

LEG. FINANCE - BILLS 1977 - 1978 903

SB 118 cont., thru SB 119 903

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

117
118
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121
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February 3, 1977

The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting six supplemental appropriation bills as follows:

Office of the Governor	\$ 203,400
Department of Administration	2,533,200
Department of Administration	1,186,367
Department of Education	150,000
Department of Health and Social Services	875,043
Department of Health and Social Services	3,093,894

Sincerely,

Jay S. Hammond
Governor

TO: B.B. Allen
Commissioner
Department of Administration

DATE: December 10, 1976

Robert S. Gates
FROM: Robert S. Gates
Director
Division of Retirement & Benefits

SUBJECT: Supplemental Appropriation for
Teachers' Retirement System

As identified in this division's proposed budget for FY 78, a supplemental appropriation for FY 76 and 77 is required to provide sufficient monies to comply with the provisions of AS 14.25.080. A supplemental appropriation of \$833,924 is required to fund contributions reported during FY 76. We also estimate that an additional \$1,699,261.00 will be required to match estimated contributions during FY 77.

The supplemental required for FY 76 is primarily due to underestimating the total payroll increases of all members of the Teachers Retirement System. It was estimated that the total payroll for FY 76 would increase approximately 12% over FY 75. In actuality the total payroll increase was 29.9%. This increase was due to an average salary increase of 22.1% and the remaining increase of 7.8% was for salaries for new members.

The supplemental required for FY 77 is based on a revised estimate of salaries and membership growth. While salaries are not anticipated to increase at the same rate as FY 76, it is anticipated that the growth in membership will increase at a rate greater than FY 76. In addition to normal membership growth, the Department of Education has advised us that approximately 300 teachers will join TRS during FY 77 and 78. These additional teachers are being absorbed from the BIA schools as the newly created Regional Educational Attendance Areas assume responsibility for education in the bush areas. As a result, the total payroll increase for FY 77 will increase at approximately the same rate as FY 76.

If you have any further questions please let me know.

RSG/PBA/jb



SB 112

CHANGE IN BASIC BENEFIT VERSUS
CONSUMER PRICE INDEX (ANCHORAGE)

Teachers' Retirement System

<u>Retirement Date</u>	<u>Number Of Retirees</u>	<u>*Average % Increase In Benefit From Retirement Date Through 12/31/76</u>	<u>Highest Benefit Increase Paid (%)</u>	<u>Lowest Benefit Increase Paid (%)</u>	<u>Consumer Price Index (CPI)</u>
1948	1	480.03			
1951	1	399.98			
1952	1	420.01			
1953	3	420.00	440.02	98.92	
1954	1	398.92			
1955	2	439.99	440.01	539.97	
1956	2	255.10	282.87	227.32	
1957	3	267.83	287.28	233.34	
1958	3	254.30	275.59	233.32	
1959	3	260.26	280.95	233.33	
1960	6	269.90	384.24	166.66	83.05
1961	10	230.50	368.47	158.01	81.24
1962	7	196.43	248.29	154.37	81.78
1963	6	187.55	223.40	112.76	80.35
1964	14	172.93	248.98	94.65	79.12
1965	23	169.34	328.52	98.09	78.43
1966	17	142.52	236.64	68.47	71.75
1967	13	84.65	164.83	21.21	68.13
1968	31	65.38	149.02	21.21	63.25
1969	30	47.91	228.11	20.93	56.20
1970	26	67.50	326.13	4.65	50.31
1971	59	10.45	130.20		46.63
1972	57	9.91	123.28		43.37
1973	78	2.74	32.45		35.38
1974	78	3.37	40.84		19.71
1975	104	1.86	57.09		6.48
1976	<u>173</u>	.36	36.05		
	757				

* Effective July 1, 1975, free comprehensive medical insurance was provided to all individuals receiving benefits. It is estimated that the cost to purchase this coverage by the individual would be \$100 per month.

CHANGE IN BASIC BENEFIT VERSUS
CONSUMER PRICE INDEX (ANCHORAGE)

Public Employees' Retirement System

<u>Retirement Date</u>	<u>Number Of Retirees</u>	<u>*Average % Increase In Benefit From Retirement Date Through 12/31/76</u>	<u>Highest Benefit Increase Paid (%)</u>	<u>Lowest Benefit Increase Paid (%)</u>	<u>Consumer Price Index (CPI)</u>
1961	1	321.2			81.24
1962	4	327.5	508.7	98.1	81.78
1963	4	234.0	385.4	118.1	80.35
1964	4	366.4	567.2	143.6	79.12
1965	0				78.43
1966	4	543.8	1017.8	259.9	71.75
1967	9	378.5	1478.4	47.8	68.13
1968	15	145.4	238.8	76.3	63.35
1969	30	139.1	393.6	37.5	56.20
1970	36	123.2	339.4	15.5	50.31
1971	66	121.6	538.6	12.9	46.63
1972	111	63.2	216.4		43.37
1973	135	54.2	460.0	10.7	35.38
1974	160	46.7	1071.7		19.71
1975	254	16.9	159.8		6.48
1976	<u>387</u>	6.9	357.6		

1219

*Effective July 1, 1975, free comprehensive medical insurance was provided to all individuals receiving benefits. It is estimated that the cost to purchase this coverage by the individual would be \$100 per month.

TO: Ron Lind, Director
Division of Budget and Management
Office of the Governor

DATE : December 28, 1976

FROM: Barbara Englert Thomas, ^{BT} Budget Analyst
Division of Budget and Management
Office of the Governor

SUBJECT: FY 77 Supplementals for
Education Category
Department's of Administration
and Education

The total supplemental request for the Education category for FY 77 is \$14,172,400. This total breaks out as follows:

\$833,924 (FY 76 Teachers' Retirement System Match)
\$1,699,261 (FY 77 Estimated Teachers' Retirement System Match)

These supplementals are required due to underestimating the total payroll increases of members (the number of new members and the salary increases). The FY 76 payroll increase was 29.9% over FY 75, 22.1% due to average salary increase and 7.8% due to salaries for new members. The FY 78 revised estimate is caused by expected salary increases and an increased number of members as the REAA's take over BIA schools.

\$262,000 (Foundation Program - Regular)

Based on first quarter estimates the Department of Education can justify only a \$12,000 request. They have asked for the \$250,000 cushion (10 additional instructional units) in case later quarter actual figures require them to increase payments to some districts.

\$2,638,000 (Foundation Program - REAA's)

This is due to additional units being transferred from BIA, creation of new secondary schools and underestimation of numbers of students attending REAA schools.

\$5,000,000 This is due to a shortfall in P.L. 874 federal funds which will now go directly to the REAA's. Delay in the payments from the federal government creates a serious cash flow problem for the REAA's. The Department is proposing that the shortfall in foundation support be filled by general fund for FY 77 and that these additional funds be offset by the State in FY 78 by reducing REAA foundation payments to reflect actual FY 77 P.L. 874 receipts.

COMMITTEE REPORT

3-30-77

HOUSE

May 27 1977 Date

Mr. Speaker:

The Committee on FINANCE has had SB 119

under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for House Finance SB 119 Finance and that
CS for House Finance do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____ Phelps _____

_____ Freeman _____

_____ Haugen _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Jim G. [Signature]

Chairman

Original sponsor: Rules Committee by request
of the Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 113

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making supplemental appropriations to the
7 Department of Administration, the Alaska Court System,
8 and the University of Alaska; and providing for an
9 effective date."

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

11 * Section 1. The sum of \$2,533,200 is appropriated from the general fund
12 to the Department of Administration for the teachers' retirement system match
13 for fiscal years 1976 and 1977.

14 * Sec. 2. The sum of \$49,800 is appropriated from the general fund to
15 the Alaska Court System, to fund the costs of increasing the number of
16 superior court judges authorized under AS 22.10.120.

17 * Sec. 3. The sum of \$150,000 is appropriated from the general fund to
18 the University of Alaska to fund the costs of professional managers and con-
19 sultants retained by the University of Alaska during fiscal year 1977.

20 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

FOR BRIEF COMMUNICATIONS

MAY BE HANDWRITTEN

MEMORANDUM

State of Alaska

TO: Legislative Affairs Agency

DEPT. _____

DIV. _____

SEC. _____

DATE : 5/27/77

FROM: Anne Lindbeck, Secy.
House Finance Committee

SUBJECT: HCS for SB 118

Please prepare a committee substitute for the House Finance Committee as per the attached copy. Thanks. (Right away)

Introduced: 2/3/77
Referred: Finance

Finance Committee
BY THE ~~RULES COMMITTEE BY~~
~~REQUEST OF THE GOVERNOR~~

1 THE SENATE

2 *for*
HCS/SENATE BILL NO. 118 (Finance) ?

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the
7 the Alaska Court System,
8 Department of Administration; ~~and providing for an~~
and the University of Alaska; and providing for an
effective date."

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11 fund to the Department of Administration for the Teachers' Retirement
12 System Match for Fiscal Years 1976 and 1977.

13 * Sec. 2. ~~The sum of \$49,800 is appropriated from the General Fund~~
~~This Act takes effect immediately in accordance with AS 01~~
14 to the Alaska Court System, to fund the costs of Chapter 193,

15 SLA 1976, increasing the number of Superior Court judges.

16 *Sec. 3. The sum of \$150,000 is appropriated from the General
17 Fund to the University of Alaska to fund the costs of professional
18 managers and consultants retained by the University of Alaska
19 during fiscal year 1977.

20 *Sec. 4. This act takes effect immediately in accordance with
21 AS 01.10.070(c).

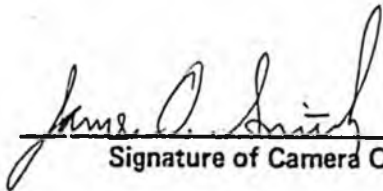
22
23 *Steve - What are these two -*
24 *The Senate Committee is having*
25 *Trouble with them - No Trouble*
26 *w/Section I on Retirement match*
27



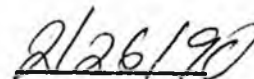
RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.



Signature of Camera Operator



Date

March 28, 1977

M E M O R A N D U M

TO: The Honorable John Butrovich
Senate Finance Committee

FROM: Milton B. Barker
Fiscal Analyst
Legislative Finance Division

SUBJECT: SB 119

The Department of Administration indicates that malpractice insurance will now be required only on nursing beds and at the lower long-term rest home bed rate of \$220/bed as opposed to \$1100 per acute care bed. The amount now required will be small enough that probable lapses in the Pioneer Homes could cover the malpractice and the longevity bonus needs as well.

	<u>Estimated Lapse</u>
Anchorage	\$100,000
Kotzebue	464,300*
	<u>\$564,300</u>
*Authorized FY 77	645,400
Expenditures thru 2-31-77 (includes 152,390 ASHA)	156,099
Contingency	25,000
Estimated Lapse	<u>464,301</u>

MBB:pw

February 15, 1977

M E M O R A N D U M

TO: The Honorable John Butrovich
Senate Finance Committee

FROM: Milt Barker
Legislative Finance Division

SUBJECT: SB 119

As you may note on Mike Orelove's memo of December 28, the projection of Federal Revenue Sharing receipts stops at 12/31/76 and, as a consequence, a shortfall is projected.

However, Alaska will receive entitlement to an additional \$2,357,662 during the period of 1/1/77 to 6/30/77. This not only eliminates any shortfall, but is sufficient to fund the increased recipients.

Thus, all that is required for the Longevity Bonus supplemental is the appropriation of an additional \$454,900 of Federal funds to obligate the necessary amounts of Title II Counter-cyclical funds (of which Mr. Orelove estimates \$625,000 to be available) or \$454,900 of Federal Revenue Sharing funds if one would rather utilize this source.

NOTE: The expenditure of our Federal Revenue Sharing entitlement for the period 1/1/77 to 6/30/77 was not anticipated by the Governor because of new regulations requiring a public hearing by the Legislature on the use of these funds. However, the hearing need only occur as part of the regular appropriations process, and need not necessarily be held prior to the receipt and expenditure of our entitlement for this period.

MBB:pw

4-6-77

COMMITTEE REPORT

HOUSE

April 15 1977 Date

Mr. Speaker:

The Committee on FINANCE has had CSSB 119 under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that CS for _____ do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

<u>Ferguson</u>	<u>Swanson</u>	_____
<u>Haugen</u>	<u>_____</u>	_____
<u>_____</u>	<u>_____</u>	_____
<u>_____</u>	<u>_____</u>	_____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Chairman

Original sponsor: Rules Committee by request
of the Governor

Offered: 3/28/77
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 119

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making a supplemental appropriation to the
7 Department of Administration, and providing for an
8 effective date."

9

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

10

* Section 1. The sum of \$528,627 is appropriated from federal funds to
11 the Department of Administration, longevity bonus program, for the fiscal
12 year ending June 30, 1977.

13

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
14 070(c).

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JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

CSSB 119
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February 3, 1977

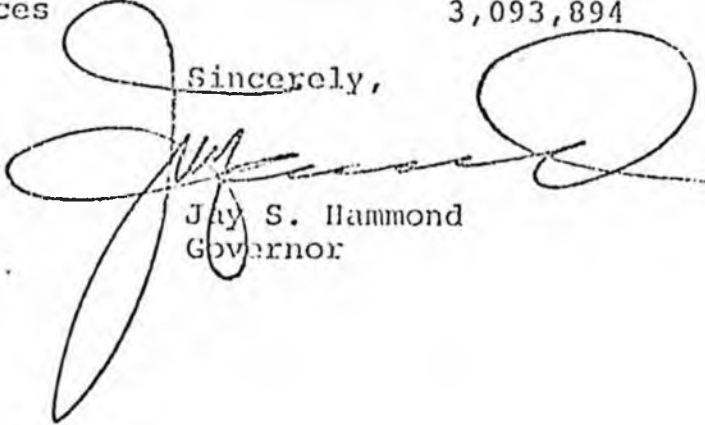
The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting six supplemental appropriation bills as follows:

Office of the Governor	\$ 203,400
Department of Administration	2,533,200
Department of Administration	1,186,367
Department of Education	150,000
Department of Health and Social Services	875,043
Department of Health and Social Services	3,093,894

Sincerely,


Jay S. Hammond
Governor

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

March 21, 1977

MEMORANDUM

TO: The Honorable John Butrovich
Senate Finance Committee

FROM: Milton B. Barker
Fiscal Analyst
Legislative Finance Division

SUBJECT: SB 119

The Department of Administration indicates that malpractice insurance will now be required only on nursing beds and at the lower long-term rest home bed rate of \$220/bed as opposed to \$1100 per acute care bed. The amount now required will be small enough that probable lapses in the Pioneer Homes could cover the malpractice and the longevity bonus needs as well.

	<u>Estimated Lapse</u>
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	<u>\$564,300</u>
*Authorized FY 77	645,400
Expenditures thru 1-31-77 (includes 152,390 ASHA)	156,099
Contingency	25,000
Estimated Lapse	<u>464,301</u>

MBB:pw

STATE OF ALASKA

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

JAY S. HAMMOND, GOVERNOR

POUCH AM — JUNEAU 99811
PHONE 465-2213

March 10, 1977

Honorable John Sackett
Chairman, Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Sackett:

Enclosed is additional information for the FY 77 Supplemental request for the Department of Administration, Pioneers Homes and Longevity Bonus programs contained in Senate Bill 119.

This information was prepared by the agency and does not address the problem of a shortfall of federal revenue sharing used as a funding source for the Longevity Bonus Program. The original backup material furnished addressed that issue and this additional information does not change the request in Senate Bill 119.

Sincerely,



Ronald B. Lind
Director

enclosure

MEMORANDUM

TO: [Ronald Lind, Director
Division of Budget and Management
Office of the Governor

DATE : February 22, 1977

FROM: Kellus N. Sewell
Administrative Officer
Administrative Services
Department of Administration

SUBJECT: FY 77 Supplemental Request
Updated Projections SB 119
Department of Administration -
Pioneers' Homes

1. Current authorization level as of January 31, 1977.
\$6,923,500.00
2. Expenditures through January 31, 1977.
\$3,729,103.02
3. Encumbrances recorded through January 31, 1977.
\$ 243,888.57
4. Obligations through January 31, but not encumbered.
\$ 202,840.00
5. Balance available from February 1 through June 30 after
encumbrances and other obligations have been subtracted.
\$2,747,668.43
6. Additional funding required through June 30, 1977.
\$ 202,840.00

KNS/RC/mjc

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

March 9, 1977

MEMORANDUM

TO: The Honorable John Butrovich
Senate Finance Committee

FROM: Milt Barker ^{MB}
Legislative Finance Division

SUBJECT: SB 119

Construction of the Anchorage Pioneers Home is expected to be complete May 15. A month will be required for State inspection, licensing, and gearing up the program; the Director estimates the home will open on June 15.

The \$11,000 appropriation in SB 119 for Anchorage was computed as a full year for 50 beds. Assuming the home would not open before May 1 at the earliest, this appropriation can be reduced to \$1,832.

MBB:pw

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY


POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3600

MEMORANDUM

February 22, 1977

SUBJECT: Medical Malpractice Insurance for State Employees, W.O. #3408

TO : The Honorable Pat Rodey
Alaska State Senator

FROM : Sharman Haley 
Research Analyst

The state is liable, as are all employers, for the actions of its employees in the course of their employment. The state must therefore insure itself or purchase insurance to cover this liability. In addition the employees may be liable as individuals. By tradition and by various union contracts, the State of Alaska assumes this individual liability as well for its employees acting within the scope of their employment. It is a prerequisite of licensure that physicians and hospitals have malpractice insurance. The state assumes the malpractice premiums for physicians employed by them as costs of employment. However, it is cheaper for the state to self-insure for the first \$200,000 of coverage than to pay a carrier, so if the state were not legally bound to purchase basic coverage from MICA, it would not.

Under MICA the malpractice premiums for physicians are based on revenues, or as in the case of state employees, on salaries. Therefore for a halftime employee at half the normal salary, the state pays half the normal premium and gets full coverage. If the physician engages in medical practice for pay outside of state employment, that physician must pay the additional premium corresponding to his or her outside revenues. The state currently employs 16 physicians, most of whom are in administrative positions and have very little exposure, or risk of suit for malpractice. The state is paying between \$15 and \$20 thousand in malpractice premiums for the physicians it employs.

Likewise the state medical facilities have relatively low exposure. Because the state hospitals, API and Harborview do not perform surgery or other high risk procedures common to acute care hospitals, their malpractice exposure is lower than for acute care hospitals. Pioneer Homes have less exposure than private nursing facilities partly because a significant number of Pioneer's Home residents have no known relative or advocate to bring a malpractice suit in their behalf, and also because longtime Alaskans are not "suit conscious".

February 22, 1977

Malpractice insurance premiums under MICA for medical facilities such as hospitals and nursing homes are levied per bed. The state pays \$1,100 per nursing bed in Pioneer Homes (this is the same rate as for acute care hospitals such as Providence), \$550 per bed for psychiatric care (Alaska Psychiatric Institute and Harborview), and \$220 per bed in the ambulatory wings of Pioneer Homes. For FY 77 the Pioneers Homes have budgeted \$202,800 for MICA premiums, and \$272,800 is budgeted for premiums in FY 78 when the Anchorage Pioneers Home will be operating. The Department of Health and Social Services has budgeted \$144,600 for each FY 77 and FY 78. The state is purchasing malpractice coverage for physicians and medical facilities through MICA as required by law. The state is not purchasing malpractice coverage for other health care personnel such as nurses. The limits of MICA coverage is \$200,000 per claim, with no deductible.

Previously medical malpractice was covered in the general liability insurance the state purchased from Stonewall Insurance covering all state employees, agencies and facilities. When Stonewall stopped underwriting medical malpractice, the state arranged a special medical malpractice insurance package for FY 76 from Alaska Pacific Assurance Company covering all state employee liability for a premium of \$35,000. This contract provided \$100,000 deductible and a \$1,100,000 limit on each claim. In short, the Alaska Pacific policy for FY 76 provided greater medical malpractice coverage for more state health care employees at a lower premium than the state can get from MICA.

Alaska Pacific is not a medical malpractice insurance carrier. They were willing to underwrite the state's medical malpractice liability because they have a good working relationship with the state, the state has low exposure, and they were able to get 100% reinsurance.

The medical malpractice insurance crisis of recent years has left very few companies willing to underwrite medical malpractice, and those few who do charge very high, and still increasing, premiums. At this time there is no carrier willing to underwrite excess limits medical malpractice insurance (above \$200,000 coverage) at any price in the State of Alaska. This is in part due to the liberal court awards in Alaska, in part due to the uncertainty surrounding the performance of MICA, but it is primarily that carriers have been burned and are no longer interested in medical malpractice coverage. It is a sellers' market.

SH:cm

cc: Milt Barker ✓

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

February 15, 1977

MEMORANDUM

TO: The Honorable John Butrovich
Senate Finance Committee

FROM: Milt Barker
Legislative Finance Division

SUBJECT: SB 119

*Residual Requirements
of 65 and over*

As you may note on Mike Orelove's memo of December 28, the projection of Federal Revenue Sharing receipts stops at 12/31/76 and, as a consequence, a shortfall is projected.

However, Alaska will receive entitlement to an additional \$2,357,662 during the period of 1/1/77 to 6/30/77. This not only eliminates any shortfall, but is sufficient to fund the increased recipients.

Thus, all that is required for the Longevity Bonus supplemental is the appropriation of an additional \$454,900 of Federal funds to obligate the necessary amounts of Title II Counter-cyclical funds (of which Mr. Orelove estimates \$625,000 to be available) or \$454,900 of Federal Revenue Sharing funds if one would rather utilize this source.

NOTE: The expenditure of our Federal Revenue Sharing entitlement for the period 1/1/77 to 6/30/77 was not anticipated by the Governor because of new regulations requiring a public hearing by the Legislature on the use of these funds. However, the hearing need only occur as part of the regular appropriations process, and need not necessarily be held prior to the receipt and expenditure of our entitlement for this period.

MBB:pw

CSSB119 111
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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Juneau, Alaska 99811

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Department of Health and Social Services	3,093,894

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Jay S. Hammond
Governor

Original sponsor: Rules Committee by request
of the Governor

Offered: 3/28/77
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 119

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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13 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
14 070(c).

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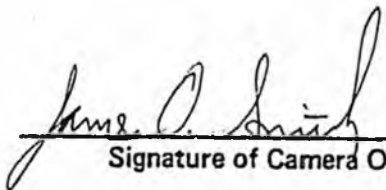
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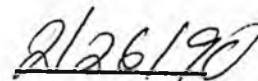
RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.



Signature of Camera Operator



Date

COMMITTEE REPORT
SENATE

2/3/77

March 28, 1977

Date

Mr. President:

The Committee on FINANCE has had SB 119
supplemental appropriation to the Department of Administration
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for SB 119 and that
CS for SB 119 do pass in lieu of the original bill.
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

[Signature] _____
[Signature] _____
[Signature] _____
[Signature] _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

[Signature] recommends: no action
[Signature] recommends: _____
[Signature] recommends: _____

[Signature]
Chairman

Original sponsor: Rules Committee by request
of the Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 119

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the
Department of Administration, and providing for an
effective date."

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

* Section 1. The sum of \$528,627 is appropriated from federal funds to
the Department of Administration, longevity bonus program, for the fiscal
year ending June 30, 1977.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
070(c).

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

March 21, 1977

MEMORANDUM

TO: The Honorable John Butrovich
Senate Finance Committee

FROM: Milton B. Barker
Fiscal Analyst
Legislative Finance Division

SUBJECT: SB 119

The Department of Administration indicates that malpractice insurance will now be required only on nursing beds and at the lower long-term rest home bed rate of \$220/bed as opposed to \$1100 per acute care bed. The amount now required will be small enough that probable lapses in the Pioneer Homes could cover the malpractice and the longevity bonus needs as well.

	<u>Estimated Lapse</u>
Anchorage	\$100,000
Kotzebue	464,300*
	<u>\$564,300</u>
*Authorized FY 77	645,400
Expenditures thru 1-31-77 (includes 152,390 ASHA)	156,099
Contingency	<u>25,000</u>
Estimated Lapse	<u>464,301</u>

MBB:pw

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

TO: Honorable John Butrovich
Senate Finance Committee

March 21, 1977

FROM: Milt Barker, Fiscal Analyst
Legislative Finance Division

SUBJECT: SB 119

The reason for the supplemental for the Longevity Bonus is not a legislative cut but a poor estimate. The FCC accepted the Governor's figure which was also the agency request. This was an estimated 1.385 increase in the number of checks using the June data instead of the yearly averages and resulted in an estimate of 5417 for FY 77.

	June 1974	5202	
	June 1975	5274	+1.38%
agency est.	FY 76	5346	+1.36%
agency est.	FY 77	5417	+1.32%

However, if they had used the yearly average increase for FY 75 of 5.1%, their estimate for FY 77 would have been 5753, much closer to their current estimate for FY 77 of 5707 on which the supplemental is based.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

March 9, 1977

M E M O R A N D U M

TO: The Honorable John Butrovich
Senate Finance Committee

FROM: Milt Barker ^{MB}
Legislative Finance Division

SUBJECT: SB 119

Construction of the Anchorage Pioneers Home is expected to be complete May 15. A month will be required for State inspection, licensing, and gearing up the program; the Director estimates the home will open on June 15.

The \$11,000 appropriation in SB 119 for Anchorage was computed as a full year for 50 beds. Assuming the home would not open before May 1 at the earliest, this appropriation can be reduced to \$1,832.

MBB:pw

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

February 15, 1977

MEMORANDUM

TO: The Honorable John Butrovich
Senate Finance Committee

FROM: Milt Barker
Legislative Finance Division

SUBJECT: SB 119

*Residual Requirements
of 65 and over*

As you may note on Mike Orelove's memo of December 28, the projection of Federal Revenue Sharing receipts stops at 12/31/76 and, as a consequence, a shortfall is projected.

However, Alaska will receive entitlement to an additional \$2,357,662 during the period of 1/1/77 to 6/30/77. This not only eliminates any shortfall, but is sufficient to fund the increased recipients.

Thus, all that is required for the Longevity Bonus supplemental is the appropriation of an additional \$454,900 of Federal funds to obligate the necessary amounts of Title II Counter-cyclical funds (of which Mr. Orelove estimates \$625,000 to be available) or \$454,900 of Federal Revenue Sharing funds if one would rather utilize this source.

NOTE: The expenditure of our Federal Revenue Sharing entitlement for the period 1/1/77 to 6/30/77 was not anticipated by the Governor because of new regulations requiring a public hearing by the Legislature on the use of these funds. However, the hearing need only occur as part of the regular appropriations process, and need not necessarily be held prior to the receipt and expenditure of our entitlement for this period.

MBB:pw

STATE OF ALASKA

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

JAY S. HAMMOND, GOVERNOR

POUCH AM — JUNEAU 99811
PHONE 465-2213

March 10, 1977

Honorable John Sackett
Chairman, Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Sackett:

Enclosed is additional information for the FY 77 Supplemental request for the Department of Administration, Pioneers Homes and Longevity Bonus programs contained in Senate Bill 119.

This information was prepared by the agency and does not address the problem of a shortfall of federal revenue sharing used as a funding source for the Longevity Bonus Program. The original backup material furnished addressed that issue and this additional information does not change the request in Senate Bill 119.

Sincerely,



Ronald B. Lind
Director

enclosure

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 22, 1977

SUBJECT: Medical Malpractice Insurance for State Employees, W.O. #3408

TO : The Honorable Pat Rodey
Alaska State Senator

FROM : Sharman Haley 
Research Analyst

The state is liable, as are all employers, for the actions of its employees in the course of their employment. The state must therefore insure itself or purchase insurance to cover this liability. In addition the employees may be liable as individuals. By tradition and by various union contracts, the State of Alaska assumes this individual liability as well for its employees acting within the scope of their employment. It is a prerequisite of licensure that physicians and hospitals have malpractice insurance. The state assumes the malpractice premiums for physicians employed by them as costs of employment. However, it is cheaper for the state to self-insure for the first \$200,000 of coverage than to pay a carrier, so if the state were not legally bound to purchase basic coverage from MICA, it would not.

Under MICA the malpractice premiums for physicians are based on revenues, or as in the case of state employees, on salaries. Therefore for a halftime employee at half the normal salary, the state pays half the normal premium and gets full coverage. If the physician engages in medical practice for pay outside of state employment, that physician must pay the additional premium corresponding to his or her outside revenues. The state currently employs 16 physicians, most of whom are in administrative positions and have very little exposure, or risk of suit for malpractice. The state is paying between \$15 and \$20 thousand in malpractice premiums for the physicians it employs.

Likewise the state medical facilities have relatively low exposure. Because the state hospitals, API and Harborview do not perform surgery or other high risk procedures common to acute care hospitals, their malpractice exposure is lower than for acute care hospitals. Pioneer Homes have less exposure than private nursing facilities partly because a significant number of Pioneer Home residents have no known relative or advocate to bring a malpractice suit in their behalf, and also because longtime Alaskans are not "suit conscious".

Malpractice insurance premiums under MICA for medical facilities such as hospitals and nursing homes are levied per bed. The state pays \$1,100 per nursing bed in Pioneer Homes (this is the same rate as for acute care hospitals such as Providence), \$550 per bed for psychiatric care (Alaska Psychiatric Institute and Harborview), and \$220 per bed in the ambulatory wings of Pioneer Homes. For FY 77 the Pioneer Homes have budgeted \$202,800 for MICA premiums, and \$272,800 is budgeted for premiums in FY 78 when the Anchorage Pioneer Home will be operating. The Department of Health and Social Services has budgeted \$144,600 for each FY 77 and FY 78. The state is purchasing malpractice coverage for physicians and medical facilities through MICA as required by law. The state is not purchasing malpractice coverage for other health care personnel such as nurses. The limits of MICA coverage is \$200,000 per claim, with no deductible.

Previously medical malpractice was covered in the general liability insurance the state purchased from Stonewall Insurance covering all state employees, agencies and facilities. When Stonewall stopped underwriting medical malpractice, the state arranged a special medical malpractice insurance package for FY 76 from Alaska Pacific Assurance Company covering all state employee liability for a premium of \$35,000. This contract provided \$100,000 deductible and a \$1,100,000 limit on each claim. In short, the Alaska Pacific policy for FY 76 provided greater medical malpractice coverage for more state health care employees at a lower premium than the state can get from MICA.

Alaska Pacific is not a medical malpractice insurance carrier. They were willing to underwrite the state's medical malpractice liability because they have a good working relationship with the state, the state has low exposure, and they were able to get 100% reinsurance.

The medical malpractice insurance crisis of recent years has left very few companies willing to underwrite medical malpractice, and those few who do charge very high, and still increasing, premiums. At this time there is no carrier willing to underwrite excess limits medical malpractice insurance (above \$200,000 coverage) at any price in the State of Alaska. This is in part due to the liberal court awards in Alaska, in part due to the uncertainty surrounding the performance of MICA, but it is primarily that carriers have been burned and are no longer interested in medical malpractice coverage. It is a sellers' market.

SH:cm

cc: Milt Barker ✓

MEMORANDUM

TO: Ronald Lind, Director
Division of Budget and Management
Office of the Governor

DATE : February 22, 1977

FROM: Kellus N. Sewell ✓
Administrative Officer
Administrative Services
Department of Administration

SUBJECT: FY 77 Supplemental Request
Updated Projections SB 119
Department of Administration -
Pioneers' Homes

1. Current authorization level as of January 31, 1977.
\$6,923,500.00
2. Expenditures through January 31, 1977.
\$3,729,103.02
3. Encumbrances recorded through January 31, 1977.
\$ 243,888.57
4. Obligations through January 31, but not encumbered.
\$ 202,840.00
5. Balance available from February 1 through June 30 after
encumbrances and other obligations have been subtracted.
\$2,747,668.43
6. Additional funding required through June 30, 1977.
\$ 202,840.00

KNS/RC/mjc

TO: Ron Lind, Director
Division of Budget & Management

DATE : December 28, 1976

FROM:

Michael Orlove
Michael Orlove, Budget Analyst
Division of Budget & Management
Office of the GovernorSUBJECT: FY 77 Supplemental, Department
of Administration, Longevity
Bonus

The Department of Administration requests a FY 77 supplemental appropriation for the Longevity Bonus program in the amount of \$983,527.

The FY 77 appropriation, including funding from the fiscal note on SB 476, totaled \$8,105,600 for Longevity Bonus grant payments; \$8,105,600 divided by 12 months divided by \$125 monthly payments equals 5,404 average number of recipients.

Expenditures through October were \$2,853,700 which, if divided by \$125 per recipient per month, would be an average of 5,707 recipients.

An assumption is made that this average number of recipients will hold true for the balance of FY 77.

$5,707 \times \$125 \times 12 \text{ months} = \$8,560,500$. $\$8,560,500$ minus $\$8,105,600$ leaves a $\$454,900$ shortfall.

The FY 77 appropriation contained \$3,586,500 of federal revenue sharing as funding for the Longevity Bonus program.

A change in the federal revenue sharing regulations, which now require public hearings, has resulted in a change in the amounts of funding available for expenditure in the State FY 77 time period.

Funding available for expenditure in FY 77 is as follows:

FY 77 appropriated amount -		\$3,586,500
Federal Revenue Sharing -		
June 30, 1976 balance	\$1,003,653	
Federal Revenue Sharing -		
7/1/76 through 12/31/76 period	<u>2,054,220</u>	
Total		<u>3,057,873</u>
Shortfall		\$ 528,627

The total supplemental need on the Longevity Bonus program is therefore \$983,527, calculated as follows:

Increased recipients	\$454,900
Shortfall of federal revenue sharing	<u>528,627</u>
Total	<u>\$983,527</u>

Additional federal revenue sharing from the Title II Counter-cyclical program for the period Oct 1, 1976 through June 30, 1977, is approximately \$658,725, however, since this amount may vary as the unemployment rate varies, the amount of \$625,000 will be projected in these calculations.

The FY 77 supplemental for the Longevity Bonus program will utilize these counter-cyclical funds and additional general funds as follows:

Counter-cyclical Funding	\$625,000
State General Funds	<u>358,527</u>
Total Supplemental	<u>\$983,527</u>

Backup information is attached.

MO/dtp

attachments

MEMORANDUM

TO:

Michael Orelove
Budget Analyst
Division of Budget and Management
Office of the Governor

DATE : November 19, 1976

FROM:

Kellus N. Sewell ✓
Administrative Officer
Administrative Services
Department of Administration

SUBJECT: Projected supplemental for
Longevity Bonus

Per your request I have worked with Marie Swanson and developed the following estimate.

We have estimated that an additional 455.1 will be needed to fund the Longevity Bonus program during this fiscal year. This estimate is based upon comparison of data between this fiscal year and last fiscal year over similar periods of time. For example, we found that the average number of claimants filing through November of last year was slightly more than the average number filing from November through June of last fiscal year. As a result we assumed that the average number of claimants filing through October of this fiscal year would remain stable through the remainder of the year. Consequently, we projected that the total expenditures during fiscal year 77 would be \$8,560,700. This is based on the average number of claimants through October times \$125.00 X 8 months plus expenditures through October or 5707 X \$125.00 X 8 months plus \$2,853,700. The 5,707 average is based upon dividing the expenditures through October of \$2,853,700 by \$125.00 X 4 months.

Therefore, the supplemental needs would be \$8,560,700 minus \$8,105,600 or \$455,100.

However, it is likely that the estimate may have to be revised later on in the year due to a strong effort by the native organizations to enroll more natives in the Longevity Bonus program. This may cause the average number of claimants to be significantly higher than the historical pattern we based our assumptions on. We will keep you advised of any significant changes.

KNS/mjc

CC: Vernon L. Perry
Marie Swanson

ASKA

MEMORANDUM

Andrew S. Warwick
Commissioner

THRU: Richard W. Freer
Deputy Commissioner

Kellus N. Sewell *KMS*
Administrative Officer

DATE: June 18, 1976

SUBJECT: FY 77 Supplemental
Appropriation

Please add to item 2 of the attached memorandum, the following information:

A 435.0 shortfall is projected in the Longevity Bonus Program during FY 77. This projection is based upon a 30% increase in expenditures over FY 76 (5% growth and 25% resulting from the recent increase to \$125).

FY 76 Expenditures	\$6,640,000		
FY 77 Authorized		\$8,197,000	8105.6
FY 77 Projected	6,640,000 x 1.30 =	<u>(8,632,000)</u>	5707 x 125 x 12
FY 77 Shortfall		<u>(435,000)</u>	8560.5
		455,000	454.9

By copy of this memo, I have advised Mike Orelove in the Division of Budget and Management, per his request. We should determine during the FY 78 internal Departmental Budget Review whether or not it will be possible to absorb this shortfall.

KNS/lh

cc: Richard W. Freer
Mike Orelove
Vern Perry

REVISED PROGRAM
 COST ANALYSIS SUMMARY
 by BUDGET COMPONENT

AGENCY	CATEGORY	code
DIVISION	PROGRAM	
	SUB-PROGRAM	LONGEVITY BOND
	ELEMENT	
	SUB-ELEMENT	

CCDF	EXPENDITURE BY OBJECT	PRESENT AUTHORIZATION	REVISION INCREASE, (DECREASE)	AMENDED AUTHORIZATION
100	PERSONAL SERVICES	76.5		76.5
200	TRAVEL	6.2		6.2
300	CONTRACTUAL SERVICES	29.1		29.1
400	COMMODITIES	3.4		3.4
500	EQUIPMENT	1.2		1.2
600	LANDS, BUILDINGS, NON-STRUCTURAL IMPROVEMENTS			
700	GRANTS, CLAIMS, SHARED REVENUE	83 8105.6	454.9	8560.5
800	MISCELLANEOUS			
	INTER-AGENCY TRANSFERS (INCLUDED ABOVE)			
	TOTAL	8222.0	454.9	8676.9
NEW CODE	FEDERAL RECEIPTS			
	REQUIRED GENERAL FUND MATCHING			
	OTHER GENERAL FUND	4635.5		4635.5
	INTER-AGENCY TRANSFERS			
	OTHER			
	FED REVENUE SHARING	3586.5	454.9	4041.4
	TOTAL			
	PERMANENT FULL-TIME POSITIONS			
	PERMANENT PART-TIME POSITIONS			
	TEMPORARY (FULL-TIME EQUIVALENTS)			
	NUMBER OF MAN MONTHS			

(CURRENT FY)

	FY ____	FY ____	FY ____	FY ____	FY ____	FY ____
EXPENDITURES - TOTAL						
SOURCE OF FUNDS						
FEDERAL						
REQ. G.F. MATCH						
OTHER G. F.						
OTHER (SPECIFY)						

MEMORANDUM

TO: Ron Lind, Director
Division of Budget and Management
Office of the Governor

DATE December 8, 1976

FROM: *Michael Orlove*
Michael Orlove, Budget Analyst
Division of Budget & Management
Office of the Governor

SUBJECT: FY 77 Supplemental, Department
of Administration, Pioneers Home
Malpractice Insurance

The Department of Administration requests a FY 77 supplemental appropriation for malpractice insurance for the following Pioneers Homes.

Sitka Home	\$72,600
Fairbanks Home	71,720
Palmer Home	47,520
Anchorage Home (3 months)	11,000
Total	<u>\$202,840</u>

These funds were not budgeted in FY 77 and are the best estimates available at this time.

These figures are based on estimates from the Dept. of Administration, Division of General Services and Supply and are subject to approval of the Director of Insurance.

Application has been made to the Medical Indemnity Corporation of Alaska for malpractice insurance based on a rate of \$1,100 per bed for acute care and \$220 per bed for long term rest home care.

Backup information is attached.

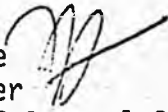
MO/dtp

attachments

MEMORANDUM

TO: [Ron Lind
Director
Division of Budget Management
Office of the Governor

DATE : November 24, 1976

FROM: John George 
Risk Manager
Division of General Services & Supply
Department of Administration

SUBJECT: FY 77 MICA Premiums

Legislation passed during FY 76 mandates participation by all doctors and health care providers in the Medical Indemnity Corporation of Alaska. No provision is made for State medical activities to be exempt. The State has informally requested approval to self insure this exposure and have been told that the Division of Insurance is not in a position at this time to honor our request. It is therefore manditory that we procure MICA coverage in order to maintain State Licences for operation of State Medical Facilities. Hopefully permission to self insure will be forthcoming in the future.

During the last legislature it was impossible to determine the premiums applicable to the State for MICA coverages. It was therefore not possible to attach a fiscal note to the bill. We now have a firmer grip on the actual cost of MICA insurance and submit this request for funding.

Application has been made to MICA for sixteen (16) State employed doctors and 96 acute care beds at \$1100* each, 200 long term rest home beds at \$220* per bed and 234 psychopathic or retardation beds at \$550* per bed. Employee doctor premiums are calculated at \$19.80* per \$1000 of gross payroll. The attached documents give general and specific information to back up this request.

* Rates quoted are preliminary estimates and are subject to approval of the Director of Insurance.

Attachment

TO: [John George
Risk Manager
Division of General Services & Supply
Department of Administration

DATE : November 24, 1976

FROM: Marilyn Van Vleit ^{MV}
Insurance Technician
Division of Insurance
Department of Commerce & Economic
Development

SUBJECT: Medical Professional Liability

Thank you for your memo of October 22, 1976 requesting the Director's consideration for the withdrawal of the State operated hospitals from the MICA program.

The Director has not made the finding at this time of whether the withdrawal of any hospital would jeopardize the MICA program. Until such a decision is made, the State will be expected to purchase the required policy from MICA and pay the appropriate premiums.

EXHIBIT OF STATE EMPLOYED DOCTORS

DOCTORS	GROSS MEDICAL REVENUE	Calendar FY 76	-Calendar FY 77
Philip Nagel, M. D.		\$24,000	\$13,500
Archie Davis, M. D.		24,000	3,000
Jeanette Schulz, M. D.		19,000	42,000
Mason W. Robinson, M. D.		65,000	66,000
Annette G. Burst, M. D.		9,160	21,984
J. Edward Olivier, M. D.		55,000	57,000
John G. Starr, M. D.		12,170	40,836
Elizabeth Tower, M. D.		48,816	48,816
Vernon Stillner, M. D.		40,000	58,000
Bruce L. Livingstone, M. D.		14,000	65,000
Jerry L. Schrader, M. D.		54,000	57,000
Frederick J. Hillman, M. D.		49,600	49,600
David A. Spence, M. D.		43,000	45,000
Robert I. Fraser, M. D.		50,000	53,000
Alistair Chalmers, M. D.		44,000	46,000
Herman Harold South, M. D.		55,000	60,000

MEDICAL INDEMNITY CORPORATION OF ALASKA

Application for Professional Liability Insurance
(Hospitals and Long term care Facilities)

APPLICANT INSTRUCTIONS:

1. Please type.
2. Answer all questions, leave no blank spaces.
3. If space is insufficient to answer any questions fully, attach separate sheet.
4. Both applications must be signed and dated by owner, partner or officer.
5. If the answer to any question is none, state NONE.

1. Name of the facility. State of Alaska dba
 Harborview Developmental Center, Alaska Psychiatric Institute
 Sitka Pioneer Home, Palmer Pioneer Home, Fairbanks Pioneer Home

2. Owner of facility.
 State of Alaska

3. Business address of the facility.
 c/o Department of Administration Pouch C Juneau, Alaska 99811

4. Business phone. 465-2283

5. Describe the nature of your facility:

(a) Hospital _____

(b) Mental Retardation Institution Harborview Developmental Center

(c) Mental Psychopathic Institution Alaska Psychiatric Institute

(d) Nursing Home Sitka Pioneer Home, Palmer Pioneer Home, Fairbanks Pioneer Home

(e) Other _____

6. Describe the structure of your ownership, such as professional corporation, partnership, individual employer or other.

State Government

7. Is the applicant duly licensed in accordance with law to practice at the address (es) specified in the answer to Question 3.

Individual Licences issued to each facility.

8. Is the Applicant

(a) a member of the American Hospital Association? If so, date of acceptance

no

(b) approved by the Joint Commission on Accreditation of Hospital? If so state date of approval API certified, Harborview Certified by Medicare

Pioneer Homes not certified.

9. State approximate division of your patients between:

	<u># of Patients</u>	<u>% of Total</u>	<u>Facility</u>
f. Senile or Aged	348	59.8%	Pioneer Homes
g. Mental Retardation	104	17.8%	Harborview
h. Mental Psychopathic	130	22.3%	API
Totals	582	100%	

10. State the number of beds maintained during 1975.

	<u>Pioneer Homes</u>	<u>API</u>	<u>Harborview</u>
(a) the total number of adult and pediatric beds	370	185	120
(i) used for acute care	122	0	0
(ii) long term care	248	0	0
(iii) mental; and	0	185	120
(iv) newborn nursery bassinets	0	0	0
(b) the average daily number of adult and pediatric beds occupied by patients	296	130	104
(i) used for acute care	96	0	0
(ii) long term care	200	0	0
(iii) mental; and	0	130	104
(iv) newborn nursery bassinets	0	0	0

11. State the number of beds maintained during 1976.

(a) the total number of adult and pediatric beds	370	185	120
(i) used for acute care	96	0	0
(ii) long term care	200	0	0
(iii) mental; and	0	185	120
(iv) newborn nursery bassinets	0	0	0

(b) the average daily number of adult and pediatric beds occupied by patients	296	130	104
(i) used for acute care	97	0	0
(ii) long term care	199	0	0
(iii) mental; and	0	130	104
(iv) newborn nursery bassinets	0	0	0

12. State estimated number of beds to be maintained during 1977.

(a) the total number of adult and pediatric beds	370	180	120
(i) used for acute care	146	0	0
(ii) long term care	224	0	0
(iii) mental; and	0	180	120
(iv) newborn nursery bassinets	0	0	0

(b) the average daily number of adult and pediatric beds occupied by patients	348	130	104
(i) used for acute care	146	0	0
(ii) long term care	202	0	0
(iii) mental; and	0	130	104
(iv) newborn nursery bassinets	0	0	0

13. How many outpatients visits were made during 1975? None

(a) Emergency room visits None

(b) Referred outpatient visits None

14. How may outpatients visits were made during 1976? None

(a) Emergency room visits None

(b) Referred outpatient visits None

15. What is the estimated number of outpatient visits for 1977? None

(a) Emergency room visits None

(b) Referred outpatient visits None

16. Estimate the number of employees in each of the following classifications employed or supervised by you for the year 1977.

The State of Alaska employs approximately 13,000 employees throughout the State in various job classifications. Attached are position charts for API and Harborview hospitals. In addition we staff thirty-two (32) health centers or clinics and the Pioneer Homes with nurses. Various clerical support is allocated to the operation of these facilities.

- (a) Surgeons _____
- (b) Physicians, Dentists and Licensed Interns. _____
- (c) Unlicensed Interns _____
- (d) X-Ray Technicians. _____
- (e) Laboratory Technicians _____
- (f) Pharmacists. _____
- (g) Registered Nurses - Day. _____
 Evening. _____
 Night. _____
- (h) Undergraduate or Student Nurses
 - Day. _____
 Evening. _____
 Night. _____
- (i) "Practical" Nurses- Day. _____
 Evening. _____
 Night. _____
- (j) Registered Physicians Assistants _____
- (k) Secretaries, clerks, etc. _____

17. Has the Applicant any training school, or is the Applicant affiliated with any training program? If so, give details.

No

18. Are clinics maintained? If so state yes - clinics not required to hold licences

- (a) kind State maintains various clinics-predominately Public Health
- (b) whether free, part-pay or full-pay Free
- (c) number of
 - (i) Employed Clinic Physicians and Interns
 Detailed information not available at time of application
 - (ii) Nurses " " " " " "
 - (iii) Patients per year " " " " "

19. State number of x-ray machines owned or operated and whether they are used for diagnosis or treatment or both. State by whom treatment is given.

Two (2) - Diagnostic only

20. Does the Applicant give Radium, or other radioactive treatments? If so, give details, stating by whom treatment is given.

No

21. Have there been any medical malpractice judgments against your facility or out-of-court settlements over \$10,000 against your group or association within the past 4 years?

Please define "medical malpractice" as used in this question

22. If "yes" explain, giving details.

See Alaska Pacific Assurance Company for claims experience

23. Have any medical malpractice claims been made or filed against your facility either in a court of law or otherwise?
see No. 21 and 22 Yes No

If "yes" explain, giving details and dates.

24. Has your facility ever been covered by professional liability insurance? X Yes No

If so,

(a) If prior professional liability insurance was on a claims made basis, what was the last day of coverage?

N/A

(b) Name of Umbrella or Excess carrier, if any.

N/A

(c) List primary insurers and policy periods since 1973.

Alaska Pacific Assurance Company, Stonewall Insurance Company

(d) List excess or umbrella insurers and policy periods since 1973.

Various

(e) Do you presently have malpractice insurance?

_____ Yes X _____ No

1. If answer is yes, indicate policy limits and expiration date.

2. If answer is no, when did your most recent policy expire?

June 30, 1976

25. Retroactive insurance for periods between January 1, 1975 and June 27, 1976 (Retroactive insurance must be applied for by November 15, 1976).

(a) Do you wish to purchase retroactive insurance for your facility? _____ Yes _____ No

(b) If yes, for what period or periods?

Coverage effective July 1, 1976

(c) Have you had notice of filing a claim or do you expect to have notice of filing of a claim against your facility arising from a professional act or omission during the period or periods specified in (b)?

_____ Yes X _____ No

If "yes," please provide details.

26. Has any insurance company ever cancelled, declined, refused to renew or only accepted on special terms the Applicant's Malpractice Insurance? If so, give details.

Yes - Coverage limited to exclude MICA covered occurrences.

See Alaska Pacific Assurance Company for details.

27. Desired effective date of MICA coverage for your facility.

July 1, 1976

28. How do you elect to pay your premiums for the next calendar year? Annually X
Semiannually _____ Quarterly _____

29. Have you entered into or do you intend to enter into any agreements with patients for arbitration of claims for alleged medical malpractice?

No

If so:

Has the form for the arbitration agreement been approved by the Attorney General for the State of Alaska? _____

Has the form for the arbitration agreement been approved by the MICA? (If it has not, your premium may be subject to a surcharge). _____

Please attach a copy of the arbitration agreement.

30. If you have selected any period of insurance for 1975 and/or 1976 which does not include the total calendar year, please list separately on an attached sheet the dates of each period and for each period

- (a) the total number of adult and pediatric beds maintained during each period Same as question No. 11
(i) used for acute care _____
(ii) long term care _____
(iii) mental; and _____
(iv) newborn nursery bassinets _____

- (b) the average daily number of adult and pediatric beds occupied by patients during each period Same as Question No. 11
 - (i) used for acute care _____
 - (ii) long term care _____
 - (iii) mental; and _____
 - (iv) newborn nursery bassinets _____

How many outpatient visits were made during each period?

None

- (a) Emergency room visits None
- (b) Referred outpatient visits None

31. Have you agreed to pay a fee to an insurance broker or agent? If so, please state the name and address of the agent and the amount of the fee.

None

32. Does the Applicant contemplate any new construction within the next year?

Yes - Completion of Anchorage Pioneer Home April 1, 1977

If "yes," give estimated number of additional beds to be installed.

150 beds

33. Has the Applicant entered into any written contracts for professional care, service or treatment to any organization or institution (such as but not limited to schools, colleges, governments, penal institutions, etc.)?

None Except our own agencies.

If "yes," explain fully.

34. Name and title of chief administrative officer.

Governor Jay Hamond

Is coverage to be afforded by the policy to apply to the individual liability of such administrator while acting within the scope of his duties as such? yes

35. Does the Applicant employ either hypnosis or shock therapy in the rendering of their professional services?

Yes

If "yes," comment on the extent of use of such practices.

API has used shock therapy in the past - It is not anticipated that this practice will be used in the future.

36. Are there operating room facilities?

No

37. Are interns or nurses in training ever sent or "loaned" to other medical institutions (on a reciprocal or other basis) for the furtherance of their education? If yes, explain.

No

38. Are the services of interns or nurses in training ever made available to any public institution or industry either as a part of their education or as a public service whether or not for remuneration? If yes, explain.

Yes - Many if not all services are public service

I hereby certify that the above answers are complete, true and correct to the best of my knowledge and belief and I understand that those answers will be used and relied upon in issuing my policy of insurance.

Signature of owner, partner
or officer

Title

Date

Medical Indemnity Corporation of Alaska

1007 West Third Avenue - Suite 200

Anchorage, Alaska 99501

Telephone (907) 272-8024

Please reply to:

TO: All hospitals and long term care facilities

During the last session the legislature enacted certain legislation relating to health care in the State of Alaska. That legislation requires each hospital and long term care facility (hereinafter hospitals) to maintain malpractice insurance as a condition of continued licensing in this state. The legislation also established the Medical Indemnity Corporation of Alaska (MICA) to provide this insurance.

MICA INSURANCE:

MICA has been empowered to offer occurrence form insurance in the limits of \$200,000 per occurrence and an aggregate liability per year of \$1,000,000 plus an additional \$20,000 for each bed over 50. MICA has further been empowered to offer this insurance for three separate time periods.

Period I:

The first period for which insurance will be available is January 1, 1975, through June 27, 1976. This coverage is optional to the hospital. You may purchase this insurance for the entire 18-month period, any portion of that 18-month period or two or more different portions of that 18-month period. The only requirement is that each period selected by you between January 1, 1975, and June 27, 1976, must contain at least 30 consecutive days. Your rate for that insurance will be based upon the average number of occupied beds and the number of outpatient visits for the period selected.

The retroactive insurance provided by MICA will provide protection to you only for those occurrences for which you do not otherwise have insurance coverage. The policy will exclude those occurrences for which it is ultimately determined that you have coverage on either an occurrence or claims made basis. If you did have claims made insurance, you may purchase a retroactive MICA policy. In the event a claim is made against you for the period of time selected by you and for which your claims made policy would provide coverage for whatever reason, then the MICA policy would provide no coverage. However, you could purchase a MICA policy which would protect you in the event a claim was filed against you for an occurrence during the retroactive period, but after the time your claims made policy had lapsed.

Period II:

The second period for which insurance is available is June 28, 1976, through December 31, 1976. The law requires that each hospital licensed in the State of Alaska maintain insurance in the minimum amounts described above from June 28, 1976, forward. If you have now or have had since June 28, 1976, insurance in at least these minimum amounts, you need not purchase insurance from MICA until that insurance expires or until January 1, 1977, whichever occurs first. However, by December 1, 1976, you must provide evidence to the Department of Health and Social Services that you have had insurance in these minimum amounts in effect since June 28 of this year and that that insurance or combination of insurance will continue in effect through December 31, 1976.

Period III:

The third period for which insurance is available through MICA commences January 1, 1977. These prospective policies will be written on a one year basis. Every hospital in the state must purchase insurance from MICA commencing January 1, 1977.

Application for Insurance:

Enclosed is an application for malpractice insurance from MICA. If you require malpractice insurance from MICA for any time during the first period or period II please so note on the application form. You must enclose a check for \$1,000 made payable to Medical Indemnity Corporation of Alaska with your application form. As soon as your application form and check have been received, MICA will issue to you and the Department of Health and Social Services a certificate of insurance covering all of the period for which you have requested insurance. The purchase is effective when the premium and the completed application have been received by MICA. If the \$1,000 check is not enclosed with the application you will not have insurance until the check is received. In the event you wish retroactive insurance between January 1975 and June 1976 both the check and the completed application must be in the hands of MICA by November 15, 1976. In any event, your application should be received by MICA by November 15, 1976. Do not try to compute what your premium will be for any period of time for which you have elected to purchase insurance. MICA will compute your premium and bill you for the amount which exceeds your \$1,000 premium deposit.

Upon receipt of a bill from MICA for the balance due for insurance between January 1, 1975 and June 27, 1976, and the period June 28, 1976, through December 31, 1976, the total amount of the premium balance will be due within 30 days from the date you receive this bill.

In your application you may elect how you wish to pay your bill for the year 1977. You may pay this bill annually, semiannually or quarterly. Your annual premium or first installment will be due within 15 days of the date of your bill for the 1977 premium or December 31, 1976, whichever is later. If you elect to be billed semiannually, your first installment will be 60% of your premium. The remaining 40% will be due on or before July 1 plus interest at 10% per annum on the unpaid balance. In the event you elect to pay quarterly, your first installment will be 35% of your total bill and the remainder will be due as follows: 25% on or before April 1, 25% on or before July 1, and 15% on or before October 1 of 1977 plus interest on the unpaid balance at the rate of 10% per annum.

The Board has selected Alaska Pacific Assurance Company to act as the servicing carrier for MICA. Alaska Pacific Assurance will investigate all claims or potential claims, issue policies, answer questions, coordinate the risk management program, and compile all the statistical data required by the 1976 legislation. Alaska Pacific has a separate phone listing (272-8024) for MICA in Anchorage. All comments, notices of claim, inquiries and other contacts with MICA should be made in care of MICA through Alaska Pacific Assurance Company. YOUR POLICY APPLICATION SHOULD BE SENT TO MICA IN CARE OF ALASKA PACIFIC ASSURANCE COMPANY, 1007 W. THIRD AVENUE, ANCHORAGE, ALASKA 99501.

Waiver for Insurance:

The malpractice legislation provides circumstances under which a hospital may be waived from the requirement of purchasing its malpractice insurance from the MICA. Hospitals wishing to be waived under the provisions of the law should have their requests to the Director of Insurance no later than November 15, 1976. In the absence of written permission from the Director of Insurance, the mandatory insurance required by the legislature must be purchased from the MICA.

PREMIUMS:

Enclosed with this letter is a copy of the rate filing which MICA has made with the Director of Insurance. Rates include professional and premises liability coverage. Under the rate structure recommended by MICA your deposit premium for the year will be based upon the estimated average number of occupied beds in the hospital and the estimated number of per hospital outpatient visits for the year. At the end of each year you will be asked to submit figures on actual number of beds and outpatient visits and your deposit premium for that year will be retroactively adjusted up or down to reflect your actual experience for the year.

The final premium will have to be approved by the Director of Insurance. However, MICA will bind insurance coverage for you for the periods selected by you as soon as your application and advance deposit have been received. MICA will then bill you for your remaining premium due.

AGENT'S COMMISSION:

You may note that in the rate filing there is no provision for an agent's commission. Generally an insurance premium contains a fee for the agent who procures the policy. In this instance MICA must provide the insurance for each hospital and each hospital must purchase the insurance from MICA. For this reason, no provision has been made for an agent's fee. If you wish to consult with an agent of your choice about this policy, you may negotiate directly with your agent concerning a proper fee for his services. Any fee charged by the agent or agreed upon by you and the agent should be paid directly by you to the agent. All premiums and advance deposits should be paid directly to MICA.

POLICY FORM:

The Board of Governors has submitted the enclosed sample policy to the Director of Insurance for his approval. Final approval of all of the terms and conditions of that policy must come from the Director of Insurance. Read this sample policy carefully. In the event you have any suggested changes or comments, please submit those comments in writing to the Director of Insurance, Pouch D, Juneau, Alaska 99811. Please send a copy of your comments to MICA.

RISK MANAGEMENT PROGRAM:

MICA will institute a risk management program. In order to make this risk management program successful, we will need the cooperation of each health care provider in the State of Alaska. In the event that you are unhappy with any aspect of this program or have suggestions on how such a program could be improved, we would like to have the information immediately. MICA strongly encourages each hospital to report any incident or potential claim to ALPAC immediately upon its occurrence. If you have any question in your mind that an incident could result in a claim at some future date, this incident must be reported to ALPAC immediately. It will not increase your insurance rates. It is an established fact that an incident which is investigated early is less likely to result in an adverse judgment later on. Statements can be taken and information gathered about a potential claim immediately while the facts are fresh in the minds of those involved. The hospital and MICA will not then be faced two or three years after the fact in trying to recreate what happened in response to a late filed claim.

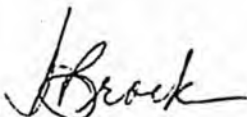
ARBITRATION AGREEMENTS:

You are now allowed to enter into arbitration agreements with your patients. These arbitration agreements must be approved by the Attorney General of the State of Alaska prior to the time that you and your patient enter into such an agreement. We have not been able to uncover enough statistics to tell us whether or not widespread use of an arbitration agreement would result in a financial benefit to the medical community. For this reason, MICA is neither encouraging nor discouraging the use of arbitration agreements between a hospital and its patients.

It is possible that any given arbitration agreement might be drawn in such a fashion as to waive certain rights which MICA feels would be important to the hospital and to MICA in any arbitration proceeding. Therefore, your policy states that your rate will be subject to a surcharge if you enter into an arbitration agreement with a patient using a form other than one provided by MICA or approved by MICA. A form acceptable to the Board will soon be provided to the medical community for your use. In addition, you may submit any form you desire to MICA for approval and if approved by the Board you may use that agreement without subjecting yourself to a rate surcharge.

GENERAL:

It is not possible for the Board in advance to anticipate all of the comments, questions and problems which will arise at the outset of this program. The Board earnestly solicits your comments, questions and opinions. However, rather than seeking a board member individually or attempting to contact someone from ALPAC by phone, initially you should address the comments, questions or opinions in writing to MICA in care of ALPAC. By having a written inquiry we can be sure that we correctly understand the question and we will respond as quickly as possible to the inquiry. As the program develops, we anticipate that someone at ALPAC will be able to answer most questions over the phone.



William G. Brock
Chairman

MEDICAL INDEMNITY CORPORATION OF ALASKA

Rate Schedule *

Physicians and Surgeons
200/600 limits

<u>Rates Applicable to Gross Billings for Professional Services</u>	<u>Rate per \$1,000 of Gross Billings</u>
Class 1	\$ 19.80
Class 2	33.00
Class 3	59.20
Class 4	51.40
Class 5	77.90
Class 6	82.70

Rate Applicable to Gross Billings
for Ancillary Charges

All Classes . \$ 19.80

Installment Premium Procedure (effective 1/1/77)

Several optional installment premium arrangements are offered, each requiring a deposit premium at the inception of the policy year, periodic installments, and a final premium determination after an audit at the end of the policy year. Interest of 10% per annum will accrue on the unpaid balance from the inception of the policy year.

- Option 1: Annual Premium. Deposit premium equals 100% of estimated annual premium.
- Option 2: Semi-Annual Premium. Deposit premium equals 60% of estimated annual premium. Semi-annual installment of 40% of estimated annual premium plus interest.
- Option 3: Quarterly Premium. Deposit equal to 35% of estimated annual premium. Three quarterly installments of 25%, 25% and 15% of the estimated annual premium plus interest.

Policies Effective Between 6/28/76 and 1/1/78

Each policy will be written to expire at 12:01 A.M. 1/1/78.
\$1,000 Deposit Premium. Final audited premium determined from actual gross billings during policy term. No interest charge.

Retroactive Premiums

For retroactive coverage for periods between 12/31/74 and 6/28/76, the above rates will apply (see definitions covering retroactive coverage).

Minimum Premium

\$100 (plus any applicable surcharge)

Maximum Premium (1977)

\$15,000 per year (plus any applicable surcharge)

* Pending approval from Department of Insurance.

MEDICAL INDEMNITY CORPORATION OF ALASKA

Physicians Merit Rating Plan

Merit Rating Plan

A surcharge will be applied to a physician's or surgeon's rate for claims during a four year period ending 30 days prior to the effective date of the policy as follows:

- (1) Paid or Closed Claim in excess of \$10,000 - 1 point per claim
- (2) Filed or Pending Claim - 1 point per claim after the first claim (which will not be counted)
- (3) Total Points (1) + (2) above

<u>Points</u>	<u>Surcharge</u>
1	10%
2	35%
3	85%
More than 3	50% surcharge per additional point

A claim will be counted only once for surcharging purposes and will be counted for no longer than four years. Claims which are determined to be patently frivolous will not be counted in any case.

SB 119

PLEASE READ YOUR POLICY

It is a contract for your protection, requiring full cooperation of both YOU as the insured and M.I.C.A. as your insurer.

NOTIFY M.I.C.A.

IMMEDIATELY!

OF ANY CHANGE in address, ownership, number of beds, and ANY CLAIM, OR CIRCUMSTANCE WHICH MIGHT GIVE RISE TO CLAIM. Also, because your application is a warranty and part of the policy, you must notify us of any circumstance that alters any condition set forth in the application.

MEDICAL INDEMNITY CORPORATION OF ALASKA

Medical Indemnity Corporation of Alaska, (herein called the Company)

In consideration of the payment of the premium, in reliance upon the statements in the application made a part hereof and subject to all of the terms of this policy, agrees with the named insured as follows:

COVERAGE A - PROFESSIONAL LIABILITY INSURANCE

I. COVERAGE AGREEMENTS

The Company will pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of:

An occurrence arising out of the rendering of or failure to render, during the policy period, the following professional services:

(A) medical, surgical, dental or nursing treatment to such person, including the malfunctioning of any equipment in connection therewith, and further including the furnishing of food or beverages in connection therewith,

(b) furnishing or dispensing of drugs or medical, dental or surgical supplies or appliances,

(c) handling of or performing post-mortem examinations on human bodies, or

(d) service by any person as a member of a formal accreditation or similar professional board or committee of

the named insured, or as a person charged with the duty of executing directives of any such board or committee,

and the company shall have the right and duty to defend any suit against the insured seeking such damages, even if any of the allegations of the suit are groundless, false or fraudulent. The company will not settle any claims without the consent of the insured. If, however, the insured refuses to consent to any settlement recommended by the company and shall elect to contest or continue any legal proceedings, then the liability of the company shall not exceed the amount for which the claim could have been so settled plus the costs and expenses incurred with their consent up to the date of such refusal; and in no event shall the company be obligated to pay any claim or judgment after the applicable limit of the company's liability has been exhausted by payment of judgment or settlements.

Exclusions

This insurance does not apply to:

- (a) punitive damages awarded by any court or arbitrator;
- (b) to bodily injury to any employee of the insured arising out of and in the course of his employment by the insured;
- (c) to any obligation for which the insured or

any carrier as his insurer may be held liable under any workmen's compensation, unemployment compensation or disability benefits law, or under any similar law;

(d) to liability of an insured, if an individual, for his personal acts or omissions of a professional nature if he is insured under any other insurance policy issued by the Medical Indemnity Corporation of Alaska;

(e) to the ownership, maintenance, operation or use of any motor vehicle, trailer, watercraft or aircraft.

II. PERSONS INSURED

Each of the following is an insured under this insurance to the extent set forth below:

(a) the named insured;

(b) if the named insured is designated in the declarations as a partnership, any partner or member thereof, but only with respect to his liability as such;

(c) if the named insured is designated in the declarations as other than an individual or partnership, any executive officer, stockholder or member of the board of trustees, directors, or governors of the named insured while acting within the scope of his duties as such.

This insurance does not apply to bodily injury or property damage arising out of the conduct of any partnership or joint venture of which the insured is a partner or member and which is not designated in this policy as a named insured.

III. LIMITS OF LIABILITY

Subject to the limitations contained in section 1 entitled Coverage Agreements, the limits of the company's liability are as follows:

Regardless of the number of insureds under the policy, the limit of liability stated in the declarations as applicable to "each occurrence" is the limit of the company's liability for all damages because of each occurrence covered hereby. The limit of liability stated in the declarations as "annual aggregate" is, subject to the above provision respecting "each occurrence," the total annual limit of the company's liability under this coverage for all damages.

COVERAGE B - OWNERS, LANDLORDS AND TENANTS LIABILITY
INSURANCE COVERAGE FOR DESIGNATED PREMISES AND RELATED
OPERATIONS IN PROGRESS OTHER THAN STRUCTURAL ALTERATIONS,
NEW CONSTRUCTION OR DEMOLITION.

I. COVERAGE AGREEMENTS

The company will pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of

bodily injury or
property damage

to which this insurance applies, caused by an occurrence and arising out of the ownership, maintenance or use of the insured premises and all operations necessary or incidental thereto,

and the company shall have the right and duty to defend any suit against the insured seeking damages on account of such bodily injury or property damage, even if any of the allegations of the suit are groundless, false or fraudulent, and may make such investigation and settlement of any claim or suit as it deems expedient, but the company shall not be obligated to pay any claim or judgment or to defend any suit after the applicable limit of the company's liability has been exhausted by payment of judgments or settlements.

Exclusions

This insurance does not apply under Coverage B:

(a) to liability assumed by the insured under any contract or agreement except an incidental contract; but with respect to bodily injury or property damage occurring while work performed by or on behalf of the named insured is in progress, this exclusion does not apply to a warranty that such work will be done in a workmanlike manner;

(b) to bodily injury or property damage arising out of the ownership, maintenance, operation, use, loading or unloading of

(1) any automobile or aircraft owned or operated by or rented or loaned to any insured, or

(2) any other automobile or aircraft operated by any person in the course of his

employment by any insured;

but this exclusion does not apply to the parking of an automobile on insured premises, if such automobile is not owned by or rented or loaned to any insured;

(c) to bodily injury or property damage arising out of (1) the ownership, maintenance, operation, use, loading or unloading of any mobile equipment while being used in any prearranged or organized racing, speed or demolition contest or in any stunting activity or in practice or preparation for any such contest or activity or (2) the operation or use of any snowmobile or trailer designed for use therewith;

(d) to bodily injury or property damage arising out of and in the course of the transportation of mobile equipment by an automobile owned or operated by or rented or loaned to any insured;

(e) to bodily injury or property damage arising out of the ownership, maintenance, operation, use, loading or unloading of

(1) any watercraft owned or operated by or rented or loaned to any insured, or

(2) any other watercraft operated by any person in the course of his employment by any insured;

but this exclusion does not apply to water-craft while ashore on the insured premises;

(f) to bodily injury or property damage arising out of the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere or any water course or body of water; but this exclusion does not apply if such discharge, dispersal, release or escape is sudden and accidental;

(g) to bodily injury or property damage due to war, whether or not declared, civil war, insurrection, rebellion or revolution or to any act or condition incident to any of the foregoing with respect to

- (1) liability assumed by the insured under an incidental contract, or
- (2) expenses for first aid under the Supplementary Payments provision;

(h) to bodily injury or property damage for which the insured or his indemnitee may be held liable

- (1) as a person or organization engaged in the business of manufacturing, distributing, selling or serving alcoholic beverages, or
- (2) if not so engaged, as an owner or lessor

of premises used for such purposes, if such liability is imposed

(i) by, or because of the violation of, any statute, ordinance or regulation pertaining to the sale, gift, distribution or use of any alcoholic beverage, or

(ii) by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or which causes or contributes to the intoxication of any person; but part (ii) of this exclusion does not apply with respect to liability of the insured or his indemnitee as an owner or lessor described in (2) above;

(i) to any obligation for which the insured or any carrier as his insurer may be held liable under any workmen's compensation, unemployment compensation or disability benefits law, or under any similar law;

(j) to bodily injury to any employee of the insured arising out of and in the course of his employment by the insured or to any obligation of the insured to indemnify another because of damages arising out of such injury; but this exclusion does not apply to liability assumed by the insured under an incidental contract;

(k) to property damage to

- (1) property owned or occupied by or rented to the insured,
- (2) property used by the insured, or
- (3) property in the care, custody or control of the insured or as to which the insured is for any purpose exercising physical control; but parts (2) and (3) of this exclusion do not apply with respect to liability under a written sidetrack agreement and part (3) of this exclusion does not apply with respect to property damage (other than to elevators) arising out of the use of an elevator at the insured premises;

(l) to property damage to premises alienated by the named insured arising out of such premises or any part thereof;

(m) to loss of use of tangible property which has not been physically injured or destroyed resulting from

- (1) a delay in or lack of performance by or on behalf of the named insured of any contract or agreement, or

- (2) the failure of the named insured's products or work performed by or on behalf of the named insured to meet the level of performance, quality, fitness or durability

warranted or represented by the named insured; but this exclusion does not apply to loss of use of other tangible property resulting from the sudden and accidental physical injury to or destruction of the named insured's products or work performed by or on behalf of the named insured after such products or work have been put to use by any person or organization other than an insured;

(n) to property damage to the named insured's products arising out of such products or any part of such products;

(o) to property damage to work performed by or on behalf of the named insured arising out of the work or any portion thereof, or out of materials, parts or equipment furnished in connection therewith;

(p) to bodily injury or property damage included within the completed operations hazard or the products hazard;

(q) to bodily injury or property damage arising out of operations on or from premises (other than the insured premises) owned by, rented to or controlled by the named insured, or to liability assumed by the insured under any contract or agreement relating to such premises;

(r) to bodily injury or property damage arising out of structural alterations which involve changing the

size of or moving buildings or other structures, new construction or demolition operations performed by or on behalf of the named insured;

(s) punitive damages awarded by any court or arbitrator;

(t) to bodily injury or property damage for which coverage A applies.

II. PERSONS INSURED

Each of the following is an insured under this insurance to the extent set forth below:

(a) the named insured;

(b) if the named insured is designated in the declarations as a partnership, any partner or member thereof, but only with respect to his liability as such;

(c) if the named insured is designated in the declarations as other than an individual or partnership, any executive officer, stockholder or member of the board of trustees, directors, or governors of the named insured while acting within the scope of his duties as such.

This insurance does not apply to bodily injury or property damage arising out of the conduct of any partnership or joint venture of which the insured is a partner or member and which is not designated in this policy as a named insured.

III. LIMITS OF LIABILITY

Regardless of the number of (1) insureds under this policy, (2) persons or organizations who sustain bodily injury or property damage, or (3) claims made or suits brought on account of bodily injury or property damage, and subject to the limitations in Section I entitled Coverage Agreements, the company's liability under coverage is limited as follows:

- The total liability of the company for all damages, including damages for care and loss of services, because of bodily injury sustained by one or more persons as the result of any one occurrence;

- and the damages because of all property damage sustained by one or more persons or organizations as the result of the same occurrence shall not exceed the limit of liability stated in the declarations as applicable to "each occurrence."

For the purposes of determining the limit of the company's liability, all bodily injury and property damage arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one occurrence. The limit of liability stated in the declarations as "annual aggregate" is, subject to the above provisions respecting "each occurrence," the total annual limit of the company's liability for all damages.

IV. ADDITIONAL DEFINITION

When used in reference to this insurance (including

endorsements forming a part of the policy):

"insured premises" means (1) the premises designated in the declarations, (2) premises alienated by the named insured (other than premises constructed for sale by the named insured), if possession has been relinquished to others, and (3) premises as to which the named insured acquires ownership or control and reports his intention to insure such premises under this policy and no other within thirty (30) days after such acquisition; and includes the ways immediately adjoining such premises on land.

SUPPLEMENTARY PAYMENTS

The company will pay, in addition to the applicable limit of liability:

- (a) all expenses incurred by the company;
- (b) all interest on the entire amount of any judgment therein which accrues after entry of the judgment or award and before the company has paid or tendered or deposited in court that part of the judgment which does not exceed the limit of the company's liability thereon;
- (c) premiums on appeal bonds required in any such suit and premiums on bonds to release attachments or supersedeas bonds in any such suit for an amount not in excess of the applicable limit of liability of this policy;
- (d) reasonable expenses incurred by the insured at the company's request, including wages of owners, directors, officers or employees, not to exceed collectively \$100 per day because of attendance at hearings or trials at such request;
- (e) prejudgment interest, costs, or attorney's fees awarded by a court or arbitrator which, when combined with judgments, awards and payments does not exceed the limits of liability stated in the policy.

DEFINITIONS

When used in this policy (including endorsements forming a part hereof):

"damages" mean all damages, including damages for death, which are payable because of injury to which this insurance applies;

"injury" means any physical or mental injury to or death of, any patient;

"insured" means any person or organization qualifying as an insured in the "Persons Insured" provision of the applicable insurance coverage;

"named insured" means the person or organization named in Item 1 of the declarations of this policy and the employees thereof who are not otherwise insured under any other policy by the MICA;

"occurrence," except as otherwise defined for Coverage B, means an act, error, or omission, including continuous or repeated exposure to conditions, which results in injury neither expected nor intended from the standpoint of the insured (all exposure to substantially the same general conditions emanating from a single course of treatment shall be deemed one occurrence).

CONDITIONS

1. PREMIUM. All premiums for this policy shall be computed in accordance with the company's rules, rates, rating plans and premiums applicable to the insurance.

Premium designated in this policy as "advance premium" is a deposit premium only which shall be credited to the amount of the earned premium due at the end of the policy period. At the close of each period (or part thereof terminating with the end of the policy period) designated in the declarations as the audit period the earned premium shall be computed for such period and, upon notice thereof to the named insured, shall become due and payable. If the total earned premium for the policy period is less than the premium previously paid, the company shall return to the named insured the unearned portion paid by the named insured.

The named insured shall maintain records of such information as is necessary for premium computation, and shall send copies of such records to the company at the end of the policy period, and at such times during the policy period, as the company may direct.

2. INSPECTION AND AUDIT. The company shall be permitted but not obligated to inspect the named insured's premises and operations at any reasonable time and upon reasonable notice and the insured shall cooperate with the

company's representatives in such inspection. Neither the company's right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of the named insured or others, to determine or warrant that such premises or operations are safe.

In the event the company is otherwise unable to obtain an audited verification of the insured's average occupied number of beds and emergency room visits, the company may inspect the named insured's books and records at any reasonable time and upon reasonable notice during the policy period and extensions thereof and within three years after the final termination of this policy, as far as it relates to a verification of the average daily occupied number of beds and emergency room visits.

3. INSURED'S DUTIES IN THE EVENT OF OCCURRENCE, CLAIM OR SUIT.

(a) Upon the insured's becoming aware of any alleged occurrence or potential claim to which this insurance applies, written notice containing particulars sufficient to identify the insured and also reasonably obtainable information with respect to the time, place and circumstances thereof, and the names and addresses of the injured and of available witnesses, shall be given by or for the insured

to the company or any of its authorized agents as soon as practicable.

(b) If claim is made or suit is brought against the insured, the insured shall immediately forward to the company every demand, notice, summons or other process received by him or his representative.

(c) The insured shall cooperate with the company and, upon the company's request, assist in making settlements in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the insured because of injury with respect to which insurance is afforded under this policy; and the insured shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The insured shall not, except at its own cost, voluntarily make any payment, assume any obligation or incur any expense other than for first aid to others at the time of accident.

4. ARBITRATION. It shall be a condition of this policy that in the event the insured executes an Arbitration Agreement with a patient other than an arbitration agreement approved by Medical Indemnity Corporation of Alaska, there shall be a surcharge in accordance with the company's published rules, rates, rating plans and premiums.

5. ACTION AGAINST COMPANY. No action shall lie against the company unless, as a condition precedent thereto,

there shall have been full compliance with all of the terms of this policy, nor until the amount of the insured's obligation to pay shall have been finally determined either by judgment or award against the insured after actual trial or award, and any applicable appeal, or by written agreement of the insured, the claimant and the company.

Any person or organization or the legal representative thereof who has secured such judgment, award or written agreement shall thereafter be entitled to recover under this policy to the extent of the insurance afforded by this policy. No person or organization shall have any right under this policy to join the company as a party to any action against the insured to determine the insured's liability, nor shall the company be impleaded by the insured or his legal representative. Bankruptcy or insolvency of the insured or of the insured's estate shall not relieve the company of any of its obligations hereunder.

6. OTHER INSURANCE. If other valid insurance exists protecting the insured against a loss covered by this policy, this policy shall be excess with respect to said loss whether the insured is specifically named in such other policy of insurance or not; and if the applicable limit of liability of such other valid insurance is not sufficient to protect the insured against such loss, this policy shall apply, but only as excess insurance over such other valid