

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

CSSB 362, SB 363 *La. Files* 111 *111*

CSSS B

362

HOUSE COMMITTEE REPORT

(11)

Date referred: 4/14/88

FURTHER REFERRALS:

DATE: 4-25-88

The Finance Committee has considered CSSB 362(Res)

"An Act establishing the Dude Creek Critical Habitat Area; and providing for an effective date."

RECOMMENDS:

- replace with HCS CSSB 362(Res) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 3/11/88 Senate (2)
- zero with analysis

SIGNING DO PASS:

Adams [Signature]

Pouchot [Signature]

Larsen [Signature]

Gall [Signature]

Swack [Signature]

Boyer [Signature]

Rieger [Signature]

Frank [Signature]

Wallis [Signature]

Brown [Signature]

Davis [Signature]

SIGNING OTHER RECOMMENDATIONS:

[Signature]
Chairman's signature

RECEIVED MAR 1 . . . 3

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSSB362 (Res.)

PUBLISH DATE: Senate 3/16/88

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Dude Creek Critical Habitat
Area

Agency Affected: Department of Fish and G
BRU: Habitat

Sponsor: Eliason
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		0				
TRAVEL		0				
CONTRACTUAL		0				
SUPPLIES		0				
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0*				

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		0				
FEDERAL FUNDS						
OTHER		0				
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Preparation of the Dude Creek Critical Habitat Area
Management Plan

Prepared by: Bruce H. Baker
Division: Habitat Division

Phone: 465-4105
Date: 3/10/88

Approved by Commissioner: [Signature]
Agency: Department of Fish and Game

Date: 3/11/88

Distribution (by preparer): *If existing schedule of one plan per year is adhered to, and no "date certain" is set for preparation of the Dude Creek Management Plan, the operating budget would be adequate. However, if two plans are to be prepared concurrently, the cost for the second plan would be 50.5.

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Dude Creek Critical Habitat Area

-Preparation of the Dude Creek Critical Habitat Area Management Plan will take one year to complete and require the following expenses (in thousands) if conducted concurrently with preparation of any other critical habitat area management plan:

Personnel

Habitat Biologist	(18c)	6 months	4.5/month	27.0
Game Biologist	(16c)	2 months	4.0/month	8.0
Drafting Tech.	(14d)	1 month	3.5/month	3.5
Clerk/Typist	(8a)	1 month	2.3/month	2.3
				<u>\$40.8</u>

Travel

Staff travel to Gustavus and Juneau	\$2.0
-------------------------------------	-------

Contractual

Telephone	0.75/month x 12 months	0.9
Photocopy	0.10/month x 12 months	0.1
Advertising /public notices		1.0
Aerial photography printing/ photographic/ blueprinting		0.7
		<u>4.0</u>
		\$ 6.7

Supplies

Office supplies	1.0
-----------------	-----

TOTAL	\$ 50.5
-------	---------

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSSB 362 (Res)
PUBLISH DATE: _____

4/7/88
14 (Res)
Heron

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Dude Creek Critical Habitat Area

Agency Affected: Natural Resources
BRU: Land and Water Management

Sponsor: Senator Eliason
Requestor: House Resources

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Legislative designation will not preclude this parcel from being appraised as part of the Mental Health Settlement. There may be some administrative savings because the public notice will be unnecessary; however, these savings will be less than \$100.

Prepared by: Janet Burleson Phone: 465-3400
Division: Land and Water Management Date: 3/16/88

Approved by Commissioner: JD
Agency: Department of Natural Resources

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

RECEIVED
APR. 7 1988

LEGISLATIVE FINANCE

Original sponsor: Eliason

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 HOUSE CS FOR CS FOR SENATE BILL NO. 362 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act establishing the Dude Creek Critical Habitat
7 Area; and providing for an effective date."

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

9 * Section 1. AS 16.20 is amended by adding a new section to read:

10 Sec. 16.20.610. DUDE CREEK CRITICAL HABITAT AREA. (a) The
11 purpose of the Dude Creek Critical Habitat Area is the protection and
12 enhancement of the wet meadow habitat that is the key roosting area
13 for migrating lesser sandhill cranes, for the protection of lesser
14 sandhill cranes, and for the continued public use and enjoyment of the
15 area.

16 (b) The following described area is established as the Dude
17 Creek Critical Habitat Area:

18 Township 40 South, Range 58 East, Copper River Meridian

19 Section 2: W1/2

20 Section 3

21 Sections 9 - 10

22 Section 11: W1/2NE1/4, W1/2

23 Section 14: Lot 3, NW1/4, N1/2SW1/4, SW1/4SW1/4

24 Section 15

25 Section 16: N1/2, SE1/4

26 (c) The Dude Creek Critical Habitat Area described in (b) of
27 this section shall be managed under a management plan prepared and
28 implemented by the department in consultation with the community of
29 Gustavus and the Board of Game.

1 (d) The department shall allow public uses, including fishing,
2 hunting, trapping, mechanized and nonmechanized public access, graz-
3 ing, firewood harvesting, wildlife viewing, hiking, and berry picking
4 under the management plan adopted under (c) of this section to the
5 extent that the activities are compatible with (a) of this section.

6 (e) The legislature understands that a portion of the state land
7 described in (b) of this section is mental health trust land of the
8 state and the legislature intends that the land retain its status as
9 mental health trust land, notwithstanding its inclusion in the Dude
10 Creek Critical Habitat Area.

11 * Sec. 2. INTERIM MANAGEMENT. Until the Department of Fish and Game
12 has adopted a management plan under AS 16.20.610(c), the commissioner of
13 fish and game shall allow public use compatible with AS 16.20.610(a) as
14 enacted in sec. 1 of this Act.

15 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

April 6, 1988

The Honorable Adelheid Herrmann, Co-Chair
The Honorable Sam Cotten, Co-Chair
House Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representatives Herrmann and Cotten:

Subject: CSSB 362 (Resources), " An Act establishing the
Dude Creek Critical Habitat Area; and providing for an
effective date."

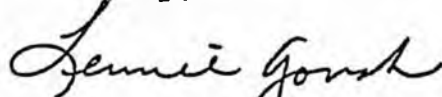
Position: The Department does not oppose this legislation.

Background: The majority of the land within this area is
mental health. The allocation to the Mental Health Trust
Income Account will not be affected irrespective of the
establishment of this critical habitat area.

Recommendation: Section 1, 16.20.610 (c) should state the
plan should be done in consultation with the Department of
Natural Resources as well as the community of Gustavus.

Please let me know if we may provide additional information.

Sincerely,



for Judith M. Brady
Commissioner

Enclosure

cc: Committee Members
Bill Sponsors
Rod Swope
Bob Evans

ALASKA STATE LEGISLATURE · SENATE

SENATOR RICHARD I. ELIASON



RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, VICE-CHAIRMAN
LEGISLATIVE COUNCIL
RESOURCES COMMITTEE
FISHERIES SUBCOMMITTEE, CHAIRMAN

P.O. BOX 143
SITKA, ALASKA 99835
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4916

MEMORANDUM

TO: Representative Al Adams, Chair
House Finance Committee

FROM: Senator Dick Eliason *Dick*

RE: SB 362 - An Act establishing the Dude Creek
Critical Habitat Area

DATE: April 14, 1988

I would appreciate your consideration in scheduling SB 362 for a hearing before the House Finance Committee at the earliest possible time.

Senate Bill 362 establishes the Dude Creek Critical Habitat area near Gustavus. This legislation is a direct response to a request from the residents of Gustavus. In January, 1984, the community of Gustavus overwhelming passed a referendum requesting the establishment of a critical habitat area for the protection and enhancement of a key roosting area for migrating Lesser Sandhill Cranes.

In 1985 similar legislation passed the House unanimously, but as the majority of the land in question was mental health trust land, the Senate decided to delay action on the legislation until an equitable solution to the trust land issue was found. Passage of Chapter 48, SLA 1987, provided the answer. Under the enactment of this law, the 3,443 acres of mental health trust land located within the proposed critical habitat area will remain in the the mental health trust corpus and the Department of Natural Resources will not need to find replacement lands for this acreage. George Rogers, chairman, Interim Mental Health Trust Commission, supports the passage of CSSB 362 (Res).

The designation of a critical habitat area would allow all traditional uses of the land while providing wildlife habitat protection.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

February 1, 1988


Senator Richard I. Eliason
P.O. Box V
Juneau, Alaska 99811

Dear Senator Eliason:

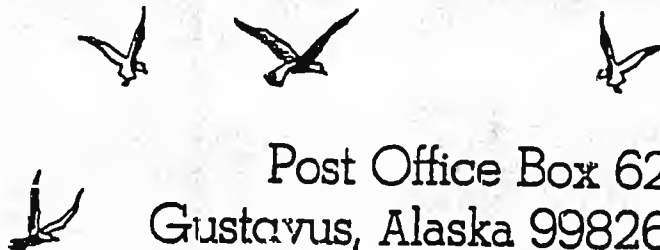
I am pleased to inform you that the Interim Mental Health Trust Commission (IMHTC) is able to support the passage of SB 362- establishing the Dude Creek Critical Habitat Area. This support was made possible through the enactment of ch. 48 SLA 1987. Should SB 362 become law prior to the reconstitution of the mental health trust corpus, the work of the DNR and the IMHTC will be reduced by leaving 3,443 acres more of the original trust land in the reconstituted trust corpus than would be if it is not passed.

If I can be of further assistance please feel free to contact me.

Sincerely,


George Rogers, Chairman
Interim Mental Health Trust Commission

Gustavus Community Association



Post Office Box 62
Gustavus, Alaska 99826

January 27, 1988

Senator Dick Eliason
Poueh V
Juneau, AK 99801

Dear Senator Eliason,

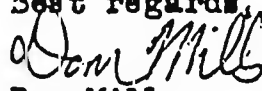
With the settling of the mental health land issue, the way again seems clear for CSHB 312, the bill for an act to establish the Dude Creek Critical Habitat Area.

I would like to take this opportunity to encourage your support for this bill. Work was begun toward the possibility of the critical habitat designation in 1978 and through a lengthy process of negotiation and compromise a proposal was reached that does meet the needs and wishes of most people.

The community demonstrated majority support for this bill in January, 1984, in a referendum ballot polling every registered voter. The response was 66 in favor and 25 opposed. In 1985, the Gustavus Community Association endorsed the bill.

The critical habitat designation would allow all traditional uses of the land to continue, i.e., hunting, fishing, clamming, berry picking, collection of beach logs, kelping, grazing, hiking and use of recreational vehicles, while providing enduring wildlife habitat protection.

Thank you for your consideration.

Best regards,

Dan Mills
President

DM/am

Senator Dick Eliason
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Eliason,

In January, 1984, a referendum (enclosure 1) was sent to all registered Gustavus voters, asking whether they favored creation of a 4100-acre Critical Habitat Area to protect migrating sandhill cranes. This capped a two-year community effort to research the need for protection and the various protective options available. About 180 ballots were sent out; 91 people chose to vote; 66 favored the proposal and 25 opposed it.

A committee of Gustavus residents was then formed to act on this mandate. In consultation with Debra Clausen, ADF&G, Habitat Division, we developed a package of background information (enclosure 2), a proposed draft of enabling legislation (enclosure 3), and a boundary map (enclosure 4). This material has now been displayed at the post office for several weeks, and to date we have received no adverse comment on it. We hope that you and Representative Goll will now begin the process of enactment into law.

In the course of our work on the crane issue, three clearcut community opinions have emerged. First, there is strong sentiment in favor of crane protection. Second, people favor the idea of a Critical Habitat if the community is fully involved in preparing legislation and management plan. And third, many feel that human use should be regulated only to the extent necessary. In particular, the following public uses and activities should be allowed: wildlife viewing, firewood harvesting, mechanical and non-mechanical access, hiking, berry picking, and grazing, unless such activities are documented to be detrimental to the migrating sandhill cranes or their habitat.

There is general agreement that present use types and amounts are not threatening the cranes or their habitat in the area proposed for legislative action. The protective effort was begun because cranes have been substantially excluded from other parts of Gustavus and could be eliminated throughout if future use and development proceed in an unplanned fashion.

Lloyd Prouty, Debbie Woodruff, Morgan DeBoer and I will be glad to provide further information or assist in any way you wish.

Sincerely,

Greg Streveler, Chairman
"Crane Committee"

Box 94

Gustavus Community Association Referendum JANUARY, 1984

Established two years ago, the referendum was initiated to sample the opinions of the whole community, that is the registered voters of this election district. While not legally binding it is nonetheless recognized by the State of Alaska as a valid polling device.

Those responding are requested to return the completed referendum questions no later than Feb. 5th by mailing them to Box 62 Gustavus, AK 99826.

I. Road Maintenance-

Fact: In 1983 the Alaska State Legislature appropriated \$115,000 to upgrade Tong Road, Same Old Road, Salmon River Road and Rink River Road. An additional 27 thousand dollars was appropriated which was not used. The question arises on whether or not to spend this money for the maintenance of existing roads or upgrading other roads or returning the money to the state. Since receiving this request for this referendum, solicited legal opinion states that the GCA can be held liable for damages incurred as a result of this recent upgrade or any future maintenance or improvements to the roads or the Goode River Bridge.

Question:

1. The \$27,000 should be used for maintaining the four recently upgraded roads. Yes No
2. The \$27,000 should be used to upgrade other local access roads. Yes No
3. The \$27,000 should be used to hire a professional engineer to inspect the recently upgraded roads and to pay for any necessary corrections for safety, therefore minimizing liability to GCA. Yes No
4. The \$27,000 should be returned to the State. Yes NO

Pro Statement:

The \$27,000 could be used for several years to maintain local access roads, including snow removal. It has been estimated that it would cost somewhere between \$3,000 and \$6,000 a year to maintain these local access roads.

Winter snow removal would allow access year round and would allow the Fire Department and EMTs to respond to fire and medical emergencies. Pot holes could be filled in the spring and the roads could be graded throughout the spring.

Con Statement:

The acceptance of the \$27,000 will put the community in the road maintenance business while the intent of the \$115,000 was to bring the roads up to standard. Acceptance establishes a precedent for other new roads that will be built, with the community expected to maintain them. This also represents another step in our inertia towards local government, and if and when Gustavus incorporated road maintenance and liability costs would be substantial.

II. Jetfoil Service-

Fact: In early December of 1983, representatives from Boeing Marine and the State Division of Marine Transportation met with the community, informing residents of their plan to bring jetfoil service to Gustavus. Plans called for a 240 passenger boat coming once a week with a 40 lb. baggage limit at a price of \$30 on a test basis for the summer of '84, with alterations planned for the existing float. In response to protest expressed at the meeting the state agreed to postpone service until the question was put to the community in the form of a referendum. (P.S. On 12/13/83, a phonecall was received from DOT stating they could not wait for results of this referendum to do their schedule and therefore

Question: were removing Gustavus from the 1984 summer route. The GCA would still like your opinion on this matter so please answer the question:

1. Should the State of Alaska bring jetfoil service to the community of Gustavus? Yes No

Pro Statement:

Jetfoil service would provide a cheaper means of transportation and would thus enable more people to visit who would spend tourist dollars in our community. Other communities would be more accessible and may lead to full-time ferry service, which would allow increased freight and vehicular services. This would be an alternative for those who do not like to fly.

Con Statement:

The community has repeatedly petitioned against regular ferry service in the past and jetfoil service represents the same. Alterations to the existing float could possibly imperil local usage and existing barge service. There are no existing facilities to handle a large influx of visitors and subsequent impact could be substantial and detrimental to the community.

III. Dude Creek Meadows Protection-

Fact: In May of 1983 a questionnaire was sent to the registered voters of Gustavus asking if the sandhill cranes which, during migration, feed and rest along Dude Creek be given some sort of protection. Eighty-one percent of those questioned replied "yes." A committee was established to research the options available for protecting sandhill cranes and recommended the Community Association request the state legislature through Fish and Game, establish some 4,000 acres along Dude Creek as sandhill crane critical habitat.

Question:


1. Should approximately 4,000 acres, ^{(Option 1) See Map} paralleling Dude Creek be designated as 'critical habitat' for the sandhill crane? 66 Yes No 25
2. If "no", would you support inclusion of only the area west of Dude Creek (Option 2), or some other type of protection other than "critical habitat"?
Yes No Specify _____


Pro Statement:


The setting aside of approximately 4,000 acres of Gustavus wetland for a critical habitat designation for the approximately 7,000 sandhill cranes who rest and feed annually in the Dude Creek meadows signifies the commitment to the well-being of a particular species of waterfowl. Boundaries protect only the areas most heavily used by the cranes. All traditional uses such as hunting, trapping, firewood harvest and all-terrain vehicle use will continue as long as they do not interfere with the species. The area would serve for perpetuity as a recreational area. Community input on the area's management can be very strong if we help write the legislation and management plan.

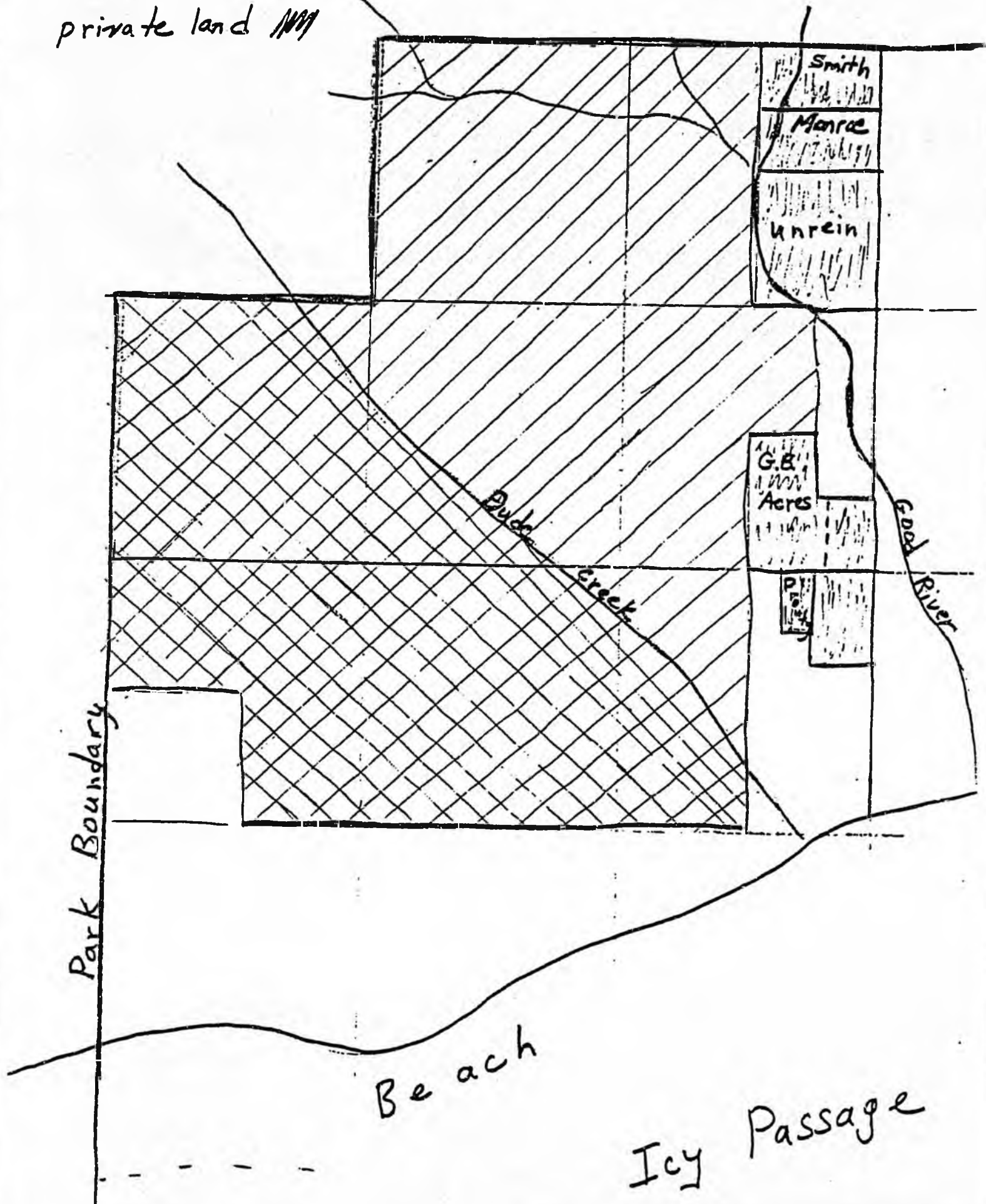
Con Statement:

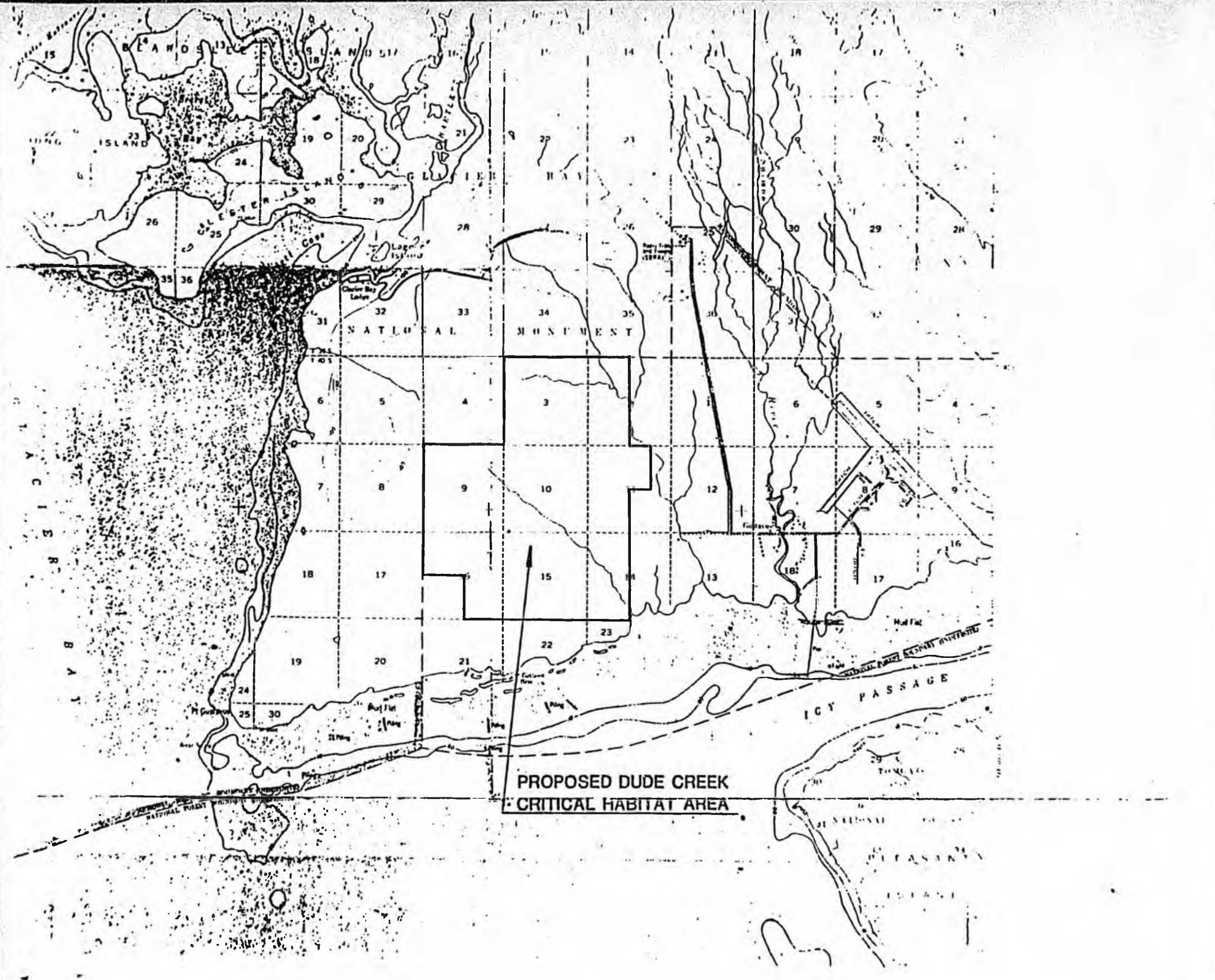
Because Gustavus is already surrounded by 2 million acres of Park, any lands restricted for use within our community would only hinder further growth and is merely an attempt to lock up more of our state. Agricultural and recreational uses may be restricted by Fish & Game and/or "environmental concerns" and others who may not be truly in touch with our needs - this could be dangerous. To lock up lands used only a couple months a year by the cranes, and likely to change by natural succession is unwise.

option 1  about 4100 acres

option 2  about 1800 acres

private land 





**PROPOSED DUDE CREEK
CRITICAL HABITAT AREA**

ICY PASSAGE

NATIONAL MONUMENT

ISLAND

23

26

35

6

7

8

18

19

24

25

19

24

31

5

6

17

20

25

30

20

29

32

4

5

16

19

24

29

21

30

33

9

10

17

21

26

31

36

9

14

21

27

34

41

48

55

62

69

21

26

33

10

11

18

22

27

32

37

24

29

36

12

13

20

24

29

34

39

27

32

39

15

16

23

27

32

37

42

29

34

41

17

18

25

29

34

39

44

31

36

43

19

20

27

31

36

41

46

33

38

45

21

22

29

33

38

43

48

35

40

47

23

24

31

35

40

45

50

37

42

49

25

26

33

37

42

47

52

39

44

51

27

28

35

39

44

49

54

41

46

53

29

30

37

41

46

51

56

Original sponsor: Eliason

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 362 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act establishing the Dude Creek Critical Habitat
7 Area; and providing for an effective date."
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 * Section 1. AS 16.20 is amended by adding a new section to read:
10 Sec. 16.20.610. DUDE CREEK CRITICAL HABITAT AREA. (a) The
11 purpose of the Dude Creek Critical Habitat Area is the protection and
12 enhancement of the wet meadow habitat that is the key roosting area
13 for migrating lesser sandhill cranes, for the protection of lesser
14 sandhill cranes, and for the continued public use and enjoyment of the
15 area.
16 (b) The following described area is established as the Dude
17 Creek Critical Habitat Area:
18 Township 40 South, Range 58 East, Copper River Meridian
19 Section 2: W1/2
20 Section 3
21 Sections 9 - 10
22 Section 11: W1/2NE1/4, W1/2
23 Section 14: Lot 3, NW1/4, N1/2SW1/4, SW1/4SW1/4
24 Section 15
25 Section 16: N1/2, SE1/4
26 (c) The Dude Creek Critical Habitat Area described in (b) of
27 this section shall be managed under a management plan prepared by the
28 department in consultation with the community of Gustavus and approved
29 by the Board of Game.

1 (d) The department shall permit public access, firewood
2 harvesting, wildlife viewing, hiking, and berry picking under the
3 management plan adopted under (c) of this section to the extent that
4 the activities are compatible with the purpose for which the Dude
5 Creek Critical Habitat Area was established.

6 (e) The legislature understands that a portion of the state land
7 described in (b) of this section is mental health trust land of the
8 state and the legislature intends that the land retain its status as
9 mental health trust land, notwithstanding its inclusion in the Dude
10 Creek Critical Habitat Area.

11 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

393

58

SENATE COMMITTEE REPORT

FURTHER

2/2/88

DATE TURNED INTO OFFICE 3/30/88

Mr. President:

Finance Committee considered SB 363

insurance coverage for treatment of alcoholism or drug abuse

and recommended

replace with _____ CS SB (Finance)) same title
 or adopt _____ CS _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)
 new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

Jim Duncan
Willie Kunkle
John [unclear]
Paul [unclear]

OTHER RECOMMENDATIONS

Don Frink (No Rec)
John [unclear] (No Rec)

Rich [unclear] do pass
Chairman signature and recommendation

Committee Backup attached

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Dept. of Administration
 Title: An Act Relating to Insurance BRU: Retirement and Benefits
Coverage for Alcoholism
 Sponsor: _____ Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The technical changes in this draft do not cause any increase to the anticipated fiscal impact shown in our earlier fiscal note for SB 363.

Prepared By: Robert F. Stalnaker Phone: 465-4470
 Division: Retirement and Benefits Date: February 22, 1988
 Approved by Commissioner: John M. Andrews Date: _____
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: CS Senate Bill 363 (Fin)
Publish Date: _____

REQUEST: _____

Revision Date: _____
Title: "An Act relating to insurance cover-
age for treatment of alcoholism and drug abuse."
Sponsor: Binkley
Requestor: _____

Agency Affected: Health & Social Services
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
----------------	-----	-----	-----	-----	-----	-----

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
----------------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The enactment of SB 363 would have no direct fiscal impact on the Department of Health and Social Services.

Prepared by: Matthew Felix by George Mundell Phone: 586-6201
Division: Alcoholism and Drug Abuse Date: 2/1/88

(B) Approved by Commissioner *George Mundell* Date: 2-1-88
Agency: *Alcoholism and Drug Abuse*

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Insurance coverage for treatment of alcoholism or drug abuse
Sponsor: Binkley, et al.
Requestor: Senate HESS Committee

Agency Affected: Commerce & Economic Dev.
BRU: Insurance
Components: Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

There is no fiscal impact to the Division of Insurance.

Prepared by: John L. George, Director Phone: 465-2515
Division: Insurance Date: 1/29/88

Approved by Commissioner: J. Anthony Smith Kathy Marshall Date: 1/29/88
Agency: Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Binkley, Halford,
Sturgulewski, et al.

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 363 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act relating to insurance coverage for treatment
7 of alcoholism or drug abuse; and providing for an
8 effective date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 21.36.090(d) is amended to read:
11 (d) Except to the extent necessary to comply with AS 21.42.365,
12 a [A] person may not practice or permit unfair discrimination against
13 a person who provides a service covered under a group disability
14 policy that extends coverage on an expense incurred basis, or under a
15 group service or indemnity type contract issued by a nonprofit corpo-
16 ration, if the service is within the scope of the provider's occupa-
17 tional license. In this subsection, "provider" means a state licensed
18 physician, dentist, osteopath, optometrist, chiropractor, nurse mid-
19 wife, naturopath, physical therapist, or occupational therapist.
20 * Sec. 2. AS 21.42 is amended by adding a new section to read:
21 Sec. 21.42.365. COVERAGE FOR TREATMENT OF ALCOHOLISM OR DRUG
22 ABUSE. (a) An insurer authorized under AS 21.09 to offer, issue for
23 delivery, deliver, or renew a group disability insurance policy for
24 major medical coverage on an expense-incurred basis in the state, or a
25 hospital or medical service corporation authorized under AS 21.87 to
26 offer or renew a group subscriber's contract for medical coverage in
27 the state, shall provide the covered person the following coverage for
28 treatment of alcoholism or drug abuse:
29 (1) benefits of at least \$7,000 over two consecutive

1 benefit years; and

2 (2) lifetime benefits of at least \$14,000.

3 (b) The benefits specified in (a)(1) and (2) of this section
4 shall be adjusted every three years, by the director, to correspond
5 with the change in the medical care component of the consumer price
6 index for all urban consumers for the Anchorage Metropolitan Area
7 compiled by the Bureau of Labor Statistics, United States Department
8 of Labor. The base year for the computation shall be the first full
9 calendar year for which insurance is obtained under this section.

10 (c) The insurer or hospital or medical service corporation
11 providing coverage under this section may not

12 (1) require that the covered person be responsible for a
13 deductible or co-payment that is different for the determination of
14 benefits relating to treating alcoholism or drug abuse than for the
15 determination of benefits for treating another covered illness;

16 (2) use a different claim payment methodology in determin-
17 ing the benefits relating to treating alcoholism or drug abuse than
18 that used in determining the benefits for treating another covered
19 illness;

20 (3) require prenotification of treatment or a second opin-
21 ion unless the requirement is applicable to other covered major ill-
22 nesses;

23 (4) limit coverage by provisions of the insurance contract
24 that are not applicable to other covered major illnesses, including
25 but not limited to provisions concerning preexisting illnesses or
26 provisions requiring that the exact date of onset be known;

27 (5) limit treatment services under the insurance contract
28 to either an inpatient or outpatient service;

29 (6) exclude from coverage the cost of medically necessary

1 treatment, including medical or psychiatric evaluation, activity or
2 family therapy, counseling, or prescription drugs or supplies received
3 at an approved treatment facility; or

4 (7) deny reimbursement for actual services rendered solely
5 because treatment was interrupted or not completed.

6 (d) Notwithstanding (a) of this section, if the insured or
7 subscriber is an employer who employs fewer than 20 permanent, full-
8 time employees for each working day during each of at least 20 calen-
9 dar workweeks in either the current calendar year or the preceding
10 calendar year, the insurer, hospital, or medical service corporation
11 is not required to provide the coverage specified in (a) of this
12 section to the insured or subscriber but shall offer that coverage to
13 the insured or subscriber as optional coverage.

14 (e) In this section

15 (1) "alcoholism or drug abuse" means an illness charac-
16 terized by

17 (A) a physiological or psychological dependency, or
18 both, on alcoholic beverages or controlled substances as defined
19 in AS 11.71.900; or

20 (B) habitual lack of self control in using alcoholic
21 beverages or controlled substances to the extent that the per-
22 son's health is substantially impaired or the person's social or
23 economic function is substantially disrupted;

24 (2) "approved treatment facility" means treatment in a
25 facility that is either approved under AS 47.37.140 or located and
26 licensed for treatment of alcoholism or drug abuse in another state;

27 (3) "catastrophic illness insurance" means a major medical
28 insurance contract or subscriber contract that provides benefits for
29 hospital and medical care with potential lifetime maximum benefits per

1 insured of at least \$250,000 and that has a deductible of at least
2 \$5,000;

3 (4) "co-payment" means the portion of the eligible expenses
4 in excess of the deductible to be paid by the covered person;

5 (5) "cost" means the least of the following:

6 (A) the actual charge for the treatment received for
7 alcoholism or drug abuse;

8 (B) the usual, customary, and reasonable charge for
9 the treatment; or

10 (C) the charge agreed to by contract between the
11 treatment provider and the insurer, hospital, or medical service
12 corporation;

13 (6) "covered person" means the insured or subscriber or the
14 insured or subscriber's covered spouse or dependent child;

15 (7) "deductible" means the portion of eligible expenses for
16 which the covered person is responsible;

17 (8) "group disability insurance" means a major medical
18 insurance contract or subscriber contract that provides major medical
19 coverage for five or more employees of the employer, but does not
20 include catastrophic illness insurance;

21 (9) "major medical" means a disability insurance contract,
22 or subscriber contract that provides benefits for hospital and medical
23 care with potential lifetime maximum benefits per insured of at least
24 \$10,000;

25 (10) "treatment" means medical care, including detoxifica-
26 tion, as an inpatient or outpatient at an approved treatment facility.

27 * Sec. 3. AS 21.87.340 is amended to read:

28 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to the
29 provisions contained or referred to previously in this chapter, the

1 following chapters and provisions of this title also apply with re-
2 spect to service corporations to the extent applicable and not in
3 conflict with the express provisions of this chapter and the reason-
4 able implications of the express provisions, and for the purposes of
5 the application the corporations shall be considered to be mutual
6 "insurers":

- 7 (1) AS 21.03
- 8 (2) AS 21.06
- 9 (3) AS 21.09, except AS 21.09.090
- 10 (4) AS 21.18.010
- 11 (5) AS 21.18.030
- 12 (6) AS 21.18.040
- 13 (7) AS 21.18.120
- 14 (8) AS 21.21.321
- 15 (9) AS 21.36
- 16 (10) AS 21.69.400
- 17 (11) AS 21.69.520
- 18 (12) AS 21.69.600, 21.69.620, and 21.69.630
- 19 (13) AS 21.78
- 20 (14) AS 21.90
- 21 (15) AS 21.42.345 - 21.42.365 [AS 21.42.345 AND 21.42.355]
- 22 (16) AS 21.89.040
- 23 (17) AS 21.89.060.

24 * Sec. 4. AS 21.42.365, enacted by sec. 2 of this Act, applies to group
25 disability insurance policies and hospital or medical service group sub-
26 scriber contracts entered into or renewed on or after January 1, 1989.

27 * Sec. 5. This Act takes effect January 1, 1989.

*Adopted by SFC
3/30/88*

A M E N D M E N T

Offered in the SENATE

By Binkley

TO: CSSB 363(Finance)

Page 3, after line 18:

Insert a new paragraph to read:

"(3) "catastrophic illness insurance" means a major medical insurance contract or subscriber contract that provides benefits for hospital and medical care with potential lifetime maximum benefits per insured of at least \$250,000 and that has a deductible of at least \$5,000;"

Renumber following paragraphs accordingly.

Page 4, after line 3:

Insert a new paragraph to read:

"(8) "group disability insurance" means a major medical insurance contract or subscriber contract that provides major medical coverage for five or more employees of the employer, but does not include catastrophic illness insurance;"

Renumber following paragraphs accordingly.

3/29/88

A M E N D M E N T

Offered in the Senate Finance Committee

Proposed by National Federation of Independent Business

TO: CSSB 363 (Finance)

Page 4, Line 1:

Insert a new subsection to read:

(7) "Group disability insurance policy" means a policy purchased by an employer which provides major medical coverage for five or more employees of the employer but does not include a policy which provides coverage only for catastrophic illness.

Renumber subsequent subsections accordingly.

3/29/88

HOLD Am
Reschedule for 3/30/88

S^o on

Ford to write legal
definition of catastrophic
illness.

Jenkins (NFIB)
3/29/88

5-1553Bb
Ford
Adopted by SFC
3/29/88

A M E N D M E N T

Offered in the SENATE

By Binkley

TO: CSSB 363(Finance)

Page 3, after line 5:

Insert a new subsection to read:

"(d) Notwithstanding (a) of this section, if the insured or subscriber is an employer who employs fewer than 20^① employees for each working day during each of at least 20 calendar workweeks in either the current calendar year or the preceding calendar year, the insurer, hospital, or medical service corporation is not required to provide the coverage specified in (a) of this section to the insured or subscriber but shall offer that coverage to the insured or subscriber^② as an option (RH)." ^{PFT (Jenkins)}

^② as optional coverage (Ford)

Reletter subsequent subsection accordingly.

① Am to Am
JB: y; vob
FZ: y; vob
Adopted

② Am to Am
RU: y; vob
FZ: y; vob

3/29/88
3/28/88

SFC Adopted 3/29/88

5-1553B

Ford

3/24/88

Original sponsors: Binkley, Halford,
Sturgulewski, et al.

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 363 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance coverage for treatment
7 of alcoholism or drug abuse; and providing for an
8 effective date."

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

10 * Section 1. AS 21.36.090(d) is amended to read:

11 (d) Except to the extent necessary to comply with AS 21.42.365,
12 a [A] person may not practice or permit unfair discrimination against
13 a person who provides a service covered under a group disability
14 policy that extends coverage on an expense incurred basis, or under a
15 group service or indemnity type contract issued by a nonprofit corpo-
16 ration, if the service is within the scope of the provider's occupa-
17 tional license. In this subsection, "provider" means a state licensed
18 physician, dentist, osteopath, optometrist, chiropractor, nurse
19 midwife, naturopath, physical therapist, or occupational therapist.

20 * Sec. 2. AS 21.42 is amended by adding a new section to read:

21 Sec. 21.42.365. COVERAGE FOR TREATMENT OF ALCOHOLISM OR DRUG
22 ABUSE. (a) An insurer authorized under AS 21.09 to offer, issue for
23 delivery, deliver, or renew a group disability insurance policy for
24 major medical coverage on an expense-incurred basis in the state, or a
25 hospital or medical service corporation authorized under AS 21.87 to
26 offer or renew a group subscriber's contract for medical coverage in
27 the state, shall provide the covered person the following coverage for
28 treatment of alcoholism or drug abuse:

29 (1) benefits of at least \$7,000 over two consecutive

1 benefit years; and

2 (2) lifetime benefits of at least \$14,000.

3 (b) The benefits specified in (a)(1) and (2) of this section
4 shall be adjusted every three years, by the director, to correspond
5 with the change in the medical care component of the consumer price
6 index for all urban consumers for the Anchorage Metropolitan Area
7 compiled by the Bureau of Labor Statistics, United States Department
8 of Labor. The base year for the computation shall be the first full
9 calendar year for which insurance is obtained under this section.

10 (c) The insurer or hospital or medical service corporation
11 providing coverage under this section may not

12 (1) require that the covered person be responsible for a
13 deductible or co-payment that is different for the determination of
14 benefits relating to treating alcoholism or drug abuse than for the
15 determination of benefits for treating another covered illness;

16 (2) use a different claim payment methodology in determin-
17 ing the benefits relating to treating alcoholism or drug abuse than
18 that used in determining the benefits for treating another covered
19 illness;

20 (3) require prenotification of treatment or a second opin-
21 ion unless the requirement is applicable to other covered major ill-
22 nesses;

23 (4) limit coverage by provisions of the insurance contract
24 that are not applicable to other covered major illnesses, including
25 but not limited to provisions concerning preexisting illnesses or
26 provisions requiring that the exact date of onset be known;

27 (5) limit treatment services under the insurance contract
28 to either an inpatient or outpatient service;

29 (6) exclude from coverage the cost of medically necessary

1 treatment, including medical or psychiatric evaluation, activity or
2 family therapy, counseling, or prescription drugs or supplies received
3 at an approved treatment facility; or

4 (7) deny reimbursement for actual services rendered solely
5 because treatment was interrupted or not completed.

6 (d) In this section

7 (1) "alcoholism or drug abuse" means an illness charac-
8 terized by

9 (A) a physiological or psychological dependency, or
10 both, on alcoholic beverages or controlled substances as defined
11 in AS 11.71.900; or

12 (B) habitual lack of self control in using alcoholic
13 beverages or controlled substances to the extent that the per-
14 son's health is substantially impaired or the person's social or
15 economic function is substantially disrupted;

16 (2) "approved treatment facility" means treatment in a
17 facility that is either approved under AS 47.37.140 or located and
18 licensed for treatment of alcoholism or drug abuse in another state;

19 (3) "co-payment" means the portion of the eligible expenses
20 in excess of the deductible to be paid by the covered person;

21 (4) "cost" means the least of the following:

22 (A) the actual charge for the treatment received for
23 alcoholism or drug abuse;

24 (B) the usual, customary, and reasonable charge for
25 the treatment; or

26 (C) the charge agreed to by contract between the
27 treatment provider and the insurer, hospital, or medical service
28 corporation;

29 (5) "covered person" means the insured or subscriber or the

1 insured or subscriber's covered spouse or dependent child;

2 (6) "deductible" means the portion of eligible expenses for
3 which the covered person is responsible;

4 (7) "major medical" means a disability insurance contract,
5 or subscriber contract that provides benefits for hospital and medical
6 care with potential lifetime maximum benefits per insured of at least
7 \$10,000;

8 (8) "treatment" means medical care, including detoxifica-
9 tion, as an inpatient or outpatient at an approved treatment facility.

10 * Sec. 3. AS 21.87.340 is amended to read:

11 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to the
12 provisions contained or referred to previously in this chapter, the
13 following chapters and provisions of this title also apply with re-
14 spect to service corporations to the extent applicable and not in
15 conflict with the express provisions of this chapter and the reason-
16 able implications of the express provisions, and for the purposes of
17 the application the corporations shall be considered to be mutual
18 "insurers":

- 19 (1) AS 21.03
20 (2) AS 21.06
21 (3) AS 21.09, except AS 21.09.090
22 (4) AS 21.18.010
23 (5) AS 21.18.030
24 (6) AS 21.18.040
25 (7) AS 21.18.120
26 (8) AS 21.21.321
27 (9) AS 21.36
28 (10) AS 21.69.400
29 (11) AS 21.69.520

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

(12) AS 21.69.600, 21.69.620, and 21.69.630

(13) AS 21.78

(14) AS 21.90

(15) AS 21.42.345 - 21.42.365 [AS 21.42.345 AND 21.42.355]

(16) AS 21.89.040

(17) AS 21.89.060.

* Sec. 4. AS 21.42.355, enacted by sec. 2 of this Act, applies to group disability insurance policies and hospital or medical service group subscriber contracts entered into or renewed on or after January 1, 1989.

* Sec. 5. This Act takes effect January 1, 1989.

COSTS

* Alcohol and drug abuse costs us all.

* In 1985 SOADA estimated costs of alcoholism and drug abuse:

Public Assistance Payments	5,828,210
Medical Assistance Payments	5,650,892
Social Services (foster care, protective services, daycare, institutional care for children)	8,718,444
Motor Vehicle (accidents, property damage, injury)	31,903,460
Driminal Justice System	78,644,355
SOADA	15,109,700
Costs of Lost Production	19,870,000
Estimated Institutional Excess Costs	
Health and Medical Care	19,569,000
Council on Domestic Violence	<u>3,510,360</u>
Total Costs	188,804,421
When this was offset by revenue to the state from license fees and taxes	- <u>14,868,433</u>
Net Cost to State	170,425,628

Estimated loss of income to AK families 54,900,000

* Alcoholics tend to have multiple medical problems that are covered under most insurance programs. Debilitating physical results of alcoholism are treated many times, at great expense, without ever treating alcoholics with the correct diagnosis.

* Families of alcoholics tend to have multiple medical problems that are caused by living with the alcoholics, including ulcers, chronic nausea, sleeping problems, eating disorders and dermatitis.

* Costs to correctional system - DWI: \$87.56 per day--costs to incarcerate

- First DWI - 3 days in jail
- Second DWI - 20 days
- Third DWI - 30 days

* Sick Leave

BENEFITS

* Benefits of health insurance coverage:

- Makes it possible for more alcoholics to receive treatment when needed.
- Reduces costs to society (loss of work, safety problems, automobile accidents, overuse of insurance for related maladies, workers comp claims--all minimized when an alcoholic recover)
- Reduces costs to insurers (insurers pay the cost of alcoholism through treatment claims--the physical effects--for other medical problems when alocholism--the cause--is not treated. --applies to both alcoholic and to family members

Note *Alcoholism Treatment and Total Health Care Utilization and Costs Study*, enclosed.

"In the years prior to initial alcoholism treatment, alcoholics incurred gradually increasing total health care costs on the average. These costs rose dramatically in the six months prior to treatment, began to decline after treatment initiation, and continued to fall during several follow-up years."

Pat

Sen. Binsley

15700 Dayton Avenue North/P. O. Box 327
Seattle, Washington 98111-0327
206/361-3000

February 1, 1988

Blue Cross of Washington and Alaska would like to raise some concerns we have identified while reviewing Senate Bill 363, regarding mandated coverage for alcoholism and drug abuse treatment.

This bill requires that coverage is mandated in both group and individual contracts. Blue Cross is opposed to a mandate which affects individual coverage, knowing that the increased costs that the mandate will add to the premium will make the purchase of individual coverage more unaffordable. That, in turn, will increase the number of Alaskans who have no coverage or who will need to turn to the state of Alaska for their health care needs.

Subsection (a) of Section 21.42.365 also reads "shall provide the insured or subscriber the following coverage...". Blue Cross is assuming that this bill is intended to provide coverage to all persons who are covered by an insured's or subscriber's policy. If that is indeed the intent, you may want to insert on line 26 of page 1 "and all covered dependents" after "subscriber" so that all persons having coverage through the policy or contract are covered by the provisions of this bill.

In subsection (c) of that same section, you have listed several restrictions which an insurer or service contractor may not use. While several of them are clearly directed toward assuring that the coverage provides an adequate provision for alcoholism or drug abuse treatment, Blue Cross would ask you to modify subsection (2). We are concerned with the restriction on second opinions or prenotification.

Because of the need to contain costs, preauthorization of treatment is required in many contracts to assure that proposed treatment is medically necessary and to deter overutilization. This subsection would eliminate that cost containment tool and may result in undesirable increases in the cost of this coverage. This subsection could be modified so that preauthorization or second opinions used for other conditions in that coverage are allowed. The subsection would then read "(2) require prenotification or preauthorization of treatment or a second opinion which is not required for other conditions or treatments in the contract or policy". The other restrictions in subsection (2) would then become a new subsection.

Page 2.

While Blue Cross does not support the mandating of benefits, this bill is well thought out and does include several points which are commendable. SB 363 covers both alcoholism and drug abuse treatment. This will allow contracts to continue to provide coverage for both conditions in a way which eliminates duplicative coverage for two very similar conditions.

Blue Cross continues to be concerned with legislation which requires a specific amount of treatment, in either days/visits of treatment or in dollar minimums. In the present economic climate in the State of Alaska, this increased coverage requirement may result in more employers reducing other benefits or eliminating coverage entirely. While the provision of this type of coverage may be needed, its overall effect on health care coverage in general in the state must be considered.



Employee Benefits Division

151 Farmington Avenue
Hartford, CT 06156
(203) 273-0123

February 5, 1988

Garden

*FYI - we (HIAA)
still want to oppose
this legislation.*

Ms. Amanda Sheedy
Assistant Counsel, HIAA
1350 E. Touhy Avenue
Suite 380 W
Des Plaines, Illinois 60018

AS

Subject: Alaska Proposed Alcoholism/Drug Abuse Legislation

Dear Ms. Sheedy:

Attached is a copy of a bill under consideration in Alaska. This draft contains several troublesome provisions that we at Aetna would like to see amended or deleted.

- (1) Sub-section (b) of Section 21.42.365 provides for a yearly adjustment of the mandated minimum benefit levels, based on the medical component of the local consumer price index.

CPI

This provision would result in yearly amendments to the contracts and certificate documents of our Alaskan policyholders. This process, over the long run, will prove very costly to those policyholders.

Additionally, in the future, without prompt promulgation of rules describing the new minimum benefit levels, we as insurers, may be placed in a position where we are paying benefits at "old" levels. This could result in the administrative and costly burden of retroactive adjustments to paid claims.

We believe that higher minimum benefit levels, adjusted on a less frequent basis, would be more workable for the State and insurers, as well as much less complicated to the individual insureds.

- (2) Sub-section (c) (2) of Section 21.42.365 precludes insurers from (1) requiring prenotification (pre-certification); (2) from limiting coverage; and (3) from requiring a specific form of treatment.

We believe it is unreasonable to preclude a pre-certification requirement. Precertification, in our view, is an appropriate vehicle for limiting plan costs by cutting down on confinements that are not medically necessary. Such a provision is also helpful in containing employer and insurer costs associated with confinements that are prolonged to the point where they are no longer medically necessary.

Page 2
Ms. Amanda Sheedy
February 5, 1988

We presume the prohibition for limiting coverage applies with respect to limitations more severe than those allowed by the bill. This could clearly be stated more precisely.

It is not clear what the legislature's intent is with respect to the preclusion of requiring a specific form of treatment. Any attempt to have this item clarified would be appreciated.

(3) Sub-section (c) (3) of Section 21.42.365 prohibits the exclusion of "activity or family therapy".

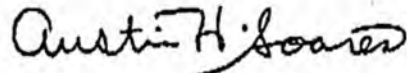
We are not clear on the meaning of "activity therapy".

Anything you can do to convey these points to the legislature will be greatly appreciated.

If further information or clarification of any information contained herein is needed, please call.

Thank you very much.

Very truly yours,



Austin H. Soares
Contract Consultant
Employee Benefits Division
Etna Life Insurance Company
(203) 636-5037

AHS/rh/plll
Attachment

Alaska State Legislature

Senate Advisory Council



P.O. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator Binkley
Alaska State Legislature

FROM: Carol R. Vandor *CRV*
Senate Advisory Council

DATE: February 16, 1988

RE: Private Businesses that Provide Employee Coverage for Substance Abuse Treatment: IR# 88-003230

February 8, 1988, Pat Jackson, of your staff, verbally requested that the Senate Advisory Council determine if major businesses operating in Alaska provide medical coverage to employees for substance abuse treatment. Pat requested that the information be provided for a committee meeting scheduled February 9, 1988. Following is the information I verbally provided to Pat for the February 9, meeting.

I contacted six major firms operating in Alaska; Fred Meyer, Pay N Save, Nordstrom, ARCO, Chevron, and Standard Alaska Production Company. All six companies provide coverage to their employees for substance abuse treatment. Each policy, however, does have internal limits. The limits vary with in-patient/out-patient treatment, limitations on consecutive days of treatment, one-time/life-time limits, etcetera.

February 9, 1988, Pat verbally requested that the Senate Advisory Council survey several local small businesses to determine what, if any, type of coverage was provided to employees for substance abuse treatment. Pat wanted this information for a committee meeting scheduled February 17, 1988. Following are the businesses I contacted and the information I obtained.

Elgee & Rehfeld, CPA's. Elgee & Rehfeld employ 7 people. Their medical plan covers treatment for alcohol abuse but does not cover abuse of drugs, or complications from drug use, for drugs that have not been approved by the Food and Drug Administration.

Lyle's Hardware. Lyle's employs 22 people. Their current medical plan includes coverage for alcohol and drug abuse treatment.

Senator Binkley
February 16, 1988
Page 2

Foodland Super Drug. Foodland Super Drug employs 12 people. Their plan states specifically that there is coverage for alcohol abuse treatment; they assume there is coverage for drug abuse treatment also.

Ace Hardware. Ace Hardware employs from 8 to 12 people. They provide no employee group health plan. They have liability insurance and workmen's compensation only.

Juneau Drug. Juneau Drug employs 4 full-time people and 2 to 3 part-time people. The full-time employees have individual policies and the part-time employees have no medical coverage.

Alaska Federal Savings & Loan (AFS&L). AFS&L employs approximately 60 people. Part-time employees and employees who have been employed less than 6 months have no medical coverage. All other employees have medical coverage that includes provisions for treatment of substance abuse.

Channel Sanitation. Channel Sanitation employs approximately 35 people. Their medical plan provides coverage for treatment of substance abuse.

Don Abel Building Supply. Don Abel employs approximately 20 people. Their medical plan provides coverage for treatment of substance abuse.

Each policy for the above-mentioned small businesses does have internal limits. The limits vary with in-patient/out-patient treatment, limitations on consecutive days of treatment, one-time/life-time limits, etcetera.

If you have any questions, please let me know.

Business	Number of Employees	Medical Plan
Elgee & Rehfeld, CPA	7	includes alcohol abuse but not drug abuse
Lyle's Hardware	22	includes alcohol and drug abuse treatment
Foodland Super Drug	12	alcohol abuse
Ace Hardware	8-12	no group health plan
Juneau Drug	4 full-time 2-3 part-time	individual policies no medical coverage
Alaska Federal Savings and Loan	60	includes substance abuse (part-time and those less than 6 months--no medical coverage)
Channel Sanitation	35	includes substance abuse
Don Abel Building Supply	20	includes substance abuse

Each policy does have internal limits . . . (in-patient/out-patient treatment, limitations on consecutive days of treatment, one-time/life-time limits, etc.)



Alaska State Legislature

SENATE

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

January 9, 1988

TO: Senator John Binkley

FROM: Pat Jackson *Pat Jackson*
Administrative Assistant

JB

RE: Senate Bill 363 - Insurance Coverage for
Treatment of Alcoholism and Drug Abuse

Sampling of Coverage Among Large Employers in Alaska

The concern had been raised during discussion on Senate Bill 363 that the requirement that alcohol and drug abuse treatment be included in group health insurance policies would not impact the larger self-insured and multi-employer trusts. At our request Carol Vander from the Senate Advisory Council did a quick, cursory review of some of the major firms doing business in Alaska to determine whether their health insurance policies included drug and alcohol treatment.

<i>Company</i>	<i>Type of Insurance</i>	<i>Drug and Alcohol Included?</i>	<i>Notes</i>
Fred Meyer	Different Types . . . -union/non-union	Yes, in Alaska	with limitations
Pay & Save	M. E. T.	Yes	with limitations
Nordstroms	Self-insured	Yes	with limitations
ARCO		Yes	with limitations
Chevron	M. E. T.	Yes	with limitations
Standard Alaska	Different Types	Yes, in Alaska	with limitations

Limitations mentioned include: 100% coverage but 45 day maximum; out-patient 50%, inpatient 100%; 100% if hospital is approved, if doctor is approved; limited to 20% out-patient if not approved.

Alaska State Legislature

Senate Advisory Council



P.O. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator Binkley
Alaska State Senate

FROM: Carol R. Vandon *CRV*
Senate Advisory Council

DATE: March 25, 1988

SUBJECT: Addendum to IR#88-003250; Insurance Coverage for Substance Abuse

My March 14, 1988, memorandum listed 26 groups of employers in Alaska and outlined the health benefit they provide to their employees for alcohol and drug abuse treatment. You also requested that we indicate whether or not the employer is self-insured. The information is as follows.

Groups that are Self-Insured

Health Provider - Great West Life

Fairbanks North Star Borough
Fairbanks North Star Borough School District
City of Fairbanks
North Slope Borough School District

Groups that are Fully Underwritten Experience Rated

Health Provider - Blue Cross

Kodiak Island Borough School District
City and Borough of Juneau
City and Borough of Juneau School District
Nome Public Schools
City of Ketchikan

Health Provider - Aetna

Nenana School District
Dillingham City School District
Ketchikan Gateway Borough School District

Senator Binkley
March 25, 1988
Page 2

Groups that are Pooled

Health Provider - Blue Cross

Alaska Gateway School District
Annette Island School District
Bristol Bay Borough and School District
Wrangell General Hospital
Klawock City School District
Southwest Region School District
Lower Yukon School District
Cordova Public Schools
Galena City Schools
City of Kotzebue
City of Wrangell
City of Yakutat
Valdez Public Schools
City of Valdez

If you have any questions about the groups under these definitions, please contact the appropriate health provider and ask for the following individual(s). They will be able to provide you with detailed information about how each policy is written.

Nita Schaerer
Blue Cross
(907) 561-5065

Steven LeBrun
Aetna
(206) 441-2803

Ellen Kariya
Great West Life
(206) 822-5575

POSITION PAPER
FOR
SENATE BILL NO. 363

"An Act relating to insurance coverage for treatment of alcoholism and drug abuse."

Passage of SB 363 would require providers of health insurance to include treatment for drug and alcohol abuse with benefits of at least \$7,000 over two consecutive years and lifetime benefits of at least \$14,000. Benefits would be adjusted annually to correspond to the consumer price index. Insurers could not require higher deductibles for the cost of this treatment than for other types of coverage, not require prenotification of treatment, a second opinion concerning treatment, a specific form of treatment or limit coverage to either an inpatient or outpatient basis. Insurers could not exclude coverage for medical or psychiatric evaluation, activity or family therapy, counseling, or prescription drugs or supplies received at an approved treatment facility. Insurers may not deny coverage for the sole reason that treatment was not completed. A definition is provided for alcoholism and drug abuse. Approved treatment facility is defined as treatment in a facility approved under AS 47.37.140 (Uniform Alcoholism Intoxication and Treatment Act.) Treatment would include both inpatient and outpatient services. The effective date on SB 363 is January 1, 1989.

From a public health and public safety perspective alcoholism and drug abuse seriously impact the lives of many Alaskans. These substances contribute to the alarmingly high state rates of accidental personal injury and death. Alaska ranks consistently among the leading states in the per capita consumption of alcoholic beverages. This high level of consumption places Alaskans at risk for related illnesses such as cancer, infectious diseases, and diseases of the liver and pancreas. Living in an alcoholic or drug abusive home can also contribute to a variety of stress related disorders among family members.

Like many preventive approaches to public health problems, the cost versus benefits achieved with the passage of SB 363 will be difficult to measure. However, evidence exists that alcoholism treatment costs can be offset by a reduction in overall health care costs within two to three years following the initiation of treatment.

Holder and Blöse studied the impact of alcoholism treatment on health care utilization and costs for health insurance enrollees under the Federal Employees Health Benefit Program (1) Their results indicated that monthly health care costs for families with an alcoholic member were almost twice as high as health care costs for families with no aparent alcoholic member. The results of the study showed that following the initiation of alcohol treatment, the health care costs of alcoholics declined significantly. Total health care costs averaged \$294 per month during the six months following the initiation of treatment, but only \$194 per month by the third post-treatment year.

Another study, by Holder and Hallan (2) of public employees in California, yielded similar findings, and a five-year follow-up of 90 families of alcoholics showed a reduction in monthly medical expenditures of \$72. per person, bringing them to the same level as a comparison group of non alcoholic families.

It has been suggested that following the passage of SB 363, employers' health insurance premiums could increase. We are unable to determine the validity of this claim. However, even though claims may increase initially, and we recognize that this may cause some hardship on some employers, evidence suggests that alcohol and drug abuse coverage decreases the use of benefits for related medical conditions thereby offsetting premium increases in the long run.

Many of the alcohol and drug abuse treatment policies currently in effect in Alaska only cover treatment which is provided in a hospital or by a physician. SB 363 provides for treatment in all programs approved by the SOADA under AS 47.37.140. This provision would make current drug abuse and alcohol coverages more cost-effective by allowing treatment in settings which are less expensive than those provided by physicians or hospitals. This would result in greater access to service and make all coverage more cost-effective.

Presently, 34 states have similar legislation. Under the duties of this department's Office of Alcoholism and Drug Abuse (SOADA), AS 47.37.040(16) mandates that the SOADA shall "encourage all health and disability insurance programs to include alcoholism as a covered illness." At a November 1987 meeting the Review Board on Alcoholism and the Advisory Board on Drug Abuse passed the following resolution: "Resolved that: The State of Alaska should require that medical insurance policies should be required to reimburse for alcoholism and drug abuse treatment services including those that are state approved."

The Department of Health and Social Services is supportive of the approach and intent contained in SB 363.

1. Harold Holder, Ph.D. and James Blose, MPP. Alcoholism Treatment and Total Health Care Utilization and Costs. JAMA. September 19, 1988, Vol. 256, No. 11
2. Harold Holder, Ph.D. and Jerome Hallen, Dr.P.H., Medical Care and Alcoholism Treatment Costs and Utilization: A Five Year Analysis of the California Pilot Project to Provide Health Insurance Coverage for Alcoholism. National Institute on Alcohol Abuse and Alcoholism, (Contract ADM 291-79-0008), December 1981

Myra M. Munson 2/9/88
Myra M. Munson Date

Matthew C. Felix 2/5/88
Matthew C. Felix Date

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 22, 1988

SUBJECT: Insurance for Alcoholism or Drug Abuse
CSSB 363 (Fin)

TO: Senator John Binkley

FROM: Michael F. Ford *m.f.*
Legislative Counsel

The following is a sectional analysis of the draft of
CSSB 363 (Fin):

Section 1 - Establishes an exception in the statute that prohibits discrimination against a person who provides a service covered under a group disability insurance policy. This provision is necessary in order to require alcoholism or drug treatment at an approved treatment facility.

Section 2 - Requires certain insurers to provide coverage for treatment of alcoholism and drug abuse, and specifies the maximum benefits to be provided. Requires the benefits to be adjusted annually and imposes specific limitations on the coverage offered by the insurer. Defines various terms relating to the insurance coverage required by law.

Section 3 - Specifies that AS 21.42.365 also applies to service corporations, as insurers.

Section 4 - Applicability section.

Section 5 - Effective date.

MF:gc
WKG1:101

ALASKA NETWORK ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT

130 Seward, No. 301 • Juneau, Alaska 99801 • (907) 586-3650

Abused Women's Aid in Crisis (AWAIC);
Advocates for Victims of Violence (AVV);
Aiding Women in Abuse and Rape Emergencies (AWARE);
Alaska Women's Resource Center (AWRC); Arctic Women in Crisis (AWIC);
Bering Sea Women's Group (BSWG); Emmonak Women's Shelter;
Kodiak Women's Resource & Crisis Center (KWRC);
Maniilaq Regional Women's Crisis Program; MEN, Inc.;
Safe & Fear-Free Environment (SAFE); Sitkans Against Family Violence (SAFV);
Southwestern Alaska Council for the
Prevention of Child Sexual Assault (SWACPCSA);
South Peninsula Women's Services (SPWS);
Standing Together Against Rape (STAR); Tundra Women's Coalition (TWC);
Valley Women's Resource Center (VWRC);
Women in Crisis Counseling & Assistance (WICCA);
Women in Safe Homes (WISH); Women's Resource & Crisis Center (WRCC)

POSITION PAPER SUPPORT

MANDATORY INSURANCE COVERAGE FOR THE TREATMENT OF ALCOHOL AND DRUG ABUSE

The Alaska Network on Domestic Violence and Sexual Assault supports the concept of mandatory insurance coverage for the treatment of alcohol and drug abuse. While none of the literature on substance abuse and family violence supports the existence of a direct causal relationship between alcohol or drug use and woman battering and child abuse, studies indicate that chemical dependence is an important factor in the frequency and severity of violence.

"Men's substance abuse PRIOR to marriage has been found in one study to be a strong predictor of certain characteristics of family violence IF it occurs in the marriage. These characteristics are:

- higher frequency of violence;
- more probability that alcohol or drug use is involved in the most serious incidents;
- and long duration of violence in the relationship.

There is also research support for the observation that batterers who abuse alcohol inflict more serious injuries on their victims than batterers who do not."

"In yet another study, 85% of batterers with chemical dependence problems admitted that they were also assaultive when sober. ...it seems clear that we cannot predict an individuals' violent behavior by his alcohol consumption, either as a pattern or in particular incidents. However, these findings also suggest that battering is even more dangerous if the batterer drinks at all, whether or not he is intoxicated at the time of an incident."

In one study of battered women and alcohol abuse, the majority of the women developed their problems with alcohol after being in an abusive relationship for some time.

Finally, there is evidence that alcohol or drug use by a batterer increases the potential that the violence will end in death.

In light of this research, the Network feels strongly that the availability of substance abuse treatment should be increased and is an important aspect of assisting families where there is violence.

(Research excerpted from an address presented by Melissa Eddy at the Sixth Annual Texas Council on Family Violence Conference, October 28, 1987, Austin Texas.)

fewer accidents, less workmen's compensation and health insurance expense (and lower insurance rates); and for the employee: better health and greater career opportunity.

Employer-sponsored EAPs cost the taxpayer no dollars. They deserve wide support.

State agencies, businesses, and other organizations interested in reducing alcohol abuse should support establishment of more EAPs. State legislatures and governors can and should focus attention on EAPs, encouraging their implementation throughout industry.

The Alcohol Policy Council believes that every possible effort should be made to expand the workable and proven EAP effort. This is a primary instrument in reducing alcohol abuse. It is a tool, however, that is greatly underused.

Insurance Coverage for the Treatment of Alcoholism

Strides toward improved health care have come about because most Americans have hospital or medical insurance — either private carrier or public sponsor — that covers much of the expense of health care.

Health insurance companies too often exclude from coverage the treatment of alcoholism under the rationale that it is too expensive to cover.

Studies disprove this rationale. Alcoholics tend to have multiple medical problems that are covered

under most insurance programs. Thus debilitating physical results of alcoholism are treated many times, requiring large expenditures without ever treating alcoholics with the correct diagnosis.

Twenty states have mandated that alcoholism be covered under all medical insurance policies. An additional fourteen states require that the option for such coverage be offered at the discretion of the group to be insured as follows:

Alcoholism is an illness, so recognized by the major medical organizations. Thus, expense for its treatment should be covered under health insurance.

Some benefits of health insurance coverage are:

- Makes it possible for more alcoholics to receive treatment when needed. Without insurance treatment is, too often, put off.
- Reduces the costs to society caused by alcoholics. Loss of work, safety problems, automobile accidents, overuse of insurance coverage (for related maladies), workman's compensation claims, etc., are minimized when an alcoholic recovers.
- Reduces costs to insurers. Insurers pay the cost of alcoholism through treatment; claims for other medical problems associated with alcoholism. Coverage allows the patient to be admitted for alcoholism, so that the cause of the patient's medical problems are treated — not just the physical effects.
- Encourages families of alcoholics to urge treatment without fear of increased added financial burden.

The benefits of insurance coverage are considerable, both to the state, employers, family and patient. The Alcohol Policy Council believes insurance coverage for the treatment of alcoholism should be available in all states, as a matter of state law or regulation.

States with Mandatory Insurance Coverage (20)	States Requiring Option of Coverage at Discretion of Group to be Insured (14)	States and Territories without Mandatory Coverage or Option Requirement (23)
Connecticut	Alabama	Alaska
Hawaii	California	American Samoa
Illinois	Colorado	Arizona
Maine	Florida	Arkansas
Maryland	Kansas	Commonwealth of the Northern Marianas
Massachusetts	Kentucky	Delaware
Michigan	Louisiana	District of Columbia
Minnesota	Montana	Georgia
Mississippi	Nebraska	Guam
Missouri	South Dakota	Idaho
Nevada	Tennessee	Indiana
New Jersey	Texas	Iowa
New York	Utah	New Hampshire
North Dakota	Vermont	New Mexico
Ohio		North Carolina
Oregon		Oklahoma
Rhode Island		Pennsylvania
Virginia		Puerto Rico
Washington		South Carolina
Wisconsin		Trust Territories of the Pacific
		Virgin Islands
		West Virginia
		Wyoming

Source: National Association of State Alcohol and Drug Abuse Directors (NASADAD)

My name is Judi Bixby and I am the administrator of Milam Recovery Center in Juneau. Milam is an intensive outpatient facility for the treatment of alcohol and other addictions. We have both adolescent and adult ^{treatment} programs. I would like to offer testimony in favor of this legislation.

During the present school year 87-88, we have assessed 80 adolescents for ^{the} disease of chemical dependency. I don't believe the issue here is how many of these kids have insurance as all ^{but} 29 had insurance policies.

The issue is rather how many of these children had policies that restricted placement in ~~a~~ treatment setting ^{recommended. or had a dollar limitation} in one way or another. In other words, the insurance policy dictated what type of treatment they received rather than the addiction specialist.

Some general examples would include 1. often times kids are placed at inpatient programs out of state away from school and families when more appropriate placement might have been right here in Juneau ^{in an outpatient setting.} where their

education could continue and their families could be intimately involved in their treatment. ^{All too often policies don't cover outpatient tx or have dollar limits on the out-patient tx.} A second example or the other side of the coin is that often a child will be assessed for alcoholism and his disease will be so far advanced that he needs to be removed from his drug of choice and placed in the protective environment of an inpatient facility. If his insurance policy only covers outpatient treatment it is indeed a tragic saga that follows if parents continue borrowing the needed monies to get him the help he needs to arrest his disease or put more dramatically, ^{to} prolong his life.

To get more specific, I recently assessed a 14 year old male for alcoholism, his mother worked and held an insurance policy. She also had 3 other children. It was recommended by the addiction treatment professional that due to his disease being so far advanced, and his

2/24/88

mental state so fragile (he had made a suicide attempt while under the influence) that the safe placement for him would be inpatient treatment. There was ^{adequate} no coverage on moms policy for inpatient so he was placed in a the 2nd best alternative, ^{for inpatient} outpatient treatment. He was unable to remain abstinent. ^{and drop out of treatment} He is presently waiting for a scholarship bed at an inpatient facility. At times I wonder if he will be ok until we are able to do that placement. It's cases like this that cause me to feel frustration and anger.

I don't believe the insurance companies have malicious intent but rather have outdated provisions made at a time when little was known about addiction.

I do believe with the professionalism that the field of addiction brings with it today, that the time has come when those professionals should be allowed to recommend the treatment that is most appropriate for their clients.

Thank you for your time and support.

Work Draft - 3/1/88
CS SB 363 (Finance)

"An Act relating to insurance coverage for treatment of alcoholism or drug abuse; and providing for an effective date."

Basic Provisions

- Requires providers of *group* health insurance policies to include treatment for alcohol and drug abuses with caps established at \$7,000 over two years or \$14,000 lifetime. Caps are tied to CPI/Anchorage, adjusted every three years.
 - Alcoholism and drug abuse must be treated the same as other health coverage in terms of deductibles and co-payments and policies must not discriminate between inpatient (hospitalization) and outpatient (counseling).
 - Quality of care for insurance coverage eligibility is provided through facilities certified by the State Office of Alcoholism and Drug Abuse.
 - Effective date: January 1, 1989, with grandfathering of existing policies until such time as they are renegotiated or renewed.
-

Rationale

Number one health problem in Alaska.

Health professionals define chemical dependency as a disease of the body, mind, and spirit. It is widely recognized as the number one health problem in the state.

Individuals who have struggled to overcome the denial prevalent with alcoholism and decide to seek treatment are often surprised to learn their health coverage either doesn't cover alcoholism or drug abuse or has limitations that inhibit their ability to utilize it.

A policy may cover, for example, hospitalization (inpatient) at 100% and outpatient (counseling) treatment at \$500, if at all. An individual is forced to decide between the two forms of treatment. Hospitalization (30 day program) often means losing their job, family, and support groups.

Outpatient treatment is beneficial for those in the early stages of alcoholism because it allows the individual to their keep job and maintain family support . Additionally, family counseling is a major part of outpatient treatment.

Alcohol and drug abuse costs us all.

- In 1985 SOADA estimated the net cost to the state at more than \$170 million, with the loss of income to Alaskan families was nearly \$55 million.
- Municipality of Anchorage estimated economic costs related to alcohol abuse at \$195.5 million; drug abuse at \$62.4 million. Supports legislation.
- Department of Corrections estimates costs to incarcerate individuals charged with DWI: \$87.56 per day.
- Decreases in job performance.
- Increase in absenteeism (4-8 times greater).
- **Increased usage of health insurance by alcoholic** for other medical problems which arise when primary disease of alcoholism is not addressed.
- **Increased usage of health insurance by family members** who develop medical problems caused by living with an alcoholic (i.e, ulcers, chronic nausea, sleeping problems, eating disorders, dermatitis).
- Other serious health issues, including
 - children born with Alcohol Related Birth Defects (FAS and FAE). The expenses incurred by infants with ARBD born during 1987 were \$1,162,500. This did not include costs while at IHS facilities.
 - children of alcoholics (COA's)
 - suicide (attempts by alcoholics estimated to be 6-15 times greater)

Benefits

- Opens a door to more appropriate and individualized methods of treatment and allows for more alcoholics to receive treatment when needed.
- Mode of treatment for recovery is recommended through certified alcohol and drug facilities. Current provisions in most policies restrict one form of treatment over another, i.e., limits to outpatient, (counseling) no limits to inpatient (hospitalization).
- Reduces costs to society (loss of work, safety problems, automobile accidents, overuse of insurance for related maladies, workers comp claims all depreciate when an alcoholic recovers).
- Reduces costs to insurers. The insurer pays the cost of alcoholism through treatment claims for other medical problems.

"In the years prior to initial alcoholism treatment, alcoholics incurred gradually increasing total health care costs on the average. These costs rose dramatically in the six months prior to treatment, began to decline after treatment initiation, and continued to fall during several follow-up years."

Alcoholism Treatment and Total Health Care Utilization and Costs Study

State Impact

Current state plan covers \$2,500 in outpatient coverage with unlimited coverage for hospitalization (inpatient). Legislation will have little or no impact to the State.

Zero Fiscal Notes

Division of Insurance (Department of Commerce)
Division of Retirement & Benefits (Department of Administration)
Division of Alcohol and Drug Abuse Services
(Department of Health and Social Services)

Department Positions

Division of Insurance

Philosophically opposed to mandates; technical amendments offered and included in CS.

Division of Retirement & Benefits

Neutral position on legislation; no fiscal impact to labor contracts due to State's current coverage; increases in usage of outpatient (counseling) will be offset by the "caps" in SB363 which limit costs of hospitalization (inpatient). This shift will result in a net zero cost to the State.

Division of Alcohol and Drug Abuse

Supports legislation; top priority legislation for alcohol and drug abuse treatment efforts statewide. Resolution in support passed by the Governor's Council on Alcohol and Drug Abuse.

Private Sector Impact

Senate Advisory Council Research (2/16/88)

- small businesses (5 employees or less) typically have no health insurance or individual policies not affected by legislation.
- Random sampling of 14 businesses, 12 of which offered some type of substance abuse coverage in their group health plan (limitations include inpatient/outpatient, limits on consecutive days, one-time/life-time limits, etc.)
- Businesses currently providing group health plans typically have limitations on the less expensive choice of treatment (outpatient) and no limitation on the more expensive treatment, hospitalization (inpatient).

Alaska General Contractors (per Resa Jarrell, AGC-Juneau)

- Represents 700 general and associate contractors. Health plan includes \$5,000/2 years; \$10,000/lifetime.
- Estimated impact is \$3.00 per month premium increase .

- Supportive of legislation. It will promote alcohol and drug abuse treatment and will promote a positive impact toward reducing workers comp rates in Alaska.

Effects of Mandated Insurance Coverage, a study of sources located in six states who mandated coverage found:

- 35% had no increase; 11% had increased 1-5%; and 40% increased 5-10%.
- 98% showed no shift to self-insured status due to mandate.
- No indication of elimination of health plans due to mandate.
- 14% experienced measurable health cost reduction.
- States that have *required offer* shift to *mandated* within a few years (i.e., Texas, Vermont).

Request made to National Federation of Independent Businesses for survey of coverage and cost estimates relative to mandate; also the number of NFIB members offering group health plans to their employees. No response to date.

Municipal Impact

Senate Advisory Committee Report (3/14/88)

- 26 groups contacted; major providers: Blue Cross, Aetna
- Typical health plan offered unlimited coverage for hospitalization (inpatient) while restrictions of dollar amounts and lesser percentages of coverage are offered for outpatient (counseling).
- Self-insured municipalities and other entities are not subject to legislation.

Insurance Companies

Philosophically opposed to mandates; however, if that policy decision is made, technical amendments have been offered by the two largest health insurance providers in the state (Aetna and Blue Cross). Amendments have been included in current CSSB363(Fin) draft.

Blue Cross of Washington raised rates 2.5% last year, following mandate in Washington.

Division of Insurance contacted top five carriers in Alaska (80% of the market). Responses ranged from **no increase** for those packages which currently have alcohol and drug plans up to \$5.50 or \$6.00 per month for those with no alcohol or drug treatment. Most estimates were in the \$2.00/month range.

3/28/88

Senator John Binkley

Senate Finance Committee
P.O. Box V • Juneau, Alaska 99811 • (907) 465-4985



Finance Committee
Co-Chairman

MEMORANDUM

March 28, 1988

TO: Senate Finance Committee Members
FROM: Senator John Binkley
RE: CSSB 363 (Finance) 3/24/88 draft

The changes to Senate Bill 363 which are incorporated in the 3/24/88 draft are as follows:

- | | | |
|-------------------------------------|--|--|
| page 2, line 4 | insert "every three years"
delete [yearly] | Benefits tied to CPI/Anchorage to be adjusted every three years. Change requested by insurance companies. |
| page 2, line 25 | insert "including but not limited to provisions concerning preexisting illnesses or provisions requiring that the exact date of onset be known." | Onset of alcoholism is not definitive; individual may not be excluded from coverage because date of onset of the illness.

Note: breaks section (3) of previous draft into sections (3) and (4). |
| page 2, line 15
line 19, line 22 | delete [condition or] | In line with preexisting illness change the word "condition" is eliminated so as to avoid standard practices regarding pregnancy. Many policies do not cover pregnancy if the condition predates the policy. |
| page 3, line 27 | new section "(c) the charge agreed to by contract between the treatment provider and the insurer, hospital, or medical service corporation;" | Change requested by Blue Cross to accommodate standard contractual arrangements in the current day market place. |

Requests from Finance Hearing

Response

- How are pre-existing conditions addressed?
New Finance CS provides that pre-existing illnesses shall not be excluded. The word "condition" has been deleted throughout the bill so as not to confuse illnesses with the condition of pregnancy.
- What is the impact on local governments and school districts?
See Senate Advisory Committee memorandum, March 14, 1988.
- Request to Division of Insurance to research potential increases in premiums
See attached data for 5 companies
- Check need for conformity with SB 315 which adds advanced nurse practitioners to AS 21.36.090(d)
Mike Ford says we're okay--the bills address different parts of the section. If both bills pass, the changes in each will be reflected in statute.
- Request to National Federation of Independent Businesses for data
Gary Jenkins provided printout of member file analysis by standard industrial codes. Did not provide membership or data on health insurance coverage.
- Percentage of claims for chemical dependency by state employees (AETNA)
3%. See Memorandum from Retirement & Benefits

Additional Request by Blue Cross

Response

- Inclusion of contractual method of payment under definition of "cost"
Incorporated in new Finance CS. See page 3, line 26

Alaska State Legislature

Senate Advisory Council



P.O. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator Binkley
Alaska State Senate

FROM: Carol R. Vandor *nev*
Senate Advisory Council

DATE: March 14, 1988

SUBJECT: Alcoholism and Drug Addiction Treatment Benefit in Selected School District and Municipalities in Alaska; IR# 88-003250

Your memorandum of February 25, 1988, requested that the Senate Advisory Council determine the amount of medical benefit for alcoholism and drug addiction treatment that school districts and municipalities in Alaska provide for their employees. Following is a selection of school districts and municipalities and the type of coverage they have for substance abuse.

Name of Group

Alaska Gateway School District	Cordova Public Schools
Annette Island School District	Galena City Schools
Bristol Bay Borough & School District	City of Kotzebue
Wrangell General Hospital	City of Wrangell
Klawock City School District	City of Yakutat
Southwest Region School District	Valdez Public Schools
Lower Yukon School District	City of Valdez

Health Provider

Blue Cross

Alcoholism Treatment Benefit

In-patient treatment provided in a legally operated hospital or a Blue Cross participating alcoholism treatment facility will be covered under major medical at 90%* as any other condition.

In-patient treatment at a non-participating alcoholism treatment facility will be paid under major medical at 90%* up to a maximum of \$1,000 each calendar year.

Senator Binkley
March 14, 1988
Page 2

Hospital out-patient treatment, treatment on an out-patient basis in an alcoholism treatment facility and physician services are not covered.

Drug Addiction Treatment Benefit

Hospital in-patient treatment incurred at a legally operated hospital and all non-institutional treatment is paid under major medical at 90%*.

*Paid after a \$100 per member, \$300 per family, calendar year deductible has been satisfied. Major medical co-insurance is 90%/10% of the first \$1,955 in covered expenses then 100% for all other covered expenses for the remainder of the calendar year. Once a member has received \$50,000 in major medical benefits that member no longer is required to satisfy a calendar year deductible and reimbursement will be at 100% thereafter up to a maximum of \$250,000.

Name of Group

Kodiak Island Borough School District

Health Provider

Blue Cross

Alcoholism Treatment Benefit

In-patient treatment provided in a legally operated hospital or a Blue Cross participating alcoholism treatment facility will be covered under major medical at 90%* as any other condition.

In-patient treatment at a non-participating alcoholism treatment facility will be paid under major medical at 90%* up to a maximum of \$1,000 each calendar year.

Hospital out-patient treatment, treatment on an out-patient basis in an alcoholism treatment facility and physician services are not covered.

Drug Addiction Treatment Benefit

Hospital in-patient treatment incurred at a legally operated hospital and all non-institutional treatment is paid under major medical at 90%*.

*Paid after a \$50 per member, \$150 per family, calendar year deductible has been satisfied. Major medical co-insurance is 90%/10% of the first \$1,955 in covered expenses then 100% for all other covered expenses for the

Senator Binkley
March 14, 1988
Page 3

remainder of the calendar year. Once a member has received \$50,000 in major medical benefits that member no longer is required to satisfy a calendar year deductible and reimbursement will be at 100% thereafter up to a maximum of \$250,000.

All payments are based on customary and reasonable charges.

Name of Group

City and Borough of Juneau

Health Provider

Blue Cross

Alcoholism Treatment Benefit

Combined in-patient and out-patient expenses incurred in a legally operated hospital, or Blue Cross participating alcoholism treatment facility and all non-institutional treatment is covered at a constant 80%* up to a maximum of \$2,000 each calendar year.

Drug Addiction Treatment Benefit

Hospital in-patient expenses incurred at a legally operated hospital and all non-institutional treatment expenses are paid at 80%*.

*Paid after a \$150 per member, \$300 per family, calendar year major medical deductible has been satisfied. Major medical co-insurance at 80%/20% of the first \$5,000 in covered expenses then 100% of other covered expenses for the remainder of the calendar year.

All payments are based on customary and reasonable charges.

Name of Group

City and Borough of Juneau School District

Health Provider

Blue Cross

Senator Binkley
March 14, 1988
Page 4

Alcoholism Treatment Benefit

Hospital in-patient and out-patient expenses incurred at a legally operated hospital are paid at a constant 85%* up to a maximum of 30 days each calendar year.

Treatment provided at a state approved alcoholism treatment facility on an in-patient and out-patient basis is paid at 85%* up to the maximum of \$2,500 each calendar year.

Note: Each day of in-patient care will be charged as one day of in-patient hospital care against the maximum days available. Each day of out-patient care in an alcoholism treatment facility or a detoxification center will be charged as one-half day of in-patient hospital care.

Drug Addiction Treatment Benefit

Hospital in-patient expenses incurred at a legally operated hospital are paid under major medical at 85%* up to a maximum of 30 days each calendar year.

Treatment of non-institutional services is paid at 85%*.

*Paid after a \$50 per member, \$150 per family, calendar year major medical deductible has been satisfied. Major medical co-insurance is 85%/15% of the first \$1,875 in covered expenses for the remainder of the calendar year.

All payments are based on customary and reasonable charges.

Name of Group

Nome Public Schools

Health Provider

Blue Cross

Alcoholism Treatment Benefit

In-patient and out-patient expenses incurred at a legally operated hospital, or Blue Cross participating alcoholism treatment facility and all non-institutional treatment is covered at a constant 80%* up to a maximum of \$2,000 each calendar year.

Senator Binkley
March 14, 1988
Page 5

Drug Addiction Treatment Benefit

Hospital in-patient expenses incurred at a legally operated hospital are paid in full (no deductible) up to a maximum of 120 days each calendar year for combined treatment of mental and nervous conditions and drug addiction.

Treatment for non-institutional services is paid at 80%*.

*Paid after a \$100 per member, \$300 per family, calendar year major medical deductible has been satisfied. Major medical co-insurance is 80%/20% of the first \$1,875 in covered expenses then 100% of all other covered expenses for the remainder of the calendar year.

All payments are based on customary and reasonable charges.

Name of Group

City of Ketchikan

Health Provider

Blue Cross

Alcoholism Treatment Benefit

Combined expenses for in-patient and out-patient treatment at a legally operated hospital or an approved alcoholism treatment facility are paid at 80%* up to a maximum of \$2,000 each calendar year.

Drug Addiction Treatment Benefit

Hospital in-patient expenses incurred at a legally operated hospital are paid in full (no deductible) up to a maximum of 30 days each calendar year. Treatment after 30 days is paid under major medical at 80%*.

Treatment for non-institutional services is paid at 90%*.

*Paid after a \$100 per member, \$300 per family, calendar year major medical deductible has been satisfied. Major medical co-insurance is 80%/20% of the first \$1,875 in covered expenses then 100% of all other covered expenses for the remainder of the calendar year.

All payments are based on customary and reasonable charges.

Senator Binkley
March 14, 1988
Page 6

Name of Group

Nenana School District

Health Provider

Aetna

Alcoholism Treatment Benefit

"Standard Coverage" as described on the attached letter is available for in-patients, subject to a \$100 deductible, 20% individual co-payment (plan pays 80%), and a \$500 per person co-payment calendar year limit after which benefits are paid at 100% by the Plan for the rest of the year. Alcoholism abuse charges for out-patients are included as part of the psychiatric benefit, payable at 50% after the deductible up to \$1,000 per person per year.

Drug Addiction Treatment Benefit

"Standard Coverage" as described on the attached letter is available for in-patients, subject to a \$100 deductible, 20% individual co-payment (plan pays 80%), and a \$500 per person co-payment calendar year limit after which benefits are paid at 100% by the Plan for the rest of the year. Drug abuse charges for out-patients are included as part of the psychiatric benefit, payable at 50% after the deductible up to \$1,000 per person per year.

Name of Group

Dillingham City Schools

Health Provider

Aetna

Alcoholism Treatment Benefit

There is an "Optional" 45 day in-patient treatment benefit included subject to a \$100 deductible, 20% individual co-payment and \$500 per person co-payment out-of-pocket calendar year limit. Out-patient treatment is included in psychiatric benefit at 50% after the deductible to \$1,000 per year.

Senator Binkley

Senator Binkley
March 14, 1988
Page 7

Drug Addiction Treatment Benefit

There is an "Optional" 45 day in-patient treatment benefit included subject to a \$100 deductible, 20% individual co-payment and \$500 per person co-payment out-of-pocket calendar year limit. Out-patient treatment is included in psychiatric benefit at 50% after the deductible to \$1,000 per year.

Name of Group

Ketchikan Gateway Borough School District

Health Provider

Aetna

Alcoholism Treatment Benefit

In-patient treatment is covered under "Standard Coverage" subject to a \$50 deductible, 10% individual co-payment and a \$400 per person calendar year out-of-pocket limit. Out-patient treatment is included in psychiatric benefit at 50% after deductible (no calendar year dollar limit).

Drug Addiction Treatment Benefit

In-patient treatment is covered under "Standard Coverage" subject to a \$50 deductible, 10% individual co-payment and a \$400 per person calendar year out-of-pocket limit. Out-patient treatment is included in psychiatric benefit at 50% after deductible (no calendar year dollar limit).

Name of Group

Fairbanks North Star Borough
Fairbanks North Star Borough School District

Health Provider

Great West Life

Alcoholism Treatment Benefit

Treatment for alcoholism is covered in the same way as any other illness. However, for in-patient or out-patient care provided in a regular hospital or in an approved alcoholism treatment facility, benefits will be

Senator Binkley
March 14, 1988
Page 8

paid under the Plan for 80% of reasonable and customary expenses up to the Lifetime Maximum benefit of \$6,500.00 per person.

There is an annual \$50.00 deductible per person, \$150.00 deductible per family. The Plan will pay 80% of the first \$1,500 annually and 100% thereafter.

Drug Addiction Treatment Benefit

Drug addiction treatment benefits are not specifically addressed. However, for in-patient care provided in a legally operated hospital or in an approved treatment facility, benefits will be paid under the Plan as comprehensive/major medical.

Out-patient treatment for drug addiction is not specifically addressed, however, it would likely be considered psychiatric care. Out-of-Hospital Psychiatric Coverage is as follows:

Co-Payment	100%
Maximum Payment Per Treatment	\$ 50
Maximum Benefit Per Year	\$1,000

There is an annual \$50.00 deductible per person, \$150.00 deductible per family. The Plan will pay 80% of the first \$1,500 annually and 100% thereafter.

Name of Group

City of Fairbanks

Health Care Provider

Great West Life

Alcoholism Treatment Benefit

Treatment for alcoholism is covered in the same way as any other illness. However, the patient must be confined as an in-patient in a regular hospital or in an approved alcoholism treatment facility. For treatment in an alcoholism treatment facility, benefits will be paid under the plan for only one such confinement in any 12-month period and the plan will not pay more than a total of \$1,500 under the plan for all expenses incurred and all services rendered during such confinement.

Senator Binkley
March 14, 1988
Page 9

Out-patient treatment for alcoholism is considered psychiatric care. Out-of-Hospital Psychiatric Coverage is as follows:

Co-Payment	80%
Maximum Allowance Per Treatment	\$ 25
Maximum Payment Per Year	\$1,000

Drug Addiction Treatment Benefit

Drug addiction treatment benefits are not specifically addressed. However, for in-patient care provided in a legally operated hospital or in an approved treatment facility, benefits will be paid and will be considered under the Plan as comprehensive/major medical.

Out-patient treatment for drug addiction is not specifically addressed, however, it would most likely be treated as psychiatric care. Out-of-Hospital Psychiatric Coverage is as follows:

Co-Payment	80%
Maximum Allowance Per Treatment	\$ 25
Maximum Payment Per Year	\$1,000

Name of Group

North Slope Borough School District

Health Provider

Great West Life

Alcoholism Treatment Benefit

Treatment for alcoholism is covered in the same way as any other illness. However, the patient must be confined as an in-patient in a regular hospital or in an approved alcoholism treatment facility. For treatment in an alcoholism treatment facility, benefits will be paid under the plan for only one such confinement in any 12-month period and the plan will not pay more than a total of \$1,500 under the plan for all expenses incurred for all services rendered during such confinement.

Out-patient treatment for alcoholism is considered psychiatric care. Out-of-Hospital Psychiatric Coverage is as follows:

Maximum Allowance Per Treatment	\$ 25
Maximum Payment Per Year	\$1,000

March 14, 1988
Page 10

There is an annual \$50.00 deductible per person, \$150.00 deductible per family. The Plan will pay 90% of the first \$3,000 annually and 100% thereafter.

Drug Addiction Treatment Benefit

Treatment for substance abuse is covered for confinement in an approved treatment facility or a psychiatric hospital. During a calendar year the plan will not pay more than \$1,500 for all expenses incurred and all services rendered during confinement.

Out-patient treatment for drug abuse is not specifically addressed, however, it would most likely be considered psychiatric care. Out-of-Hospital Psychiatric Coverage is as follows:

Maximum Allowance Per Treatment	\$ 25
Maximum Payment Per Year	\$1,000

There is an annual \$50.00 deductible per person, \$150.00 deductible per family. The Plan will pay 90% of the first \$3,000 annually and 100% thereafter.

If you have any questions, please let me know.

58363

IN 1986 THERE WAS \$173,723,000 OF GROUP A+H COVERAGE WRITTEN IN ALASKA. MARKET SHARE AND WRITTEN PREMIUMS FOR THE TOP 5 CARRIERS WAS:

COMPANY	% MARKET SHARE	(000) WRITTEN PREMIUM
1. AETNA LIFE INS. CO.	41.0	\$ 71,232
2. BLUE CROSS ALASKA-WASHINGTON	27.6	\$ 51,113
3. TRAVELERS INS. CO	3.8	\$ 6,592
4. GREAT WEST LIFE ASSUR. CO.	3.0	\$ 5,277
5. PRUDENTIAL INS. CO. OF AMERICA	2.6	\$ 4,470
TOP 5 TOTALS	80.0	\$ 138,684
REMAINING	20.0	\$ 35,039
TOTAL ALL COMPANIES	100.0	\$ 173,723

Don't push over
Bullish
1/25/87



Employee Benefits Division
151 Farmington Avenue
Hartford, CT 06156
(203) 273-0123
March 4, 1988

Mr. Jim Jordan, Officer in Charge of A & H
Department of Commerce, Division of Insurance
P.O. Box D
Juneau, Alaska, 99811

**Subject: Estimated Small Business Rates For Alaska's
Proposed Alcoholism and Substance Abuse Legislation**

Dear Mr. Jordan:

If the proposed legislation is enacted, the following figures represent Aetna's estimated adjustment to manual rates before adjustment for census. These numbers apply to our standard small business policies.

General Assumptions:

- (1) \$100 Deductible; and
- (2) Maximums apply to inpatient and outpatient treatments combined.

The estimated adjustments per person under a Major Medical plan with a 100% feature are:

\$1.51 per month for adult males and females;
.18 per month for dependent children; and
.57 per month for Medicare eligibles.

The estimated adjustments per person under a Major Medical plan with an 80% feature are:

\$1.21 per month for adult males and females;
.15 per month for dependent children; and
.46 per month for Medicare eligibles.

Hopefully, this information will be of some help to you, and if anything further is needed please do not hesitate to call.

Sincerely,

Austin H. Soares
Contract Counseling
Employee Benefits Division
Aetna Life Insurance Company
(203) 636-5037

MEMORANDUM. . .

DATE: March 3, 1988

TO: Jim Jordan
Alaska Division of Insurance

FROM: Erin R. Glynn, Sr. Vice President, Operations
Blue Cross of Washington and Alaska

SUBJECT: SB 363 - ALCOHOL AND DRUG ABUSE BILL

Jim, as you requested, we've developed cost projections relating to the impact of SB 363 on group health insurance rates. In determining these numbers, we assumed that the group is a standard risk small group. For a group that currently has no alcoholism or drug abuse benefits, costs would range from \$5.50 to \$6.00 per employee per contract month. Adding the provisions of SB 363 to a group that has a typical drug and alcohol benefit would cost between \$2.35 and \$2.80 per employee per contract month.

If you need any additional information or would like to discuss these figures in greater detail, I will be in the office on Friday.

ERG:jo



The Travelers Companies
One Tower Square
Hartford, CT 06183

Raymond J. Marra, FSA, M.A.A.A.
Assistant Actuary
Actuarial & Financial Division
Employee Benefits Department
NATIONAL ACCOUNTS GROUP

March 3, 1988

Mr. J. Jordan
Alaska Division of Insurance

Senate Bill #363

This bill provides for Alcohol and Drug Abuse coverage as follows:

Inpatient and Outpatient Care in Treatment Center covered same as any other illness. Maximum benefit in any two consecutive years = \$7,000, with lifetime maximum of \$14,000.

Our standard Small Group package, offered to groups of 2 - 50 lives, already provides:

45 days Inpatient and 100% of Outpatient charges (up to \$1,000 annually) for alcohol and drug abuse treatment.

At your request, we have estimated that benefits specified under Senate Bill #363 are approximately equal in cost to our current alcohol and drug abuse benefits.

As such, no additional rate is required.

The full cost of Senate Bill #363, i.e. in the absence of our standard alcohol and drug abuse treatment benefit, would be approximately \$2.50 per adult per month, and \$3.75 per insured child-unit per month. On a composite basis, this is slightly over 1% of total case premium.

This letter should be considered merely informational. We reserve the right to reevaluate our expected liability with regard to Senate Bill #363 in either its present or revised form. As the information provided is proprietary, we would request that you not divulge company specific results.

Raymond J. Marra

Great-West Life



Great-West Life Center
8505 East Arched Road
Englewood, CO 80111 Tel. (303) 889-3000
Member of the Great-West Life Group, Inc.

Jim Jordan
Division of Insurance, State of Alaska
3601 C Street Suite 777
Anchorage, AK 99503

Dear Mr. Jordan:

I have been asked to respond to you with a comparison of Great-West Life's alcoholism and drug abuse treatment and Alaska's Senate Bill 363.

Our current inpatient benefits more than meet the criteria set in the bill. We pay the claim using the same deductible and copayment as the other covered items in the policy. We do have a \$10,000 annual maximum and a \$25,000 lifetime maximum on these benefits. This does comply with the stated \$7,000 over two years and \$14,000 lifetime as stated in the bill.

Our outpatient benefits, however, would have to be increased to comply with the bill. Currently, the policyholder can choose a \$25, \$50, \$75, or \$100 office visit maximum. The office visit amount is only covered at a 50% coinsurance level and is subject to an annual 50 visit maximum. This coverage is optional.

To comply with Bill 363, I analyzed the results of changing the coinsurance level on outpatient benefits to 80% and also changing the annual and lifetime maximums. I used the following policy to do my analysis:

- 80% coinsurance, \$100 deductible, \$2000 breakpoint, 3X family
- 30 employees, 9 dependents
- Average Age = 30
- Zip Code = 995
- Health Care Review Service included
- Industry Code = E (10% load)
- No other options

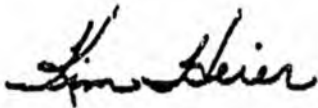
This policy produced a monthly rate of \$5,440.17. When I add the current optional outpatient benefit to this policy using a \$50 office visit maximum, the premium increased to \$5,471.22. This is a .6% increase. At this point I used our actual claims data base and loaded the system to pay outpatient claims at the higher level. This produced a monthly premium of \$5,525.74, a 1% increase over the current outpatient option.

Page Two

In summary, Senate Bill 363 would only affect the payment of outpatient substance abuse claims. It would involve a 1.6% increase over a policy with no outpatient substance abuse coverage.

If you need any further information, please feel free to call me at (303)889-3296.

Sincerely,



Kimberly Heier
Actuarial Assistant
Group Insurance Products

KH:glb

