

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

SB 363 cont., CSSB 363 112





10/04/87  
PROGRAM SICO205

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
MEMBER FILE ANALYSIS OF STANDARD INDUSTRIAL CODES

ALASKA

SIC	TYPE OF INDUSTRY	GUARDIAN MEMBERS	GDN %	PAYING MEMBERS	ASSOCIATE MEMBERS	TOTAL MEMBERS	TOT %	NUMBER OF EMPLOYEES	AVERAGE GROSS SALES
<b>MANUFACTURING (CONTINUED)</b>									
287	AGRICULTURAL CHEMICALS			1		1	.02	24	\$3,000,000
289	MISC CHEM PROD								
290	PETROLEUM & COAL PRODUCTS			1		1	.02	4	\$75,000
291	PETROLEUM REFINING								
295	PAVING & ROOFING MATERIALS								
299	MISC PETROLEUM & COAL PROD			4	1	5	.13	46	\$500,000
300	RUBBER & MISC PLASTICS PRODUCTS								
301	TIRES & INNER TUBES			2		2	.05	1	\$112,500
302	RUBBER & PLASTICS FOOTWEAR								
303	RECLAIMED RUBBER								
304	RUBBER & PLASTICS HOSE & BELTING								
306	FABRICATED RUBBER PRODUCTS								
307	MISCELLANEOUS PLASTICS PRODUCTS								
310	LEATHER & LEATHER PRODUCTS			3		3	.08	21	\$259,333
311	LEATHER TANNING & FINISHING			1		1	.02	1	\$25,000
313	BOOT & SHOE CUT STOCK FINDINGS								
314	FOOTWEAR-EXCEPT RUBBER								
315	LEATHER GLOVES & MITTENS			3		3	.08	14	\$125,000
316	LUGGAGE								
317	HANDBAGS & PERSONAL LEATHER GOODS								
319	LEATHER GOODS								
320	STONE-CLAY & GLASS PRODUCTS				1	1	.02	8	\$1,500,000
321	FLAT GLASS								
322	GLASS & GLASSWARE-PRESSED OR BLOWN								
323	PRODUCTS OF PURCHASED GLASS								
324	CEMENT-HYDRAULIC								
325	STRUCTURAL CLAY PROD			2	1	3	.08	28	\$291,666
326	POTTERY & RELATED PROD			2		2	.05	2	\$50,000
327	CONCRETE-GYPSUM & PLASTER PROD			1		1	.02	7	\$275,000
328	CUT STONE & STONE PRODUCTS								
329	MISC NONMETALLIC MINERAL PROD								
330	PRIMARY METAL INDUSTRIES			1		1	.02	50	
331	BLAST FURNACE & BASIC STEEL PROD								
332	IRON & STEEL FOUNDRIES								
333	PRIMARY NONFERROUS METALS								
334	SECONDARY NONFERROUS METALS								
335	NONFERROUS ROLLING & DRAWING								
336	NONFERROUS FOUNDRIES								
339	MISC PRIMARY METAL PROD			5		5	.13	37	\$975,000
340	FABRICATED METAL PRODUCTS			2		2	.05	33	\$37,500
341	METAL CANS & SHIPPING CONTAINERS			1		1	.02	22	\$1,500,000
342	CUTLERY-HAND TOOLS & HARDWARE								
343	PLUMBING & HEATING-EXCEPT ELECTRIC			1		1	.02	6	\$275,000
344	FABRICATED STRUCTURAL METAL PROD			10	1	11	.30	80	\$677,272
345	SCREW MACHINE PRODUCTS-BOLTS-ETC			4	2	6	.16	10	\$170,833
346	METAL FORGINGS & STAMPINGS								
347	METAL SERVICES								
348	ORDNANCE & ACCESSORIES								
349	MISC FAB METAL PROD			6		6	.16	44	\$191,666
350	MACHINERY-EXCEPT ELECTRICAL			1	1	2	.05	40	\$425,000

10/D4/87  
PROGRAM SICO205

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
MEMBER FILE ANALYSIS OF STANDARD INDUSTRIAL CODES

ALASKA

SIC	TYPE OF INDUSTRY	GUARDIAN MEMBERS	GDN %	PAYING MEMBERS	ASSOCIATE MEMBERS	TOTAL MEMBERS	TOT %	NUMBER OF EMPLOYEES	AVERAGE GROSS SALES
<b>MANUFACTURING (CONTINUED)</b>									
351	ENGINES & TURBINES			1		1	.02	1	\$150,000
352	FARM & GARDEN MACHINERY			1		1	.02	10	
353	CONSTRUCTION & RELATED MACHINERY			4	1	5	.13	53	\$1,285,000
354	METALWORKING MACHINERY			2		2	.05	8	\$1,575,000
355	SPECIAL INDUSTRY MACHINERY								
356	GENERAL INDUSTRIAL MACHINERY								
357	OFFICE & COMPUTING MACHINES			1		1	.02	45	\$3,000,000
358	REFRIGERATION & SERVICE MACHINERY								
359	MISC MACHINERY-EXCEPT ELECTRICAL			1		1	.02	1	\$25,000
360	ELECTRIC & ELECTRONIC EQUIPMENT			1		1	.02		
361	ELECTRIC DISTRIBUTING EQUIPMENT								
362	ELECTRICAL INDUSTRIAL APPARATUS			2		2	.05	5	\$212,500
363	HOUSEHOLD APPLIANCES			1		1	.02	2	\$150,000
364	ELECTRICAL LIGHTING & WIRING EQUIP								
365	RADIO & TV RECEIVING EQUIP								
366	COMMUNICATION EQUIP			3		3	.08	10	\$166,666
367	ELECTRONIC COMPONENTS & ACC			1		1	.02	2	\$75,000
369	MISC ELECTRICAL EQUIP & SUP								
370	TRANSPORTATION EQUIPMENT			1		1	.02	1	\$25,000
371	MOTOR VEHICLES & EQUIPMENT			3	1	4	.11	21	\$781,250
372	AIRCRAFT & PARTS			1		1	.02	3	\$275,000
373	SHIP & BOAT BUILDING & REPAIRING			7		7	.19	25	\$317,857
374	RAILROAD EQUIPMENT								
375	MOTORCYCLES-BICYCLES & PARTS			1		1	.02	3	\$150,000
376	GUIDED MISSILES-SPACE VEHICLES-PRTS								
379	MISC TRANSPORTATION EQUIPMENT								
380	INSTRUMENTS & RELATED PRODUCTS			1		1	.02	10	\$3,000,000
381	ENGRG & SCIENTIFIC INSTRUMENTS			1		1	.02	2	\$275,000
382	MEASURING & CONTROLLING DEVICES			1		1	.02	8	\$3,000,000
383	OPTICAL INSTRUMENTS & LENSES								
384	MEDICAL INSTRUMENTS & SUPPLIES			1		1	.02	3	\$275,000
385	OPHTHALMIC GOODS								
386	PHOTOGRAPHIC EQUIPMENT & SUPPLIES								
387	WATCHES-CLOCKS & WATCHCASES								
390	MISC MANUFACTURING INDUSTRIES			3		3	.08	17	\$516,666
391	JEWELRY-SILVERWARE & PLATED WARE			4		4	.11	8	\$143,750
393	MUSICAL INSTRUMENTS								
394	TOYS & SPORTING GOODS								
395	PENS-PENCILS-OFFICE & ART SUPPLIES			1		1	.02	1	\$25,000
396	COSTUME JEWELRY & NOTIONS			1		1	.02	3	\$150,000
399	MISC HFGS			6		6	.16	13	\$95,833
****	MANUFACTURING TOTALS	1	2.38	160	20	180	7.03	1,338	\$41,378,336 ****
<b>TRANSPORTATION AND PUBLIC UTILITIES</b>									
400	RAILROAD TRANSPORTATION								
401	RAILROADS								
404	RAILWAY EXPRESS SERVICE								
410	LOCAL-INTERURBAN PASSENGER TRANSIT			4		4	.11	42	\$212,500
411	LOCAL & SUBURBAN TRANSPORTATION			5		5	.13	70	\$730,000
412	TAXICABS			1		1	.02	5	\$275,000

10/04/87  
PROGRAM SIC0205

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
MEMBER FILE ANALYSIS OF STANDARD INDUSTRIAL CODES

ALASKA

SIC	TYPE OF INDUSTRY	GUARDIAN MEMBERS	GDN %	PAYING MEMBERS	ASSOCIATE MEMBERS	TOTAL MEMBERS	TOT %	NUMBER OF EMPLOYEES	AVERAGE GROSS SALES
<b>TRANSPORTATION AND PUBLIC UTILITIES (CONTINUED)</b>									
413	INTERCITY HIGHWAY TRANSPORTATION			4		4	.11	52	\$262,500
414	TRANSPORTATION CHARTER SERVICE			2		2	.05	8	\$1,537,500
415	SCHOOL BUSES			5		5	.13	72	\$300,000
417	BUS TERMINAL & SERVICE FACILITIES			1		1	.02	1	\$150,000
420	TRUCKING & WAREHOUSING			6		6	.16	73	\$1,145,833
421	TRUCKING-LOCAL & LONG DISTANCE			18		18	.50	204	\$1,273,611
422	PUBLIC WAREHOUSING								
423	TRUCKING TERMINAL FACILITIES			4		4	.11	43	\$1,231,250
440	WATER TRANSPORTATION			1		1	.02	70	
441	DEEP SEA FOREIGN TRANSPORTATION								
442	DEEP SEA DOMESTIC TRANSPORTATION			1		1	.02	3	\$425,000
443	GREAT LAKES TRANSPORTATION			1		1	.02	15	\$1,500,000
444	TRANSPORTATION ON RIVERS & CANALS			1	1	2	.05	20	\$275,000
445	LOCAL WATER TRANSPORTATION			8		8	.22	113	\$534,375
446	WATER TRANSPORTATION SERV			2	1	3	.08	58	\$1,000,000
450	TRANSPORTATION BY AIR	1	2.38	7		7	.19	51	\$550,000
451	CERTIFICATED AIR TRANSPORTATION			22		22	.61	669	\$688,636
452	NONCERTIFICATED AIR TRANSPORTATION			12	1	13	.36	192	\$1,188,461
458	AIR TRANSPORTATION SERV			7	2	9	.25	139	\$222,222
461	PIPE LINES-EXCEPT NATURAL GAS								
470	TRANSPORTATION SERVICES			3		3	.08	42	\$233,333
471	FREIGHT FORWARDING			1		1	.02	10	\$1,500,000
472	ARRANGEMENT OF TRANSPORTATION			6		6	.16	56	\$154,166
474	RENTAL OF RAILROAD CARS								
478	MISC TRANS SERV			5		5	.13	67	\$390,000
480	COMMUNICATION			2		2	.05	3	\$175,000
481	TELEPHONE COMMUNICATION			7	4	11	.30	1,158	\$1,745,454
482	TELEGRAPH COMMUNICATION								
483	RADIO & TELEVISION BROADCASTING			6		6	.16	65	\$591,666
489	COMMUNICATION SERVICES	1	2.38	13	3	16	.44	306	\$550,070
490	ELECTRIC-GAS & SANITARY SERVICES								
491	ELECTRIC SERVICES			3		3	.08	59	\$1,283,333
492	GAS PRODUCTION & DISTRIBUTION			3	1	4	.11	415	\$137,500
493	COMBINATION UTILITY SERVICES								
494	WATER SUPPLY			1		1	.02	11	\$275,000
495	SANITARY SERVICES			4		4	.11	38	\$843,750
496	STEAM SUPPLY								
497	IRRIGATION SYSTEMS								
****	TRANSPORTATION TOTALS	2	4.76	166	13	179	5.00	4,130	\$21,381,090 ****
<b>WHOLESALE TRADE</b>									
500	WHOLESALE TRADE-DURABLE GOODS	1	2.38	3		3	.08	16	\$1,591,666
501	MOTOR VEHICLES & AUTOMOTIVE EQUIP			6	1	7	.19	68	\$1,367,857
502	FURNITURE & HOME FURNISHINGS			1		1	.02	6	\$425,000
503	LUMBER & CONSTRUCTION MATERIALS			6		6	.16	43	\$1,129,166
504	SPORTING GOODS-TOYS-HOBBY GOODS			1	2	3	.08	13	\$2,025,000
505	METALS & MINERALS-EXCEPT PETROLEUM			2	1	3	.08	39	\$3,000,000
506	ELECTRICAL GOODS	1	2.38	6		6	.16	98	\$212,500
507	HARDWARE-PLUMBING & HEATING EQUIP			5		5	.13	59	\$1,530,000
508	MACHINERY-EQUIP & SUP			6		6	.16	30	\$1,333,333

10/04/87  
PROGRAM SICO205

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
MEMBER FILE ANALYSIS OF STANDARD INDUSTRIAL CODES

ALASKA

SIC	TYPE OF INDUSTRY	GUARDIAN MEMBERS	GDN %	PAYING MEMBERS	ASSOCIATE MEMBERS	TOTAL MEMBERS	TOT %	NUMBER OF EMPLOYEES	AVERAGE GROSS SALES
<b>WHOLESALE TRADE (CONTINUED)</b>									
509	MISC DURABLE GOODS			4		4	.11	10	\$231,250
510	WHOLESALE TRADE-NONDURABLE GOODS	1	2.38	6	1	7	.19	78	\$1,825,000
511	PAPER & PAPER PROD			2	1	3	.08	21	\$1,500,000
512	DRUGS-PROPRIETARIES & SUNDRIES			4		4	.11	31	\$906,250
513	APPAREL-PIECE GOODS & NOTIONS			3	1	4	.11	10	\$62,500
514	GROCERIES & RELATED PROD			19	1	20	.55	274	\$591,250
515	FARM PRODUCE-RAW MATERIALS			3		3	.08	22	\$1,091,666
516	CHEMICALS & ALLIED PRODUCTS			2		2	.05	18	\$212,500
517	PETROLEUM & PETROLEUM PROD	2	4.76	16	5	21	.58	213	\$1,439,285
518	BEER-WINE & DISTILLED BEVERAGES			4	1	5	.13	24	\$730,000
519	MISC NONDURABLE GOODS			15	2	17	.47	180	\$89,705
****	<b>WHOLESALE TRADE TOTALS</b>	<b>5</b>	<b>11.90</b>	<b>114</b>	<b>16</b>	<b>130</b>	<b>3.63</b>	<b>1,253</b>	<b>\$21,293,928</b> ****
<b>RETAIL TRADE</b>									
520	BLDG MATERIALS & GARDEN SUPPLIES			7	1	8	.22	149	\$442,500
521	LUMBER & OTHER BUILDING MATERIALS	1	2.38	25	4	29	.81	508	\$1,825,000
523	PAINT-GLASS & WALLPAPER STORES			14	7	21	.58	216	\$1,500,000
525	HARDWARE STORES			17	6	23	.64	200	\$961,956
526	RETAIL NURSERIES & GARDEN STORES	1	2.38	4		4	.11	27	\$456,250
527	MOBILE HOME DEALERS			1		1	.02	2	\$275,000
530	GENERAL MERCHANDISE STORES			3		3	.08	15	\$600,000
531	DEPARTMENT STORES			2		2	.05	53	\$212,500
533	VARIETY STORES			15	1	16	.44	78	\$535,937
539	MISC GENERAL MERCHANDISE STORES			27		27	.75	140	\$339,814
540	FOOD STORES			4	3	7	.19	344	\$1,071,428
541	GROCERY STORES			26	1	29	.81	693	\$905,172
542	MEAT MKTS & FREEZER PROVISIONERS			4		4	.11	24	\$1,181,250
543	FRUIT STORES & VEGETABLE MARKETS			2		2	.05	7	\$50,000
544	CANDY-NUT & CONFECTIONERY STORES			11		11	.30	302	\$334,090
545	DAIRY PRODUCTS STORES			2		2	.05	8	\$112,500
546	RETAIL BAKERIES			6		6	.22	34	\$87,500
549	MISCELLANEOUS FOOD STORES			14	1	15	.41	268	\$503,333
550	AUTOMOTIVE DEALERS & SVC STATIONS			3		3	.08	42	\$1,141,666
551	NEW & USED CAR DEALERS			17	5	22	.61	792	\$771,590
552	USED CAR DEALERS			2		2	.05	3	\$112,500
553	AUTO & HOME SUPPLY STORES			24	3	27	.75	216	\$1,016,666
554	GASOLINE SERVICE STATIONS			62	3	65	1.81	544	\$707,307
555	BOAT DEALERS			6		6	.16	32	\$1,404,166
556	RECREATION & UTILITY TRAILER DLRS			7	1	8	.22	88	\$1,187,500
557	MOTORCYCLE DEALERS			3		3	.08	18	\$258,333
559	AUTOMOTIVE DEALERS			3		3	.08	32	\$3,000,000
560	APPAREL & ACCESSORY STORES			3		3	.08	9	\$550,000
561	MEN'S & BOYS' CLOTHING-FURNISHINGS			2	2	4	.11	13	\$275,000
562	WOMEN'S READY-TO-WEAR STORES			8	1	9	.25	35	\$133,333
563	WOMEN'S ACCESSORY & SPEC STORES			13		13	.36	38	\$132,692
564	CHILDREN'S & INFANTS' WEAR STORES			3		3	.08	19	\$600,000
565	FAMILY CLDTHING STORES			3		3	.08	21	\$1,166,666
566	SHOE STORES			5	1	6	.16	18	\$112,500
568	FURRIERS & FUR SHOPS			1		1	.02	2	\$425,000
569	MISC APPAREL & ACCESSORIES			16		16	.44	68	\$307,812

10/04/97  
PROGRAM SIC0205

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
MEMBER FILE ANALYSIS OF STANDARD INDUSTRIAL CODES

ALASKA

SIC	TYPE OF INDUSTRY	GUARDIAN MEMBERS	GDN %	PAYING MEMBERS	ASSOCIATE MEMBERS	TOTAL MEMBERS	TOT %	NUMBER OF EMPLOYEES	AVERAGE GROSS SALES	
<b>RETAIL TRADE (CONTINUED)</b>										
570	FURNITURE & HOME FURNISHINGS STORES			4	1	5	.13	19	\$355,000	
571	FURNITURE & HOME FURNISHINGS STORES			18		18	.50	87	\$623,611	
572	HOUSEHOLD APPLIANCE STORES			7	2	9	.25	48	\$127,777	
573	RADIO-TELEVISION & MUSIC STORES			18		18	.50	110	\$322,222	
581	EATING & DRINKING PLACES	1	2.38	140	4	144	4.02	1,625	\$448,437	
590	MISCELLANEOUS RETAIL			49	3	52	1.45	360	\$412,500	
591	DRUG STORES & PROPRIETARY STORES			18	3	21	.58	504	\$871,428	
592	LIQUOR STORES	1	2.38	18	2	20	.55	182	\$271,250	
593	USED MERCHANDISE STORES			5		5	.13	33	\$675,000	
594	MISC SHOPPING GOODS STORES	1	2.38	37	1	38	1.06	137	\$311,184	
596	NONSTORE RETAILERS			5		5	.13	6	\$35,000	
598	FUEL & ICE DEALERS			12	1	13	.36	93	\$998,076	
599	RETAIL STORES (MISC)			85	1	86	2.40	276	\$194,476	
****	RETAIL TRADE TOTALS	5	11.90	785	58	843	23.56	8,538	\$29,279,957	****
<b>FINANCE, INSURANCE, AND REAL ESTATE</b>										
600	BANKING			6	1	7	.19	336	\$507,142	
602	COMMERCIAL & STOCK SAVINGS BANKS			2		2	.05	62		
603	MUTUAL SAVINGS BANKS			1		1	.02	5	\$275,000	
604	TRUST COMPANIES-NONDEPOSIT									
605	FUNCTIONS CLOSELY RELATED-BANKING									
610	CREDIT AGENCIES OTHER THAN BANKS	1	2.38	1		1	.02	5		
611	REDISCOUNT & FINANCING INSTITUTIONS			1		1	.02	3	\$75,000	
612	SAVINGS & LOAN ASSOCIATIONS									
613	AGRICULTURAL CREDIT INSTITUTIONS									
614	PERSONAL CREDIT INSTITUTIONS			1		1	.02	4	\$75,000	
615	BUSINESS CREDIT INSTITUTIONS			3		3	.08	5	\$125,000	
616	MORTGAGE BANKERS & BROKERS			2		2	.05	11	\$897,500	
620	SECURITY-COMMODITY BROKERS-SERVICES									
621	SECURITY BROKERS & DEALERS									
622	COMMODITY CONTRACTS BROKERS-DEALERS									
623	SECURITY & COMMODITY EXCHANGES									
628	SECURITY & COMMODITY SERVICES									
630	INSURANCE CARRIERS	1	2.38	5	1	6	.16	41	\$387,500	
631	LIFE INSURANCE			3		3	.08	5	\$41,666	
632	MEDICAL SERVICE & HEALTH INSURANCE									
633	FIRE-MARINE & CASUALTY INSURANCE	1	2.38	2	1	3	.08	22	\$1,091,666	
635	SURETY INSURANCE			1		1	.02	6	\$1,500,000	
636	TITLE INSURANCE			2		2	.05	10	\$275,000	
637	PENSION-HEALTH & WELFARE FUNDS									
639	INSURANCE CARRIERS			2		2	.05	7	\$350,000	
641	INSURANCE AGENTS-BROKERS & SERVICE	2	4.76	61	4	65	1.81	418	\$774,615	
650	REAL ESTATE	1	2.38	19		19	.53	194	\$593,421	
651	REAL ESTATE OPERATORS & LESSORS			2		2	.05	7	\$1,512,500	
653	REAL ESTATE AGENTS & MANAGERS	1	2.38	25		25	.69	57	\$383,000	
654	TITLE ABSTRACT OFFICES			5	1	6	.16	55	\$179,166	
655	SUBDIVIDERS & DEVELOPERS			4		4	.11	22	\$750,000	
661	COMBINED REAL ESTATE-INSURANCE-ETC	1	2.38	4		4	.11	24	\$500,000	
670	HOLDING & OTHER INVESTMENT OFFICES									
671	HOLDING OFFICES			2		2	.05	9	\$1,537,500	

10/04/87  
PROGRAM SICO205

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
MEMBER FILE ANALYSIS OF STANDARD INDUSTRIAL CODES

ALASKA

SIC	TYPE OF INDUSTRY	GUARDIAN MEMBERS	GDN %	PAYING MEMBERS	ASSOCIATE MEMBERS	TOTAL MEMBERS	TOT %	NUMBER OF EMPLOYEES	AVERAGE GROSS SALES
<b>FINANCE, INSURANCE, AND REAL ESTATE (CONTINUED)</b>									
672	INVESTMENT OFFICES			9	1	10	.27	39	\$415,000
673	TRUSTS			1		1	.02	20	\$275,000
679	MISC INVESTING			2		2	.05	7	\$12,500
****	<b>FINANCE, ETC. TOTALS</b>	<b>8</b>	<b>19.04</b>	<b>166</b>	<b>9</b>	<b>175</b>	<b>4.89</b>	<b>1,374</b>	<b>\$12,523,176</b> ****
<b>SERVICES</b>									
700	HOTELS & OTHER LODGING PLACES			5	1	6	.16	149	\$175,000
701	HOTELS-HOTELS & TOURIST COURTS	1	2.38	31	2	33	.92	358	\$890,151
702	ROOMING & BOARDING HOUSES			4		4	.11	9	\$137,500
703	CAMPS & TRAILERING PARKS			10		10	.27	63	\$270,000
704	MEMBERSHIP HOTELS								
720	PERSONAL SERVICES			6		8	.22	36	\$315,625
721	LAUNDRY-CLEANING & GARMENT SERVICES			24	3	27	.75	595	\$403,703
722	PHOTOGRAPHIC STUDIOS-PORTRAIT			8	1	9	.25	37	\$277,777
723	BEAUTY SHOPS			57		57	1.59	213	\$103,070
724	BARBER SHOPS			11		11	.30	20	\$56,818
725	SHOE REPAIR & HAT CLEANING SHOPS			3		3	.08	7	\$58,333
726	FUNERAL SERVICE & CREMATORIES			5		5	.13	18	\$390,000
729	MISCELLANEOUS PERSONAL SERVICES	1	2.38	133	8	141	3.94	1,625	\$216,312
730	BUSINESS SERVICES			8		8	.22	28	\$896,875
731	ADVERTISING			8		8	.22	66	\$437,500
732	CREDIT REPORTING & COLLECTION			7		7	.19	38	\$371,428
733	MAILING-REPRODUCTION-STENOGRAPHIC	1	2.38	25	4	29	.81	151	\$287,068
734	SERVICES TO BUILDINGS			6	1	7	.19	1,201	\$121,428
735	NEWS SYNDICATES			1		1	.02	5	\$25,000
736	PERSONNEL SUPPLY SERVICES			4		4	.11	228	\$1,250,000
737	COMPUTER & DATA PROCESSING SERV			16	1	17	.47	97	\$229,411
739	MISC BUSINESS SERV			59	7	66	1.84	723	\$393,939
750	AUTO REPAIR-SERVICES & GARAGES			32	2	34	.95	187	\$233,088
751	AUTOMOTIVE RENTALS-WITHOUT DRIVERS			7		7	.19	42	\$753,571
752	AUTOMOBILE PARKING			1		1	.02	15	\$425,000
753	AUTOMOTIVE REPAIR SHOPS	1	2.38	94	3	97	2.71	409	\$229,123
754	AUTOMOTIVE SERV-EXCEPT REPAIR			13		13	.36	84	\$498,076
760	MISCELLANEOUS REPAIR SERVICES			13	1	14	.39	51	\$535,714
762	ELECTRICAL REPAIR SHOPS			22	1	23	.64	85	\$195,652
763	WATCH-CLOCK & JEWELRY REPAIR			1		1	.02	3	\$150,000
764	REUPHOLSTERY & FURNITURE REPAIR			6		6	.16	14	\$104,166
769	MISCELLANEOUS REPAIR SHOPS			57		57	1.59	206	\$367,105
780	MOTION PICTURES								
781	MOTION PICTURE PRODUCTION & SERV			3		3	.08	15	\$108,333
782	MOTION PICTURE DISTRIBUTION & SERV			6	1	7	.19	51	\$189,285
783	MOTION PICTURE THEATERS			2		2	.05	99	\$1,537,500
790	AMUSEMENT & RECREATION SERVICES			15		15	.41	91	\$173,333
791	DANCE HALLS-STUDIOS & SCHOOLS								
792	PRODUCERS-ORCHESTRAS-ENTERTAINERS			2		2	.05	5	\$212,500
793	BOWLING & BILLIARD ESTABLISHMENTS			5	1	6	.16	76	\$637,500
794	COMMERCIAL SPORTS			1		1	.02	8	\$25,000
799	MISC AMUSEMENT-RECREATIONAL SERV			18		18	.50	105	\$291,666
800	HEALTH SERVICES			3		3	.08	7	\$241,666
801	OFFICES OF PHYSICIANS	1	2.38	24	6	30	.83	625	\$340,000

10/04/87  
PROGRAM SIC0205

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
MEMBER FILE ANALYSIS OF STANDARD INDUSTRIAL CODES

ALASKA

SIC	TYPE OF INDUSTRY	GUARDIAN MEMBERS	GDN %	PAYING MEMBERS	ASSOCIATE MEMBERS	TOTAL MEMBERS	TOT %	NUMBER OF EMPLOYEES	AVERAGE GROSS SALES
<b>SERVICES (CONTINUED)</b>									
802	OFFICES OF DENTISTS			28	1	29	.81	141	\$264,655
803	OFFICES OF OSTEOPATHIC PHYSICIANS			1		1	.02	2	\$75,000
804	OFFICES-OTHER HEALTH PRACTITIONERS			44	7	51	1.42	412	\$180,392
805	NURSING & PERSONAL CARE FACILITIES			1		1	.02	6	\$150,000
806	HOSPITALS								
807	MEDICAL & DENTAL LABORATORIES			8		8	.22	42	\$196,875
808	OUTPATIENT CARE FACILITIES								
809	HEALTH & ALLIED SERVICES			10	2	12	.33	71	\$362,500
811	LEGAL SERVICES			21	3	24	.67	145	\$394,191
820	EDUCATIONAL SERVICES								
821	ELEMENTARY & SECONDARY SCHOOLS								
822	COLLEGES & UNIVERSITIES								
823	LIBRARIES & INFORMATION CENTERS								
824	CORRESPONDENCE & VOCATIONAL SCHOOLS								
829	SCHOOLS & EDUCATIONAL SERVICES			2		2	.05	12	\$112,500
830	SOCIAL SERVICES								
832	INDIVIDUAL & FAMILY SERVICES								
833	JOB TRAINING & RELATED SERVICES								
835	CHILD DAY CARE SERVICES			3		3	.08	17	\$66,666
836	RESIDENTIAL CARE			1		1	.02	24	\$275,000
839	SOCIAL SERVICES								
840	MUSEUMS-BOTANICAL-ZOOLOGICAL GDNs								
841	MUSEUMS & ART GALLERIES			4		4	.11	14	\$425,000
842	BOTANICAL & ZOOLOGICAL GARDENS								
860	MEMBERSHIP ORGANIZATIONS								
861	BUSINESS ASSOCIATIONS								
862	PROFESSIONAL ORGANIZATIONS								
864	CIVIC & SOCIAL ASSOCIATIONS			3	2	5	.13	67	\$20,000
866	RELIGIOUS ORGANIZATIONS								
869	MEMBERSHIP ORGANIZATIONS			1		1	.02	6	\$1,500,000
881	PRIVATE HOUSEHOLDS	1	2.38	1		1	.02	2	\$75,000
890	MISCELLANEOUS SERVICES			21		21	.58	1,005	\$142,857
891	ENGINEERING-ARCHITECTURAL SERVICES	2	4.76	85	11	96	2.68	1,197	\$664,062
892	NONCOMMERCIAL RESRCH ORGANIZATIONS			1		1	.02	3	\$275,000
893	ACCOUNTING-AUDITING & BOOKKEEPING	7	16.66	80	7	87	2.43	419	\$352,011
****	SERVICES TOTALS	15	35.71	1,073	76	1,149	32.11	11,430	\$20,077,525 ****
<b>NONCLASSIFIABLE ESTABLISHMENTS</b>									
999	NONCLASSIFIABLE ESTABLISHMENTS			16		16	.44	47	\$95,312
<b>UNKNOWN INDUSTRIES</b>									
	UNKNOWN SIC CODES			85	3	88	2.45	428	\$168,750
<b>NOMINEES (EXCLUDED IN ABOVE TOTALS)</b>									
	NOMINEES			429		429	11.98		
***** STATE TOTAL *****		42	100.00	3,340	238	3,578	100.00	33,138	\$176,610,027 ****

STATE OF ALASKA -- ACTIVE EMPLOYEES  
 CHEMICAL DEPENDENCY EXPERIENCE - 1986

CHEMICAL DEPENDENCY	Total
-----	-----
Hospital Expenses	\$1,140,457
Inpatient Physician Expenses	17,316
Outpatient Physician Expense	6,394
Hospital Room & Board Days	3,065
Inpatient Physician Claims	135
Outpatient Physician Claims	35
Hospital Claimants	147
Inpatient Physician Claimants	33
Outpatient Physician Claimants	22
Hospital Charge Per Day	\$372
Inpat Phys Charge Per Claim	128
Outpat Phys Charge Per Claim	183
Hospital Charge Per Claimant	\$7,758
Inpat Phys Charge Per Claimant	525
Outpat Phys Charge Per Claimant	291
Hospital Days Per Claimant	20.85
Inpat Phys Claims Per Claimant	4.09
Outpat Phys Claims Per Claimant	1.59

(3% of total)

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 21.42.365, 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.

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

**OLD**

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 yearly, by the director, to correspond with the  
5 change in the medical care component of the consumer price index for  
6 all urban consumers for the Anchorage Metropolitan Area compiled by  
7 the Bureau of Labor Statistics, United States Department of Labor.  
8 The base year for the computation shall be the first full calendar  
9 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 condition or  
16 illness;

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

21 (3) require prenotification of treatment or a second opin-  
22 ion, or limit coverage by provisions of the insurance contract that  
23 are not applicable to other covered major illnesses or conditions;

24 (4) limit treatment services under the insurance contract  
25 to either an inpatient or outpatient service;

26 (5) exclude from coverage the cost of medically necessary  
27 treatment, including medical or psychiatric evaluation, activity or  
28 family therapy, counseling, or prescription drugs or supplies received  
29 at an approved treatment facility; or

1 (6) deny reimbursement for actual services rendered solely  
2 because treatment was interrupted or not completed.

3 (d) In this section

4 (1) "alcoholism or drug abuse" means an illness charac-  
5 terized by

6 (A) a physiological or psychological dependency, or  
7 both, on alcoholic beverages or controlled substances as defined  
8 in AS 11.71.900; or

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

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

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

18 (4) "cost" means the lesser of the following:

19 (A) the actual charge for the treatment received for  
20 alcoholism or drug abuse; or

21 (B) the usual, customary, and reasonable charge for  
22 the treatment;

23 (5) "covered person" means the insured or subscriber or the  
24 insured or subscriber's covered spouse or dependent child;

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

27 (7) "major medical" means a disability insurance contract,  
28 or subscriber contract that provides benefits for hospital and medical  
29 care with potential lifetime maximum benefits per insured of at least

1 \$10,000;

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

4 \* Sec. 3. AS 21.87.340 is amended to read:

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

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

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

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

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: An act relating to insurance coverage for alcoholism.  
Sponsor: Binkley  
Requestor: \_\_\_\_\_

Agency Affected: Department of Administration  
BRU: Retirement and Benefits  
Components: Retirement and Benefits

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)

Since the State already provides this form of coverage, there is no anticipated increase in the division's budget requirements or the State's health insurance premiums resulting from this bill.

Prepared By: Robert F. Stalnaker Phone: 465-4470  
Division: Retirement and Benefits Date: February 1, 1988

Approved by Commissioner: John M. Andrews Date: 2/4/88  
Agency: Department of Administration

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

RECEIVED  
FEB 5 1988  
LEGISLATIVE FINANCE

ISSUES  
MANDATED GROUP HEALTH INSURANCE  
FOR  
ALCOHOLISM AND DRUG ADDICTION

THE NEED

Alcoholism and drug addiction are primary diseases that kill thousands of Alaskans each year. Addiction is, however, eminently treatable and there are 45 programs approved and partially funded by the state to treat addiction. As many as 35% of the employed patients seeking treatment in Alaska find that they have no insurance coverage or sadly inadequate coverage to pay for the costs of necessary treatment. They are left with borrowing money or returning to their addiction until they become unemployable and seek public support.

The intent of AS SB 363 is simply to recognize chemical addiction as a disease that deserves the same consideration in group health insurance policies as cancer, heart disease and other common illnesses. The bill sets minimum levels of reimbursement for treatment and mandates the same safeguards for treating alcoholics and drug addicts as the insurer provides for victims of other diseases. The long term impact on the insurance industry should be a cost savings since a) studies by insurers (i.e., Philadelphia Blue Cross, California blue Cross) have shown that untreated alcoholics and their families use as much as 10 times the amount of health care services as the norm and b) other studies (i.e., National Council on Alcoholism, U.S. Health and Human Services) reflect that 33% of general hospital beds are filled with patients being treated for illnesses directly related to addiction.

## Expected Pro and Con Arguments

### Con

State should not mandate insurance coverage.

Mandate will not affect policies written out of state.

Mandate actually shows favoritism for alcoholism and drug addiction.

Mandate costs too much.

Mandate will increase costs of State employee coverage.

Mandate will increase out of state hiring.

### Pro

State already mandates coverage for newborns as well as mandatory payment to a wide range of providers. Neither insurers or employers, due to collective denial, will add addiction coverage without mandate.

26 states already have mandates (including Washington and Oregon). In the experience of 7 other states, large numbers and self-insurers use law as guidelines in establishing a standard for their employers and subscribers.

Proposal would simply begin to give parity to addiction treatment in health care plans, other common illnesses carry much higher reimbursement levels than those in the bill.

Historically, only 1/2 of 1 percent of subscribers having coverage actually use coverage, average premium increase in 7 states is 4%, often much less (e.g., blue Cross of Washington requested 2.5% increase after enactment of Washington regulations). We already pay 170-200 million dollars a year in costs due to untreated alcoholism.

If bill is adjusted, the coverage for inpatient treatment could drop to 7,000 from an unlimited amount right now. There should be a cost savings if this occurs.

Blatantly emotional, obstructive argument. The issue is not large enough to cause a ripple in this area.

Some Actual Cases (Fictionalized Names)

Donna K., 16 years old, brought to treatment after suicide attempt and long drug and alcohol addiction. Parents insurance contract would not reimburse for inpatient treatment despite clear need for same. Patient maintained on an outpatient basis while parents seek money for inpatient stay.

Charles T., 35 years old, arrives for treatment admitting addiction has caused him to miss 40 days of work and estrange family. Insurance plan allowed only \$2,000 of coverage with 40% copayment. Discouraged, he has continued drinking and has lost his job.

1 IN THE SENATE

BY BINKLEY, HALFORD, STURGU'LEWSKI,  
FAIKS, JONES, RODEY, COGHILL,  
DUNCAN, FISCHER AND ZHAROFF

2

SENATE BILL NO. 363

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."

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

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

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

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

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

28 (1) benefits of at least \$7,000 over two consecutive  
29 benefit years; and

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

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

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

11                   (1) require that the insured or subscriber pay a higher  
12 deductible or co-payment for the cost of treating alcoholism or drug  
13 abuse than for the cost of treating another condition or illness;

14                   (2) require prenotification of treatment, a second opinion,  
15 limit coverage on an inpatient or outpatient basis, or require a  
16 specific form of treatment;

17                   (3) exclude from coverage the cost of medical or psychiat-  
18 ric evaluation, activity or family therapy, counseling, or prescrip-  
19 tion drugs or supplies received at an approved treatment facility; or

20                   (4) deny coverage solely because treatment was interrupted  
21 or not completed.

22                   (d) In this section

23                   (1) "alcoholism or drug abuse" means an illness charac-  
24 terized by

25                   (A) a physiological or psychological dependency, or  
26 both, on alcoholic beverages or controlled substances as defined  
27 in AS 11.71.900; or

28                   (B) habitual lack of self control in using alcoholic  
29 beverages or controlled substances to the extent that the

1 person's health is substantially impaired or the person's social  
2 or economic function is substantially disrupted;

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

6 (3) "co-payment" means the portion of the cost to be paid  
7 by the insured or subscriber;

8 (4) "cost" means the lesser of the following:

9 (A) the actual charge for the treatment received for  
10 alcoholism or drug abuse; or

11 (B) the usual, customary, and reasonable charge for  
12 the treatment;

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

15 \* Sec. 3. AS 21.87.340 is amended to read:

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

24 (1) AS 21.03

25 (2) AS 21.06

26 (3) AS 21.09, except AS 21.09.090

27 (4) AS 21.18.010

28 (5) AS 21.18.030

29 (6) AS 21.18.040

- 1 (7) AS 21.18.120
- 2 (8) AS 21.21.321
- 3 (9) AS 21.36
- 4 (10) AS 21.69.400
- 5 (11) AS 21.69.520
- 6 (12) AS 21.69.600, 21.69.620, and 21.69.630
- 7 (13) AS 21.78
- 8 (14) AS 21.90
- 9 (15) AS 21.42.345 - 21.42.365 [AS 21.42.345 AND 21.42.355]
- 10 (16) AS 21.89.040
- 11 (17) AS 21.89.060.

12 \* Sec. 4. AS 21.42.365, enacted by sec. 2 of this Act, applies to  
13 disability insurance policies and to hospital or medical service subscriber  
14 contracts entered into or renewed after January 1, 1989.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: Finance

\*\*FISCAL NOTE(S) ATTACHED \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

1/22/88  
Mr. President:

DATE TURNED INTO OFFICE \_\_\_\_\_

HESS

Committee considered

SB 363

insurance coverage for treatment of alcoholism or drug abuse

and recommended:

- replace with CS \_\_\_\_\_  same title
- attached amendment(s) and  new title
- do pass *and a majority of the Comtee recommends do pass with amendments*
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_
- letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

<i>Kattula</i>	<i>with Amendments</i>	<i>Ken Fanning</i>	<i>DO Rec</i>
<i>Greg Jones</i>	<i>with Amendments</i>		
_____			
_____			
_____			
_____			

*Darl Fisher* Do Pass with Amendments  
Chairman signature and recommendation

Committee Backup Attached

C S S B

3 6 3

**HOUSE COMMITTEE REPORT**

(11)

Date referred: 4/14/88

FURTHER REFERRALS:

DATE: 4-25-88

The Finance Committee has considered CSSB 363 (Fin)

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

**RECOMMENDS:**

- replace with \_\_\_\_\_  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 3/30/88 (3)
- zero with analysis

**SIGNING DO PASS:**

Burchot *[Signature]*

Brown *[Signature]*

Boyer *[Signature]*

Davis *[Signature]*

**SIGNING OTHER RECOMMENDATIONS:**

Larson *[Signature]* No Rec.

Rieger *[Signature]* No Recommendation

*[Signature]*

Chairman's signature

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: Senate 3/30/88

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_

Agency Affected: Health & Social Services

Title: "An Act relating to insurance cover-  
age for treatment of alcoholism and drug abuse."

BRU: \_\_\_\_\_

Sponsor: Binkley

Components: \_\_\_\_\_

Requestor: \_\_\_\_\_

**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						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

<b>CAPITAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
----------------	------------	------------	------------	------------	------------	------------

<b>REVENUE</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
----------------	------------	------------	------------	------------	------------	------------

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**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: *Michael H. Hansen*

Date: 2-1-88

Agency: *Matthew Felix*

Distribution (by preparer):

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

FISCAL NOTE

REQUEST:

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

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-

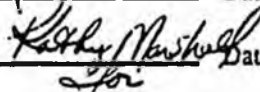
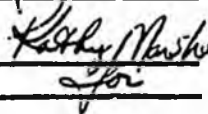
POSITIONS:

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.

not offered

AMENDMENT #1

TO: CSSB 363 (Fin)

Page 1, line 25

Page 2, line 10

Page 3, line 10

Page 4, line 11

After the word "hospital," delete any commas and add service corporation

Page 5, line 25

After the word "Hospital," add service group

REASON: Clarifies the intent of the bill making specific references to separate, but statutorily defined, entities...a hospital service corporation or a medical service corporation.

AMENDMENT #2

TO CSSB 363 (Fin)

Page 3, line 6-7

Page 3, line 12

Page 3, line 13

Delete the words [or subscriber]

REASON: This is a technical amendment because the bill deals with group policies, not individual subscribers to a group policy.

AMENDMENT #3

TO: CSSB 363 (Fin)

Page 3, line 9-10

Replace the language [in either the current calendar year or the preceding calendar year] with the following:

during the preceding consecutive 12-month period.

REASON: Because insurance contracts begin in every month of the year, using the most recent 12-month period gives the most current and most accurate experience in the coverage area.



**NFIB**® National Federation  
of Independent Business

The Guardian of Small Business

April 25, 1988

TO: HOUSE FINANCE COMMITTEE

FROM: GARY L. JENKINS, DIRECTOR, GOVERNMENTAL RELATIONS

SUBJECT: POSITION ON CSSB 363 (Finance)

This legislation incorporates a concept which is of grave concern to small business across Alaska. The issue is mandating any type of benefit which a business is required to provide for employees and pay the cost. In response to this question on our 1986 ballot, NFIB/Alaska members voted 75% opposed, 15% in favor and 10% no opinion. The mandating of a benefit is in effect a levy of a state tax on those employers who are required to provide the benefit.

Please note that the amended version of the bill which passed the Senate and is now before the committee, represents a compromise which NFIB/Alaska has agreed not to oppose because it minimizes the impact on small businesses in Alaska. However, we urge the committee to look at the goals of this legislation and fashion a solution which will more effectively address the issue and be paid for by those most likely to need the treatment.

We suggest that the committee consider establishing the basic program as set forth in SB 363, however, instead of requiring those businesses who can afford to provide insurance as a benefit to pay the cost, levy a tax on all alcoholic beverages and addictive drugs sold in Alaska to provide funding for the program. A levy of \$.75 per gallon on alcoholic beverages brought into Alaska would generate revenue of over \$12 million per year. A 5% tax on addictive drugs brought into Alaska for sale would also generate several million dollars. Thus, the people who are buying the products which are the primary causes of the problem being dealt with would be paying for the costs of the treatment. There would be a variety of administrative issues to be resolved in pursuing this concept, however, none of them should prove to be insurmountable.

If any members of the committee have questions regarding our position on SB 363 or our alternative proposal, feel free to contact me at 586-4100.

NFIB/ALASKA  
Legislative Office  
P.O. Box 210194  
Auke Bay, AK 99821  
907/586-4100

«DATA senators names»

MEMORANDUM

April 5, 1988

TO: Senator «firstname» «lastname»

FROM: Senator John Binkley

RE: Senate Bill 363 - Relating to Insurance Coverage for  
Treatment of Alcoholism or drug abuse

---

Attached is a packet which includes an overview of SB 363 and the issue of including alcoholism and drug abuse coverage in group health insurance plans, the Senate Finance Committee Substitute for SB 363, position papers, research by the Senate Advisory Council relating to health insurance policies of various businesses and other entities in Alaska, and other supportive research.

Working with the National Federation of Independent Businesses, we have forged a committee substitute which would require that the coverage be offered to small businesses (those with fewer than 20 permanent, fulltime employees). NFIB inow finds the legislation acceptable, and I am hopeful that small businesses in Alaska will follow the standard established by the legislation and include treatment for alcoholism and drug abuse in their group health insurance policies.

Alcohol and drug abuse costs us all. In 1985 SOADA estimated these costs are more than \$170 million, a cost of \$12 for every \$1 the state received in revenues. In the same study they estimated the loss of income to Alaska families at nearly \$55 million. The Municipality of Anchorage recently estimated the economic costs at nearly \$200 million. Costs to employers include decreased job performance, increases in absenteeism (4-8 times greater), increased usage of health insurance for medical problems which arise when the primary disease of alcoholism is not addressed, and increased usage of health insurance by family members who develop medical problems caused by living with a substance abuser.

Health insurance coverage which includes alcohol and drug abuse treatment on an equal basis with other diseases benefits all of us. It makes it possible for more substance abusers to receive treatment when needed; it reduces the costs to society from such things as loss of work, automobile accidents, the overuse of insurance for related illnesses, and increased workers' compensation claims.

April 5, 1988  
Page 2

---

While a few individuals have voiced their concern over possible increased costs, those states who have forged the path before us (34 states now have enacted similar legislation) have found these costs to very minor. Inquiries we have made have suggest that increases for those who have some type of coverage may be no additional cost whatsoever. DHSS's position paper notes: ". . . 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."

Pat Jackson of my staff is working on this legislation if you'd like additional information or have questions.

## 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.
  - For small businesses, 20 employees or fewer, would require the offer be made.
  - 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).

National Federation of Independent Businesses supportive of legislation with finance amendment that requires the offer be made to businesses of 20 or fewer permanent, fulltime employees.

### **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.

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 Blose 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 apparent 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.F.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

# ALASKA NETWORK ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT

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

Alaska Network on Domestic Violence and Sexual Assault  
Aiding Women in Abuse and Rape Emergencies (AWAEE)  
Alaska Women's Resource Center (AWRC) Arctic Women's Center (AWC)  
Bering Sea Women's Group (BSWG) Emmonak Women's Center (EWCC)  
Kodiak Women's Resource & Crisis Center (KWRC)  
Manitlaq Regional Women's Crisis Program (MRWCP)  
Safe & Fear-Free Environment (SAFE) Sitkas 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 (WCCA)  
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 individual's 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, 1997, Austin Texas.)

Municipality  
of  
Anchorage



ANCHORAGE, ALASKA 99501  
(907) 264-4111

Tom Fink  
MAYOR

*Pat*

MUNICIPAL HEALTH & HUMAN SERVICES COMMISSION

March 9, 1988

RECEIVED MAR 14 1988

Senator John Binkley  
Senate Finance Committee, Chair  
Alaska State Legislature  
POB V  
Juneau, Alaska 99811

Dear Senator Binkley,

The Municipal Health and Human Services Commission would like to lend their full support to the passage of SB363. In 1984, the economic cost related to alcohol abuse was \$195.5 million; the economic cost associated with drug abuse was \$62.4 million. Absenteeism among alcoholics and problem drinkers is 4-8 times greater than the average. Problem drinkers and alcoholics attempt suicide 6-15 times more than the general population.

Substance abuse is ranked as the second highest behavioral and mental health priority in the Anchorage Health and Human Services Plan (January 1988). There are countless statistics which quantify the social, economic, and psychological devastation attributable to substance abuse. The provision of insurance coverage for substance abuse is an important measure in Alaska's effort to control alcoholism and drug abuse. It is a measure long overdue.

If I can answer any questions, I would be happy to. You can reach me at 562-2828, or you can call our staff at 343-4674.

Sincerely,

Gari B. Andreini, Chair  
Municipal Health and Human Services Commission

cc: Senate Finance Committee  
Anchorage Municipal Assembly  
Tom Fink, Mayor, Municipality of Anchorage  
Ron Garzini, Manager, Municipality of Anchorage  
Robert A. (Bert) Hall, Director, Health and Human Services,  
Municipality of Anchorage

SJ18/dPD20

RECEIVED MAR 15 1988

RECEIVED MAR 15 1988

RESOLUTION

Family Recovery Center  
Advisory Committee  
of the  
Central Peninsula General Hospital  
Soldotna, Alaska

Whereas drug and alcohol abuse has an economic, social, and morally debilitating effect on the community and;

Whereas the economic cost of alcohol and drug abuse in Alaska is estimated to be \$175,000,000 annually and;

Whereas drug and alcohol abuse is a treatable disease and services can be provided through community based treatment programs and;

Whereas the Family Recovery Center of the Central Peninsula General Hospital provides such services and;

Whereas the Family Recovery Center is reliant upon client fees for services provided to support its operations;

Now Therefore Be It Resolved:

The Advisory Committee of the Family Recovery Center is fully supportive of the mandatory insurance coverage for the treatment of alcoholism and drug abuse as is contained in the provisions of House Bill 403 and Senate Bill 363.

*Sharon Jean*  
-----  
Sharon Jean, Chairperson  
Advisory Committee  
Family Recovery Center

*March 1, 1988*  
Date

# Alaska State Legislature

Senate Advisory Council



PO Box 110  
State Capitol  
Juneau, Alaska 99801  
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.

## SUMMARY

<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

<b>Business</b>	<b>Number of Employees</b>	<b>Medical Plan</b>
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 Advisory Council



PO Box 11  
State Capitol  
Juneau, Alaska 99801  
Phone (907) 465-3111

## MEMORANDUM

TO: Senator Binkley  
Alaska State Senate

FROM: Carol R. Vandor *CV*  
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

# Alaska State Legislature

Senate Advisory Council



PO Box 11  
State Capitol  
Juneau, Alaska 99801  
Phone (907) 465-3111

## MEMORANDUM

TO: Senator Binkley  
Alaska State Senate

FROM: Carol R. Vandor *CRV*  
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 Birkley  
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	29.6	\$ 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	<u>2.6</u>	<u>\$ 4,470</u>
TOP 5 TOTALS	80.0	\$ 138,684
REMAINING	20.0	\$ 35,039
TOTAL ALL COMPANIES	100.0	\$ 173,723

Don Kisch  
followed this over  
1 25 77



**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 \$.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  
9505 East Orchard Road  
Englewood, CO 80111 Tel. (303) 889-3000  
Address change to: P. O. Box 1000, Englewood, CO 80111

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 classification 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

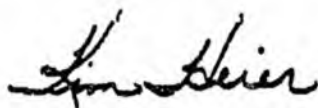
This policy produced a monthly rate of \$5,440.17. When I add the current optional outpatient benefit to this policy using a \$50 office visit maximum, the premium increased to \$5,471.22. This is a .6% increase. At this point I used our actual claims data and added to the system to pay outpatient claims at the higher level. This produced a monthly premium of \$5,523.74, 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:gl

# Alcoholism Treatment and Total Health Care Utilization and Costs

## A Four-Year Longitudinal Analysis of Federal Employees

Harold D. Holder, PhD, James O. Biase, MPP

This study examines the effect of alcoholism treatment services on overall health care utilization and costs for health insurance enrollees under the Federal Employees Health Benefit Program with Aetna Insurance Company, 1980 through 1983. Claims filed by 1697 treated alcoholics (and their family members) continuously enrolled with Aetna during the study period were examined. 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. For alcoholics less than 45 years of age, costs eventually declined to a point comparable with the lowest pretreatment levels.

(JAMA 1986;256:1456-1460)

EARLIER studies have established that alcoholics have lower life expectancies and thus higher mortality rates at younger ages than nonalcoholic populations.<sup>1,2</sup> Regular heavy ingestion of ethanol increases the chances of physical illness and early death.

On the average, alcoholics consume medical care resources at a much higher rate than nonalcoholic individuals.<sup>3,4</sup> There have been few studies, however, of the way that alcoholism treatment affects overall health care utilization and costs. This relationship has become an important issue during the past decade as more insurance carriers, self-insured companies, and health maintenance organizations (HMOs) have covered and/or provided alcoholism treatment. Several studies have examined

the impact of alcoholism treatment on medical care cost and utilization using data from prepaid plans or HMOs (H. Hunter, unpublished data, November 1978).<sup>5</sup> These have generally found a reduction in health care utilization or cost following alcoholism treatment. Holder and Hallan<sup>6</sup> report similar findings in a study of alcoholics in a fee-for-service population. Research in this area has been more thoroughly reviewed by Jones and Vischi<sup>10</sup> and Saxe et al.<sup>11</sup> While these studies consistently show decreases in overall health care utilization following alcoholism treatment, the generalizability of the findings can be questioned because of the possibility of self-selection in enrollment with HMOs.<sup>12,13</sup> Further, most of this research is based on relatively small numbers of cases concentrated in specific geographic areas.

The study reported herein provides further evidence regarding changes in general medical care utilization and

costs following initiation of alcoholism treatment. This research sought to avoid several limitations of many prior studies<sup>10</sup> by the use of several design features: (1) a large, continuously enrolled treated alcoholic population (about 1,700 subjects), (2) a geographically diverse population including cases from all 50 states, (3) longer pretreatment and posttreatment time periods, (4) use of multiple cost and utilization measures to corroborate any observed effects, and (5) use of a comparison group.

In addition to providing an opportunity to corroborate the findings of previous small regional studies with a sizable national data base, this research has the capacity to extend our knowledge in two directions: (1) The large number of cases permits some exploratory analyses to be conducted on alcoholics of differing ages; and (2) the long time period examined provides a longer and more detailed picture of the pretreatment cost patterns of alcoholics than has been possible.

### RESEARCH APPROACH

The data for this study were derived from a review of all claims filed with the Aetna Life and Casualty Company during the calendar years 1980 through 1983 by all persons insured under the Federal Employees Health Benefit Program. As of September 1983, the Aetna plan covered 390 000 enrollees (federal employees and retirees) and about 980 000 beneficiaries in all. About half of all enrollees were aged 60 years or older. During the four-year

From The Human Ecology Institute, Chapel Hill, NC (Dr Holder and Mr Biase), and the School of Public Health, University of North Carolina at Chapel Hill (Dr Holder).  
Reprint requests to The Human Ecology Institute, 211 N Columbia St, Suite B, Chapel Hill, NC 27514 (Dr Holder).

study period, 254 individuals filed claims for alcoholism treatment.

An alcoholic was defined as any person who had received medical treatment under a primary diagnosis of alcoholism. Aetna utilized a limited classification system for coding types of illnesses but did identify alcoholism diagnoses as a single group. Aetna did not utilize International Classification of Diseases codes during the time period covered by the study.

Since the primary purpose of the study was to examine longitudinal patterns of medical care, only those families that had continuous health insurance coverage with Aetna during the study period were used for analysis. Of all families with at least one alcoholic member, 1645 (57%) were continuously enrolled. Those dropped from the longitudinal analysis were demographically similar to the continuously enrolled families, and no temporal patterns in enrollment discontinuity were evident.

A randomly selected group of continuously enrolled families that had filed no claims for alcoholism treatment during the study period was chosen. This random sample was stratified by age to ensure that the age distribution matched that of families with alcoholic members. The sample size (N=3598) was twice that of the alcoholic family group. This group was used only to make comparisons with the alcoholic families regarding general medical care utilization patterns. It would be inappropriate to utilize such a comparison group for making inferences regarding the impact of alcoholism treatment.<sup>14</sup>

No statistically significant differences in demographic characteristics ( $P<.01$ ) were found between the two family groups. Both had a mean family age of approximately 50 years. This similarity in age was the result of selecting an age-stratified comparison group. Mean family size was  $2\frac{1}{2}$  persons. Family composition was similar as well.

All medical care claims for both groups for services rendered during the period from January 1980 through September 1983 were analyzed. Claims for medical services received during the final quarter of 1983 were incomplete because many such claims would not be filed until early 1984. Costs were defined as unique charges for services submitted to Aetna by medical care providers. Although the cost measures used here are limited to services for which claims were filed with Aetna, the Aetna plan is rather inclusive, and these measures thus serve as fairly comprehensive indicators of overall

health care utilization. Federal employees and annuitants can be insured under only one government-sponsored plan, including HMOs approved under the Federal Employees Health Benefit Program. While membership by Aetna enrollees or members of their families in other HMOs is possible, we consider it unlikely given the high average age of Aetna enrollees and the large number of retirees enrolled. All charges were adjusted to control for inflation during the study period using the Medical Care Index developed by the US Department of Labor as part of the Consumer Price Index. All cost figures cited herein are stated in January 1980 dollars.

Under the Federal Employees Health Benefit Program with Aetna, alcoholism treatment is explicitly covered under the surgical and medical expenses for mental disorders. There are two annual inpatient treatment benefit limits: \$20 000 (high-option coverage) and \$15 000 (low option). About 80% of the families in both the alcoholic and nonalcoholic study groups retained high-option coverage throughout the four-year period. Inpatient treatment is covered only if part of a program of therapy supervised by a physician who certifies that a follow-up program has been established. Inpatient care for detoxification alone without an associated therapy program is not covered by the plan. Outpatient treatment coverage includes the services of a physician or clinical psychologist. Services rendered by other providers are covered if they are supervised by a physician specializing in psychiatry. Annual outpatient treatment benefits are limited to \$1000 (high-option coverage) and \$750 (low option).

## RESULTS

The total medical care utilization and costs of the two family groups were examined by calendar year. This family-based comparison ensures the broadest frame of reference, ie, all insured individuals are included. No statistically significant differences were found across calendar years within either group. The four-year average per capita monthly health care costs for families with an alcoholic member were \$209.60, or almost 100% higher than comparable costs (\$106.54) for families with no apparent alcoholic members (statistically significant at  $P<.01$ ) (Fig 1). Most of this difference resulted from higher monthly inpatient costs (\$164.50 per person) for the families with an alcoholic member. These figures include both general

medical care and alcoholism treatment costs. When alcoholism treatment costs are omitted, the average per capita monthly health care cost of the alcoholic families was \$130.88.

The mean age for the 1697 treated alcoholics was 51 years. The age distribution is shown in Fig 2, which shows that 85% were 35 and older and that more than 50% were more than 54 years old. About 65% were male. Treated alcoholics were located in all 50 states. Two thirds of those receiving alcoholism treatment were enrollees (employees or annuitants), 24% were spouses, and 11% were dependent children.

The primary form of alcoholism treatment was inpatient care, with an average length of stay of 21.7 days. Inpatient alcoholism care was received by 77% of the treated alcoholics and accounted for 95% of all alcoholism treatment costs. The utilization rate of the alcoholism benefit was low—less than 1% of covered individuals were treated for alcoholism in any given year. The estimated benefit cost for Aetna's alcoholism treatment coverage was \$1.34 per covered individual per year. About 65% of all charges were paid under the plan.

Most of the inpatient care was concentrated in general hospitals (82% of inpatient admissions). Other forms of inpatient or residential care, such as specialized alcoholism hospitals (9.2%) and hospital-affiliated inpatient or alcoholism care centers (6.3%), were used less frequently. Outpatient care was concentrated in physicians (66.4%) and general hospitals (13.7%). Other outpatient providers included clinical psychologists (5.7%), specialized alcoholism hospitals (2.8%), and psychiatric social workers (3.0%).

No individuals exceeded the annual benefit limits for inpatient alcoholism treatment and the outpatient benefit limits were exceeded only rarely—in less than 1% of the cases. Benefit limits thus did not result in any significant underestimation of alcoholism treatment cost or utilization.

The pattern of overall medical care for treated alcoholics was analyzed using the first known alcoholism treatment event as a reference point. The date of first alcoholism treatment was determined based on the available claims data. While it is possible that some individuals had previously received alcoholism treatment, this is unlikely to be a significant problem.

Since alcoholics began treatment during each month of the study period, individuals had varying amounts of pre- and post-alcoholism treatment initiation data available for analysis.

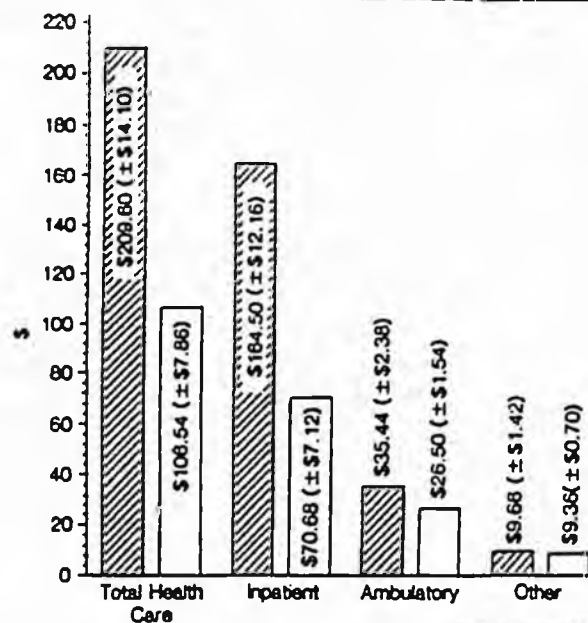


Fig 1.—Family health care costs (per capita monthly average), 1980 through 1983, for alcoholic (slashed bars) and nonalcoholic (solid bars) groups. Ninety-five percent confidence limits are given in parentheses.

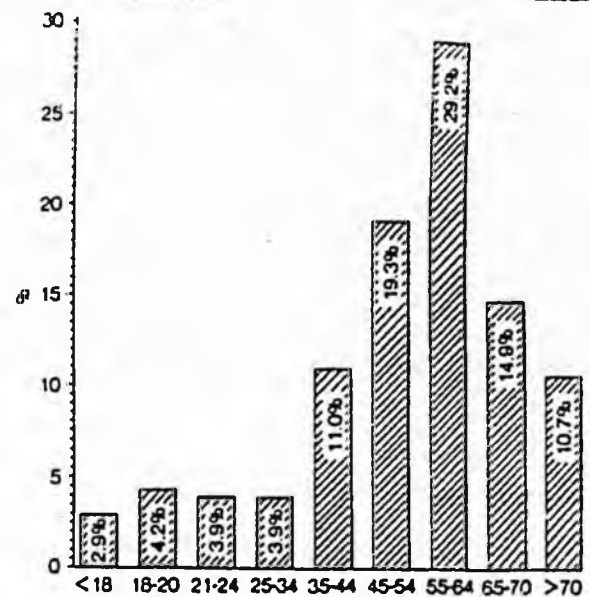


Fig 2.—Age of persons receiving alcoholism treatment.

Table 1.—Longitudinal Patterns in Total Health Care Cost and Utilization for Individuals With Available Data for 24-Month Pretreatment Period and 12-Month Posttreatment Period\*

Variable	13-24-mo Pretreatment Mean	1-12-mo Pretreatment Mean	1-12-mo Posttreatment Mean	F	P
Total cost	\$247	\$398	\$251	4.76	<.01
Inpatient cost	\$192	\$318	\$191	4.11	.01
Ambulatory cost	\$41	\$49	\$47	0.49	.61
No. of inpatient days	0.7	1.6	0.7	9.98	<.01
No. of inpatient treatment events	0.03	0.07	0.05	13.60	<.01

\*N=344. First alcoholism treatment claim and its associated cost and utilization have been excluded.

Table 2.—Longitudinal Patterns in Total Health Care Cost and Utilization for Individuals With Available Data for 12-Month Pretreatment Period and 24-Month Posttreatment Period\*

Variable	1-12-mo Pretreatment Mean	1-12-mo Posttreatment Mean	13-24-mo Posttreatment Mean	F	P
Total cost	\$290	\$242	\$192	3.85	.02
Inpatient cost	\$225	\$188	\$150	2.55	.07
Ambulatory cost	\$48	\$45	\$35	2.31	.09
No. of inpatient days	1.2	1.0	0.6	4.73	<.01
No. of inpatient treatment events	0.06	0.05	0.04	6.48	<.01

\*N=338. First alcoholism treatment claim and its associated cost and utilization have been excluded.

We tested for statistically significant changes in medical care cost and utilization using two groups of individuals having pretreatment and posttreatment periods of similar length: (1) persons for whom a full 24 months of

pretreatment data and 12 months of posttreatment data were available and (2) persons with 12 months of pretreatment and 24 months of posttreatment data. Mean monthly cost and utilization for specific 12-month intervals

were examined. Costs associated with the first alcoholism claim have been excluded from these and all subsequent analyses reported herein. Since initial alcoholism treatment usually involved an expensive inpatient stay, including these costs in the analysis tended to obscure the pattern of general medical care utilization. All subsequent costs for alcoholism treatment were included, however.

The total health care costs of group 1 (24 months of pretreatment and 12 months of posttreatment data, N=344) averaged \$247 per month during the period from 13 to 24 months prior to treatment initiation and rose to \$398 per month during the year immediately prior to treatment. This declined to an average of \$251 per month during the year following treatment initiation (Table 1). Those in group 2 (N=338) had an average monthly total health care cost of \$290 per month during the 12 months prior to treatment (Table 2). This declined to \$242 per month during the first year following treatment initiation and then declined further to a monthly average of \$192. Each of the mean comparisons was statistically significant at  $P < .02$ . These changes in overall monthly medical care are primarily the result of changes in inpatient utilization (Tables 1 and 2). While the longitudinal cost patterns of the two groups are similar, they appear to differ in average monthly costs for the 12-month pretreatment period. Some differences between groups should be expected due to stochastic variation.

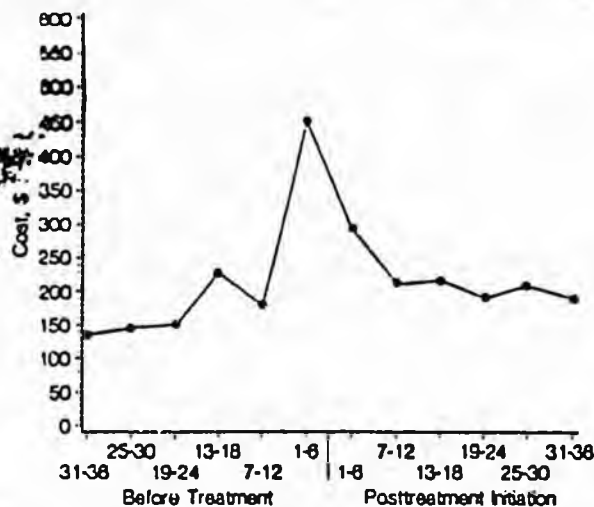


Fig 3.—Average monthly total health care costs for alcoholic individuals by six-month intervals (total population). Costs associated with first alcoholism treatment encounter were excluded.

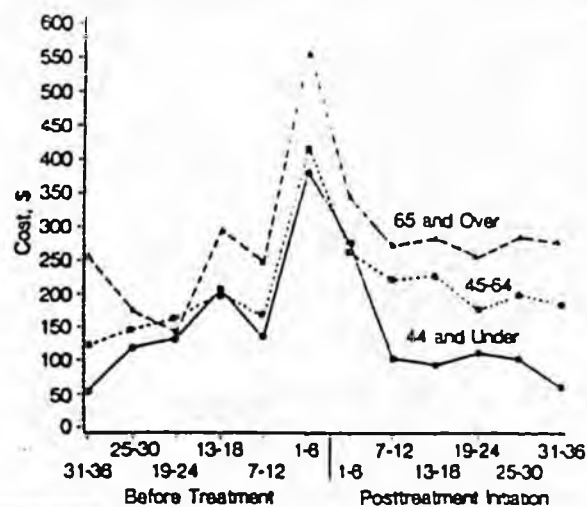


Fig 4.—Average total health care costs for alcoholic individuals by six-month intervals, by age group. Costs associated with first alcoholism treatment encounter were excluded.

Although the precise reasons for this particular difference are unclear, it is fairly certain that it is not due to a systematic discrepancy between individuals beginning treatment at different times. A comparison of the demographic characteristics of each of the four-year cohorts found no statistically significant differences. A cross-cohort comparison of average monthly costs also found no significant differences.

Taken as a whole, these results clearly indicate that mean monthly total medical care costs gradually increase before the initiation of alcoholism treatment, decline immediately following treatment initiation, and continue to decline at least into the second year.

These statistical analyses of specific subgroups were necessary to ensure that individuals were compared across similar time periods. However, overall patterns in monthly total medical care costs can also be examined by pooling the pretreatment and posttreatment data from all 1697 treated alcoholics to obtain a distribution of average monthly costs per individual during a six-year period (36 months before and after treatment initiation). A plot of this distribution is shown in Fig 3, using means for 12 different six-month intervals, where the midpoint on the horizontal axis is the start of alcoholism treatment. Monthly cell sizes always exceed 300 individuals.

This plot shows that, on the average, from 36 to 12 months before alcoholics begin alcoholism treatment their medical care costs gradually increase, with average monthly costs per person rising from approximately \$130 to \$179. During the year before treatment

begins, however, total medical care costs rise much faster. The average monthly medical care cost rose to \$452 in the six-month period before alcoholism treatment and to \$1370 in the final month.

After treatment begins, total medical care costs drop fairly rapidly for about 12 months. This drop continues, though more slowly, during the next two years. Total health care costs averaged \$294 per month during the six months following treatment initiation, but only \$190 per month by the third post-treatment initiation year.

While this pattern of overall medical care costs was almost identical for both men and women, alcoholics of different ages showed distinct medical care cost patterns. We examined three age groups: less than 45 years, 45 to 64 years, and 65 years and older. Alcoholics in each age group followed the general patterns of the total group (Fig 4). Yet there was a clear association between age and the extent of the drop in medical care costs following the start of alcoholism treatment. By 36 months after the start of treatment, the average monthly total costs of those less than 45 years ( $N=440$ ) had dropped to a level comparable with that experienced 36 months prior to treatment.

The middle age group (45 to 64 years old,  $N=823$ ) is most like the model age of groups typically represented in previous studies of treated alcoholics. The health care costs of this group also dropped significantly following the start of alcoholism treatment, although they did not reach levels as low as those existing several years prior to treatment. The oldest group ( $N=434$ ),

which consisted primarily of retirees, experienced the highest overall medical care costs and showed the least convergence to the levels that existed prior to initiation of alcoholism treatment.

#### COMMENT

The results presented herein provide important confirmation of the findings of previous studies showing a decline in the health care costs of alcoholics following the initiation of treatment. No study of a single enrolled population can be definitive, given both the diversity of the alcoholic population and the diversity of populations enrolled under employee health benefit plans, as well as variances in types of coverage and services available in different regions of the United States. Nonetheless, this research is probably more generalizable than many previous studies based on smaller regional samples. Additionally, the long time period available for analysis allowed us to examine the pretreatment medical care cost patterns of alcoholics more thoroughly than has been possible in prior research. This examination identified more clearly the nature of the rapid increase in costs that occurs in the year immediately preceding initial alcoholism treatment. It appears that within the six months prior to the start of alcoholism treatment, the emotional and physical problems of the average alcoholic escalate. These worsening problems manifest themselves in the use of additional health care services. This sharp upward ramp is not unique to alcoholism but also occurs for other chronic diseases.<sup>13</sup>

Further, the large sample size permitted for the first time an exploration

of the possibility that the effects of alcoholism treatment on health care could vary by age. Indeed, the findings indicate that this may be the case. Only for persons less than 45 years of age did posttreatment health care costs eventually decline to a level as low as that experienced several years prior to alcoholism treatment. While persons in older age groups also experienced declining costs after starting treatment, these costs did not decline to a point comparable with the lowest pretreatment levels. This is likely a result of the increasing medical care costs that accompany aging,<sup>16</sup> as well as potentially more serious alcohol-related health problems due to a longer period of chronic abuse.<sup>17,18</sup>

It is possible that some of the post-treatment decline in total medical care costs resulted from factors other than the treatment itself, particularly statistical convergence to the mean. While

this factor may be operating for some individuals in the period immediately following treatment initiation, the longer-term decline in posttreatment costs is more likely the result of alcoholism treatment.

The effects of specific forms of treatment cannot be evaluated using these data. Rather, the findings are relevant to an actuarial concern for the extent of risk for increased benefit payments by a health insurance company, a self-insured employer, or an HMO. From this perspective, the aggregate reductions in total health care costs associated with alcoholism treatment in a situation where there is no direct control of the quality or type of alcoholism treatment are most relevant.

Random assignment to treatment and "no treatment" conditions to control for motivation to seek care is not possible in studies of this type. In any case, it is unlikely that a "no treat-

ment" alcoholic group randomly selected from the same enrolled population could be diagnosed and ethically denied care. Further, enrollees who are motivated to seek alcoholism treatment are the ones most likely to experience reductions in health care utilization and cost. The health policy question is not whether alcoholism treatment can bring about a reduction in total health care under controlled conditions but whether such treatment as actually rendered to a large population that is motivated to seek care can result in reduced overall health care costs. The results of this study provide further evidence that this question should be answered affirmatively.

This research was conducted under a contract from the National Institute on Alcohol Abuse and Alcoholism, US Department of Health and Human Services, contract ADM 281 83 0011.

#### References

- Pell S, D'Alonzo CA: A five-year mortality study of alcoholics. *J Occup Med* 1973;15:120-125.
- Room R, Day N: *Alcohol and Mortality*, special report to National Institute on Alcohol Abuse and Alcoholism. US Dept of Health and Human Services, 1974.
- Thaler H: Alcohol consumption and diseases of the liver. *Nutr Metab* 1977;21:186-193.
- Hallan JB: Health insurance coverage for alcoholism: A review of costs and objectives. *Alcohol Health and Res Work* 1981;4:16-21.
- National Institute on Alcohol Abuse and Alcoholism: *Development of Cost Simulation Study of Alcoholism Insurance Benefit Packages: Project Description and Recommendations*. Rockville, Md, US Dept of Health and Human Services, 1983.
- Brock CB, Boyatzis TG: *Group Health Association of America Study: Alcoholism Within Prepaid Group Practice HMOs*. Rockville, Md, National Institute on Alcohol Abuse and Alcoholism, 1978.
- Sherman RM, Reiff S, Forsythe AB: Utilization of medical services by alcoholics participating in an outpatient treatment program. *Alcoholism Clin Exp Res* 1979;3:115-120.
- Hayami DE, Freeborn DK: Effect of coverage on use of an HMO alcoholism treatment program, outcome, and medical care utilization. *Am J Public Health* 1981;71:1113-1143.
- Holder HD, Hallan JB: *Medical Care and Alcoholism Treatment Costs and Utilization: A Five-Year Analysis of the California Pilot Project to Provide Health Insurance Coverage for Alcoholism*. Chapel Hill, NC, H-2 Inc, 1981.
- Jones KR, Vischi TR: Impact of alcohol, drug abuse and mental health treatment on medical care utilization. *Med Care* 1979;17:1-82.
- Saxe L, Dougherty D, Eaty K, et al: *The Effectiveness and Costs of Alcoholism Treatment*. Congress of the US, 1981.
- Berkl SE, Ashcraft M, Penchansky R, et al: Enrollment choice in a multi-HMO setting: The roles of health risk, financial vulnerability, and access to care. *Med Care* 1977;15:95-114.
- Jackson-Beock M, Kleinman JH: Evidence for self-selection among health maintenance organization enrollees. *JAMA* 1983;250:2826-2829.
- Cook T, Campbell D: *Quasi-Experimentation: Design and Analysis Issues for Field Settings*. Boston, Houghton Mifflin Co, 1979.
- Schlesinger HJ, Mumford E, Glass GV, et al: Mental health treatment and medical care utilization in a fee-for-service system: Outpatient mental health treatment following the onset of a chronic disease. *Am J Public Health* 1983;73:422-429.
- National Center for Health Services Research: *National Health Care Expenditures Study—Household Data: United States, 1977*. US Dept of Health and Human Services, in press.
- Maddox G, Robins LN, Rosenberg N (eds): *Nature and Extent of Alcohol Problems Among the Elderly*. Rockville, Md, National Institute on Alcohol Abuse and Alcoholism, 1984.
- Schuckitt MA, Miller FL: Alcoholism in elderly men: A survey of a general medical ward. *Ann NY Acad Sci* 1976;237:558-571.
- Blazer D, George L, Woodbury M, et al: The elderly alcoholic: A profile, in Maddox G, Robins LN, Rosenberg N (eds): *Nature and Extent of Alcohol Problems Among the Elderly*. Rockville, Md, National Institute on Alcohol Abuse and Alcoholism, 1984, pp 275-297.

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

### OFFICE OF ALCOHOLISM AND DRUG ABUSE

STEVE COWPER, GOVERNOR

POUCH 405F  
JUNEAU, ALASKA 99811  
PHONE: 586-6101

January 29, 1987

Lois R. Irvin, President  
Cook Inlet Council on Alcoholism and Drug Abuse  
157 West Bayview Avenue  
Homer, Alaska 99603

Dear Lois:

It was good to talk with you yesterday and learn of your board of directors interest in legislation requiring that insurance companies operating in Alaska cover alcoholism and drug addiction treatment costs as they do other medical conditions. Information available to me from our state directors association indicates that 34 states have enacted such legislation.

The statute by which this agency operates contains a provision that we should pursue this idea.

"A.S. 47.37.040 Duties of office. The office shall...  
(17) encourage all health and disability insurance programs to include alcoholism as a covered illness:"

About six years ago we were successful in obtaining Senate approval of an insurance bill but it died in the House of Representatives and was not enacted.

I have enclosed material related to this issue for your review. We are told the Nevada law has proven to be quite workable.

Again, thank you for your inquiry and please extend our best wishes to your Board members. We really appreciate the time all of you volunteer to improve upon the present alcohol and drug abuse situation.

Sincerely,



George E. Mundell  
Regional Program Coordinator

Enclosure

cc: Kevin Murphy, Director  
Cook Inlet Council on Alcoholism and Drug Abuse