative Counsel

I did not make all the changes you requested and thus wish to explain what I did and why. I will list the difference between what you requested and what I drafted by page and line.

1. Page 1, line 2: I did not make the title change requested. It is not needed, and I think that the change would incorrectly describe the bill. If the title were changed to "[a]n Act allowing employers that are small businesses, small nonprofit organizations, or small associations for insurance purposes to be a group; . . ." the kind of group is left nameless, and the bill title loses all its descriptive character. The central idea of this bill is to allow certain named entities to be considered "groups" for state insurance purposes.
2. Page 4, following line 14: I edited the amendment to AS 39.30.090(b)(1). The language in the memo added a new, undefined term "special services organization." It was less cumbersome to simply list the three new types of groups added by this bill. It also appears that part of the requested change was to address the concern that a sole proprietor might not be considered an employee of his or her own business for purposes of being able to participate in group insurance. Both the owner of a sole proprietorship or a shareholder in a corporation may or may not be eligible employees for insurance purposes, depending on whether the person works for the company and whether the person meets the eligibility criteria imposed by the changes to (b)(1). I think the intent is preserved in my changes to the language.
3. Page 5, lines 1, 2, 8, 9, 13 and 15. Where the number of employees was changed from 300 to 50, I also added the word "eligible" to limit the counting of employees for determining a small business to "eligible employees" as defined in (b)(1).

If I may be of further assistance, please advise.

BRC:med  
02-326.med

22-LS1177/L  
Craver  
3/26/02

**CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 315(STA)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE HOUSE STATE AFFAIRS COMMITTEE**

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

**Sponsor(s): REPRESENTATIVE ROKEBERG**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act allowing employers that are small businesses, small nonprofit organizations, or**  
2 **small associations for insurance purposes to join state employee insurance coverage as a**  
3 **group; and providing for an effective date."**

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

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

6 (a) The Department of Administration may obtain a policy or policies of group  
7 insurance covering state employees, persons entitled to coverage under AS 14.25.168,  
8 AS 22.25.090, AS 39.35.535 or former AS 39.37.145, employees of other  
9 participating governmental units, [OR] persons entitled to coverage under  
10 AS 23.15.136, employees of small businesses, employees of small nonprofit  
11 organizations, or members of small associations for insurance purposes, subject to  
12 the following conditions:

13 (1) A group insurance policy must [SHALL] provide one or more of  
14 the following benefits: life insurance, accidental death and dismemberment insurance,

1 weekly indemnity insurance, hospital expense insurance, surgical expense insurance,  
2 dental expense insurance, audiovisual insurance, or other medical care insurance.

3 (2) Each eligible employee of the state, the spouse and the unmarried  
4 children chiefly dependent on the eligible employee for support, and each eligible  
5 employee of another participating governmental unit shall be covered by the group  
6 policy, unless exempt under regulations adopted by the commissioner of  
7 administration.

8 (3) A governmental unit may participate under a group policy if

9 (A) its governing body adopts a resolution authorizing  
10 participation, and payment of required premiums;

11 (B) a certified copy of the resolution is filed with the  
12 Department of Administration; and

13 (C) the commissioner of administration approves the  
14 participation in writing.

15 (4) A small business, a small nonprofit organization, or a small  
16 association for insurance purposes may participate under a group policy if

17 (A) it applies to participate and agrees to payment of  
18 required premiums;

19 (B) a certified copy of the application is filed with the  
20 Department of Administration; and

21 (C) the commissioner of administration approves the  
22 participation in writing.

23 (5) In procuring a policy of group health or group life insurance as  
24 provided under this section or excess loss insurance as provided in AS 39.30.091, the  
25 Department of Administration shall comply with the dual choice requirements of  
26 AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to  
27 transact business in the state under AS 21.09, a hospital or medical service corporation  
28 authorized to transact business in this state under AS 21.87, or a health maintenance  
29 organization authorized to operate in this state under AS 21.86. An excess loss  
30 insurance policy may be obtained from a life or health insurer authorized to transact  
31 business in this state under AS 21.09 or from a hospital or medical service corporation

1 authorized to transact business in this state under AS 21.87.

2 (6) [(5)] The Department of Administration shall make available bid  
3 specifications for desired insurance benefits or for administration of benefit claims and  
4 payments to (A) all insurance carriers authorized to transact business in this state  
5 under AS 21.09 and all hospital or medical service corporations authorized to transact  
6 business under AS 21.87 who are qualified to provide the desired benefits; and (B)  
7 [TO] insurance carriers authorized to transact business in this state under AS 21.09,  
8 hospital or medical service corporations authorized to transact business under  
9 AS 21.87, and third-party administrators licensed to transact business in this state and  
10 qualified to provide administrative services. The specifications shall be made  
11 available at least once every five years. The lowest responsible bid submitted by an  
12 insurance carrier, hospital or medical service corporation, or third-party administrator  
13 with adequate servicing facilities shall govern selection of a carrier, hospital or  
14 medical service corporation, or third-party administrator under this section or the  
15 selection of an insurance carrier or a hospital or medical service corporation to provide  
16 excess loss insurance as provided in AS 39.30.091.

17 (7) [(6)] If the aggregate of dividends payable under the group  
18 insurance policy exceeds the governmental unit's share of the premium, the excess  
19 shall be applied by the governmental unit for the sole benefit of the employees.

20 (8) [(7)] A person receiving benefits under AS 14.25.110, AS 22.25,  
21 AS 39.35, or former AS 39.37 may continue the life insurance coverage that was in  
22 effect under this section at the time of termination of employment with the state or  
23 participating governmental unit.

24 (9) [(8)] A person electing to have insurance under (8) [(7)] of this  
25 subsection shall pay the cost of this insurance.

26 (10) [(9)] For each permanent part-time state employee electing  
27 coverage under this section, the state shall contribute one-half the state contribution  
28 rate for permanent full-time state employees, and the permanent part-time employee  
29 shall contribute the other one-half.

30 (11) [(10)] A person receiving benefits under AS 14.25, AS 22.25,  
31 AS 39.35, or former AS 39.37 may obtain auditory, visual, and dental insurance for

1 that person and eligible dependents under this section. The level of coverage for  
2 persons over 65 shall be the same as that available before reaching age 65 except that  
3 the benefits payable shall be supplemental to any benefits provided under the federal  
4 old age, survivors, and disability insurance program. A person electing to have  
5 insurance under this paragraph shall pay the cost of the insurance. The commissioner  
6 of administration shall adopt regulations implementing this paragraph.

7 (12) [(11)] A person receiving benefits under AS 14.25, AS 22.25,  
8 AS 39.35, or former AS 39.37 may obtain long-term care insurance for that person  
9 and eligible dependents under this section. A person who elects insurance under this  
10 paragraph shall pay the cost of the insurance premium. The commissioner of  
11 administration shall adopt regulations to implement this paragraph.

12 (13) [(12)] Each licensee holding a current operating agreement for a  
13 vending facility under AS 23.15.010 - 23.15.210 shall be covered by the group policy  
14 that applies to governmental units other than the state.

15 \* Sec. 2. AS 39.30.090(b)(1) is amended to read:

16 (1) "eligible employee" means

17 (A) an employee who has served in permanent full-time or  
18 part-time employment with the same governmental unit, small business, small  
19 nonprofit organization, or member of a small association for insurance  
20 purposes for 30 days or more, except an emergency or temporary employee;

21 (B) an elected or appointed official of a governmental unit,  
22 effective upon taking the oath of office; and

23 (C) a contractual employee of the legislative branch of state  
24 government under AS 24.10.060(f) if the employee's personal services contract  
25 provides that the employee is entitled to coverage;

26 \* Sec. 3. AS 39.30.090(b) is amended by adding new paragraphs to read:

27 (4) "Alaska business" means the business is located in Alaska and is  
28 organized under the relevant provisions of the Alaska Statutes; if the form of business  
29 is not required to be organized under a statute, then the sole proprietor or joint  
30 venturers who own the business must be Alaska residents;

31 (5) "small business" means an Alaska business that employed an

1 average of at least two but not more than 50 eligible employees on the business days  
2 during the preceding calendar year and that employs at least two eligible employees on  
3 the first day of a health benefit plan year;

4 (6) "small nonprofit organization" means a nonprofit corporation,  
5 association, club, or society organized and operated exclusively for charitable,  
6 religious, scientific, or educational purposes or for the promotion of social welfare and  
7 that has received an exemption from the payment of federal income tax, that employed  
8 an average of at least two but not more than 50 eligible employees on the business  
9 days during the preceding calendar year, and that employs at least two eligible  
10 employees on the first day of a health benefit plan year;

11 (7) "small association for insurance purposes" means an association  
12 composed of small businesses or nonprofit organizations that, as a group, collectively  
13 employs an average of at least two but not more than 50 eligible employees on the  
14 business days during the preceding calendar year and that collectively employs at least  
15 two eligible employees on the first day of a health benefit plan year.

16 \* Sec. 4. This Act takes effect January 1, 2003.

# 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  
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PHONE: (907) 465-4968  
FAX: (907) 465-2040

## Representative Norman Rokeberg

e-mail: [Representative\\_Norman\\_Rokeberg@legis.state.ak.us](mailto:Representative_Norman_Rokeberg@legis.state.ak.us)

### MEMORANDUM

TO: Representative John Coghill, Jr., Chairman  
House State Affairs Committee

FROM: Representative Norman Rokeberg *Norman/jp*

DATE: March 4, 2002

RE: SSHB 315 – Health Insurance

Please schedule SSHB 315 for a hearing before your committee.

Attached are the following:

1. SSHB 315
2. Sponsor Statement
3. Sectional Analysis
4. State of Alaska Select Benefits 2001/2002 Premium Card
5. State of Alaska Select Benefits Medical Plan Comparison
6. Selected Information from Division of Insurance 63<sup>rd</sup> Annual Report
7. Selected Information from the WEB site for the Division of Insurance concerning insurance consumer guide for health insurance.
8. "Options Limited in Alaska", ALASKA BUSINESS MONTHLY, November 2001
9. Letters
  - a. Ronald Jordan
  - b. Seaview Community Services
  - c. Alaska Association for Education of Young Children
  - d. Alaska Community Mental Health Services Association
  - e. Alaska Mental Health Board

## Sponsor Statement for HB 315 State Health Insurance

*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.*

**Updated:** February 15, 2002  
**Contact:** Representative Norman Rokeberg's office at (907) 465-4968

SSHB 315 would allow small businesses, small nonprofit organizations, or small associations for insurance purposes (2 to 300 employees) to join the state's health insurance plan 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.

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 for state employees and small business employers or small nonprofit organizations in Alaska at reasonable prices by creating a larger pool of covered lives.

Currently, the premiums for State of Alaska, Select Benefits (those state employees not covered by union health trusts), are:

- Premium Plan for Employee Only [90% coinsurance, \$250 individual deductible] is \$695 per month;
- Premium Plan for Employee and Family [90% coinsurance, \$500 family deductible] is \$825 per month;
- Standard Plan for Employee and Family [80% coinsurance, \$250 individual deductible, \$500 family deductible] is \$635 per month; and
- Economy Plan for Employee and Family [70% coinsurance, \$500 individual deductible, \$1000 family deductible] is \$536 per month

Premiums above are good through June 30, 2002. At that time, state employees will be advised of new premiums and will be able to change plans if desired.

The legislation contains definitions for "Alaska business", "small business", "small nonprofit organization", and "small association for insurance purposes". The Act would take effect July 1, 2003, as it would take some time for the State to establish regulations and set up a system to permit this insurance coverage to take place.

I urge your support of this legislation.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
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State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 2, 2002

**SUBJECT:** Sectional Summary for SSHB 315, Work Order No. 22-LS1177J

**TO:** Representative Norman Rokeberg  
Attn: Janet Seitz

**FROM:** Barbara R. Craver *BRC*  
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Allows employees of small businesses, small non-profit organizations and members of small associations for insurance purposes to join the state insurance plan. Also sets out how these groups apply to participate in an insurance plan.

Section 2. Adds new definitions to cover the new groups added in section 1.

Section 3. Provides an effective date of July 1, 2003.

BRC:lmb  
02-034.lmb

**STATE OF ALASKA  
SELECT BENEFITS  
2001/2002 PREMIUM CARD**

*The monthly premiums for each option is listed below. The premium cost for each benefit follows. The total premium cost for the options you select will be withheld from your salary each month. The premiums will be split. Since these premiums are deducted before taxes are calculated, your taxable income is reduced. The premiums on this card are effective 7/1/2001 through 6/30/2002.*

**MEDICAL**

Option	Monthly Cost
Premium Plan for Employee Only	\$ 695
Premium Plan for Employee and Family	825
Standard Plan for Employee and Family	635
Economy Plan for Employee and Family	536

**DENTAL**

Option	Monthly Cost for Employee and Family
Premium Plan	\$ 160
Standard Plan	95
Preventive Plan	39

Your Dental election will remain in effect for at least 18 months. Premiums are subject to change.

**VISION**

Option	Monthly Cost for Employee and Family
No Coverage	\$ 0
Standard Plan	30
Managed Care Plan	20

Your Vision election will remain in effect for at least 18 months. Premiums are subject to change.

**LIFE INSURANCE**

Employee Age	Monthly Cost				
	\$10,000	\$20,000	\$30,000	\$40,000	\$48,000
Under 30	\$ .90	\$ 1.80	\$ 2.70	\$ 3.60	\$ 4.32
30 - 39	1.10	2.20	3.30	4.40	5.28
40 - 44	1.80	3.60	5.40	7.20	8.64
45 - 49	2.60	5.20	7.80	10.40	12.48
50 - 54	4.10	8.20	12.30	16.40	19.68
55 - 59	6.10	12.20	18.30	24.40	29.28
60 - 64	8.70	17.40	26.10	34.80	41.76
65 - 69	12.60	25.20	37.80	50.40	60.48
70 - 74	27.90	55.80	83.70	111.60	133.92
75 - 79	53.00	106.00	159.00	212.00	254.40
80 - 84	75.20	150.40	225.60	300.80	360.96
85 and over	115.70	231.40	347.10	462.80	555.36

To determine your monthly premium, find your age as of 7/1/2001, the amount of life insurance elected, and the corresponding premium on the chart.

**ACCIDENTAL DEATH  
AND DISMEMBERMENT**

Who is covered	Monthly Cost
Employee	\$4.00
Employee and Family	\$6.00

Your monthly premium is based on whom you elect to cover: you or you and your family.

**SURVIVOR BENEFITS**

Employee Age	Monthly Cost
Under 30	\$3.04
30 - 39	3.80
40 - 44	6.08
45 - 49	8.74
50 - 54	13.68
55 - 59	20.52
60 - 64	29.64
65 and over	42.56

To determine your monthly premium, find your age as of 7/1/2001 and the corresponding premium on the chart.

**SHORT-TERM DISABILITY**

Who is covered	Plan	Monthly Cost
Employee	Plan A \$210/week	\$1.96

Every employee who elects this benefit pays the same premium.

**LONG-TERM DISABILITY**

Employee Age	Premiums per \$100 of Wage	
	Plan B (50%)	Plan C (70%)
Under 25	\$ .65	\$ 1.45
25 - 29	.66	1.46
30 - 34	.67	1.48
35 - 39	.69	1.53
40 - 44	.74	1.61
45 - 49	.79	1.72
50 - 54	.86	1.88
55 - 59	.95	2.05
60 - 64	.97	2.10
65 - 69	1.01	2.19
70 and over	1.25	2.62

To determine your monthly premium, divide your monthly wage by 100 and multiply the result by the monthly premium for your age group. Example: If your base pay is \$2,000 monthly and you are 54, the cost for Plan B is \$17.20 per month (2,000 ÷ 100 = 20 x \$.86 = \$17.20).

**HEALTH CARE  
REIMBURSEMENT**

Minimum Monthly Amount	\$ 20
Maximum Annual Amount	\$5,000

You must contribute in whole dollar amounts. The amount of contributions you elect will be deducted from your paycheck in equal amounts throughout the year.

**DEPENDENT CARE  
REIMBURSEMENT**

Minimum Monthly Amount	\$ 25
Maximum Annual Amount	\$5,000

You must contribute in whole dollar amounts. The amount of contributions you elect will be deducted from your paycheck in equal amounts throughout the year.

## SELECT BENEFITS MEDICAL PLAN COMPARISON

	PREMIUM	STANDARD	ECONOMY
<b>Deductible</b>	\$250 Individual \$500 Family	\$250 Individual \$500 Family	\$500 Individual \$1000 Family
<b>Coinsurance</b>	90%	80%	70%
<b>Annual Out of Pocket Maximum</b>	\$550/person includes deductible	\$1250/person includes deductible	\$2500/person includes deductible
<b>Lifetime Maximum</b>	Unlimited	Unlimited	Unlimited
<b>Prescription Drugs</b>	<u>Card program</u> \$10 copay brand names \$5 copay generics  <u>Without card</u> 60% - After medical deductible  <u>Mail order</u> \$2 copay brand name \$0 copay generic	<u>Card program</u> \$10 copay brand names \$5 copay generics  <u>Without card</u> 60% - After medical deductible  <u>Mail order</u> \$2 copay brand name \$0 copay generic	<u>Card program</u> \$10 copay brand names \$5 copay generics  <u>Without card</u> 60% - After medical deductible  <u>Mail order</u> \$2 copay brand name \$0 copay generic
<b>Emergency Room Copayment</b>	\$100 each incident for nonemergency use	\$100 each incident for nonemergency use	\$100 each incident for nonemergency use
<b>Wellness &amp; Patient Education</b>	Available	Available	Available
<b>Physicals, Well Baby Care, Immunizations</b>	Provided under medical plan. Paid at same coinsurance as other expenses after deductible	Provided under medical plan. Paid at same coinsurance as other expenses after deductible	Provided under medical plan. Paid at same coinsurance as other expenses after deductible

There is no difference in the services covered under the plans; only difference is in the level of coverage.



*Send an e-mail message to the Benefits Section*

6th Floor, State Office Building  
 PO Box 110203, Juneau, AK 99811-0203, Phone: (907) 465-4460, Fax: (907) 465-3086  
 [ [department of administration](#) - [state](#) - [state employees](#) - [r&b webmaster](#) - [office locations](#) ]

Since 8/14/2001  
 000003



# **STATE OF ALASKA**

**Department of Community and  
Economic Development**

## **DIVISION OF INSURANCE 63<sup>rd</sup> 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
<hr/>		
<b>TOTAL FOR TOP 20 RANKED INSURERS</b>	<b>86.25</b>	<b>107,639</b>
<b>TOTAL FOR ALL 142 INSURERS WRITING THIS LINE</b>	<b>100.00</b>	<b>124,792</b>

## 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
<hr/>		
<b>TOTAL FOR TOP 20 RANKED INSURERS</b>	<b>104.72</b>	<b>4,853</b>
<b>TOTAL FOR ALL 28 INSURERS WRITING THIS LINE</b>	<b>100.00</b>	<b>4,635</b>

# 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
<b>TOTAL FOR TOP 20 RANKED INSURERS</b>	<b>87.68</b>	<b>18,652</b>
<b>TOTAL FOR ALL 163 INSURERS WRITING THIS LINE</b>	<b>100.00</b>	<b>21,274</b>

## 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
<b>TOTAL FOR TOP 20 RANKED INSURERS</b>	<b>79.71</b>	<b>124,819</b>
<b>TOTAL FOR ALL 218 INSURERS WRITING THIS LINE</b>	<b>100.00</b>	<b>156,598</b>

# 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	18,988	2,289,313	1,040,891
COMP MED PPO	5,782	16,685	49	388	548	5,153	5,177	9,330	25,020,333	17,609,996
NON-PPO	615	1,253	184	350	237	327	536	1,253	2,337,425	1,190,683
DENTAL PPO										
NON-PPO	125	247	85	164	85	164	126	247	80,313	26,623
DISABILITY INCOME	4,636	4,763	1,368	1,309	935	1,004	5,217	4,872	3,921,924	995,920
HOSPITAL EXPENSE	773	1,164	285	463	204	313	755	1,314	1,284,847	1,473,652
HOSPITAL INDEMNITY	4,367	7,055	1,182	2,019	1,058	1,765	4,481	7,322	3,995,155	1,551,085
LIMITED BENEFIT	4	4			1	1	3	3	3,651	
LONG TERM CARE	848	868	638	652	80	85	1,409	1,438	20,118,288	427,751
MEDICAL EXPENSE	31	35			8	9	23	27	18,882	27,269
MEDICAL SUPPLEMENT	1,586	1,625	182	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	1,583,694	589,795
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	255,477
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 RENEW AH	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	38,536	63,924	45,178,678	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	619	194	25,167	591,842	588,225
COMP MED FPO	9,282	25,476	147	2,509	542	5,595	11,165	23,356	60,704,541	42,133,840
NON-PPO	735	8,997	311	1,563	169	1,944	658	8,662	21,243,738	14,936,480
DENTAL FPO	4	105					4	102	86,146	
NON-PPO	513	9,423	74	2,548	134	2,221	471	9,443	3,760,795	2,268,508
DISABILITY INCOME	124	2,234	16	705	33	400	108	2,568	663,578	601,603
HOSPITAL EXPENSE	21	151			13	33	11	18	214,808	209,866
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	18				1	12	17	3,666	
STOP LOSS	3	15		1	1	5	2	11	65	
VISION FPO	13	662					13	730	34,950	26,812
NON-PPO										
OTHER: LONG TERM CARE										
OTHER: HOURLY										
OTHER	1	836					1	836	93	13,810
<b>TOTAL</b>	<b>10,896</b>	<b>73,097</b>	<b>591</b>	<b>8,118</b>	<b>926</b>	<b>10,851</b>	<b>12,639</b>	<b>71,117</b>	<b>87,345,288</b>	<b>60,871,891</b>

# 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 FPO	25,082	69,816	12	140	12	5,566	27,133	68,008	138,751,231	126,172,320
Non-FPO	1,830	16,051	863	4,128	403	3,000	2,124	15,784	19,105,699	11,796,818
Dental FPO	5	926		110	1	336	4	665	324,216	120,971
Non-FPO	35	13,209	7	633	23	6,752	26	6,756	1,637,498	1,049,698
Disability Income	478	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	1,024,606
Hospital Indemnity	229	4,414	10	121	28	126	206	4,411	703,653	512,672
Long Term Care	16	290	120	422	20	38	320	674	473,273	325,244
Medical Expense	49	111	7	7		2	55	116	133,652	73,560
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	530	2,260	316,937	118,38
Stop-Loss	8	9,511	13	13,315	6	1,458	18	20,282	3,445,408	30,058,878
Vision FPO	19	19,402	1	511			20	21,249	1,242,753	1,071,703
Non-FPO	3	5,115			2	1,600	2	13,162	134,777	71,747
Other:	139	1,637	19	1,276	25	1,341	133	1,729	1,805,911	800,754
Other: Special Risk	35	22,531	1	2	2	22	34	22,511	2,971,136	612,636
Other: Credit	21	331	122	180	66	84	320	397	81,739	39,326
Other: Short Term	1	28	1	63	1	79	1	13	15,096	638
Other: Global Acosick	1	2			1	2			338	20,697
Other: Champus	22	107			3	8	19	99	16,075	10,705
Other: Airflight Ins							5		567,179	204,450
Other: AH	1	755		263		352	1	665	9,854	-7,591
Other: Tricare		12					12	18,505	3,561	
<b>Total</b>	<b>31,841</b>	<b>366,024</b>	<b>1,485</b>	<b>67,744</b>	<b>1,263</b>	<b>57,689</b>	<b>34,474</b>	<b>386,988</b>	<b>189,999,319</b>	<b>164,311,576</b>



## 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.

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## 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 percentage of covered services and supplies the insurer will pay for after the individual pays the deductible. 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
<b>Total amount insurer owes after out-of-pocket limit applied</b>	<b>\$2,650</b>

*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
<b>Total amount you owe</b>	<b>\$1,550</b>

### 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

## Health Insurance Options Limited in Alaska

BY DEBORAH J. MYERS

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

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](http://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



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.

Arnon Weaver

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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."

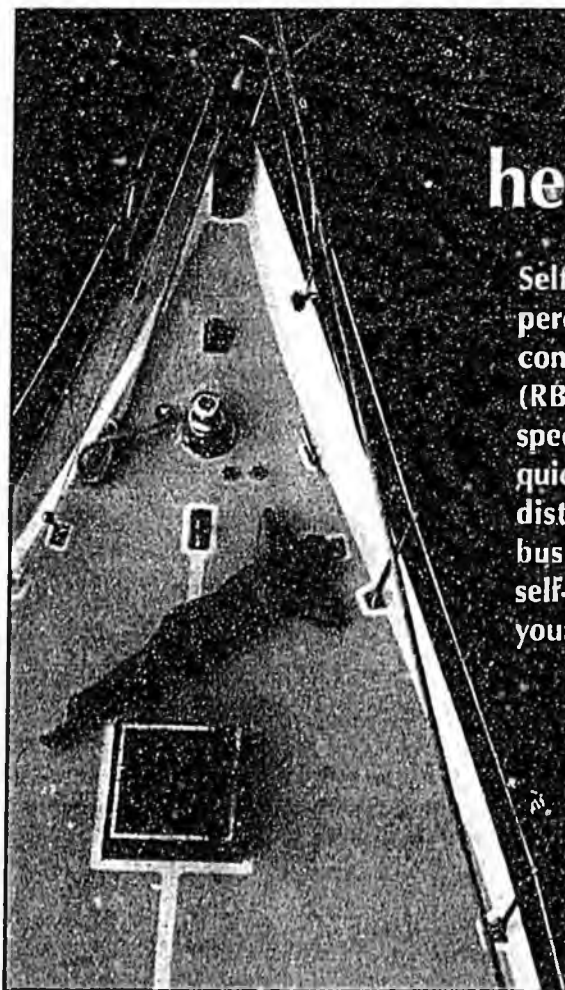
Formal cafeteria plans, officially known as Section 125 plans, are offered through insurance agencies and allow employers to pay the employees' portion of the premium tax-exempt. Most insurance companies give this option to only sizable groups.

### 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



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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

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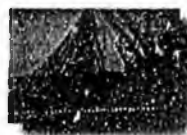
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improvement programs. It makes care better for patients and improves the quality of care."

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

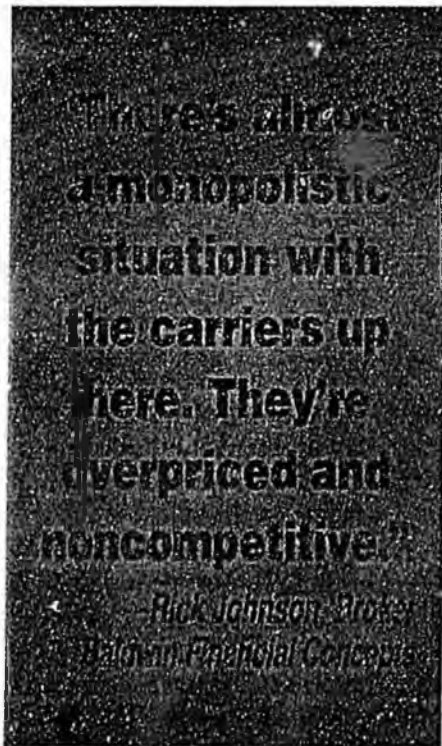
"This is becoming available to some of the more progressive plans without the referrals and expense traditional to HMOs," he said.

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. □

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**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](mailto: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 losing 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 (ARD) 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 include ARD 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](mailto:mstone@seward.net)

PO Box 1045  
Seward AK 99664

MAR 01 2002

*Alaska Association for the Education of Young Children*

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February 27, 2002

Representative Rokeberg  
State Capitol  
Juneau AK 99801-1182

FEB 28 2002

Greetings,

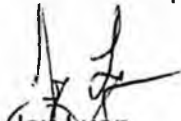
We know that until long range fiscal solutions are in place, legislators and policy makers are facing increasing pressure to reduce spending. It is also true that investing in the care and education of young children is critical to a strong economic future for our state. We ask for your support in two 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

## **Resolutions in support of Child Care Workers**

### **JUNEAU**

City and Borough 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 Tea! 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 Dietering  
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  
Superintendent  
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 Burns  
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  
Eagle 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 Borough

**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 Haslrouch**

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Laura Wieghat  
Christine Merrill

**Katheryn Steadham**

Kim Edwards  
Lynda Page  
Karen Julianna  
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**

316 Wedgeweeo Drive  
Fairbanks AK 99701

**Nancy Davidisin**

PO Box 72031  
Fairbanks AK 99701

**NORTH POLE**

Joan Mangruno  
2701 Badger Rd  
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  
Barrow AK 99723

**WASILLA**

Deeta Coyle  
Box 2090  
Wasilla AK 99654

**CORDOVA**

Susanna Marquette  
PO Box 1891  
Cordova AK 99574

**DILLINGHAM**

Rachel Muir  
PO Box 1395  
Dillingham AK 99576

**STERLING**

Cynthia Sawyer  
PO Box 6  
Sterling AK 99672

**SEWARD**

Lois Saubney  
Box 951  
Seward AK 99664

**SUTTON**

Charleen Pitta  
PO Box 458  
Sutton, AK 99674

**KENAI**

Nancy Schrag  
312 Princess  
Kenai AK 99611

**SOLDOTNA**

Patricia Morrison  
PO Box 1615  
Soldotna AK 99669

*Bargain!*

*A United Way Community Partnership*



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](mailto: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.<sup>1</sup> 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

---

<sup>1</sup> 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 than 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.

Deann G. Matthews  
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 5<sup>th</sup> 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 than 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. Lavigne, LMSW

Name

Executive Director

Title

National Association of Social Workers (NASW) Alaska Chapter  
Organization

December 14, 2001

Date



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, ACMNSA, strongly supports this legislation.

ACMNSA 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

Ron Adler  
Chair  
3050 Fifth Avenue  
Ketchikan, AK 99901  
(907) 225-4135

Dave Newell  
Vice Chair  
1675 C Street, Suite 117  
Anchorage, AK 99501  
(907) 274-8281

Brenda Krapp  
Secretary  
P.O. Box 22090  
Juneau, AK 99801  
(907) 463-3303

Diana Strzok  
Treasurer  
2330 Nicholas Street  
Anchorage, AK 99516  
(907) 279-6617

Bill Hagan  
Member at Large  
230 East Paulson, Suite 68  
Wasilla, AK 99587  
(907) 376-2411

Doug Veit  
Member at Large  
P.O. Box 806  
Craig, AK 99921  
(907) 826-3662

Chuck Bonnah  
Member at Large  
P.O. Box 32839  
Juneau, AK 99802  
(907) 796-4123

# 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 01 2002

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

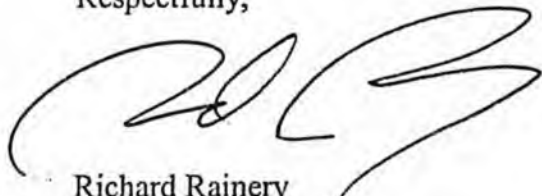
Dear Representative Rokeberg:

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

# ALASKA STATE HOUSE OF REPRESENTATIVES

Interim Address:  
119 N. Cushman, Suite 211  
Fairbanks, AK 99701  
(907)-456-5081  
Fax# (907)-456-8245



Session Contact:  
(907)-465-3719  
FAX# (907)-465-3258  
State Capitol  
Room 102

## REPRESENTATIVE JOHN COGHILL

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### Memorandum

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Date: March 27, 2002  
To: Barbara Craver, Legislative Counsel  
From: Rynnieva Moss, Legislative Aide *R. Moss*  
Re: 22LS1177J

---

I have a couple of additional changes to HB 315 version "L" after discussions with Retirement and benefits.

**Page 1, line 11:**

Delete: "or"

After the words "small associations" INSERT:

“, or special services organizations”

**Page 2, line 15:**

Delete: "or"

After the words "small associations" INSERT:

“, or special services organizations”

**Page 2, line 19:**

Delete: "a certified copy of"

**Page 4, line 6:**

Ignore change from yesterday to AS 39.30.090(b) and add new section that reads:

AS 39.30.090(b)(1) is amended to read:

(1) "eligible employee" means

(A) an employee who has served in permanent full-time or part-time employment with the same governmental unit except an emergency or temporary employee;

(B) an elected or appointed official of a governmental unit, effective upon taking the oath of office; and

(C) a contractual employee of the legislative branch of state government under AS 24.10.060(f) if the employee's personal services contract provides that the employee is entitled to coverage;

**(D) small businesses, employees of small nonprofit organizations, members of small association, or special services organizations for 30 days or more, including the sole proprietor or the sole shareholder of a proprietorship or corporation described in (4)(A) of this subsection; "eligible employee" does not include an emergency or temporary employee.**

# **Alaska State Hospital & Nursing Home Association**

*We're helping people care for people!*

March 20, 2002

To Members of State Affairs Committee

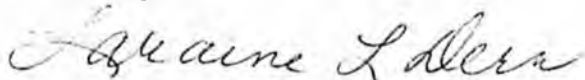
The Alaska State Hospital and Nursing Home Association represents all the hospitals and nursing homes in the state. This letter is in support of HB 315 which allows employers of small business, small nonprofit organizations, or small associations for insurance purposes to join state employee insurance coverage as a group. We want to be assured that health care facilities are included in the legislation.

Many of ASHNHA's facilities are nonprofit organizations with less than 300 employees and have extremely high insurance rates for their employees. For example, one facility with less than 100 employees has experienced rate increases of 32% in 2000, 37% in 2001, and 7% in 2002. The insurance carrier contends that half of these increases are due to continued inflationary trends in health care costs on local, state and national levels. The other half of the increases are due to continued coverage of some employees with ongoing and potentially large claims. The medical conditions of those employees are identified and because the organization does not have sufficient employees to spread the losses, are classified in the "adolescent phases" (organizations with employees between 12 and 100 that do not provide actual claims experience data by group because the potential for additional large claims on these employees is too high).

Allowing organizations such as these to participate in the large umbrella of the state's insurance group would reduce the cost of insurance substantially. In the example cited above, the cost would be reduced from approximately \$1000 a month to \$700.

Thank you for the opportunity to provide this information and support of the legislation.

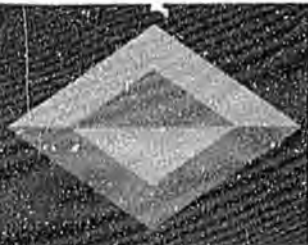
Sincerely,



Laraine L. Derr  
President/CEO

426 Main Street, Juneau, Alaska 99801

Phone: 907-586-1790 • Fax: 907-463-3573 • Web: [ashnha.com](http://ashnha.com)



# Affordable Health

For additional information contact **Representative Sharon Cissna**

## The 13+% (100,000 Alaskans) of the uninsured in our state who must self-pay their medical costs:

- Pay most for health care (up to 60% more than Medicaid, Medicare)
- 56% are between 18 to 34 years old
- 71% are working
- Are usually small business owners and/or employees, self employed and non-profit employees
- 57% are men
- 66% live in households with less than \$35,000 annual household income
- More than 13% of all people in Anchorage are uninsured

Survey results for the Anchorage Access to Health Care Coalition, December 2000

Dear Policymaker:

I've been prompted to a desperate act by the health insurance crisis in Alaska — reveal my age! At the age of 57, I have lived long enough to develop a couple of “pre-existing conditions.” Nothing life threatening, but with a pre-existing condition I can't transfer my insurance to another individual plan at ANY price. The handful of insurers of individuals (not groups) doing business in Alaska can't take a risk on practically anyone my age, let alone someone who has ever used their health insurance.

Between April 1996 and December 2001, my health insurance premium costs became as much out of kilter as a washing machine full of blue jeans. At the beginning of this period, I paid \$188.13/month or \$2232/year. By the end, my premiums were \$830.88/month or \$9970/year! Mine was no Cadillac plan. I had no eye, dental, maternity, or separate pharmaceutical benefits. In addition to these astronomical premiums, I had to pay the first \$2500 of all medical bills before my insurance company contributed a dime. Until November of each year, I paid so much money for health insurance coverage that I could not afford to go to the doctor until the last two months of the year when my deductible was met through my prescriptions. I survived on “telemedicine” and home remedies.

AGE	Date	Cost
51	4/30/96	\$188.13
51	5/31/96	\$226.79
52	6/16/97	\$263.56
53	6/15/98	\$292.74
54	6/15/99	\$380.95
55	6/15/00	\$647.42
56	6/16/01	\$765.89
57	12/15/01	\$830.88

My premium history for one insured with a deductible of \$2500 is shown on the chart to the left.

You can see that I have been through the works! I feel like Dorothy on the way to see the Wizard of Oz! As you remember, her companions were on their way to finding a brain and a heart. Lest we be as hollow as the Wizard, we need legislation passed that uses both compassion and logic to get out of this mess. We need to find another way to encourage preventive care and insure against catastrophic risks at an affordable price for all Alaskans.

*Marjorie T. Linder*



## Retired Public Employees of Alaska, APEA/AFT

### Anchorage Office

1689 C Street, Suite 204, Anchorage, Alaska 99501-5131  
Phone (907) 274-1703, (800) 478-9992, Fax 907-277-4588

March 22, 2002

Richard F. Schmitz  
Representative Jeannette James' Office  
State Capitol  
Juneau

RE: HB 380

Dear Mr. Schmitz:

At Tuesday's hearing, committee members asked several relevant questions I might be able to help answer. One question related to the status of the medical benefits lawsuit RPEA filed against the State of Alaska over diminishment of benefits. Attached is a copy of the Superior Court decision issued in this case in September 2001. In essence, the Court found that RPEA showed the State had modified the health benefit plans of retired public employees and diminished their health benefits, in violation of Article XII, Section 7 of the Alaska Constitution. Interestingly, the Court granted Summary Judgment in RPEA's favor in this case without trial, as there were not genuine issues of material fact and we were entitled to judgment as a matter of law. See the next to last paragraph on page 3 of the order.

In order for the court to grant this Summary Judgment, it had to find there was a factual basis the employees were advised at the time of hire, and during their employment, the State would pay for medical expenses upon retirement of the employee. Old employee handbooks provided by the State, letters to employees from the State, as well as affidavits from retirees were provided to the court. All of that material is in the court files; I do not have a copy here to provide the Committee. However, I think the court made the finding in the 2<sup>nd</sup> paragraph, page 4 of its order, these promises were made to the employees by the State. Otherwise, there would have been no basis for the Summary Judgment.

The State has appealed this decision to the Alaska Supreme Court. RPEA's brief is due next week, and the State has two weeks to respond. Oral arguments are expected within the next 90 days thereafter.

Let me know if I can provide additional information for the Committee.

Sincerely,

Sam Trivette

President

789-5116

7870 Glacier Highway, Juneau

Attachment:

RPEA v Poe, 9-19-2001

Protecting & Enriching

Your Retirement Years



IN THE SUPERIOR COURT FOR THE STATE OF ALASKA

SEP 21 2001

THIRD JUDICIAL DISTRICT

AT ANCHORAGE

RETIREED PUBLIC EMPLOYEES OF	)
ALASKA, INC. et al.,	)
	)
	)
Plaintiffs,	)
	)
vs.	)
	)
BOB POE, Commissioner of the	)
Alaska Department of	)
Administration, et al.	)
Defendants.	)

---

Case No: 3AN-00-7540 CI  
(Consolidated with Case Nos.  
3AN-00-7834 CI and  
3AN-00-8213 CI)

**ORDER GRANTING PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT AND DENYING DEFENDANTS' MOTION FOR SUMMARY JUDGMENT**

**Introduction**

This case involves whether medical retirement benefits are protected under Article XII, Section 7 of the Alaska Constitution. Upon reviewing the Plaintiffs' and Defendants' Cross Motions for Summary Judgment, the undisputed material facts establish that the medical benefits in question are protected under the Constitution. Accordingly, the State cannot constitutionally diminish or impair such benefits. The record indicates that changes to the medical benefits plan implemented in 1999 and 2000 diminished or impaired medical benefits for at least some retirees. Therefore, the

*RPEA v. Poe*  
3AN-00-7540 CI  
Order Re: Summary Judgment

Plaintiffs' Motion for Summary Judgment is granted and the Defendants' Cross Motion for Summary Judgment is denied.

### Relevant Procedural History

Three lawsuits were filed in May and June 2000 by several public employee-retiree organizations and individual public employee-retirees.<sup>1</sup> The lawsuits allege that modifications made to the health benefit plans of retired public employees impair or diminish the retirees' benefits, in violation of Article XII, Section 7 of the Alaska Constitution. Plaintiffs also claim breach of contract and breach of fiduciary duties.

The lawsuits were ordered consolidated in September 2000. A February 2001 order certified two classes under Alaska R. Civil P. 23(a) and (b). The classes are: 1) All retired public employees eligible for retirement benefits under the provisions of AS 39.35.010 - .690 (the "PERS" class) and; 2) All retired public employees eligible for retirement benefits under the provisions of AS 14.25.010 - .220 (the "TRS" class).

On December 14, 2000, the State filed its amended answers to the complaints denying the allegations and asserting various defenses including good faith performance of duties. The State also asserted that Plaintiffs' claims are barred by absolute immunity, and Defendants have qualified immunity.

On June 7, 2001, Defendants' filed a Motion to Dismiss and for Summary Judgment arguing that the benefits in question are medical insurance and are not constitutionally protected, thereby allowing Defendants' to modify the health plans.

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<sup>1</sup> The three lawsuits are: 1) Retired Public Employees of Alaska, Inc. v. Poe, et al., Case No. 3AN-00-7540 CI; consolidated with 2) Alaska AFSCME Retiree Chapter 52, et al. v. Poe, et al., Case No. 3AN-00-7834

Defendants' also argue that they have made good faith efforts within their lawful discretion to provide balanced changes to such benefits.

On June 7, 2001, the Plaintiffs' filed a Motion for Summary Judgment arguing that retiree medical benefits are a vested contractual right protected by Article XII, Section 7, of the Alaska Constitution.

Both parties submitted Oppositions to the Cross Motions for Summary Judgment, and Replies to the Oppositions. Oral argument regarding the Cross Motions for Summary Judgment was heard on August 16, 2001.

#### **Standard for Summary Judgment**

A party seeking to recover upon a claim may move for summary judgment in his or her favor as to all or any part thereof. Summary judgment may be granted in favor of a party if there are no genuine issues of material fact and it is entitled to judgment as a matter of law. AK Civ.R. 56(c). In considering the motion for summary judgment, the court shall draw all reasonable factual inferences in favor of the non-moving party.

Alaska Southern Partners v. Prosser, 972 P.2d 161, 164 (Alaska 1999); Rush v. Alaska Mortgage Group, 937 P.2d 647, 651 (Alaska 1997).

The moving party, "has the initial burden of making a prima facie showing establishing the absence of genuine issues of material fact and his or her right to judgment as a matter of law." Yurioff v. American Honda Motor Co., Inc., 803 P.2d 386, 389 (Alaska 1990).

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CI; consolidated with 3) National Education Association-Alaska, et al. v. State of Alaska, et al., Case No. 3AN-00-7834 CI.

*RPEA v. Poe*  
3AN-00-7540 CI  
Order Re: Summary Judgment

Where the moving party has made a prima facie showing that he or she is entitled to judgment on the established facts as a matter of law, "the opposing party must demonstrate that a genuine issue of fact exists to be litigated by showing that it can produce admissible evidence reasonably tending to dispute the movant's evidence." French, 911 P.2d 23 (Alaska 1988) (citing Wassink v. Hawkins, 763 P.2d 971, 973).

### **Factual Background**

In 1975, the legislature granted free comprehensive medical insurance as part of the retirement benefits provided to all retired teachers in Teachers' Retirement System ("TRS") and all public employees in the Public Employees' Retirement System ("PERS"). Defendant State of Alaska (the "State") has established various retirement systems under state statutes<sup>2</sup> to provide benefits to retired public employees in order to encourage qualified personnel to enter and remain in public employment. All Plaintiffs are either individual retirees or organizations that represent retirees from public employment, who are eligible for benefits under PERS or TRS.

The 1999 medical plan available to the retirees (the "1999 Plan") included the following changes: 1) the annual deductibles were re-imposed on claims exceeding \$50,000; 2) the plan only paid 80% on claims over \$50,000 (not 100%); 3) the lifetime maximum increased from \$1 million to \$2 million; and 4) the travel benefit changed from one-way to round-trip. (Pl.'s Mem. in Supp. Mot. for Summ. J. at 7.) Plaintiffs contend

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<sup>2</sup> See AS 14.25.012(a): The purpose of this chapter is to encourage qualified teachers to enter and remain in service with participating employers by establishing a system for the payment of retirement, disability, and death benefits to or on behalf of the members; and AS 39.35.010(a): The purpose of this chapter is to encourage qualified personnel to enter and remain in the service of the state or a political subdivision or

that two changes in the 1999 plan acted as a diminishment (the elimination of the deductible waiver and the cut from 100% to 80% coinsurance) and two changes provided enhanced benefits (the increased lifetime maximum benefit and the round trip travel reimbursement). (Pl.'s Mem. in Supp. Mot. for Summ. J. at 7.)

The 2000 medical plan (the "2000 Plan") included seven changes. Plaintiffs allege the following four diminished or impaired their medical benefits: 1) the individual deductible was increased from \$100 to \$150 per year; the deductible for a family of three went from \$300 to \$450 per year; 2) the plan eliminated the 80%/90%/100% formula, now the plan would pay 80% of the first \$4,000 and 100% of the remainder (i.e. the \$690 maximum out-of-pocket co-payment went to \$800 per year for each covered family member); 3) the cost for retirees buying prescription drugs locally went from zero to \$4 per generic prescription and from \$5 to \$8 per prescription for brand name drugs; and 4) a managed care and a preferred provider program were implemented for chemical dependency and mental health treatment. (Pl.'s Mem. in Supp. Mot. for Summ. J. at 7-8.)

Plaintiffs acknowledge the following changes to the 2000 Plan may be considered improvements for some of the retirees: 1) the plan paid 80% if the patient selected a preferred provider for outpatient mental health and chemical dependency treatment, but only 50% for other providers, rather than \$15 per visit; 2) retirees using a Texas mail order service paid nothing for generic or brand name drugs; and 3) the plans'

---

public organization of the state by establishing a system for the payment of retirement, disability, and death benefits to or on behalf of the employees.

*RPEA v. Poe*  
3AN-00-7540 CI  
Order Re: Summary Judgment

reimbursement rate for Medicare eligible retirees increased from 80% to 100% of covered expenses not paid by Medicare. (Pl.'s Mem. in Supp. Mot. for Summ. J. at 7.)

Defendant Bob Poe ("Poe") is the current Commissioner of the Department of Administration for the State and is responsible under state statutes for the administration of the retirement systems for retired public employees. Defendant Guy Bell ("Bell") is the current Director of the Division of Retirement and Benefits for the State and has been delegated the responsibility under state statutes for the administration of benefits under the retirement systems for retired public employees.

#### **Discussion**

Plaintiff-retirees class action complaints against Defendants Poe, Bell, and the State (hereinafter collectively referred to as the "State") allege that the State modified medical benefits available to retired public employees, and that this modification diminished or impaired the benefits they received upon retirement. Plaintiffs seek declaratory and injunctive relief against the State for alleged breach of contract, breach of fiduciary duty, and violation of constitutional protection.

This matter presents to the court an unavoidable constitutional issue. Plaintiffs' main argument is that retiree medical benefits are a vested contractual right protected by Article XII, Section 7 of the Alaska Constitution, which provides:

Membership in employee retirement systems of the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or impaired.

The State argues that the medical benefits in question are not retirement benefits protected by the Constitution. The State also argues that even if such benefits are constitutionally protected, it may modify the health plans, and that the court must evaluate the plans *as a whole* to ensure that the modifications are balanced (i.e. favorable changes offset disadvantageous modifications). (Def.'s Mem. in Supp. Mot. for Summ. J. at 23.)

Plaintiffs argue that Hammond v. Hoffbeck, 627 P.2d 1052 (Alaska 1981), controls this matter. In Hoffbeck, several statutory amendments were made to PERS in 1976. These changes had the effect of reducing the occupational disability benefits of public safety employees from 67% to 40% of monthly salary for occupational disability, and reduced occupational death benefits from 100% to 40% of monthly salary at death.

The Alaska Supreme Court held in Hoffbeck that "accrued benefits" (as stated in the Alaska Constitution) is the same as "vested benefits." Hoffbeck at 1057. The Hoffbeck court held that Article XII, Section 7 of the Alaska Constitution mandates that retirement benefits are regarded as an element of the bargained-for consideration given in exchange for an employee's assumption and performance of duties as a state employee. Id. The court further held that rights in PERS vest on employment. Id.

In addition, the Hoffbeck Court ruled that any disadvantageous changes in a pension plan must be accompanied by comparable new advantages. Id. The court also ruled that the determination of whether vested benefits have been diminished must be made on a case-by-case basis. Id. at 1059.

Plaintiffs argue that the Hoffbeck Court adopted a broad view of what constitutes a vested retirement benefit. This court agrees. The Hoffbeck Court applied the “plain meaning” of Article XII, Section 7 of the Constitution and determined that the changes made to the retirement benefits were unconstitutional. This court is bound to do the same.

The State argues that the medical plans in question are not benefits, but merely health insurance. (Def.’s Mem. in Supp. Mot. for Summ.-J. at 16-17, 23.) Therefore, according to the State, the issue is what services are available to members, not what services a person might need from one year to the next. The State argues that depending on one’s health, costs for an individual will vary from year to year. The State contends that major medical insurance does not equate to free medical care. Defendants assert that the court must look at the plan as a whole, balancing the availability of benefits to a member, not the actual use at the moment which they are implemented. (Def.’s Mem. in Supp. Mot. for Summ. J. at 23.)

We disagree with the State’s argument. The plain meaning of “retirement systems” includes medical benefits. Retirement systems are typically considered to be a *package* of available services/benefits, not simply the monthly “pension” check. In contrast, the State argues that the court should look only at the dollar amount it contributes to the retirees’ medical benefits. The State argues that since it still pays the same amount towards health benefits, the allocation of that amount among the components of the health plan is irrelevant. The State argues that it has the power to change the health plans as long as disadvantageous changes are offset by advantageous

*RPEA v. Poe*  
3AN-00-7540 CI  
Order Re: Summary Judgment

changes and the total contribution or cost to the State does not decrease. (Def.'s Mem. in Supp. Mot. for Summ. J. at 23.)

Hoffbeck does not support the State's argument. The Hoffbeck Court applied the plain meaning of the constitutional provision. In the present matter, using the plain meaning approach, the medical plans in question are part of the constitutionally protected retirement benefits. Hoffbeck and its progeny<sup>3</sup> dictate to this court that a determination of whether vested rights to retirement benefits have been diminished must be made by the affected individual on a case-by-case basis. Hoffbeck at 1059. Such an individual analysis implies that the retirement benefits protected by the Constitution are more than the overall cost of the plan. Hoffbeck's recognition that retirement benefits are to be regarded as "an element of the bargained-for consideration given in exchange for an employee's assumption and performance of the duties of his employment" and should "reflect[] the realities of public employment in Alaska," also support this conclusion. Id. at 1056-57.

Other jurisdictions have addressed the issue of the extent that retirement benefits are protected under state constitutions.<sup>4</sup> The State argues that New York has addressed

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<sup>3</sup> See State ex rel. Hammond v. Allen, et al., 625 P.2d 844 (Alaska 1981) (finding that the Alaska Constitution protected repealed retirement system program); Sheffield v. Alaska Public Employees' Association, Inc., 732 P.2d 1083 (Alaska 1987) (finding that adoption of new actuarial table for early retirement benefits was unconstitutional and applied Hoffbeck's diminution of benefits on a case-by-case basis); Municipality of Anchorage v. Gallion, 944 P.2d 436 (Alaska 1997) (prohibiting joinder of weaker retirement plan with existing plans); and Flisock v. State of Alaska, 818 P.2d 640 (Alaska 1991) (holding that retirement benefits vest upon enrollment into the retirement system).

<sup>4</sup> See Betts v. Board of Administrc of the Public Employees' Retirement System, 21 Cal.3d 859, 582 P.2d 614, 148 Cal. Rptr. 158 (1978) (California Supreme Court ruling that "limited vesting" approach allows reasonable modification of the employee's vested pension rights); Musselman v. Governor, 450 Mich. 574, 545 N.W.2d 346 (1995) (Michigan Supreme Court divided whether health benefits fall within

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the issue presented before this court and relies on Lippman v. Board of Education of the Sewanhaka Central High School District, 66 N.Y.2d 313, 487 N.E.2d 897, 496 N.Y.S.2d 987 (1985). In Lippman, the New York Court of Appeals ruled that the medical benefits in question were not protected under its constitutional provision similar to Article XII, Section 7 of the Alaska Constitution.

The Lippman Court found that "health benefits" were not "retirement benefits" as that term is used in the New York Constitution, noting that the constitutional provision "protects only the benefits of membership in a retirement system; other employment conditions, though they may be protected by statute, resolution or individual or collective bargaining agreement, are not within its coverage." Id. at 317. The court noted that the health insurance premium payment provision is contained not in the New York Retirement and Social Security Law, but in the State's Civil Service Law. This is not the case in Alaska where the right to medical benefits is included in Title 39. This court declines to follow Lippman, because Lippman involved a medical plan that was separate from the state retirement system. As discussed previously, Alaska's retirement system includes a system of retirement benefits that include more than just a pension.

The State also argues that this court be guided by how health benefits are treated under the federal Employee Retirement Income Security Act ("ERISA"). The State refers to In Re Unisvs Corp. Retiree Medical Benefit "ERISA" Litigation, 58 F.3d 896 (3rd Cir. 1995), in which the court held that Congress did not impose automatic vesting

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the protection of the state constitution); and Lippman v. Board of Education of the Sewanhaka Central High School District, 66 N.Y.2d 313, 487 N.E.2d 897, 496 N.Y.S.2d 987 (1985) (New York Court of Appeals finding that health benefits independently funded are not protected within state constitution).

*RPEA v. Poe*  
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of welfare benefit plans. Under ERISA a distinction is made between "pension plans" and "welfare plans," and medical benefits fall into the latter category. There is no basis for such a distinction under Alaska law.<sup>5</sup>

Municipality of Anchorage v. Gentile, 922 P.2d 248 (Alaska 1996) is the only other case in Alaska that addressed the issue of whether Article XII, Section 7 of the Alaska Constitution protected retiree *medical* benefits. In Gentile, the issue was whether the Municipality of Anchorage ("MOA") and its public safety employees intended collective bargaining agreements to vest post-retirement medical benefits at retirement. The Gentile Court ruled that "since PERS benefits are vested," it was fair for the trial court to infer that the parties also intended the medical benefits to vest. Id. at 258. Accordingly, Plaintiffs argue that any benefit derived from membership in PERS and TRS is a vested right, including medical benefits.

The Alaska Supreme Court decided the Gentile matter using contract law, based on explicit contracts: the collective bargaining agreements, and did not reach the constitutional issue presented here.<sup>6</sup> The trial court in Gentile,<sup>7</sup> however, ruled, "Post-

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<sup>5</sup> Thus for example, disability benefits are considered to be part of a welfare plan under ERISA and thus not subject to vesting. 58 F.3d at 901. Hoffbeck, however, specifically concerned a reduction in disability benefits.

<sup>6</sup> See Municipality of Anchorage v. Gentile, 922 P.2d 248 (Alaska 1996) (Note 13 states, "The trial court held that by diminishing the medical benefits, MOA violated article XII, section 7 of the Alaska Constitution. Because the class members' contract claim fully resolves the question of whether the medical benefits vested when the covered employees retired, it is unnecessary to consider claimants' constitutional claim.")

<sup>7</sup> John M. Gentile, et al. v. Municipality of Anchorage, Case No. 3AN-92-9377 CI (Superior Court June 25, 1993).

*RPEA v. Poe*  
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retirement medical coverage is provided to the vast majority of MOA employees under [PERS]. Those benefits may not be diminished subsequent to retirement under Article XII Section 7 of the Alaska Constitution.” Plaintiffs argue that the Supreme Court’s opinion in Gentile implies that medical retirement benefits are constitutionally protected. While this court is not bound by the trial court’s opinion in Gentile, nor by dicta in the Supreme Court’s affirming of that case, this court does find both decisions to be significant and persuasive.

This court is bound under Hoffbeck to apply the natural meaning of “retirement systems” to include medical benefits. Accordingly, any changes in the medical plans that operate to an employee’s disadvantage must be offset by a comparable new advantage to that employee. Hoffbeck, 627 P.2d at 1057. A determination of whether vested rights to benefits have been diminished must be made on a case-by-case basis. Id. at 1059.

Defendants strongly argue that changes to the plans that benefit employees offset any changes that are disadvantageous to employees. Defendants’ argument appears similar to the hypothetical data used by the State in Hoffbeck in its attempt to justify the changes to the benefits at issue there. See 627 P.2d at 1058. The Hoffbeck Court rejected this approach noting that “ ‘the comparative analysis of disadvantages and compensating advantages must focus on the particular employee whose own vested pension rights are involved,’ ...and not on hypothetical cases.” Id., quoting Betts v. Board of Administration of the Public Employees Retirement System, 582 P.2d 614, 617 (Cal. 1978). While adjustments to the retirement system that satisfy this test may be

constitutionally implemented under Hoffbeck, no such adjustments have ever been upheld by the Alaska Supreme Court under this test.<sup>8</sup>

Plaintiffs have submitted affidavits<sup>9</sup> from several class members demonstrating that "at least as to some individuals, the new system cannot be said to offer advantages which outweigh its obvious disadvantages." Hoffbeck, supra, 627 P.2d at 1058. This court finds that the changes to the medical benefits system violate Article XII, Section 7 of the Alaska Constitution, at least as to those class members who are adversely affected by them.

### Relief

Plaintiffs have requested that this court postpone any discussion regarding the appropriate remedy for the retirees if the court finds that medical benefits are constitutionally protected. Plaintiffs request an opportunity to reach an agreement on relief, or alternatively submit additional briefing on the appropriate remedy. This court concludes that further briefing on the issue of remedy is appropriate. The parties shall meet and confer within two weeks of the date of this decision and thereafter shall file with the court a proposed order regarding further briefing. If either party desires a status conference, one will be scheduled upon request.

For the reasons set forth above, IT IS HEREBY ORDERED that Plaintiffs' Motion for Summary Judgment is GRANTED and that Defendants' Cross Motion for

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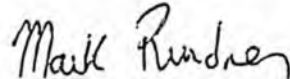
<sup>8</sup> See Hoffbeck, supra, and cases cited in footnote 3, supra.

<sup>9</sup> See Aff. Edward P. Shellinger, Ex. 10; Aff. Robert J. Deitrick, Ex. 11; Aff. Terry Stimson, Ex. 12; Aff. Carol Eamhart, Ex. 13; Aff. Barbara DeBoff, Ex. 15; and Aff. Sam Trivette, Ex. 16., attached as exhibits to Pls.' Mem. in Supp. Mot. for Summ. J.

*RPEA v. Poe*  
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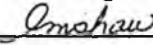
Summary Judgment is DENIED. The issue of remedy is reserved for further decision by this court.

DATED at Anchorage, Alaska this 19 day of September 2001.

  
\_\_\_\_\_  
Mark Rindner  
Superior Court Judge

*I certify that on September 20,  
2001 a copy of the above was  
mailed to each of the following:*

D. Clocksin      B. Owens  
AG-Strasbaugh   J. Trumble

  
\_\_\_\_\_  
Lynn Shaw

*RPEA v. Poe*  
3AN-00-7540 CI  
Order Re: Summary Judgment

Teleconference Order Form

Fax #465-2864

#4782

Sponsor and/or Committee Name			Date
HSTA- Rep. Coghill, Chair			3/26/02
Start/End Time	Chairing site	Juneau Room	Testimony
8am / 10 am	Juneau	Cap102	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Invitational <input type="checkbox"/>
Contact Person and	Phone Number	Other sites may add?	Testimony Limit
Rynniva Moss	465-4963		

Subject of meeting and/or Bills on agenda

HB 315 Group Insurance

Sites - LIOs	Sites - Offnets	Phone #
Anchorage	Bob Lehr Div of Insurance	269-7896
Barrow		
Bethel		
Cordova		
Delta Junction		
Dillingham		
Fairbanks		
Glennallen		
Homer		
Juneau		
Kenai		
Ketchikan		
Kodiak		
Kotzebue		
Matsu		
Nome		
Petersburg		
Seward		
Sitka		
Tok		
Valdez		
Wrangell		

Notes

Bonus - compensation for retirement

# ALASKA STATE HOUSE OF REPRESENTATIVES



Session

(907)-

FAX# (907)-465-

State

**Contact:**

Interim Address:

465-3719

**119 N. Cushman, Suite 211**

3258

**Fairbanks, AK 99701**

**Capitol**

(907)-456-5081

**Room 102**

Fax# (907)-456-8245

## REPRESENTATIVE JOHN COGHILL

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### Memorandum

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Date: March 26, 2002

To: Barbara Craver, Leg Legal

From: Rynniva Moss, Legislative Aide *R. Moss*

Re: HB 315 Work Order#1177J

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Representative Coghill would like Sec. 3 of HB 483 added to the Committee Substitute you are preparing. I have attached the language for your convenience.

Thank you for your assistance.

1 or temporary employee;

2 (B) an elected or appointed official of a governmental unit,  
3 effective upon taking the oath of office; and

4 (C) a contractual employee of the legislative branch of state  
5 government under AS 24.10.060(f) if the employee's personal services contract  
6 provides that the employee is entitled to coverage;

7 \* **Sec. 3.** AS 39.30.090(b) is amended by adding a new paragraph to read:

8 (4) "special services organization" means

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

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

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

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

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

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

22 (B) a corporation incorporated under AS 10.20 that

23 (i) receives state grants to provide services; or

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

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

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

30 **Sec. 39.30.098. Regulations.** The commissioner of administration may adopt  
31 regulations under AS 44.62 (Administrative Procedure Act) to implement



# Alaska State Legislature

Please enter into the record my testimony to the House State Affairs  
Committee name

Committee on HB 315, dated 3/26/02  
Bill/Subject

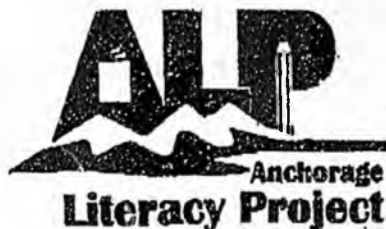
I am testifying today on behalf of Life Quest. Life Quest is a private nonprofit organization dedicated to meeting the mental health needs of the residents of the Mat-Su Borough. We are the community mental center for the Mat-Su. We are funded by a mix of grants (both state and federal), contracts and fees. In the last five years we have seen our health care premiums increase by over 100%. A number of years ago we were forced to drop employer-funded dependent coverage - it became too expensive. This last benefit cycle we were forced to drop vision and dental coverage and increase deductibles because of the dramatic increase in premiums. As a small non-profit, with an employee base of about 110 employees, it is very difficult to find affordable health care premiums. Our ability to attract and retain qualified, effective employees is compromised by the quality of the health care <sup>coverage</sup> we are able to provide. We applaud and support the efforts outlined in HB 315 to give nonprofits like Life Quest access to participate in a large insurance pool and to take advantage of the premium rates such a large pool can command. Thank you.

Signed: [Signature]  
Testifier

Life Quest  
Representing (Optional)

230 E Paulson, Ste 68, Wasilla, AK 99654  
Address

(907) 376 2411  
Phone number



*Changing Lives Through Literacy*



*Member of Laubach Literacy Action and LLI  
National Award for Outstanding Program, 2000-2002*

March 20, 2002

Representative John Coghill, Chair  
State Affairs Committee  
State Capitol, Rm 102  
Juneau, AK 99801-1182

RE:HB 483

Dear Representative Coghill:

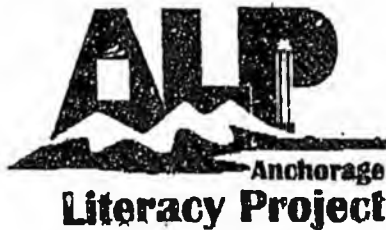
I am writing in support of bills HB 315 and HB 483. I work at the Anchorage Literacy Project in the position of Office Administrator. ALP is a small nonprofit agency that provides basic literacy instruction to both American-born and foreign-born adult students.

Every two weeks, \$211 is deducted from my salary to cover the premiums for my Blue Cross Traditional Program. This program does not cover any vision or dental expenses. Because of increases in the price of premiums, I have had to further reduce my take-home pay in order to put a minimal amount into our annuity program. I am considering changing to the Major Medical Program in order to have more annuity to draw on if I have a vision or dental emergency, but the deductible in this program is very high. At 54 years of age, this situation causes me growing concern.

I am very glad that you are addressing this issue.

Thank you,

Anne Scott



*Changing Lives Through Literacy*



*Member of Laubach Literacy Action and LLI  
National Award for Outstanding Program, 2000-2002*

March 20, 2002

Representative John Coghill, Chair  
State Capitol, Rm 102  
Juneau, AK 99801-1182

RE: HB 483 and HB 315

Dear Representative Coghill:

I am writing in support of HB 483 and/or HB 315. I am a single, professional, college-educated instructor working full-time for the Anchorage Literacy Project, a small nonprofit agency that provides literacy instruction to adults and families. Our staff contributes either \$2.20 per hour worked toward an annuity or individual health insurance plan. Currently, I am not covered by a health insurance policy because I opted to contribute toward an annuity.

I am not comfortable with the fact that I don't have health insurance, but at this time the policies available to me were not within my budget or did not provide the kind of coverage appropriate for my needs. I am embarrassed to admit that most of the low-income or publicly supported clients I serve have much better health coverage than I could ever hope to have while working for such a small nonprofit. Allowing nonprofits and other small business employers to tap into the state's health insurance program makes good sense for the people of Alaska who are providing valuable services and jobs. It is an injustice to price health insurance out of the reach of the working people and small agencies. I believe the creation of a health insurance pool for nonprofits would make a difference in the cost and the type of coverage we could attain as employees.

I appreciate you addressing this issue. Thank you.

Sincerely,

Julie L. Obermeyer  
Multi-Sensory Program Instructor

M: Vern Fyfe  
Foreman  
Nugen's Ranch  
Rep. John Coghill

Health Insurance Legislation (HB 315)

Passage of HB 315 is extremely important to those of us employed in the non-profit sector. Over the past few years our premiums have skyrocketed to the point that our deductibles have been increased, employee contributions have risen substantially, and yet premiums continue to go out of sight.

My employer is ~~at~~ on the verge of being forced to drop our coverage and those of us who have had health problems will be in dire straits if this happens.

Please give this bill your full support.

Vern Fyfe  
Foreman  
Nugen's Ranch



**BIG BROTHERS BIG SISTERS**  
*of Southeast Alaska*

PO Box 20049  
Juneau, AK 99802  
(P) 907.586.3350 (F) 907.586.1886  
mwheeler@bbbs.ak.org

Hon. John Coghill  
House State Affairs Committee  
Alaska State Capitol  
Juneau, AK 99801

March 26, 2002

**RE: SSHB 315**

Dear Rep. Coghill:

On behalf of Big Brothers Big Sisters of Southeast Alaska, as well as our sister agencies, Big Brothers Big Sisters of Anchorage and Big Brothers Big Sisters Greater Fairbanks Area, I urge you to support SSHB 315. Together, our agencies served 831 children last year across the great State of Alaska by finding caring, adult mentors for those that needed one

Big Brothers Big Sisters of Southeast Alaska is a small agency that serves Juneau and Sitka. We hope to expand our services next year to include both Hoonah and Ketchikan. In 2002, we hope to serve 155 children – all with a staff of only 5 ½ FTE equivalents. We are able to serve so many children with so few employees because volunteers perform most of our agency's service delivery. However, we need to hire professional staff to make sure we can recruit and screen volunteer mentors, match them with appropriate Little Brothers or Sisters, and then monitor and assist the match friendship as it develops. Our professional staff is critical in making sure that our Little Brothers and Sisters have safe and nurturing relationships with their Big Brothers and Big Sisters.

We need to be able to offer competitive salaries and benefits to attract and retain these professional caseworkers. To do so, we offer employees with 30 or more hours of employment medical and dental care. Unfortunately, our health care costs have risen steadily over the past several years. In 2002, our health insurance costs will increase by over 20%. Starting in April, we will have to pay almost \$4000 for each employee on our staff. This equals roughly 12% of each employee's salary. We expect these costs to continue to rise rapidly. In the future, such costs will either limit our ability to offer competitive salaries or cause us to reduce our benefit package.

SSHB 315 will help our agency and our sister agencies by allowing us to join state employee coverage as a group and thereby purchase health insurance for our employees at a reduced rate. We'll be able to continue to hire skilled, professional staff that can look out for all the children served by our programs. By supporting Big Brothers Big Sisters programs through this no-cost measure, the State Legislature will also be saving money for the long run. A recent study has shown that children matched with a Big Brother or Big Sister for at least a year are half as likely to start using drugs, a quarter less likely to start drinking, and a third less likely to hit someone. Getting Alaska's kids off to a good start will surely save the State many millions in the years to come.

Thank you for your attention to this important matter,

Marc Wheeler  
Executive Director



food bank of alaska

## Food Bank of Alaska

To: Alaska Legislature  
From: Susannah Morgan, Executive Director *Susannah*  
Date: 3/25/20023/26/02  
Re: HB 315 State Health Insurance for Business/Nonprofits

Food Bank of Alaska strongly supports HB 315, which permits nonprofit organization to join state insurance coverage group. I believe that this legislation is vital to allow nonprofit organizations to provide affordable health insurance to their employees.

Food Bank of Alaska currently employs 11 staff members. We provide health insurance to each staff member, but we do not extend this benefit to spouses or children. Our health insurance plan is very bare bones – a \$250 deductible, 50/50 plan with an out-of-pocket limit of \$1500 per year.

Food Bank of Alaska pays \$63,200 per year to provide health insurance to our staff. This is more than \$5,700 per employee; **health insurance alone is 16% of our total payroll**. Not only is this amount outrageously high, but health insurance costs have escalated astronomically in the last three years. In 1999, our health insurance costs were \$20,000 per year or 6% of our total payroll. Thus, there has been **an increase of 216% over the past three years**.

We are lucky to have been able to provide this benefit, but with costs escalating at such a rapid rate, we fear that we soon have to ask our employees to pay at least a portion of their health insurance. Our employees, with an average salary of approximately \$35,000, simply cannot afford this added expense.

Nonprofit staff provide vital services to our community – Food Bank staff distribute more than 3 million pounds of food each year to nonprofit agencies serving hungry people. Our staff are not well paid for the important work they do; we can at least ensure that they can maintain their health. I urge you to allow us to join the state employee insurance which will allow us to provide equal or better health coverage at less cost.

*Please contact me for more information at Food Bank of Alaska, 2121 Spar Avenue, Anchorage, AK 99501, 272-3663, [smorgan@foodbankofalaska.org](mailto:smorgan@foodbankofalaska.org).*



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the State Affairs  
 Committee on HB 315 Dated 3/26/02  
Committee Name  
Bill / Subject

As an employee of a non-profit for the last 14 years I have seen first-hand the impact of rising insurance costs has on small organizations. The agency went from covering employee & family, to just the employee, and now to sharing the cost with the employee. Any potential for lowering these costs could only benefit businesses, not-for-profits and the quality of life for Alaskans who need health insurance.

SIGNED: Pamela M. Karalunas  
 Testifier

self / AAP / RCPC  
 Representing

P.O. Box 73893, Fairbanks, AK 99707  
 Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House State Affairs  
 Committee on AB 315 Dated 3-26-02  
Committee Name  
Bill / Subject

On behalf of both Arctic Alliance for People and Big Brothers Big Sisters, I would like to offer my wholehearted support of this bill. Finding affordable health insurance for employees is a huge and often insurmountable problem for small non-profits. I am embarrassed to say that I am the Director of a non-profit that does not currently offer health insurance coverage. It has not been for lack of trying, however. We tried to get coverage from a local insurance agent, but found that the plan we thought we could afford would actually be 2 to 3 times as expensive as the initial quote due to an employee's pre-existing condition. Then another glimmer of hope appeared through United Way of America and BC/BS who quoted us a plan that had no pre-existing condition clauses. The day we called to sign up, we were told that they no longer were writing policies in Alaska. Soon afterwards, UWA was unable to offer any insurance plan as a group, which ~~made~~ placed a huge burden on all

SIGNED: Taber S Rehbaum

Testifier Taber S Rehbaum

Arctic Alliance for People and Big Brothers Big Sisters  
 Representing

P.O. Box 438 Ester AK 99725 907 452 8118 (day)  
 Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House State Affairs  
 Committee on HB 315 Dated 3-26-02  
Committee Name  
Bill / Subject

participating agencies and immediately and dramatically increased the cost of health care coverage between 40% and 128%. Needless to say, it put us back at square one, only offering our employees a modest reimbursement program for their own premium costs. As a result, our ability to retain (and attract) valuable employees is compromised. Just last week one of my senior case managers started her new job at the State.

I realize that the State plan is not a total panacea to all the problems associated with insurance benefits for non-profits and small business, but it would give us an option for our employees. We owe this to the dedicated people who are working hard to help us provide efficient and effective services to the children of the State of Alaska.

SIGNED: Taber S Rehbaum  
 Testifier Taber S Rehbaum  
 Representing Arctic Alliance for People and Big Brothers Big Sisters  
 Address / Phone Number P.O. Box 438, Ester AK 99725 907 452 8118 (day)

# ALASKA STATE HOUSE OF REPRESENTATIVES

Interim Address:  
119 N. Cushman, Suite 211  
Fairbanks, AK 99701  
(907)-456-5081  
Fax# (907)-456-8245



Session Contact:  
(907)-465-3719  
FAX# (907)-465-3258  
State Capitol  
Room 102

## REPRESENTATIVE JOHN COGHILL

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### Memorandum

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Date: March 26, 2002  
To: Barbara Craver, Leg Legal  
From: Rynnieva Moss, Legislative Aide *RW Moss*  
Re: HB 315 Work Order#1177J

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The House State Affairs Committee is requesting a CS for SSHB 315 with the following amendments:

Title Change:

Delete: "join state employee insurance coverage as"

Insert: "be"

Page 4, line 21:

Page 4, line 28:

Page 5, line 2:

Delete: "300"

Insert: "50"

Page 5, line 5:

Delete: "July 1, 2003"

Insert: "January 1, 2003"

Page 4, line 16:

Insert a new section:

AS 39.30.090(b)(1) is amended to read:

(1) "eligible employee" means

(A) an employee who has served in permanent full-time or part-time employment with the same governmental unit or special services organization for 30 days or more, including the sole proprietor or the sole shareholder of a proprietorship or corporation described in (4)(A) of this subsection; "eligible employee" does not include [EXCEPT] an emergency or temporary employee;

(B) an elected or appointed official of a governmental unit, effective upon taking the oath of office; and

(C) a contractual employee of the legislative branch of state government under AS 24.10.060(f) if the employee's personal services contract provides that the employee is entitled to coverage;

(D) *small businesses*

*You may have to expand the Title to accommodate redefining eligible employee. Feel free to do so.*

Thanks for your assistance.

17345 Glacier Hwy  
Juneau, AK 99801

March 21, 2002

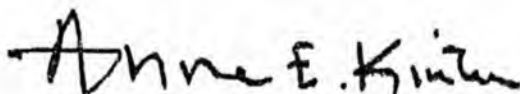
To: Members of State Affairs Committee  
Reps: Coghill, Fatc, James, Stevens, Wilson, Crawford, Hayes

I urge you to support HB315

Lack of health insurance is a most significant barrier to attracting and retaining Good employees. I have sat on Boards of 3 non-profits in which we could not Afford to offer health insurance. This inability markedly narrowcd our choice Of candidates. They couldn't afford to work for us and it was the truth. Human service Workers are notoriously poorly paid any way and to have health insurance not available Or unaffordable is the final injustice.

Furthermore, I hope you will somehow get the issue of personal income tax as a A fair-perhaps the fairest -source of rovenue debated fully and openly. As a percentage Of the federal tax, those poor who do not pay federal tax will not therefore pay state Income tax.. I really feel to rule out arbitrarily this possibility is undemocratic and Thus outrageous.

Thank you for your attention..



Anne E. Kinter

# ALASKA STATE HOUSE OF REPRESENTATIVES

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119 N. Cushman, Suite 211  
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(907)-456-5081  
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Session Contact:  
(907)-465-3719  
FAX# (907)-465-3258  
State Capitol  
Room 102

## REPRESENTATIVE JOHN COGHILL

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### House State Affairs Committee Aide Contact Report

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Date: Friday, March 29, 2002

To: Representative John Coghill, Chairman  
House State Affairs Committee

From: Rynniva Moss, Committee Aide *Rynniva Moss*

Re: HB 315

*File  
State Affairs  
testimony*

I returned a call to Mike Wiggins with Aetna Insurance in Seattle. [206-701-8106; fax 206-701-8175] He listened in on the hearing Thursday on HB 315 and HB 483. He said he does not think it hurts to try creating a larger pool of employer related insurance clients but doesn't feel it will save anyone any money. He said 90% of the cost of medical insurance is controlled by what is paid out in benefits. He said it might get the employees better benefits for the cost of the premium but that is it.

He said the state would have to charge administrative costs for collecting the premiums because the state becomes the middleman that deals with the insurance company. This creates more bureaucracy and more expenses. While there may be an economy of scale for the administrative costs, the non-profits will have to pay those expenses.

Finally, he said the passage of this legislation would require the non-profits to join the group, not the employees. He feels that the non-profits need to understand this legislation is creating a burden on them to provide health insurance for their employees whereas now, they can provide the availability of insurance and provide some of the cost or none of the cost of the premiums.

He predicts that the state will solicit insurance companies for the group created by this legislation and they will get responses from two or three companies but the cost will not be attractive and the businesses will not be interested.