

HB

29

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 29(L&C)
(H) Publish Date: 4/3/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Health Care Insur /Comp Health Ins. Assn. RDU: Insurance (116)
Sponsor: Rokeberg Component: Insurance Operations
Requester: House Labor & Commerce Component No.: 354

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
CHANGE IN REVENUES (1004)	0.0	(1,750.0)	(1,925.0)	(2,120.0)	(2,330.0)	(2,560.0)

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

POSITIONS	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary.)

This legislation would result in a reduction to the general fund of the amount of premium tax that would no longer be collected from insurers who pay ACHIA assessments. To the extent that these insurers have a reduced cost of premium taxes, the cost to the insureds may be reduced. This would go into effect in FY 2008 because the offset "shall apply to the tax levied for the calendar year following an annual determination of each member's liability". This legislation does not impact the operations of the division.

Prepared by: Linda S. Hall, Director Phone: 907 269 7900
Division: Insurance Date/Time: 3/29/06 3:21 PM
Approved by: William Noll, Commissioner Date: 3/29/06
Agency: Commerce, Community, and Economic Development

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Prepared by: Linda S. Hall, Director
Division: Insurance
Approved by: William Noll, Commissioner
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Phone: 907 269 7900
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ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

RULES COMMITTEE CHAIRMAN
LABOR & COMMERCE COMMITTEE MEMBER
LEGISLATIVE COUNCIL MEMBER
SPECIAL COMMITTEE ON OIL & GAS MEMBER
SPECIAL COMMITTEE ON WAYS & MEANS MEMBER

Website: <http://www.aklegis.hawaii.org/committees/index.cfm>



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Representative Norman Rokeberg

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SPONSOR STATEMENT FOR CSIB 29(L&C)

By: Representative Norman Rokeberg

Title: An Act relating to health care insurance and to the Comprehensive Health Insurance Association.

The Alaska Comprehensive Health Insurance Association (ACHIA) was established to provide access to health insurance to all residents of the state who are unable to find or are denied health insurance or who are considered uninsurable. It is also required coverage for those federally eligible individuals under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The plan was first implemented in 1993 and is funded through premiums collected from insureds and assessments received from health insurers transacting business in Alaska. Prior to the time the State of Alaska became self-insured, the State was also a participant in providing funds to ACHIA (through assessments received from its health insurer). The effect of the Knowles' Administration's decision not to stay in ACHIA was to reduce ACHIA's funding by approximately \$400,000 per year.

At the end of December 2003, there were 484 insured individuals participating in ACHIA. As the insurer of last resort, it is necessary that we make sure that ACHIA remains viable and in place. During 2003, over \$4 million was collected in assessments from ACHIA members (those companies or entities who do business in Alaska and pay into ACHIA) and over \$2.6 million was collected in premiums from insured individuals. ACHIA paid out over \$6.6 million in claims expenses in that same year.

The majority of Alaskans that receive health care benefits do not contribute to our high-risk pool, thereby shifting the cost to only those individuals and small groups that purchase health insurance. This is poor public policy, particularly on an unfunded Federal mandate.

Many of the self-insured companies objected to the original version of the bill. Therefore, in order to accommodate the needs of ACHIA, this bill has been modified to grant a tax credit to the insurance companies who are currently assessed for the entire ACHIA shortfall by using a small portion of the premium taxes paid into the state. A premium tax credit is justifiable given the importance of maintaining the viability of the Association and its requirement under HIPAA.

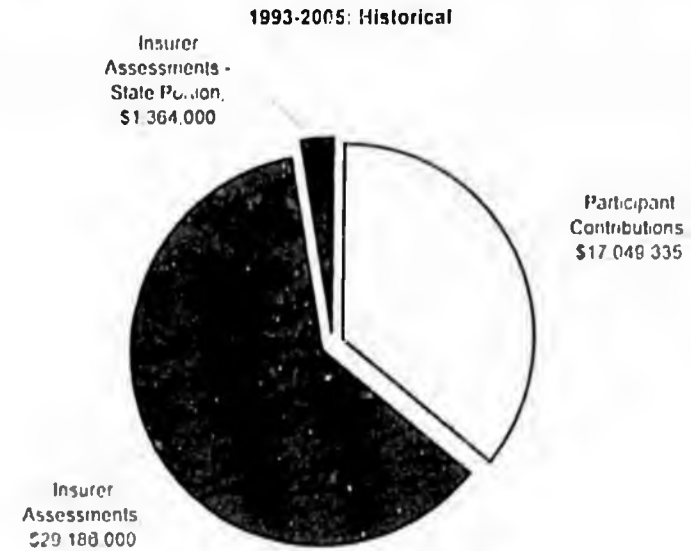
When viewed against the demands of the general fund, the viability of this organization far exceeds those of most other legislation before the legislature. I urge your support of this legislation.

DD2 3/23/06

4-20-06

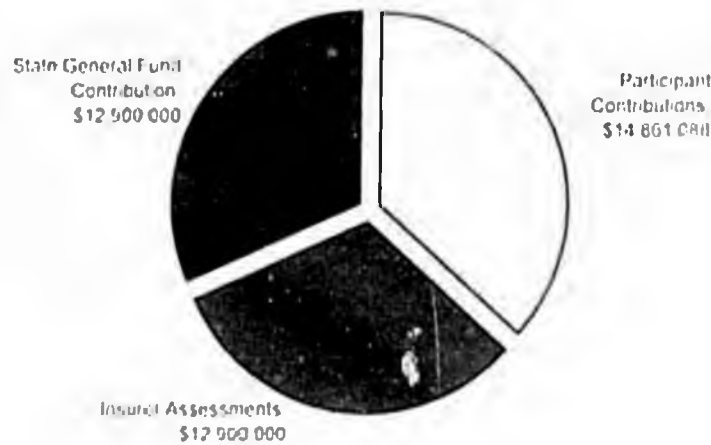
ACHIA
1993 through 2005

Year	Participant Contributions	Claims Paid & Incurred	Assessments Collected	Federal Grant Money
1993	\$ 88,375	\$ 244,758	\$ 250,000	
1994	\$ 348,744	\$ 805,642	\$ -	
1995	\$ 479,001	\$ 2,157,549	\$ 1,800,000	
1996	\$ 588,862	\$ 1,323,651	\$ 1,500,000	
1997	\$ 683,265	\$ 1,843,919	\$ 1,200,000	
1998	\$ 759,686	\$ 1,934,665	\$ 1,500,000	
1999	\$ 863,966	\$ 2,943,692	\$ 2,500,000	
2000	\$ 1,223,291	\$ 3,963,682	\$ 3,300,000	
2001	\$ 1,720,248	\$ 4,503,747	\$ 3,500,000	
2002	\$ 2,072,420	\$ 4,800,821	\$ 2,500,000	
2003	\$ 2,640,325	\$ 7,757,608	\$ 4,500,000	
2004	\$ 2,650,880	\$ 5,813,543	\$ 5,000,000	\$ 969,110
2005*	\$ 2,930,272	\$ 6,846,410	\$ 3,000,000	
1993-2005 Total	\$ 17,019,335	\$ 44,939,687	\$ 30,550,000	\$ 969,110
1998-2005 Total	\$ 14,861,088	\$ 38,564,168	\$ 25,800,000	\$ 969,110

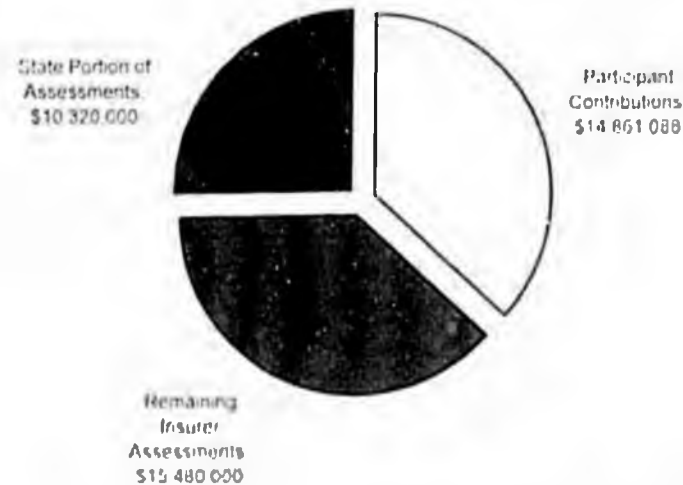


*Not final yet

1998-2005: Proforma With HB29



1998-2005: Proforma Assuming State Had Remained Insured



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Representative Norman Rokeberg

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SECTIONAL ANALYSIS FOR CSHB 29(L&C)

By: Representative Norman Rokeberg

Title: An Act relating to health care insurance and to the Comprehensive Health Insurance Association.

- Section 1:** Insurers who contribute to ACHIA are entitled to a premium tax credit.
- Section 2:** Insurers who contribute to ACHIA shall submit reports and provide information required by the board or director.
- Section 3:** Amends the voting rights section of ACHIA.
- Section 4:** Clarifies that insurers' contributions to ACHIA are based on the "major medical" premiums they write in Alaska.
- Section 5:** Amends the way ACHIA determines liability for unpaid assessments for those insurers who cease to do business in the state.
- Section 6:** An insurer who is required to contribute to ACHIA, may offset 50% of its ACHIA assessment as a tax credit on their premium taxes. The tax credit is applied in the following year based on the previous year's ACHIA assessment.
- Section 7:** Redefines "major medical."
- Section 8:** Premium tax credit applied starting January 1, 2007.

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CAPITAL EXPENDITURES						
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Prepared by Linda S. Hall, Director Phone 907 269 7900
Division Insurance Date/Time 3/29/06 3:21 PM
Approved by William Noll, Commissioner Date 3/29/2006
Agency Commerce, Community and Economic Development

Insurers Writing Comprehensive Health Insurance in Alaska

The Alaska Division of Insurance surveys insurers each year to gather health insurance market share information. For calendar year 2003 the following companies indicated on the survey that they were actively marketing comprehensive health insurance (i.e. writing new business) in Alaska. Note that the following chart does not include insurers that indicated on the survey that they did not actively market comprehensive health insurance in Alaska in 2003. *For information regarding coverage and premiums contact one or more agents or brokers licensed to sell health insurance in Alaska. You can search for agents or brokers in your area on the Division's website at <http://www.commerce.state.ak.us/insurance/producerinfo.htm>. Also, if you click on company name in the following chart you will see a list of agents or brokers that are authorized to sell insurance for that company in Alaska.*

Company Name	Type	Premium	Share of Active Market
Premera Blue Cross Blue Shield of Alaska	<ul style="list-style-type: none"> • Individual • Small Employer • Large Employer 	\$256,727,435	79.27%
Principal Life Insurance Company	<ul style="list-style-type: none"> • Small Employer • Large Employer 	\$23,932,613	7.39%
Aetna Life Insurance Company	<ul style="list-style-type: none"> • Small Employer • Large Employer 	\$16,793,513	5.19%
Golden Rule Insurance Company	<ul style="list-style-type: none"> • Individual 	\$7,362,503	2.27%
Mega Life and Health Insurance Company	<ul style="list-style-type: none"> • Individual • Small Employer 	\$6,145,604	1.90%
United HealthCare Insurance Company	<ul style="list-style-type: none"> • Small Employer • Large Employer 	\$5,578,953	1.72%
Trustmark Insurance Company	<ul style="list-style-type: none"> • Small Employer 	\$3,913,270	1.21%
United of Omaha Life Insurance Company	<ul style="list-style-type: none"> • Large Employer 	\$2,348,204	0.73%
New York Life Insurance Company	<ul style="list-style-type: none"> • Large Employer 	\$585,858	0.18%
John Alden Life Insurance Company	<ul style="list-style-type: none"> • Individual 	\$145,733	0.04%
Celtic Insurance Company	<ul style="list-style-type: none"> • Individual 	\$143,416	0.04%
Connecticut General Life Insurance Company	<ul style="list-style-type: none"> • Large Employer 	\$68,518	0.02%
Continental Assurance Co.	<ul style="list-style-type: none"> • Small Employer 	\$61,820	0.02%
Fortis Insurance Company	<ul style="list-style-type: none"> • Individual 	\$55,784	0.02%
American Heritage Life Insurance Company	<ul style="list-style-type: none"> • Large Employer 	\$8,671	0.00%

Assessments provided by ACHIA Board
March 16, 2005

NAIC	CARRIER	WRITTEN PREMIUM	% OF MARKET	ASSESSMENT
77879	5 Star Life Ins Co	23,539	0.005565819%	\$139
22667	Ace American Ins Co	44,246	0.010446460%	\$261
60054	Aetna Life Ins Co	19,342,481	4.5659577638%	\$114,149
60186	Allstate Life Ins Co	257,111	0.0606932465%	\$1,517
67369	Alfa Health & Life Ins Co	401,834	0.0948563461%	\$2,371
60380	American Family Life Ass Co Columbus	7,472,429	1.7639306564%	\$44,098
60410	American Fidelity Assur Co	1,030,244	0.2431978912%	\$6,080
60534	American Heritage Life Ins Co	407,010	0.0960781851%	\$2,402
27928	Amex Assur Co	416,318	0.0982754179%	\$2,457
10367	Avemco Ins Co	3,700,977	0.8736472155%	\$21,841
61212	Baltimore Life Ins Co	27,867	0.0065782432%	\$164
61263	Barkers Life & Cas Co	148,796	0.0351245660%	\$878
38245	BCS Ins Co	76,729	0.0181125355%	\$453
90638	Best Life And Health Ins Co	18,640	0.0044001311%	\$110
80799	Celtic Ins Co	167,748	0.0395983474%	\$990
80896	Centre Life Ins Co	62,499	0.0147534225%	\$369
62049	Colonial Life & Accident Ins Co	411,142	0.0970535790%	\$2,426
62146	Combined Ins Co Of Amer	73,194	0.0172780685%	\$432
62308	Connecticut General Life Ins Co	87,347	0.0206190050%	\$515
78174	Conseco Health Ins Co	138,002	0.0325765502%	\$814
76325	Conseco Senior Health Ins Co	256,647	0.0605837153%	\$1,515
62413	Continental Assur Co	60,982	0.0143953217%	\$360
26443	Continental Cas Co	2,212,362	0.5222469367%	\$13,056
71404	Continental General Ins Co	106,704	0.0251883901%	\$630
62553	Country Life Ins Co	49,738	0.0117410795%	\$294
62944	Equitable Life Assr Soc Of The US	253,031	0.0597301276%	\$1,493
71870	Fidelity Security Life Ins Co	33,815	0.0079823194%	\$200
38830	Fort Wayne Hlth & Cas Ins Co	1,823,881	0.3833309729%	\$9,583
70408	Fortis Benefits Ins Co	1,810,356	0.4273499885%	\$10,684
80926	GE Grp Life Assur Co	127,958	0.0302055783%	\$755
70025	General Electric Capital Assur Co	1,528,653	0.3608515905%	\$9,021
91472	Globe Life & Accident Ins Co	65,874	0.0155501201%	\$389
62286	Golden Rule Ins Co	7,502,818	1.7711042393%	\$44,278
63312	Great American Life Ins Co	93,205	0.0220018359%	\$550
68322	Great West Life & Annuity Ins Co	7,882,617	1.8607590355%	\$46,519
64211	Guarantee Trust Life Ins Co	19,712	0.0046531859%	\$116
64246	Guardian Life Ins Co Of Amer	2,239,544	0.5286634798%	\$13,217
22217	Gulf Ins Co	19,737	0.0046590873%	\$116
70815	Hartford Life & Accident Ins Co	3,629,278	0.8567220545%	\$21,418
88072	Hartford Life Ins Co	124,582	0.0294086446%	\$735
73288	Humana Ins Co	146,473	0.0345762021%	\$864
70580	Humanadental Ins Co	677,342	0.1598323615%	\$3,997
65005	IDS Life Ins Co	99,643	0.0235215808%	\$588
70254	Jefferson Pilot Financial Ins Co	1,249,917	0.2950535782%	\$7,376
65080	John Aiken Life Ins Co	172,468	0.0407125437%	\$1,018
65099	John Hancock Life Ins Co	756,106	0.1764852761%	\$4,462
65315	Liberty Life Assur Co Of Boston	84,390	0.0193068164%	\$498
65323	Liberty Life Ins Co	43,327	0.0102277082%	\$256
65498	Life Ins Co Of North Amer	1,750,924	0.4133205576%	\$10,333
64130	Life Investors Ins Co Of Amer	784,573	0.1852051544%	\$4,630
65676	Lincoln Natl Life Ins Co	74,120	0.0174966588%	\$437
71471	Medico Life Ins Co	136,587	0.0322425274%	\$806
97055	Meta Life & Health Ins Co The	7,475,106	1.7645625851%	\$44,114
65978	Metropolitan Life Ins Co	2,423,139	0.5720026469%	\$14,300
65087	Mid West Natl Life Ins Co Of Tr	23,017	0.0054333593%	\$136
66281	Monumental Life Ins Co	432,164	0.1020207227%	\$2,551
66370	Mony Life Ins Co	247,661	0.0584624993%	\$1,462
71412	Mutual Of Omaha Ins Co	1,194,383	0.2819443034%	\$7,049
66015	New York Life Ins Co	2,105,432	0.4970051973%	\$12,425
24147	Old Republic Ins Co	41,643	0.0098773974%	\$247
97268	Pacific Life & Annuity Co	369,378	0.0871848392%	\$2,180
61798	Paul Revere Life Ins Co	468,271	0.1105393671%	\$2,763
63282	Penn Treaty Network Amer Ins Co	111,350	0.0262851181%	\$657
67660	Pennsylvania Life Ins Co	57,891	0.013665648%	\$342
66005	Peoples Benefit Life Ins Co	58,591	0.0138300957%	\$346
80578	Physicians Mut Ins Co	717,049	0.1694770905%	\$4,237
47570	Primer Blue Cross	21,270,411	62.0140999997%	\$1,550,352
61271	Principal Life Ins Co	7,520,815	1.6965233216%	\$16,413
68136	Protective Life Ins Co	45,905	0.0108362671%	\$271
68195	Provident Life & Accident Ins Co	940,313	0.2210689110%	\$5,549
68209	Provident Life & Cas Ins Co	20,837	0.0063351030%	\$158
68241	Prudential Ins Co Of Amer	327,727	0.0773627561%	\$1,834

Assessments provided by ACHIA Board
 March 16, 2005

NAIC	CARRIER	WRITTEN PREMIUM	% OF MARKET	ASSESSMENT
65765	Reassure America Life Ins Co	301,689	0.0712162639%	\$1,780
67105	Reliastar Life Ins Co	2,709,522	0.6396057989%	\$15,990
61360	Reliastar Life Ins Co Of NY	88,444	0.0208779612%	\$522
68608	Safeco Life Ins Co	8,785,075	2.0737919505%	\$51,845
69914	Sears Life Ins Co	144,779	0.0341763189%	\$854
68721	Security Life Ins Co Of Amer	61,632	0.0145487597%	\$364
66355	Standard Life & Accident Ins Co	25,380	0.0059911657%	\$150
25178	State Farm Mut Auto Ins Co	3,793,898	0.8955820108%	\$22,390
77399	Sterling Life Ins Co	271,901	0.0641845522%	\$1,605
65021	Stonebridge Life Ins Co	2,046,169	0.4830156603%	\$12,075
87726	The Travelers Ins Co	86,246	0.0203591046%	\$509
60142	TIAA Cref Life Ins Co	22,093	0.0052152413%	\$130
86231	Transamerica Life Ins Co	25,010	0.0059038240%	\$148
67121	Transamerica Occidental Life Ins Co	45,262	0.0106844815%	\$267
61425	Trustmark Ins Co	83,865	0.0197970492%	\$495
37893	Ullico Cas Co	139,395	0.0329053797%	\$823
80314	Unicare Life & Health Ins Co	331,754	0.0783133638%	\$1,958
62596	Union Fidelity Life Ins Co	153,880	0.0363246876%	\$908
69744	Union Labor Life Ins Co	1,535,028	0.3623564637%	\$9,059
92316	United American Ins Co	88,186	0.0208170581%	\$520
79413	United Healthcare Ins Co	12,796,116	3.0206324202%	\$75,518
69868	United Of Omaha Life Ins Co	4,660,575	1.1001685153%	\$27,504
70106	United States Life Ins Co In NYC	1,054,504	0.2489246713%	\$6,223
62235	Unum Life Ins Co Of Amer	6,148,871	1.4514934915%	\$36,287
80659	US Bus of the Canada Life Assur Co	62,022	0.0146408226%	\$368
69663	USAA Life Ins Co	165,269	0.0390131583%	\$975
81027	Veterans Life Ins Co	20,424	0.0048212596%	\$121
70319	Washington Natl Ins Co	67,255	0.0158761169%	\$397
16535	Zurich American Ins Co	689,835	0.1628414408%	\$4,071
		423,623,739	100.0000000000%	\$2,500,000

HB 29
Analysis of Change in Assessment Formula

Current Assessment Formula (AS 21.55)

An insurer is a member of Alaska Comprehensive Health Insurance Association (ACHIA) if it offers major medical insurance on an expense-incurred basis in Alaska. Major medical is defined as a health insurance contract or subscriber contract that provides benefits for hospital and medical care with potential lifetime maximum benefits of at least \$10,000. Major medical does not include a stop loss insurance policy, a fixed indemnity health insurance product, or a product with lifetime maximum benefits of less than \$10,000.

If an insurer offers major medical insurance on an expense-incurred basis in Alaska, then all health insurance premiums offered by that insurer, including stop loss insurance, fixed indemnity and other non-major medical health insurance (such as long term care, disability income, specified disease) premiums would be assessed. However, if an insurer only wrote stop loss insurance, fixed indemnity or other non-major medical health insurance, then the insurer would not be assessed.

A member's share of ACHIA assessments is the insurer's health insurance premiums written in Alaska in the base year divided by the total health insurance premiums written in Alaska by all ACHIA members in the base year.

For example, assume that only the following 7 insurers write the health insurance in Alaska as shown.

	<u>Major Medical Premiums</u>	<u>Stop Loss Premiums</u>	<u>Other Non-Major Medical Premiums</u>
Insurer1	5,000	0	1,500,000
Insurer2	0	0	5,000,000
Insurer3	150,000,000	0	70,000
Insurer4	15,000,000	0	0
Insurer5	0	3,000,000	0
Insurer6	400,000	300,000	0
Insurer7	0	100,000	300,000

In this example Insurer2, Insurer5, and Insurer7 would not be members of ACHIA and subject to assessment, since they have not written any major medical insurance.

Assessment shares would be determined as follows:

	<u>Major Medical Premiums</u>	<u>Stop Loss Premiums</u>	<u>Other Non-Major Medical Premiums</u>	<u>Total Premiums</u>	<u>Assessment Share*</u> <u>%</u>
Insurer1	5,000	0	1,500,000	1,505,000	.90
Insurer3	150,000,000	0	70,000	150,070,000	89.72
Insurer4	15,000,000	0	0	15,000,000	8.96
Insurer6	400,000	300,000	0	700,000	.42
				167,275,000	100.00

* Assessment share = Each member's total premium / total premium for all members

If the total ACHIA assessment required is \$5,000,000:

Insurer1 would pay	45,000	(.0090*5,000,000)
Insurer3 would pay	4,486,000	(.8972*5,000,000)
Insurer4 would pay	448,000	(.0896*5,000,000)
Insurer6 would pay	<u>21,000</u>	(.0042*5,000,000)
	5,000,000	

Proposed Assessment Formula (HB 29)

An insurer is a member of ACHIA if it offers major medical insurance on an expense-incurred basis in Alaska. In addition a self-insured entity for which the State is not preempted from regulating under federal law that provides major medical benefits is also a member. Major medical benefits are defined to include stop loss insurance and to exclude benefits such as dental, vision, accident, disability income and other benefits that are not major medical benefits. Under HB 29 ACHIA membership would be expanded to include stop loss insurers and self-insured entities for which the state is not preempted from regulating under federal law which includes self-funded governmental plans, church plans, and multiple employer welfare arrangements. Also, the change in the definition of major medical in HB 29 would result in some insurers no longer being members.

ACHIA members would be assessed on the number of lives covered under their major medical health plans in Alaska instead of all health insurance premiums written in Alaska. Since the number of lives covered under major medical plans is not currently reported to the Division, each member would be required to report such data to the director for purposes of determining the ACHIA assessment.

Each member's share of the ACHIA assessment is the member's reported number of lives with major medical coverage in the base year divided by the total number of lives with major medical reported by all ACHIA members in the base year.

For example, assume that only the following 7 insurers write the health insurance in Alaska as shown:

	<u>Stop Loss Number of Lives</u>	<u>Major Medical Number of Lives</u>	<u>Non-Major Medical Number of Lives</u>
Insurer1	0	3	1,000
Insurer2*	0	0	20,000
Insurer3	0	65,000	0
Insurer4	0	6,500	500
Insurer5	11,000	0	0
Insurer6	200	150	2,000
Insurer7	350	0	5,000

*Insurer2 is not a member of ACHIA and therefore would not be assessed, since none of the coverage that Insurer2 wrote meets the definition of major medical.

Assessment shares would be determined as follows:

	<u>Stop Loss Number of Lives</u>	<u>Major Medical Number of Lives</u>	<u>Total Number of Lives</u>	<u>Share %*</u>
Insurer1	0	3	3	0.00
Insurer3	0	65,000	65,000	78.12
Insurer4	0	6,500	6,500	7.82
Insurer5	11,000	0	11,000	13.22
Insurer6	200	150	350	.42
Insurer7	350	0	350	.42

*Share % = Each insurer's total number of lives / total number of lives for all insurers

If the total assessment required is \$5,000,000:

Insurer1 would pay	0	(.0000*5,000,000)
Insurer3 would pay	3,906,000	(.7812*5,000,000)
Insurer4 would pay	391,000	(.0782*5,000,000)
Insurer5 would pay	661,000	(.1322*5,000,000)
Insurer6 would pay	21,000	(.0042*5,000,000)
Insurer7 would pay	21,000	(.0042*5,000,000)
	<u>5,000,000</u>	

Illustration of impact of HB29 on ACHIA assessments:

- This analysis uses the 2003 Health Insurance Survey and State of Alaska data
- *The assessment formula in HB 29 requires that to the extent practicable, each covered life should be count only once. The Division does not have the necessary data to adjust the number of covered lives to remove duplicates. Therefore, the below impact should be considered illustrative only.*
- The below analysis assumes that the state employee union health trusts and other self-funded governmental plans and self-funded church plans purchase stop-loss insurance and therefore the covered lives are already included the stop loss insurance data
- The 2003 premium assessment base was approximately \$423,625,000
- The 2003 estimated total covered lives base under HB 29 is 303,800.

Assuming a \$5 million ACHIA assessment:

<u>Member</u>	<u>Premium Covered</u> <u>(000s)</u>	<u>Covered</u> <u>Lives</u>	<u>Current</u> <u>Share</u>	<u>Current Amt</u> <u>Assessed</u>	<u>HB29</u> <u>Share</u>	<u>HB29 Amt</u> <u>Assessed</u>
Premiera Blue Cross	263,000	83,400	62.01%	\$3,100,000	27.4%	\$1,372,000
State of Alaska*	160,000	63,600	0%	\$0	20.9%	\$1,047,000
Principal	27,500	7,000	6.50%	\$325,000	2.3%	\$114,000
Aetna	19,300	5,700	4.57%	\$228,000	1.9%	\$94,000
United HealthCare	12,800	11,000	3.02%	\$151,000	3.6%	\$180,000
Great-West	7,880	13,000	1.86%	\$93,000	4.3%	\$216,000
Golden Rule	7,500	3,800	1.77%	\$88,000	1.3%	\$63,000
Mega L&H	7,500	3,000	1.77%	\$88,000	1.0%	\$49,000
AFLAC	7,500	0	1.77%	\$88,000	0%	\$0
Avemco	3,700	6,700	0.87%	\$44,000	2.2%	\$110,000
Companion	1,900	2,200	0%	\$0	.7%	\$36,000
All Stop Loss Insurers	42,000	96,000	10%	\$465,000	32%	\$1,580,000

*Only includes employees and dependents covered under Select Benefits (i.e. plans administered by the State, with no stop loss insurance coverage), and Retirees

Notes:

AFLAC writes low premium limited benefit health insurance products that are not included in the HB 29 definition of major medical.

Companion is not assessed under the current formula because Companion only wrote stop loss insurance, which is not considered major medical insurance under the current assessment formula

Great-West and Avemco primarily write stop loss insurance, the premium per covered life is smaller for stop loss coverage compared with major medical coverage. This means that assessments on stop loss insurance will be higher under the HB 29 covered lives based formula compared with the current premium based formula.

Illustration of impact of HB29 on ACHIA assessments (Without State Retirees):

- This analysis uses the 2003 Health Insurance Survey and State of Alaska data
- *The assessment formula in HB 29 requires that to the extent practicable, each covered life should be count only once. The Division does not have the necessary data to adjust the number of covered lives to remove duplicates. Therefore, the below impact should be considered illustrative only.*
- The below analysis assumes that the state employee union health trusts and other self-funded governmental plans and self-funded church plans purchase stop-loss insurance and therefore the covered lives are already included the stop loss insurance data
- The 2003 premium assessment base was approximately \$423,625,000
- The 2003 estimated total covered lives base under HB 29 is 254,000.

Assuming a \$5 million ACHIA assessment:

<u>Member</u>	<u>Premium Covered</u> <u>(000s)</u>	<u>Lives</u>	<u>Current Current Amt</u> <u>Share</u>	<u>Assessed</u>	<u>HB29</u> <u>Share</u>	<u>HB29 Amt</u> <u>Assessed</u>
Premera Blue Cross	263,000	83,400	62.01%	\$3,100,000	32.3%	\$1,639,000
State of Alaska*	160,000	63,600	0%	\$0	5.5%	\$277,000
Principal	27,500	7,000	6.50%	\$325,000	2.7%	\$136,000
Aetna	19,300	5,700	4.57%	\$228,000	2.2%	\$112,000
United HealthCare	12,800	11,000	3.02%	\$151,000	4.3%	\$215,000
Great-West	7,880	13,000	1.86%	\$93,000	5.2%	\$259,000
Golden Rule	7,500	3,800	1.77%	\$88,000	1.5%	\$75,000
Mega L&H	7,500	3,000	1.77%	\$88,000	1.2%	\$58,000
AFLAC	7,500	0	1.77%	\$88,000	0%	\$0
Avemco	3,700	6,700	0.87%	\$44,000	2.6%	\$131,000
Companion	1,900	2,200	0%	\$0	.9%	\$43,000
All Stop Loss Insurers	42,000	96,000	10%	\$465,000	38%	\$1,887,000

*Only includes employees and dependents covered under Select Benefits (i.e. plans administered by the State, with no stop loss insurance coverage). DOES NOT INCLUDE STATE RETIREES.

Notes:

AFLAC writes low premium limited benefit health insurance products that are not included in the HB 29 definition of major medical.

Companion is not assessed under the current formula because Companion only wrote stop loss insurance, which is not considered major medical insurance under the current assessment formula

Great-West and Avemco primarily write stop loss insurance, the premium per covered life is smaller for stop loss coverage compared with major medical coverage. This means that assessments on stop loss insurance will be higher under the HB 29 covered lives based formula compared with the current premium based formula.



Comprehensive
Health
Insurance
Association
P.O. Box 1090
2015 16th Street
Great Bend, KS 67530

Directors:
Jeffrey W. Davis (Chairperson)
J. Brian Angel
Marilyn Walsh Kasmar
Chester Lozowski
Mona McAleese
Shawn Pollock
Chris Palme-Krizak
Katherine Campbell (Ex-Officio)
Cecil D. Bykerk, Executive Director

March 31, 2006

The Honorable Norman Rokeberg
State Capitol Room 214
Juneau, AK
99801-1182

Dear Chairman Rokeberg:

Thank you for your continued interest and assistance with the risk pool legislation. Heather has provided us the March 23 draft committee substitute for HB 29. We are pleased that the Labor & Commerce Committee will be holding a hearing on the bill today. Unfortunately, Jeff Davis, Chair of ACHIA, Brian Angel, Vice-Chair of ACHIA, and I are unavailable to participate by telephone due to previous commitments.

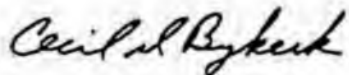
As you know, the Board believes strongly that ACHIA benefits Alaskans by providing affordable access to health insurance for those individuals that, due to health conditions, cannot obtain coverage in the private market. Consumers in the private market benefit from more stable and otherwise lower premiums. Moreover, by providing coverage for otherwise uncovered catastrophic health conditions, ACHIA ultimately reduces the uncompensated care rolls, thereby benefiting all Alaskans.

Because ACHIA benefits all Alaskans, the most equitable funding approaches are those that are broad-based. To this end, ACHIA supports the inclusion of a premium tax offset for fifty-percent of member assessments. This mechanism not only achieves broad-based funding, but also ensures ACHIA has a stable source of operating funds. The board believes that this bill will provide some relief to those insured Alaskans who currently carry the burden of the assessments through increased premiums for major medical insurance.

Additionally, the board supports the clean-up provisions in Sections 2-5 and 7 of the bill. We believe these provisions are both important and non-controversial and, therefore, respectfully urge your support for these provisions as well.

Thank you and your staff again for supporting ACHIA. We stand ready to meet with you as well as other members of the legislature in Juneau to discuss the bill as time permits.

Sincerely,



Cecil D. Bykerk, FSA, MAAA
Executive Director

cc: Director Linda Hall
Board of Directors

America's Health
Insurance Plans

601 Pennsylvania Avenue, NW
South Building
Suite Five Hundred
Washington, DC 20004

202 778 3200
www.ahip.org



April 11, 2006

Dear Representative Wilson:

America's Health Insurance Plans (AHIP) would like to support HB 29, which provides a partial offset against premium taxes for contributors to Alaska's Comprehensive High Risk Pool (CHIA).

The Comprehensive High Risk Pool provides insurance for Alaskans with known illnesses which may otherwise prevent them from obtaining health insurance coverage. Since the costs of the pool will always exceed the payments required by statute from the participants, health insurers doing business in the State pay for the losses on an annual basis. Those losses are growing larger each year.

Alaska's health care market is divided into self insured, federally insured and privately insured components. Self insured and federally insured segments are exempt from payment to the pool, leaving only the privately insured. That segment, which only represents about 100,000 Alaskans bears the entire cost of the losses.

As a matter of public policy, it makes sense to either broaden the base which pays for the losses. By allowing a 50% premium tax credit, the base is broadened by half, which is an important step in the right direction.

If you would like any further information or analysis, please let us know

Thank you

Sincerely,

A handwritten signature in cursive script that reads "Christian Jones".

Christian Jones
AHIP

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

FINES COMMITTEE CHAIRMAN
LABOR & COMMERCE COMMITTEE MEMBER
LEGISLATIVE COUNCIL MEMBER
SPECIAL COMMITTEE ON OIL & GAS MEMBER
SPECIAL COMMITTEE ON WAYS & MEANS MEMBER

Website: www.akleg.state.ak.us Phone: (907) 261-0111



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JEANINE
ALASKA STATE CAPITOL
JUNEAU, AK 99901-1180
PHONE: (907) 465-4968
FAX: (907) 465-2049

Representative Norman Rokeberg

e-mail: Representative.Norman.Rokeberg@legis.state.ak.us

SECTIONAL ANALYSIS FOR HB 29

By: Representative Norman Rokeberg

Title: An Act relating to health care insurance and to the Comprehensive Health Insurance Association; and providing for an effective date.

- Section 1:** Amends the definition of "stop-loss insurance" to more clearly define the term.
- Section 2:** Repeals and reenacts the membership provision of the Alaska Comprehensive Health Insurance Association (ACHIA) to include self-insureds.
- Section 3:** Amends the voting rights section of ACHIA.
- Section 4:** Changes the way ACHIA assesses its members to reflect the addition of self-insureds.
- Section 5:** Establishes that each ACHIA member must provide the Director of Insurance with certain information by April 1st of each year. Further provides how ACHIA's board is to establish a member's assessment share based on the date filed.
- Section 6:** Redefines "major medical benefits."
- Section 7:** Defines "self-insured entity."
- Section 8:** Conforms AS 39.30.095(b) by adding a reference to new section contained in Section 9 of the bill.
- Section 9:** Establishes that the membership assessment the State of Alaska is to pay as a member of ACHIA will be paid by the State and not added to an employee's contribution towards that employee's health benefits costs.
- Section 10:** Establishes a transition procedure that provides:
- The current ACHIA assessment plan and membership will remain in place until January 1, 2006.
 - Information needed by the Division of Insurance to establish the new share and membership assessment plan must be provided to the Division by September 30, 2005.
- Section 11:** Permits the Division of Insurance to immediately start work on necessary regulations to implement the provisions of this legislation.
- Section 12:** Provides for an immediate effective date.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 29
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Statewide
Title An Act relating to health care insurance (CHIA) RDU Statewide
Component Statewide
Sponsor Representative Rokeberg
Requester Labor and Commerce, Health, Educati Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	1,047.0	1,047.0	1,047.0	1,047.0	1,047.0	1,047.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,047.0	1,047.0	1,047.0	1,047.0	1,047.0	1,047.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	.	.	.	.	.	.
1003 GF Match	.	.	.	.	.	.
1004 GF	ALL FUNDING SOURCES					
1005 GF/Program Receipts	.	.	.	.	.	.
1037 GF/Mental Health	.	.	.	.	.	.
Other (Specify Type-Do not abbreviate)	.	.	.	.	.	.
TOTAL	1,047.0	1,047.0	1,047.0	1,047.0	1,047.0	1,047.0

Estimate of any current year (FY2005) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would add self-insured plans (to the extent permitted under federal law) to the membership of the Comprehensive Health Insurance Association (CHIA).

Based on the anticipated CHIA assessment for 2005, this bill would assess the Select Benefits Plan (5,300 employees) an annual estimated amount of \$232,000 and the Retiree Health Plan an estimated annual amount of \$815,000 for a total of \$1,047,000 per year.

Prepared by: Melanie Milhorn, Director Phone 465-4408
Division: Retirement and Benefits Date/Time 4/7/05 2:37 PM
Approved by: Mike Tibbles, Deputy Commissioner Date 4/7/2005
Agency: Department of Administration

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HB 29

This estimate is being provided and would need to be followed-up by an actuarial analysis, which is estimated to take approximately two weeks from the date of the request.

AS 24.08.036 FISCAL NOTES ON BILLS AFFECTING STATE RETIREMENT SYSTEMS, requires an additional analysis of the long term and short term costs to the state if a bill is adopted, as well as the impact of the bill on the actuarial soundness of the funds. This bill would increase the average PERS contribution rate by _____% (to be determined) of PERS payroll. For FY 06 this would be an added cost to the state of approximately \$1,047,000. In addition, the funding ratio of the PERS as of June 30, 2004 was 70.2%. Passage of this bill would decrease the funding ratio to % _____(to be determined).

This bill would also increase the TRS contribution rate by _____(to be determined) % of TRS payroll. The funding ratio of the TRS as of June 30, 2004 was 62.8%. The passage of this bill would decrease the funding ratio by _____% (to be determined) .

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 29
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title Health Care Insurance-ACHIA RDU Insurance (116)
Component Insurance
Sponsor Rokeberg
Requester House Labor & Commerce Component No. 354

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	0	FY 2009	FY 2010	FY 2011
Personal Services	0.0	0.0		0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 29 would expand membership of ACHIA to include stop loss insurers and self-insured entities for which the state is not preempted from regulating under federal law which includes self-funded governmental plans, church plans, and multiple employer welfare arrangements. The bill would change the definition of major medical which would result in some insurers no longer being members. It would modify the assessment formula from a premium based formula to formula based on the number of lives covered under their major medical health plans in Alaska. Since the number of lives covered under major medical plans is not currently reported to the Division, each member would be required to report such data to the director for purposes of determining the ACHIA assessment. The director reports this information to the board and the board is responsible for determining the assessments. This bill would have no fiscal impact on the Division.

Prepared by: Linda S. Hall, Director Phone 907-269-7900
Division Insurance Date/Time 4/7/05 3:15 PM
Approved by: Edgar Blatchford, Commissioner Date 4/7/2005
Agency Commerce, Community, and Economic Development

Are you **uninsured** due to a
medical condition?

ACHIA will offer you
health insurance



ACHIA
Alaska Comprehensive Health Insurance Association

**ALASKA COMPREHENSIVE HEALTH INSURANCE
ASSOCIATION - ACHIA**

ACHIA is a program created by the state legislature for residents of the state of Alaska. It is designed to provide health insurance for those individuals who are denied health insurance in the private market because of a medical condition. For example, a resident of Alaska, who is diabetic and who is rejected by an insurance company, will be accepted by ACHIA.

ACHIA is also available to those individuals who lose their employer group health insurance coverage and who meet certain federal rules for eligibility. Under these rules, an individual who applies for ACHIA coverage within 90 days of the loss of employer coverage is eligible for ACHIA insurance. The individual must have exhausted all available extended employer insurance coverage (COBRA). ACHIA is also available to those individuals who qualify under the federal Health Coverage Tax Credit program.

ACHIA offers several comprehensive \$1,000,000 lifetime maximum plans. The primary difference between the plans is the annual deductible and the associated out-of-pocket limits which an individual must pay in any calendar year. All ACHIA plans allow you to see the physician of your choice.

Most ACHIA plans do have a preferred hospital provider (PHO) clause. The remaining plans, the "Traditional" plan and the Medicare plans, do not have a PHO clause.

For those who are covered under Medicare, ACHIA offers two Medicare Supplement plans and a Medicare Caveout plan. The Medicare Caveout is for individuals under the age of sixty-five. It coordinates the benefits of Medicare with the benefits of the ACHIA "Traditional Plan" including the prescription drug benefits.

ACHIA does have a pre-existing condition exclusion provision. This provision looks back at health problems which existed within the three months before the policy date. ACHIA then limits benefits for these pre-existing problems during the six months following the onset of the policy. The pre-existing condition exclusion does not apply if the individual is eligible under the Federal rules.

For further information and for applications, please see our website at www.achia.com or contact an insurance agent. You may contact our administrator, BMI, by calling toll free 1-888-290-0616 or by writing them at BMI, P.O. Box 1090, Great Bend, KS 67530.

Are you **uninsured** due to a
medical condition?

ACHIA will offer you
health insurance,



ACHIA

Alaska Comprehensive Health Insurance Association

**ALASKA COMPREHENSIVE HEALTH INSURANCE
ASSOCIATION (ACHIA)**

ACHIA is a program created by the state legislature for residents of the state of Alaska. It is designed to provide health insurance for those individuals who are denied health insurance in the private market because of a medical condition. For example, a resident of Alaska who is diabetic and who is rejected by an insurance company will be accepted by ACHIA.

ACHIA is also available to those individuals who lose their employer group health insurance coverage and who meet certain federal rules for eligibility. Under these rules an individual who applies for ACHIA coverage within 90 days of their loss of employer coverage is eligible for ACHIA insurance. The individual must have exhausted any available extended employer insurance coverage (COBRA). ACHIA is also available to those individuals who qualify under the federal Health Coverage Tax Credit program.

ACHIA offers several comprehensive \$1,000,000 lifetime maximum plans. The primary difference between the plans is the annual deductible and the associated out-of-pocket limits which an individual must pay in any calendar year. All ACHIA plans allow you to see the physician of your choice.

Most ACHIA plans do have a preferred hospital provider (PHO) clause. The remaining plans, the "Traditional" plan and the Medicare plan, do not have a PHO clause.

For those who are covered under Medicare, ACHIA offers two Medicare Supplement plans and a Medicare Cost-out plan. The Medicare Cost-out plan is for individuals under the age of sixty-five. It coordinates the benefits of Medicare with the benefits of the ACHIA "Traditional Plan", including the prescription drug benefits.

ACHIA does have a pre-existing condition exclusion provision. This provision looks back at health problems which existed within the three months before the policy date. ACHIA then limits benefits for these pre-existing problems during the six months following the onset of the policy. The pre-existing condition exclusion does not apply if the individual is eligible under the federal rules.

For further information and for applications, please see our website at www.achia.com or contact your insurance agent. You may contact our administrative office by calling toll free 1-800-280-0810 or by writing them at BMI, P.O. Box 1090, Great Bend, KS 67530.