

**HB**

**29**



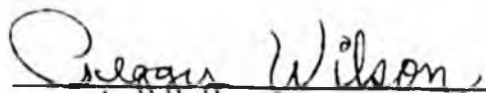
Health, Education, and Social Services Committee  
Alaska State Legislature  
House of Representatives  
Representative Peggy Wilson - Chair

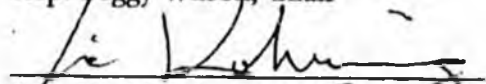
MEMORANDUM

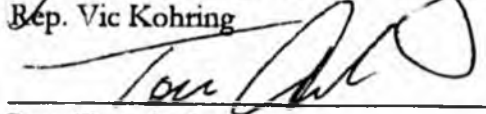
Date: April 3, 2006  
To: Representative John Harris  
Speaker of the House  
From: Representative Peggy Wilson, Chair  
House Health Education and Social Services Committee  
Re: Waive CS for HB 29 (L&C) Version U from Committee

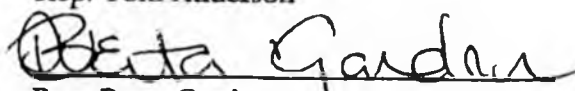
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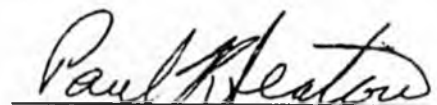
The members of the House Health, Education & Social Services Committee request the CS for HB 29 (L&C) Version U "HEALTH CARE INSUR./COMP HEALTH INS. ASSN" be waived from committee and that the bill be moved to the next committee of referral, which is Finance.


  
Rep. Peggy Wilson, Chair

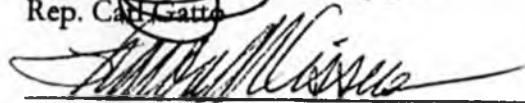
  
Rep. Vic Kohring

  
Rep. Tom Anderson

  
Rep. Berta Gardner

  
Rep. Paul Seaton, Vice-Chair

  
Rep. Carl Gatto

  
Rep. Sharon Cissna



24-LS0191R  
Bailey  
3/22/06

**CS FOR HOUSE BILL NO. 29( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FOURTH LEGISLATURE - SECOND SESSION**

**BY**

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

**Sponsor(s): REPRESENTATIVE ROKEBERG**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to health care insurance and to the Comprehensive Health Insurance**  
2 **Association."**

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

4 **\* Section 1. AS 21.09.210 is amended by adding a new subsection to read:**

5 (p) A qualified insurer is entitled to a premium tax credit under AS 21.55.220.

6 **\* Sec. 2. AS 21.55.010 is amended adding a new subsection to read:**

7 (b) A member shall submit reports and provide information required by the  
8 board or the director to implement this chapter as a condition of transacting business  
9 in the state.

10 **\* Sec. 3. AS 21.55.020(c) is amended to read:**

11 (c) In determining voting rights at association meetings, an association  
12 member is entitled to vote in person or by proxy. The vote shall be a weighted vote  
13 based on the association member's share of assessments as determined under  
14 AS 21.55.220 [PREMIUMS FOR HEALTH INSURANCE FOR MAJOR MEDICAL

1 COVERAGE ON AN EXPENSE INCURRED BASIS, OR THE ASSOCIATION  
2 MEMBER'S SUBSCRIBER FEES, DERIVED FROM OR ON BEHALF OF STATE  
3 RESIDENTS IN THE PREVIOUS CALENDAR YEAR, AS DETERMINED BY  
4 THE DIRECTOR].

5 \* Sec. 4. AS 21.55.220(c) is amended to read:

6 (c) Each member of the association shall share the losses due to claims  
7 expenses of the state plans issued or approved for issuance by the association, and  
8 shall share in the operating and administrative expenses incurred or estimated to be  
9 incurred by the association incident to the conduct of its affairs. Claims expenses of  
10 the state plan that exceed the premium payments allocated to the payment of benefits  
11 shall be the liability of the members. Each member shall share in the claims expense  
12 of the state plans and operating and administrative expenses of the association in an  
13 amount equal to the ratio of the member's [TOTAL FEES FOR SUBSCRIBER  
14 CONTRACTS OR] total major medical [HEALTH INSURANCE] premiums,  
15 received from or on behalf of state residents, as divided by the total major medical  
16 [SUBSCRIBER FEES AND HEALTH INSURANCE] premiums received by all  
17 members from or on behalf of state residents, as determined by the director.

18 \* Sec. 5. AS 21.55.220(d) is amended to read:

19 (d) The board shall make an annual determination of each member's liability,  
20 if any, and may make an annual fiscal year end assessment if necessary. The board  
21 may also [, SUBJECT TO THE APPROVAL OF THE DIRECTOR,] provide for  
22 interim assessments against the members as may be necessary to assure the financial  
23 capability of the association : meeting the incurred or estimated claims expenses of  
24 the state plans and operating and administrative expenses of the association until the  
25 association's next annual fiscal year end assessment. Payment of an assessment is due  
26 within 30 days after [OF] receipt by a member of written notice of a fiscal year end or  
27 interim assessment. A member who fails to pay a fiscal year end or interim assessment  
28 as required in this subsection (1) shall pay a civil penalty to the director in the amount  
29 of \$100 for each day the member fails to pay the required assessment, and (2) may  
30 have the member's certificate of authority revoked by the director. A member that  
31 ceases to do [HEALTH INSURANCE] business in the state [, OR CEASES TO

1 OFFER SUBSCRIBER CONTRACTS IN THE STATE, DUE TO REVOCATION,  
2 SUSPENSION, OR VOLUNTARY SURRENDER OF ITS CERTIFICATE OF  
3 AUTHORITY,] remains liable for assessments until the board determines under (c)  
4 of this section that no assessment is due [THROUGH THE CALENDAR YEAR  
5 THAT THE HEALTH INSURANCE BUSINESS CEASED]. The board may decline  
6 to levy an assessment against a member if the assessment would be minimal.  
7 Assessments paid by a member are a general expense of the member.

8 \* Sec. 6. AS 21.55.220 is amended by adding a new subsection to read:

9 (f) A member may offset 50 percent of the amount of the assessment under  
10 this section as a premium tax credit reducing the premium tax payable by the member  
11 under AS 21.09.210. The offset shall apply to the tax levied for the calendar year  
12 following an annual determination of each member's liability under (d) of this section.  
13 The offset may not reduce the premium tax payable by a member to less than zero or  
14 create a premium tax credit for the member. An unused offset may be carried over to  
15 the immediately following calendar year.

16 \* Sec. 7. AS 21.55.500(14) is repealed and reenacted to read:

17 (14) "major medical"

18 (A) means health insurance or medical care coverage provided  
19 on an expense incurred basis, including Medicare supplement insurance;

20 (B) does not include coverage for dental only, vision only,  
21 long-term care, nursing home care, home health care, community-based care,  
22 accident only, disability income, hospital confinement indemnity or other fixed  
23 indemnity, or credit, specified disease or specified accident, or other  
24 supplemental health insurance or coverage determined by the board not to  
25 constitute major medical and approved by the director;

26 \* Sec. 8. The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 APPLICABILITY. The provisions of sec. 6 of this Act apply to offset the premium  
29 tax payable under AS 21.09.210 on January 1, 2007, based on assessments for the previous  
30 year's determination of each member's liability, and shall continue annually thereafter.

MARCH 1  
2008

CONC. AMEND.  
#1

# 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

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## Representative Norman Rokeberg

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

### SPONSOR STATEMENT FOR CSHB 29( )

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.

ED 2: 3/23/06

# ALASKA STATE LEGISLATURE

## House of Representatives

### COMMITTEE ASSIGNMENTS:

RULES COMMITTEE, CHAIRMAN  
LABOR & COMMERCE COMMITTEE, MEMBER  
LEGISLATIVE COUNCIL, MEMBER  
SPECIAL COMMITTEE ON OIL & GAS, MEMBER  
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### Representative Norman Rokeberg

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

### SECTIONAL ANALYSIS FOR CSHB 29( )

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.

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

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

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title Health Care Insur./Comp Health Ins. Assn. RDU Insurance (116)  
 Component Insurance Operations  
 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 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 1004 )</b>		<b>(1,750.0)</b>	<b>(1,925.0)</b>	<b>(2,120.0)</b>	<b>(2,330.0)</b>	<b>(2,560.0)</b>
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**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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**

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 and the cost to the insured's 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".

Prepared by: Linda S. Hall, Director  
 Division Insurance  
 Approved by: William Noll, Commissioner  
 Agency Commerce, Community and Economic Development

Phone 907-269-7900  
 Date/Time 3/28/06 11:33 AM  
 Date \_\_\_\_\_



Comprehensive  
Health  
Insurance  
Association  
P.O. Box 1090  
2015 16<sup>th</sup> 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

# ALASKA STATE LEGISLATURE

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## Representative Norman Rokeberg

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

### SPONSOR STATEMENT 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.**

House Bill 29 would expand the base of entities paying into the Alaska Comprehensive Health Insurance Association (ACHIA), our "high risk pool," to ensure its future solvency and lower a barrier to entry into the Alaska market by health insurance underwriters.

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.

HB 29 would require that, to the extent permitted by federal law, all self-insured entities and other ERISA covered entities that provide major medical benefits be contributing entities to ACHIA. This would include the State of Alaska. The legislation indicates that entities subject to a collective bargaining agreement in effect on the date of the legislation would not be impacted by this legislation until such time as a new agreement went into effect. This would permit unions, for example, to negotiate with employers for any increased costs. State employees not covered by union agreements would not see their cost for health insurance increases as this legislation provides that the State will provide funds above any set contribution amount to cover any ACHIA assessment.

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.

I urge your support of this legislation.

ED 1: 2/7/05

## 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.*

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

**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>
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

83,203

100

\*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>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</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	32.8%	\$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.

Assessments provided by ACHIA Board  
March 16, 2005

NAIC	CARRIER	WRITTEN PREMIUM	% OF MARKET	ASSESSMENT
77876	5 Star Life Ins Co	23,539	0.0055585819%	\$139
22667	Ace American Ins Co	44,246	0.0104448460%	\$261
80054	Aetna Life Ins Co	19,342,481	4.5659577639%	\$114,149
80188	Aflac Life Ins Co	257,111	0.0608932485%	\$1,517
87369	Alta Health & Life Ins Co	401,834	0.0948563461%	\$2,371
80380	American Family Life Ass Co Columbus	7,472,429	1.7639308584%	\$44,098
60410	American Fidelity Assur Co	1,030,244	0.2431878912%	\$6,080
80534	American Heritage Life Ins Co	407,010	0.0960781851%	\$2,402
27928	Amex Assur Co	418,318	0.0982754179%	\$2,457
10367	Avemco Ins Co	3,700,977	0.8738472165%	\$21,841
81212	Baltimore Life Ins Co	27,867	0.0065782432%	\$164
81263	Bankers Life & Cas Co	148,796	0.0351245680%	\$878
38245	BCS Ins Co	78,729	0.0181125355%	\$453
80638	Best Life And Health Ins Co	18,640	0.0044001311%	\$110
80798	Celtic Ins Co	167,748	0.0395983474%	\$690
80896	Centra Life Ins Co	62,489	0.0147534225%	\$389
82048	Colonial Life & Accident Ins Co	411,142	0.0970535790%	\$2,428
82148	Combined Ins Co Of Amer	73,194	0.0172780885%	\$432
62308	Connecticut General Life Ins Co	87,347	0.0208190050%	\$515
78174	Conseco Health Ins Co	138,002	0.0325785502%	\$814
78325	Conseco Senior Health Ins Co	258,847	0.0605837153%	\$1,515
82413	Continental Assur Co	60,882	0.0143953217%	\$360
20443	Continental Cas Co	2,212,382	0.5222488367%	\$13,058
71404	Continental General Ins Co	108,704	0.0251883901%	\$630
82553	Country Life Ins Co	49,738	0.0117410795%	\$294
82944	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	0.3833308729%	\$9,583
70408	Fortis Benefits Ins Co	1,810,358	0.4273499885%	\$10,884
80928	GE Grp Life Assur Co	127,858	0.0302055783%	\$755
70025	General Electric Capital Assur Co	1,528,853	0.3608515905%	\$9,021
91472	Globe Life & Accident Ins Co	65,874	0.0155501201%	\$389
82288	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	7,882,817	1.8607590355%	\$46,519
64211	Guarantee Trust Life Ins Co	19,712	0.0046531859%	\$118
64248	Guardian Life Ins Co Of Amer	2,239,544	0.5286634798%	\$13,217
22217	Gulf Ins Co	18,737	0.0046590873%	\$118
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	148,473	0.0345762021%	\$864
70580	Humanadental Ins Co	877,342	0.1598923815%	\$3,997
65005	IDS Life Ins Co	99,843	0.0235215808%	\$588
70254	Jefferson Pilot Financial Ins Co	1,249,917	0.2950535782%	\$7,378
65080	John Alden Life Ins Co	172,468	0.0407125437%	\$1,018
65099	John Hancock Life Ins Co	756,108	0.1784852781%	\$4,462
65315	Liberty Life Assur Co Of Boston	84,330	0.0199068184%	\$498
65323	Liberty Life Ins Co	43,327	0.0102277082%	\$258
65498	Life Ins Co Of North Amer	1,750,924	0.4133205678%	\$10,333
64130	Life Investors Ins Co Of Amer	784,573	0.1852051544%	\$4,630
85878	Lincoln Natl Life Ins Co	74,120	0.0174968588%	\$437
71471	Medico Life Ins Co	139,587	0.032242574%	\$808
97055	Mega Life & Health Ins Co The	7,475,108	1.7845625851%	\$44,114
65978	Metropolitan Life Ins Co	2,423,139	0.5720026469%	\$14,300
66087	Mid West Natl Life Ins Co Of TN	23,017	0.0054333593%	\$138
66281	Monumental Life Ins Co	432,184	0.1020207227%	\$2,551
66370	Mony Life Ins Co	247,661	0.0584624933%	\$1,482
71412	Mutual Of Omaha Ins Co	1,194,383	0.2819443034%	\$7,049
66915	New York Life Ins Co	2,105,432	0.4970051973%	\$12,425
24147	Old Republic Ins Co	41,843	0.0098773974%	\$247
97268	Pacific Life & Annuity Co	369,378	0.0871948302%	\$2,180
87598	Paul Revere Life Ins Co	468,271	0.1105393671%	\$2,783
83282	Penn Treaty Network Amer Ins Co	111,350	0.0262851181%	\$657
87860	Pennsylvania Life Ins Co	57,891	0.0136656648%	\$342
66605	Peoples Benefit Life Ins Co	58,581	0.0138309057%	\$348
80578	Physicians Mut Ins Co	717,949	0.1694779905%	\$4,237
47570	Prmera Blue Cross	282,708,411	82.0140909997%	\$1,550,352
81271	Principal Life Ins Co	27,520,815	6.4965233216%	\$182,413
68138	Protective Life Ins Co	45,905	0.0108362871%	\$271
68195	Provident Life & Accident Ins Co	940,313	0.2219689110%	\$5,549
68209	Provident Life & Cas Ins Co	28,837	0.0083351030%	\$158
68241	Prudential Ins Co Of Amer	327,727	0.0773827581%	\$1,934

Assessments provided by ACHIA Board  
 March 16, 2005

NAIC	CARRIER	WRITTEN PREMIUM	% OF MARKET	ASSESSMENT
65785	Reassure America Life Ins Co	301,689	0.0712162839%	\$1,780
67105	Reliastar Life Ins Co	2,709,522	0.6396057969%	\$16,990
81390	Reliastar Life Ins Co Of NY	88,444	0.0208779612%	\$522
88808	Safeco Life Ins Co	8,785,078	2.0737919505%	\$51,845
69914	Sears Life Ins Co	144,779	0.0341763189%	\$854
68721	Security Life Ins Co Of Amer	81,632	0.0145487537%	\$364
98355	Standard Life & Accident Ins Co	25,380	0.0059911857%	\$150
25178	State Farm Mut Auto Ins Co	3,793,898	0.8956820108%	\$22,390
77399		271,901	0.0641845522%	\$1,805
65021	Stonebridge Life Ins Co	2,046,189	0.4830156603%	\$12,075
87726	The Travelers Ins Co	86,246	0.0203591046%	\$509
60142	TIAA Cref Life Ins Co	22,093	0.0052162413%	\$130
86231	Transamerica Life Ins Co	25,010	0.0059038240%	\$148
67121	Transamerica Occidental Life Ins Co	45,262	0.0108844815%	\$267
81425	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
62598	Union Fidelity Life Ins Co	153,880	0.0363246876%	\$908
89744	Union Labor Life Ins Co	1,535,028	0.3623564637%	\$9,059
92918	United American Ins Co	88,186	0.0208170581%	\$520
79413	United Healthcare Ins Co	12,796,116	3.0208324202%	\$75,516
69868	United Of Omaha Life Ins Co	4,660,575	1.1031681153%	\$27,504
70108	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	0.0148408226%	\$368
69683	USAA Life Ins Co	185,289	0.0390131583%	\$975
81027	Veterans Life Ins Co	20,424	0.0048212596%	\$121
70319	Washington Natl Ins Co	67,255	0.0159781189%	\$397
18535	Zurich American Ins Co	689,835	0.1628414408%	\$4,071
		423,623,739	100.0000000000%	\$2,500,000

# 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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

# 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						
<b>TOTAL OPERATING</b>	<b>1,047.0</b>	<b>1,047.0</b>	<b>1,047.0</b>	<b>1,047.0</b>	<b>1,047.0</b>	<b>1,047.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**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)	*	*	*	*	*	*
<b>TOTAL</b>	<b>1,047.0</b>	<b>1,047.0</b>	<b>1,047.0</b>	<b>1,047.0</b>	<b>1,047.0</b>	<b>1,047.0</b>

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 Millhorn, 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) .